



**CPS ENERGY BOARD OF TRUSTEES SPECIAL MEETING  
TO BE HELD ON SEPTEMBER 9, 2024 AT 1:00 PM  
LOCATION: CPS ENERGY GRID ROOMS (500 MCCULLOUGH AVE)**

*At any time during the Board Meeting, the Board may go into an executive session as permitted by the Texas Open Meetings Act, (Chapter 551 of the Texas Government Code) regarding any item on this agenda.*

**AGENDA**

<b>ITEM</b>	<b>TOPIC</b>	<b>ACTION</b>	<b>PRESENTER/ SPONSOR</b>
<b>1</b>	<b>CALL TO ORDER</b>	Execute	Ms. Janie Gonzalez
<b>2</b>	<b>SAFETY MESSAGE, INVOCATION, &amp; PLEDGE OF ALLEGIANCE</b>	Execute	Ms. Elaina Ball
<b>3</b>	<b>PUBLIC COMMENT</b> Pre-Registration is from Wednesday, September 4, 2024, 5:00 PM – Friday, September 6, 2024, 1:00 PM. Dial (210) 353-4662 or email <a href="mailto:PublicCommentRegistration@CPSEnergy.com">PublicCommentRegistration@CPSEnergy.com</a>	Discuss	Ms. Janie Gonzalez
<b>UPDATE ON CHAIR’S PRIORITIES</b>			
<b>4</b>	<b>CHAIR’S REMARKS</b>	Discuss	Ms. Janie Gonzalez
<b>CONSENT AGENDA</b>			
<b>5</b>	<b>APPROVAL OF CONSENT ITEMS:</b> A. Payment to the City of San Antonio for July 2024 B. Procurements Items: 1. <b>General Services:</b> Underground Infrastructure Installation Services (Mr. Richard Medina) 2. <b>Commodity &amp; Material Goods:</b> Transmission Steel Monopoles (Mr. Richard Medina) 3. <b>General Services:</b> Engineering & Construction Services for Accelerated Recloser Deployment (Mr. Richard Medina)	Vote	Ms. Janie Gonzalez

<b>REGULAR AGENDA</b>			
<b>6</b>	<b>STRATEGY SESSION</b> (PA Consulting)	Discuss	Ms. Elaina Ball, Ms. DeAnna Hardwick, & Ms. Melissa Sorola
<b>CONVENE TO EXECUTIVE SESSION</b>			
<b>7</b>	<b>EXECUTIVE SESSION:</b> A. Attorney-Client Matters (§551.071) & Competitive Matters (§551.086)	Discuss	Ms. Janie Gonzalez
<b>RECONVENE TO OPEN SESSION</b>			
<b>8</b>	<b>STRATEGY SESSION, CONT.</b> (PA Consulting)	Discuss	Ms. Elaina Ball, Ms. DeAnna Hardwick, & Ms. Melissa Sorola
<b>9</b>	<b>PUBLIC POLICY UPDATE</b>	Discuss	Ms. Kathy Garcia
<b>10</b>	<b>REVIEW OF ACTION ITEMS</b>	Discuss	Ms. Shanna Ramirez
<b>11</b>	<b>ADJOURNMENT</b>	Execute	Ms. Janie Gonzalez
<p>If the Board meeting has not adjourned by 4:30 PM, the presiding officer may entertain a motion to continue the meeting, postpone the remaining items to the next Board meeting date, or recess and reconvene the meeting at a specified date and time.</p>			

## CPS Energy Board of Trustees Meeting September 9, 2024

Approval of Payment to the City of San Antonio for July 2024

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 July 2024 is based on actual gross revenue per the New Series Bond Ordinance of \$362,866,323.82, less applicable exclusions. The revenue for the month of July 2024 is calculated as follows:

Gross revenue per CPS Energy financial statements	
Electric revenue	\$363,182,002.44
Gas revenue	13,186,086.97
Interest and other income	9,492,462.36
Gross revenue per CPS Energy financial statements	385,860,551.77
Excluded revenue	
School and hospital revenue per City Ordinance 55022	(9,304,786.34)
Fuel cost component of off-system nonfirm energy sales per City Ordinance 61794 and revenue for wholesale special contracts	(29,653,182.56)
Noncash and other income, GASB 31 investment market value change, miscellaneous interest income, gas billing adjustment and unbilled revenue	15,963,740.95
Total excluded revenue	(22,994,227.95)
Gross revenue per New Series Bond Ordinance subject to 14% payment to the City	\$362,866,323.82
City payment per Bond Ordinance for July 2024 based upon July 2024 revenue	\$50,801,285.33
City payment per memorandum of understanding (MOU) regarding wholesale special contracts	781,719.64
City Payment reduction per gas customer billing adjustment MOU	(12,500.00)
City payment per Bond Ordinance plus adjustments for memorandums of understanding	51,570,504.97 <b>A</b>
Utility services provided to the City for July 2024	(3,237,350.76)
Net amount to be paid from July 2024 revenue to the City in August 2024	\$48,333,154.21

## CPS Energy Board of Trustees Meeting September 9, 2024

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)

July 2024	Actual	Budget	Variance	
Current Month <b>A</b>	\$51,571	\$43,262	\$8,309	19.2%
Year-to-Date	\$219,030	\$210,307	\$8,723	4.1%

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 \$48,333,154.21 representing 14% of applicable system gross revenues for the month of July 2024, such payment being net of City utility services (\$3,237,350.76), is hereby approved."



**CPS Energy Board of Trustees Meeting  
September 9, 2024  
APPROVAL of PROCUREMENT ITEMS  
Table of Contents**

1. <b>Item Description:</b> <b>Purchase Category:</b> <b>Supplier:</b>	<b>Underground Infrastructure Installation Services</b>
	<b>General Services</b>
	Bartek Construction Co
	HJD Capital Electric, Inc

**Committee Presentations:** Operations Oversight Committee – May 6, 2024  
Audit & Finance Committee – July 18, 2024

2. <b>Item Description:</b> <b>Purchase Category:</b> <b>Supplier:</b>	<b>Transmission Steel Monopoles</b>
	<b>Commodity &amp; Material Goods</b>
	Meyer Utility Structures, LLC
	Techline, Inc.

**Committee Presentations:** Operations Oversight Committee – May 6, 2024  
Audit & Finance Committee – July 18, 2024

3. <b>Item Description:</b>  <b>Purchase Category:</b> <b>Supplier:</b>	<b>Engineering &amp; Construction Services for Accelerated Recloser Deployment</b>
	<b>General Services</b>
	Burns & McDonnell Engineering Company, Inc.

**Committee Presentations:** Operations Oversight Committee – August 12, 2024  
Audit & Finance Committee – July 18, 2024

Approval:

Lewis,  
Lisa D

Digitally signed by  
Lewis, Lisa D  
Date: 2024.08.26  
12:43:19 -05'00'

Lisa Lewis, Chief Administrative Officer

Approval:

Garza,  
Rudy D.

Digitally signed by  
Garza, Rudy D.  
Date: 2024.08.26  
14:49:24 -05'00'

Rudy Garza, President & CEO



**CPS Energy Board of Trustees Meeting  
September 9, 2024  
Procurement Form 1**

<b>Item Description</b>	<b>Underground Infrastructure Installation Services</b>
<b>Purchase Order Value</b>	<b>\$75,000,000</b>
Purchase Category	General Service
Department	Energy Delivery Services
VP Construction & Maintenance Services	Jose Trevino
Chief Energy Delivery Officer	Richard Medina

**Detailed Description**

CPS Energy staff recommends that a contract be awarded to Bartek Construction Co and HJD Capital Electric, Inc., both local and diverse firms, as the respondents who will provide the services at the best value for CPS Energy based on the evaluation criteria set forth below.

This contract will provide infrastructure improvements across the service area to the growing number of residents and large commercial companies of San Antonio. This contract addresses the support of new neighborhood expansions, growth related to large commercial companies, and improving the resiliency and reliability of CPS Energy’s electric grid. This contract will expire on September 30, 2027.

**Subcontracting Opportunities**

Both awardees intend to subcontract a portion of the services to one or more diverse businesses.

**The solicitation method for this procurement was a Request for Proposals.** An evaluation team considered the following weighted evaluation criteria to determine the best value to CPS Energy.

<b>Evaluation Criteria</b>	<b>Points</b>
Experience and qualifications to perform the Services	40
Safety records and training program	25
The overall cost	20
Economic Development (local & diverse consideration)	10
The ability to meet CPS Energy’s requirements	5
The financial soundness of the Respondent	Pass/Fail
<b>TOTAL</b>	<b>100</b>



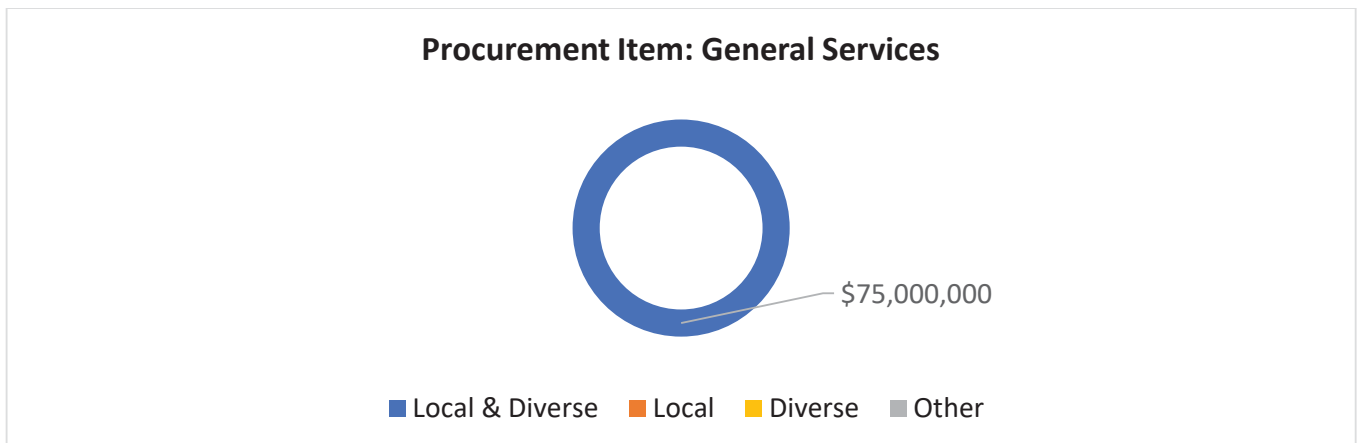
**CPS Energy Board of Trustees Meeting**  
**September 9, 2024**  
**Procurement Form 1**

Recommended Respondent(s) & Award					
Respondent Name	SBA Classification & Details	Score	PO Value	PO #	Comments
HJD Capital Electric, Inc	Local/Diverse (Small, HUBZone)	62	\$37,500,000	2221945	Corporate headquarters located in San Antonio Metropolitan area
Bartek Construction Co	Local/Diverse (Small)	59	\$37,500,000	2221946	Corporate headquarters located in San Antonio Metropolitan area
<b>TOTAL</b>			<b>\$75,000,000</b>		

Eight (8) additional respondents were not recommended for award: ADB Companies LLC; E-Z Bel Construction LLC; JAMCO Ventures LLC; L&M Aerial & Underground LLC; Mears Installation LLC; Primoris T&D LLC; Wampole-Miller Inc; and Zachry Underground & Utility Services, Inc.

Annual Funds Budgeted						
Corporate Annual Budget	Funding Method	Projected FY2025 PO Spend	% of FY2025 Annual Corp Budget	Projected FY2026 PO Spend	Projected FY2027 PO Spend	Projected FY2028 PO Spend
\$937,000,000	Capital	\$10,000,000	0.01%	\$25,000,000	\$25,000,000	\$15,000,000
\$890,000,000	Non-Fuel O&M	\$0	0%	\$0	\$0	\$0

Our current approved budget and latest estimates support these new purchase orders.







**CPS Energy Board of Trustees Meeting**  
**September 9, 2024**  
**Procurement Form 2**

<b>Item Description</b>	<b>Transmission Steel Monopoles</b>
<b>Purchase Order Value</b>	<b>\$70,000,000</b>
Purchase Category	Commodity & Material Goods
Department	Energy Delivery Services
Sr Director Substation & Transmission	Ricardo Renteria
Chief Energy Delivery Officer	Richard Medina

**Detailed Description**

CPS Energy staff is requesting funding support and a contract extension, exercising an additional one-year option period, for transmission steel monopoles. This contract was previously awarded to Techline, Inc., a local and diverse firm, and Meyer Utility Structures, LLC as the respondents to provide the goods at the best value for CPS Energy based on the evaluation criteria set forth below.

This contract is for the procurement of transmission steel monopoles, which supports CPS Energy’s growth, infrastructure modernization and ensures efficiencies in engineering and construction response times to planned projects and emergent projects meant to ensure the overall health and reliability of the electric grid. This contract will expire on August 31, 2025.

**Subcontracting Opportunities**

None at this time.

The original solicitation method for this procurement was a Request for Proposals (RFP). An evaluation team considered the following weighted evaluation criteria to determine the best value to CPS Energy.

<b>Evaluation Criteria</b>	<b>Points</b>
Price Schedule	35
Experience & Qualifications	17
Organization & Manufacturing Capability	12
Design & Quality	10
Economic Development (local & diverse consideration)	10
Plant Locations, Delivery & Contingencies	8
References & RFP Responsiveness	5
Financial Stability	3
<b>TOTAL</b>	<b>100</b>



**CPS Energy Board of Trustees Meeting**  
**September 9, 2024**  
**Procurement Form 2**

**Recommended Respondent(s) & Award**

Respondent Name	SBA Classification & Details	Score	PO Value	PO #	Comments
Meyer Utility Structures, LLC		79	\$52,500,000	2219108	
Techline, Inc.	Local/Diverse (Woman-Owned)	78	\$17,500,000	2219109	
<b>TOTAL</b>			<b>\$70,000,000</b>		

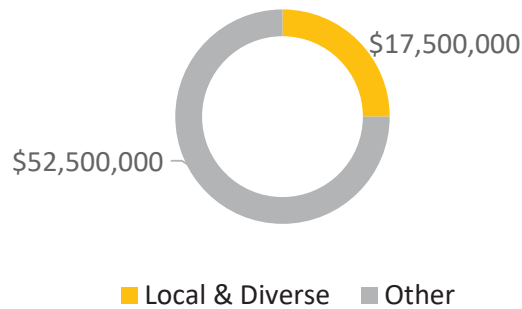
Four (4) additional respondents were not recommended for award: SAE-Towers; Sabre; Dis-Trans Steel; and KBS Electrical Distributors, Inc.

**Annual Funds Budgeted**

Corporate Annual Budget	Funding Method	Projected FY2025 PO Spend	% of FY2025 Annual Corp Budget	Projected FY2026 PO Spend	Projected FY2027 PO Spend	Projected FY2028 PO Spend
\$937,000,000	Capital	\$4,510,400	0.48%	\$65,489,600	\$0	\$0
\$890,000,000	Non-Fuel O&M	\$0	0%	\$0	\$0	\$0

Our current approved budget and latest estimates support these new purchase orders.

**Procurement Item: Commodities & Material Goods**





**CPS Energy Board of Trustees Meeting  
September 9, 2024  
Procurement Form 3**

<b>Item Description</b>	<b>Engineering &amp; Construction Services for Accelerated Recloser Deployment</b>
<b>Purchase Order Value</b>	<b>\$35,000,000</b>
Purchase Category	General Services
Department	Grid Transformation & Planning
Director Grid Transformation & Planning	Sheila Casey
Chief Energy Delivery Officer	Richard Medina

**Detailed Description**

CPS Energy staff is requesting funding support and a contract extension, exercising an additional four-year option period for engineering and construction services for accelerated recloser deployment. This contract was previously awarded to Burns & McDonnell Engineering Company, Inc. as the respondent to provide the services at the best value for CPS Energy based on the evaluation criteria set forth below.

This contract is for engineering design and installation of electronic reclosers for grid reliability, which will allow CPS Energy to complete the recloser deployment plan, enhancing grid reliability for all customers. Contract continuity is vital for timely implementation and fulfilling the Community Energy Resiliency Program, supported by a \$30M U.S. Department of Energy grant. This contract will expire on February 28, 2029.

**Subcontracting Opportunities**

Burns & McDonnell Engineering Company, Inc. is targeting 40% of overall spend to be subcontracted to Chain Electric Company, a local business, for the recloser installation services.

**The original solicitation method for this procurement was a Request for Proposals (RFP).** An evaluation team considered the following weighted evaluation criteria to determine the best value to CPS Energy.

<b>Evaluation Criteria</b>	<b>Points</b>
Experience and qualifications to perform the Services	70
Safety records	10
Project Management & Quality Control Programs	10
Economic Development (local & diverse consideration)	10
<b>TOTAL</b>	<b>100</b>



**CPS Energy Board of Trustees Meeting  
September 9, 2024  
Procurement Form 3**

**Recommended Respondent(s) & Award**

Respondent Name	SBA Classification & Details	Score	PO Value	PO #	Comments
Burns & McDonnell Engineering Company, Inc.		78	\$35,000,000	2222310	
<b>TOTAL</b>			<b>\$35,000,000</b>		

Seven (7) additional respondents were not recommended for award: Pike Electric, LLC; Schneider Engineering, LLC; Chain Electric Company; Patterson & Dewar Engineers, Inc. dba Hood-Patterson & Dewar; Black & Veatch Corporation; The L.E. Myers Co. and Edison Power Constructors, Inc.

**Annual Funds Budgeted**

Corporate Annual Budget	Funding Method	Projected FY2025 PO Spend	% of FY2025 Annual Corp Budget	Projected FY2026 PO Spend	Projected FY2027 PO Spend	Projected FY2028 PO Spend
\$937,000,000	Capital	\$2,300,000	0.25%	\$6,500,000	\$9,400,000	\$9,400,000
\$890,000,000	Non-Fuel O&M	\$0	0%	\$0	\$0	\$0

Our current approved budget and latest estimates support these new purchase orders.

**Procurement Item: General Services**





# STRATEGY SESSION

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*PRESENTED BY:*

**Elaina Ball**

Chief Strategy Officer

**DeAnna Hardwick**

Chief Customer Strategy Officer

**Melissa Sorola**

Vice President, Corporate Communications & Marketing

**PA Consulting**

**September 9, 2024**

*Informational Update*

# AGENDA



- Objectives
- Stakeholder Engagement
- PA Consulting Team
  - Industry Forces
  - Strategic Implications
  - Horizon 2050 Framework
- Executive Session: Competitive Landscape
- Horizon 2050 Feedback
  - Vision and Mission
  - Goals
- Next Steps

**Goal: Seek Board of Trustees' input on CPS Energy's long-term strategic direction.**

# SESSION OBJECTIVES



- Discuss the drivers most likely to impact the utility industry.
- Align on the key industry drivers and critical uncertainties impacting CPS Energy over the next 25 years.
- Highlight the importance of long-term strategic planning to CPS Energy's future success.
- Share early progress of CPS Energy's Strategic Plan, Vision, Mission, and Goals, and solicit Board feedback.
- Document feedback to support the refinement of the Strategic Plan.



# STAKEHOLDER ENGAGEMENT

Strategic Communication Tactics



**Connecting, listening, and engaging to drive our mission forward.**



## PA Consulting Team

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**Marley Urdanick**  
Managing Consultant

Marley has over ten years of experience in the electric and gas utility industry, specializing in corporate strategy, grid modernization, and technology transformation. She helps utilities develop transformational strategies from design to implementation.

**Doug McMahon**  
Partner

Doug has over 20 years in energy transition and leadership roles at top US utilities and offers practical expertise in navigating the evolving electricity grid, helping stakeholders seize opportunities in the changing energy landscape.

**Dave Cherney**  
Partner










Dave is an energy transition expert and excels in utility strategy, regulatory engagement, and infrastructure M&A. He advises on strategic planning and risk management, regularly presenting to top executives and representing clients before regulators.

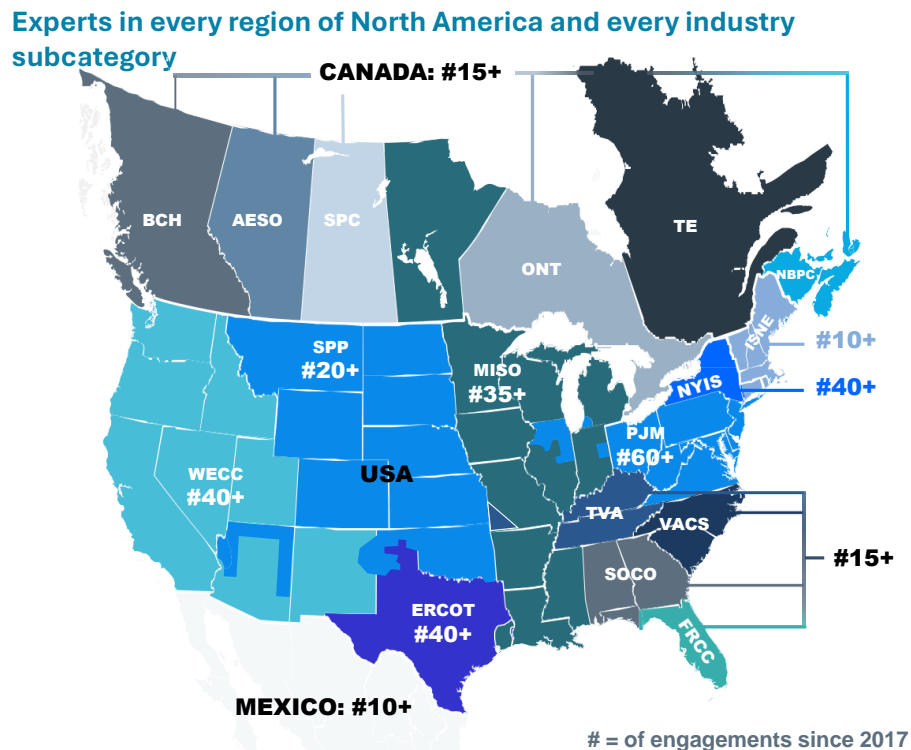
# PA Consulting has deep energy experience

Spanning energy and renewable industry investment and advisory services

Our US Energy team consists of **>100 experts** who have executed **275+ energy engagements** totaling **\$200+ B** since 2017

**Engagements since 2017**

	Natural Gas	<b>#75+</b>
	Solar / Distributed Solar	<b>#70+</b>
	Wind	<b>#30+</b>
	Battery	<b>#30+</b>
	Utility (Gas, Electric & Water)	<b>#25+</b>
	Nuclear, Biomass, Geo & Hydro	<b>#20+</b>
	Emerging tech including Hydrogen	<b>#10+</b>
	Transmission	<b>#10+</b>
	Coal	<b>#10+</b>



# PA US Energy Team: Differentiators & Services

Our services align to the areas where we have market leading capabilities

## Market Leading Capabilities



### Market Analysis

- 9 PhDs
- 100+ expert witness engagements
- Proprietary energy market forecast and utility rate models



### Industry Experience & Operations Expertise

- Former c-suite executives, board members and managers from respected industry participants



### Market Knowledge

- 275+ buy-side, sell-side and financing transaction support engagements since 2017



### Policy Analysis

- Former FERC & DOE officials
- Thought leaders and PhDs who have published 100+ white papers

## PA US Energy Team Services

Energy Infrastructure Investment

Strategy and Risk Management

Market Entry and Business Planning

Independent Market Research & Advisory

Emerging Technology inc. Hydrogen

Expert Witness Testimony

Utility M&A and Strategy

# PA's Commitment to Diversity, Equity and Inclusion

We're committed to driving DEI and we recognize that it is a journey, not a destination

**It's only through embedding DEI into everything we do that we can create a culture where our people feel inspired and empowered to collaborate in achieving our purpose, Bringing Ingenuity to Life.**

As we continue to listen, learn and look for ways to create an even more inclusive and diverse place to work, we'll unlock the ingenuity of even more people to help build a positive human future.



ROMBA 2022



LOOK BACK ACT FORWARD  
LGBTQ+ MBA CONFERENCE  
WASHINGTON, DC • OCT 6-8  
— Our 25th Conference —

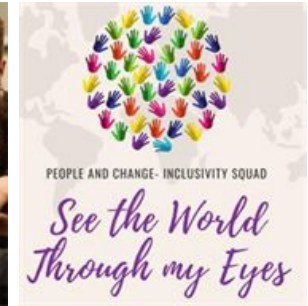
**Below are a few selected PA DEI programs:**

**Our RISE, Pride, Women's, Parent's, Mental Health & Wellbeing, and Military Networks** celebrate, educate and raise awareness of key issues while acting as a forum for discussion and debate to drive and support our global inclusion and diversity strategy.

**Our Women in Tech** initiative inspires a new generation of women to get into tech through free coding courses and inclusive events.

**Our Springboard work experience program** gives disadvantaged students the chance to develop their skills and learn from our experts.

**The PA Racial Inclusion and Social Equity (RISE) Network Re-imagined Black History Month Using VR Storytelling.** Participants were able to interact with and experience an Emmy-nominated production discussing the harsh realities Black Americans faced when it came to traveling and normal day-to-day living.



# Introduction to 2050 Strategic Planning

## “Why are we doing this now?”

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**The energy industry will experience unprecedented change over the next 25-years.**

The growth of renewables and distributed energy resources, technology acceleration, and expanded customer choice are reshaping the energy landscape, presenting new challenges, risks, and opportunities.

**Navigating this industry change will require proactive planning now for future disruption and uncertainty.**

We are approaching completion of CPS Energy’s 5-year Vision 2027 strategy. This juncture is an opportunity to develop a longer-term view of our planning process that future-proofs our decision-making and charts a successful path for CPS Energy, our customers, and our community.

**To achieve this, CPS Energy is developing a 25-year strategic plan.**

Developing a 25-year strategy will require a joint undertaking between CPS Energy, the Board of Trustees, CoSA, and our local community to help shape CPS Energy’s future vision, and determine near-, medium- and long-term priorities.

This session is the first of many touchpoints to share the progress of, and gather valuable feedback on, our long-term strategic planning process.

# Dynamic forces driving the need for longer-term strategic planning

We are taking a **long-term view of our strategic planning process** that **future-proofs our decision-making** and charts a successful path for CPS Energy, our customers, and our community.

The contents of this presentation will walk through the industry forces as drivers of change, how we believe these forces will shape our 2050 strategy and gather your feedback on the strategic plan components developed to-date.

Industry forces driving change

**01 The global ‘energy trilemma’**  
 We must provide a healthy energy system that is reliable, secure, affordable, environmentally responsible, presenting the risk of passive trade-offs between equally critical priorities. These dimensions must be balanced in the context of our defined industry disruptors.

**02 Industry disruptors**  
 Within Texas and across the industry, rapid industry transition and increasingly decentralized, decarbonized and digital energy future, is anticipated to influence our operations and strategic posture.

**03 Strategy implications**  
 Within the boundaries of internal capital planning and resource constraints extend planning needs beyond the traditional five- to ten-year planning horizon.



# 01

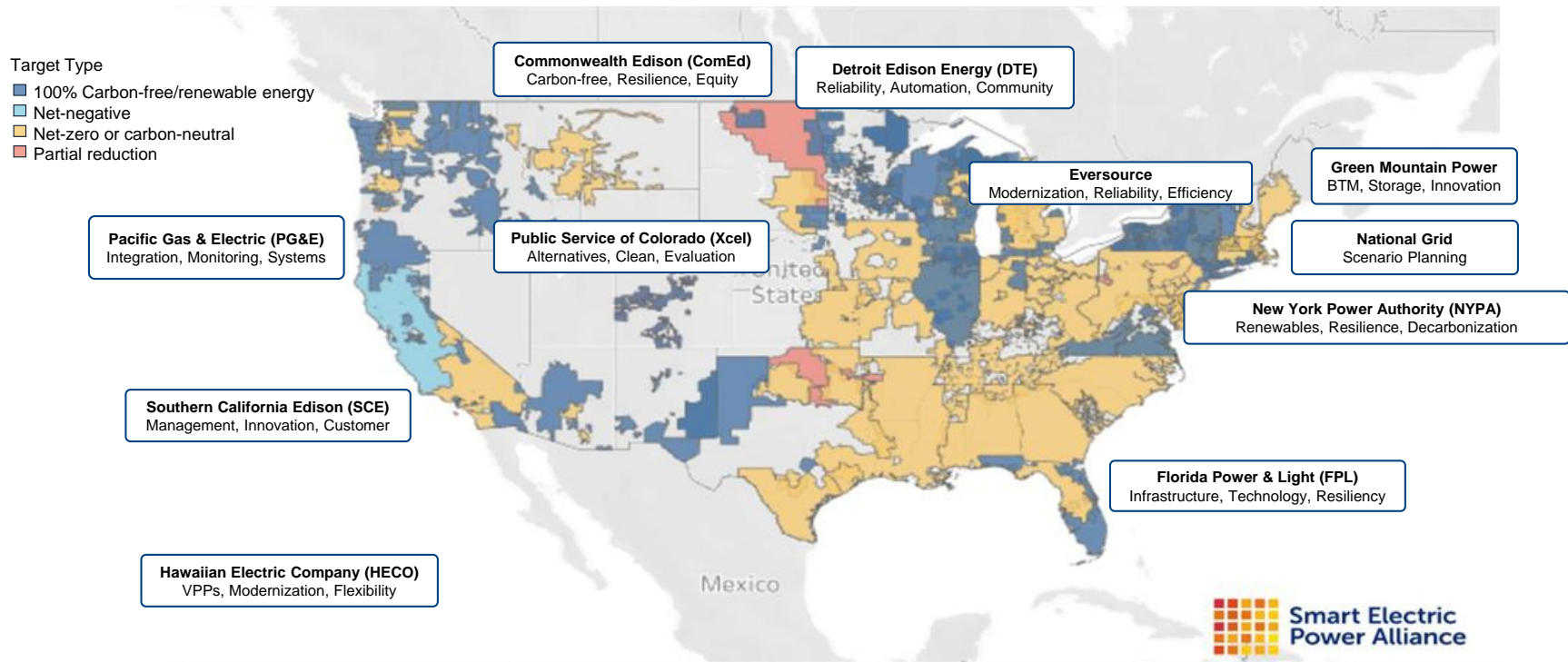
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## Industry Forces Driving Change



# U.S. Utilities Long-Term Strategic Planning

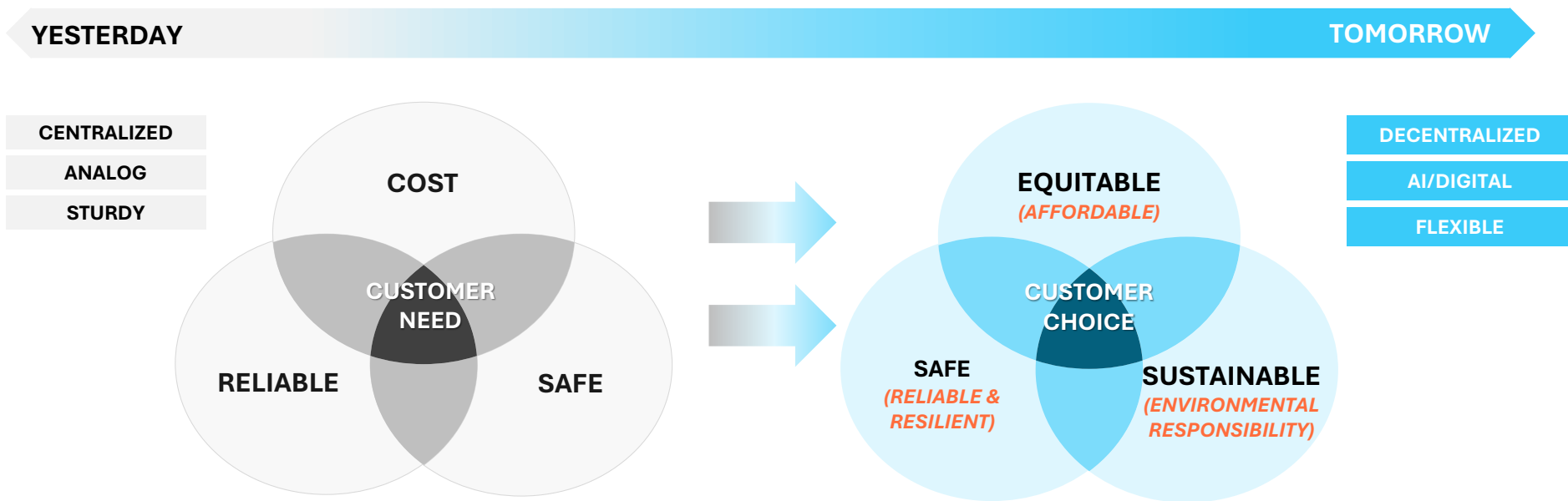
Utilities with long-term decarbonization goals must engage in extensive planning, particularly through the development of Integrated Resource Plans (IRPs) that outline their decarbonization strategies. CPS Energy is among many in this effort, as data from SEPA shows that 432 public power entities, primarily municipal utilities, have set ambitious decarbonization targets.



*This map is only highlighting Utility Types that are: Investor-Owned, Public Power, and Utility Parent*



# The Global Energy Landscape

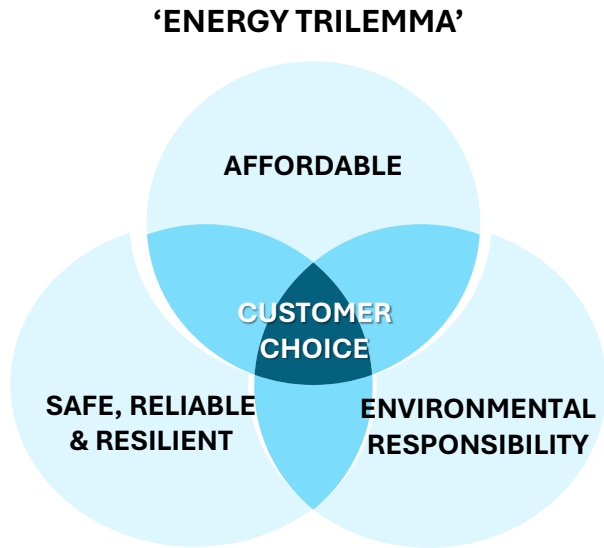


**Electric and gas utilities must enable energy systems that are reliable, secure, affordable, and environmentally responsible – without compromise.**

<sup>1</sup> CPS Energy. Result of CPS Energy's 2021 Flexible Path<sup>SM</sup> Survey, 2021. Flexible Path Survey.Final.Results.(cpsenergy.com)

# Navigating the ‘Energy Trilemma’

## CPS Energy’s Customer Expectations



### ENERGY TRILEMMA DEFINITIONS

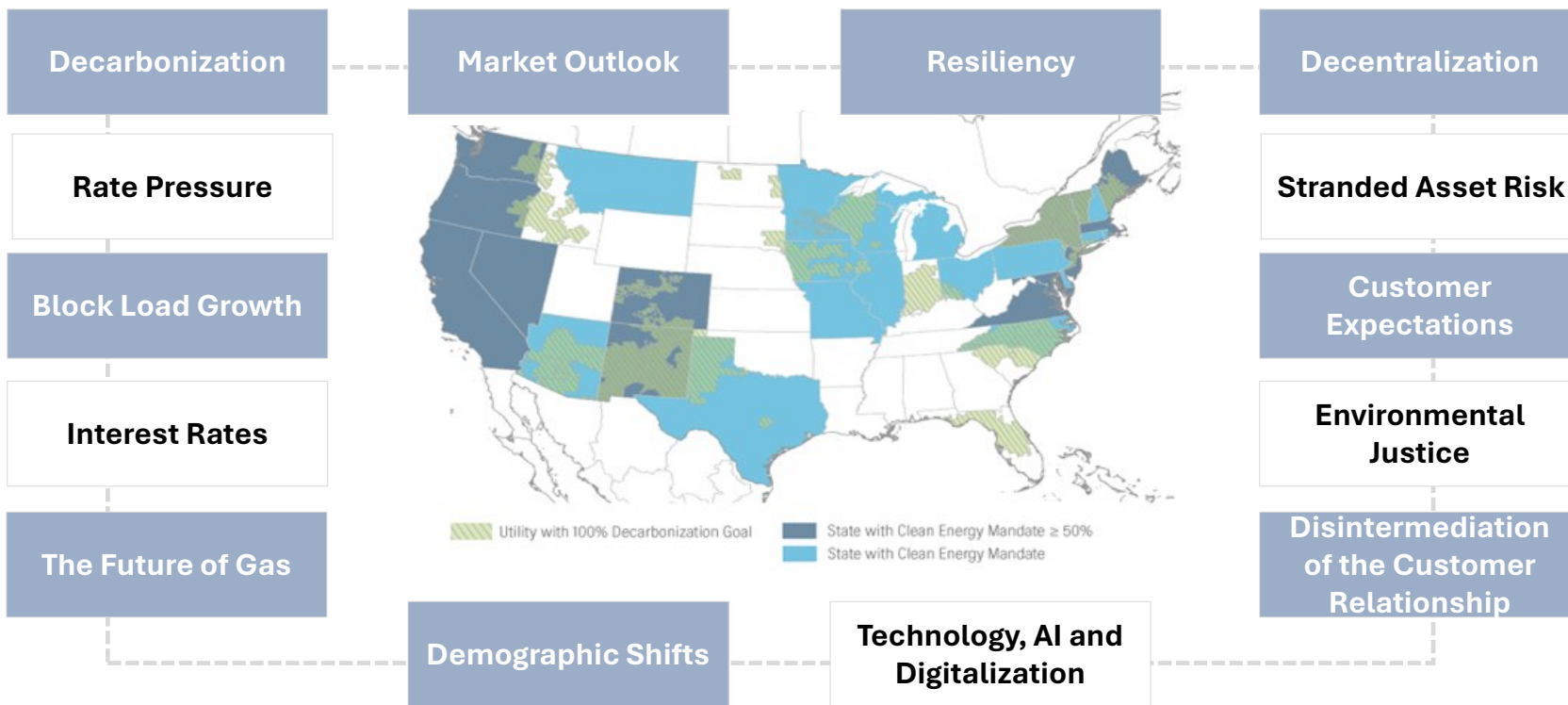
<b>AFFORDABLE</b>	Universal access to affordable, fairly-priced and abundant energy.
<b>RELIABLE AND RESILIENT</b>	Meet current and future energy demand reliably, withstand and bounce back swiftly from system shocks with minimal disruption to supplies.
<b>ENVIRONMENTAL RESPONSIBILITY</b>	Mitigating and avoiding potential environmental harm.

**Strategic planning requires balancing and harmonizing the energy trilemma goals within the boundaries of our current and future business operations.**

<sup>2</sup> World Energy Council. World Energy Trilemma 2024 Report, 2024. [World Energy Trilemma Report 2024](#) | World Energy Council  
World Energy Council Energy Trilemma definitions

# Electric & Gas Utility Macro Trends

Most relevant trends to CPS Energy over the next 25-years



**Trend** Blue box indicates trend selected as most relevant to CPS Energy for further analysis.

# Over Eighty Uncertainties over the Next 25-Years

Technology & Energy Mix and Regulation & Governance identified as the two uncertainties impacting CPS Energy



**Categorized Uncertainties – November 2023 Executive Workshop**

# Macro Trend Deep-Dive

## Decarbonization and Load Growth

These trends are impacting the pace and direction of change across generation, transmission, and distribution.

### Forces Shaping Future Uncertainty

**Renewable Generation Shift:**

- U.S. - rise to 44% by 2050
- ERCOT - double in 20 years

**Rising Demand:**

- U.S. residential – grow 14%-22% by the year 2050
- CPS Energy’s residential - increase by 60%-110% by 2050
- ERCOT's total load - increase by 40% in 20 years

### CPS Energy’s Core Commitment



**Affordability**

*(Cost of electricity per kWh)*



**Grid Reliability**

*(unplanned outages)*



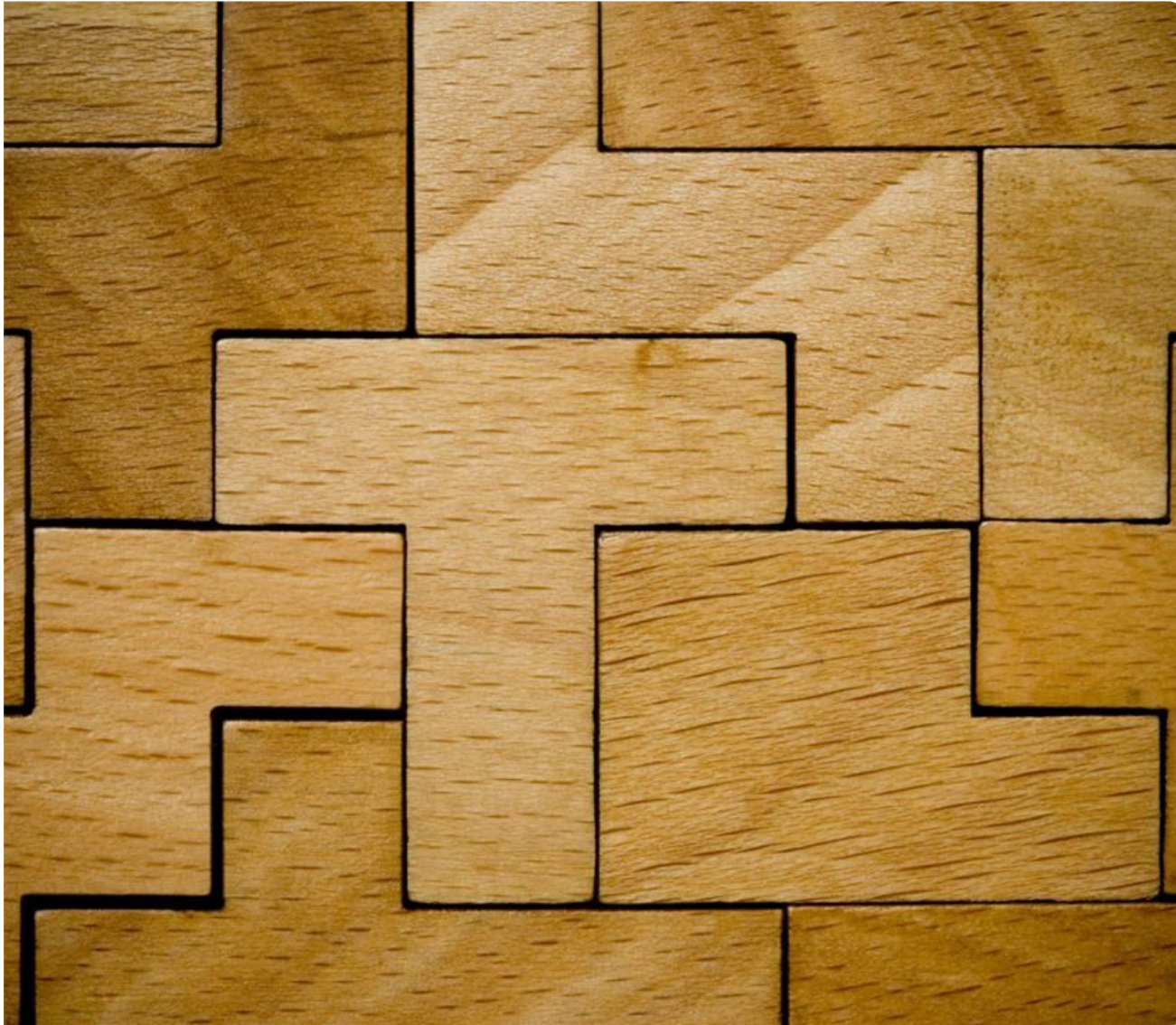
**CoSA ROI**

*(percent of gross revenue)*

### Pressures on Delivering CPS Energy's Mission

- Generation mix complicates pricing and hedging
- ERCOT demand growth strains interconnection
- CPS Energy dependent on ERCOT during extreme weather

**Refreshing the strategy now, let's CPS Energy seize new opportunities amid evolving challenges and their core mandate.**



# 02

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## Strategic Implications

# We provide long-term value to customers and the community

## Tangible benefits

- City payment
- Affordable prices
- \$1B in local and diverse supplier spend
- Local employment
- \$27M in energy assistance & equity
- 540K customers participated in a CPS Energy program in 2023; \$350M awarded for STEP Economic development

## Intangible benefits

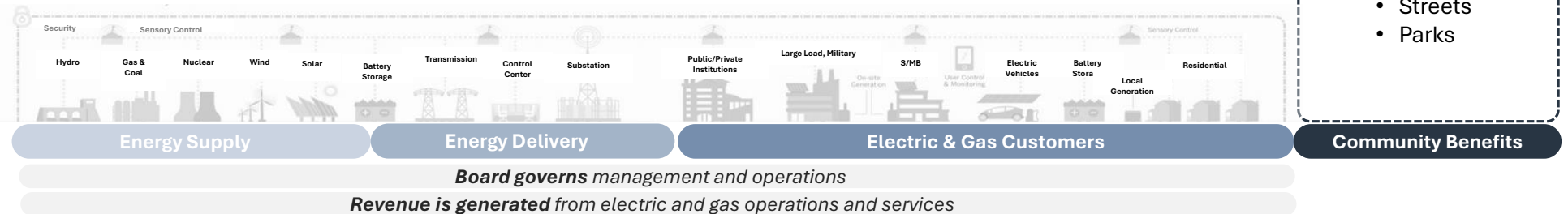
- Local control  
Transparent and accountable to our community
- Reliability  
Top-quartile reliability inclusive of major events\* and \$60.4M in resiliency investments
- Customer service  
Increased ACSI customer satisfaction score by 8% in 2023, and 7% in 2024
- Community impact  
Strive to connect with our customers equitably and in the way they prefer
- Delivering on CAAP  
Netzero by 2050 target

**\$9.1B** to the City since 1942

**\$450M** contributed in FY 2024

**1/3** of City General Fund

- Police & fire
- Infrastructure
- Libraries
- Streets
- Parks

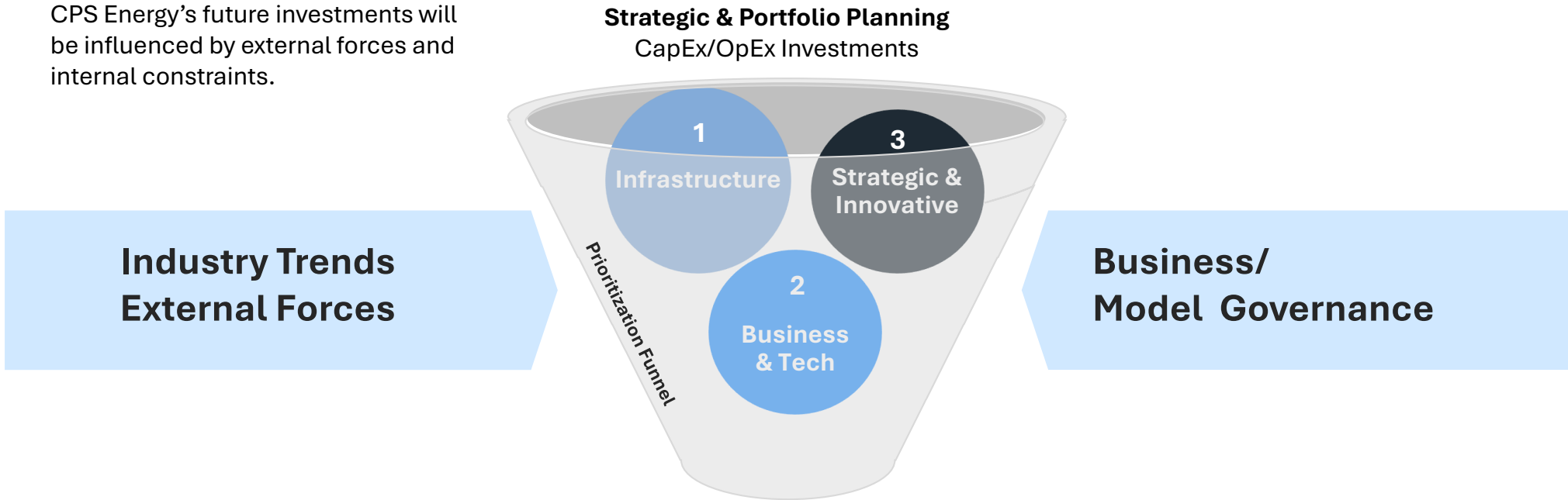




# Strategic Implications

## Strategic planning portfolio drivers

CPS Energy's future investments will be influenced by external forces and internal constraints.



**How can we most effectively leverage our intrinsic structure to best serve our customers and operate the electric grid, achieve net zero by 2050, and do so as innovatively and cost-effectively as possible?**





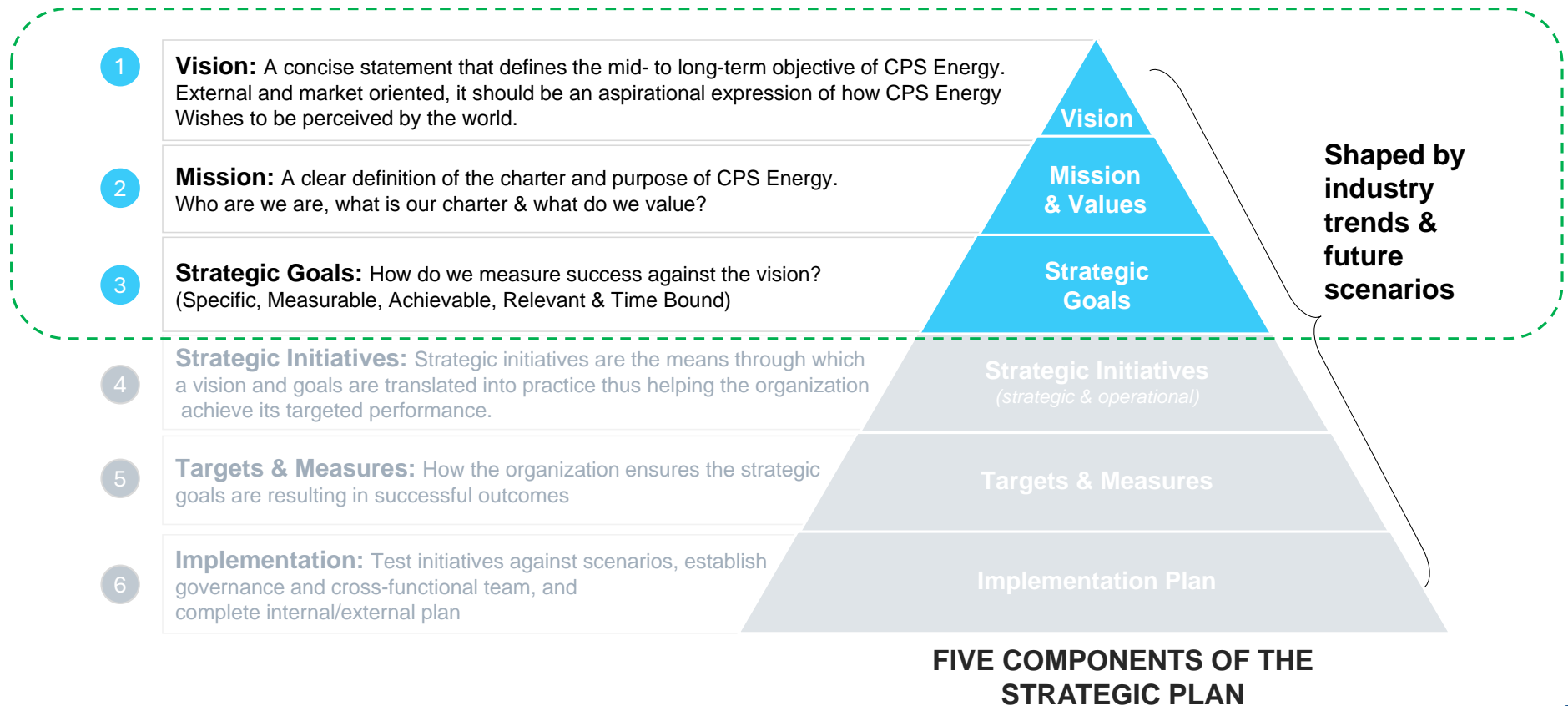
# 03

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## Strategic Framework

# Today's Focus

## Vision, Mission, and Strategic Goals



# We are approaching 2050 planning in three steps

Key questions we are answering throughout this process are...

## Step 1

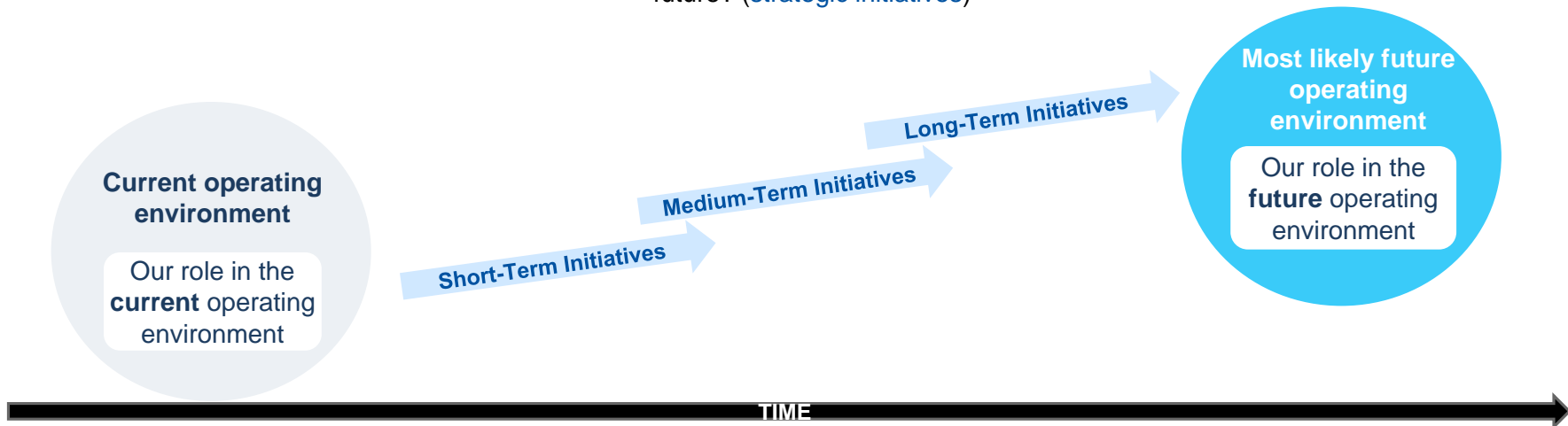
- What is the Current state and industry trends?
- Agree on our business purpose (**mission**)

## Step 3

- How do we achieve our desired future-state developed in Step 2?
- What does CPS Energy's business need to do to operate effectively in the future? (**strategic initiatives**)

## Step 2

- What is the most likely future-state operating environment?
- What does CPS Energy want to be known for? (**vision**)
- Measure success (**goals and targets**)



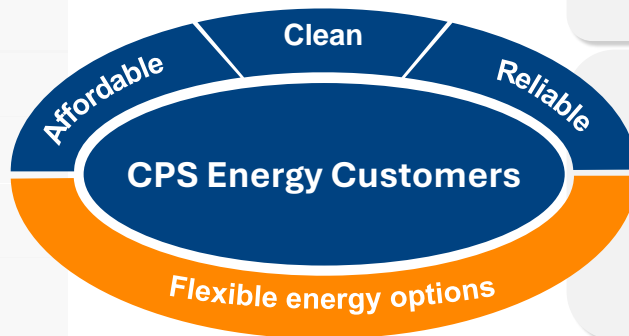
# STRATEGIC FOCUS

## VISION, MISSION, AND STRATEGIC GOALS

**Trends shaping the future of CPS Energy's business...**

- Extreme weather events / resiliency
- Decentralization
- Disintermediation
- Block load growth
- ERCOT Market
- Evolution of Gas

**Uncertainties shaping our future**



**Our Strategic Vision includes...** Powering all life's moments through valuable, fairly-priced products and services that meet our customer's evolving energy needs.

**Customer Affordability & Community**  
Connecting customers and community to flexible energy products and services.

**Reliable & Resilient Energy**  
Access to safe and reliable energy for all customers. We will operate a fast, efficient, and adaptive system that minimizes outages and recovery from outages.

**Sustainable Energy Future**  
Enabling an affordable, diversified, and environmentally responsible energy future that meets our customers where they are.



# HORIZON 2050

**STRATEGIC FRAMEWORK**

**TOMORROW**  
ETERNALLY  
GUIDING

**TODAY**  
ALWAYS  
"ON"

DRIVING  
OUR  
MISSION  
FORWARD





# **HORIZON 2050 FEEDBACK**



# VISION AND MISSION

## REFLECTION QUESTIONS

### Vision

A COMMUNITY **EMPOWERED** FOR GENERATIONS

### Mission

TO **POWER** OUR COMMUNITY WITH  
**RELIABLE, SUSTAINABLE ENERGY** AT A **COMPETITIVE PRICE.**

1. Key focus areas for the next 25 years
2. Emerging community needs and expectations over the next 25 years



# **GOALS**

## **REFLECTION QUESTIONS**

### **Goals**

**RELIABILITY**  
**SUSTAINABILITY**  
**COMPETITIVE PRICE**  
**FINANCIAL RESILIENCY**  
**TEAM/BUSINESS EXCELLENCE**

- 1. Appropriate goals to meet the challenges of the next 25 years**
- 2. Additional goals to consider**





## NEXT STEPS

- Phase 3
  - Full Community, Employee, and Stakeholder Engagement
  - Strategic Initiatives, Measures, and Targets Refinement
  - Business Case Development
  - Strategic Plan Development
  - Board Resolution

**Goal: Alignment on our long-term strategic direction.**



**THANK YOU**



# APPENDIX

# GLOSSARY / DEFINITIONS



ACRONYM OR WORD	DEFINITION	ACRONYM OR WORD	DEFINITION
<b>ACSI</b>	American Customer Satisfaction Index	<b>DER</b>	Distributed Energy Resource
<b>ADMS</b>	Advanced Distribution Monitoring System	<b>DERMS</b>	Distributed Energy Resources Management System
<b>AESO</b>	Alberta Electric System Operator	<b>DOE</b>	United States Department of Energy
<b>AI</b>	Artificial Intelligence	<b>DTE</b>	Detroit Edison Energy
<b>A&amp;F</b>	Audit and Finance Committee	<b>ERCOT</b>	Electric Reliability Council of Texas - operates the electric grid and manages the deregulated market for 75 percent of the state of Texas.
<b>BCH</b>	British Columbia Hydro	<b>EV</b>	Electric Vehicle
<b>BoT</b>	Board of Trustee	<b>FERC</b>	United States Federal Regulatory Commission
<b>BTM</b>	Behind the Meter	<b>FPL</b>	Florida Power & Light
<b>C&amp;I</b>	Commercial and Industrial	<b>FRCC</b>	Florida Reliability Coordinating Council
<b>CAAP</b>	Climate Action and Adaptation Plan	<b>FY</b>	Fiscal Year
<b>CapEx</b>	Capital Expenditure	<b>GRC</b>	General Rate Case
<b>ComEd</b>	Commonwealth Edison	<b>HECO</b>	Hawaiian Electric Company
<b>CoSA</b>	City of San Antonio	<b>IRPs</b>	Integrated Resource Plans
<b>DEI</b>	Diversity, Equity, and Inclusion	<b>ISONE</b>	Independent System Operator New England

# GLOSSARY / DEFINITIONS



ACRONYM OR WORD	DEFINITION	ACRONYM OR WORD	DEFINITION
<b>IT</b>	Information Technology	<b>PhD</b>	Doctor of Philosophy
<b>kWh</b>	Kilowatt-hour	<b>PJM</b>	Pennsylvania, New Jersey, Maryland RTO
<b>LMI</b>	Low to Moderate Income	<b>PUCT</b>	Public Utilities Commission of Texas
<b>M&amp;A</b>	Mergers and Acquisitions	<b>RISE</b>	Racial Inclusion and Social Equity
<b>MED</b>	Minutes of Equivalent Downtime	<b>ROI</b>	Return on Investment
<b>MISO</b>	Midcontinent Independent System Operator	<b>RTO</b>	Regional Transmission Organization
<b>MUC</b>	Municipal Utilities Committee	<b>SAIFI</b>	System Average Interruption Frequency Index
<b>NBPC</b>	New Brunswick Power Corporation	<b>SAPP</b>	Strategic Alignment Planning and Performance
<b>NYISO</b>	New York Independent System Operator	<b>SCE</b>	Southern California Edison
<b>NYP&amp;A</b>	New York Power Authority	<b>SEPA</b>	Smart Electric Power Alliance
<b>ONT</b>	Ontario	<b>SLT</b>	Senior Leadership Team
<b>OOC</b>	Operation Oversight Committee	<b>SOCO</b>	Southern Company
<b>OpEX</b>	Operational Expenditure	<b>SPARKS</b>	Strategic Planning and Resource Knowledge Summit
<b>PG&amp;E</b>	Pacific Gas & Electric	<b>SPC</b>	Saskatchewan Power Corporation

# GLOSSARY / DEFINITIONS



ACRONYM OR WORD	DEFINITION	ACRONYM OR WORD	DEFINITION
<b>SPP</b>	Southwest Power Pool	<b>VACS</b>	Virginia-Carolina Area Reliability Council - South
<b>STEP</b>	Sustainable Tomorrow Energy Plan	<b>V2G</b>	Vehicle to Grid
<b>T&amp;D</b>	Transmission & Distribution	<b>VPP</b>	Virtual Power Plant
<b>TE</b>	TransÉnergie	<b>WEEC</b>	Western Electricity Coordinating Council
<b>TRRC</b>	Texas Railroad Commission	<b>Xcel</b>	Public Service of Colorado
<b>TVA</b>	Tennessee Valley Authority		

# GOAL DEFINITIONS



GOAL	DEFINITION
Reliability	Provide access to resilient energy systems, with an emphasis on rapid response and recovery. Maintain a fast and efficient system capable of responding while continuously adapting to evolving customer demands and grid needs.
Sustainability	Balance environmental, economic, and social dimensions to create a resilient, future-ready utility that delivers reliable energy services while minimizing outages and/or recovery time from outages.
Competitive Price	Provide adaptive energy products and services that balance customer value, community needs, and maintainable growth.
Financial Resiliency	Safeguard community investments through flexible, strategic, and prudent financial planning for the benefit of our customers.
Team/Business Excellence	Leverage technology and data to develop and sustain a flexible workforce that works together to design and deliver the services our customers value.

# WE ARE SUCCESSFULLY IMPLEMENTING VISION 2027



Mission		Strategic Objectives	
To serve our community through reliable, competitively priced, and sustainable energy services in an equitable manner.		Operational Evolution	
		Financial Stability	
Core Values		Customer Experience	
Safety & Wellbeing	Accountability	Team Culture	
Transparency	Integrity	Community Partnership & Growth	
One Team	Excellence		
Metrics			
Operational Excellence	Financial Performance	Customer Experience	Employee Engagement & Recruitment



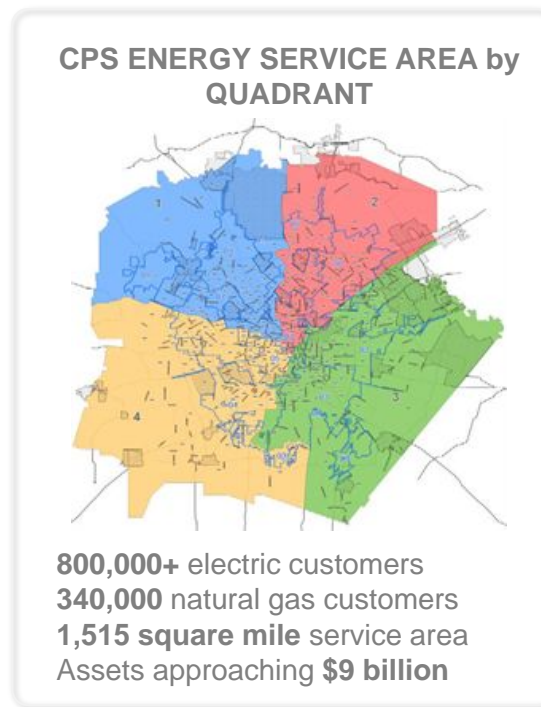


# CPS Energy's mandate to serve

Community-owned, locally controlled and operated on a not-for-profit basis

## History and Governance

- Acquired by CoSA in 1942 for **\$34 million**
- Largest municipally owned electric and gas utility in the U.S.
- Bond Ordinances adopted by **City Council** vests management and control to the **Board of Trustees**
- Return up to 14% of gross revenue to CoSA

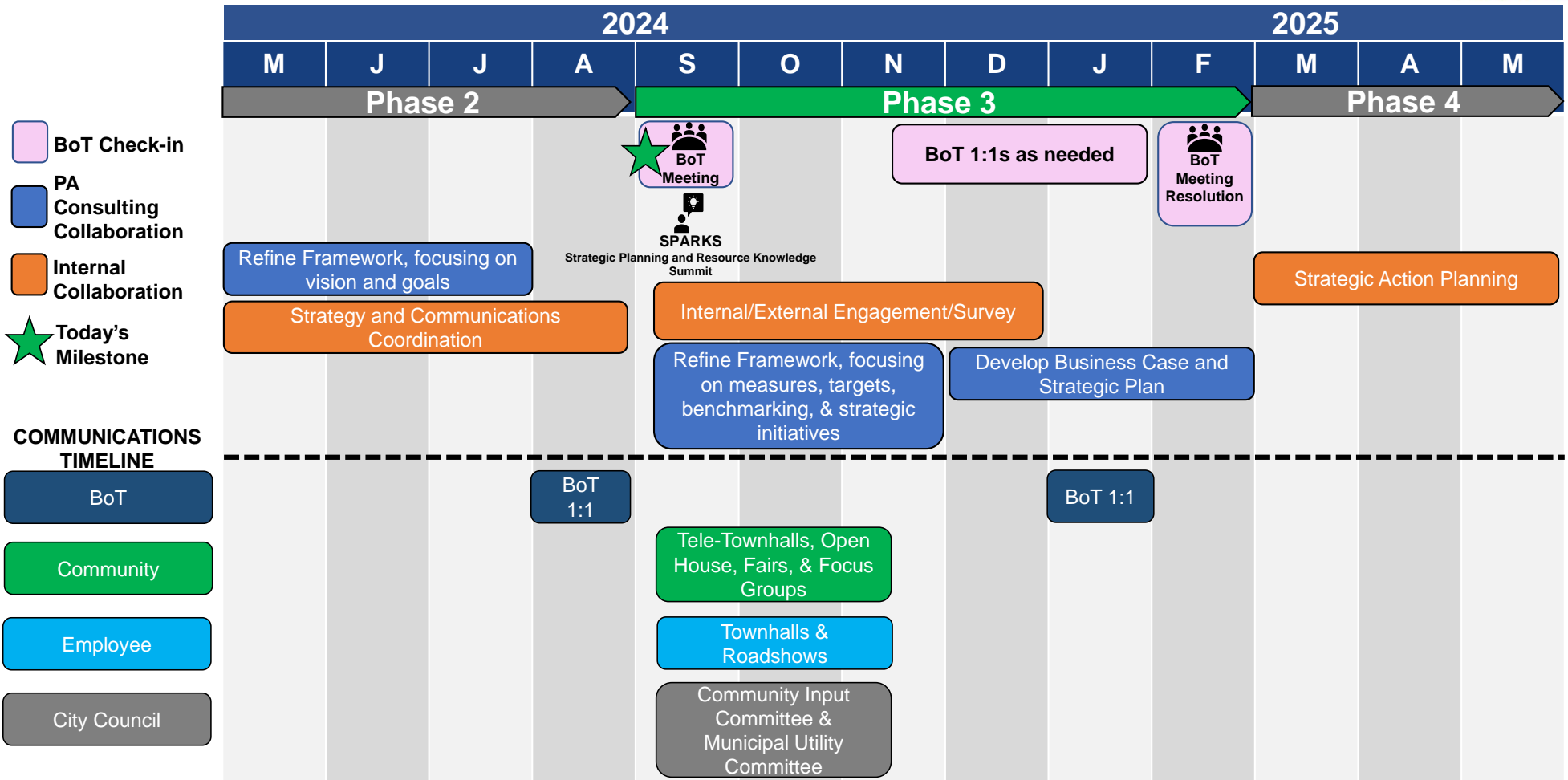


## Operations

Fully integrated electric and gas utility

- Owned generation and procure long-term power contracts
- Wholesale power purchase and sales
- Owned and operated grid infrastructure
- Exclusive provider of retail electric service and supplier of natural gas

# STRATEGIC PLAN ROADMAP



# COMMUNICATIONS STRATEGIC TACTICS

## AWARENESS, ENGAGEMENT, AND FEEDBACK



### Internal Employee Communication

- AUG. 27** – Company-wide Town Hall
- SEPT. 17** – Newsletter & Survey Launch
- SEPT. 17 – NOV. 15** – 2050 Feedback Road Show (25 Sessions)



*Senior Leadership Team Strategic Discussions*

### External Community, Partners, and Stakeholders

- SEPT. 17** – Public Informational Toolkit & Survey (English/Spanish)
- SEPT. 24** – CPS Energy Tele Town Hall (7:00 p.m. - 8:00 p.m.)
- OCT. 16** – Key Accounts Managed Presentation (10:30 a.m. – 11:30 a.m.)
- OCT. 3** – CPS Energy Open House (9:30 a.m. - 11:30 a.m. and 5:30 p.m. - 7:30 p.m.)
- OCT. 28** – CPS Energy Board of Trustees Public Input Session (5:30 p.m.)
- SEP. – NOV.** – Focus Groups (English/Spanish) and Community Fairs



**Promote public input opportunities through all channels and [cpsenergy.com/publicinput](https://cpsenergy.com/publicinput)**

## Marley Urdanick

Utility Strategy Expert

Marley has over ten years of experience in the electric and gas utility industry with experience in corporate strategy, grid modernization, and technology transformation. She has worked to develop transformational strategies from design to implementation for large generation, distribution, and transmission utilities. Marley has extensive experience helping utilities build business cases for capital and O&M investments, as well as project management, and program design. Marley holds a BS from Binghamton University and a master's degree from Yale.

**Office Address:** Atlanta, Georgia

**Phone and Email:** +1 (607) 206-7813,  
marley.urdanick@paconsulting.com

## Doug McMahon

Utility Strategy & Beneficial Electrification Expert

Doug brings 20 years' experience solving complex energy transition problems across the electricity generation, transmission and distribution system, and returns to PA after time working as a senior executive at two large electric & gas utilities in the US. These experiences have enabled Doug to develop unique perspectives on the changes that are taking place across the electricity grid as well as a set of practical, commercialization and implementation focused skills that he been putting to use to help utilities, investors, large load customers and new energy market entrants navigate the opportunities and challenges of the energy transition.

**Office:** Boston, Massachusetts

**Phone and Email:** +1 (617) 252-0167,  
doug.mcmahon@paconsulting.com

## Dave Cherney, PhD

Regulatory and Policy Expert

Dave is an energy transition leader specializing in utility strategy, regulatory engagement, and infrastructure M&A. He has successfully guided and supported clients through multiple strategic planning endeavours, developed market entry strategies for emerging energy technologies, as well as helped current generation owners identify and mitigate risks to maximize returns for legacy energy infrastructure. David regularly presents before various Boards, CEOs, CFOs, and executive management teams, as well as communicates his client's interests before regulators and stakeholders. He holds a Ph.D. from the University of Colorado-Boulder, a master's degree from Yale University, and a B.A. from Claremont McKenna College.

**Office:** Denver, Colorado

**Phone and Email:** +1 (720) 566-9947,  
david.cherney@paconsulting.com

# PA by the numbers

We are more than

# 3,800

experts working from offices across the US, UK, Ireland, Netherlands, and Nordics.

In 2022, we generated

# \$970m

in fee income and saw

# 14%

fee income growth year-on-year, representing

# 96%

fee income growth in five years.

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## Working in global teams across seven sectors



**Energy and Utilities**



**Government and Public Services**



**Defense and Security**



**Health and Life Sciences**



**Consumer and Manufacturing**



**Transport**



**Financial Services**

## Our team works in several locations in North America

### North America Headquarters

**New York, NY**  
The Chrysler Building 45th Floor  
405 Lexington Avenue  
New York, NY 10174

### Boston, MA

Tower Point, 6th Floor,  
27-43 Wormwood St,  
Boston, MA 02210

### San Francisco, CA

517 York Street  
San Francisco, CA 94110

### Atlanta, GA

725 Ponce de Leon Avenue NE  
Room 03-106  
Atlanta, GA 30306

### Denver, CO

1700 Lincoln Street  
Suite 3550  
Denver, CO 80203

### Chicago, IL

10 S. Wacker Drive  
Suite 3550  
Chicago, IL 60606



# PUBLIC POLICY UPDATE

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*PRESENTED BY:*

**Kathy Garcia**

VP, Government Relations, Regulatory Affairs, & Public Policy

**September 9, 2024**  
*Informational Update*



# AGENDA

- Introduction and Overview
- ERCOT Market and PUC Activities
- State Interim Legislative Activities and 2025 Outlook
- City Council Activities and 2025 Outlook

We will provide the Board with an overview of local, state, and federal public policy activities in which we are currently engaged.





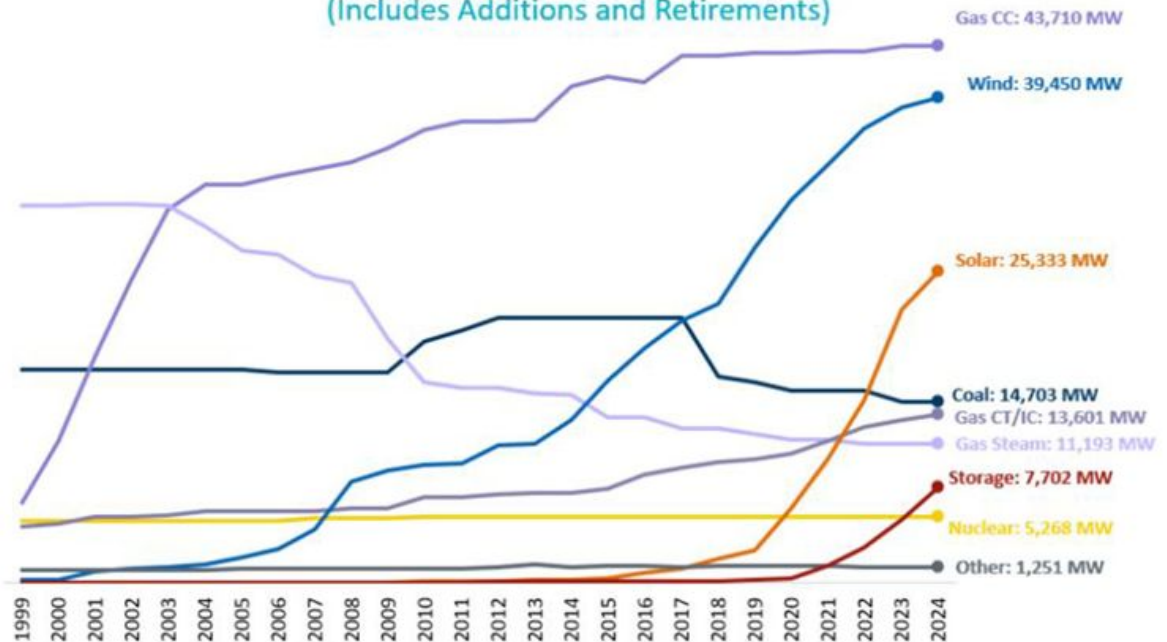
# ERCOT DATA

## GENERATOR TRENDS

- Coal & gas steam are down
- Combined cycle gas is flat
- Gas peakers slowing
- Wind and Natural gas slowing
- Solar & Storage growing

### ERCOT Installed Net Generation Capacity (as of 7/1/2024)

(Includes Additions and Retirements)



Notes: Capacity totals are based on the Installed Capacity Ratings for generating units. "Other" comprises of Biomass, Hydro, and Diesel.  
 - Planned generation projects are added to installed capacity after approval for synchronization to ERCOT Grid.  
 - Totals include Private-Use Network generators that export to the ERCOT grid, Distribution Generation Resources (DGRs), Settlement-Only Distribution Generators (SODGs), Unavailable Switchable Capacity, Extended Outage Units, and Mothballed Units.





# ERCOT MARKET ACTIVITIES

## WORKING THROUGH THE ENERGY TRANSITION

- Market Design
  - Developing the framework for the Performance Credit Mechanism (PCM)
- Resource Mix Evolution
  - Evaluating Ancillary Service changes to accommodate changes in operational characteristics of different types of generators
- Technology Integration
  - Modifying requirements to focus on meeting engineering standards and requirements for reliable operations
- Transmission Planning
  - Updating methodologies & practices for transmission system planners to accommodate accelerated demand growth & large customer projects

ERCOT is focused on market incentives for dispatchable generation resources, rightsizing expectations for non-dispatchable technologies like renewables and energy storage, and improving its transmission system to accommodate it all.



# PUC ACTIVITIES

## RELIABILITY IS KEY

- Reliability Standard
  - Sets the bar for the ERCOT market, statistically measures the balance of supply and demand with multiple model inputs including extremes
- Texas Energy Fund
  - Established via legislation
  - \$10B loan & grant program for new dispatchable generation resources
- Market Design
  - Formally leading the effort to enhance market incentives
  - PCM
- Utility Resiliency & Storm Response
  - Beryl investigation, public filing of findings
  - Outage tracker project to establish requirements

The Public Utility Commission continues to focus on reliability on two fronts – Resource Adequacy and Transmission & Distribution system operations.

# STATE LEGISLATIVE ACTIVITIES

## INTERIM POLICY HEARINGS & PRIORITIES



- Senate Business & Commerce Committee
- Senate Special Committee on Hurricane & Tropical Storm Preparedness, Recovery & Electricity
- House State Affairs Committee
- House Investigative Committee on the Panhandle Wildfires

The work of each of these committees and their forthcoming reports will include recommendations that will lay the groundwork for the 89<sup>th</sup> Legislature in 2025.

# STATE LEGISLATIVE OUTLOOK

## PREPARATION FOR THE 89<sup>TH</sup> LEGISLATURE



- In addition to the forthcoming reports from Senate and House committees, other regulatory entities and legislatively-created bodies will also release legislative recommendations:
  - PUC Biennial Agency Report to the Legislature
  - Railroad Commission Report to the Legislature
  - Texas Advanced Nuclear Reactor Working Group
  - Joint Oversight Committee on Grid Reliability
  - Texas Energy Fund Advisory Committee
- We have begun formulation of our Public Policy Agenda (PPA) based on activities to-date and will update as the above reports are released.

Our Public Policy Agenda will incorporate input and feedback from internal business units and senior leaders. It will ultimately be brought before the Board of Trustees as was done in 2023.

# SAN ANTONIO CITY COUNCIL

## FY2025/2026 OUTLOOK



- Local Policy and Regulatory Initiatives
  - Tariffs
  - Rate Adjustment Outlook
- The Municipal Utilities Committee (MUC) has been reconstituted by Mayor Nirenberg
  - Chair: Councilmember (CM) Dr. Adriana Rocha Garcia (District 4)
  - First Meeting will be in September, to cover disconnection and materials staging procedures
- The Community Input Committee (CIC) is Reformed and Fully Appointed by our Board
  - Chair: Diana Aguirre Martinez
  - First meeting with all new members scheduled for October 9, 2024
- General November 2024 Elections
  - Six City Charter Amendments to be added at the end of the ballot for San Antonio voters
- Municipal May 2025 Elections
  - Crowded field expected with potentially 4 current CMs vying for Mayor; 3 already declared.
  - Anticipating added efforts at relationship building and education for multiple new CMs.

We will continue engaging on policies that support our Vision 2027 strategy while navigating unpredictable election cycles and new layers of community collaboration.

## KEY TAKEAWAYS



- Public policy proceedings of direct impact to us are continuing at a rapid, concurrent pace.
- We remain an active participant and stakeholder, and a trusted resource.
- The Government Relations, Regulatory Affairs, & Public Policy team is actively working with internal business units to proactively formulate our priorities and strive for public related public policy changes.
- We look forward to coming back to the Board of Trustees to share our local, state, and federal public policy priorities for the next year.



**THANK YOU**



# APPENDIX





# GLOSSARY / DEFINITIONS

ACRONYM OR WORD	DEFINITION
Gas CC	Gas Combined Cycle
CIC	Community Input Committee
CM	Council Member
Gas CT/IC	Gas Combustion Turbine / Internal Combustion
DGR	Distribution Generation Resource
ERCOT	Electric Reliability Council of Texas



# GLOSSARY / DEFINITIONS

ACRONYM OR WORD	DEFINITION
MUC	Municipal Utilities Committee
MW	Megawatt
PPA	Public Policy Agenda
PUC	Public Utility Commission of Texas
PCM	<p><b>Performance Credit Mechanism</b>                      A proposal under consideration at the PUC that aims to provide additional revenue to power generators, incentivizing them to be available during peak demand times.</p>
SOGD	Settlement-Only Distribution Generators