

CPS ENERGY BOARD OF TRUSTEES

NOTICE OF REGULAR MEETING

BY TELEPHONE CONFERENCE

RECEIVED
CITY OF SAN ANTONIO
CITY CLERK

21 JAN 20 PM 1:54

To protect the health of the public and limit the potential spread of COVID-19, the CPS Energy Board of Trustees will hold this meeting via telephone conference. 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. These modified standards shall remain in place until further notice or until the state disaster declaration expires or is otherwise terminated by the Texas Governor.

Notice is hereby given that the CPS Energy Board of Trustees will hold its Regular Monthly Meeting **on Monday, January 25, 2021 at 1:00 p.m., by telephone conference.**

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.

There will be no in-person public access to the meeting.

**The meeting will be audio-streamed at: <https://www.cpsenergy.com/en/about-us/who-we-are/trustees/board-meetings-livestreaming.html>
or by calling toll-free 1 (888) 886-6602.**

Those wishing to speak on an agenda item during the Public Comment portion of the meeting must register on the day of the Board meeting by phone at 210-353-4662. Registration is open for 1 hour, from **10:00 a.m. CT to 11:00 a.m. CT**. Those registering to speak should be prepared to provide the following information:

- First & last name / group or organization
- City & state of residence
- Phone and/or email address
- Agenda item # about which they are speaking
- Group for which the individual is speaking
- Any required translation services

Speakers will be called to speak in the order that they register.

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 telephonic 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.

Fandra Pulis for

Carolyn E. Shellman
Secretary of the Board
January 20, 2021



CPS ENERGY BOARD OF TRUSTEES MEETING
TO BE HELD ON JANUARY 25, 2021 AT 1:00 PM
BY TELEPHONE CONFERENCE
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ITEM	TOPIC	ACTION	PRESENTER/ SPONSOR
1	CALL TO ORDER	Execute	Mr. John Steen
2	SAFETY MESSAGE	Execute	Mayor Ron Nirenberg & Ms. Paula Gold-Williams
3	INVOCATION	Execute	Ms. Amelia Badders
4	PUBLIC COMMENT (Pre-Registration scheduled from 10:00 AM – 11:00 AM @ (210) 353-4662) A. Chair's Announcements B. Comments	Discuss	Mr. John Steen
UPDATE ON CHAIR'S PRIORITIES			
5	CEO'S REPORT Featuring a Generation Planning Update (Dr. Cris Eugster)	Discuss	Ms. Paula Gold-Williams
6	ADDITIONAL UPDATES: A. FY2021 COVID-19 Financial Impacts as of December 31, 2020 (Mr. Gary Gold) B. Cost Savings: Financing Transactions (Mr. Gautam Shringarpure)	Discuss	Ms. Paula Gold-Williams
7	PROCUREMENT PREVIEW: A. General Services – Context for Item 8G2: Gas Construction Services Purchase Order Correction	Discuss	Mr. Richard Lujan
CONSENT AGENDA			
8	APPROVAL OF CONSENT ITEMS: A. Minutes of the Regular Board Meeting held on 11/16/2020 B. Minutes of the Special Board Meeting held on 11/16/2020 C. Minutes of the Regular Board Meeting held on 12/14/2020 D. Payment to the City of San Antonio for December 2020 E. Audit & Finance Committee Charter Update (Mr. Gary Gold) F. Board of Trustees Travel Policy G. Procurement Items: 1. Professional Services (Ms. Vivian Bouet) 2. General Services (Mr. Fred Bonewell)	Vote	Mr. John Steen
CONVENE TO EXECUTIVE SESSION			
9	EXECUTIVE SESSION: Please see the narrative list at the top of this agenda for the potential discussion topics.	Discuss	Mr. John Steen
RECONVENE TO OPEN SESSION			
REGULAR AGENDA			
10	COMMITTEE REPORTS: A. Personnel Committee Meeting held on 12/17/2020 (Mr. Ed Kelley)	Discuss	Mr. John Steen
11	BOARD OFFICERS	Vote	Mr. Ed Kelley, Chair - Nominations Committee

January 25, 2021 Board Meeting - AGENDA & NOTICE

12	RECOMMENDATION REGARDING PRESIDENT & CEO PERFORMANCE & CONTRACT; DISCUSSION & POSSIBLE VOTE	Vote	Mr. Ed Kelley, Chair – Personnel Committee
13	NUCLEAR DECOMMISSIONING TRUST INVESTMENT MANAGER CONTRACTS	Vote	Mr. Domingo Villarreal
14	BENEFIT PLAN FUNDING & EXPENSE	Vote	Mr. Paul Barham
15	SMARTSA DATA SHARING PROCESSES & PRINCIPLES	Vote	Ms. Amelia Badders Ms. Melissa Sorola
16	RATE ADVISORY COMMITTEE (RAC) UPDATE	Discuss	Ms. Carolyn Shellman
17	ADJOURNMENT	Execute	Mr. John Steen



***FY2021 COVID-19
FINANCIAL IMPACTS
AS OF DECEMBER 31, 2020***

PRESENTED BY:

Gary Gold

Interim Chief Financial Officer (CFO) & Treasurer

Informational Update



DISCLAIMER



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



OBJECTIVES & TAKEAWAYS

- **FINANCIAL RESULTS FORECAST**
- **HIGHLIGHT FINANCIAL PERFORMANCE & METRICS**



AGENDA



- **NET INCOME YTD**
- **ELECTRIC SALES**
- **NET INCOME FORECAST**
- **FLOW OF FUNDS**
- **KEY FINANCIAL METRICS**
- **ACTIONS & NEXT STEPS**



NET INCOME

DECEMBER 2020 YTD ACTUAL PERFORMANCE



Description	FY2021		
	Budget	Actuals	Variance: Favorable (Unfavorable)
(\$ in millions)			
<u>Revenue available for nonfuel expenses</u>			
Electric	\$ 2,346.9	\$ 2,193.5	\$ (153.4)
Gas	153.9	131.1	(22.8)
Total operating revenue	2,500.8	2,324.6	(176.2)
<u>Less:</u>			
Electric fuel, distribution gas & regulatory	916.5	823.3	93.2
Payments to the City of San Antonio	330.6	305.1	25.5
Net operating revenue	1,253.7	1,196.2	(57.5)
Nonoperating revenue	40.1	35.7	(4.4)
Total revenue available for nonfuel expenses	1,293.8	1,231.9	(61.9)
<u>Nonfuel expenses</u>			
Operation & maintenance	652.4	591.3	61.1
Depreciation, amortization & decommissioning	420.5	413.1	7.4
Interest & debt-related	221.4	175.7	45.7
Total nonfuel expenses	1,294.3	1,180.1	114.2
Net Income (Loss)	\$ (0.5)	\$ 51.8	\$ 52.3

Highlights:

- **Net operating revenue** – Driven by lower wholesale revenues as a result of lower scarcity prices in ERCOT.
- **O&M** – Favorable due to hiring freeze & achieved budget mitigations.
- **Interest & debt-related** – Reflects actuals from refinancing transactions & delay of GASB implementation regarding capitalized interest.

ELECTRIC SALES

BY CUSTOMER SEGMENT- DECEMBER 2020*



Customer Sector	Usage	% of Total Load	% Impact on Total Usage
Residential	3.9%	40.1%	1.6%
Churches & Services	-6.2%	8.1%	-0.5%
Manufacturing	-9.9%	5.1%	-0.5%
Retail	-2.7%	5.4%	-0.1%
Educational Services	-8.4%	4.8%	-0.4%
Hotel & Food Services	-11.8%	4.8%	-0.6%
Other**	-5.2%	31.8%	-1.7%
Total System		100.0%	-2.2%

*Billed December actual performance to budget.

**Other sector includes other commercial sectors, food & wood product manufacturing, municipals, lighting, etc.

NET INCOME

POTENTIAL EFFECTS OF COVID-19



(\$ in millions)	FY2021				
	Budget	COVID-19 Medium Impact	Variance: Favorable (Unfavorable)	COVID-19 High Impact	Variance: Favorable (Unfavorable)
<u>Revenue available for nonfuel expenses</u>					
Electric	\$ 2,522.1	\$ 2,344.8	\$ (177.3)	\$ 2,338.3	\$ (183.8)
Gas	183.0	158.5	(24.5)	158.5	(24.5)
Total operating revenue	2,705.1	2,503.3	(201.8)	2,496.8	(208.3)
<u>Less:</u>					
Electric fuel, distribution gas & regulatory	995.1	910.0	85.1	910.0	85.1
Payments to the City of San Antonio	365.3	330.9	34.4	330.0	35.3
Net operating revenue	1,344.7	1,262.4	(82.3)	1,256.8	(87.9)
Nonoperating revenue	71.2	38.9	(32.3)	38.9	(32.3)
Total net revenue available for nonfuel expenses	1,415.9	1,301.3	(114.6)	1,295.7	(120.2)
<u>Nonfuel expenses</u>					
Operation & maintenance	712.8	652.8	60.0	656.8	56.0
Depreciation, amortization & decommissioning	457.1	456.2	0.9	456.2	0.9
Interest & debt-related	242.1	192.7	49.4	192.7	49.4
Total nonfuel expenses	1,412.0	1,301.7	110.3	1,305.7	106.3
Net Income (Loss)	\$ 3.9	\$ (0.4)	\$ (4.3)	\$ (10.0)	\$ (13.9)

Assumptions:

Operating Revenue -

- Retail Electric Sales estimated to be 2.1% lower.
- Assumes \$52M of Bad Debt; \$44M higher than budget; greater than the recession level of 2008.
- Wholesale Revenue Net Fuel reduced from budget to \$39.5M for the Medium Impact scenario. Lower market prices driven by assumed reduced ERCOT-wide demand & higher wind volumes.
- Reflects actuals through December.

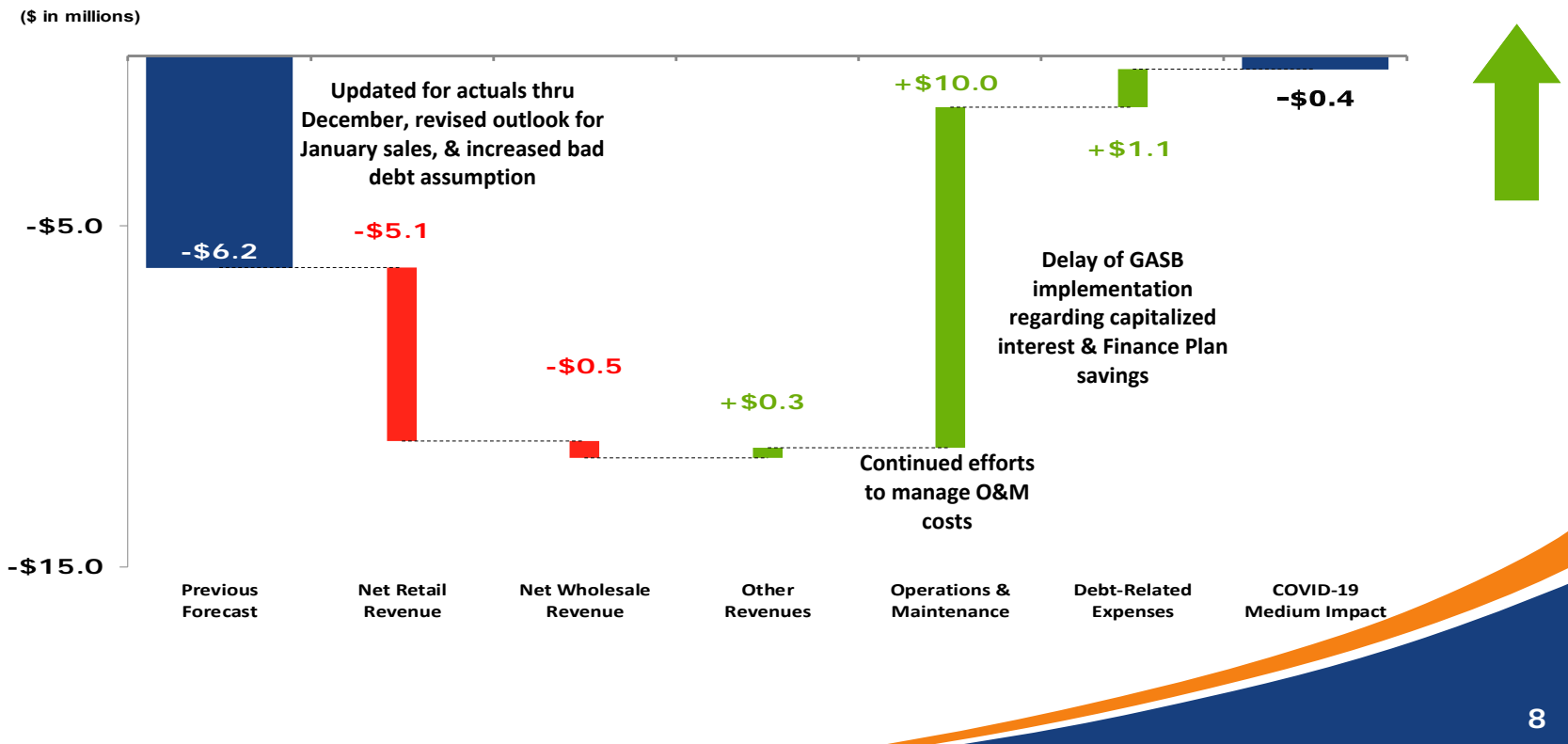
- **Interest & debt-related** – Reflects actuals from refinancing transactions & delay of GASB implementation regarding capitalized interest.

- **O&M** – Reflects identified cost savings & reduction to labor associated with unfilled positions.

NET INCOME

POTENTIAL EFFECTS OF COVID-19

MEDIUM IMPACT: PREVIOUS TO CURRENT FORECAST



FLOW OF FUNDS

POTENTIAL EFFECTS OF COVID-19



(\$ in millions)	FY2021				
	Budget	COVID-19 Medium Impact	Variance: Favorable (Unfavorable)	COVID-19 High Impact	Variance: Favorable (Unfavorable)
Revenues, net of unbilled	\$ 2,758.2	\$ 2,509.7	\$ (248.5)	\$ 2,503.3	\$ (254.9)
Less: city payment (CP) per flow of funds	365.3	330.9	34.4	330.0	35.3
Revenues, net of unbilled & CP	2,392.9	2,178.8	(214.1)	2,173.3	(219.6)
Less: fuel & regulatory expense	995.1	910.0	85.1	910.0	85.1
Revenues, net fuel & regulatory	1,397.8	1,268.8	(129.0)	1,263.3	(134.5)
Operation & maintenance	714.4	657.0	57.4	661.0	53.4
Debt service	425.9	395.1	30.8	395.1	30.8
Total expenses	1,140.3	1,052.1	88.2	1,056.1	84.2
6% Gross Revenue to R&R	165.5	150.6	(14.9)	150.2	(15.3)
Remaining to R&R	92.0	66.1	(25.9)	57.0	(35.0)
Total R&R fund additions	\$ 257.5	\$ 216.7	(40.8)	\$ 207.2	(50.3)
Total capital expenditures	\$ 625.8	\$ 563.8	62.0	\$ 573.8	52.0

Assumptions:

Operating Revenue -

- Retail Electric Sales estimated to be 2.1% lower.
- Assumes \$52M of Bad Debt; \$44M higher than budget; greater than the recession level of 2008.
- Wholesale Revenue Net Fuel reduced from budget to \$39.5M for the Medium Impact scenario. Lower market prices driven by assumed reduced ERCOT-wide demand & higher wind volumes.
- Reflects actuals through December.

- **Interest & debt-related** – Reflects actuals from refinancing transactions & delay of GASB implementation regarding capitalized interest.

- **O&M** – Reflects identified cost savings & reduction to labor associated with unfilled positions.

- **Capital** – Reflects identified cost mitigations.

KEY FINANCIAL METRICS, PART 1

POTENTIAL EFFECTS OF COVID-19



Metric	FY2020 Actuals	Budget	Accountability Plans Threshold	COVID-19 Medium Impact	COVID-19 High Impact
Adjusted Debt Service Coverage (ADSC)	1.94	1.60	1.50¹	1.55	1.53
Days Cash on Hand (DCOH)	225	161	150¹	202	193

- Management continues to implement additional mitigations to improve financial performance

- ADSC & DCOH degraded resulting from COVID-19
- Could signal a monitor from Credit Ratings Agency

Legend

- Outside of Credit Ratings Agency Guidance
- On Target with Credit Ratings Agency Guidance

¹ Aligned to Credit Ratings Agency Guidance



KEY FINANCIAL METRICS, PART 2

POTENTIAL EFFECTS OF COVID-19



Metric	FY2020 Actuals	Budget	Accountability Plans Threshold	COVID-19 Medium Impact	COVID-19 High Impact
Debt Capitalization (DC)	59.9%	61.7%	61.7% ¹	60.6%	60.7%

- Management continues to implement additional mitigations to improve financial performance

Legend



On Target with Credit Ratings Agency Guidance

¹ Aligned to the Financial Gate Protocol Set by the Board of Trustees

ONGOING ACTIONS



- Continue to monitor COVID-19 landscape
- Analyze actual sales results to better understand demand patterns
- Monitor accounts receivable & bad debt, providing customers with information on assistance programs
- Focus on cash flows to ensure liquidity
- Prioritize ongoing spend to identify additional cost reductions & cash savings
- Scan for emerging risks
- Continue to provide monthly updates





Thank You





COST SAVINGS: FINANCING TRANSACTIONS

PRESENTED BY:

Gautam Shringarpure, CFA
Director, Debt Management

January 25, 2021

Informational Update

OBJECTIVES & TAKEAWAYS



- **SHARE COST SAVINGS RELATED TO THE FY2021 FINANCING TRANSACTIONS**



AGENDA



- **BACKGROUND**
- **DEBT OVERVIEW**
- **PRUDENT DEBT MANAGEMENT**
- **FINANCING TRANSACTION RESULTS**
- **SUMMARY**



FINANCING TRANSACTIONS

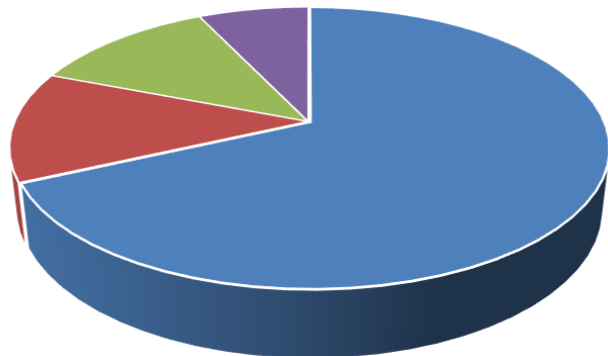
- In May 2020, the Board approved our financing transactions.
- This past Oct. / Nov., we completed the following:
 - Refunding of Series 2013 bonds (\$375M)
 - Remarketing of Series 2015D bonds (\$100M)
- In Feb. 2021, we expect to refund our outstanding commercial paper.

We thank you for your support & remain focused on savings in our debt transactions.

DEBT OVERVIEW



Portfolio by Debt Type



<u>Debt Type</u>	<u>Par Outstanding ⁽¹⁾</u>	<u>% of Total</u>	
Sr. Lien Fixed	\$4,027,730	68.2%	\$4.8B, 80.9% Fixed
Jr. Lien Fixed	752,640	12.7%	
Jr. Lien Variable Rate	709,310	12.0%	\$1.1B, 19.1% Variable
Commercial Paper	420,000	7.1%	
Flex Rate Revolving Note	-	0%	
Total Portfolio	\$5,909,680	100%	

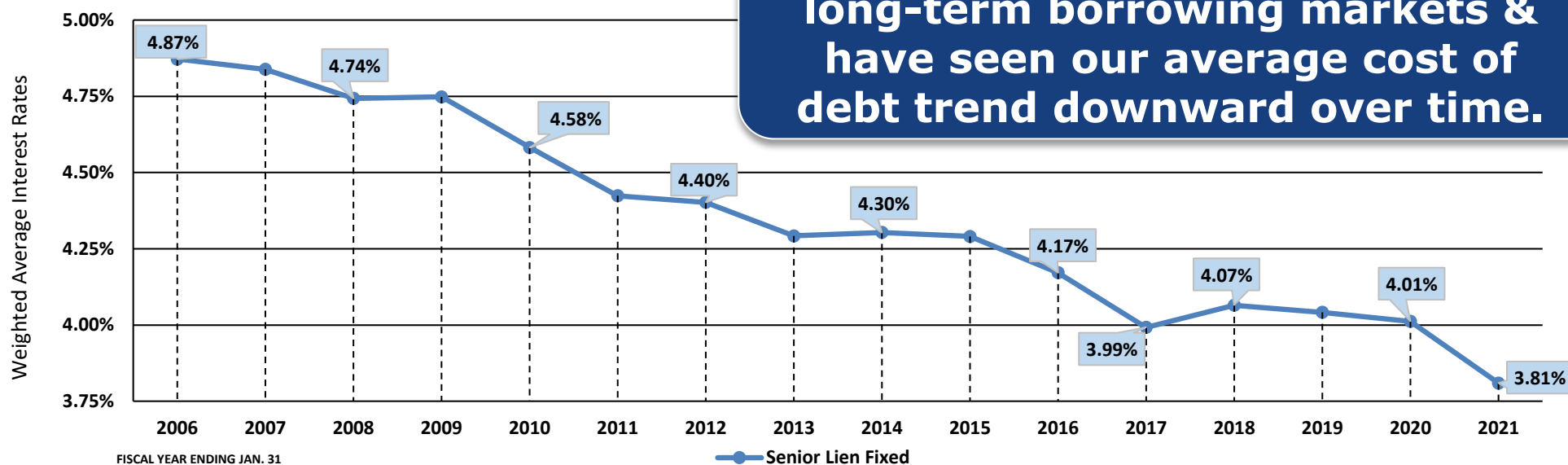
¹ \$\$ in thousands.

Note: Data as of 11/17/2020.

Our extremely strong credit provides us with opportunities to lower our borrowing costs in our diversified debt portfolio.

PRUDENT DEBT MANAGEMENT

We continue to see stability in the long-term borrowing markets & have seen our average cost of debt trend downward over time.



During the past 15 years, we refinanced \$3.9B of debt to achieve over \$564M of gross debt service savings for the benefit of our customers!

Note: FY2021 data as of 11/1/2020.

TRANSACTION RESULTS

TAXABLE REFUNDING OF THE SERIES 2013 BONDS



Transaction Statistics		Gross Savings Details	
Par Amount	\$418.3M	FY2021	\$1.9M
Pricing Date	10/20/2020	FY2022 – FY2033	\$7.0M / yr.
Final Maturity	28 years	FY2034 – FY2048	\$1.6M / yr.
All-in Int. Cost	2.88%		
Gross Savings	\$109.9M		
Net PV Savings	\$86.0M	Total	\$109.9M

TRANSACTION RESULTS CONT.

REMARKETING OF THE SERIES 2015D BONDS



- Remarketing of debt is a required transaction.
- We look for opportunities to maximize savings & lock-in rates.

Transaction Statistics	
Par Amount	\$99.5M
Pricing Date	10/21/2020
Term	6 years
All-in Int. Cost	0.95%
Gross Savings	\$2.4M

Gross Savings Details	
FY2021	\$0.1M
FY2022 – FY2026	\$0.4M / yr.
FY2027	\$0.3M
Total	\$2.4M

SUMMARY



- The fall transactions yielded over \$112M of gross savings.
- Achieving lower borrowing costs is both market driven as well as our ability to execute deals.

THE WALL STREET JOURNAL
Fed Signals Low Rates Likely to Last Several Years
Central bank also sets high hurdles for raising rates going forward



We appreciate the Board of Trustees' continued support & approval of our financing transactions which help us realize savings that directly benefit our customers.



Thank You





Appendix



GLOSSARY / DEFINITIONS



Acronym or Word	Definition	Acronym or Word	Definition
Basis Point (bps)	Basis point (BPS) refers to a common unit of measure for interest rates & other percentages in finance. One basis point is equal to 1/100th of 1%, or 0.01%, or 0.0001, and is used to denote the percentage change in a financial instrument. The relationship between percentage changes & basis points can be summarized as follows: 1% change = 100 basis points, and 0.01% = 1 basis point.	Commercial Paper (CP)	An unsecured, short-term debt instrument issued by a corporation, with high quality credit ratings, to meet its funding needs. Maturities typically do not exceed 270 days.
Flexible Rate Revolving Note (FRRN)	A type of credit facility such as a revolving line of credit that is backed by a bank that provides liquidity to an issuer.	Present Value (PV)	The current value of a future sum of cash flows. The future cash flows are discounted at a discount rate to calculate the present value of the cash flow stream. [PV=Future Value/(1+discount rate)^time]



PROCUREMENT PREVIEW: GAS CONSTRUCTION SERVICES PURCHASE ORDER CORRECTION

PRESENTED BY:

Richard Lujan

Senior Director, Gas Solutions

January 25, 2021

Informational Update



OBJECTIVES & TAKEAWAYS



- **EXPLAIN THE CIRCUMSTANCES ASSOCIATED WITH PAST GAS CONSTRUCTION SERVICES PURCHASE ORDERS (P.O.S), INCLUDING:**
 - **OUTSTANDING INVOICES THAT NEED TO BE PAID &**
 - **OTHER INVOICES THAT REQUIRE INTERNAL POSTING CORRECTIONS**
- **EXPLAIN OUR INVOICE VALIDATION PROCESS & PROPOSED CORRECTIVE MEASURES**

AGENDA

- **OVERVIEW**
- **BACKGROUND**
- **OUTSTANDING INVOICES**
- **PRIOR INVOICES**
- **ADDITIONAL NEXT STEPS**



OVERVIEW

GAS CONSTRUCTION CONTRACTORS



- **PERFORM IMPORTANT WORK** – They help us keep up with:
 - Customer growth
 - Needed infrastructure modernization
 - Special projects
- **THANK YOU FOR YOUR PRIOR SUPPORT** – We appreciate the Board's approval of the new 3-year procurement in September of 2020 for \$120M:
 - The new contract helpfully consolidated our activities
 - We are closely managing this procurement
 - It is proceeding well

BACKGROUND

FINANCIAL SUMMARY (1 OF 3)



- **ISSUES** – While there was enough total value on all the prior P.O.s to cover the currently outstanding invoices, we must:
 - **RE-MATCH**: Make correcting entries to clean up the prior P.O. records
 - **PAY**: Address the remaining outstanding invoices
- **CEO APPROVAL** – Our CEO has reviewed this issue thoroughly, including the planned corrective measures & has provided her approval
- **SUMMARY REQUEST** – Out of an abundance of caution & transparency:
 - We are disclosing this issue
 - We are humbly & respectfully requesting the Board's approval to proceed

BACKGROUND

FINANCIAL SUMMARY (2 OF 3)



Description	Amount (in millions)
Prior 3-Year Contract	\$ 51.000
1-Year Extension of 3-Year Contract	9.900
Short-term Bridge Contract	<u>9.990</u>
Total Contract Value	70.890
Actual Total Before Adjustments	<u>68.331</u>
Difference - Prior Net Underspend	2.559
Remaining Items to be Paid	<u>1.430</u>
Total Overall Underspend	1.129

PAY:
Today's
request is to
cover these
invoices

BACKGROUND

FINANCIAL SUMMARY (3 OF 3)



- **RE-MATCH:** Reclassify invoices to the correct P.O.
- **PAY:** Process outstanding invoice amounts due

Description	Contract Value	Amount of Initial Charges / Actual Spend Before Adjustments	Invoice Corrections / P.O. Reclasses	Index	Difference - Prior Under / (Over) Spend	Remaining Items to be Paid	Total Overall Underspend	Index
3-Year Contract	\$51.000	(\$48.475)	(\$2.442)		\$0.084	\$0	\$0.084	
1-Year Extension	\$9.900	(\$9.895)	(\$0.936)		(\$0.931)	(\$0.332)	(\$1.264)	c
6-Month Bridge	\$9.990	(\$9.961)	\$3.378	A	\$3.406	(\$1.097)	\$2.309	
Total	\$70.890	(\$68.331)	(\$0.000)	B	\$2.559	(\$1.430)	\$1.129	

- A** In this amount, approximately \$382K in additional invoices were initially matched to the new \$120M contract. These items will be corrected & charged to the Bridge contract.
- B** This nets to zero because through the Posting Validation process, we will correct how invoices need to be matched to the correct P.O.s.
- C** While the 1-Year Extension contract was undersized by \$1.3M, overall there was more than enough capacity on all of the contracts. As explained, our future process will be improved.

PRIOR INVOICE POSTINGS

TRACING EXERCISE



- **RE-MATCH:**

- Administrative invoice processing – Completed invoices were not matched to the appropriate P.O.s
 - Subsequent contracts had additional charges incorrectly carried over from the previous contracts
 - The capacity of earlier P.O.s was also not fully utilized
- We must correct the posting activity

OUTSTANDING INVOICES

AUDIT



- **PAY / VALIDATION PROCESS** – An assessment of all outstanding invoices was conducted, estimated at \$1.43M:
 - Verified that charges were properly supported & free of material errors
 - Minor adjustments are being made to the outstanding invoices

ADDITIONAL NEXT STEPS

PREVENTATIVE LESSONS LEARNED



- **FORECASTING ENHANCEMENT** – We will update our approach to create better P.O. estimates
- **LEADERSHIP SYSTEMS REFRESH** – We are:
 - Reinforcing management accountability requirements;
 - Re-addressing the way we handle leadership transition & knowledge transfer activities;
 - Conducting a refresh of Supply Chain & Financial Services Training to ensure everyone is included;
 - Providing our Gas Executives with extensive Internal Controls Training;
 - Reviewing our internal controls environment, including standardizing the timing of this activity; &
 - Comprehensively utilizing continuous process improvement methods.

BOARD APPROVAL

CONSENT AGENDA



- **We humbly & respectfully request authority, not to exceed \$1.5M, to pay all remaining invoices**
 - *Simultaneously, we commit to correcting the postings to prior Gas Solutions Construction Purchase Orders to ensure those historical records are materially accurate*



Thank You



**Draft for review and approval
at the January 25, 2021 meeting**

**CPS ENERGY
MINUTES OF REGULAR MEETING OF THE BOARD OF TRUSTEES
HELD ON NOVEMBER 16, 2020**

The Regular Meeting of the Board of Trustees of CPS Energy for the month of November was held on Monday, November 16, 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 & Treasurer
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

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

Mayor Nirenberg provided a brief COVID-19 update. He noted an uptick in new positive cases in the community. He reminded individuals to continue to follow public health guidance, such as wearing masks and limiting outside gatherings. He mentioned that he is in quarantine but has tested negative for COVID-19. He emphasized that it is critically important to follow protocols and maintain social distancing if exposed.

Ms. Gold-Williams echoed key points raised by Mayor Nirenberg in calling for vigilance to protect against exposure to COVID-19. The COVID-19 numbers continue to rise within CPS Energy, with 136 diagnosed as

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COVID-19 positive and zero employee deaths since the start of the pandemic. Currently there are 113 employees in quarantine, and four employees are hospitalized. Ms. Gold-Williams announced she is self-quarantining in conformance with CPS Energy protocols after attending a meeting with more than ten attendees.

III. INVOCATION

An invocation was delivered by Mr. Daniel Elias, Interim Director Chief of Staff, Financial Services.

IV. PUBLIC COMMENT

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

1. Mr. Richard Perez, President & CEO, San Antonio Chamber of Commerce, praised the competency of CPS Energy and its CEO. He expressed opposition to changing CPS Energy's governance model.
2. Ms. Alice Canestaro-Garcia spoke in favor of conservation and public participation in the utility's policy-making process and expressed her support of the recall petition.
3. Mr. Greg Harman expressed support of the recall petition and was critical of CPS Energy leadership's response to the recall petition and to reform proposals.
4. Ms. Sherri Chaudhry, CEO, Chaudhry Consulting, expressed her interest in collaborating with CPS Energy to decrease homelessness and expressed concern about ending the suspension of disconnects.
5. Ms. Suzanne Green expressed support for the Rate Advisory Committee (RAC) proposal. She noted that when she thinks about power, she believes that she represents nature. She recited a poem titled, "What Holds Me."

V. CEO'S REPORT

Ms. Gold-Williams provided context for several agenda items. She discussed CPS Energy's **Guiding Pillars**, with a focus on **Affordability** and **Reliability**. She addressed CPS Energy's sustainability successes and how CPS Energy bills compare to other markets. She highlighted the wholesale business and renewable complexities. She also discussed major differences between business and residential billing. She emphasized embracing change, progress, and the importance of cooperation. She stressed her desire to speak with everyone in the community to obtain their input regarding CPS Energy's initiatives.

Ms. Gold-Williams described the **Flexible Path**SM strategy as being designed to protect the community from price spikes and stressed that there has been only one rate increase in ten years. She recounted CPS Energy's history of environmental responsibility going back over twenty years. She explained CPS Energy's goal of decarbonizing its entire energy portfolio by 80 percent by 2040, following the decision to close two older coal units during 2018. She highlighted the award-winning CPS Energy Save for Tomorrow Energy Plan (STEP) which achieved demand reduction of 771 MWs ahead of schedule and under budget.

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Ms. Gold-Williams highlighted that CPS Energy has been a leader in shifting energy sources to renewables and that about 20 percent of CPS Energy's capacity is renewable. She reported that a recent study ranked CPS Energy first in solar energy capacity in Texas and fifth in the nation. She also stressed that CPS Energy's wind production contributions make Texas number 1 in wind energy generation.

Ms. Gold-Williams also explained how CPS Energy has been driven to provide value for its customers, while also searching for environmental solutions. It has balanced the costs of its \$82 million conservation program and its \$296 million renewable energy program, while maintaining some of the lowest average utility bills in the nation and the state for its customers. She emphasized the importance of managing risk while ensuring **Reliability** and **Affordability** and recognized the current challenges to reliably harness solar and wind energy.

She discussed ERCOT wholesale pricing trends which could raise issues with investments in power generation infrastructure in the future, including CPS Energy's recent drop in wholesale revenue in FY2021, which indicates that we may be entering a period of low pricing going forward for several years. She also mentioned that increases in the percentage of power generated by wind and solar power could affect reliability in the future.

Ms. Gold-Williams expressed her desire for the **FlexPOWER BundleSM** to be part of a renaissance to put more solar power in the market. Currently there is a lag in battery storage in comparison to wind and solar, and there is a need for more energy storage and firming capacity to complement wind and solar energy. She emphasized that the timing and velocity of our journey to solar and renewable energy matter.

Ms. Gold-Williams discussed the important role of wholesale sales and how low wholesale pricing could impact energy costs for the community. She also described the importance of commercial customers in creating revenue and how pricing must be balanced so as to not negatively impact the economy and the growth of jobs and businesses in the community.

Ms. Gold-Williams discussed the importance of credit ratings for CPS Energy and the City of San Antonio (CoSA) and corrected a mischaracterization that CPS Energy's plans on combating carbon are perceived as insufficient and hurting credit ratings. She also discussed the importance of balancing the timing of investment to ensure bills remain affordable. She emphasized CPS Energy's willingness to engage with the public to find solutions and noted additional public discussions on important issues, including the impacts of energy efficiency, renewables, storage technologies, fossil fuels, and customer assistance, will take place.

Trustee Kelley and Chair Steen complimented Ms. Gold-Williams' presentation for dealing with facts. Chair Steen added that in his experience, customers' priorities are **Reliability** and **Affordability**. The Board members discussed their desire to increase the visibility of the CEO Report and bill comparison data.

VI. ADDITIONAL UPDATES

Cost Savings: E-invoice Automation

Mr. Gold introduced Mr. Elias, who presented to the Board on the E-Invoice automation project. The project, which was deployed in January 2020, will result in estimated cost savings of approximately \$81,000 and

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\$127,000 respectively for fiscal years 2021 and 2022. The processing improvements include electronic invoicing, automated scanning of NPO invoice requests, automated scanning of paper travel expense reports, an upgrade to a cloud-based version of character recognition software, and enhanced reporting. Ms. Bouet provided additional insight on utilizing robotic processing automation character recognition to eliminate many elements of manual processing.

Mr. Elias explained that before the enhancements, CPS Energy received more than 70,000 paper invoices via US mail in 2020, which were manually processed. Before the automation improvements were introduced, this process required two dedicated employees to open, date stamp, sort, and scan all invoices. Now that process can be performed by one employee.

Mr. Elias noted that because of the enhancements, most vendors now email their invoices and they are automatically posted. Mr. Elias highlighted efficiencies and cost savings achieved through the automation process that benefit the entire enterprise, including a seventy percent reduction in paper invoice batches and a reduction of time spent processing invoices, which has dropped from twenty hours to ten hours per week. Manual invoice posting has been reduced by thirty percent and equipment maintenance has been reduced due to less paper being handled by the staff. Additionally, the overall process has strengthened vendor relationships. This automation process was a collaborative effort between Financial Services and Enterprise IT.

FlexPOWER Bundle Update

Dr. Eugster provided an update on CPS Energy's **FlexPOWER Bundle**, which will replace capacity from aging power plants, with up to 900 MWs of solar power and up to 50 MWs of energy storage capacity and include an all-source firming capacity. Dr. Eugster provided a summary of CPS Energy's **Flexible Path** journey and highlighted key insights from the recently completed request for information (RFI). He also provided information on CPS Energy's community outreach efforts tied to the **FlexPOWER Bundle**.

Dr. Eugster explained that the recently completed RFI received over 200 responses from across the globe with numerous responses coming from within Texas. Dr. Eugster noted that Texas is seeing many solar and energy storage projects in the queue for ERCOT.

In response to the RFI, CPS Energy has received information on a variety of energy storage technologies such as battery storage, thermal, compressed air, liquid air, and hydrogen. Nevertheless, the challenge of long duration storage remains. Dr. Eugster stressed the importance that the technologies must demonstrate both long duration storage today with sufficient viability to replace a physical power plant.

In exploring various energy options to meet these goals, CPS Energy has partnered with key industry leaders, including Dr. Arshad Mansoor, of Electric Power Research Institute (EPRI), Dr. Ernie J. Moniz, former Secretary of Energy, and Clint Vince, Chair of the US Energy Practice for Denton's.

Dr. Eugster explained that Operations has partnered with Customer Engagement to stimulate public dialogue and gain input from the community on the **FlexPOWER Bundle** process and on our **Flexible Path**. He identified several recent community conversations that have occurred in the last year, including **People First** Virtual Community Fairs, and the State of the Utilities event sponsored by the Hispanic Chamber of

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Commerce and our recently released Sustainability Report. Feedback on the **FlexPOWER Bundle** from local chambers of commerce, manufacturer associations, and environmental stakeholder groups has been positive.

Dr. Eugster explained that CPS Energy hopes to launch the request for proposal (RFP) this year, receive responses through the early part of next year and be under contract by September 2021.

Dr. Eugster also mentioned that CPS Energy is reaching out to the public to get feedback from stakeholders and community through the process. A Facebook live chat on the **FlexPOWER Bundle** is scheduled for December 3, 2020.

Dr. Mackey complimented the proposal of the **FlexPOWER Bundle** and expressed interest in accelerating the timeline so that contracts are underway in July 2021. Mayor Nirenberg echoed Dr. Mackey's sentiments in seeking to expedite the RFP timeline process for awarding contracts. He expressed his belief that this RFP process would make CPS Energy number 1 in solar in the United States.

Dr. Eugster responded that CPS Energy will try to accelerate the timeline.

Trustee Kelley asked for clarification of the term "all-source firming capacity". Dr. Eugster responded that CPS Energy is looking at energy storage options with specifications comparable to the capacity of a "peaker," a plant that runs primarily during periods of peak demand, usually hot summer days. Ms. Gold-Williams added that CPS Energy is currently operating aging-peakers to firm up its solar and wind energy and they will eventually need to be replaced.

Trustee Kelley expressed his preference for using proven firming resources rather than unproven, cutting-edge technologies.

Ms. Gold-Williams responded that CPS Energy will investigate and compare various types of technology and bring them back to the Board.

Dr. Mackey added that he is currently more interested in technologies that are proven to work.

In response to an inquiry by Chair Steen, the Board discussed the likely positive impact of the **FlexPOWER Bundle** on CPS Energy's ranking for solar production.

Chair Steen also expressed interest in accelerating the **FlexPOWER Bundle**SM timeline and asked for a report during the December meeting on an updated timeline.

VII. PROCUREMENT PREVIEW

Professional Services – Context for item 8D1: Electric & Gas Distribution Engineering Services

Mr. Garza introduced Ms. Trish Villa, Director, Customer Engineering, who reported on the Customer Engagement Design professional services procurement item on the Consent Agenda.

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Ms. Villa explained that the requested funds are for professional services related to service design, field support, customer engagement, quality assurance, quality control and as-built processing, and will ensure that CPS Energy will be able to support our community's continued rapid growth.

The request for qualifications (RFQ) issued for this project received 20 proposals, all of which included local offices. CPS Energy has the potential to award the contract to 14 contractors, including three diverse or small business contracts. Larger contractors will use and mentor small and diverse subcontractors. Overall, the project has the potential expense of approximately \$40 million over three years.

VIII. APPROVAL OF CONSENT ITEMS:

Dr. Mackey moved that the Consent Agenda be approved, and Mayor Nirenberg seconded. Dr. Mackey thanked the Mayor for providing additional information about CPS Energy's \$351 million contribution to the City's general fund. Chair Steen noted that the updated Audit & Finance Committee Charter was being removed from the Consent Agenda. Dr. Mackey changed his motion to exclude that item, Trustee Kelley seconded, and upon affirmative vote by all members present, the Consent Agenda was unanimously approved.

Approval of Minutes

Minutes of the Regular Board Meeting held on September 21, 2020 were approved as submitted.

Approval of Payment to the City of San Antonio for October 2020

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 October 2020 is based on actual gross revenue per the New Series Bond Ordinance of \$184,095,644.96, less applicable exclusions. The revenue for the month of October 2020 is calculated as follows:

Gross revenue per CPS Energy financial statements	
Electric revenue	\$177,742,999.22
Gas revenue	11,899,094.05
Interest and other income	(905,198.73)
Gross revenue per CPS Energy financial statements	<u>188,736,894.54</u>
Excluded revenue	
School and hospital revenue per City Ordinance 55022	(4,202,127.21)
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	(10,014,061.04)
Noncash and other income, GASB 31	
investment market value change, miscellaneous	
interest income, gas billing adjustment and unbilled	

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Revenue	9,574,938.67
Total excluded revenue	<u>(4,641,249.58)</u>
Gross revenue per New Series Bond Ordinance subject to 14% payment to the City	<u>\$184,095,644.96</u>
City payment per Bond Ordinance for October 2020 based upon October 2020 revenue	\$25,773,390.29
City payment per memorandum of understanding (MOU) regarding wholesale special contracts	630,669.94
Wholesale Special Contract Annual True Up	(59,249.94)
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	26,332,310.29 A
Utility services provided to the City for October 2020	<u>(2,408,163.23)</u>
Net amount to be paid from October 2020 revenue to the City in November 2020	<u>\$23,924,147.06</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)

October 2020	Actual	Budget	Variance	
Current Month* A	\$26,332	\$27,956	(\$1,624)	-5.8%
Year-to-Date*	\$258,033	\$281,723	(\$23,690)	-8.4%

* 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 \$23,924,147.06, representing 14% of applicable system gross revenues for the month of October 2020, such payment being net of City utility services (\$2,408,163.23), is hereby approved."

Audit & Finance Committee Charter Update

The updated Audit & Finance Committee Charter was removed from the Consent Agenda and not considered.

Approval of Procurement Items – November

One (1) Non-Competitively Sensitive Item

Purchase Category: Professional Services
Supplier: Atwell, LLC
 Binkley & Barfield, Inc.
 C&D Utility Consulting, LLC

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Cobb, Fendley & Associates, Inc.
EN Engineering, LLC
HBK Engineering, LLC
HMI Services, Inc. DBA HMI Technical Solutions, LLC
Merrick & Company
Pape-Dawson Engineers Inc.
PhaseLink Utility Solutions, LLC
POWER Engineers, Inc.
Schneider Engineering, LTD.
Select Power Systems, LLC
TRC Engineers Inc.

*The listed Procurement Item to be attached as Attachment “A”.

IX. COMMITTEE REPORTS

Audit & Finance (A&F) Committee Meeting

Dr. Mackey stated that the report on the A&F Committee meeting, which took place on September 19, 2020, was posted with the public notice of this meeting and will be attached (as Attachment “B”) to the meeting minutes.

Employee Benefits Oversight Committee (EBOC) Meeting

Dr. Mackey stated that the report on the EBOC meeting, which took place on September 19, 2020, was posted with the public notice of this meeting and will be attached (as Attachment “C”) to the meeting minutes.

A&F and EBOC Aligned Risk Sub-Committee Meeting

Dr. Mackey stated that the report on the A&F and EBOC Aligned Risk Sub-Committee meeting, which took place on September 19, 2020, was posted with the public notice of this meeting and will be attached (as Attachment “D”) to the meeting minutes.

X. STEP BRIDGE EXTENSION

Mr. Rick Luna, Director, Technology & Product Innovation, provided an update on the **STEP Bridge**. Mr. Luna explained that CPS Energy is asking for an extension to the **STEP Bridge** timeline and for an additional \$70 million in funds because of COVID-19 impacts and to align with the **FlexPOWER Bundle**. The requested proposal would remove the original end date of January 31, 2021, add language to exhaust the funding currently allocated to **STEP Bridge**, and allow an additional \$70 million in spending, with a goal to save an additional 75 Megawatts (MW) of demand. The proposal will also require City Council approval.

Mr. Luna explained that COVID-19 has negatively impacted the weatherization program and CPS Energy's ability to reach the **STEP Bridge** goals over the last year. He asked for additional time to gather feedback and for the opportunity to come back with a recommendation to the Board for a long-term program.

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Mr. Luna summarized the outreach that has been conducted to date on this program, including outreach to City Council members, the **FlexSTEP** Survey, meetings with the Executive Solar Committee, Environmental Stakeholders, Citizens' Advisory Committee (CAC), Greater San Antonio Builders Association, CoSA's Office of Sustainability, the San Antonio Optimist Club, the Urban Land Institute and meetings with the Sierra Club and Environment Texas. Mr. Luna explained that CPS Energy has received feedback from environmental stakeholders on **FlexSTEP** and shared areas of agreement and differences. The main difference is the scale of goals and the size of the program, which the environmental groups recommend increasing. Mr. Luna also shared estimated bill impacts from increasing the size of the program.

In conclusion, Mr. Luna requested Board approval to amend the STEP ordinance by removing the **STEP Bridge** end date of January 31, 2021 and adding language to exhaust current program funding and extend **STEP Bridge** to spend an additional \$70 million to achieve an additional 75 MW of demand reduction. He noted that City Council approval is required.

Dr. Mackey moved to approve the request, expressing confidence in the program, and Mayor Nirenberg seconded.

In doing so, Mayor Nirenberg noted his support of the extension but asked about the efforts made to move the new STEP program forward. He encouraged continued diligence, saying we are in a march against time. He wants to guard against complacency.

Trustee Kelley asked how much of the project's \$70 million allocation was spent to achieve 52 MW savings. Mr. Luna responded that approximately \$35 million has been spent so far and that CPS Energy projects \$60 million will be spent by the end of the fiscal year to achieve nearly 70 MW of reduction. Mr. Luna noted that roughly \$800 million has been spent on the project since its inception in 2009.

Trustee Kelley thereafter requested an independent audit of energy savings that have been achieved to date and a pro forma as to how much will continue to be achieved going forward. He indicated that he would abstain from a vote on for the motion without such information.

Ms. Gold-Williams explained that she would be taking Trustee Kelley's request as an action item and that CPS Energy is already working on obtaining such an audit of the program. Trustee Kelley asked that the Board be consulted to ensure independence of the selected auditor.

In response to an inquiry by Chair Steen, Mr. Luna noted that CPS Energy had communicated with all Council Members regarding the **STEP** program. He also explained how CPS Energy has engaged with the Sierra Club and Environment Texas concerning the **STEP** program. Ms. Gold-Williams added additional context around discussions between environmental groups and CPS Energy.

Dr. Mackey recast his earlier motion to include a required independent audit of STEP results to date and a pro forma of expected MW savings to be performed by a third-party auditor acceptable to the Board. Mayor Nirenberg seconded the motion. Chair Steen called for a vote and upon affirmative vote by all members present, the motion was unanimously approved.

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XI. RATE ADVISORY COMMITTEE (RAC) UPDATE

Ms. Shellman provided an update on the development of the proposed RAC, the framework of the committee and progress that has been made. She also discussed ways that have been, and will be used, to receive input from the public, confirmed the budget and provided next steps.

Ms. Shellman emphasized that CPS Energy continues to focus on several work streams using only internal resources and no external costs have been incurred for these activities to date. The framework may be tweaked at the end of the process based on feedback received from the Board.

She provided a summary of CPS Energy's efforts to select a rate consultant. Interviews have been completed and scoring is almost finalized. She also confirmed that no money will be spent on consultants unless the Board decides to proceed with the RAC.

Ms. Shellman noted that an RFP for a facilitator is still open. Conversations with City Staff have confirmed that a facilitator is a good idea and we look forward to having good options to choose from.

Ms. Shellman summarized input received from Doug Melnick, Chief Sustainability Officer for CoSA, and Assistant City Manager, David McCary. They stressed the importance of educating the committee on current issues, clearly explaining the objectives of each meeting, getting input from each member and the benefits of the facilitator function. She reiterated that no dollars have been spent on RAC so far, except for CPS Energy internal costs.

Ms. Shellman described recent public input efforts including **People First** Community Fairs, in which we are asking questions about whether participants are aware of the RAC and encouraging them to call the telephone number for public input, as well as participate in town halls, chamber meetings, focus groups, and the Board Meeting Public Input Session. Ms. Shellman gave examples of the types of questions which could be asked of focus groups. She mentioned that CPS Energy will continue to seek public input if the Board feels it will be helpful to the process.

Mayor Nirenberg read a statement into the record concerning the benefits of the RAC. Mayor Nirenberg mentioned that the proposed RAC would enhance transparency and provide an avenue to study and provide input on the important issues of rate design and generation planning. He emphasized that the RAC would not change CPS Energy governance structure and would only be advisory in nature. Mayor Nirenberg proposed that the establishment of the RAC be added to the December Board Meeting for a vote.

Dr. Mackey stated that he believes the CAC can fulfill the functions of the proposed RAC; however, if the RAC can provide additional value as a type of check and balance on transparency, he is supportive of it. Further, he opposes the expenditures of funds on the RAC and stressed that CPS Energy should find other ways to administer it.

Trustee Gonzalez agreed with Dr. Mackey. She stated she was in favor of promptly moving forward with a decision on the RAC but questioned the need to spend money on it.

Trustee Kelley reiterated his reservations about the need for another committee in addition to the CAC. He noted that even if funds are not spent on third-party resources, the RAC will require the unnecessary

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allocation of staff resources. He requested that the Board be provided a cost estimate on what funds have been spent on the RAC proposal to date and what will be spent in the future.

Trustee Gonzalez questioned the consistency of Board support for funding initiatives.

Chair Steen noted that the RAC will be further discussed at the December Board meeting.

Mayor Nirenberg stressed that the RAC request has come from the public he serves and from fellow Council Members to make a stronger utility under CPS Energy's strong leadership. He agrees that there is a need to reduce expenses on consulting fees, but that the Board will have an opportunity to vote to move forward on the item in December.

XII. EXECUTIVE SESSION

At approximately 4:20 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)
- Real Property (§551.072)

The Board reconvened in open session at 5:10 p.m. Ms. Shellman reported that only Attorney-Client Matters and Real Property Matters, and no others, were discussed and no votes were taken in Executive Session.

XIII. REAL PROPERTY MATTER

Mr. Almaraz provided a briefing on the resolution of a strategic purchase of property. On a motion duly made by Trustee Kelley and, seconded by Trustee Gonzalez, and upon affirmative vote by all members present, the following resolution was approved:

RESOLUTION APPROVING THE PURCHASE OF REAL PROPERTY

WHEREAS, CPS Energy has periodic strategic needs to improve its electric and gas infrastructure to efficiently and reliably supply electric and gas services to its customers, and

WHEREAS, the acquisition of strategic property sites that have been identified by CPS Energy Staff ("Strategic Properties") will support CPS Energy's infrastructure to provide reliable services to its customers, and

WHEREAS, the proposed acquisition is consistent with the strategic plan for the development of our system's infrastructure.

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NOW, THEREFORE BE IT RESOLVED:

1. The recitals to this Resolution are hereby incorporated by reference.
2. The CPS Energy Board finds that the acquisition of the Strategic Properties is in the best interest of the customers and community to provide them reliable services.
3. The CPS Energy Board hereby authorizes, but does not obligate the President and CEO, or her designees, to negotiate and execute agreements consistent with the direction of the CPS Energy Board, and to take such action as is deemed necessary and appropriate to carry out the purposes and intent of this resolution and complete the acquisition transaction regarding the Strategic Properties.

XIV. ADJOURNMENT

There being no further business to come before the Board, upon a motion duly made by Dr. Mackey, and seconded by Trustee Gonzalez, and upon an affirmative vote by all members present, the meeting was unanimously adjourned at 5:16 p.m. by Chair Steen.

Carolyn E. Shellman
Secretary of the Board

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**CPS ENERGY
BOARD PUBLIC INPUT SESSION
MINUTES OF SPECIAL MEETING OF THE BOARD OF TRUSTEES**

Meeting held on November 16, 2020

A Special Meeting of the CPS Energy Board of Trustees was held on Monday, November 16, 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. The purpose of the meeting was to allow public input on CPS Energy’s **Flexible Path**SM, **FlexPOWER Bundle**SM, **FlexSTEP**SM, proposed Rate Advisory Committee (RAC), service disconnects and other important business strategies. Chair John Steen called the meeting to order at 6:00 p.m.

Present via phone were Board members:

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

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 & Treasurer
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

Mr. Fred Bonewell provided a safety message related to COVID-19 precautions.

III. WELCOME AND INTRODUCTIONS

Mr. Ivan DuBois, the Telephone Town Hall Meeting (TTHM) moderator, explained the guidelines for making public comment.

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Mr. Jesse Hernandez, Director, Community Strategy & Engagement, provided instructions in Spanish for accessing and participating in the Public Input Session in Spanish.

Chair John Steen welcomed the attendees to CPS Energy's Board Public Input Session. He recognized members of the Board, each of whom provided brief comments. Chair Steen also identified members of the CPS Energy senior leadership team participating in the Public Input Session. He provided a brief background of the Citizens Advisory Committee (CAC) and identified its current members.

IV. CEO'S REPORT

Ms. Gold-Williams provided an overview of important topics and issues facing CPS Energy. COVID-19 has affected many members of our community. In addition to suspending disconnects for non-payment and waiving late fees for those on payment plans, CPS Energy has proactively contacted customers to inform them about available resources and discuss how we have responded to the pandemic.

Ms. Gold-Williams enumerated CPS Energy's **Value Pillars**, noting that, when surveyed, customers chose **Reliability** and **Customer Affordability** as their priorities. She explained that approximately 10 percent of a CPS Energy customer's total bill supports our commitment to sustainability, an allocation greater than bills of other Texas utilities. She also explained that while business and commercial customers pay a lower effective price per kWh, their revenue comprises about 107 percent of their cost to serve. Revenue from residential customers covers about 95 percent of their cost to serve.

Regarding the evolution of our generation portfolio and the **FlexPOWER BundleSM** request for information (RFI) and forthcoming request for proposals (RFP), Ms. Gold-Williams emphasized that the velocity of change matters because implementing change too quickly can result in diminished reliability and bill shock. Blending the new with the tried and true is a more ideal way to proceed. She discussed the recent credit outlook downgrade by Fitch Ratings, who cited recent efforts to change CPS Energy's governance and impose certain carbon reduction and rate policies as contributing factors to the change.

Ms. Gold-Williams stated that CPS Energy values public input and the proposed RAC is another way that CPS Energy can obtain input from many different perspectives, notwithstanding the costs to implement it.

In conclusion, Ms. Gold-Williams thanked attendees for being CPS Energy customers and for taking the time to offer public input.

V. PUBLIC INPUT

Forty-two speakers addressed the Board. Approximately 26 expressed positive sentiments in support of CPS Energy. The remainder encouraged an accelerated closure of the Spruce 2 plant, the permanent suspension of disconnects for certain customer populations, an overhaul of the current rate structure and replacement of the current business and governance models.

A transcript of the Public Input Session will be maintained by CPS Energy and made available to the public.

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At the conclusion of the Public Input portion of the meeting, Chair Steen expressed the Board's sincere appreciation to all who attended the meeting and those who shared comments with the Board. He noted the various communication channels that those wishing to provide feedback to the Board may use.

VI. ADJOURNMENT

There being no further business to come before the Board, and upon motion duly made by Dr. Mackey, seconded by Trustee Gonzalez, and upon an affirmative vote by all members present, the meeting was unanimously adjourned at 8:23 p.m. by Chair Steen.

Carolyn E. Shellman
Secretary of the Board

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**CPS ENERGY
MINUTES OF REGULAR MEETING OF THE BOARD OF TRUSTEES
HELD ON DECEMBER 14, 2020**

The Regular Meeting of the CPS Energy Board of Trustees for the month of December was held on Monday, December 14, 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 & Treasurer
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.

Chair Steen noted that the Safety Message would be taken out of order to accommodate Mayor Nirenberg, who joined the meeting at 1:03 pm.

II. INVOCATION

An invocation was delivered by Ms. Debra Wainscott, Interim VP, People Services.

III. SAFETY MESSAGE

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

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at the January 25, 2021 meeting**

Mayor Nirenberg provided a brief COVID-19 update. He stated that a significant trend of positive cases and hospitalizations has occurred. The first batch of vaccines will be arriving and distributed in San Antonio this week. The first to receive the vaccinations will be our front-line health care workers. Thereafter, EMS workers and long-term care residents and staff will receive them. Within the next six months, the general public will begin to receive them as well. Everyone should continue their precautions and “keep their guard up”. Mayor Nirenberg also reminded everyone that there is still financial assistance from the City for housing relief and workforce recovery programs. There are also small business grants for businesses that have been impacted financially by the pandemic.

Ms. Gold-Williams acknowledged the leadership of the Mayor and Judge Wolff in handling the pandemic. Ms. Gold-Williams noted that CPS Energy surpassed 200 cases of COVID-19 among employees and 183 employees are currently in quarantine due to the virus. It is believed that these numbers are a result of the Thanksgiving holiday exposure and better contact tracing. Ms. Gold-Williams also shared the sad news that an employee passed away due to the virus. She encouraged everyone to be vigilant in safeguarding against the virus.

IV. PUBLIC COMMENT

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

1. Mr. Richard Perez, President & CEO, San Antonio Chamber of Commerce, spoke favorably about CPS Energy’s management. He thanked the company for providing a well-run service to the community.
2. Mr. Russell Seal spoke in favor of establishing a Rate Advisory Committee (RAC).
3. Mr. Peter Bella spoke in favor of establishing a RAC.
4. Dr. Terry Burns, Chair, Sierra Club, spoke against the marketing efforts by CPS Energy and in favor of establishing a RAC.
5. Mr. Darby Riley spoke about the negative outlook from the recent Fitch’s bond ratings report and read a passage from it.
6. Mr. Mario Bravo thanked the Board for establishing a RAC and expressed his opinion that the Citizens Advisory Committee (CAC) was not transparent.
7. Ms. Isabella Briseño, Campus Organizer, Texas Rising, requested that the Board not delay in establishing the RAC.
8. Ms. DeeDee Belmares, Climate Justice Organizer, Public Citizen, indicated that 9 months have passed since the Board resolution on the RAC and spoke in favor of its establishment.

V. CEO’S REPORT

Ms. Gold-Williams explained that her report will highlight CPS Energy’s focus on communications with the public. Customer insights indicate that they want CPS Energy to stay in touch with them and provide more information through media channels about the things that may impact our community.

Ms. Gold-Williams reminded everyone that all business decisions are based on our **Guiding Pillars**. Currently, CPS Energy is considered one of the highest-rated utilities in the country due to customers and CPS Energy working together to find solutions.

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Ms. Gold-Williams highlighted items that are often asked by different stakeholder groups, including the possible need for a rate increase. She noted that CPS Energy's diverse generation resources have protected customers from market price spikes and she showed how CPS Energy bills favorably compare against those in other major markets.

Ms. Gold-Williams also highlighted that the rating agencies that monitor CPS Energy are currently concerned about potential changes to CPS Energy's governance.

Ms. Gold-Williams shared that CPS Energy is receiving positive global publicity for our **FlexPOWER Bundle**SM strategy. In the Texas market, it will help us increase our renewable energy resources, especially solar.

Ms. Gold-Williams shared the estimated impact to customer bills due to the investment in various initiatives, including energy efficiency programs. Ms. Gold-Williams highlighted that for the past five years, customer satisfaction results have been solid. Lastly, Ms. Gold-Williams announced that she will participate in the Dentons and Keystone Policy Center – Decarbonization in the Biden Era panel discussion.

Dr. Mackey recognized the CEO's outstanding presentation. He stated that we need to do a better job of sharing with our stakeholders and receiving input on our transition plan from fossil fuels to renewable energy.

Mayor Nirenberg agreed with Dr. Mackey and requested more details on the assumptions used to estimate the presented bill impacts.

Chair Steen asked what impact the **FlexPOWER Bundle** approach will have on CPS Energy's ranking in the Shining Cities report. Ms. Gold-Williams and Dr. Eugster noted that CPS Energy may rise to number three or above nationally.

VI. A YEAR IN REVIEW: DEDICATED SERVICE

Mr. Garza noted that our **People First** Culture delivers value to our customers through the dedicated work of CPS Energy employees. It is based upon a business trinity comprised of the value of Customers, Community and Employees.

Mr. Garza explained that CPS Energy was proactive this year in serving its customers. For example, CPS Energy suspended disconnects, waived late fees for customers on payment plans, and performed outbound calls to customers informing them of various assistance programs. Feedback from customers shows they appreciated CPS Energy proactive measures.

Mr. Garza highlighted that CPS Energy employees provided significant contributions to United Way, exceeding our goal of \$1 million.

According to Bexar Facts, a new independent program that surveys voters, CPS Energy ranks among the highest in providing services to our customers.

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Mr. Garza noted that CPS Energy has been recognized by various environmental organizations for our environmental efforts. In addition, CDP Worldwide recognized San Antonio as 1 of 25 cities in the US for reducing greenhouse emissions, making San Antonio the only city in Texas to be recognized for these efforts.

Mr. Garza also shared that the following employees were recognized in 2020 for their special knowledge and expertise in their respective fields of service: Brandon Pixley, Director, Threat Intel & Security Awareness, Melissa Sorola, Interim Senior Director, Corporate Communications & Marketing, Amelia Badders, Director, Enterprise Advanced Analytics, and Renee Garner, Senior Manager, Organizational Change Management. He noted that Ms. Gold-Williams credited the efforts of CPS Energy employees for the numerous awards, honors and recognitions she received in 2020.

Chair Steen requested that Mr. Garza read into the meeting's record the following customer comments from the appendix:

- "I expected a call about my past due bill, what I received was an offer of help – I am so glad I answered the phone"
- "This call has lifted a burden off my shoulders. I didn't know how I would pay this bill and I was afraid it would catch up to me. God bless CPS Energy"
- "CPS Energy has proven that they are doing everything they can for customers during this pandemic – showing we are in this together."
- "I didn't know there was assistance available and that CPS Energy was offering resources that don't even involve the utility bill. I am so grateful that you reached out."
- "My family has really suffered because of COVID-19 and I didn't know where to turn. I am so grateful for CPS Energy calling to offer help. No one else has done anything like this."

Chair Steen also thanked Mr. Garza for the wonderful work done by CPS Energy employees and asked that he pass those thanks on to the employees.

VII. ADDITIONAL UPDATES

Cost Savings: Employee Benefits

Ms. Wainscott, Interim VP, People Services, described the services benefits consultant, Lockton Dunning, provides to CPS Energy. She highlighted that a cost of less than \$200,000 annually, Lockton Dunning helped CPS Energy realize almost \$39 million in savings over a 5-year period.

Ms. Wainscott also noted that the average claims cost for employees engaged in the wellness plan is about 20 percent lower than non-engaged employees. Ms. Wainscott explained that the addition of the Livongo Diabetes Management program added costs to the wellness program in FY2020, but those costs are offset by the lowered claims costs associated with diabetes. Due to the effective cost management of the program, health care costs are projected to remain flat FY2021 and FY2022.

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Trustee Kelley and Trustee Gonzalez congratulated Ms. Wainscott and the employees on their excellent work in managing the employee benefits program.

FlexPOWER Bundle Request for Proposal (RFP) Launch

Dr. Eugster briefed the Board on the **FlexPOWER Bundle** RFP key components, milestones, the accelerated time line and communication activities. Dr. Eugster outlined CPS Energy's **Flexible Path** Journey, which began in 2018.

Dr. Eugster described the key components of the RFP and reminded everyone that respondents can bid on one or more of the requested resources. Respondents to the solar and storage components can connect at the transmission, distribution or solar community scale level. Regarding the all-source firming capacity, respondents can connect at the transmission or distribution level.

Dr. Eugster recounted that the RFP was issued on November 30, 2020, a pre-bid recording occurred on December 9, 2020 and the RFP responses are due February 1, 2021. He noted that the **FlexSTEP** RFP will be issued in January 2021.

Dr. Eugster explained that after considering the feedback from Dr. Mackey and Mayor Nirenberg, CPS Energy accelerated the RFP response by one month to February 1, 2021 and the contract awards by one month to July 30, 2021. Dr. Eugster also indicated that in accordance with Mayor Nirenberg's request, CPS Energy will be awarding standard solar projects by the end of April 2021.

Dr. Eugster shared that the communications of the RFP went out in 10 different languages across the globe and included a Facebook live presentation with 130,000 views. CPS Energy also partnered with local groups to share awareness of the RFP. Mayor Nirenberg and Ms. Gold-Williams created an RFP announcement video that received 22,000 views.

Dr. Mackey thanked Dr. Eugster and the team for accelerating the timelines.

Trustee Gonzalez noted her interest in impacting the local community through the use of qualified small and minority businesses.

Trustee Kelley commented that solar loses power in late afternoon and storage capacity development is moving very slow, so firming capacity is very important. He asked what CPS Energy is expecting for firming capacity responses. Dr. Eugster answered that CPS Energy will look at all technologies that meet our requirements for firming capacity. Dr. Eugster explained that the gas steam plant was built in the 1960's, and as it is not a base load plant, it operates primarily during the summer. Therefore, CPS Energy has asked for different hours of duration for firming capacity in this RFP. Trustee Kelley also asked about using the Rio Nogales power plant for firming capacity. Dr. Eugster responded that the Rio Nogales power plant replaced the Deeley power plant capacity that was taken offline in 2018. This RFP will replace the Braunig power plant units 1, 2 and 3 capacity when they go offline. The estimated cost for this replacement firming capacity is approximately \$2.00 per monthly bill.

Trustee Gonzalez asked about cybersecurity matters in the RFP. Dr. Eugster responded that cybersecurity will be part response evaluation.

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VIII. PROCUREMENT REVIEW

Professional Services

Mr. Rick Lopez, Director, Distribution Engineering, provided context related to the professional services procurement item on the Consent Agenda.

IX. APPROVAL OF CONSENT ITEMS

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

Approval of Minutes

Minutes of the Regular Board Meeting held on October 26, 2020 were approved as submitted.

Approval of Payment to the City of San Antonio for November 2020

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 November 2020 is based on actual gross revenue per the New Series Bond Ordinance of \$160,663,136.14, less applicable exclusions. The revenue for the month of November 2020 is calculated as follows:

Gross revenue per CPS Energy financial statements	
Electric revenue	\$155,120,522.46
Gas revenue	11,517,265.08
Interest and other income	1,924,815.70
Gross revenue per CPS Energy financial statements	<u>168,562,603.24</u>
Excluded revenue	
School and hospital revenue per City Ordinance 55022	(6,152,315.06)
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	(7,274,622.03)
Noncash and other income, GASB 31 investment market value change, miscellaneous interest income, gas billing adjustment and unbilled revenue	<u>5,527,469.99</u>
Total excluded revenue	<u>(7,899,467.10)</u>
Gross revenue per New Series Bond Ordinance subject to 14% payment to the City	<u><u>\$160,663,136.14</u></u>

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City payment per Bond Ordinance for November 2020 based upon November 2020 revenue	\$22,492,839.06	
City payment per memorandum of understanding (MOU) regarding wholesale special contracts	482,806.65	
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	22,963,145.71	A
Utility services provided to the City for November 2020	(2,386,447.16)	
Net amount to be paid from November 2020 revenue to the City in December 2020	<u>\$20,576,698.55</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)

November 2020	Actual	Budget	Variance	
Current Month* A	\$22,963	\$23,958	(\$995)	-4.2%
Year-to-Date*	\$280,997	\$305,681	(\$24,684)	-8.1%

* 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 \$20,576,698.55, representing 14% of applicable system gross revenues for the month of November 2020, such payment being net of City utility services (\$2,386,447.16), is hereby approved."

Financial Services Policies

The following policies were approved:

- Investment Policy
- South Texas Project (STP) Nuclear Decommissioning Trust (NDT) Investment Policy
- Financial Authorizations & Approvals Policy for Banking, Investing & Hedging ("FAAP")
- Collateral Policy
- Master Interest Rate Management Policy
- Energy Price Risk Management (EPRM) Policy

INVESTMENT POLICY RESOLUTION

The following resolution relating to the investment activities of the City of San Antonio, Texas acting by and through City Public Service Board ("CPS Energy") was presented for consideration and approval by the CPS Energy Board of Trustees ("Board"):

**Draft for review and approval
at the January 25, 2021 meeting**

WHEREAS, Texas Government Code Section 1502.070 vests management and control of the CPS Energy gas and electric systems in the Board, including management and control over the purchasing activities of the systems; and

WHEREAS, the Board is responsible for the prudent handling and control of funds and investments of CPS Energy; and

WHEREAS, the Texas Public Funds Investment Act ("PFIA") requires that the governing body of a local government review its investment policies and investment strategies not less than annually during the fiscal year; and

WHEREAS, the proposed changes to the CPS Energy Investment Policy (the "Policy") provide operating flexibility, serve as clarifications, or are administrative in nature and include:

- Removing Project WARM from the list of CPS Energy funds to be managed under this Policy since these funds were transferred to REAP, Inc. in August 2020;
- Clarifying that the Investment Committee may meet and vote other than in-person;
- Updating defined terms and other minor clarifications; and

WHEREAS, CPS Energy desires the approval of a resolution a) acknowledging that a review of the Policy has been completed and b) adopting the Policy with the proposed changes; and

WHEREAS, CPS Energy Management has verified and represents to the Board that the Policy as attached hereto is in compliance with the requirements of the PFIA, the Bond Ordinances and the Commercial Paper Ordinances.

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby approves and adopts the Policy, effective January 31, 2021.

NUCLEAR DECOMMISSIONING TRUST INVESTMENT POLICY RESOLUTION

The following resolution relating to the Nuclear Decommissioning Trust ("NDT") activities of the City of San Antonio, Texas acting by and through the City Public Service Board ("CPS Energy") was presented for consideration and approval by the CPS Energy Board of Trustees (the "Board"):

WHEREAS, Texas Government Code Section 1502.070 vests management and control of the CPS Energy gas and electric system in the Board, including management and control over the purchasing activities of the systems; and

WHEREAS, the Board is responsible for the prudent handling and control of funds and investments of CPS Energy, the City Public Service Decommissioning Master Trust for the South Texas Project (the "28% Trust"), and the City Public Service Decommissioning Master Trust Agreement Related to the South Texas Project Interest Acquired from AEP Texas Central Company (the "12% Trust (TCC Funded)"); and

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WHEREAS, the Texas Public Funds Investment Act (“PFIA”) requires that the governing body of a local government review its investment policies and investment strategies not less than annually during the fiscal year; and

WHEREAS, the proposed changes to the CPS Energy South Texas Project NDT Investment Policy (“Policy”) serve as clarifications, document existing processes, and are administrative in nature and include:

- Moving the Investment Strategy section from Section VIII to Section VII to follow Risk Environment;
- Clarifying NDT Investment Committee (“IC”) and Investment Consultant duties consistent with current practice;
- Clarifying that the NDT IC may meet and vote other than in-person;
- Documenting the Investment Manager evaluation process consistent with current practice;
- Updating defined terms and other minor clarifications;
- Increasing the cap on Real Estate Investment Trusts from 10% to 11%;
- Updating various appendices for recently passed legislation.

WHEREAS, CPS Energy desires the approval of a resolution a) acknowledging that a review of the Policy has been completed and b) adopting the Policy with the proposed changes.

WHEREAS, CPS Energy management has verified and represents to the Board that the Policy as attached hereto complies with the requirements of the U.S. Nuclear Regulatory Commission, the Public Utility Commission of Texas, the PFIA, the Texas Property Code Subtitle B, Title 9, where applicable and the requirements of the 28% Trust and the 12% Trust (TCC Funded).

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby approves and adopts the Policy, effective January 31, 2021.

**FINANCIAL AUTHORIZATIONS AND APPROVALS POLICY FOR
BANKING, INVESTING AND HEDGING RESOLUTION**

The following resolution relating to the banking, investing and hedging activities of the City of San Antonio, Texas acting by and through City Public Service Board (“CPS Energy”) was presented for consideration and approval by the Board of Trustees (“Board”):

WHEREAS, the Board of Trustees of the City Public Service Board of San Antonio, Texas, is required to designate and authorize specific CPS Energy Officers and staff to conduct financial transactions on behalf of CPS Energy, the City Public Service Restated Decommissioning Master Trust for the South Texas Project, the City Public Service Decommissioning Master Trust Agreement Related to the South Texas Project Interest Acquired from AEP Texas Central Company; and Hedge Instrument transactions on behalf of CPS Energy; and

WHEREAS, a CPS Energy Financial Authorizations and Approvals Policy for Banking, Investing and Hedging (“the Policy”) must be provided to banks, investment firms, brokers and other counterparties in order to conduct transactions in the daily operations of CPS Energy; and

**Draft for review and approval
at the January 25, 2021 meeting**

WHEREAS, changes to the Policy are minimal, serve as clarifications and include language clarifying that collateral transactions may be approved by CPS Energy officers at a Vice President level or above (in addition to designated individuals).

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby approves the CPS Energy Financial Authorizations and Approvals Policy for Banking, Investing and Hedging, effective January 31, 2021.

COLLATERAL POLICY RESOLUTION

The following resolution relating to the collateral activities of the City of San Antonio, Texas acting by and through City Public Service Board ("CPS Energy") was presented for consideration and approval by the Board of Trustees ("Board"):

WHEREAS, Texas Government Code Section 2257.023 requires that CPS Energy adopt a policy concerning the collateral pledged to secure the deposit of CPS Energy funds in a depository bank or other financial institution; and

WHEREAS, CPS Energy Management desires to modify the CPS Energy Collateral Policy, as attached, to include non-substantive changes from the last effective version, dated January 31, 2020, and include:

- Eliminating duplication with another CPS Energy policy; and
- Updating the effective date of the policy.

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby approves the CPS Energy Collateral Policy, effective January 31, 2021.

MASTER INTEREST RATE MANAGEMENT POLICY RESOLUTION

The following resolution relating to interest rate management agreements and transactions of the City of San Antonio, Texas acting by and through City Public Service Board ("CPS Energy") was presented for consideration and approval by the CPS Energy Board of Trustees ("Board"):

WHEREAS, Texas Government Code Section 1371.056, requires that the City Council (the "City Council") of the City of San Antonio, Texas (the "City"), adopt a risk management policy governing entering into and managing interest rate management agreements and transactions in anticipation of, related to, or in connection with the authorization, issuance, security, purchase, payment, sale, resale, redemption, remarketing, or exchange of debt obligations of the City as a condition to the execution of any such agreement or transaction; and

WHEREAS, Texas Government Code Section 1502.070 and various ordinances of the City Council vests management and control of the CPS Energy electric and gas systems (the "Systems") in the Board; and

WHEREAS, it is in the best interests of the customers of the Systems that the Board and the City be authorized to enter into interest rate management agreements to manage the net interest expense borne

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by debt obligations of the City issued and to be issued to finance or refinance eligible costs of Systems' projects and/or other permitted costs and payable from revenue of the Systems; and

WHEREAS, on November 28, 2011, the Board approved the Master Interest Rate Management Policy, which has subsequently been updated; and

WHEREAS, CPS Energy Management desires to modify the Master Interest Rate Management Policy, as attached, to include non-substantive changes from the last effective version dated January 31, 2020, and include:

- Replacing London Interbank Offer Rate ("LIBOR") with a new reference rate as LIBOR will be discontinued at December 31, 2021; and
- Updating defined terms and other minor clarifications.

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby approves the CPS Energy Master Interest Rate Management Policy, as revised, effective January 31, 2021.

ENERGY PRICE RISK MANAGEMENT POLICY RESOLUTION

The following resolution relating to the investment and hedging activities of the City of San Antonio, Texas acting by and through City Public Service Board ("CPS Energy") was presented for consideration and approval by the CPS Energy Board of Trustees ("Board"):

WHEREAS, Texas Government Code Section 1502.070 vests management and control of the CPS Energy gas and electric systems in the Board, including management and control over the purchasing activities of the systems; and

WHEREAS, the Board is responsible for the prudent handling and control of energy hedge instruments; and

WHEREAS, the Texas Public Funds Investment Act ("PFIA") requires that the governing body of a local government review its investment policies and investment strategies not less than annually; and

WHEREAS, by policy, the Board shall review CPS Energy's Energy Price Risk Management ("EPRM") Policy on an annual basis and approve any changes thereto; and

WHEREAS, CPS Energy Management desires to modify CPS Energy's EPRM Policy, as attached, to include non-substantive changes from the last effective version dated January 31, 2020; and

WHEREAS, CPS Energy desires the approval of a resolution a) acknowledging that a review of the Policy has been completed and b) adopting the Policy with the proposed changes; and

WHEREAS, CPS Energy Management has verified and represents to the Board that the Policy as attached hereto is in compliance with the requirements of the PFIA.

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby approves and adopts the Policy, effective January 31, 2021.

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Approval of Procurement Items – December

Two (2) Non-Competitively Sensitive Items

Purchase Category:	Professional Services
Item Description:	Engineering Services for Electric Distribution
Supplier:	HMI Technical Solutions, LLC Black & Veatch Corporation EN Engineering, LLC HBK Engineering, LLC Merrick & Company

Purchase Category:	Professional Services
Item Description:	Geotechnical Engineering Services
Supplier:	Arias & Associates Inc. Braun Intertec Corporation Terracon Consultants Inc. TTL, Inc.

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

X. COMMITTEE REPORTS

Operations Oversight Committee (OOC) Meeting

Dr. Mackey stated that a report on the OOC meeting, which took place on November 2, 2020, was posted with the public notice of this meeting and will be attached (as Attachment “B”) to the meeting minutes.

OOC Aligned Risk Sub-Committee Meeting

Dr. Mackey stated that a report on the OOC Aligned Risk Sub-Committee meeting, which took place on November 2, 2020, was posted with the public notice of this meeting and will be attached (as Attachment “C”) to the meeting minutes.

Technology & Innovation (T&I) Committee Meeting

Dr. Mackey stated that a report on the T&I Committee meeting, which took place on November 12, 2020, was posted with the public notice of this meeting and will be attached (as Attachment “D”) to the meeting minutes.

T&I Aligned Risk Sub-Committee Meeting

Dr. Mackey stated that a report on the T&I Aligned Risk Sub-Committee meeting, which took place on November 12, 2020, was posted with the public notice of this meeting and will be attached (as Attachment “E”) to the meeting minutes.

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Without objection, Dr. Mackey and Trustee Gonzalez requested that the foregoing Committee Reports be inserted into the record of this meeting in lieu of reading them.

XI. VOTE TO REAPPOINT THE TRUSTEE FROM REPRESENTING THE NORTHEAST QUADRANT TO SERVE A SECOND TERM ON THE CPS ENERGY BOARD

Trustee Kelley noted that Chair Steen was appointed by the City Council for a Board term commencing on February 1, 2016 and expiring January 31, 2021. During this time, Chair Steen has served with distinction and has chaired the Board for three years. He is a former Texas Secretary of State, former Texas Department of Public Safety Commissioner and a well-respected lawyer. Chair Steen is willing to serve another 5-year term.

As the chair of the Nominations Committee, Trustee Kelley moved that Trustee Steen be nominated for another 5-year term on the CPS Energy Board of Trustees and that such election be submitted to City Council for confirmation. Trustee Gonzalez seconded the motion. She commented that Chair Steen has been fair and transparent in his service on the Board. Mayor Nirenberg acknowledged Chair Steen's balance and leadership on the Board and voiced his support of the nomination here and before City Council.

Upon affirmative vote by all members present, the motion was approved, thereby approving the following resolution which was included in the Board materials.

Chair Steen thanked the Board for the kind words and their support.

RESOLUTION ELECTING JOHN T. STEEN TO CPS ENERGY BOARD OF TRUSTEES

WHEREAS, John T. Steen, a resident of the northeast quadrant of the CPS Energy service area, was first appointed to the CPS Energy Board to serve a 5-year term commencing on February 1, 2016 and expiring on January 31, 2021; and

WHEREAS, Mr. Steen has expressed a willingness and desire to continue to serve on the Board; and

WHEREAS, the Board appreciates Mr. Steen's expertise, his contributions to the work of the Board and his willingness to continue service; and

WHEREAS, under the provisions of CPS Energy bond ordinances, Mr. Steen is eligible to serve another 5-year term as a member of the Board of Trustees following the expiration of his current term of service in January 2021.

NOW, THEREFORE, BE IT RESOLVED by the Board of Trustees of CPS Energy that John T. Steen is hereby elected, for City Council consideration and confirmation, to serve a second 5-year term on the CPS Energy Board of Trustees, beginning effective February 1, 2021 through January 31, 2026.

XII. RATE ADVISORY COMMITTEE (RAC) UPDATE

Ms. Shellman provided an update on the status of the proposed RAC. Changes were made to the draft documents previously shared with the Board to include comments shared by Mayor Nirenberg for the purpose

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of the RAC. In addition, the City staff requested that they be removed from the Technical Advisory Committee because of their role as CPS Energy's regulator. Ms. Shellman also highlighted that CPS Energy staff is now recommending a chair and vice-chair to preside over the RAC.

CPS Energy staff have interviewed and are ready to select a rate consultant, but no final decisions will be made without Board approval. Ms. Shellman explained the various reasons for having a consultant, including (1) their knowledge of rate structures across the country; (2) their perspective on what other utilities are doing and how CPS Energy may incorporate that perspective into our rate structure and design; (3) their ability to bring people on the Committee up to speed on rate structure and design issues; (4) their objective expertise on rate structure and design; and (5) their objective point of view on information from the Committee.

The status on the RAC facilitator remains the same as last month. CPS Energy staff members have reviewed RFP responses but have not made a selection.

Regarding the budget, Ms. Shellman noted that no money has been spent on the matter to date. The proposed budget for the first year is estimated to be \$502,000, which will cover the costs of the consultant, facilitator, meeting facilitator services, media coverage and supporting materials. The following year, the budget will be smaller. Internal costs were included to demonstrate the time spent by CPS Energy staff working on this matter.

Trustee Gonzalez asked if the budget includes money for online advertising. Mr. Garza responded that CPS Energy has funds in its communication and marketing budget to support the RAC. Trustee Gonzalez is interested in increased engagement with our customers.

Mayor Nirenberg proposed the following motion:

A motion to approve the draft resolution to proceed with the creation of a RAC under the general framework provided by CPS Energy Staff, with authority given to Staff to add and/or modify operational and other details of the Committee, as needed, to facilitate effective Committee operation so long as the objectives and purpose of the RAC, as approved by the Board, are not altered.

Dr. Mackey seconded the motion.

Mayor Nirenberg thanked his colleagues for the creation of the RAC. He stated that the purpose of the RAC is to provide input to the Trustees and CPS Energy Management and is focused on two charges: (1) to review and provide input on the design of current and future rate structures and fees focusing on the impact to customers; and (2) to provide input on the organization's generation and resource planning. Mayor Nirenberg emphasized that the RAC will not change CPS Energy governance structure and is only advisory in nature.

Dr. Mackey asked how RAC membership would be appointed. Mayor Nirenberg responded that it would be similar to the process followed by the San Antonio Water System's (SAWS) RAC, where each City Council member will propose a representative and CPS Energy will propose the remainder of the members. Mayor Nirenberg also suggested that Trustee Gonzalez serve as the Board liaison in reviewing the RAC member applications received by CPS Energy. Without objection, Trustee Gonzalez accepted the position. The complete list of proposed members will be presented to and approved by the Board of Trustees.

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at the January 25, 2021 meeting**

Dr. Mackey also asked how the RAC budget would be funded, if the roles of the RAC consultant and facilitator could be combined and if there is a need for meeting facilitator services. Ms. Shellman answered that CPS Energy will provide the budget funds in support of the RAC, and the meeting facilitator services are similar to those currently used for monthly Board meetings and allow for community participation in meetings. Ms. Gold-Williams added that the consultant will have expertise on rates and technical generation issues. The facilitator will be skilled at managing meetings and resources. The two roles serve separate purposes. Trustee Gonzalez agreed that a facilitator is needed for the RAC.

Trustee Kelley commented that the RAC is unnecessary and redundant to the CAC. He opposed the bureaucratization and politicization of the company. The CAC has served for nearly 25 years, is structured similarly to the proposed RAC and has the expertise to consider the issues contemplated for the RAC. Trustee Kelley reminded everyone that our customers want affordable and dependable energy. Trustee Kelly also mentioned that given that CPS Energy has the lowest energy costs in the State and one of the highest reliability standings, CPS Energy is doing what our customers desire. He emphasized that CPS Energy also delivers almost \$1 million a day to the City and strongly suggested that CPS Energy be run as a business.

Mayor Nirenberg called the question on the motion and Chair Steen called for a vote. Upon affirmative vote by four members of the Board, the following resolution was approved by majority vote. Trustee Kelley dissented and requested that his concerns be reflected in the minutes.

RESOLUTION APPROVING CREATION OF A RATE ADVISORY COMMITTEE

WHEREAS, CPS Energy continually strives to be financially responsible and a strong steward of the community's assets while effectively balancing its value pillars of Security, Safety, Reliability, Resilience, Customer Affordability and Environmental Responsibility; and

WHEREAS, to achieve the most effective balance among these important pillars, CPS Energy management and the CPS Energy Board of Trustees are constantly exploring new technologies, considering ways to innovate and improve current operations, and listening to our customers' ideas and concerns; and

WHEREAS, the utility's rate structure and rate design are important factors affecting all customers and the amounts they pay for retail electric and gas services; and

WHEREAS, the Board is committed to providing forums for customers and stakeholders to share ideas and observations when important decisions are being made; and

WHEREAS, input from CPS Energy's customers about the utility's rates and the way CPS Energy recovers its costs through rates will help ensure that customer concerns and interests are consistently understood and considered by the Board in its decisions; and

WHEREAS, one way to further the goal of having effective public participation is to provide balanced and objective information to assist customers in understanding rate design options and to involve customers in an organized committee to provide input about rate design and rate structure issues for the management team and the Board of Trustees to consider; and

**Draft for review and approval
at the January 25, 2021 meeting**

WHEREAS, at the direction of the Board and after extensive and thoughtful exploration of issues and options, CPS Energy Staff has proposed a comprehensive framework for the creation of a Rate Advisory Committee (RAC) which the Board has reviewed and considered over the past several months; and

WHEREAS, the proposed RAC does not change the CPS Energy governance structure and has been thoughtfully designed in nature to be advisory to the Board of Trustees, while the executive team remains responsible for managing the company and for providing professional recommendations on rate design and generation planning.

NOW, THEREFORE, BE IT RESOLVED, that after careful reflection and in light of the foregoing, the CPS Energy Board of Trustees hereby approves the creation of a Rate Advisory Committee under the general framework proposed by CPS Energy Staff to achieve the goal of providing input to management and the Board on rate design issues and generation planning. The Board further provides Staff with authority to modify operational and other details of the proposed framework as needed to facilitate effective Committee operation so long as the objectives and purpose of the Committee, as hereby approved by the Board, are not altered.

XIII. EXECUTIVE SESSION

At approximately 3:57 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 after a short break, pursuant to the provisions of Chapter 551 of the Texas Government Code, for discussion of the following posted items:

- Attorney-Client Matters (§551.071)
- Personnel Matters (§551.074)
- Security Audits and Devices (§551.089)
- Confidential Information (§418.183(f))

The Board reconvened in open session at 5:25 p.m. Ms. Shellman reported that only the matters cited above, and no others, were discussed and no votes were taken in Executive Session.

XIV. ADJOURNMENT

There being no further business to come before the Board, 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 5:25 p.m. by Chair Steen.

Carolyn E. Shellman
Secretary of the Board

CPS Energy Board of Trustees Meeting January 25, 2021

Approval of Payment to the City of San Antonio for December 2020

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 December 2020 is based on actual gross revenue per the New Series Bond Ordinance of \$167,776,785.90, less applicable exclusions. The revenue for the month of December 2020 is calculated as follows:

Gross revenue per CPS Energy financial statements	
Electric revenue	\$171,992,152.96
Gas revenue	20,853,040.33
Interest and other income	986,623.02
Gross revenue per CPS Energy financial statements	<u>193,831,816.31</u>
Excluded revenue	
School and hospital revenue per City Ordinance 55022	(5,626,714.00)
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	(16,403,383.55)
Noncash and other income, GASB 31 investment market value change, miscellaneous interest income, gas billing adjustment and unbilled revenue	<u>(4,024,932.86)</u>
Total excluded revenue	<u>(26,055,030.41)</u>
Gross revenue per New Series Bond Ordinance subject to 14% payment to the City	<u><u>\$167,776,785.90</u></u>
City payment per Bond Ordinance for December 2020 based upon December 2020 revenue	\$23,488,750.03
City payment per memorandum of understanding (MOU) regarding wholesale special contracts	633,443.13
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	24,109,693.16 A
Utility services provided to the City for December 2020	<u>(2,418,655.80)</u>
Net amount to be paid from December 2020 revenue to the City in January 2021	<u><u>\$21,691,037.36</u></u>

CPS Energy Board of Trustees Meeting January 25, 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)

December 2020	Actual	Budget	Variance	
Current Month* A	\$24,110	\$24,918	(\$808)	-3.2%
Year-to-Date*	\$305,106	\$330,599	(\$25,493)	-7.7%

* 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 \$21,691,037.36, representing 14% of applicable system gross revenues for the month of December 2020, such payment being net of City utility services (\$2,418,655.80), is hereby approved."



Summary of Changes to the Audit & Finance Committee Charter January 25, 2021 Board Consent Agenda Item

BACKGROUND:

The following is a high-level summary of the changes that are being proposed:

Administrative	Organizational	Procedural	Substantive
✓	None	None	✓

The Audit & Finance Committee Charter addresses the following:

- role of the Audit & Finance Committee
- authority
- committee membership
- meetings
- responsibilities

SUMMARY OF CHANGES

Administrative

- Wording added to clarify reference to Nuclear Decommissioning Trusts.
- Wording added to clarify areas where committee members should have knowledge (e.g., audit, finance, IT, governance, risk, control).
- Wording added to clarify the authority of the Committee as relates to any registered public accounting firm performing an engagement.
- Grammatical and formatting revisions.

Substantive

- Revision to replace the “financial expert” requirement in the Committee Membership section with terminology that is consistent with the current recommendations from the Institute of Internal Auditors.
- Revision that allows for engagement of independent counselors or advisors.

CONTENTS:

- Updated Audit & Finance Committee Charter (Red-lined)
- Updated Audit & Finance Committee Charter (Clean)

*Charter Created: 10/29/2001
Last Revised: 1/25/2021*

CPS Energy Board of Trustees

AUDIT & FINANCE COMMITTEE CHARTER

I. Role of the Audit & Finance Committee

The Audit & Finance Committee (the “Committee”) is appointed by, and is a standing committee of, the CPS Energy Board of Trustees (Board). The role of the Audit & Finance Committee is to assist the Board in fulfilling its oversight responsibilities for CPS Energy related to the following:

- quality and integrity of the financial statements and the financial reporting process;
- review of financial policies for the organization
- review of proposed transactions relative to investment and debt activities
- compliance with legal and regulatory requirements;
- qualifications, independence, and performance of the external auditors;
- qualifications, independence, and performance of the internal audit function;
- system of internal controls regarding financial reporting, accounting, finance, ethics, and compliance; and
- management of business/financial risks.

The role also includes coordination with other Board committees/members and maintenance of strong, positive working relationships with management, external and internal auditors, legal counsel, and other financial advisors to management. In addition to CPS Energy, the Committee also has oversight for the 28% and 12% South Texas Project (STP) Nuclear Decommissioning Trusts.

II. Authority

The authority of the Committee is to exercise its business judgment, report to the Board, and recommend to the Board and/or management actions that the Committee reasonably believes to be in the best interest of CPS Energy. The Committee has authority to conduct or authorize investigations into any matters within its scope of responsibility.

It is also empowered to:

- Recommend for final approval by the Board the appointment and compensation of any registered public accounting firm(s) employed by the organization to conduct the annual external audit of CPS Energy's financial statements (i.e., the external auditors) and other agreed upon engagements, and oversee the work of any such firm(s);

Charter Created: 10/29/2001

Last Revised: 1/25/2021

- Pre-approve all audit and non-audit services that may be requested of the audit firm(s) selected to perform the annual financial statements audit;
- Review at least annually, updates to financial policies which provide financial direction for management and ensure the financial integrity of the organization;
- Review management recommendations for new financing (includes refinancing) and investment transactions in accordance with policies and bond ordinances;
- Approve the remuneration of the Chief Audit Executive (CAE), as well as the appointment or removal of the CAE.
- Retain independent legal counsel, accountants, or others to advise the Audit & Finance Committee or assist in the conduct of an investigation, as warranted, with the Board's concurrence;
- Seek any information it requires from employees all of whom are directed to cooperate with the Committee's requests or external parties; and
- Meet as needed with company officers (including the General Counsel), internal auditors, external auditors, or outside legal counsel.

III. Committee Membership

The Committee shall consist of two (2) Board members. Audit & Finance Committee appointments, including designation of one member as the Audit & Finance Committee chairperson, shall be approved annually by the full Board.

The Board will collectively possess sufficient knowledge of audit, finance, computer systems, governance, risk, and internal controls, including at least one member who, based upon their experience, competencies, and skills, can be designated as a "financial expert." While not absolutely necessary to do so every year because of the general need to rotate members periodically, the financial expert will typically be assigned to this Committee. Regardless of committee assignments, if in any year the Board does not have a member with significant broad financial expertise, the collective governing body will engage an independent financial counselor / advisor to provide that needed contribution to the Board and this Committee.

Over time, the utility business and industry will change in response to evolving financial, industry, regulatory, economic, reporting, or other developments. 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.

*Charter Created: 10/29/2001
Last Revised: 1/25/2021*

IV. Meetings

The Committee shall meet at least two (2) times per calendar year. Additional meetings shall be scheduled as considered necessary by the Committee or the Committee Chair. All members are expected to attend each meeting. The committee will invite members of management, the external and/or internal auditors, and/or others to attend meetings and provide pertinent information, as necessary. The Committee will hold private meetings with the auditors (see below) and executive sessions, as warranted. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Meeting minutes will be prepared for each meeting.

V. Responsibilities

The Audit & Finance Committee will carry out the following responsibilities:

A. Financial Policies, Transactions and Reporting

- Review and discuss with management and the external auditors all critical financial and accounting policies and practices used by the company, as well as any significant financial reporting issues, including complex or unusual transactions and highly judgmental matters;
 - any significant changes in company financial and accounting policies as well as recent professional and regulatory pronouncements;
 - any material alternative financial and accounting treatments;
 - any financial and accounting proposals that may have a significant impact on the company's financial reports and metrics;
 - results of the annual financial audit, including any difficulties encountered; and
 - all matters required to be communicated to the Committee under generally accepted auditing standards.
- Review the annual financial statements, and consider whether they are complete, consistent with information known to Committee members, and reflect appropriate accounting principles.
- Review other sections of the annual report and related regulatory filings before release and consider the accuracy and completeness of the information.
- Understand how Management develops interim financial information, and the nature and extent of internal and external auditor involvement.

B. Internal Control and Risk Management

- Consider the effectiveness of CPS Energy's system of internal controls, including information technology security and control.
- Understand the scope of the internal and external auditors' reviews of internal controls and obtain reports on significant findings and recommendations, together with Management's responses.
- Understand CPS Energy's business risk profile and controls in selected

Charter Created: 10/29/2001

Last Revised: 1/25/2021

areas representing significant financial and/or business risk (operational, legal, reputation, etc.).

- Meet periodically with management to review CPS Energy's major financial risk.

C. Internal Audit

- Approve the Audit Services Charter.
- Approve the risk-based internal audit plan.
- Approve Audit Services' budget and resource plan.
- Receive communications from the Chief Audit Executive on Audit Services' performance relative to its plan and other matters.
- Approve decisions regarding the appointment and removal of the Chief Audit Executive.
- Approve the remuneration of the Chief Audit Executive.
- Make appropriate inquiries of management and the Chief Audit Executive to determine whether there is inappropriate scope or resource limitations.

D. External Audit

- Review the qualifications of the external auditors; oversee due diligence responsibilities relative to the selection, compensation and terms of engagement for the external audit firm(s); and recommend final approval on the appointment or discharge of the external auditors to the Board.
- Review and confirm the independence of the external auditors by obtaining statements from them on their relationships with CPS Energy, including any non-audit services, and by discussing these relationships with the external auditors.
- Review the external auditors' proposed audit scope and approach, including coordination of their audit effort with internal audit.
- Meet with the external auditors and appropriate CPS Energy staff at the end of the annual audit to review the audit results and financial statements.
- Resolve any disagreements between management and the external auditors regarding financial reporting.
- Meet separately with the external auditors to discuss any matters that the Committee believes should be discussed privately.

E. Ethics

- Review the process for communicating the CPS Energy ethics policy/code of conduct to company personnel, including the annual training plan.
- Review the effectiveness of the system for monitoring compliance with the CPS Energy ethics policy/code of conduct, including the process for handling actual or perceived conflicts of interest.
- Review results of Ethics-related investigations by management (and follow-up, including disciplinary action) of any instances of noncompliance.

*Charter Created: 10/29/2001
Last Revised: 1/25/2021*

F. Compliance

- Understand the system for monitoring compliance with laws and regulations; review results of investigations by management and follow-up, including disciplinary action of any instances of noncompliance.
- Review the findings of any examinations by regulatory agencies and any internal or external auditor observations regarding compliance.
- Obtain regular updates from management and company legal counsel regarding compliance matters, including review and assessment of any significant conflicts of interest and related-party transactions.

G. Reporting Responsibilities

- Provide an open avenue of communication between internal audit (Audit Services), the external auditors, and the Board.
- Report on a regular basis to the Board about Committee activities, issues, and related recommendations.

H. Other Responsibilities

- Institute and oversee special investigations, as needed.
- Review and assess the adequacy of the Committee Charter annually, requesting Board approval for proposed changes.
- Confirm annually that all responsibilities outlined in this Charter have been carried out.
- Evaluate, on a regular basis, the Committee's effectiveness in executing its responsibilities
- Perform other activities related to this Charter as requested by the Board.

This Charter of the Audit & Finance Committee of the CPS Energy Board of Trustees is hereby approved this 18th day of February 2019.

Charter Created: 10/29/2001

Last Revised: 1/25/2021 ~~2/18/2019~~

CPS Energy Board of Trustees

AUDIT & FINANCE COMMITTEE CHARTER

I. Role of the Audit & Finance Committee

The Audit & Finance Committee (the "Committee") is appointed by, and is a standing committee of, the CPS Energy Board of Trustees (Board). The role of the Audit & Finance Committee is to assist the Board in fulfilling its oversight responsibilities for CPS Energy related to the following:

- ~~the~~ quality and integrity of the financial statements and the financial reporting process;
- ~~the~~ review of financial policies for the organization
- ~~the~~ review of proposed transactions relative to investment and debt activities
- compliance with legal and regulatory requirements;
- ~~the~~ qualifications, independence, and performance of the external auditors-
(~~registered public accounting firm(s)~~);
- ~~the~~ qualifications, independence, and performance of the internal audit function;
- ~~the~~ system of internal controls regarding financial reporting, accounting, finance, ethics, and compliance; and
- ~~the~~ management of business/financial risks.

The role also includes coordination with other Board committees/members and maintenance of strong, positive working relationships with management, external and internal auditors, legal counsel, and other financial advisors to management. In addition to CPS Energy, the Committee also has oversight for the 28% and 12% South Texas Project (STP) Nuclear Decommissioning Trusts.

II. Authority

The authority of the Committee is to exercise its business judgment, report to the Board, and recommend to the Board and/or management actions that the Committee reasonably believes to be in the best interest of CPS Energy. The Committee has authority to conduct or authorize investigations into any matters within its scope of responsibility.

It is also empowered to:

- Recommend for final approval by the Board the appointment and compensation of any registered public accounting firm(s) employed by the organization to conduct the annual external audit of CPS Energy's financial statements (i.e., the external auditors); and other agreed upon engagements, and oversee the work of any such firm(s);

Charter Created: 10/29/2001

Last Revised: ~~1/25/2021~~ 2/18/2019

- Pre-approve all audit and non-audit services that may be requested of the audit firm(s) selected to perform the annual financial statements audit;
- Review at least annually, updates to financial policies which provide financial direction for management and ensure the financial integrity of the organization;
- Review management recommendations for new financing (includes refinancing) and investment transactions in accordance with policies and bond ordinances;
- Approve the remuneration of the Chief Audit Executive (CAE), as well as the appointment or removal of the CAE.
- Retain independent legal counsel, accountants, or others to advise the Audit & Finance Committee or assist in the conduct of an investigation, as warranted, with the Board's concurrence;
- Seek any information it requires from employees all of whom are directed to cooperate with the Committee's requests or external parties; and
- Meet as needed with company officers (including the General Counsel), internal auditors, external auditors, or outside legal counsel.

III. Committee Membership

The Committee shall consist of two (2) Board members. Audit & Finance Committee appointments, including designation of one member as the Audit & Finance Committee chairperson, shall be approved annually by the full Board.

The Board will collectively possess sufficient knowledge of audit, finance, computer systems, governance, risk, and internal controls, including at least one member who, based upon their experience, competencies, and skills, can be designated as a "financial expert." While not absolutely necessary to do so every year because of the general need to rotate members periodically, the financial expert will typically be assigned to this Committee. Regardless of committee assignments, if in any year the Board does not have a member with significant broad financial expertise, the collective governing body will engage an independent financial counselor / advisor to provide that needed contribution to the Board and this Committee.

Over time, the utility business and industry will change in response to evolving financial, industry, regulatory, economic, reporting, or other developments. 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.

~~Each Committee member will be financially literate. At least one member shall be designated as the "financial expert," as defined by applicable legislation and regulation. Even more important than financial expertise is the ability of the~~

Charter Created: 10/29/2001

Last Revised: ~~1/25/2021~~ 2/18/2019

~~Committee members to understand CPS Energy's business and risk profile and to apply their business experience and judgment to the issues and recommendations identified by the external and internal auditors, with an independent and critical eye.~~

IV. Meetings

The Committee shall meet at least two (2) times per calendar year. Additional meetings shall be scheduled as considered necessary by the Committee or the Committee Chair. All members are expected to attend each meeting. The committee will invite members of management, the external and/or internal auditors, and/or others to attend meetings and provide pertinent information, as necessary. The Committee will hold private meetings with the auditors (see below) and executive sessions, as warranted. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Meeting minutes will be prepared for each meeting.

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The Audit & Finance Committee will carry out the following responsibilities:

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- Review and discuss with management and the external auditors all critical financial and accounting policies and practices used by the company, as well as any significant financial reporting issues, including complex or unusual transactions and highly judgmental matters;
 - any significant changes in company financial and accounting policies as well as recent professional and regulatory pronouncements;
 - any material alternative financial and accounting treatments;
 - any financial and accounting proposals that may have a significant impact on the company's financial reports and metrics;
 - results of the annual financial audit, including any difficulties encountered; and
 - all matters required to be communicated to the Committee under generally accepted auditing standards.
- Review the annual financial statements, and consider whether they are complete, consistent with information known to Committee members, and reflect appropriate accounting principles.
- Review other sections of the annual report and related regulatory filings before release and consider the accuracy and completeness of the information.
- Understand how Management develops interim financial information, and the nature and extent of internal and external auditor involvement.

B. Internal Control and Risk Management

- Consider the effectiveness of CPS Energy's system of internal controls, including information technology security and control.

Charter Created: 10/29/2001

Last Revised: 1/25/2021 ~~2/18/2019~~

- Understand the scope of the internal and external auditors' reviews of internal controls and obtain reports on significant findings and recommendations, together with Management's responses.
 - Understand CPS Energy's business risk profile and controls in selected areas representing significant financial and/or business risk (operational, legal, reputation, etc.).
 - Meet periodically with management to review CPS Energy's major financial risk.
-

Charter Created: 10/29/2001
Last Revised: 1/25/2021 ~~2/18/2019~~

C. Internal Audit

- Approve the Audit Services Charter.
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- Approve the remuneration of the Chief Audit Executive.
- Make appropriate inquiries of management and the Chief Audit Executive to determine whether there is inappropriate scope or resource limitations.

D. External Audit

- Review the qualifications of the external auditors; oversee due diligence responsibilities relative to the selection, compensation and terms of engagement for the external audit firm(s); and recommend final approval on the appointment or discharge of the external auditors to the Board.
- Review and confirm the independence of the external auditors by obtaining statements from them on their relationships with CPS Energy, including any non-audit services, and by discussing these relationships with the external auditors.
- Review the external auditors' proposed audit scope and approach, including coordination of their audit effort with internal audit.
- Meet with the external auditors and appropriate CPS Energy staff at the end of the annual audit to review the audit results and financial statements.
- Resolve any disagreements between management and the external auditors regarding financial reporting.
- Meet separately with the external auditors to discuss any matters that the Committee believes should be discussed privately.

E. Ethics

- Review the process for communicating the CPS Energy ethics policy/code of conduct to company personnel, including the annual training plan.
- Review the effectiveness of the system for monitoring compliance with the CPS Energy ethics policy/code of conduct, including the process for handling actual or perceived conflicts of interest.
- Review results of Ethics-related investigations by management (and follow-up, including disciplinary action) of any instances of noncompliance.

F. Compliance

- Understand the system for monitoring compliance with laws and regulations; review results of investigations by management and follow-up, including disciplinary action of any instances of noncompliance.
- Review the findings of any examinations by regulatory agencies and any

Charter Created: 10/29/2001

Last Revised: 1/25/2021 ~~2/18/2019~~

internal or external auditor observations regarding compliance.

- Obtain regular updates from management and company legal counsel regarding compliance matters, including review and assessment of any significant conflicts of interest and related-party transactions.

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- Institute and oversee special investigations, as needed.
- Review and assess the adequacy of the Committee Charter annually, requesting Board approval for proposed changes.
- Confirm annually that all responsibilities outlined in this Charter have been carried out.
- Evaluate, on a regular basis, the Committee's effectiveness in executing its responsibilities
- Perform other activities related to this Charter as requested by the Board.

This Charter of the Audit & Finance Committee of the CPS Energy Board of Trustees is hereby approved this 18th day of February 2019.



**BOARD OF TRUSTEES
TRAVEL AUTHORIZATION FORM**

***Note: A completed and signed Travel Expense Calculator must be attached to this Travel Authorization Form; also attach other pertinent information**

PROCESS

Travel and travel-related expenses for members of the Board of Trustees require review and approval prior to final booking and registration.

THIS SECTION IS TO BE COMPLETED BY THE TRUSTEE REQUESTING TRAVEL AUTHORIZATION.

I hereby request authorization for the travel and travel-related expenses listed on the attached Board of Trustees Travel Expense Calculator.

Form #: _____

The value proposition to CPS Energy is as follows [Please attach additional sheet, if necessary.]:

Signature: _____

Print Name _____

Date _____

THIS SECTION IS TO BE COMPLETED BY THE BOARD OF TRUSTEES OFFICERS.

We hereby authorize the requested travel. (If the requesting trustee is the chair or vice chair, the trustee with the most seniority shall be substituted herein.)

Board of Trustees Chair: (or Senior Board member): (Print Name) _____

Signature _____

Date _____

Board of Trustees Vice Chair (or Senior Board member): (Print Name) _____

Signature _____

Date _____

Board of Trustees Travel Expense Calculator

	Item #	Event Name	Date(s)	City, State & Zip	Registration Price	Flight Price	Ground Transport Price	Lodging Price	Meal(s) Price	Misc. Other	Total by Item
					Including misc. tips						
Estimate	1	Sample Name of Conference	8/14/2018	San Antonio, TX 78205	\$1,000.00	\$500.00	\$50.00	\$300.00	\$60.00	\$0.00	\$1,910.00
Actual											
Estimate	2	Sample Name of Seminar	8/27/2018	Austin, TX 78744	\$90.00	\$0.00	\$100.00	\$300.00	\$100.00	\$5.00	\$595.00
Actual											
Estimate	3										\$0.00
Actual											
Estimate	4										\$0.00
Actual											
Estimate	5										\$0.00
Actual											
Estimate	6										\$0.00
Actual											
Total Estimates					\$1,090.00	\$500.00	\$150.00	\$600.00	\$160.00	\$5.00	\$2,505.00
Total Actuals											

***Notes:** -This Expense Calculator will be attached to a corresponding Travel Authorization Form.
 -Actual expenses greater than 10% over the estimate will require further explanation to the Board chair.

Form #: 20190830EKkf

Board Relations

Board Relations has estimated expenses and hereby affirms: estimated expense calculations are as accurate as possible.

Print Name

Date

Board Relations

Board Relations has confirmed actual expenses and hereby affirms: expenses match the amounts recorded on the attached receipts.

Print Name

Date



CPS Energy Board of Trustees Meeting
January 25, 2021
APPROVAL of PROCUREMENT ITEMS
Table of Contents

1. **Item Description:** **Outside Plant (OSP) Fiber Lifecycle Program**
 Purchase Category: **Professional Services**
 Supplier: ADB Companies, Inc.
 Supplier: Black & Veatch Corporation
 Supplier: HMI Utilities, LLC
 Supplier: PhaseLink Utility Solutions, LLC
 Supplier: Quanta Telecommunication Services, LLC
 Supplier: TOP Engineers Plus PLLC
 Supplier: TRC Engineers, Inc.

2. **Item Description:** **Gas Construction Services Purchase Order Correction**
 Purchase Category: **General Services**
 Supplier: Dimension Energy Services LLC
 Supplier: Mastec North America, Inc.
 Supplier: Mears Installation LLC

Digitally signed by Almaraz,
Frank T.
Date: 2021.01.11 08:57:49 -06'00'

Approval: Almaraz, Frank T.
Frank Almaraz, Chief Administrative & Business Development Officer

Approval: 
Paula Gold-Williams, President & CEO



CPS Energy Board of Trustees Meeting
January 25, 2021
PROCUREMENT FORM 1

Item Description	Outside Plant (OSP) Fiber Lifecycle Program
Purchase Order Value	\$11,800,000
Purchase Category	Professional Services
Department	Engineering and Transport 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

This is a multiple award contract that will provide fiber-optic engineering and installation services and will allow CPS Energy to release turn-key job packages to firms for new construction for replacement and remediation of aging fiber plant infrastructure throughout our service territory. The fiber infrastructure provides reliable communication for CPS Energy's core business functions supporting delivery of energy to customers, substations, power generation sites, gas distribution sites and corporate office buildings. Additionally, it supports civic partner critical communication needs such as the City of San Antonio radio and data communications. This is a new contract scope for CPS Energy to support our strategic fiber lifecycle program where we intend to replace approximately 500 miles of aging fiber over the next five (5) years, expiring 01/01/2026.

Subcontracting opportunities associated with the contracts

Black & Veatch Corporation; Quanta Telecommunication Services, LLC; HMI Utilities, LLC; and TRC Engineers, Inc. are committed to the utilization of small, local, minority-owned, woman-owned, and veteran-owned businesses as part of their contracts with CPS Energy. Because this is a new contract scope, we plan to learn together with the recommended suppliers to seek ways to engage and utilize subcontractors for these services.

ON-BOARDING, TRAINING & MENTORING FOR ALL CONTRACTORS

- We actively engage all contractors and provide them mentoring opportunities while building relationships that support and drive their success.
- We provide meaningful guidance and feedback that ensures continuous growth for their businesses and employees.
- We have an internal network of subject matter experts supporting and collaborating with our contractors.



CPS Energy Board of Trustees Meeting
January 25, 2021
PROCUREMENT FORM 1 (continued)

Recommended Supplier(s) & Spend

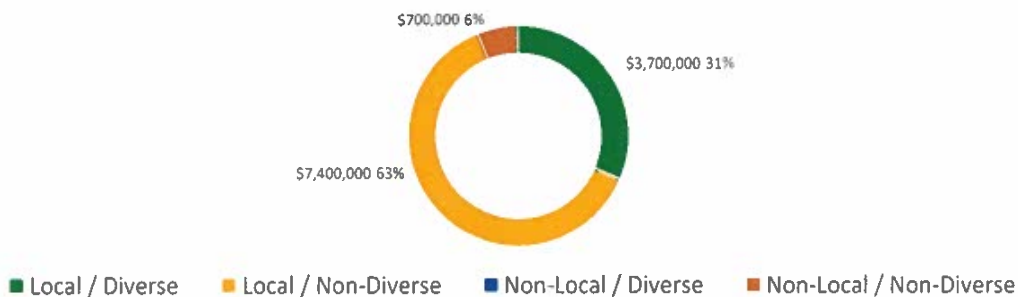
Supplier Name	SBA Classification	SBA Classification Details	PO Term	PO Value	PO #	Comments
HMI Utilities, LLC	Local / Non-Diverse	Male, Large, No Hub/Vet, Non-Minority	Five (5) Years	\$ 3,000,000	2194329	
TOP Engineers Plus PLLC	Local / Diverse	Male, Small, No Hub/Vet, Non-Minority	Five (5) Years	\$ 3,000,000	2194330	
ADB Companies, Inc.	Local / Non-Diverse	Male, Large, No Hub/Vet, Non-Minority	Five (5) Years	\$ 3,000,000	2194331	
Black & Veatch Corporation	Local / Non-Diverse	Male, Large, No Hub/Vet, Non-Minority	Five (5) Years	\$ 700,000	2194332	
PhaseLink Utility Solutions, LLC	Local / Diverse	Woman, Small, No Hub/Vet, Asian American	Five (5) Years	\$ 700,000	2194333	
Quanta Telecommunication Services, LLC	Non-Local / Non-Diverse	Male, Large, No Hub/Vet, Non-Minority	Five (5) Years	\$ 700,000	2194334	
TRC Engineers, Inc.	Local / Non-Diverse	Male, Large, No Hub/Vet, Non-Minority	Five (5) Years	\$ 700,000	2194335	
Total				\$ 11,800,000		

Annual Funds Budgeted

FY	Funding Method	Corporate Annual Budget	Projected FY21 PO Spend	% Of Annual Corp Budget	Projected FY22 PO Spend	Projected FY23 & FY24 PO Spend
21	Capital	\$684,100,000	\$0	0.00%	\$3,210,000	\$6,711,789
21	Non-Fuel O&M	\$712,800,000	\$0	0.00%	\$0	\$0

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
January 25, 2021
PROCUREMENT FORM 2

Item Description		Gas Construction Services Purchase Order Correction
Current Cumulative Purchase Order Value	(A)	\$9,900,000
Additional Funds Requested	(B)	\$1,500,000
Projected Cumulative Purchase Order Value	(C)	\$11,400,000
Purchase Category		General Services
Department		Gas Solutions
Senior Director		Richard Lujan
Chief Security, Safety & Gas Solutions Officer		Fred Bonewell

Purchase Order Correction Explanation

Three (3) Gas Construction Services contracts were utilized by Gas Solutions totaling \$70.890M from July 2016 through September 2020, prior to the new, three-year, \$120M Gas Construction Services contract approved by the Board of Trustees in September 2020. After September 2020, invoices totaling \$1.430M were received for work that originated on the prior contracts. Gas Solutions performed a tracing exercise of all invoices associated with the three (3) prior contracts. During this exercise, issues associated with the administrative processing of completed invoices were discovered. Multiple invoices were not matched to their corresponding purchase orders. This caused each subsequent contract to have additional charges incorrectly carried over from the previous contracts. For these reasons, the final contract did not have sufficient funding to cover outstanding invoices. These purchase order charges must be corrected in order to properly pay the remaining outstanding invoices. Gas Solutions is taking steps to correct invoicing processes, purchase order estimating processes, and refreshing leadership systems within the department. The \$1.5M requested will be applied to the appropriate purchase orders once the invoice posting corrections have been implemented. The outstanding, unpaid invoices have been reviewed by Audit Services, who verified that associated charges were properly supported and free of material errors, although minor adjustments are being made.

Recommended Supplier(s) & Spend

Supplier Name	SBA Classification	PO Term	SBA Classification Details	Current PO Value	Additional Funds Requested	Comments
Mears Installation LLC	Local / Non-Diverse	One (1) year	Male, Large, No Hub/Vet, Non Minority	\$6,200,000	\$1,500,000	Additional funds will be allocated following the PO correction process
MasTec North America, Inc.	Local / Diverse	One (1) year	Male, Large, No Hub/Vet, Hispanic	\$2,400,000		
Dimension Energy Services LLC	Non-Local / Diverse	One (1) year	Male, Small , No Hub/Vet, Non Minority	\$1,300,000		
				(A)	(B)	
Totals				\$9,900,000	\$1,500,000	
				Projected Cumulative Purchase Order Value (C)		\$11,400,000



PERSONNEL COMMITTEE

**EXECUTIVE SUMMARY AND CHAIR REPORT FROM THE DECEMBER 17, 2020 MEETING
PREPARED FOR COMMITTEE MEMBER, MR. ED KELLEY
FOR REPORT AT THE JANUARY 25, 2021 BOARD OF TRUSTEES MEETING**

The Personnel Committee met on December 17, 2020. As part of the Personnel Committee agenda, the Committee:

- A. Approved meeting minutes from the prior meeting, held on April 17, 2020
- B. Received an overview of the CPS Energy Customer Satisfaction Survey process
- C. Received an overview of industry trends and the impact to the CPS Energy workforce

The next meeting of the Personnel Committee will be held in January 2021.



Executive Summary

Approval of Two New Investment Manager (IM) Agreements for the South Texas Project (STP) Nuclear Decommissioning Trusts (NDTs) January 25, 2021 Board Meeting

ACTION REQUIRED:

- Board approval of Resolution regarding two new CPS Energy STP NDT IM Agreements.
- Should you have any questions or need any additional information, please contact:
 - Gary Gold at 210-353-2523 (office) / 210-414-8311 (cell) or
 - Julie Johnson at 210-353-2462 (office) / 210-289-3490 (cell) or
 - Domingo Villarreal at 210-353-2564 (office) / 210-748-5275 (cell).

BACKGROUND:

- Our CPS Energy Investment Policy and the Texas Public Funds Investment Act (PFIA) require Board approval for the initial contract and any related extension of IM Agreements of the NDTs. IM Agreements, whether initial or an extension, are valid for a period not to exceed two years.
- Approval of new IM Agreements is a standard request, and this request is the result of a strategic change to our IM mix.
- The CPS Energy NDT Investment Committee (NDT IC), in conjunction with its consultant Mercer Investment Consulting, LLC (Mercer), has determined the need to replace two existing underperforming IMs, Dimensional Fund Advisors (DFA) and Lazard Asset Management (Lazard).
- We are proposing State Street Global and William Blair as replacements for the underperforming IMs referenced above.
- This request has been presented to our President & CEO, who is supportive of our proposed changes.
- Agreements with the two new IMs (firms highlighted below) require board approval:

Asset Strategy	IM & Strategy Selected	Fund Legal Form	Active/ Passive	IM being replaced	Active/ Passive
Small Cap Domestic Equity	State Street Global Russell 2000 Index Fund	Common Trust	Passive	DFA	Active
International Equity	William Blair International Leaders Fund	Mutual Fund	Active	Lazard	Active



Executive Summary

Approval of Two New Investment Manager (IM) Agreements for the South Texas Project (STP) Nuclear Decommissioning Trusts (NDTs) January 25, 2021 Board Meeting

- **With this change, we will:**
 - 1) **Maintain existing asset allocation.** While we will replace certain IMs, the overall asset allocation to a) small cap domestic equities and b) international equities remains the same.
 - 2) **Maintain diversified IM base.** Allocation to Minority Owned / Women Owned Businesses continues at 45% and 60% of the 28% NDT and 12% NDT, respectively.
 - 3) **Increase our allocation to passive investment strategies.** Allocation to passive investment strategies is increased from 16% to 20% for the 28% NDT as a result of using a Russell 2000 index fund for the small cap domestic equity strategy.

CONTENTS:

- Board Resolution: Requesting approval of two new IM Agreements yet to be executed.
- Presentation: NDT Board Approval Request for IM Replacement.
- The NDT IM Agreements are in substantially final form. We have not included the full documents as part of the materials, but please note they are readily available for your review upon request.



NUCLEAR DECOMMISSIONING TRUST INVESTMENT MANAGER CONTRACTS

PRESENTED BY:

Domingo Villarreal

Director, Investment Management

January 25, 2021

Approval Requested

OBJECTIVES & TAKEAWAYS



- **PROVIDE CONTEXT ON NUCLEAR DECOMMISSIONING TRUSTS (NDTs)**
- **DISCUSS IM SEARCH PROCESS TO DATE**
- **REQUEST FOR APPROVAL**

AGENDA



- **OVERVIEW OF MANAGED INVESTMENTS**
- **RECAP OF NDT**
 - **CONTEXT**
 - **ASSET ALLOCATION**
 - **STATISTICS**
 - **DELIVERABLES**
 - **IM SEARCH & RECOMMENDATION**
- **BOARD REQUEST**



OVERVIEW OF MANAGED INVESTMENTS



Description	Direct Investments	REAP Corpus	Nuclear Decommissioning Trusts (NDTs)	Employee Benefits Trust Plans
Governance	Investment Committee	REAP Investment Committee	NDT Investment Committee	Administrative Committee
Investment Management	Internally	Internally	Externally via 9 Inv. Mgrs.	Externally via 27 Inv. Mgrs.
Investment Horizon	Short-Term	Short-Term	Long-Term	Long-Term
Investment Style	Focus on Principal Safety, Liquidity, then Yield (bound by PFIA)	Focus on Principal Safety, Liquidity, then Yield	Focus on Safety, Asset Allocation, Diversification, Conservative Growth, Competitive Return (bound by PFIA)	Focus on Safety, Asset Allocation, Diversification, Moderate Growth, Competitive Return
Investment Types	Cash & Equiv., Fixed Income	Cash & Equiv., Fixed Income	Cash & Equiv., Fixed Income, Equities, REITs	Cash & Equiv., Fixed Income, Equities, Alternatives
Portfolio Market Value (\$000s)*	\$1,173,911	\$10,048	\$659,034	\$2,084,094
Valuation Date	10/31/2020	09/30/2020	09/30/2020	09/30/2020

* Figures are unaudited

Today's Focus of Conversation

NDT CONTEXT



- We own a 40% interest in the STP 1&2 nuclear units & are thus liable for 40% of decommissioning costs
 - Our ownership includes two trusts
 - the 28% NDT (funded by CPS Energy customers) &
 - the 12% NDT (funded by Texas Central Company (TCC)) customers
 - We are in a beneficially overfunded position

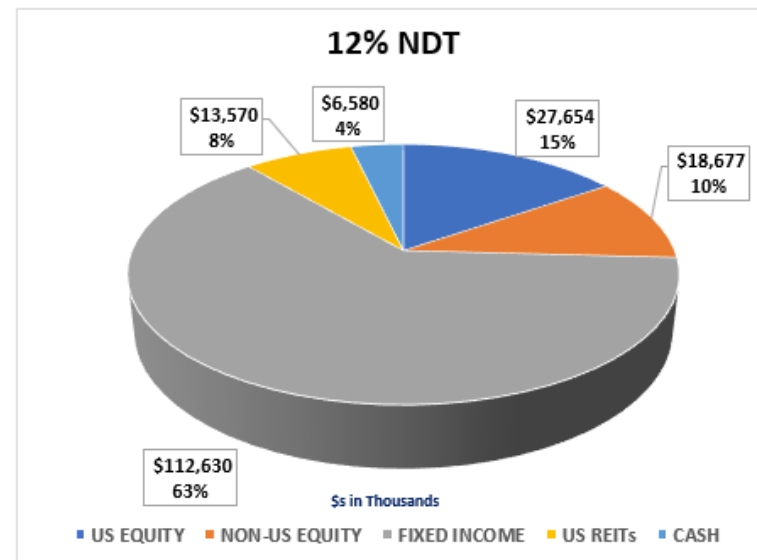
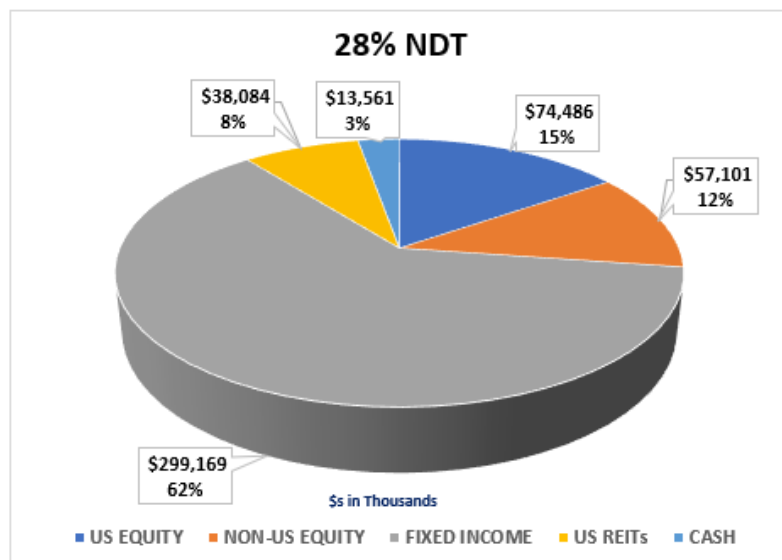
Our current asset allocation & corresponding returns have sustained our NDTs in a favorable position.

CURRENT ASSET ALLOCATION

AS OF 09/30/2020

Our current target asset allocation is:

- 64% Fixed Income, 27% Equities (domestic & international), & 9% US REITs



\$482,401 → \$659,034 ← \$179,111

Dollars in \$000s

ADDITIONAL ALLOCATION STATISTICS



- **We utilize a mix of passive & active IMs**
- **We maintain a diverse mix of firms to manage our assets**

	28% NDT	12% NDT
Active	84%	81%
Passive	16%	19%
Total	100%	100%

	28% NDT	12% NDT
Diverse	45%	60%
Non-Diverse	55%	40%
Total	100%	100%

Diversification among asset classes & active / passive IMs allows us to reduce risk & costs.

Diverse Firm - MBE / WBE – Minority-Owned or Women-Owned Enterprise



NDT DELIVERABLES PRESENTED TO THE BOARD

- We require approval from the you for the following:

ITEM	FREQUENCY OF REQUEST
NDT IM Contracts (New or Extension)	Minimum of every 2 years
NDT Investment Policy	Annually

- We also periodically provide the following information to you:

ITEM	FREQUENCY OF REQUEST	NOTES
Quarterly Investment Report	Quarterly	Supports review of holdings
NDT Board Report	Annually	Presents yearly review of NDT statistics
Trustee RFP Results	Every 5 years	Provides detail on Trustee selection
NDT Cost Study	Every 5 years	Provides detail on NDT funding status

Per policy, Board approval is required each time we initiate or extend IM Agreements.

UNDERPERFORMING IMs OVERVIEW



LAZARD ASSET MANAGEMENT (LAZARD)

- An active, core IM in our International Equities portfolio.

DIMENSIONAL FUND ADVISORS (DFA)

- An active, Small Cap-focused IM in our US Equities portfolio.

ASSETS IN NDT PORTFOLIOS					
	LAZARD			DFA	
	28% NDT	12% NDT		28% NDT	12% NDT
Assets Managed	\$16.1 M	\$6.7M		\$16.7M	N/A
% of Portfolio	3.4%	3.7%		3.5%	N/A
RETURN RECAP					
	LAZARD			DFA	
	Actual	Benchmark		Actual	Benchmark
Since Inception	5.3%	8.0%		6.4%	10.1%
1-year	0.1%	1.2%		-6.3%	0.4%

Because of consistent underperformance to their respective benchmarks, we explored alternative firms.

NOTE: Data as of 09/30/2020

IM SEARCH PROCESS



Process to date:

- With their extensive research capabilities, Mercer Investments, LLC, our investment consultant, identified strong IM candidates
- The search included diverse IMs & passive funds
- NDT IC held several meetings to select a short-list of IMs to interview
- NDT IC conducted interviews of IMs

IM SEARCH RECOMMENDATION



We propose to engage the following firms as replacements for those underperforming IMs.

	IM to be terminated		IM to be added	
ASSET CLASS	FIRM	INVESTMENT STYLE	FIRM	INVESTMENT STYLE
US Equities (Small Cap)	DFA	Active	State Street	Passive
International Equities	Lazard	Active	William Blair	Active

Note: None are Diverse IMs.



WHY STATE STREET AND WILLIAM BLAIR?

State Street:

- Adds another passive IM to the portfolio
- Returns will be consistent with the market
- De-risks the portfolio
- Reduces annual costs

William Blair:

- Provides stronger return potential
- Provides additional downside protection
- Growth-tilt approach balances well with other IM's value-tilt

REQUEST OF THE BOARD

JANUARY 25, 2021



Our Investment Policy & the PFIA requires our full Board approval for the:

- Initial agreements for the 2 new NDT IMs as a result of the proposed changes

We respectfully request the Board's approval of a resolution to execute two new IM agreements.



Thank You





Appendix



GLOSSARY / DEFINITIONS



Acronym or Word	Definition
IC	Investment Committee
IM	Investment Manager
MBE / WBE	Minority-Owned or Women-Owned Business
Mercer	Mercer Investments, LLC
NDT	Nuclear Decommissioning Trust
PFIA	Public Funds Investment Act
RFP	Request for Proposal
STP	South Texas Project
US REITs	United States Real Estate Investment Trusts

INVESTMENTS CONSIDERED

SHORT LIST PROVIDED BY MERCER



ACTIVE IMs CONSIDERED	
SMALL CAP EQUITIES	INTERNATIONAL EQUITIES
Aristotle	American Century*
Champlain Investment Partners*	Harding Loevner
GW&K Investment Management*	Western Capital Management
Jennison Associates*	William Blair*

PASSIVE FUNDS CONSIDERED	
SMALL CAP EQUITIES	INTERNATIONAL EQUITIES
Rhumblin	Vanguard
BlackRock Mutual Fund (BDBKX)	
SSgA (State Street) Common Trust	

* Indicates IM was interviewed

**CITY PUBLIC SERVICE OF SAN ANTONIO
NUCLEAR DECOMMISSIONING TRUST INVESTMENT MANAGER AGREEMENTS
RESOLUTION**

The following resolution relating to the Nuclear Decommissioning Trust (“NDT”) activities of the City of San Antonio, acting by and through the City Public Service Board (“CPS Energy”) was presented for consideration and approval by the CPS Energy Board of Trustees (the “Board”):

WHEREAS, the NDT Investment Committee reviewed the NDT investments and recommends certain modifications to NDT investments consistent with this resolution;

WHEREAS, Texas Government Code Section 1502.070 vests management and control of the CPS Energy gas and electric system in the Board, including management and control over the purchasing activities of the systems;

WHEREAS, the Board is responsible for the prudent handling and control of funds and investments of CPS Energy, the City Public Service Decommissioning Master Trust for the South Texas Project (the “28% Trust”), and the City Public Service Decommissioning Master Trust Agreement Related to the South Texas Project Interest Acquired from AEP Texas Central Company (the “12% Trust (TCC Funded)”);

WHEREAS, Texas Government Code Section 2256.003(b), a section of the Public Funds Investment Act (“PFIA”), requires that the Board of Trustees approve contracts with investment management firms to help implement the Policy and provide CPS Energy with investment advice;

WHEREAS, the CPS Energy management and the NDT Investment Committee recommends, (1) entering into an investment agreement with State Street Global Investors Trust Company, pursuant to negotiated agreements, and (2) entering into an investment agreement with William Blair Investment Management, LLC, pursuant to negotiated agreements, and (3) investing in the State Street Global Investors Trust Company – Small Cap Domestic Equity Index Fund and the William Blair International Leaders Fund (WILJX).

WHEREAS, with regard to the 28% Trust, the CPS Energy management and the NDT Investment Committee desires approval to invest in the following :

- State Street Global Investors Trust Company–Small Cap Domestic Equity Index Fund (pursuant to negotiated agreement documents)
- William Blair Investment Management, LLC – International Leaders Fund (WILJX) (pursuant to negotiated agreement documents)

WHEREAS, with regards to the 12% Trust (TCC Funded), CPS Energy management and the NDT Investment Committee desires the approval of a resolution to invest in the following:

- William Blair Investment Management, LLC – International Leaders Fund (WILJX)(pursuant to negotiated agreement documents)

WHEREAS, CPS Energy management finds that the foregoing investment recommendations are compliant with the NDT Investment Policy and requirements of the PFIA; and

WHEREAS, these investment actions will each be valid for a two year period, after which extensions will require additional Board approval, as required by the PFIA.

NOW THEREFORE BE IT RESOLVED that the Board hereby approves and adopts the (1) entering into an investment agreement with State Street Global Investors Trust Company, pursuant to negotiated agreements, (2) entering into an investment agreement with William Blair Investment Management, LLC, pursuant to negotiated agreements, and (3) investing in the State Street Global Investors Trust Company – Small Cap Domestic Equity Index Fund and the William Blair International Leaders Fund (WILJX) as discussed herein.

Carolyn E. Shellman
Secretary of the Board



BENEFIT PLAN FUNDING & EXPENSE

PRESENTED BY:

Paul Barham

Sr. VP, Energy Delivery Services
Chair, Administrative Committee

January 25, 2021

Approval Requested



OBJECTIVES & TAKEAWAYS



- **HIGHLIGHT IMPORTANCE OF OUR BENEFIT PLANS**
- **REVIEW CONTINUED FOCUS OF STRATEGY SURROUNDING OUR BENEFIT PLANS**
- **SEEK APPROVAL OF FUNDING & EXPENSE FOR FY2022**



AGENDA



- **PENSION STATUS & MONITORING**
- **BOARD APPROVAL REQUEST**
 - **FY2022 BENEFIT PLAN FUNDING & EXPENSE**



VALUE OF BENEFIT PLANS

PEOPLE FIRST!



- An investment in the long-term health, safety & stability of our employees & their families
- Supports our ability to attract & retain employees
- Allows employees to focus on their critical roles
- Protects our investment in training & development of employees
- Provides a stable, dedicated & experienced workforce

Our people are the backbone of managing a critical & complex business, & our benefit plans support them in successfully accomplishing that role.

BENEFIT TRUST MANAGEMENT & MONITORING



CONTINUOUS EFFORTS

PROACTIVELY, we monitor & manage risk by routinely:

- ✓ Conducting Experience Studies to validate assumptions
- ✓ Obtaining third party review of actuarial valuations
- ✓ Monitoring capital market expectations & adjusting target allocations
- ✓ Benchmarking to other plans & industries
- ✓ Using external expertise & consultants for support and review
- ✓ Keeping the Employee Benefits Oversight Committee (EBOC) & Board of Trustees updated

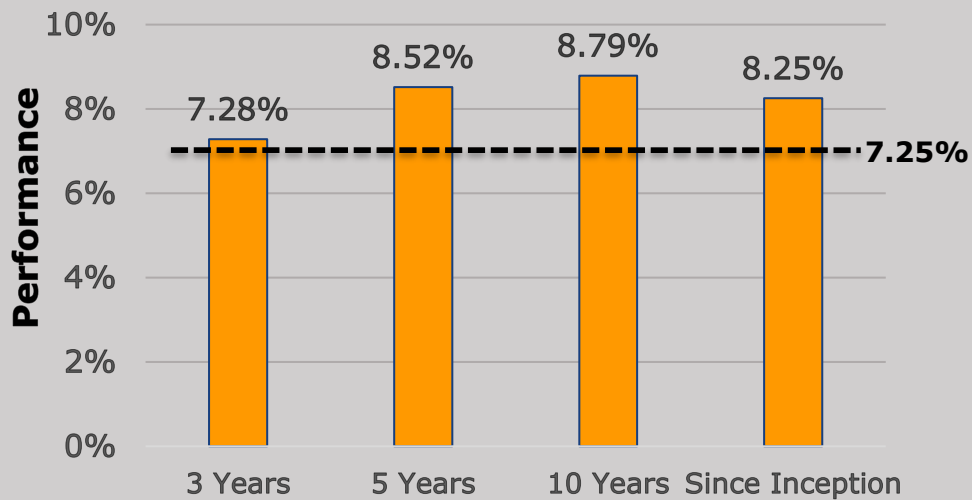
**Our Defined Benefit Plan is a valuable benefit to CPS Energy.
Monitoring & managing risk is a top priority!**

PENSION HISTORICAL INVESTMENT PERFORMANCE

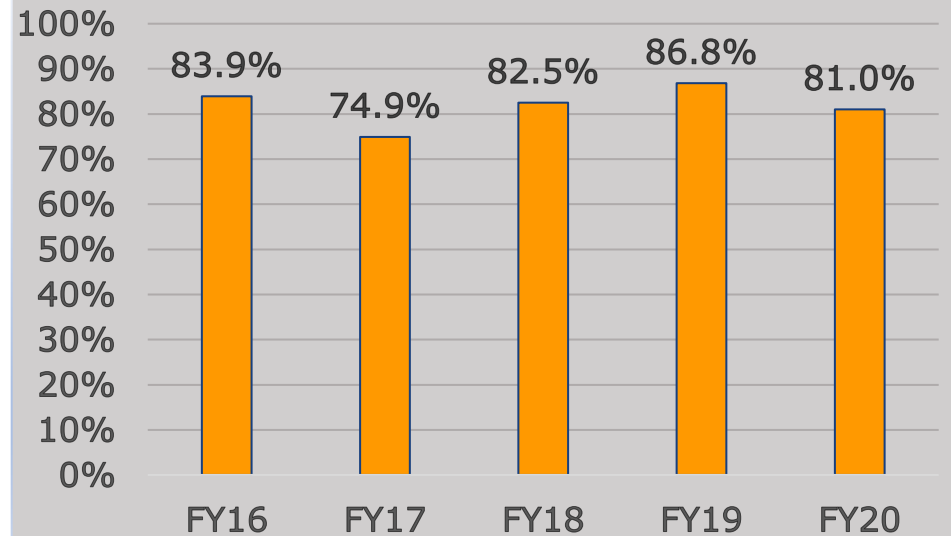


CALENDAR YEAR RETURNS

Dec. 1991 - Nov. 2020 Selected Periods

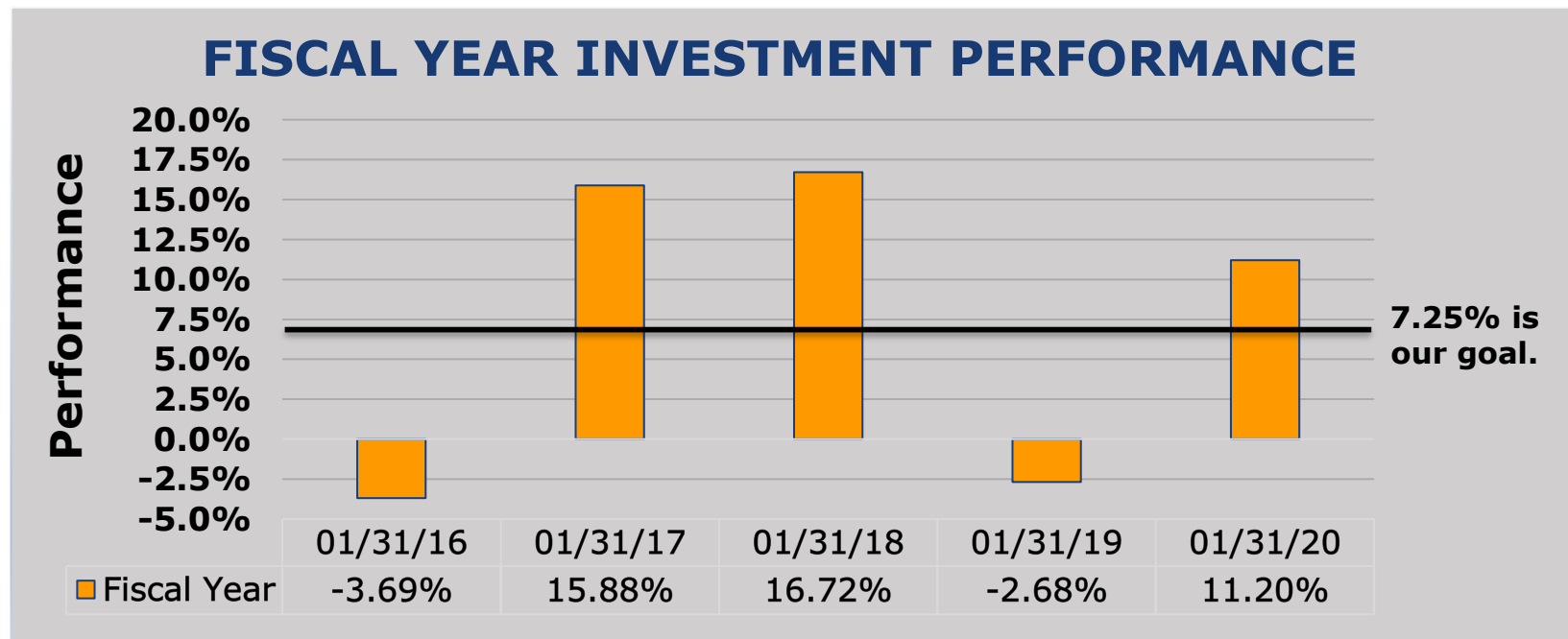


FUNDED RATIO



Over the long term, we have exceeded the Actuarial Rate of Return (ARoR) target & sustained a funded ratio in excess of 80% 4 of the past 5 years.

PENSION HISTORICAL INVESTMENT PERFORMANCE (CONT.)



While volatile, the average return over the last 5 years has exceeded the ARoR of 7.25%.

FUNDING & EXPENSE

FY2022



Statement of Governance requirement:

- **Obtain Board approval for funding & expense**
- Funding to begin on Feb. 1, 2021
- Funding & expense is typically approved as part of our budget review & approval process

This year we are separately requesting Board approval for FY2022 Benefit Plan funding & expense ahead of the upcoming budget approval.

PREVIEW FY2022 BENEFIT PLAN FUNDING & EXPENSE



PLAN (in Millions)	FY2022 CASH FUNDING (EMPLOYER ONLY)	(A) FY2022 O&M EXPENSE PRELIMINARY ¹	(B) FY2021 O&M EXPENSE	(A - B) VARIANCE (Favorable) / Unfavorable
PENSION	\$62.1	\$69.7 ²	\$64.6	\$5.1
HEALTH – Current Year Claims Cost & OPEB	41.8	38.6 ²	43.0	(4.4)
GROUP LIFE OPEB	0.9	(1.1)	(0.02)	(1.1)
LONG-TERM DISABILITY (LTD) OPEB	0.7	0.1	0.2	(0.1)
TOTAL ALL BENEFIT PLANS	\$105.5	\$107.3	\$107.8	\$(0.5)

Funding is based on the actuarially determined amounts, which is aligned with the Pension Plan Funding Policy.

¹ Investment gains / losses for FY2022 will be measured as of 1/31/21.

² Includes budgeted estimates for market performance.

BOARD APPROVAL REQUEST

Regardless of the timing of BoT approval, we have a fiduciary accountability to sufficiently administer the Employee Benefit Plans.

FY2022 BENEFIT PLAN EXPENSE: \$107.3M estimate is \$500k less than the prior year due to favorable demographic & investment gains, partially offset by assumption changes.

FY2022 EMPLOYER FUNDING: \$105.5M is well accommodated in the current cash forecast / Days Cash on Hand metric

Request of Board:
Approval of FY2022 Funding of \$105.5M & Expense of \$107.3M.



Thank You





SMARTSA DATA SHARING PROCESSES & PRINCIPLES

PRESENTED BY:

Amelia Badders

Director, Enterprise Advanced Analytics

Melissa Sorola

Interim Sr. Director, Corporate Communications & Marketing

January 25, 2021

Approval Requested

OBJECTIVES & TAKEAWAYS



- **SHARE INTENT & CONSTRUCT OF THE SMARTSA INTERLOCAL DATA SHARING AGREEMENT (IDSA)**
- **SHARE GUIDING PRINCIPLES TO ENSURE CUSTOMER-CENTRIC VIEW ON PRIVACY**
- **PROVIDE SUMMARY OF AWARENESS CAMPAIGN DEVELOPMENT**
- **SEEK DELEGATION OF AUTHORITY TO JOIN THE IDSA**



AGENDA



- **BACKGROUND**
 - **SMARTSA**
 - **IDSA AGREEMENT**
- **STEPS WE HAVE TAKEN TO PROTECT CUSTOMER PRIVACY**
 - **CPS ENERGY-SPECIFIC ATTACHMENT (CUSTOMER PRIVACY & DATA SECURITY)**
- **CUSTOMER AWARENESS PLANS**
- **SEEK DELEGATION OF AUTHORITY TO JOIN THE IDSA**

OUR GUIDING PILLARS & FOUNDATION



Reliability



Customer Affordability



Security



Safety



Environmental Responsibility



Resiliency



FINANCIALLY RESPONSIBLE

We are supporting SmartSA by delivering products & services our customers value while ensuring customer privacy is protected.

BACKGROUND



The IDSA is one of many ways that we support SmartSA.



"To be a connected, inclusive & resilient community supporting a high quality of life."

Our multi-faceted role:

- ☐ **Collaborating** on **SmartSA** initiatives
- ☐ **Promoting** continued thought-leadership
- ☐ **Creating** new products & services
- ☐ **Investing** in technologies
- ☐ **Sharing** data appropriately between Municipal Partners

Data Sharing Agreement Attributes

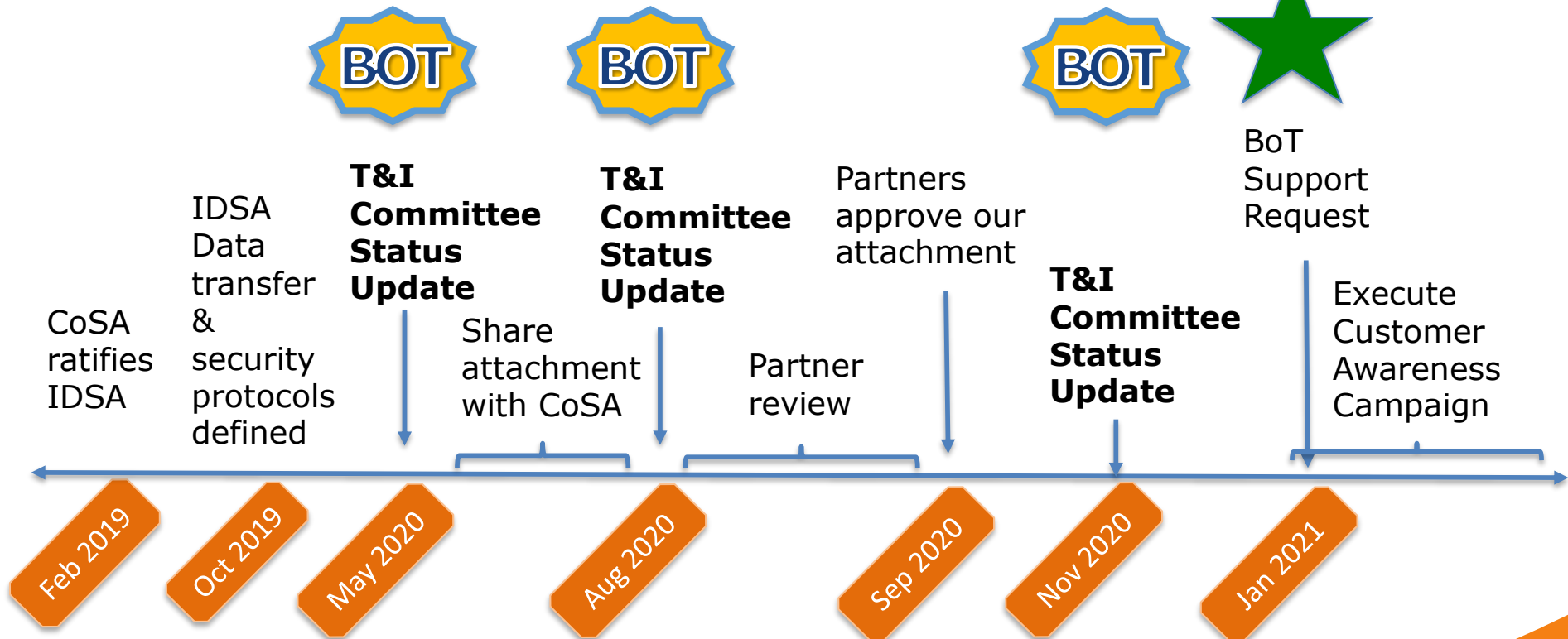
- *Single point of contact, standard request format*
- *Intended use specified within request*
- *Not required to share data*

Today's Discussion

Parties to the Agreement:



THE JOURNEY TO DATE



Feedback from the Technology & Innovation (T&I) Committee has been incorporated to address customer privacy & data security concerns.

KEY ATTRIBUTES OF IDSA



The IDSA Does *NOT*:

- ⊘ Compel or require parties to share data
- ⊘ Give parties right or grounds to demand data


The IDSA *Does*:

- ✓ Establish a common framework for requesting data
- ✓ Require a single point of contact within each organization
- ✓ Provide a common set of terms & conditions all parties are expected to adhere to in requesting, receiving & using data
- ✓ **Require that the intended use of the data be provided**



ILLUSTRATIVE EXAMPLES

DATA SHARING

 DATA WE WOULD SHARE	FOR INTENDED USE
Aggregate statistics by zip code	Identify gaps in services to target awareness efforts
Public data we collect e.g. official addresses	Consistent address designation across the agencies
Data associated with initiatives within the SmartSA Innovation zones	Smart Streetlight Pilot to test benefit of sensor data to citizens

DATA WE WOULD NOT SHARE

- Customer Personally Identifiable Information (PII)
- Individual Account Information
- Information deemed competitive by statute

OUR SPECIFIC ATTACHMENT ADOPTED



**The partners have agreed to the addition of
our specific attachment.**

Customer privacy:

Emphasizing the Board of Trustees' Customer Information Privacy Policy (including future updates) as a guiding document - we will not share any customer specific data



Data Security:

Incorporating incremental data security requirements specified



CUSTOMER AWARENESS



We will continue to communicate our commitment to protecting customer privacy.

- **Customer Benefits**

- Provides an avenue to learn more about customer preferences to provide them with products & services they want.
- Our SmartSA partnership brings together various City/County agencies all with the intent of making San Antonio a Smart City/Community.
- We will **always** consider the importance of protecting privacy rights for the public as we deploy new technologies.



- **REAFFIRM COMMITMENT to Customer Privacy**

- We will not share customer specific information.

CUSTOMER AWARENESS



Awareness efforts will highlight benefits to our customers.

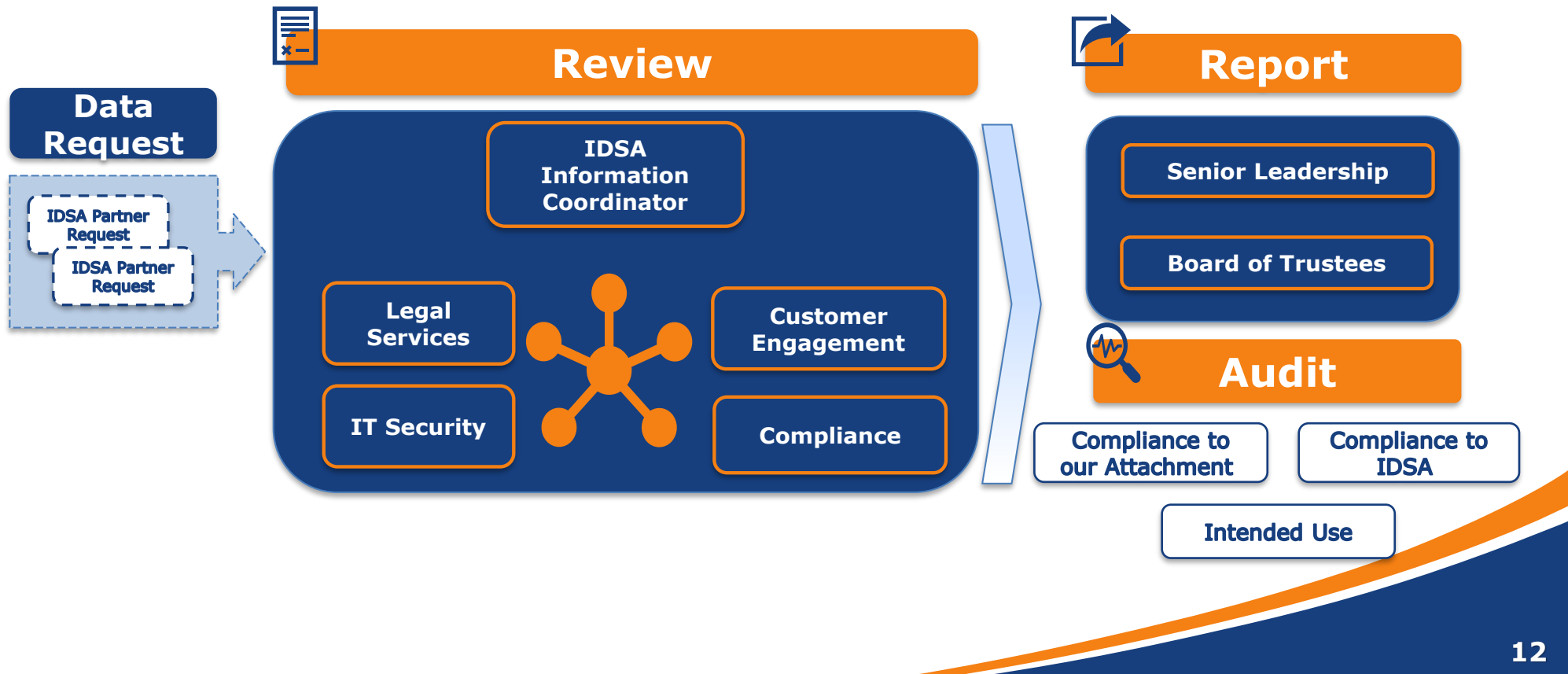
- Cross-promotional opportunities
- National Thought Leadership partnerships spotlight San Antonio as a Smart City leader
- Virtually bring thought leaders to learn best practices
- Elements of plan to also include:
 - Letter to customers
 - Media stories for awareness
 - Media briefings
 - Video explainers
 - Communication to Employees
 - Scam awareness – ongoing
 - Materials developed in English & Spanish



PROCESSES & POLICIES



We focus on privacy through processes that ensure customer privacy remains a top priority in SmartSA data sharing.



REQUEST FOR APPROVAL



We respectfully request that the Board of Trustees authorize our President & CEO, or her designee, to join the SmartSA Interlocal Data Sharing Agreement.



Thank You





Appendix





GLOSSARY / DEFINITIONS

Acronym or Word	Definition
BoT	Board of Trustees to reference the CPS Energy Board of Trustees
CoSA	City of San Antonio
IDSA	Interlocal Data Sharing Agreement aka SmartSA Data Sharing Agreement aka IDSA
PII	Personally Identifiable Information
SmartSA	City of San Antonio smart city program name
T&I	Technology & Innovation – defined committee of the CPS Energy BoT reviewing the technology & innovation initiatives
TWG	Technical Working Group – defined team of representatives of each party to the IDSA responsible for defining data transfer & security protocols



RESOLUTION TO JOIN THE SMARTSA INTERLOCAL DATA SHARING AGREEMENT

WHEREAS, the City of San Antonio is leading the SmartSA smart city initiative; and

WHEREAS, the SmartSA partnership facilitates bringing together City of San Antonio and other community governmental entities, currently including Bexar County Appraisal District, Edwards Aquifer Authority, San Antonio Housing Authority, San Antonio River Authority, San Antonio Water System and VIA Metropolitan Transit, with the intent of transforming the Greater San Antonio area into a Smart City/Community; and

WHEREAS, CPS Energy desires to support SmartSA efforts where they align with the interests of our customers while continuing to protect individual account information, including personally identifiable information, as well as other information deemed competitively sensitive by statute; and

WHEREAS, the City of San Antonio Office of Innovation coordinated with local governmental entities who support SmartSA to develop the SmartSA Interlocal Data Sharing Agreement (IDSA); and

WHEREAS, the IDSA does not compel or mandate that parties must share data but rather sets forth common terms and conditions for requesting, receiving and use of any data that parties choose to share under the IDSA; and

WHEREAS, the parties to the SmartSA Interlocal Data Sharing Agreement have agreed to include a specific attachment developed by CPS Energy to ensure CPS Energy's specific data privacy and security requirements are adopted by the parties for any data that CPS Energy shares under the agreement; and

WHEREAS, with the inclusion of the CPS Energy specific attachment to the IDSA, CPS Energy recommends joining the IDSA.

Now, therefore, be it resolved that:

1. The recitals to this Resolution are hereby incorporated by reference.
2. The Board of Trustees of CPS Energy hereby authorizes the President & CEO, or her designee, to enter into the SmartSA Interlocal Data Sharing Agreement.



RATE ADVISORY COMMITTEE (RAC) UPDATE

PRESENTED BY:

Carolyn E. Shellman

Chief Legal Officer & General Counsel (CLO&GC)
Quarterback & RAC Business Lead

January 25, 2021

Informational Update



OBJECTIVES & TAKEAWAYS

- REVIEW THE STEPS TAKEN TO FORM THE RAC
- ALIGN ON NEXT STEPS



AGENDA

- TEAMS
- MEMBERS
- WEBSITE
- NEXT STEPS



CPS ENERGY TEAM



RAC Recommended by:

Mayor Ron Nirenberg

Board Liaison & Trustee:

Janie Gonzalez

Sponsor & QBM Coach:

Paula Gold-Williams

Quarterback – Business Lead:

Carolyn E. Shellman

Customer Engagement Lead:

Rudy Garza

Team Members:

Ann Kinnard Cory Kuchinsky

Ricci Schooler Luis Garza

Jesse Hernandez Louis Labatt

John Leal Kathy Garcia



CONSULTANT TEAM

The contract was awarded to
The Brattle Group, Inc.



Project Team Members
include:



**Ahmad Faruqui –
Project Director**



**Sanem Sergici –
Project Manager**



**Agustin Ros –
Expert on Cost of Service**

A brief overview of each team member is included in the Appendix.

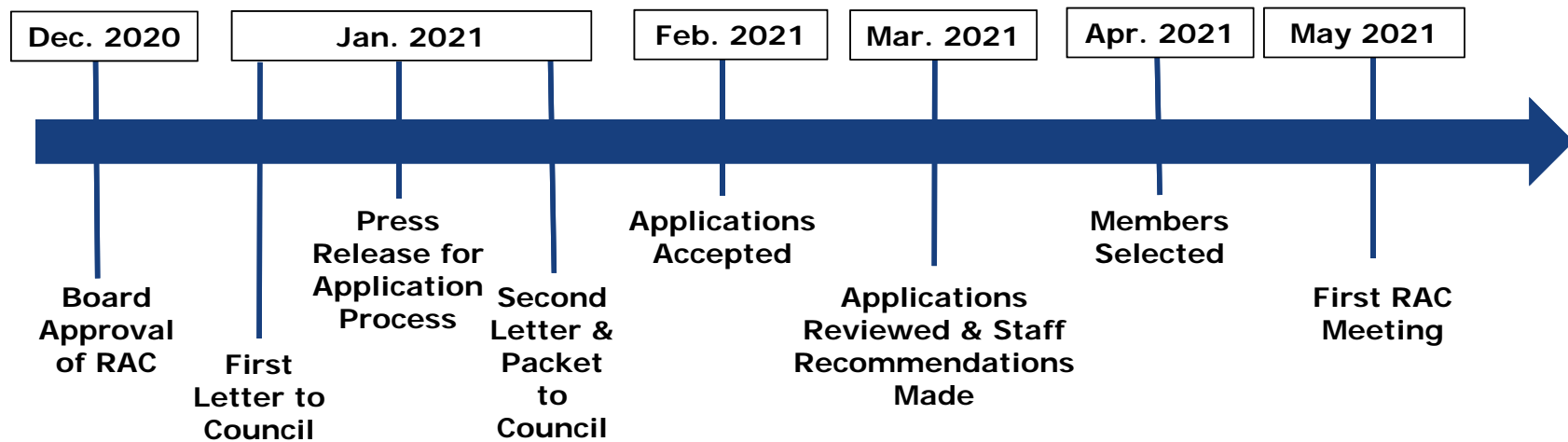
MEMBERS

LETTER TO COUNCIL



A letter was sent from CPS Energy Board Trustee & RAC Liaison Janie Gonzalez to Council members on January 13, 2021 to start the application process for their district appointees.

TIMELINE FOR SELECTION



The streamlined process is intended to get RAC appointments confirmed by the April 26, 2021 Board of Trustees Meeting.

WEBSITE



The website was launched January 25, 2021 & includes the following:

- Application for Membership
- Governance Documents
- Feedback



The website will continue to be updated as the RAC team is formed.

SPECIAL BOARD MEETING



The Board met on January 22, 2021 to discuss:

- Application
- Council nomination
- Other nominations
- Nomination of Chair & Vice-Chair



Input by the Board of Trustees was received. The team is moving forward with the application process.



Thank You





Appendix



COMPANY OVERVIEW

Project team members, role, and experience



Ahmad Faruqui

PRINCIPAL | SAN FRANCISCO

Dr. Ahmad Faruqui will serve as Brattle's Project Director for this engagement. In this role he will take ultimate responsibility for the project team and the achieving of project goals.

Dr. Faruqui has 40 years of academic, consulting and research experience as an energy economist. During his career, he has advised approximately 150 clients in the energy industry, including utilities, regulatory commissions, government agencies, transmission system operators, private energy companies, equipment manufacturers, and IT companies. Dr. Faruqui has advised them on a wide range of issues including rate design, load forecasting, demand response, energy efficiency, distributed energy resources, cost-benefit analysis of emerging technologies, integration of retail and wholesale markets, and integrated resource planning.



COMPANY OVERVIEW

Project team members, role, and experience



Sanem Sergici

PRINCIPAL | BOSTON

Dr. Sanem Sergici will serve as the Project Manager for this engagement. Dr. Sergici has been at the forefront of the design and impact analysis of innovative retail pricing, enabling technology, and behavior-based energy efficiency pilots and programs in many states and regions including District of Columbia, Connecticut, Florida, Illinois, Maryland, Michigan, Ontario, CA and New Zealand.

She has written extensively and testified on rate design issues. She has significant expertise in resource planning; economic analysis of distributed energy resources (DERs); their impact on the distribution system operations and assessment of emerging utility business models and regulatory frameworks. Dr. Sergici was recently featured in Public Utility Fortnightly Magazine's "[Fortnightly Under 40 2019](#)" list.



COMPANY OVERVIEW

Project team members, role, and experience



Agustin J. Ros

PRINCIPAL | BOSTON

Dr. Agustin J. Ros will serve as the Brattle Expert on Cost of Service. Dr. Ros has 25 years of academic, consulting and research experience in the field of electricity, natural gas and telecommunications cost of services.

Dr. Ros has worked at the Illinois Commerce Commission working on all aspects of electricity cost of service, rate design and rate case issues. He teaches the annual Edison Electric Institute (“EEI”) Advanced Rate Course in Madison, Wisconsin on embedded and marginal cost of service as well as efficient rate design principles and practices. He is an Adjunct Professor at the International Business School at Brandeis University where he teaches a course on public utilities and antitrust economics.

