

CPS ENERGY
MINUTES OF REGULAR MEETING OF THE BOARD OF TRUSTEES
HELD ON OCTOBER 28, 2019

The Regular Meeting of the Board of Trustees of CPS Energy for the month of October was held in the Board Room at CPS Energy's Main Office, 145 Navarro Street, San Antonio, Texas on Monday, October 28, 2019. Chair John Steen called the meeting to order at 1:00 p.m.

Present were Board members:

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

Also present were:

Ms. Paula Gold-Williams, President & CEO
Dr. Cris Eugster, Chief Operating Officer (COO)
Ms. Carolyn Shellman, Chief Legal Officer & General Counsel (CLO) and Board Secretary
Mr. Fred Bonewell, Chief Security, Safety & Gas Operations Officer (CSSGO)
Ms. Felecia Etheridge, Chief Customer Engagement Officer (CCEO)
Ms. Vivian Bouet, Chief Information Officer (CIO)
Ms. Delores Lenzy-Jones, Chief Financial Officer (CFO) & Treasurer
Mr. Frank Almaraz, Chief Administrative & Business Development Officer (CABDO)
CPS Energy Staff Members
City of San Antonio officials, including Erik Walsh, City Manager
Interested Citizens

I. SAFETY MESSAGE

The Board meeting began with a safety message delivered by Ms. Michelle Robles, Military Asset Manager, Military Strategic Cooperation & Support.

II. PUBLIC COMMENT

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

1. Mr. Russell Seal, Sierra Club, discussed the proposed FlexSTEP program (item 13). He spoke about the historical nature of the Save for Tomorrow Energy Plan (STEP), including the City of San Antonio's involvement, and made comparisons to the City of Austin's efforts.
2. Ms. Leslie Garza, OCI Solar Power, promoted solar energy projects and provided marketing handouts to the Board. She spoke in favor of the FlexPower Bundle (item 14) and advocated that one-third of the selected solar providers be local companies or utilize locally manufactured equipment.

3. Dr. Terry Burns, retired physician and chair, Alamo Sierra Club, expressed support for increasing solar and battery storage projects (items 13 & 14). He advocated for the early retirement of all coal plants in support of the Climate Action and Adaptation Plan (CAAP), recently passed by City Council. He requested greater transparency from CPS Energy regarding generation models and customer rates.
4. Ms. Kay Harig, Office Source Ltd., discussed the recent procurement of furniture for CPS Energy locations and expressed disappointment with not being awarded the contract (item 8). She requested a re-evaluation of the award.
5. Mr. Greg Harmon, Sierra Club, expressed support for the FlexPower Bundle (item 14). He commented on CPS Energy's reputation in the community and recommended that there be more consistency between City of San Antonio City Council and CPS Energy.

Mayor Nirenberg and Trustee Gonzalez joined the meeting during the public comment agenda item.

III. INVOCATION AND PLEDGE OF ALLEGIANCE

The Pledge of Allegiance and an invocation were delivered by Ms. Robles.

IV. EXECUTIVE SESSION

At approximately 1:19 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:

- Real Property (§551.072)
- Attorney-Client Matters (§551.071)
- Competitive Matters (§551.086)
- Security Devices or Security Audits (§551.089)
- Personnel Matters (§551.074)

The Board reconvened in open session at 2:32 p.m. Ms. Shellman reported that only Real Property, Attorney-Client Matters, and Competitive Matters were discussed, and no votes were taken in Executive Session.

V. CHAIRMAN'S REMARKS

Chair Steen did not provide any remarks.

VI. CEO'S REPORT

Ms. Gold-Williams provided a brief report.

As part of her report, Ms. Gold-Williams provided context and insights about several items on the meeting agenda. She previewed item 7A related to savings of almost \$800,000 for wireless communication contracts through 2023. She also provided a summary of CPS Energy's financial metrics (item 7B) stating that we continue to do much better than anticipated and expect to be in a good position for the end of the

fiscal year. She noted that we continue to have prudent cost control; wholesale sales are lower than last year without the Deely plant, but sales were still very strong this summer; and we continue to have strength in debt coverage, although our debt levels are still high. She anticipates we will meet our budget.

She previewed the Midtown Substation siting process (item 11). The purpose of the Midtown project is to address growth in the downtown area, so we are looking for a location in the central part of town for this project. She noted that we have seen some public discord near the area but are committed to continue to work with the community.

She provided an overview of our pension actuarial services (item 12), noting that our 10-year returns are 9.4 percent, with returns since 1982 at 9.6 percent. It is required that the actuarial services be reviewed independently by a third party every 5 years. We received what is equivalent of a clean opinion from the independent review.

Ms. Gold-Williams outlined the updates related to the *Flexible Path*, *FlexPower* Bundle and *FlexSTEP* (items 13 & 14), noting that the Board would see summarized information of survey results and community feedback. We will continue to seek input from the community.

She informed the Board regarding the GridEx exercises taking place in November (item 16). CPS Energy will be participating in the exercise organized by the North American Electric Reliability Corporation (NERC) and we have invited several other community organizations to participate.

In conclusion, Ms. Gold-Williams provided a recap on her attendance and played video footage summarizing the Electrification U.S. Symposium series held earlier in October in San Antonio. The symposium was hosted by Electric Power Research Institute (EPRI), a research organization (in which we are a participating member) that conducts research around the globe. Ms. Gold-Williams thanked Trustee Gonzalez for attending the symposium. She expressed gratitude for the organization helping bring global thought leaders, like keynote speaker, Professor and former US Energy Secretary Ernie Munoz, to San Antonio.

Trustee Gonzalez asked for a copy of a presentation from the symposium regarding poverty statistics and connectivity preferences, stating that the research could be helpful for planning purposes and outreach.

VII. ADDITIONAL UPDATES

Cost Savings: Wireless Management & Contracts

Mr. Demetrius Payton, Interim Director, Infrastructure & Operations, Enterprise Information Technology, briefed the Board on savings incurred with cellular/wireless practices. He reported that cellular devices are necessary for our employees to work safely and provide critical services to our customers. He explained that we approach our wireless and device management by standardizing devices, reviewing and auditing our device needs, reducing redundant devices, enhancing security, and optimizing our contracts with cellular carriers. Mr. Payton reported that new rates will go into effect in November 2019, and through these efforts, we will achieve approximately \$778,000 in operating and maintenance (O&M) expense savings from fiscal year 2020 through fiscal year 2023.

Trustee Kelley congratulated CPS Energy staff, management, the CEO, and her team on regularly presenting cost management efforts.

Financial Update

Ms. Lenzy-Jones provided the Financial Update, reflecting results as of September 30, 2019. She walked the Board through the net income statement, reporting that there is a projected \$124 million favorable variance.

Ms. Lenzy-Jones discussed key drivers of net income, including the higher wholesale margin and higher retail sales, total net operating revenues, lower O&M expenses, and savings achieved through financing transactions. She stated that FY20 net income is projected to be \$83 million higher than the budget due to wholesale margin and retail sales in August and September, both of which were greater than planned. Ms. Lenzy-Jones highlighted favorability of \$11.9 million in O&M due to budget mitigations and favorability in pension costs. Additional savings of \$16.8 million were achieved through refinancing Build America Bonds and with refinancing bonds related to the Rio Nogales plant. Capital expenses are favorable due to external contributions in aid of construction and project deferrals.

Turning to key financial metrics, Ms. Lenzy-Jones noted that Adjusted Debt Service Coverage is currently forecasted to be 1.87, better than the business plan threshold of 1.50 for the year. Days Cash on Hand is currently forecasted to be 268 days, better than the business plan threshold of 150 days for the year. Debt Capitalization is currently forecasted to be 62.2%, higher than the business plan threshold of 60% for the year.

In summary, Ms. Lenzy-Jones stated that the current financial picture is very strong, in part due to revenues generated during August and September and refinancing certain bonds. She commented that certain junior lien bonds would be remarketed in November and a commercial paper transaction is expected in January 2020.

As a preview, Ms. Lenzy-Jones reported that in December, the CEO will visit all three major credit rating agencies. Additionally, Ms. Lenzy-Jones and her team will attend the Wells Fargo conference to remain at the forefront of the financial community.

Mayor Nirenberg commented that community awareness about CPS Energy's sales has increased considerably. He expressed concern about customers paying more for electricity when CPS Energy is required to purchase electricity on the market. He asked about the margins achieved by selling energy on the market. Ms. Lenzy-Jones and Ms. Gold-Williams explained that the wholesale business accounted for approximately 15% of CPS Energy's net income. Mayor Nirenberg expressed concerns regarding generating plants moving offline and the impacts such outages could have on CPS Energy's reserve margins. Ms. Gold-Williams responded that there were no impacts to CPS Energy's reserves and that we maximized all available sales.

Trustee Kelley commented that the gross revenues from electric and gas sales were generally constant or flat to the budget, but through management efforts, profits increased by 31%, an increase he attributed to expense control and fuel cost recovery. He expressed an opinion that this is a good financial metric.

Trustee Gonzalez commented that the profits are rolled back into the community. Trustee Kelley clarified that the profits support the financial health of the company.

VIII. APPROVAL OF CONSENT ITEMS:

Chair Steen asked if for questions or comments related to the proposed consent agenda items. Trustee Kelley stated that he had a question about the September 12, 2019 minutes, but he would ask the question outside of this meeting. Trustee Kelley asked if last month's procurement item related to furniture reported at \$13.2 million was included in the \$210 million allocated for the new headquarters. Ms. Gold-Williams answered affirmatively.

Chair Steen asked Ms. Shannon Albert, Senior Director Treasury, to say a few words about the proposed financial policies on the consent agenda. Ms. Albert reported that most of these policies subject to approval are approved on an annual basis and most of the changes are administrative in nature. Ms. Albert commented that there were a few substantive changes to the Investment Policy due to modifications of the Public Financial Information Act and investment limits.

Trustee Kelley asked if these policies were reviewed by applicable Board committees. Ms. Albert answered affirmatively.

In response to Chair Steen's request, Ms. Albert responded that the remarketings are typical transactions.

Chair Steen inquired of Dr. Eugster whether he wanted to discuss anything related to the procurement item on the consent agenda. Dr. Eugster commented that the procurement is for steel monopole structures and is being awarded to two vendors through a competitive bidding process.

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

Approval of Minutes

Minutes for the Special Board Meeting held on September 12, 2019, the Regular Board Meeting held on September 30, 2019, and the Special Board Meeting held on October 7, 2019 were approved as submitted.

Approval of Payment to the City of San Antonio for September 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 September 2019 is based on actual gross revenue per the New Series Bond Ordinance of \$255,099,124.08, less applicable exclusions. The revenue for the month of September 2019 is calculated as follows:

Gross revenue per CPS Energy financial statements		
Electric revenue		\$250,693,307.93
Gas revenue		9,017,907.85
Interest and other income		1,278,958.02
Gross revenue per CPS Energy financial statements		<u>260,990,173.80</u>
Excluded revenue		
School and hospital revenue per City Ordinance 55022		(8,896,708.40)
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		(13,088,650.12)
Noncash and other income, GASB 31 investment market value change, miscellaneous Interest income, gas billing adjustment and unbilled revenue		16,094,308.80
Total excluded revenue		<u>(5,891,049.72)</u>
Gross revenue per New Series Bond Ordinance subject to 14% payment to the City		<u>\$255,099,124.08</u>
City payment per Bond Ordinance for September 2019 based upon September 2019 revenue		\$35,713,877.37
City payment per memorandum of understanding (MOU) regarding wholesale special contracts		484,836.42
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		36,186,213.79
Utility services provided to the City for September 2019		<u>(2,703,201.46)</u>
Net amount to be paid from September 2019 revenue to the City in October 2019		<u>\$33,483,012.33</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)

September 2019	Actual	Budget	Variance	
Current Month* A	\$36,186	\$34,329	\$1,857	5.4%
Year-to-Date*	\$243,881	\$238,213	\$5,668	2.4%

* 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 \$33,483,012.33, representing 14% of applicable system gross revenues for the month of September 2019, such payment being net of City utility services (\$2,703,201.46), is hereby approved."

Annual Policy Approval

The following policies were approved:

- Investment Policy
- Nuclear Decommissioning Trust Investment Policy
- Financial Authorizations and Approvals Policy for Banking, Investing and Hedging
- Collateral Policy
- Master Interest Rate Management Policy
- Energy Price Risk Management Policy

INVESTMENT POLICY

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 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 of Trustees of CPS Energy (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;

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;

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

- Increase limit on callable governmental securities from 30% to 35% to provide additional yield with minimal additional risk;
- For commercial paper ("CP"), a) establish a sublimit of 15% for individual CP securities, b) clarify that the overall CP limit includes both individual CP issuances and CP funds (such as money market funds and investment pools invested primarily in CP), and c) increase the overall limit from 35% to 45%;
- Update the Policy to reflect recently passed legislation, which increased the maximum maturity from 270 days to 365 days for an individual CP purchase; and
- Other updates and clarifications to improve readability; and

WHEREAS, CPS Energy Management has verified and represents to the Board that the CPS Energy Investment 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 CPS Energy Investment Policy, effective January 31, 2020.

NUCLEAR DECOMMISSIONING TRUST INVESTMENT POLICY

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

WHEREAS, CPS Energy desires the approval of a resolution a) acknowledging that a review of the CPS Energy South Texas Project NDT Investment Policy (“Policy”) has been completed and b) adopting the Policy with the proposed changes.

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, changes to the Policy are minimal, serve as clarifications, reduce duplication and are administrative in nature; and

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, and Texas Property Code Subtitle B, Title 9, where applicable; and

WHEREAS, CPS Energy Management has verified and represents to the Board that the Policy as attached hereto complies with 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 as attached hereto, effective January 31, 2020.

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

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

WHEREAS, changes to the Policy, are minimal, serve as clarifications and include:

- Clarifying that wire transfers require at least two individuals to execute; and
- In the Fuel Hedging section, removing a title that is no longer used.

NOW, THEREFORE, BE IT RESOLVED that the Board hereby approves the attached CPS Energy Financial Authorizations and Approvals Policy for Banking, Investing and Hedging, effective January 31, 2020.

COLLATERAL POLICY

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 Collateral Policy, as attached, to include non-substantive changes from the last effective version, dated January 31, 2019.

NOW, THEREFORE, BE IT RESOLVED that the Board hereby approves the attached CPS Energy Collateral Policy, effective January 31, 2020.

MASTER INTEREST RATE MANAGEMENT POLICY

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 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 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, 2019;

NOW, THEREFORE, BE IT RESOLVED that the Board hereby approves the attached CPS Energy Master Interest Rate Management Policy, as revised, effective January 31, 2020.

ENERGY PRICE RISK MANAGEMENT POLICY

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 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 clarifying committee responsibilities, from the last effective version, dated January 31, 2019.

NOW, THEREFORE, BE IT RESOLVED that the Board hereby approves the following, effective January 31, 2020:

1. Based upon representations of CPS Energy Management that the EPRM Policy, attached hereto, is in compliance with the requirements of the Texas Public Funds Investment Act, the Board adopts this finding as true.
2. The revised EPRM Policy, attached hereto, is hereby adopted and incorporated into this resolution by reference.

NDT Investment Manager Agreements Approval

The Nuclear Decommissioning Trust Investment Manager Agreements for the STP Nuclear Decommissioning Trust (NDTs) were approved.

NUCLEAR DECOMMISSIONING TRUST INVESTMENT MANAGER AGREEMENTS

The following resolution relating to the Nuclear Decommissioning Trust 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 Board of Trustees:

WHEREAS, Texas Government Code Section 1502.070 vests management and control of the CPS Energy gas and electric system in the Board of Trustees of CPS Energy (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 the City Public Service Decommissioning Master Trust for the South Texas Project (the "28% NDT 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% NDT Trust"), pursuant to the South Texas Project Nuclear Decommissioning Trust Investment Policy (the "Policy"); and

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; and

WHEREAS, CPS Energy Management recommends and desires approval of a resolution to renew Investment Manager Agreements with the following managers for the 28% NDT through January 31, 2022:

Dimensional Fund Advisors	Dodge & Cox
Duff & Phelps Investment Management	Earnest Partners, LLC
Galliard Capital Management, Inc.	Garcia Hamilton Associates
Lazard Asset Management, LLC	Pugh Capital Management, Inc.
Rhumblin Advisors	

WHEREAS, CPS Energy Management recommends and desires the approval of a resolution to renew Investment Manager Agreements with the following managers for the 12% NDT through January 31, 2022:

Duff & Phelps Investment Management	Earnest Partners, LLC
Galliard Capital Management, Inc.	Garcia Hamilton Associates
Lazard Asset Management, LLC	Pugh Capital Management, Inc.
Rhumblin Advisors	

WHEREAS, CPS Energy Management finds that all the agreements are compliant with the Policy and requirements of the PFIA; and

WHEREAS, the identified Investment Manager Agreements 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 Nuclear Decommissioning Trust Investment Manager Agreements as discussed herein.

Remarketing of Bonds Approval

The following remarketing transactions were approved:

- 2015 A Jr. Lien Variable Rate Bonds up to \$124.56 million (Attachment "A"); and
- 2015C Jr. Lien Variable Rate Bonds up to \$100M (Attachment "B").

Approval of Procurement Item – October*

One (1) Non-Competitively Sensitive Item

Purchase Category:	Commodity & Material Goods
Supplier:	Meyer Utility Structures, LLC
Supplier:	Techline, Inc.

*Attached as Attachment "C" is the listed Procurement Item.

IX. REAL PROPERTY MARKETING

Chair Steen commented that this agenda item was addressed in the Executive Session and no further discussion was necessary.

X. COMMITTEE REPORTS

Audit & Finance Committee (A&F) Meeting held on October 7, 2019

Dr. Mackey reported on the Audit & Finance Committee meeting which took place on October 7, 2019. An Executive Summary and Chair Report, as well as minutes of the meeting, were included in the October Board Book for the Board's reference.

Employee Benefits Oversight Committee (EBOC) Meeting held on October 7, 2019

Dr. Mackey reported on the Employee Benefits Oversight Committee meeting which took place on October 7, 2019. An Executive Summary and Chair Report, as well as minutes of meeting, were included in the October Board Book for the Board's reference.

A&F and EBOC Aligned Risk Sub-Committee Meeting held on October 7, 2019

Dr. Mackey reported on the Audit & Finance and EBOC Aligned Risk Sub-Committee meetings which took place on October 7, 2019. An Executive Summary and Chair Report, as well as minutes of the meeting, were included in the October Board Book for the Board's reference.

XI. MIDTOWN SUBSTATION SITING UPDATE

Mr. LeeRoy Perez, Director, Substation & Transmission Engineering, provided an update on the Midtown Substation Siting project. He reported that he had provided recent updates related to this project to the Operations Oversight Committee (OOC).

Mr. Perez noted that due to the City's growth, CPS Energy must enhance the electric system to serve new residents, including building a new substation to serve customers in central San Antonio. The substation will increase capacity and strengthen reliability for customers. Mr. Perez stated that the projected target date to begin operating the substation is January 2023.

Mr. Perez outlined the process for selecting the proposed location of the Midtown substation. The proposed site was selected because it was the only site that did not displace residents or businesses and satisfied operational needs. The property is currently under a purchase option.

Chair Steen requested review of the proposed site location and asked geographical questions. He also asked about the existing activity at the proposed site. Mr. Perez responded that the site is currently supporting a construction business.

In response to an inquiry from Trustee Gonzalez, Mr. Perez responded that there are no known major environmental concerns.

Trustee Gonzalez asked if CPS Energy engaged the surrounding residents and whether the purchase option agreement was executed prior to talking to residents. Mr. Perez and Dr. Eugster responded that the property was commercially marketed, and due to the interest in the property, the option period was secured prior to engaging community residents. Trustee Gonzalez noted that CPS Energy's transactions draw attention and we should be proactive with community outreach.

Trustee Kelley inquired regarding the design of the substation and impacts to transmission and distribution lines. Mr. Perez responded that the transmission and distribution lines would be adjusted if the proposed site is selected.

Mr. Perez reviewed the governance process for approving substation location and construction. He reported that a similar presentation was given to the Board's OOC and to the Citizens Advisory Committee (CAC) in August. Mr. Perez stated that we are currently seeking public input regarding the project.

Chair Steen asked if governmental officials attended the public open house meeting. Mr. Perez responded that although no government officials attended, representatives from their offices attended.

Mr. Perez detailed the public outreach efforts regarding the proposed substation. Such outreach included an open house, which invited customer feedback. Customer feedback is mainly related to four topics: property value and aesthetics, increased traffic, flooding and drainage, and electric and magnetic fields. Mr. Perez discussed how we are addressing each of these areas through customer education and design of the substation.

Trustee Gonzalez asked if CPS Energy had already coordinated with Via Metro to make sure there are no impacts on bus stops. Mr. Perez responded that we do not believe there will be any impacts on bus routes or bus stops.

Mr. Perez reported that all substation sites are designed by professional engineers and CPS Energy works with the City's developmental services office regarding placement and permits.

Chair Steen asked whether the feedback received from the residents at the open house was typical. Mr. Perez responded affirmatively. Chair Steen asked whether customers were receptive to the explanations provided. Mr. Perez responded that most customers were receptive. While concerns may linger, our goal is to inform and educate the customers.

Mr. Perez discussed the aesthetics of the proposed substation, displaying pictures of potential layouts. He reported that we do not anticipate that property values will be adversely affected. He also discussed the new technology that will be deployed at the substation which will be more compacted than other substations and will largely be contained within a building.

Chair Steen commented that we may be improving the aesthetics of the site by adding walls.

In response to a request from Trustee Gonzalez, Mr. Perez responded that additional trees are not currently planned for the site.

Mr. Perez discussed a proposed decorative wall to line three sides of the proposed substation. One option is to xeriscape near the wall, while another option is to install artwork on the walls. Both were presented to the community with positive reception. Additional requests have been received, including constructing the wall to be a "living wall" with vegetation obscuring the wall. An additional request was to accommodate a dog park on the site.

Chair Steen inquired as to the nearest substation to the proposed site. Mr. Perez answered.

Mr. Perez discussed the estimated project approval timeline, stating that the OOC would receive an update in December 2019, a Board Public Input Session will be scheduled for February 2020, and a potential Board vote may take place in March 2020.

Trustee Kelley asked about the property contract. Mr. Perez informed him of the option contract. Trustee Kelley inquired whether we received an appraisal of the property. Dr. Eugster responded affirmatively.

Trustee Gonzalez stated that she was willing to pay more to avoid displacing residents. She would rather improve the neighborhood and have the neighborhood support the project.

Trustee Kelley commented that he believed the land in that location was valued closer to \$10/sq. ft. than the \$22/sq. ft. he understood it to cost. Trustee Kelley recommended that CPS Energy analyze the basis for the value.

In response to a question from Chair Steen, Mr. Perez and Dr. Eugster confirmed that the proposed parcel was for sale and was on the market when we entered into the option contract.

Trustee Kelley asked whether the equipment at that substation was going to be impacted from the vibration associated with a nearby rail line. Dr. Eugster responded that it was designed to compensate for any issues associated with the railway line and that we do not anticipate any negative impact.

Mayor Nirenberg inquired whether this project was an additional substation or a replacement for a substation. Mr. Perez responded that it is a new, additional substation. Mayor Nirenberg commented that the project was for customer reliability and while the ranking of business decisions and impacts to residents are not on the same level, he finds the impact to residents to be more important than the business decisions necessary for siting.

XII. INDEPENDENT REVIEW OF PENSION ACTUARIAL SERVICES

Ms. Debra Wainscott, Senior Director, People Services, presented an independent review of pension actuarial services, which is required every five (5) years. Ms. Wainscott noted that this report was reviewed by the Employee Benefits Oversight Committee (EBOC).

Pursuant to Texas Government Code section 802.1012, CPS Energy contracted with Spring Consulting Group to conduct an audit on the reasonableness and accuracy of valuation data, actuarial assumptions, actuarial cost methods, and actuarial valuation results for years 2013 through 2017. Spring Consulting Group reviewed the former actuary, Willis Towers Watson, and the current actuary, Milliman, relative to the time period evaluated. They also separately evaluated 2018 data.

Ms. Wainscott reported that there were no material issues identified, which is equivalent to a "clean audit" in a financial audit context. Spring Consulting did provide recommendations, including use of historical compensation data for more refined projections, and review of overtime and incentive pay in the next experience study.

Trustee Kelley inquired whether the recommendations were shared with our current actuary. Ms. Wainscott responded affirmatively, confirming that the report has been shared with Milliman.

Trustee Gonzalez inquired whether actuarial analysis is reviewed by the EBOC. Ms. Wainscott confirmed that the EBOC reviews these reports.

Chair Steen asked whether anyone from Spring Consulting was in attendance. They were not. Chair Steen asked for more information about the firm. Ms. Wainscott replied that Spring Consulting is a women-owned firm out of Boston and has been named an actuarial firm of the year by several industry organizations. She commented that they are a qualified firm to conduct this analysis.

XIII. *FLEXIBLE PATH* ENGAGEMENT UPDATE

Mr. Jonathan Tijerina, Senior Director, Corporate Communication & Marketing, provided an update on the *Flexible Path* Engagement efforts. It was announced in July that we launched a community input survey. We know that the community's voice informs our path. Two surveys were issued: one on the *FlexPower* Bundle and another on the *FlexSTEP* program. Through the surveys, we asked the community to rank several key pillars in order of importance, including security, safety, resilience, reliability, environmental responsibility and affordability. Mr. Tijerina reported that since August 2019, twenty-four (24) formal presentations have been given on the *FlexPower* Bundle or *FlexSTEP*, seven (7) *People First!* community fairs were held, two (2) community-wide surveys were circulated, and over 3,000 people participated in at least one of these outreach programs. The *FlexPower* Bundle survey has 962 participants to date, whereas the *FlexSTEP* survey currently reports 697 participants.

Mr. Tijerina reported that in both surveys, most customers rated "affordability" as their most important energy consideration. Through the *FlexSTEP* survey, 84% of customers stated that they were not aware that customers are currently paying for the STEP program as part of their monthly energy bill. Eighty percent (80%) of customers are aware of energy rebates, but most do not recognize that the rebates are associated with the STEP program.

Trustee Gonzalez inquired whether the STEP program was identified as a low-income program. She commented that there are opportunities to market the program and identify that it is not income based. Trustee Gonzalez asked for an illustration of participation in the STEP program by zip codes. Mr. Tijerina responded that a map of participation is available on cpsenergy.com. Trustee Gonzalez commented how some participants answered that they are willing to pay for STEP programs, but also identified affordability as a main driver. She pointed out that the statistics from the survey validate that customers are willing to pay \$1-5 per month for STEP.

Mr. Tijerina reported that public outreach efforts will continue, including customer community fairs.

Mayor Nirenberg commented that public participation is extremely important. He inquired about the questions that are asked as part of the surveys. Mr. Tijerina generally outlined the five (5) survey questions and remarked that it was designed to be a "pulse survey."

Mayor Nirenberg stated that while the information is useful as an entry point, he would like to understand how CPS Energy intends to use the information. Mr. Tijerina expressed that we are not satisfied with the participation numbers and want to increase participation. CPS Energy further intends to conduct resource allocation with community input as a driver. Ms. Gold-Williams stated that the surveys validate that customers are most concerned with the cost associated with our service, but environmental concerns are

becoming a bigger issue than before. She stated that the data inform CPS Energy; this is information that will be considered in the flow of solutions, but we need to work on other considerations.

Mayor Nirenberg asked how the surveys were circulated and advertised. Mr. Tijerina responded that a public marketing campaign was announced in July and was highlighted on our website. It was also advertised in our walk-in centers. Mayor Nirenberg commented that we most likely handicap ourselves anytime we do something in the summer asking for public input. He suggested that CPS Energy take more effort in promoting the surveys because it provides useful feedback. He suggested providing to the public the cost of various proposed solutions and seeking customer feedback. He questioned the scope of the community input meetings and recommended seeking input from regular customers, schools, and neighborhoods. Mr. Tijerina agreed and stated that we intend to host more community fairs. Mr. Tijerina reported that we are coordinating with City Council district offices and suburban city governments to attend meetings and host the fairs. Mayor Nirenberg suggested that CPS Energy lean on his office to help reach average constituents. He agreed that City Council offices are a good method to target input from customers and suggested that the City could assist in increasing access to customers. Mayor Nirenberg commented that the City spent the last two years re-evaluating the public input process with an eye towards equity. He commented that more public input would be better. He noted that more people could benefit from weatherization. He suggested that CPS Energy focus on working with City Council offices and use an equity-based approach to get useful data from customers.

Trustee Gonzalez commented that the data retrieved from CPS Energy's surveys should be funneled somewhere to the City. She suggested that several organizations could benefit from having a centralized location to review and evaluate data.

Mr. Tijerina commented that the data help identify where to spend more time on existing programs and where to spend time promoting awareness in other areas.

Mayor Nirenberg complimented the presentation and stated that CPS Energy needs to pivot and change, suggesting that customers are voicing matters that CPS Energy is not prepared to hear.

In response to an inquiry by Chair Steen, Mr. Tijerina noted that the *People First!* fairs are coordinated with the City Council offices, which in turn promote the events.

Ms. Gold-Williams noted that when we present to various business organizations, we highlight that we are seeking their feedback as business owners and customers. She also commented that the lower than anticipated participation rate on the surveys is because many people do not like completing surveys.

Trustee Gonzalez suggested using different tools aside from the survey to get better data and information. She recommended video vignettes instead of a survey, and also commented that she wants to see more participants providing feedback. Ms. Etheridge responded that videos are available and can be shared with the Board members.

Mayor Nirenberg responded that we should not focus on the numbers, but on the quality of the feedback.

In response to a question from Chair Steen, Ms. Etheridge responded that six or seven focus groups have been conducted based on the *Flexible Path* and *FlexSTEP*. She also stated that a recent focus group

was convened regarding CPS Energy's brand, and that such information would be shared with the Board in an upcoming presentation.

XIV. FLEXPOWER BUNDLE UPDATE

Mr. John Bonnin, Vice President, Energy Supply & Market Operations, presented an update regarding the *FlexPower* Bundle. Mr. Bonnin recognized several members of the *FlexPower* Bundle team in the audience.

Mr. Bonnin reported that in the 1960s, there was dramatic growth in San Antonio and an increase of air conditioning to many homes. As a result, electricity demand increased rapidly, and several gas plants were built to meet the need. He reported that five (5) aging gas steam units representing 1700 megawatts will retire in the next ten (10) years. Mr. Bonnin said that CPS Energy would need to replace the 1700 megawatts represented by the identified gas plants.

In response to a question from Mayor Nirenberg, Mr. Bonnin clarified that the 1700 megawatts of capacity would be for replacement and would not accommodate growth. CPS Energy's generation assets currently have approximately 16% excess capacity over the current peak demand.

Mr. Bonnin presented that the *FlexPower* Bundle is the first effort to effectuate the *Flexible Path* strategy. Components of the *FlexPower* Bundle include up to 900 megawatts of solar capacity, 50 megawatts of energy storage, and 500 megawatts of conventional gas fired energy necessary to provide reliability. Mr. Bonnin displayed a graph depicting a load curve on a typical day incorporating the *FlexPower* Bundle, which indicates modest wind output, solar energy during daylight hours, energy storage providing nominal output in the afternoon into evening, and gas and other fleet assets providing most of the electricity.

In response to a question from Mayor Nirenberg, Mr. Bonnin remarked that CPS Energy's typical daily load profile is approximately 5,000 megawatts at the peak of the load curve.

Trustee Gonzalez inquired about projections related to energy storage. Mr. Bonnin responded that the price of solar energy is coming down and although we see that as an advantage to our customers, the energy storage field is still in development. Mr. Bonnin noted that the size of the energy storage component, 50 megawatts for four (4) hours, allows us to size the need at this time in the market.

Mr. Bonnin reported that we anticipate soliciting for 900 MW of solar energy and battery storage later this fall. The solicitation will be world-wide, and we expect over 200 proposals, including some proposals from Texas. Because of the timing to implement the projects, we may award to multiple companies.

Mr. Bonnin also discussed the procurement of electricity generated through natural gas. He explained that we intend to enter into a gas tolling agreement, whereby the generator operator handles all generation aspects, but CPS Energy takes title to the power generated and has input on when the plants run. The purpose of the tolling agreement is to procure the power necessary to support our load without building a power plant. We are exploring options to procure 250 megawatts by summer 2020 and an additional 250 sometime thereafter.

Trustee Gonzalez inquired regarding the proposal process associated with the gas tolling agreement. Ms. Gold-Williams responded that there would be a formal process.

Mayor Nirenberg questioned the need for the gas tolling agreement at this stage since the existing gas plants will not be retired for 7-10 years. Dr. Eugster responded that the gas tolling agreement was necessary to firm up capacity because we are unsure of the reliability of the five (5) existing gas plants at this time. He remarked that the gas tolling agreement would be for 10 years and is in lieu of building another plant, and that our goal is to have the capacity next summer to meet capacity obligations.

Trustee Kelley commented that a typical business would include information regarding profitability, and he sees nothing in this presentation to address cash flow or the company's financial strength. He stated that CPS Energy should not forget about profits. He stated that while affordability is on the customer side, the company must keep profitability at the forefront. He stated that CPS Energy is a business, not a charity, and that should be kept in mind.

Mayor Nirenberg responded that CPS Energy is not a typical business and if profitability were the only goal, the customers would be penalized. He stated that in the previous presentation, the statistics show that the customers' priority is affordability. Mayor Nirenberg commented that he did not have enough information. He inquired whether 2020 is the right time to enter into a gas tolling agreement given the availability of other generation sources. He stated that he personally wanted any additional acquired generation henceforth to be renewable. He inquired whether 100% renewable additional generation assets can be affordable to customers.

In response to his inquiries, Ms. Gold-Williams stated that it was not possible to get all of the necessary power solely from renewable energy. She stated that because renewable generation sources are weather dependent, it would affect reliability. She stated that we cannot deploy a fully renewable solution and keep up with the electricity needs of the community. She stated that the science will not support a fully renewable portfolio.

Mayor Nirenberg requested that CPS Energy management document all of the variables and make them known to the Board. Ms. Gold-Williams noted that CPS Energy regularly runs all variables through a twenty-five year forecasting model. She commented that because of deferred rate increases, and an aging generation fleet that is susceptible to reliability concerns, the generation fleet is maximized with the existing rates. She commented that CPS Energy will eventually need a rate increase, confirming that electricity, including solar-generated electricity, costs money. She stated that she will provide more information on the generation assets and options because it is not feasible to be 100% renewable.

Mayor Nirenberg agreed that nothing CPS Energy does is free, but he would like more information to compare apples to apples.

Ms. Gold-Williams replied that CPS Energy makes it look easy, but this business is not. She stated that we put every option available through the models and we compare the results with the costs and against our metrics. She stated that our responsibility is to keep electricity affordable, and that we are running hard and strong for the community. She expressed that any dividends go back into the community.

Trustee Kelly commented that CPS Energy produced a \$350 million "dividend" in 2018 that went back to the City.

Mayor Nirenberg stated that he believed the citizens of San Antonio want CPS Energy to do more. He noted that CPS Energy is a first-class organization and we should be pushing the envelope on what is possible.

There was a brief discussion referencing the City of Georgetown.

Dr. Mackey commented that he recently visited the gas plants with Dr. Eugster. He remarked that the staff is doing a magnificent job keeping all the systems running while at the same time maintaining affordability. He stated that if CPS Energy moves to 100% renewables, we will not be able to operate under that model. He noted that solar farms can be damaged by hail storms and animals. We cannot rely on the wind because it does not always blow, so we have to rely on coal and gas. He stated that traditional generation assets cost but are not as expensive as solar. He noted that coal is shipped in every day to CPS Energy. He stated that we have to have gas and coal and think about things to do for the future. He complimented the team for doing a wonderful job. He shared an anecdote about his power being out at his residence and the restoration efforts.

Mayor Nirenberg reiterated his request for an outline all of the variables. He stated that he did not want to rush to decisions, but rather understand the facts, analyze them and determine the best solution.

Trustee Gonzalez commented that she hears from citizens about the cost of electricity and people are concerned about the cost associated with generation types. She inquired how often we share the cost scenarios with the community.

In response, Ms. Gold-Williams stated that she believes that CPS Energy does not deny climate. She noted that our people go out into the climate every day, and there are more weather systems than before. CPS Energy is infrastructure dependent and we are good at maintaining it. She does not believe that our decisions are linear. She stated that we do not yet have the technology to achieve net-non-emissions. She recognized that the Board has instructed her to do certain things and the Council has voted on the CAAP, however, she indicated that 2050 is far in the future, and certain interim solutions are required now. She noted that the STEP looks very different in 2019 than it did in 2009. Also, gas generation has matured in the last 10-year period. Gas is abundant in our state and nation. She stated that we need some capacity to get to the goal, and we are studying solutions and listening. At the same time, we have to protect the credit rating of this organization. We can help businesses here locally. We just do not have all of the tools yet. The community needs us to do this carefully over time.

In reviewing the load profile chart, Mayor Nirenberg commented that our citizens want us to find the next inflection point, like solar was ten years ago.

Ms. Gold-Williams responded that CPS Energy is making sure all projects are affordable for the customer and CPS Energy.

Chair Steen commented on the robust discussion.

Erik Walsh, the City Manager, left during the presentation.

XV. GRIDEX PREVIEW

Mr. Fred Bonewell provided a preview of CPS Energy's participation in the GridEx V exercise. GridEx V is an unclassified, large-scale, electricity grid security and crisis response exercise conducted by the NERC, with coordination from the Electricity Information Sharing and Analysis Center (E-ISAC). The training opportunities allow stakeholders to test their incident response plans, several compliance requirements, and our ability to execute collaboratively across the enterprise. CPS Energy participated in GridEx II, III and IV. The program comprises four modules over two days in November and all exercises are simulated. CPS Energy will host the event and has invited numerous other governmental agencies to participate. Trustee Gonzalez is scheduled to attend and observe.

XVI. ADJOURNMENT

There being no further business to come before the Board and upon a motion duly made by Dr. Mackey and seconded by Trustee Kelley, and upon an affirmative vote by all members present, the meeting was unanimously adjourned at 4:45 p.m. by Chair Steen.



Carolyn E. Shellman
Secretary of the Board

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A RESOLUTION BY THE CITY PUBLIC SERVICE BOARD OF SAN ANTONIO, TEXAS RELATING TO THE REMARKETING OF OBLIGATIONS DESIGNATED AS “CITY OF SAN ANTONIO, TEXAS ELECTRIC AND GAS SYSTEMS VARIABLE RATE JUNIOR LIEN REVENUE REFUNDING BONDS, SERIES 2015A” INTO A NEW INTEREST MODE; SUPPLEMENTING THE CONTINUING DISCLOSURE UNDERTAKING INCLUDED IN THE ORDINANCE AUTHORIZING THE ISSUANCE OF THE BONDS AND HERETOFORE ASSUMED BY THE BOARD; PRESCRIBING THE FORM, TERMS, CONDITIONS, AND RESOLVING OTHER MATTERS INCIDENT AND RELATED TO THE REMARKETING OF THE BONDS; AUTHORIZING CERTAIN CPS ENERGY REPRESENTATIVES TO EXECUTE AN APPROVAL CERTIFICATE AND CERTAIN DOCUMENTATION MEMORIALIZING THE TERMS OF SUCH REMARKETING; APPROVING A REMARKETING AGREEMENT AND REMARKETING MEMORANDUM RELATING TO THESE OBLIGATIONS; AND OTHER MATTERS IN CONNECTION THEREWITH

WHEREAS, the City Council (the *City Council*) of the City of San Antonio, Texas (the *City*) has heretofore issued, and there are currently outstanding, revenue bonds (the *Senior Lien Obligations*) supported by a first and prior lien on and pledge of the Net Revenues of the City’s electric and gas systems (as further described herein, the *Systems*); and

WHEREAS, the City Council has heretofore issued, sold, and delivered, and there are currently outstanding, revenue bonds (the *Junior Lien Obligations*) which are equally and ratably secured by a lien on and pledge of the Net Revenues of the Systems, which lien on and pledge of Net Revenues is junior and inferior to the lien thereon and pledge thereof securing the payment of the Senior Lien Obligations; and

WHEREAS, the City Council of the City has heretofore authorized three series of commercial paper notes (collectively, the *Commercial Paper* or the *Commercial Paper Obligations*) that are equally and ratably secured by a lien on and pledge of the Net Revenues of the Systems, which lien on and pledge of Net Revenues is subordinate to the liens thereon and pledges thereof securing the payment of Senior Lien Obligations and the Junior Lien Obligations, respectively, and a portion of such Commercial Paper Obligations have been issued, sold, and delivered by the City, and are currently outstanding; and

WHEREAS, the City has heretofore authorized and established a flexible rate revolving note program under which the City may, from time to time, issue taxable or tax-exempt notes (the *Inferior Lien Obligations*), such notes equally and ratably secured by a lien on and pledge of the Net Revenues of the Systems that is subordinate to the liens thereon and pledges thereof securing the payment of the Senior Lien Obligations, the Junior Lien Obligations, and the Commercial Paper Obligations, respectively, have been issued, sold, and delivered by the City and are currently outstanding; and

WHEREAS, pursuant to the authority available under Chapter 1502, as amended, Texas Government Code, the City Council has, in the respective ordinances authorizing the issuance of

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the Senior Lien Obligations, the Junior Lien Obligations, the Commercial Paper Obligations, and the Inferior Lien Obligations, provided that the complete management and control of the Systems is vested in a Board of Trustees (the *Board*) known as the City Public Service Board of San Antonio, Texas (*CPS Energy*), during the period of time any of the these City obligations are outstanding and unpaid; and

WHEREAS, pursuant to the provisions of Chapters 1207 and 1371, as amended, Texas Government Code (*Chapter 1207* and *Chapter 1371*, respectively, and, together, the *Act*), the City Council, on October 30, 2014, adopted an ordinance (the *2015A Ordinance*) authorizing the issuance of the CITY OF SAN ANTONIO, TEXAS ELECTRIC AND GAS SYSTEMS VARIABLE RATE JUNIOR LIEN REVENUE REFUNDING BONDS, SERIES 2015A (the *2015A Bonds*), which 2015A Bonds were initially issued on January 7, 2015 and the proceeds therefrom used to (i) refinance existing variable rate debt of the City, and (ii) pay the costs of their issuance; and

WHEREAS, the 2015A Bonds are variable rate demand obligations, initially issued in a SIFMA Index Mode and subsequently remarketed into a Term Mode commencing December 14, 2016 and expiring on November 30, 2019 and, as a result thereof, are subject to mandatory tender by the current Holders thereof, without right of retention, on December 1, 2019; and

WHEREAS, the Board has determined, and the 2015A Ordinance allows, that the 2015A Bonds subject to mandatory tender on December 1, 2019 to be remarketed into a new Interest Mode (as finally determined in the manner hereafter provided); and

WHEREAS, by virtue of the authority and power vested in the Board, generally, with reference to the expenditure and application of the revenues of the Systems as prescribed in the City ordinances authorizing the prior issuance of the Senior Lien Obligations, the Junior Lien Obligations, the Commercial Paper Obligations, and the Inferior Lien Obligations, and specifically, regarding the manner of remarketing the 2015A Bonds as provided in the 2015A Ordinance, the Board hereby finds and determines that it is now authorized and empowered to proceed with the passage and adoption of this Resolution authorizing (i) the remarketing of the 2015A Bonds in the manner described herein and in the 2015A Ordinance, (ii) the execution and delivery of a Remarketing Agreement relating to the 2015A Bonds, (iii) the distribution of a Remarketing Memorandum relating to the 2015A Bonds, and (iv) the exercise and performance of certain powers and duties to be exercised and performed by the Board, acting through its Designated Financial Officer (hereinafter defined), including the execution of an Approval Certificate of the type described herein and in the 2015A Ordinance; and

WHEREAS, in connection with the initial issuance and remarketing of the 2015A Bonds, the City, in the 2015A Ordinance, entered into a continuing disclosure undertaking agreement (the *Undertaking*) relative to the 2015A Bonds for the purposes of compliance with Securities and Exchange Commission Rule 15c2-12 (the *Rule*); and

WHEREAS, in the resolution of the Board requesting the City Council's adoption of the 2015A Ordinance, the Board assumed the City's compliance obligations arising pursuant to the Undertaking; and

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WHEREAS, on February 27, 2019, the Rule was amended and, to accommodate such amendments to the Rule, the Board now desires to supplement the Undertaking on the City's behalf; and

WHEREAS, the Board hereby finds and determines that the remarketing of the 2015A Bonds and the adoption of this Resolution is in the best interest of the ratepayers of the Systems; now, therefore,

BE IT RESOLVED BY THE BOARD OF TRUSTEES OF THE CITY PUBLIC SERVICE BOARD OF SAN ANTONIO, TEXAS THAT:

SECTION 1: Conversion to New Interest Mode; Delegation of Obligations to Designated Financial Officers. Pursuant to Section 2.2C of the 2015A Ordinance, the 2015A Bonds, in the principal amount of \$_____, shall be converted to a new Interest Mode consisting of a Fixed Mode or Term Mode, (the *New Interest Rate Period*), during which the 2015A Bonds shall bear interest at either Fixed Rates through Stated Maturity or a Term Rate through the hereinafter defined Term Rate Period. The New Interest Rate Period shall commence on December 1, 2019 and shall conclude, if 2015A Bonds during such New Interest Rate Period bear interest at (i) Fixed Rates, continuing through a date not later than the 2015A Bonds' stated maturity date (as serialized or term bonds), as specified in the 2015A Ordinance or (ii) a Term Rate, continuing through a date not later than November 30, 2029 (the *Term Rate Period*). With respect to 2015A Bonds in the New Interest Rate Period bearing interest at a Term Rate, neither the Term Rate nor the Stepped Rate applicable to the 2015A Bonds in such New Interest Rate Period shall exceed the Maximum Rate. With respect to the 2015A Bonds in the New Interest Rate Period bearing interest at Fixed Rates, the true interest cost (federal arbitrage yield) applicable to the Series 2015A Bonds during the New Interest Rate Period shall not exceed 8.00%. Determination of the foregoing shall be made by a Designated Financial Officer, within his or her discretion (but subject to the limitations described above), pursuant to the terms of this Resolution, the 2015A Ordinance, and applicable law. Each Designated Financial Officer is authorized to select the Remarketing Agent who shall serve in such capacity when the 2015A Bonds are remarketed into the New Interest Rate Period.

In the event that the establishment of the Fixed Rates or Term Rate applicable to the 2015A Bonds in the New Interest Rate Period, determined in accordance with Section 2.2E of the 2015A Ordinance, generates a premium (being an amount in excess of the Purchase Price of those 2015A Bonds tendered for purchase on the next occurring Purchase Date (such 2015A Bonds, the *Tendered Bonds*), then the Designated Financial Officer shall provide for the disposition of such premium in a manner permitted under the 2015A Ordinance, this Resolution, and applicable Texas law (which may include redemption of Tendered Bonds in accordance with Section 6 hereof). Such Tendered Bonds that remain Outstanding after accomplishing the remarketing that is the subject of this Resolution (which includes any redemption of Tendered Bonds) are referred to herein as the *Remarketed Bonds*.

Each Designated Financial Officer, acting by and through the Board for and on behalf of the City, is authorized to execute the Certificate for Conversion of Interest Rate, in substantially the form attached hereto as Exhibit A, establishing the final terms of the Remarketed Bonds. This Certificate for Conversion of Interest Rate is an "Approval Certificate" under the 2015A

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Ordinance, including particularly Section 2.2C thereof. Within such Certificate for Conversion of Interest Rate, the Designated Financial Officer shall, within the limitations of the paragraph above and the 2015A Ordinance, evidence the Fixed Rates or Term Rate, as applicable, for the Remarketed Bonds (and with respect to such determination, the maturity schedule of the 2015A Bonds and redemption provisions, if any, applicable to such 2015A Bonds bearing interest at Fixed Rates), and the disposition of any premium resulting from the remarketing of the Remarketed Bonds. Upon execution of the Certificate of Conversion of Interest Rate, Co-Bond Counsel is authorized to complete this Resolution to reflect such final terms of the Remarketed Bonds, as evidenced in the Certificate for Conversion of Interest Rate. Notwithstanding the foregoing, no remarketing of the 2015A Bonds shall result in an extension of the final maturity of the 2015A Bonds, as specified in the 2015A Ordinance, or maximum annual debt service on the 2015A Bonds exceeding the highest year of debt service indicated in the Final Offering Memorandum related to the remarketing of the 2015A Bonds.

The New Interest Rate Period applicable to the 2015A Bonds shall commence on December 1, 2019 and continue through (i) November 30, 20__, if the 2015A Bonds are remarketed into Term Mode and (ii) Stated Maturity or prior redemption of the 2015A Bonds remarketed into Fixed Mode. During the New Interest Rate Period, the Remarketed Bonds mature in such amounts, on the dates, and shall bear interest at such interest rate or rates as evidenced in Schedule I hereto. These interest rates have been determined in accordance with the provisions of Sections 2.2C and 2.2E of the 2015A Ordinance. The remarketing of the Remarketed Bonds has resulted in a premium of \$_____, including an amount (when added to the par amount of the Remarketed Bonds) that is in excess of the Purchase Price of the Tendered Bonds (excluding the accrued but unpaid interest on the Tendered Bonds, which will be paid directly by the City from lawfully available funds), which premium will be utilized in the manner specified in the Certificate for Conversion of Interest Rate.

SECTION 2: Notices. (a) Notice of Mandatory Tender and Conversion of Interest Rate. Each Designated Financial Officer is hereby authorized and directed to cause to be delivered to the Tender Agent a Notice of Mandatory Tender and Conversion of Bonds, in substantially the form attached hereto as Exhibit B, and in accordance with and as required by Section 2.5B of the 2015A Ordinance. The Tender Agent is hereby authorized and directed to provide this Notice of Mandatory Tender and Conversion of Bonds to the Holders of all 2015A Bonds currently Outstanding in accordance with and as required by the 2015A Ordinance. In addition to the foregoing, each Designated Financial Officer (or the designee thereof) is authorized and directed to deliver or cause to be delivered any notice of the remarketing of the 2015A Bonds and conversion of Interest Mode that is the subject of this Resolution that may be required by the 2015A Ordinance or that is otherwise determined by the Designated Financial Officer to be necessary or desirable (including a notice of the type attached hereto as Exhibit E).

(b) Material Event Notice. Each Designated Financial Officer (or the designee thereof) is hereby authorized and directed to take any action, and to execute and deliver any and all documents, certificates or other instruments as are necessary or appropriate, for the filing of any material event notice required as a result of the transactions authorized by this Resolution and the City's and the Board's continuing disclosure undertaking under United States Securities and Exchange Commission Rule 15c2-12 (the *Rule*) and the 2015A Ordinance.

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SECTION 3: Reoffering Memorandum. The Board hereby approves, ratifies and confirms the form and content of the remarketing memorandum (the *Remarketing Memorandum*) presented to the Board with this Resolution, in substantially the same form attached hereto as Exhibit C, and prepared for use by the Remarketing Agent (defined herein) in connection with the remarketing of the 2015A Bonds and the determination of the Fixed Rates or Term Rate, as applicable, for the Remarketed Bonds in the New Interest Rate Period, and authorizes the preparation of any addenda, supplements or amendments thereto as a Designated Financial Officer may deem appropriate; and the Board further ratifies and approves the use and distribution of such Remarketing Memorandum in connection with the remarketing of the 2015A Bonds and the determination of the Fixed Rates or Term Rate, as applicable. The Designated Financial Officers are individually authorized and directed to execute and deliver any certificates, instruments, affidavits or other documents as may be necessary or appropriate in connection with the Remarketing Memorandum. It is hereby officially found, determined and declared that the descriptions, statements and information contained in the Remarketing Memorandum are true and correct in all material respects, to the best knowledge and belief of the Board.

SECTION 4: Supplement to Undertaking. To accommodate changes to the Rule as described in the Preamble hereof, the Undertaking, as it appears in Section 7.14A the 2015A Ordinance is hereby supplemented in the foregoing manner:

(a) The portion of the Undertaking appearing in Section 7.14A of the 2015A Ordinance is hereby supplemented by adding the following definitions:

Financial Obligation means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that "financial obligation" shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

Undertaking means the City's continuing disclosure undertaking, described in Paragraphs B through E below, hereunder accepted and entered into by the City's for the purpose of compliance with the Rule.

(b) The portion of the Undertaking appearing in Section 7.14C of the 2015A Ordinance is hereby supplemented by adding new (15) and (16) to the list therein and subsequent language as follows:

(15) Incurrence of a Financial Obligation of the City or the Board, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City or the Board, any of which affect security holders, if material; and

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(16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City or the Board, any of which reflect financial difficulties.

For these purposes, (a) any event described in the immediately preceding paragraph (12) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City or the Board in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City or the Board, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City or the Board, and (b) the City intends the words used in the immediately preceding paragraphs (15) and (16) and the definition of Financial Obligation in this Section to have the same meanings as when they are used in the Rule, as evidenced by SEC Release No. 34-83885, dated August 20, 2018.

The Board, on the City's behalf, shall file notice with the MSRB, in a timely manner, of any failure by the Board to provide financial information or operating data in accordance with this Section by the time required by this Section.

(c) Section 7.14F of the 2015A Ordinance, as well as Exhibit H thereto (set forth in Exhibit F to this Resolution) is hereby supplemented as follows:

F. General Policies and Procedures Concerning Compliance with Federal Securities Laws.

Because the issuance of the Bonds is subject to the provisions of the Rule and because the potential "underwriters" in a negotiated sale of the Bonds or the initial purchasers in a competitive sale of the Bonds may be subject to MSRB rules and regulations with respect to such sale (including certain due diligence and suitability requirements, among others), the Board, on the City's behalf, hereby adopts the General Policies and Procedures Concerning Compliance with the Rule (the *Policies and Procedures*), attached hereto as Exhibit H, with which the Board shall follow to assure compliance with the Undertaking. The Board, on the City's behalf, has developed these Policies and Procedures for the purpose of meeting its requirements of the Undertaking and, in connection therewith, has sought the guidance from Board internal staff charged with administering the Board's financial affairs, its municipal or financial advisors, its legal counsel (including its Co-Bond Counsel), and its independent accountants (to the extent determined to be necessary or advisable). The Policies and Procedures can be amended at the sole discretion of the Board, acting on the City's behalf, and any such amendment will not be deemed to be an amendment to the Undertaking. Each Designated Financial Officer is hereby authorized to amend the Policies and Procedures as a result of a change in law, a future issuance of indebtedness subject to the Rule, or another purpose determined by the Designated Financial Officer to be necessary or desirable for or with respect to future compliance with the Undertaking.

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SECTION 5: Bonds Subject to Mandatory Tender Without Right of Retention. As required by the 2015A Ordinance, the Board hereby specifies that, at the end of the Term Rate Period into which the 2015A Bonds are remarketed pursuant to Section 1 hereof (and if such Bonds are remarketed into a Term Rate Period), such Bonds shall be subject to mandatory tender, without right of retention by the Owner; provided, however, that a failure of the Remarketing Agent to remarket the 2015A Bonds at the end of such Term Rate Period shall result in the holders of the 2015A Bonds retaining such 2015A Bonds until the same are remarketed or redeemed pursuant to the applicable provisions of the 2015A Ordinance.

The paying agent of any 2015A Bonds subject to mandatory tender is authorized and instructed to provide notice of this mandatory tender to the holders of the 2015A Bonds. A copy of the notice of mandatory tender pertaining to the 2015A Bonds is attached hereto as Exhibit B and such notice is incorporated herein by reference for all purposes.

SECTION 6: Redemption of Certain 2015A Bonds. As described in Section 1 hereof, the remarketing of the Tendered Bonds in the manner specified in Section 2.2E of the 2015A Ordinance may result in excess proceeds, which excess proceeds can be used to redeem certain of the Tendered Bonds. The 2015A Bonds are subject to redemption, in whole or in part, on December 1, 2019 at the option of the City. If the remarketing of the 2015A Bonds produces proceeds in excess of the amount necessary to pay the Purchase Price of the Tendered Bonds, and a Designated Financial Officer determines that such excess proceeds shall be used to optionally redeem certain of the Tendered Bonds, then such Tendered Bonds determined to be optionally redeemed by the Designated Financial Officer (to be evidenced in the Certificate for Conversion of Interest Rate) are hereby called for redemption.

The City shall give written notice to the Paying Agent/Registrar of any 2015A Bonds that have been called for redemption. The Paying Agent/Registrar is authorized and instructed to provide notice of this redemption to the holders of any redeemed 2015A Bonds in the form and manner described in the 2015A Ordinance. Notwithstanding the foregoing, a notice of mandatory tender without retention rights shall satisfy any notice requirements for an optional redemption of Bonds which occurs on a Purchase Date, pursuant to Sections 2.4F and 2.5B of the 2015A Ordinance.

SECTION 7: Appointment of Remarketing Agent. In recognition and satisfaction of its obligations under the 2015A Ordinance (including Section 2.5G thereof), the Board hereby appoints Jefferies LLC to serve as the Remarketing Agent for the 2015A Bonds (the *Remarketing Agent*) to accomplish the remarketing of the 2015A Bonds into the New Interest Rate Period in the manner contemplated under this Resolution. The Remarketing Agent shall signify its acceptance of the duties and obligations imposed thereon by such appointment by execution of the Remarketing Agreement, in substantially the form attached hereto as Exhibit D (the *Remarketing Agreement*). Each Designated Financial Officer is hereby authorized and directed to execute and deliver the Remarketing Agreement, for and on behalf of this Board, and such agreement, as executed by the Board and the Remarketing Agent, shall be deemed to be the Remarketing Agreement herein approved and authorized to be executed and delivered for and on behalf of this Board. The Remarketing Agreement shall specify the compensation to be paid to the Remarketing Agent for its service in connection with accomplishing the remarketing of the Remarketed Bonds into the New Interest Rate Period, payment of which is hereby authorized to

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be made from any lawful source of funds available to the Board (including proceeds derived from the remarketing of the Remarketed Bonds). Upon completion of the foregoing, the Remarketing Agent shall constitute the "Remarketing Agent" and the Remarketing Agreement shall constitute the "Remarketing Agreement", respectively, under the 2015A Ordinance for purposes of remarketing the Remarketed Bonds into the New Interest Period.

SECTION 8: Additional Actions Authorized; Designated Financial Officers. Pursuant to the authority provided by Chapter 1371 and the 2015A Ordinance, the President and Chief Executive Officer, the Chief Financial Officer and Treasurer of the Board, and any Assistant Treasurer of the Board, each of whom were identified as Designated Financial Officers under the 2015A Ordinance, are hereby identified and designated as *Designated Financial Officers* under this Resolution, as well. The Designated Financial Officers, and all other appropriate officers, agents and representatives of the Board, are hereby authorized and directed to take any and all other actions as may be necessary and appropriate to provide for the (i) payment of the Purchase Price of the Tendered Bonds, the redemption of any Tendered Bonds, and the conversion and remarketing of the Remarketed Bonds into the New Interest Rate Period; (ii) execution of the Remarketing Agreement with the Remarketing Agent; and (iii) preparation and distribution of replacement definitive 2015A Bonds and the Remarketing Memorandum, as contemplated by this Resolution and the 2015A Ordinance. In addition and with respect to accomplishing the foregoing matters, each Designated Financial Officer is hereby authorized and directed to execute, deliver, and accept on behalf of the City (acting by and through the Board) all agreements certificates, consents, waivers, receipts, notices, requests and other documents as may be necessary or appropriate to carry out the actions contemplated by this Resolution, and shall execute a certificate to reflect the approval of the interest rates, stated maturities, and redemption provisions of the 2015A Bonds in connection with the remarketing of the 2015A Bonds. In addition, each Designated Financial Officer is hereby authorized to distribute notice of the matters described in this Resolution by delivering a letter, substantially the form attached hereto as Exhibit E, to any party having an interest in such matters.

SECTION 9: Definition of Terms. Capitalized terms used herein without definition shall have the respective meanings ascribed thereto in the 2015A Ordinance.

SECTION 10: Ratification of Prior Actions. The actions of the Designated Financial Officers, as well as their agents, designees, and representatives, taken prior to the date of this Resolution to accomplish the conversion and remarketing of 2015A Bonds that is the subject of this Resolution are hereby ratified, confirmed and approved as the act and deed of the Board.

SECTION 11: Public Meeting. It is officially found, determined, and declared that the meeting at which this Resolution is adopted was open to the public and public notice of the time, place, and subject matter of the public business to be considered at such meeting, including this Resolution, was given, all as required by Chapter 551, as amended, Texas Government Code.

SECTION 12: Incorporation of Preamble Recitals. The recitals contained in the preamble to this Resolution are hereby found to be true, and such recitals are hereby made a part of this Resolution for all purposes and are adopted as a part of the judgment and findings of the Board.

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SECTION 13: Coordination of Transaction Matters; Further Procedures. The Board hereby authorizes PFM Financial Advisors LLC and Estrada Hinojosa & Company, Inc., its Co-Financial Advisors, to coordinate these financial matters in consultation with CPS Energy staff, Norton Rose Fulbright US LLP and Kassahn & Ortiz, P.C., its Co-Bond Counsel, the Tender Agent, the Paying Agent/Registrar, and the Remarketing Agent. The officers and employees of CPS Energy are hereby authorized, empowered and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge and deliver in the name and on behalf of CPS Energy all such instruments, whether or not herein mentioned, as may be necessary or desirable in order to carry out the terms and provisions of this Resolution, the remarketing and delivery of the 2015A Bonds, the Paying Agent/Registrar Agreement, the Tender Agent Agreement, the Remarketing Agreement, and the Reoffering Memorandum. In addition, the Board authorizes the payment of the professional fees and expenses associated with this transaction upon the approval by a Designated Financial Officer of written invoices for any such services, which payments are hereby authorized to be made from any lawful source of funds available to the Board (including proceeds derived from the remarketing of the Remarketed Bonds).

Each Designated Financial Officer and Co-Bond Counsel are hereby authorized and directed to approve any technical changes or corrections to this Resolution or to any of the instruments authorized and approved by this Resolution necessary in order to (i) correct any ambiguity or mistake or properly or more completely document the transactions contemplated and approved by this Resolution and as described in the Reoffering Memorandum or (ii) obtain a rating from any of the national bond rating agencies. In case any officer of the Board whose signature shall appear on any certificate shall cease to be such officer before the delivery of such certificate, such signature shall nevertheless be valid and sufficient for all purposes the same as if such officer had remained in office until such delivery.

SECTION 14: Consent to Provide Information and Documentation to the Texas MAC. The Municipal Advisory Council of Texas (the *Texas MAC*), a non-profit membership corporation organized exclusively for non-profit purposes described in section 501(c)(6) of the Internal Revenue Code and which serves as a comprehensive financial information repository regarding municipal debt issuers in Texas, requires provision of written documentation regarding the issuance of municipal debt by the issuers thereof. In support of the purpose of the Texas MAC and in compliance with applicable law, CPS Energy hereby consents to and authorizes each Designated Financial Officer, Co-Bond Counsel, and/or Co-Financial Advisor to CPS Energy to provide to the Texas MAC information and documentation requested by the Texas MAC relating to the 2015A Bonds; provided, however, that no such information and documentation shall be provided prior to the settlement date of the 2015A Bonds. This consent and authorization relates only to information and documentation that is a part of the public record concerning the issuance of the 2015A Bonds.

SECTION 15: Delegation Authorization Pursuant to HB 1295. Though such parties may be identified, and the entry into a particular form of contract may be authorized herein, the Board, pursuant to Chapter 1371 and other applicable law, hereby delegates to each Designated Financial Official the authority to independently select the counterparty to any agreement with any securities depository, or any other contract that is determined by a Designated Financial Official, Co-Financial Advisor, or Co-Bond Counsel to be necessary or incidental to the issuance

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of the 2015A Bonds as long as each of such contracts has a value of less than the amount referenced in Section 2252.908 of the Texas Government Code, as amended (collectively, the *Ancillary Bond Contracts*) and, as necessary, to execute the Ancillary Bond Contracts on behalf and as the act and deed of the City. The Board has not participated in the selection of any of the business entities which are counterparties to the Ancillary Bond Contracts.

SECTION 16: Effective Date. This Resolution shall be in force and effect from and after its passage on the date shown below.

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A RESOLUTION BY THE CITY PUBLIC SERVICE BOARD OF SAN ANTONIO, TEXAS RELATING TO THE REMARKETING OF OBLIGATIONS DESIGNATED AS “CITY OF SAN ANTONIO, TEXAS ELECTRIC AND GAS SYSTEMS VARIABLE RATE JUNIOR LIEN REVENUE BONDS, SERIES 2015C” INTO A NEW INTEREST MODE; SUPPLEMENTING THE CONTINUING DISCLOSURE UNDERTAKING INCLUDED IN THE ORDINANCE AUTHORIZING THE ISSUANCE OF THE BONDS AND HERETOFORE ASSUMED BY THE BOARD; PRESCRIBING THE FORM, TERMS, CONDITIONS, AND RESOLVING OTHER MATTERS INCIDENT AND RELATED TO THE REMARKETING OF THE BONDS; AUTHORIZING CERTAIN CPS ENERGY REPRESENTATIVES TO EXECUTE AN APPROVAL CERTIFICATE AND CERTAIN DOCUMENTATION MEMORIALIZING THE TERMS OF SUCH REMARKETING; APPROVING A REMARKETING AGREEMENT AND REMARKETING MEMORANDUM RELATING TO THESE OBLIGATIONS; AND OTHER MATTERS IN CONNECTION THEREWITH

WHEREAS, the City Council (the *City Council*) of the City of San Antonio, Texas (the *City*) has heretofore issued, and there are currently outstanding, revenue bonds (the *Senior Lien Obligations*) supported by a first and prior lien on and pledge of the Net Revenues of the City’s electric and gas systems (as further described herein, the *Systems*); and

WHEREAS, the City Council has heretofore issued, sold, and delivered, and there are currently outstanding, revenue bonds (the *Junior Lien Obligations*) which are equally and ratably secured by a lien on and pledge of the Net Revenues of the Systems, which lien on and pledge of Net Revenues is junior and inferior to the lien thereon and pledge thereof securing the payment of the Senior Lien Obligations; and

WHEREAS, the City Council of the City has heretofore authorized three series of commercial paper notes (collectively, the *Commercial Paper* or the *Commercial Paper Obligations*) that are equally and ratably secured by a lien on and pledge of the Net Revenues of the Systems, which lien on and pledge of Net Revenues is subordinate to the liens thereon and pledges thereof securing the payment of Senior Lien Obligations and the Junior Lien Obligations, respectively, and a portion of such Commercial Paper Obligations have been issued, sold, and delivered by the City, and are currently outstanding; and

WHEREAS, the City has heretofore authorized and established a flexible rate revolving note program under which the City may, from time to time, issue taxable or tax-exempt notes (the *Inferior Lien Obligations*), such notes equally and ratably secured by a lien on and pledge of the Net Revenues of the Systems that is subordinate to the liens thereon and pledges thereof securing the payment of the Senior Lien Obligations, the Junior Lien Obligations, and the Commercial Paper Obligations, respectively, have been issued, sold, and delivered by the City and are currently outstanding; and

WHEREAS, pursuant to the authority available under Chapter 1502, as amended, Texas Government Code, the City Council has, in the respective ordinances authorizing the issuance of

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the Senior Lien Obligations, the Junior Lien Obligations, the Commercial Paper Obligations, and the Inferior Lien Obligations, provided that the complete management and control of the Systems is vested in a Board of Trustees (the *Board*) known as the City Public Service Board of San Antonio, Texas (*CPS Energy*), during the period of time any of these City obligations are outstanding and unpaid; and

WHEREAS, pursuant to the provisions of Chapters 1207 and 1371, as amended, Texas Government Code (*Chapter 1207* and *Chapter 1371*, respectively, and, together, the *Act*), the City Council, on June 18, 2015, adopted an ordinance (the *2015C Ordinance*) authorizing the issuance of the CITY OF SAN ANTONIO, TEXAS ELECTRIC AND GAS SYSTEMS VARIABLE RATE JUNIOR LIEN REVENUE BONDS, SERIES 2015C (the *2015C Bonds*), which 2015C Bonds were initially issued on December 3, 2015 and the proceeds therefrom used to (i) acquire, purchase, construct, improve, repair, extend, equip, and renovate the Systems, and (ii) pay the costs of their issuance; and

WHEREAS, the 2015C Bonds are variable rate demand obligations, initially issued in a Term Mode, and currently outstanding in such Term Mode expiring on November 30, 2019, and as a result thereof, the 2015C Bonds are subject to mandatory tender by the current Holders thereof, without right of retention, on December 1, 2019; and

WHEREAS, the Board has determined, and the 2015C Ordinance allows, that the 2015C Bonds subject to mandatory tender on December 1, 2019 to be remarketed into a new Interest Mode (as finally determined in the manner hereafter provided); and

WHEREAS, by virtue of the authority and power vested in the Board, generally, with reference to the expenditure and application of the revenues of the Systems as prescribed in the City ordinances authorizing the prior issuance of the Senior Lien Obligations, the Junior Lien Obligations, the Commercial Paper Obligations, and the Inferior Lien Obligations, and specifically, regarding the manner of remarketing the 2015C Bonds as provided in the 2015C Ordinance, the Board hereby finds and determines that it is now authorized and empowered to proceed with the passage and adoption of this Resolution authorizing (i) the remarketing of the 2015C Bonds in the manner described herein and in the 2015C Ordinance, (ii) the execution and delivery of a Remarketing Agreement relating to the 2015C Bonds, (iii) the distribution of a Remarketing Memorandum relating to the 2015C Bonds, and (iv) the exercise and performance of certain powers and duties to be exercised and performed by the Board, acting through its Designated Financial Officer (hereinafter defined), including the execution of an Approval Certificate of the type described herein and in the 2015C Ordinance; and

WHEREAS, in connection with the initial issuance and remarketing of the 2015C Bonds, the City, in the 2015C Ordinance, entered into a continuing disclosure undertaking agreement (the *Undertaking*) relative to the 2015C Bonds for the purposes of compliance with Securities and Exchange Commission Rule 15c2-12 (the *Rule*); and

WHEREAS, in the resolution of the Board requesting the City Council's adoption of the 2015C Ordinance, the Board assumed the City's compliance obligations arising pursuant to the Undertaking; and

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WHEREAS, on February 27, 2019, the Rule was amended and, to accommodate such amendments to the Rule, the Board now desires to supplement the Undertaking on the City's behalf; and

WHEREAS, the Board hereby finds and determines that the remarketing of the 2015C Bonds and the adoption of this Resolution is in the best interest of the ratepayers of the Systems; now, therefore,

BE IT RESOLVED BY THE BOARD OF TRUSTEES OF THE CITY PUBLIC SERVICE BOARD OF SAN ANTONIO, TEXAS THAT:

SECTION 1: Conversion to New Interest Mode; Delegation of Obligations to Designated Financial Officers. Pursuant to Section 2.2C of the 2015C Ordinance, the 2015C Bonds, in the principal amount of \$_____, shall be converted to a new Interest Mode consisting of a Fixed Mode or Term Mode, (the *New Interest Rate Period*), during which the 2015C Bonds shall bear interest at either Fixed Rates through Stated Maturity or a Term Rate through the hereinafter defined Term Rate Period. The New Interest Rate Period shall commence on December 1, 2019 and shall conclude, if 2015C Bonds during such New Interest Rate Period bear interest at (i) Fixed Rates, continuing through a date not later than the 2015C Bonds stated maturity date (as serialized or term bonds), as specified in the 2015C Ordinance or (ii) a Term Rate, continuing through a date not later than November 30, 2024 (the *Term Rate Period*). With respect to 2015C Bonds in the New Interest Rate Period bearing interest at a Term Rate, neither the Term Rate nor the Stepped Rate applicable to the 2015C Bonds in such New Interest Rate Period shall exceed the Maximum Rate. With respect to the 2015C Bonds in the New Interest Rate Period bearing interest at Fixed Rates, the true interest cost (federal arbitrage yield) applicable to the Series 2015C Bonds during the New Interest Rate Period shall not exceed 8.00%. Determination of the foregoing shall be made by a Designated Financial Officer, within his or her discretion (but subject to the limitations described above), pursuant to the terms of this Resolution, the 2015C Ordinance, and applicable law. Each Designated Financial Officer is authorized to select the Remarketing Agent who shall serve in such capacity when the 2015C Bonds are remarketed into the New Interest Rate Period.

In the event that the establishment of the Fixed Rates or Term Rate applicable to the 2015C Bonds in the New Interest Rate Period, determined in accordance with Section 2.2E of the 2015C Ordinance, generates a premium (being an amount in excess of the Purchase Price of those 2015C Bonds tendered for purchase on the next occurring Purchase Date (such 2015C Bonds, the *Tendered Bonds*), then the Designated Financial Officer shall provide for the disposition of such premium in a manner permitted under the 2015C Ordinance, this Resolution, and applicable Texas law (which may include redemption of Tendered Bonds in accordance with Section 6 hereof). Such Tendered Bonds that remain Outstanding after accomplishing the remarketing that is the subject of this Resolution (which includes any redemption of Tendered Bonds) are referred to herein as the *Remarketed Bonds*.

Each Designated Financial Officer, acting by and through the Board for and on behalf of the City, is authorized to execute the Certificate for Conversion of Interest Rate, in substantially the form attached hereto as Exhibit A, establishing the final terms of the Remarketed Bonds. This Certificate for Conversion of Interest Rate is an "Approval Certificate" under the 2015C

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Ordinance, including particularly Section 2.2C thereof. Within such Certificate for Conversion of Interest Rate, the Designated Financial Officer shall, within the limitations of the paragraph above and the 2015C Ordinance, evidence the Fixed Rates or Term Rate, as applicable, for the Remarketed Bonds (and with respect to such determination, the maturity schedule of the 2015C Bonds and redemption provisions, if any, applicable to such 2015C Bonds bearing interest at Fixed Rates), and the disposition of any premium resulting from the remarketing of the Remarketed Bonds. Upon execution of the Certificate of Conversion of Interest Rate, Co-Bond Counsel is authorized to complete this Resolution to reflect such final terms of the Remarketed Bonds, as evidenced in the Certificate for Conversion of Interest Rate. Notwithstanding the foregoing, no remarketing of the 2015C Bonds shall result in an extension of the final maturity of the 2015C Bonds, as specified in the 2015C Ordinance, or maximum annual debt service on the 2015C Bonds exceeding the highest year of debt service indicated in the Final Offering Memorandum related to the remarketing of the 2015C Bonds.

The New Interest Rate Period applicable to the 2015C Bonds shall commence on December 1, 2019 and continue through (i) November 30, 20___, if the 2015C Bonds are remarketed into Term Mode and (ii) Stated Maturity or prior redemption of the 2015C Bonds remarketed into Fixed Mode. During the New Interest Rate Period, the Remarketed Bonds mature in such amounts, on the dates, and shall bear interest at such interest rate or rates as evidenced in Schedule I hereto. These interest rates have been determined in accordance with the provisions of Sections 2.2C and 2.2E of the 2015C Ordinance. The remarketing of the Remarketed Bonds has resulted in a premium of \$_____, including an amount (when added to the par amount of the Remarketed Bonds) that is in excess of the Purchase Price of the Tendered Bonds (excluding the accrued but unpaid interest on the Tendered Bonds, which will be paid directly by the City from lawfully available funds), which premium will be utilized in the manner specified in the Certificate for Conversion of Interest Rate.

SECTION 2: Notices. (a) Notice of Mandatory Tender and Conversion of Interest Rate. Each Designated Financial Officer is hereby authorized and directed to cause to be delivered to the Tender Agent a Notice of Mandatory Tender and Conversion of Bonds, in substantially the form attached hereto as Exhibit B, and in accordance with and as required by Section 2.5B of the 2015C Ordinance. The Tender Agent is hereby authorized and directed to provide this Notice of Mandatory Tender and Conversion of Bonds to the Holders of all 2015C Bonds currently Outstanding in accordance with and as required by the 2015C Ordinance. In addition to the foregoing, each Designated Financial Officer (or the designee thereof) is authorized and directed to deliver or cause to be delivered any notice of the remarketing of the 2015C Bonds and conversion of Interest Mode that is the subject of this Resolution that may be required by the 2015C Ordinance or that is otherwise determined by the Designated Financial Officer to be necessary or desirable (including a notice of the type attached hereto as Exhibit E).

(b) Material Event Notice. Each Designated Financial Officer (or the designee thereof) is hereby authorized and directed to take any action, and to execute and deliver any and all documents, certificates or other instruments as are necessary or appropriate, for the filing of any material event notice required as a result of the transactions authorized by this Resolution and the City's and the Board's continuing disclosure undertaking under United States Securities and Exchange Commission Rule 15c2-12 (the *Rule*) and the 2015C Ordinance.

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SECTION 3: Reoffering Memorandum. The Board hereby approves, ratifies and confirms the form and content of the remarketing memorandum (the *Remarketing Memorandum*) presented to the Board with this Resolution, in substantially the same form attached hereto as Exhibit C, and prepared for use by the Remarketing Agent (defined herein) in connection with the remarketing of the 2015C Bonds and the determination of the Fixed Rates or Term Rate, as applicable, for the Remarketed Bonds in the New Interest Rate Period, and authorizes the preparation of any addenda, supplements or amendments thereto as a Designated Financial Officer may deem appropriate; and the Board further ratifies and approves the use and distribution of such Remarketing Memorandum in connection with the remarketing of the 2015C Bonds and the determination of the Fixed Rates or Term Rate, as applicable. The Designated Financial Officers are individually authorized and directed to execute and deliver any certificates, instruments, affidavits or other documents as may be necessary or appropriate in connection with the Remarketing Memorandum. It is hereby officially found, determined and declared that the descriptions, statements and information contained in the Remarketing Memorandum are true and correct in all material respects, to the best knowledge and belief of the Board.

SECTION 4: Supplement to Undertaking. To accommodate changes in the Rule as described in the Preamble hereof, the Undertaking, as it appears in Section 6.11A to the 2015C Ordinance is hereby supplemented in the foregoing manner:

(a) The portion of the Undertaking appearing in Section 6.11A of the 2015C Ordinance is hereby supplemented by adding the following definitions:

Financial Obligation means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that "financial obligation" shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

Undertaking means the City's continuing disclosure undertaking, described in Paragraphs B through E below, hereunder accepted and entered into by the City's for the purpose of compliance with the Rule.

(b) The portion of the Undertaking appearing in Section 6.11C of the 2015C Ordinance is hereby supplemented by adding new (15) and (16) to the list therein and subsequent language as follows:

(15) Incurrence of a Financial Obligation of the City or the Board, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City or the Board, any of which affect security holders, if material; and

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(16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City or the Board, any of which reflect financial difficulties.

For these purposes, (a) any event described in the immediately preceding paragraph (12) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City or the Board in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City or the Board, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City or the Board, and (b) the City intends the words used in the immediately preceding paragraphs (15) and (16) and the definition of Financial Obligation in this Section to have the same meanings as when they are used in the Rule, as evidenced by SEC Release No. 34-83885, dated August 20, 2018.

The Board, on the City's behalf, shall file notice with the MSRB, in a timely manner, of any failure by the Board to provide financial information or operating data in accordance with this Section by the time required by this Section.

(c) Section 6.11F of the 2015C Ordinance, as well as Exhibit H thereto (set forth in Exhibit F to this Resolution) is hereby supplemented as follows:

F. *General Policies and Procedures Concerning Compliance with Federal Securities Laws.*

Because the issuance of the Bonds is subject to the provisions of the Rule and because the potential "underwriters" in a negotiated sale of the Bonds or the initial purchasers in a competitive sale of the Bonds may be subject to MSRB rules and regulations with respect to such sale (including certain due diligence and suitability requirements, among others), the Board, on the City's behalf, hereby adopts the General Policies and Procedures Concerning Compliance with the Rule (the *Policies and Procedures*), attached hereto as Exhibit H, with which the Board shall follow to assure compliance with the Undertaking. The Board, on the City's behalf, has developed these Policies and Procedures for the purpose of meeting its requirements of the Undertaking and, in connection therewith, has sought the guidance from Board internal staff charged with administering the Board's financial affairs, its municipal or financial advisors, its legal counsel (including its Co-Bond Counsel), and its independent accountants (to the extent determined to be necessary or advisable). The Policies and Procedures can be amended at the sole discretion of the Board, on behalf of the City, and any such amendment will not be deemed to be an amendment to the Undertaking. Each Designated Financial Officer is hereby authorized to amend the Policies and Procedures as a result of a change in law, a future issuance of indebtedness subject to the Rule, or another purpose determined by the Designated Financial Officer to be necessary or desirable for or with respect to future compliance with the Undertaking.

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SECTION 5: Bonds Subject to Mandatory Tender Without Right of Retention. As required by the 2015C Ordinance, the Board hereby specifies that, at the end of the Term Rate Period into which the 2015C Bonds are remarketed pursuant to Section 1 hereof (and if such Bonds are remarketed into a Term Rate Period), such Bonds shall be subject to mandatory tender, without right of retention by the Owner; provided, however, that a failure of the Remarketing Agent to remarket the 2015C Bonds at the end of such Term Rate Period shall result in the holders of the 2015C Bonds retaining such 2015C Bonds until the same are remarketed or redeemed pursuant to the applicable provisions of the 2015C Ordinance.

The paying agent of any 2015C Bonds subject to mandatory tender is authorized and instructed to provide notice of this mandatory tender to the holders of the 2015C Bonds. A copy of the notice of mandatory tender pertaining to the 2015C Bonds is attached hereto as Exhibit B and such notice is incorporated herein by reference for all purposes.

SECTION 6: Redemption of Certain 2015C Bonds. As described in Section 1 hereof, the remarketing of the Tendered Bonds in the manner specified in Section 2.2E of the 2015C Ordinance may result in excess proceeds, which excess proceeds can be used to redeem certain of the Tendered Bonds. The 2015C Bonds are subject to redemption, in whole or in part, on December 1, 2019 at the option of the City. If the remarketing of the 2015C Bonds produces proceeds in excess of the amount necessary to pay the Purchase Price of the Tendered Bonds, and a Designated Financial Officer determines that such excess proceeds shall be used to optionally redeem certain of the Tendered Bonds, then such Tendered Bonds determined to be optionally redeemed by the Designated Financial Officer (to be evidenced in the Certificate for Conversion of Interest Rate) are hereby called for redemption.

The City shall give written notice to the Paying Agent/Registrar of any 2015C Bonds that have been called for redemption. The Paying Agent/Registrar is authorized and instructed to provide notice of this redemption to the holders of any redeemed 2015C Bonds in the form and manner described in the 2015C Ordinance. Notwithstanding the foregoing, a notice of mandatory tender without retention rights shall satisfy any notice requirements for an optional redemption of Bonds which occurs on a Purchase Date, pursuant to Sections 2.4F and 2.5B of the 2015C Ordinance.

SECTION 7: Appointment of Remarketing Agent. In recognition and satisfaction of its obligations under the 2015C Ordinance (including Section 2.5G thereof), the Board hereby appoints RBC Capital Markets, LLC to serve as the Remarketing Agent for the 2015C Bonds (the *Remarketing Agent*) to accomplish the remarketing of the 2015C Bonds into the New Interest Rate Period in the manner contemplated under this Resolution. The Remarketing Agent shall signify its acceptance of the duties and obligations imposed thereon by such appointment by execution of the Remarketing Agreement, in substantially the form attached hereto as Exhibit D (the *Remarketing Agreement*). Each Designated Financial Officer is hereby authorized and directed to execute and deliver the Remarketing Agreement, for and on behalf of this Board, and such agreement, as executed by the Board and the Remarketing Agent, shall be deemed to be the Remarketing Agreement herein approved and authorized to be executed and delivered for and on behalf of this Board. The Remarketing Agreement shall specify the compensation to be paid to the Remarketing Agent for its service in connection with accomplishing the remarketing of the Remarketed Bonds into the New Interest Rate Period, payment of which is hereby authorized to

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be made from any lawful source of funds available to the Board (including proceeds derived from the remarketing of the Remarketed Bonds). Upon completion of the foregoing, the Remarketing Agent shall constitute the "Remarketing Agent" and the Remarketing Agreement shall constitute the "Remarketing Agreement", respectively, under the 2015C Ordinance for purposes of remarketing the Remarketed Bonds into the New Interest Period.

SECTION 8: Additional Actions Authorized; Designated Financial Officers. Pursuant to the authority provided by Chapter 1371 and the 2015C Ordinance, the President and Chief Executive Officer, the Chief Financial Officer and Treasurer of the Board, and any Assistant Treasurer of the Board, each of whom were identified as Designated Financial Officers under the 2015C Ordinance, are hereby identified and designated as *Designated Financial Officers* under this Resolution, as well. The Designated Financial Officers, and all other appropriate officers, agents and representatives of the Board, are hereby authorized and directed to take any and all other actions as may be necessary and appropriate to provide for the (i) payment of the Purchase Price of the Tendered Bonds, the redemption of any Tendered Bonds, and the conversion and remarketing of the Remarketed Bonds into the New Interest Rate Period; (ii) execution of the Remarketing Agreement with the Remarketing Agent; and (iii) preparation and distribution of replacement definitive 2015C Bonds and the Remarketing Memorandum, as contemplated by this Resolution and the 2015C Ordinance. In addition and with respect to accomplishing the foregoing matters, each Designated Financial Officer is hereby authorized and directed to execute, deliver, and accept on behalf of the City (acting by and through the Board) all agreements certificates, consents, waivers, receipts, notices, requests and other documents as may be necessary or appropriate to carry out the actions contemplated by this Resolution, and shall execute a certificate to reflect the approval of the interest rates, stated maturities, and redemption provisions of the 2015C Bonds in connection with the remarketing of the 2015C Bonds. In addition, each Designated Financial Officer is hereby authorized to distribute notice of the matters described in this Resolution by delivering a letter, substantially the form attached hereto as Exhibit E, to any party having an interest in such matters.

SECTION 9: Definition of Terms. Capitalized terms used herein without definition shall have the respective meanings ascribed thereto in the 2015C Ordinance.

SECTION 10: Ratification of Prior Actions. The actions of the Designated Financial Officers, as well as their agents, designees, and representatives, taken prior to the date of this Resolution to accomplish the conversion and remarketing of 2015C Bonds that is the subject of this Resolution are hereby ratified, confirmed and approved as the act and deed of the Board.

SECTION 11: Public Meeting. It is officially found, determined, and declared that the meeting at which this Resolution is adopted was open to the public and public notice of the time, place, and subject matter of the public business to be considered at such meeting, including this Resolution, was given, all as required by Chapter 551, as amended, Texas Government Code.

SECTION 12: Incorporation of Preamble Recitals. The recitals contained in the preamble to this Resolution are hereby found to be true, and such recitals are hereby made a part of this Resolution for all purposes and are adopted as a part of the judgment and findings of the Board.

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SECTION 13: Coordination of Transaction Matters; Further Procedures. The Board hereby authorizes PFM Financial Advisors LLC and Estrada Hinojosa & Company, Inc., its Co-Financial Advisors, to coordinate these financial matters in consultation with CPS Energy staff, Norton Rose Fulbright US LLP and Kassahn & Ortiz, P.C., its Co-Bond Counsel, the Tender Agent, the Paying Agent/Registrar, and the Remarketing Agent. The officers and employees of CPS Energy are hereby authorized, empowered and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge and deliver in the name and on behalf of CPS Energy all such instruments, whether or not herein mentioned, as may be necessary or desirable in order to carry out the terms and provisions of this Resolution, the remarketing and delivery of the 2015C Bonds, the Paying Agent/Registrar Agreement, the Tender Agent Agreement, the Remarketing Agreement, and the Reoffering Memorandum. In addition, the Board authorizes the payment of the professional fees and expenses associated with this transaction upon the approval by a Designated Financial Officer of written invoices for any such services, which payments are hereby authorized to be made from any lawful source of funds available to the Board (including proceeds derived from the remarketing of the Remarketed Bonds).

Each Designated Financial Officer and Co-Bond Counsel are hereby authorized and directed to approve any technical changes or corrections to this Resolution or to any of the instruments authorized and approved by this Resolution necessary in order to (i) correct any ambiguity or mistake or properly or more completely document the transactions contemplated and approved by this Resolution and as described in the Reoffering Memorandum or (ii) obtain a rating from any of the national bond rating agencies. In case any officer of the Board whose signature shall appear on any certificate shall cease to be such officer before the delivery of such certificate, such signature shall nevertheless be valid and sufficient for all purposes the same as if such officer had remained in office until such delivery.

SECTION 14: Consent to Provide Information and Documentation to the Texas MAC. The Municipal Advisory Council of Texas (the *Texas MAC*), a non-profit membership corporation organized exclusively for non-profit purposes described in section 501(c)(6) of the Internal Revenue Code and which serves as a comprehensive financial information repository regarding municipal debt issuers in Texas, requires provision of written documentation regarding the issuance of municipal debt by the issuers thereof. In support of the purpose of the Texas MAC and in compliance with applicable law, CPS Energy hereby consents to and authorizes each Designated Financial Officer, Co-Bond Counsel, and/or Co-Financial Advisor to CPS Energy to provide to the Texas MAC information and documentation requested by the Texas MAC relating to the 2015C Bonds; provided, however, that no such information and documentation shall be provided prior to the settlement date of the 2015C Bonds. This consent and authorization relates only to information and documentation that is a part of the public record concerning the issuance of the 2015C Bonds.

SECTION 15: Delegation Authorization Pursuant to HB 1295. Though such parties may be identified, and the entry into a particular form of contract may be authorized herein, the Board, pursuant to Chapter 1371 and other applicable law, hereby delegates to each Designated Financial Official the authority to independently select the counterparty to any agreement with any securities depository, or any other contract that is determined by a Designated Financial Official, Co-Financial Advisor, or Co-Bond Counsel to be necessary or incidental to the issuance

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of the 2015C Bonds as long as each of such contracts has a value of less than the amount referenced in Section 2252.908 of the Texas Government Code, as amended (collectively, the *Ancillary Bond Contracts*) and, as necessary, to execute the Ancillary Bond Contracts on behalf and as the act and deed of the City. The Board has not participated in the selection of any of the business entities which are counterparties to the Ancillary Bond Contracts.

SECTION 16: Effective Date. This Resolution shall be in force and effect from and after its passage on the date shown below.

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CPS Energy Board of Trustees Meeting
October 28, 2019
APPROVAL of PROCUREMENT ITEMS
Table of Contents

One (1) Non-Competitive Sensitive Items

- | | | |
|----|---------------------------|---------------------------------------|
| 1. | Purchase Category: | Commodity & Material Goods |
| | Supplier: | Meyer Utility Structures, LLC |
| | Supplier: | Techline, Inc. |

Financial Approval: 
Delores Lenzy-Jones, Chief Financial Officer & Treasurer

Approval:  on behalf of Paula Gold-Williams
Paula Gold-Williams, President & CEO

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CPS Energy Board of Trustees Meeting
October 28, 2019
PROCUREMENT FORM 1

Originator	Erick P. Kasalika
Department	Transmission Engineering
Division	Substation & Transmission
Purchase Order Value	\$65,000,000
Purchase Category	Commodity & Material Goods
Senior VP Del Eng Integ Plnng Sub. & Trans.	Paul Barham
Chief Operating Officer	Cris Eugster

Recommended Supplier(s)						
Supplier Name	PO Term	Projected PO Value	%	PO #	SBA Classification	Comments (If applicable)
Meyer Utility Structures, LLC	5 Years	\$ 32,500,000	50%	3069365	Non-Local/Non-Diverse	
Techline, Inc.	5 Years	\$ 32,500,000	50%	3069366	Local/Diverse	

Project Description

These contracts are required to provide transmission steel monopole structures. This will allow CPS Energy the ability to provide reliable electric service and meet our customer's needs. This is a recurring contract, that has recently expired. CPS Energy competitively bid this sourcing event. The new contract will be awarded for five (5) years and will expire on October 2024.

Value Proposition & Summary

This transmission steel monopole structures contract supports CPS Energy by providing the materials required for customer growth in our service territories and to maintain reliability for CPS Energy customers. Both vendors are providing CPS Energy a volume incentive discount based on the volume of business.

Annual Funds Budgeted				
FY	Corporate Annual Budget	Funding Method	Annual PO Average Spend	% Of Annual Corp Budget
20	\$765,400,000	Capital	\$13,000,000	1.70%
20	\$673,700,000	O&M	\$0	0.00%

Basis for Award: Best Value Procurement Analyst: Pamela Williams

Competitive Information: YES NO Collective #: 7000153270

If yes, reason

PROCUREMENT ITEM: Commodity & Material Goods	
NON-LOCAL/NON-DIVERSE:	\$ 32,500,000.00
LOCAL/NON-DIVERSE:	
LOCAL/DIVERSE:	\$ 32,500,000.00
NON-LOCAL/DIVERSE:	
	\$ 65,000,000.00

