

CPS ENERGY
MINUTES OF REGULAR MEETING OF THE BOARD OF TRUSTEES
HELD ON JUNE 20, 2019

The Regular Meeting of the Board of Trustees of CPS Energy for the month of June was held in the Board Room at CPS Energy's Main Office, 145 Navarro Street, San Antonio, Texas 78205 on Thursday, June 20, 2019. Chair John Steen called the meeting to order at 3:00 p.m.

Present were Board members:

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

Also present were:

Ms. Paula Gold-Williams, President & CEO
 Dr. Cris Eugster, Chief Operating Officer
 Ms. Carolyn E. Shellman, Chief Legal Officer & General Counsel and Board Secretary
 Mr. Fred Bonewell, Chief Security, Safety & Gas Operations Officer
 Ms. Felecia Etheridge, Chief Customer Engagement Officer
 Ms. Delores Lenzy-Jones, Chief Financial Officer
 Mr. Frank Almaraz, Chief Administrative & Business Development Officer
 CPS Energy Staff Members
 City of San Antonio officials
 Interested Citizens

I. SAFETY UPDATE

The Board meeting began with a safety message by Mr. George Diaz, Pipeman, Gas Operations.

II. PUBLIC COMMENT

Chair Steen announced that public comment would be taken and outlined the guidelines for making public comment.

1. Mr. Mario Bravo, Environmental Defense Fund, stated that storm response information (Item 7) would be useful in informing the Climate Action & Adaptation Plan proposed by the City of San Antonio.
2. Ms. Briauna Barrera, Public Citizen, advocated for the inclusion of a public process for any CPS Energy rate change (Item 7).
3. Mr. Alan Montemayor, Sierra Club, encouraged using the partnership between CPS Energy and the University of Texas at San Antonio (UTSA) (Items 7 & 10) to explore various solar projects. He also spoke in favor of electric vehicles.
4. Mr. Russell Seal spoke in favor of a carbon tax, solar energy and electric vehicles (Item 7).
5. Mr. Greg Harman, Sierra Club, commented on the nature of CPS Energy as a business and/or social enterprise and emissions reductions (Item 7).

6. Ms. Kaiba White, Public Citizen, advocated for the inclusion of a public process for any CPS Energy rate change (Item 7). She provided the Board a document outlining the procedural process used by Austin Energy.
7. Ms. Christina Mann, Sierra Club, encouraged the use of an “all source RFP” to allow market participants to offer ideas about a generation portfolio to replace coal units (Item 7).

Mayor Nirenberg commended the Board on the inaugural public comment session and stated his belief that Board conversations will be enriched by public engagement.

III. INVOCATION AND PLEDGE OF ALLEGIANCE

The Pledge of Allegiance and an invocation were delivered by Mr. Diaz.

IV. CHAIRMAN'S REMARKS

Chair Steen stated that agenda items would be taken out of order in the interest of time and to ensure priority items are addressed.

V. METRIC PROGRAM UPDATE

Ms. Gold-Williams, President & CEO, provided context around the CPS Energy metric program and introduced Mr. Todd Williams, Partner at ScottMadden, to provide the results of the FY19 performance year and proposed FY20/21 metric goals.

Mr. Williams explained that CPS Energy utilizes two types of metrics: annual and long-term. ScottMadden is given broad leeway and independence to validate: (1) that calculations are accurate, sound and reasonable, (2) that the data in the system of record are verified confirmed and reliable, (3) that the data flow is traceable and documented, and (4) that the final results are communicated and approved. ScottMadden validated all four goals for the FY19 metric results. Mr. Williams confirmed that such validation is typical.

At ScottMadden's recommendation, CPS Energy conducted an audit to assess, document and validate systems used to calculate the System Average Interruption Duration Index (SAIDI), System Average Interruption Frequency Index (SAIFI), and portfolio commercial availability (PCA). The audit found that the systems and/or processes were adequate to maintain consistent data integrity reviews and validation processes, effective to support sustainability of operations and controls related to data integrity, and reliable and sufficient in monitoring data, access management, data protection, and security.

Mr. Williams noted that all three financial standards were met for FY19:

- (1) Adjusted Debt Service Coverage (ADSC): 2.00, better than the threshold of 1.50 for the year.
- (2) Days Cash on Hand: 246, better than the threshold of 150.
- (3) Debt to Equity Ratio (not to exceed 62.2%): 61.8%, better than the threshold of 62.2.

Trustee Kelley commented that the financial standards serve as “gates”, such that all three must be met before a performance incentive may be awarded.

Next, Mr. Williams provided an update on the attainment of key annual and long-term performance metrics for FY19, indicating that of the thirteen total metrics, two were not attained, four were attained at the

“target” level, and seven were attained at the “outstanding” level. At Chair Steen’s request, Mr. Williams explained the SAIDI, SAIFI and PCA metrics.

Mr. Williams stated that the annual Enterprise Recordable Incident Rate (RIR) target was not met, although it is very aggressive and better than top decile for utilities of similar size. Ms. Gold-Williams and Mr. Bonewell, Chief Security, Safety & Gas Operations Officer, discussed the prevalence of soft-tissue injuries and CPS Energy’s focus on its safety culture to improve performance on the metric. The Board discussed the significance of considering injury severity when measuring safety.

Next, Mr. Williams discussed the results of the long-term metrics. He focused on Two-Year Average SAIFI, the metric that was not met, noting that CPS Energy’s result places it in the second quartile for utilities of similar size. He commented that vegetation management and storms play a role in the frequency of outages. Dr. Eugster, Chief Operating Officer, spoke about technology that may decrease outage frequency in the future.

Mr. Williams outlined the metric goals recommended for 2020/21, previously shared with the Board in March, and he explained the approach and philosophy used to develop them. He proposed that the annual RIR metric be replaced with OSHA Severity Rate and the notice of violation (NOV) component of the annual Environmental Compliance metric be refined. Mr. Williams and Ms. Gold-Williams explained the rationales for the proposed modifications. The Board discussed the proposed targets and their impact on CPS Energy’s level of performance. In instances where targets are proposed to be more lenient than in FY19, Mr. Williams explained that the relevant benchmarks had changed or that changes in conditions, such as CPS Energy’s generation fleet, supported the modification.

Trustee Gonzalez, Ms. Gold-Williams and Mr. Williams discussed how the Personnel Committee calculated the President & CEO’s Leadership Effectiveness score.

Ms. Marisol Weymouth, Interim Vice President, Enterprise Business Plan & Execution Excellence, summarized the recommended metric modifications – replacing the RIR with OSHA Severity Index and refining the Environmental Compliance metric- and requested Board ratification of the Accountability Metrics.

Dr. Mackey moved that the Board ratify the Accountability Metrics as presented, Trustee Kelley seconded, and Chair Steen called for discussion.

Trustee Kelley recapped the principles on which ScottMadden was to develop the metrics: they reflected strong industry standards that could be quantified; they aligned with superior performance; and they were tough, stretch goals. He stated that because of the subjectivity in determining whether a goal is a stretch goal, the Board relies on ScottMadden’ expertise. Trustee Kelley stated that the desire was that the company’s performance be evaluated by ScottMadden. Mr. Williams agreed that the stated principles remain pillars of the metric program proposed by ScottMadden.

Mayor Nirenberg commented that the metric program was implemented in response to the public’s desire for some certainty with the way public employees are compensated and that the program is aligned with the performance of the public utility. He clarified that the approach and development of the metrics is subjective, but whether the utility executives meet the standards is objective and their pay reflects that.

At the Mayor’s request, Ms. Gold-Williams clarified that the modifications to the Environmental Compliance metric exclude administrative violations from negatively impacting the metric.

The Accountability Metrics were ratified upon affirmative vote by all members present.

VI. EXECUTIVE SESSION

At approximately 4:21 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 item:

- Personnel Matters (§551.074): to discuss CEO performance metrics

The Board reconvened in open session at 5:37 p.m. Ms. Shellman reported that Personnel Matters and no others were discussed and no votes were taken in Executive Session.

VII. DISCUSSION & POSSIBLE VOTE REGARDING CEO COMPENSATION

Chair Steen requested that Trustee Kelley, chair of the Personnel Committee, present the next item.

Trustee Kelley stated that the Board of Trustees met in Executive Session to discuss the performance of CPS Energy CEO, Ms. Gold-Williams, for the period ending January 31, 2019. To assess her performance, the Board reviewed the CEO scorecard, which includes quantitative metrics for customer satisfaction, financial performance, and operational excellence. These metrics are verified independently by third-party industry expert ScottMadden. The metrics are challenging, and they help ensure that the company continues moving forward.

Under the strong leadership of Ms. Gold-Williams, CPS Energy has:

- Improved steady customer satisfaction ratings;
- Maintained best-in-the-industry financial ratings;
- Ensured top-level reliability and availability of our energy resources;
- Built upon industry-wide recognition of operational excellence; and
- Positively impacted our community through focused leadership and outstanding performance.

In addition, the Board reviewed information prepared by Willis Towers Watson regarding total compensation for CEOs in the energy utility sector. In looking at about 20 comparable companies across the industry, including for-profit and municipal utilities, Ms. Gold-Williams' salary and at-risk compensation are a fraction of the average for CEOs, even though Ms. Gold-Williams has the same accountabilities as her peers.

Based on the foregoing, Trustee Kelley moved that the Board recognize Ms. Gold-Williams' accomplishments by:

- (1) Increasing Ms. Gold-Williams' base salary effective June 1, 2019, by 3 percent, from \$471,700.00 per year to \$485,850.00 per year;
- (2) Paying (a) the portion of her at-risk compensation for the period that ended January 31, 2018, and was deferred from FY18 to 2019, in the amount of \$106,036.25, and (b) her at-risk compensation for the period that ended January 31, 2019, in the amount of \$338,783.00, for a total at-risk compensation to be paid in 2019 of \$444,819.00; and
- (3) Deferring an additional amount of \$128,114.25 to 2020, which remains at risk in accordance with the Long-Term Incentive Plan provisions in the CEO contract.

At Chair Steen's request, Ms. Debra Wainscott, Senior Director, People Services, confirmed the amounts.

Dr. Mackey seconded the motion and Chair Steen called for discussion.

The Trustees commented positively about Ms. Gold-Williams's performance and leadership. Dr. Mackey stated that he would like her to continue working to improve safety. Mayor Nirenberg noted that the performance criteria in Ms. Gold-Williams' contract were developed in response to the public's desire for a defensible metric structure. However, there remains increasing scrutiny on the way public employees are compensated. The Mayor challenged the Personnel Committee to be mindful of how to move forward, but stated that Ms. Gold-Williams had done everything that had been asked of her last year.

There being no further discussion on the pending motion, Chair Steen called for a vote and it was approved by a vote of 4-0, Trustee Gonzalez abstaining.

Trustee Gonzalez explained that she abstained from voting because of the short time that she has been on the Board. She also expressed an interest, as member of the Personnel Committee, in opportunities to include other measures of success that are more relatable or that can be adjusted to customers' concerns in 2020. Finally, she cautioned against politicizing success.

Mayor Nirenberg left the meeting after this item.

VIII. PRESIDENT & CEO UPDATE

Ms. Gold-Williams provided her President & CEO Update.

As part of her report, Ms. Gold-Williams provided context and insights into several items on the meeting agenda.

Ms. Gold-Williams also briefed the Board on recent severe storms that had an extensive impact, including a high number of downed electric wires, resulting in numerous outages. She explained that impacts from the storm continued for several days, notwithstanding the swift storm movement through the area.

Trustee Gonzalez commented on CPS Energy's efforts to inform the public about restoration efforts.

Chair Steen discussed undergrounding electrical infrastructure and requested updated information about associated technology and costs.

Trustee Gonzalez asked about CPS Energy's tree-trimming practices and any limitations. Ms. Gold-Williams replied that CPS Energy must comply with ordinances regulating tree-trimming while continually working with customers.

Ms. Gold-Williams discussed CPS Energy's reaffirmed "AA" credit rating by S&P Global Ratings under its revised criteria for municipal electric and gas utilities.

Ms. Gold-Williams highlighted recent developments regarding the nexus between climate and energy and the President's Cup Cyber Competition.

In conclusion, Ms. Gold-Williams noted upcoming topics of her President & CEO Update.

IX. COMMITTEE REPORTS

Trustee Kelley reported on the Personnel Committee meeting, which took place on June 14, 2019. The Committee reviewed the proposed revisions to the Personnel Committee Charter and voted to recommend its approval to the Board of Trustees.

At Trustee Kelley's request, Ms. Zandra Pulis, Deputy General Counsel, provided a brief overview of the Personnel Committee Charter revisions.

X. APPROVAL OF CONSENT ITEMS

On motion duly made by Trustee Kelley, seconded by Trustee Gonzalez, the following items on the Consent Agenda were unanimously approved.

Approval of Minutes

Minutes for the Regular Board Meeting held on May 20, 2019, were approved as written.

Approval of Payment to the City of San Antonio for May 2019

The New Series Bond Ordinance that took effect February 1, 1997 provides for a total cash payment to the City of San Antonio (City) in an amount not to exceed 14% of gross revenue as calculated pursuant to such Ordinance, less the value of other services provided to the City, with the percentage (within the 14% limitation) to be determined by the governing body of the City. The cash transfer to the City for the month of May 2019 is based on actual gross revenue per the New Series Bond Ordinance of \$167,623,388.49, less applicable exclusions. In accordance with the New Series Bond Ordinance, current month revenue was insufficient to meet the City Payment by \$6,096,429.30. Under the previously approved agreement with the City, CPS Energy will advance to the City \$6,096,429.30 against future months' revenue for fiscal year 2020. The revenue for the month of May 2019 is calculated as follows:

Gross revenue per CPS Energy financial statements	
Electric revenue	\$200,116,335.61
Gas revenue	7,282,374.27
Interest and other income	7,616,768.39
Gross revenue per CPS Energy financial statements	<u>215,015,478.27</u>
Excluded revenue	
School and hospital revenue per City Ordinance 55022	(6,383,901.75)
LVG revenue per City Ordinance 100709	0.00
Fuel cost component of off-system nonfirm energy sales per City Ordinance 61794 and revenue for wholesale special contracts	(8,297,101.49)
Noncash and other income, GASB 31 investment market value change, miscellaneous Interest income, gas billing adjustment and unbilled Revenue	<u>(32,711,086.54)</u>
Total excluded revenue	<u>(47,392,089.78)</u>
Gross revenue per New Series Bond Ordinance subject to 14% payment to the City	<u>\$167,623,388.49</u>

City payment per Bond Ordinance for May 2019

based upon May 2019 revenue	\$23,467,274.39	
City payment per memorandum of understanding (MOU) regarding wholesale special contracts	611,537.38	
Wholesale Special Contract Annual True Up	0.00	
City Payment reduction per UTSA gas billing adjustment MOU	(12,500.00)	
Annual True Up per UTSA MOU	0.00	
City payment per Bond Ordinance plus adjustments for memorandums of understanding	24,066,311.77	A
Utility services provided to the City for May 2019	(2,375,867.29)	
Net amount to be paid from May 2019 revenue to the City in June 2019	\$21,690,444.48	

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

(Dollars in thousands)

May 2019	Actual	Budget	Variance	
Current Month* A	\$24,066	\$25,681	(\$1,615)	-6.3%
Year-to-Date*	\$94,453	\$97,889	(\$3,436)	-3.5%

* 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 \$21,690,444.48, representing 14% of applicable system gross revenues for the month of May 2019, such payment being net of City utility services (\$2,375,867.29), and including the current month deficiency, is hereby approved. The total amount to be recovered from future revenues for fiscal year 2020 is \$20,295,384.91."

Personnel Committee Charter Revision

The attached revised Personnel Committee Charter was approved.

Approval of Procurement Item – May

One (1) Non-Competitive Sensitive Item

Purchase Category: Commodity & Material Goods
Supplier: Powell Electrical Systems, Inc.

*Attached are the listed Procurement Items

XI. STRATEGIC RESEARCH ALLIANCE WITH UTSA

Dr. Eugster introduced the next item by reminding the Board that CPS Energy's strategic research alliance (Alliance) with UTSA was established in 2010 to study issues relevant to CPS Energy. The Board annually approves funding for the following year's projects and its approval is being requested today for the final year of the Alliance Agreement.

Mr. James Boston, Manager, Strategic Research & Innovation, provided background of the 10-year Alliance Agreement. CPS Energy's Alliance with UTSA was established by the Alliance Agreement on September 22, 2010. The Agreement authorized CPS Energy to spend up to \$50 million by 2020; however, the actual cumulative spend is expected to be \$10.2 million, including \$750,000 the Board is being asked to approve today. Focus areas of research under the Agreement include carbon management, capture and reutilization; distributed secure smart grid; renewable energy and storage; electric transportation; and energy efficiency and conservation. The evolving industry has resulted in an increased focus on cybersecurity.

Mr. Boston recognized Dr. Krystel Castillo, Director of the Texas Sustainable Energy Research Institute (TSERI) at UTSA, in the audience.

Mr. Boston highlighted two past Alliance research projects: solar rooftop assessment using light detection and radar (LIDAR) technology and solar forecasting using "sky-imager" lenses.

Mr. Boston discussed how the Alliance supports CPS Energy's **People First** philosophy by contributing to the development of students and researchers who have become CPS Energy employees since the Alliance began.

Mr. Boston outlined the two-phase selection process for projects proposed to be funded in 2020 - the Infrastructure & Innovation Team reviewed 42 proposals submitted in response to a call for proposals and selected 16 that were then reviewed by a cross-functional team that selected 11 projects for review by the Chiefs. Following the Chiefs' review, the 11 proposals were presented by professors and students at UTSA to the Selection Committee and three are recommended to the Board today for funding under the Alliance Agreement.

Mr. Boston provided short summaries of the three projects and their associated funding:

1. Supercritical Carbon Dioxide (sCO₂) Power Generation (\$400,000.00);
2. Building-Integrated Robotic Photovoltaic Tracking System (\$115,500.00); and
3. Cyber and Physical Security using Data Analytics and Artificial Intelligence (\$234,500.00).

Mr. Boston requested approval of funding for the proposed projects in the amount of \$750,000.00.

In response to an inquiry by Trustee Gonzalez, Mr. Boston stated that approximately 10% of the funding will be for administrative costs.

Mr. Boston clarified the selection process for the Board, reiterating that the Chiefs reviewed 11 proposals.

The Board, Ms. Gold-Williams and Dr. Eugster discussed the number and type of projects that may be feasible for funding under the Agreement which focuses on the School of Engineering and, for purposes of cybersecurity, the School of Business. Since 2020 is the final year of the Agreement, proposed plans for the continuation of CPS Energy's strategic alliance with UTSA will be presented to the Board in the future.

Trustee Kelley moved that funding in the amount of \$750,000.00 to fund the proposed research projects be approved. Trustee Gonzalez seconded, noting her desire for more Board engagement in future proposals. The motion was approved by a vote of 3-0, Dr. Mackey abstaining.

XII. EXECUTIVE SESSION

At approximately 6:39 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 item:

- Security Audits and Devices (§551.089)

The Board reconvened in open session at 6:57 p.m. Ms. Shellman reported that matters pertaining to Security Audits and Devices and no others were discussed and no votes were taken in Executive Session.

XIII. ADDITIONAL UPDATES

Additional Updates were not presented due to time constraints.

XIV. CORPORATE RESPONSIBILITY UPDATE

The Corporate Responsibility Update was not presented due to time constraints.

XV. ADJOURNMENT

There being no further business to come before the Board and upon a motion duly made by Dr. Mackey and seconded by Trustee Kelley, and upon an affirmative vote by all members present, the meeting was adjourned at 6:58 p.m. by Chair Steen.


Carolyn E. Shellman
Secretary of the Board

**CPS Energy
Board of Trustees**

PERSONNEL COMMITTEE CHARTER

I. Role of the Personnel Committee

The role of the Personnel Committee is to oversee pertinent human resources (HR) matters on behalf of the Board, including succession planning, compensation and incentive levels for CPS Energy employees and executives. Relative to all positions other than the President & CEO, the Board of Trustees has delegated responsibility to the President & CEO for human resources (HR) matters. The Personnel Committee may consult and review personnel items at a Board meeting without having separately and previously addressed the items.

The role also includes coordination with other Board committees and maintenance of strong positive working relationships with management, external and internal counsel and other Committee advisors.

II. Authority

The authority of the Personnel Committee is to report and recommend personnel actions to the Board of Trustees.

III. Committee Membership

The Personnel Committee shall consist of two (2) Board Members from the CPS Energy Board of Trustees. One should be elected as chair. Committee appointments shall be approved annually by the full Board. Management expertise and knowledge of personnel issues should be required of at least one of the Committee members.

IV. Meeting Frequency

The Personnel Committee shall meet at least three (3) times per calendar year. Additional meetings shall be scheduled as considered necessary by the Committee or Committee Chair. All members are expected to attend each meeting. The Committee may invite members of management or others to attend meetings and provide pertinent information, as necessary. Minutes of meetings will be prepared.

V. Responsibilities

The Personnel Committee will carry out the following responsibilities:

A. Personnel Issues in General

1. Understand the general compensation and incentive levels being paid to executive, supervisory, and other employees of gas and/or electric utilities, publicly and privately owned, compared to compensation and incentive levels of CPS Energy executive, supervisory, and other employees.
2. Understand employee compensation in effect and report to the Board as deemed appropriate by the Personnel Committee.
3. Review with the President & CEO whether the compensation and incentive levels of CPS Energy executive personnel are within the range of compensation and incentive levels established by the Board in its annual budget and report any variances to the Board.
4. Understand the enterprise metric program structure applicable to all employees, its support of the incentive plans and the President & CEO's accountability to align his/her metrics with those of the enterprise.
5. Be a resource for and understand the report to the Board regarding succession planning status.
6. Review the annual employee incentive plans and their targets.
7. As requested by the President & CEO, review the qualifications for and assist with any search for a Senior Executive reporting to the CEO for which there is a vacancy.
8. Review and provide oversight regarding organizational efforts to identify and develop employees for future leadership positions within the organization, specifically for the roles of President & CEO, and Senior Executives reporting directly to the CEO.
9. Provide expertise/direction to the President & CEO and report to the Board on such other matters upon which the President & CEO may consult the Committee or its members.

B. Personnel Issues Regarding President & CEO

1. Review and report to the Board on the annual President & CEO incentive plan targets and awards; exceptions to plan rules including adjustments for extraordinary items; and changes, modifications or termination of the plans.
2. Review and report to the Board on the compensation and incentive level for the President & CEO and consult with the President & CEO regarding

the compensation and incentive levels for the Executive and Senior Vice Presidents.

3. Review and report to the Board on, executive compensation and employment contracts, if any, of the President & CEO.
4. Report to the Board on qualifications for President & CEO and on appropriate CEO performance metrics consistent with CPS Energy's long-term vision and strategic objectives. Review annually the President & CEO's performance against those performance measures and report results to the Board of Trustees.
5. Facilitate the preparation of the President & CEO's annual performance review, gaining and aggregating applicable input from the Board of Trustees. Working with the Board Chair, create the communication approach and then meet with and discuss the evaluation with the President & CEO.
6. As requested by the Chair, participate on or serve as an advisor to the CEO Search Committee regarding compensation, incentive plan strategies, and succession planning for the role of President & CEO.

C. Human Resource Risk Management

Receive and evaluate risk assessments from management, and both the internal and external auditors, of those areas which involve human resource issues that are within the oversight of the Personnel Committee.

D. Other Responsibilities

1. Perform other activities related to this charter as requested by the Board.
2. Review and assess the adequacy of the Personnel Committee Charter from time-to-time, requesting Board approval for proposed changes.
3. Confirm annually that all responsibilities outlined in this charter have been carried out.
4. Evaluate the Committee's and its individual members' performance on a regular basis.

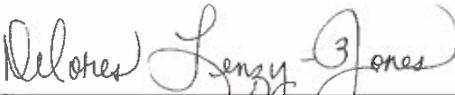
This Charter of the Personnel Committee of the CPS Energy Board of Trustees is hereby approved this 20th day of June 2019.



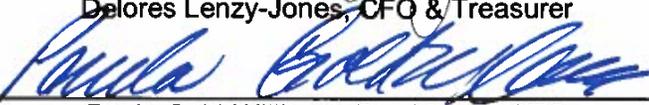
CPS Energy Board of Trustees Meeting
June 20, 2019
APPROVAL of PROCUREMENT ITEMS
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One (1) Non-Competitive Sensitive Items

1. **Purchase Category:** Commodity & Material Goods
Supplier: Powell Electrical Systems, Inc.

Financial Approval: 

Delores Lenzy-Jones, CFO & Treasurer

Approval: 

Paula Gold-Williams, President & CEO



**CPS Energy Board of Trustees Meeting
June 20, 2019
PROCUREMENT FORM 1**

Originator	David Riethmeyer
Department	Substation & Transmission Engineering
Division	Operations
Purchase Order Value	\$15,400,000
Purchase Category	Commodity & Material Goods
Sr VP Del Eng Integ Plnng	Paul Barham
Chief Operating Officer	Cris Eugster

Recommended Supplier(s)						
Supplier Name	PO Term	Projected PO Value	%	PO #	SBA Classification	Comments (If applicable)
Powell Electrical Systems, Inc.	5 yrs	\$ 15,400,000	100%	3068866	Large	Publicly Traded

Project Description

This contract is required to provide substation metal-clad switchgears. This will allow CPS Energy the ability to provide reliable service, meet system growth, infrastructure modernization, ensuring efficient engineering and construction response times to support customer growth. The current contract will expire on June 30, 2019. This is a routine procurement item that was competitively bid. This contract term will be for five (5) years and will expire June 30, 2024.

Value Proposition & Summary

This substation switchgear contract supports CPS Energy by meeting customer growth in our service territories and maintaining reliability for CPS Energy customers. This ensures CPS Energy's commitment to deliver safe and reliable service.

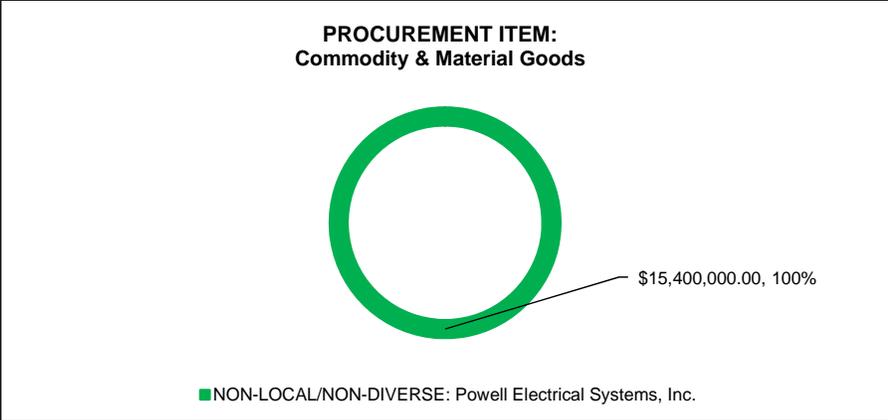
Annual Funds Budgeted				
FY	Corporate Annual Budget	Funding Method	Annual PO Average Spend	% Of Annual Corp Budget
20	\$765,400,000	Capital	\$3,080,000	0.40%
20	\$673,700,000	O&M	\$0	0.00%

Basis for Award: Best Value Procurement Analyst: Brenda M. Condrin

Competitive Information: YES NO Collective #: 7000152238

If yes, reason

PROCUREMENT ITEM: Commodity & Material Goods
 NON-LOCAL/NON-DIVERSE: Powell Electrical Systems, Inc. \$15,400,000.00
\$15,400,000.00





CPS Energy Board of Trustees Meeting
June 20, 2019
PROCUREMENT FORM 1
CONTINUED



Figure 1- External View Substation Metal-Clad Switchgear



Figure 2- Internal View Substation Metal-Clad Switchgear

- Large substation equipment
- Equipment houses distribution circuit breakers
- No local manufacturers
 - Powell Electrical Systems – Houston, TX
 - Eaton Corporation – Greenwood, SC
- No local distributor for recommended awardee (Powell Electrical Systems)



CPS Energy Board of Trustees Meeting
June 20, 2019
PROCUREMENT FORM 1
CONTINUED



Figure 1- External View Substation Metal-Clad Switchgear



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