



**SPECIAL MEETING OF THE CPS ENERGY BOARD OF TRUSTEES  
CONVENING AS THE RISK MANAGEMENT COMMITTEE  
TO BE HELD ON SEPTEMBER 16, 2020 AT 1:00 PM  
BY TELEPHONE CONFERENCE  
1 (888) 409-5380**

RECEIVED  
CITY OF SAN ANTONIO  
CITY CLERK  
20 SEP 10 AM 9:39

*To protect the health of the public and limit the potential spread of COVID-19, the CPS Energy Board of Trustees will hold this special meeting via telephone conference. These meeting standards are based upon the provisions of the Open Meetings Act, as modified by the Governor of Texas in response to the COVID-19 crisis. These modified standards shall remain in place until further notice or until the state disaster declaration expires or is otherwise terminated by the Texas Governor. There will be no in-person public access to the meeting.*

*At any time during the Board Meeting, and pursuant to the provisions of Chapter 551 of the Texas Government Code, the Board may meet in executive session for consultation concerning attorney-client matters under Section 551.071; for deliberations and other authorized action on real property under Section 551.072; on prospective gifts or donations under Section 551.073; on personnel under Section 551.074; on security personnel or devices under Section 551.076; on economic development negotiations under Section 551.087; to deliberate, vote, or take final action on competitive matters under Section 551.086; to deliberate regarding security audits and devices under Section 551.089; or to deliberate under Texas Government Code Section 418.183(f) about confidential information under the Texas Homeland Security Act.*

ITEM	TOPIC	ACTION	PRESENTER/ SPONSOR
1	CALL TO ORDER	Execute	Mr. John Steen
2	SAFETY MESSAGE	Execute	Mr. Fred Bonewell
3	INVOCATION	Execute	Mr. Orlando Flores
4	PUBLIC COMMENT (Pre-Registration scheduled from 10:00 AM – 11:00 AM @ (210) 353-4662) A. Chair’s Announcements B. Comments	Discuss	Mr. John Steen
5	A. CEO’s Remarks B. Other	Discuss	Ms. Paula Gold-Williams
<b>RISK MANAGEMENT COMMITTEE</b>			
6	RISK MANAGEMENT COMMITTEE CHAIR’S REMARKS	Discuss	Dr. Willis Mackey
7	BUSINESS CONTINUITY & CRISIS METRICS A. CPS Energy President & CEO Introduction B. Third-Party Industry Insights, Observations & Framework Design C. Incident Response Business Continuity (IRBC) Program & Self-Assessment D. Draft Crisis Metric Framework & Self-Assessment	Discuss	Ms. Vivian Bouet
8	INVESTOR PERSPECTIVES & CHALLENGES OF A CHANGING INDUSTRY (Mr. Dan Aschenbach, AGVP Advisory)	Discuss	Mr. Cory Kuchinsky & Dr. Cris Eugster
<b>CONVENE TO EXECUTIVE SESSION</b>			
9	EXECUTIVE SESSION: Please see the narrative list at the top of this agenda for the potential discussion topics.	Discuss	Dr. Willis Mackey
<b>RECONVENE TO OPEN SESSION</b>			
10	ADJOURNMENT	Execute	Mr. John Steen
If the Board meeting has not adjourned by 4:45 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.			

**CPS ENERGY BOARD OF TRUSTEES**  
**NOTICE OF SPECIAL MEETING**  
**BY TELEPHONE CONFERENCE**

RECEIVED  
CITY OF SAN ANTONIO  
CITY CLERK  
20 SEP 10 AM 9:39

To protect the health of the public and limit the potential spread of COVID-19, the CPS Energy Board of Trustees convening as the Risk Management Committee will hold this meeting via telephone conference. These meeting standards are based upon the provisions of the Open Meetings Act, as modified by the Governor of Texas in response to the COVID-19 crisis. These modified standards shall remain in place until further notice or until the state disaster declaration expires or is otherwise terminated by the Texas Governor.

Notice is hereby given that the CPS Energy Board of Trustees convening as the Risk Management Committee will hold a public meeting **on Wednesday, September 16, 2020, at 1:00 p.m., by telephone conference.**

This is an informational meeting at which the Board will receive an update on business continuity matters, as well as the current management and operation of the municipal electric and gas systems, including the acquisition of real property and interest therein, by purchase and condemnation, the facilities, financing, the handling and administration of funds and accounts, consideration of matters relating to operations and administration and such other matters as may be brought before the meeting by the Trustees of the Board, and specifically those matters referred to in the attached agenda, which is incorporated herein.

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

**The meeting will be audio-streamed on cpsenergy.com.**

**The meeting is also available by calling toll-free 1 (888) 409-5380.**

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

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

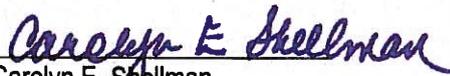
**Speakers will be called to speak in the order that they register.**

The agenda packet is attached. It and other informational material may be found at:

<https://www.cpsenergy.com/en/about-us/who-we-are/trustees/board-meetings.html>

A recording of the telephonic meeting will be made and will be available to the public in accordance with the Open Meetings Act upon written request.

*At any time during the Board Meeting, and pursuant to the provisions of Chapter 551 of the Texas Government Code, the Board may meet in executive session for consultation concerning attorney-client matters under Section 551.071; for deliberations and other authorized action on real property under Section 551.072; on prospective gifts or donations under Section 551.073; on personnel under Section 551.074; on security personnel or devices under Section 551.076; on economic development negotiations under Section 551.087; to deliberate, vote, or take final action on competitive matters under Section 551.086; to deliberate regarding security audits and devices under Section 551.089; or to deliberate under Texas Government Code Section 418.183(f) about confidential information under the Texas Homeland Security Act.*

  
Carolyn E. Shellman  
Secretary of the Board  
September 10, 2020

**CPS ENERGY**

**INCIDENT RESPONSE BUSINESS CONTINUITY PROGRAM (IRBC)**

**& CRISIS METRICS FRAMEWORK**

**SEPTEMBER 16, 2020**

**AGENDA**

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- A) CPS ENERGY PRESIDENT & CEO INTRODUCTION
- B) THIRD-PARTY, SCOTTMADDEN, INDUSTRY INSIGHTS, OBSERVATIONS & FRAMEWORK DESIGN
- C) SECTION 1: INCIDENT RESPONSE BUSINESS CONTINUITY (IRBC) PROGRAM & SELF ASSESSMENT
- D) SECTION 2: DRAFT CRISIS METRIC FRAMEWORK & SELF-ASSESSMENT
- E) APPENDIX A: GLOSSARY

v1.0 - 9/4/20

1



Table of Contents

Executive Summary .....3

Section 1: Incident Response & Business Continuity Program .....4

    Self-Assessment of Incident Response & Business Continuity Program .....5

Section 2: Draft Crisis Metric Framework .....9

    Overview .....9

    Proposed Pillar & Crisis Metrics Framework .....10

    Self-Assessment of Crisis Metric Framework .....11

Appendix A: Glossary .....25



## EXECUTIVE SUMMARY

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Dear Members of the Board,

The global COVID-19 pandemic has presented a dynamic & uncertain time for our organization, customers & community due to the evolving health events & economic pressures. Our critical infrastructure is essential during these times and our community relies upon us to continue providing the reliable energy upon which so much of our personal, medical and business lives rely. To ensure we continue to meet our commitments to our customers, we are simultaneously improving our Incident Response & Business Continuity Program (IRBC Program) & assessing how we evaluate our performance in these dynamic times.

This document contains two sections:

1. Business Continuity Memo (Sent July 24, 2020)
2. Draft Framework for Crisis Qualitative Metrics & Self-Assessment

During the April 2020 Personnel Committee meeting, Trustee Gonzalez & Trustee Kelley requested that we consider how to assess the effectiveness of the IRBC Program & our Enterprise performance considering the unique factors of the COVID-19 Pandemic. On July 24, 2020, we shared a self-assessment of our IRBC Program in consideration of best-practices, as documented in an article shared by Trustee Gonzales entitled "15 Business Continuity Metrics You Should Be Using" (Section 1).

Additionally, the IRBC Program and the Enterprise Metrics Team have partnered with ScottMadden to develop qualitative performance considerations, as indicated under subsection 3A in the self-assessment, to assess our Enterprise performance.

This *Draft Framework for Crisis Qualitative Metrics Assessment* provides an approach that can be used to assess the effectiveness of CPS Energy's operations in response to the pandemic.

The "Crisis Metric Proposal" (Section 2) provides an overview on the development of these key considerations aligned to our Guiding Pillars and provides an assessment of our current progress. We believe these incremental, yet temporary metrics as relates to the pandemic provide an effective lens through which to determine our Enterprise effectiveness & ensure our overall IRBC Program is supporting our mission.

This information will be covered with the Personnel Committee at the earliest convenience.

If you need clarification or have any questions regarding the information in this report, please reach out to us.

v1.0 - 9/4/20

3



## **SECTION 1: INCIDENT RESPONSE & BUSINESS CONTINUITY PROGRAM**

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Subject: Business Continuity Program Metrics Board Communication (Sent July 24, 2020)

Dear Members of the Board,

The ongoing and evolving public health events associated with COVID-19, combined with the severe economic pressures, highlight the importance of a robust and agile Incident Response & Business Continuity Program (IRBC Program). Our critical infrastructure is essential during these times and our community expects us to consistently provide the reliable energy upon which so much of everyone's personal, medical and business lives requires.

Trustee Gonzales recently forwarded an especially insightful article on best practices in business continuity program metrics. It is entitled "**15 Business Continuity Metrics You Should Be Using**" and is attached. We wanted to thank her for that information, assure you that we thoughtfully considered it, and provide a response as to how our IRBC Program compares to the best practices noted in the article.

In addition to a copy of the article, we have enclosed a Self-Assessment showing how our IRBC Program qualitatively measures of the 15 best practices detailed in the article, as well as areas we have identified as opportunities for improvement. Please note that the 3<sup>rd</sup> question was split into two parts (3A and 3B). For this reason, technically 16 metrics were assessed.

Our IRBC Program comparison closely aligned to industry best practices. It provides a solid foundation for our business and operations teams to continue functioning smoothly during this otherwise unpredictable time. We will cover the attached documents with you at Board Committees Meetings at the earliest convenience.

In the interim, if you need clarification or have questions regarding the information in this report, please feel free to contact us.

Sincerely,

Denae Myers, Board Relations Manager, on behalf of,  
**Fred W. Bonewell**  
**Chief Security, Safety & Gas Solutions Officer**

**Shanna Ramirez**  
**Vice President, Chief Integrated Security Officer**

Attachments:

1. "15 Business Continuity Metrics You Should be Using" by Michael Herrera (Attached)
2. Self-Assessment of Incident Response & Business Continuity Program (Appendix A)

v1.0 - 9/4/20

4



**Self-Assessment of Incident Response & Business Continuity Program**

This Self-Assessment examines how CPS Energy’s Incident Response & Business Continuity Program (IRBC Program) compares to the metrics / best practices detailed in the article “15 Business Continuity Metrics You Should Be Using” by Michael Herrera.

CPS Energy’s IRBC Program practices aligned very closely to industry best practices. Our program currently includes all the 15 metrics / best practices detailed in the article. You will note 16 total self-assessment scores because we broke the third metric into two parts for clarity (3A\* and 3B\*):

<b>Self-Assessment Rating Category</b>	<b>Summary Total</b>
Excellent	10
Very Good	4
Good	2
Fair	0
Poor	0
<b>Total</b>	<b>16*</b>

The self-ratings considered whether we utilize the best practice, as well as our success in execution generally and during our recent response to COVID-19.

This analysis focuses solely on CPS Energy because of our extensive operational requirements. Other entities, including the PFC and the employee benefit plans, were excluded because they are special purpose entities. Even so, please know that we plan to review their processes and controls separately.



**RESULTS:**

**NOTE: Definitions are provided in the separate article.**



#	Metric/Best Practice*	Description of Our Action	Self-Assessment	Opportunities
1	Senior Management Support	<ul style="list-style-type: none"> <li>Regular outreach by Senior Chiefs occurs</li> <li>Continued focus on regular sequestration planning</li> <li>Annual updates occur</li> <li>2019 audit completed</li> </ul>		<ul style="list-style-type: none"> <li>Continue to identify &amp; fill gaps as part of continuous review</li> </ul>
2	Policies & Standards	<ul style="list-style-type: none"> <li>Reviewed annually</li> <li>Recent test &amp; update of Health Event Continuity of Operations Plan (HECOP) completed</li> <li>Created a new &amp; timely policy, COVID-19 Health &amp; Safety</li> </ul>		<ul style="list-style-type: none"> <li>Continue to update policies to incorporate lessons learned</li> </ul>
3A	Program Metrics <i>Enterprise Performance Metrics</i>	<ul style="list-style-type: none"> <li>Quantitative enterprise performance metrics are comprehensive &amp; consistent with industry best practices</li> <li>Adding this layer of qualitative measures</li> <li>Solid performance through COVID-19 disruptions</li> </ul>		<ul style="list-style-type: none"> <li>Continue to adapt in response to COVID-19 disruptions</li> <li>Refine reporting portal</li> </ul>
3B	Program Metrics <i>BC Program Metrics</i>	<ul style="list-style-type: none"> <li>Expanding assessment</li> <li>Completed 2019 Annual Program report that summarizes performance &amp; lessons learned</li> <li>Complied with NERC, RRC &amp; TCEQ operational &amp; reporting regulations</li> </ul>		<ul style="list-style-type: none"> <li>Conduct a mid-year workshop in 2020</li> <li>Add mid-year review to evaluate COVID-19 response</li> <li>Continue to identify and properly close gaps identified</li> </ul>
4	BC Budget	<ul style="list-style-type: none"> <li>BC program included in annual budgeting process</li> <li>Business units absorb some costs for tests, exercises &amp; drills</li> </ul>		<ul style="list-style-type: none"> <li>Continue leveraging external partnerships for efficiency</li> <li>COVID-19 is requiring more costs than ever anticipated</li> </ul>

**RESULTS:**

**NOTE: Definitions are provided in the separate article.**



#	Metric/Best Practice*	Description of Our Action	Self-Assessment	Opportunities
5	Business Impact Analysis (BIA) Reporting	<ul style="list-style-type: none"> <li>• Critical business units completed BIA annually</li> <li>• Updated HECOP after exercise</li> </ul>		<ul style="list-style-type: none"> <li>• Expand assessment to all support services</li> <li>• Close gaps identified</li> <li>• COVID-19 is requiring more costs than ever anticipated</li> </ul>
6	BIA/Disaster Recovery Plan Alignment	<ul style="list-style-type: none"> <li>• Preliminary assessment &amp; DR plan</li> <li>• Business unit incident response plans include recovery time objectives &amp; recovery point objectives</li> </ul>		<ul style="list-style-type: none"> <li>• Document full landscape</li> <li>• Analyze current state</li> <li>• Update preliminary DR plan to further align technology to business capabilities</li> </ul>
7	Threat & Risk Assessment Process	<ul style="list-style-type: none"> <li>• Completed Annual assessment by Enterprise Risk Management</li> <li>• Update process following all events &amp; exercises</li> </ul>		<ul style="list-style-type: none"> <li>• Update plans to address updated assessments</li> </ul>
8	BC Management Program Training	<ul style="list-style-type: none"> <li>• Completed Annual training for all plan owners, Crisis Team members &amp; critical business units</li> <li>• Implemented BC software to automate &amp; standardize</li> </ul>		<ul style="list-style-type: none"> <li>• Continue to leverage technology to expand training capabilities</li> </ul>
9	Crisis Management Team	<ul style="list-style-type: none"> <li>• Enterprise Risk Program is crisis management team for COVID-19 response</li> <li>• Crisis Management Team includes all chiefs, management &amp; SME from all critical business units &amp; support teams</li> <li>• Periodically put out preventative Security Awareness messages to all employees</li> </ul>		<ul style="list-style-type: none"> <li>• Keep up with increasingly fast pace incorporating new leaders</li> <li>• Increase awareness messaging</li> </ul>
10	Recovery Exercises	<ul style="list-style-type: none"> <li>• Completed Grid Ex V (Fall 2019)</li> <li>• Completed Tabletop Sequestration &amp; Storm Preparation exercises (May 2020)</li> <li>• Participated in Joint tabletop series when JBSA completed (April-June 2019)</li> </ul>		<ul style="list-style-type: none"> <li>• Update plans with lessons learned</li> <li>• Continue to fill gaps identified</li> </ul>

v1.0 - 9/4/20



**RESULTS:**

**NOTE: Definitions are provided in the separate article.**



#	Metric/Best Practice*	Description of Our Action	Self-Assessment	Opportunities
11	Crisis Communications Plan	<ul style="list-style-type: none"> <li>Completed messaging plans for public, employees, media &amp; external partners</li> <li>Crisis Communications Team stayed on top of issues</li> </ul>		<ul style="list-style-type: none"> <li>Continue to leverage technology for efficient messaging</li> </ul>
12	Emergency Notifications	<ul style="list-style-type: none"> <li>Issued timely Send Word Now often in 2020</li> <li>Issued timely Press Releases</li> <li>Used cell &amp; satellite phones as needed</li> <li>Used Social Media</li> <li>Made website updates to our outage map</li> </ul>		<ul style="list-style-type: none"> <li>Still have employees without cell phones</li> <li>Continue to use innovation &amp; technology to fill gaps</li> </ul>
13	Recovery Plan Template	<ul style="list-style-type: none"> <li>Included operational &amp; black start programs</li> <li>Included Specialized incident response plans for all critical business units</li> <li>Conducted frequent test &amp; drills</li> <li>Stayed on top of NERC, RRC &amp; TCEQ record keeping &amp; reporting mandates</li> </ul>		<ul style="list-style-type: none"> <li>Continue to use technology to increase speed &amp; access to reported data</li> </ul>
14	Alternate Work Strategies	<ul style="list-style-type: none"> <li>Created Blue, Orange &amp; White Teams</li> <li>Continuing with First In, Last Out Physical Distancing Program</li> <li>Modified crews &amp; schedules</li> <li>Developing Sequestration options</li> </ul>		<ul style="list-style-type: none"> <li>Continue to leverage technology for continued operations</li> <li>Continue to update policies to reflect long-term remote practices</li> </ul>
15	BC Alignment with Disaster Recovery for Incident Response	<ul style="list-style-type: none"> <li>Completed exercises and real-time operationalization of Enterprise IT Security Incident Response Plan</li> <li>Completed exercises and real-time operationalization of Enterprise IT Recovery Plan</li> </ul>		<ul style="list-style-type: none"> <li>Automate manual process of integrating lessons learned</li> </ul>

## SECTION 2: DRAFT CRISIS METRIC FRAMEWORK

### Overview

The objective of this document is to provide a framework for assessing CPS Energy’s operations in response to the COVID-19 pandemic, and potentially for any future business continuity events.

The existing performance framework for CPS Energy is defined by the Guiding Pillars of **Reliability**, **Customer Affordability**, **Security**, **Safety**, **Environmental Responsibility**, and **Resiliency**, supported by a foundation of consistently remaining **Financially Responsible**. In normal operations, these pillars are at the forefront of our strategies, processes and decision making. Key enterprise metrics and goals are defined and tracked for each pillar.



The existing metric program and performance framework are not being replaced. They will still be in place, measured and reported. However, in the midst of a such a unique and dynamic situation as the current pandemic, the existing metrics do not completely capture current business objectives.

Understanding that operations during and following a pandemic or crisis are different from routine operations, a qualitative performance framework of ‘crisis metrics’ can help chart a course for the utility during this extraordinary time. We recognize that this is a business continuity event and needs to be managed differently than normal operations. The crisis pillars framework will serve as the assessment framework during the COVID-19 crisis by establishing ‘what good looks like’ for the utility and its stakeholders. Research of other utilities reveals that performance assessment criteria are not currently being shared. Most utilities are currently focused on navigating the storm. Therefore, an industry-wide set of metrics has not yet emerged as a leading practice.

### **Proposed Pillar & Crisis Metrics Framework**

The table below shows the proposed crisis metrics that could be used to assess management's performance during this crisis, and possibly for future crises as well. It was developed reviewing our Guiding Pillars and considering specific qualitative metrics that assess our performance in support of meeting those Guiding Pillars. These metrics are qualitative and not quantitative due to the unique nature of a business continuity event where the ultimate goal is a return to normalcy and a specific outcome showing what "good looks like" cannot be defined. The crisis metrics are based on the following assumptions:

1. The crisis metrics supplement the existing metric program
2. The crisis metrics are temporary and applicable only to the current pandemic
3. Each crisis metric needs to be reviewed (and assessed) with the lens of the current pandemic

An internal self-assessment was also conducted by the respective Sr. Chiefs and included in the following section.

### Self-Assessment of Crisis Metric Framework

This Crisis Metrics Self-Assessment examines CPS Energy performance based on crisis-based subjective measures designed against our Guiding Pillars.

CPS Energy’s overall performance fared above average, with over three quarters of the eleven ratings at Very Good and Excellent.

Self-Assessment Rating Category	Summary Total
Excellent	2
Very Good	6
Good	2
Fair	0
Poor	0
<b>Total</b>	<b>10</b>

This analysis focuses solely on CPS Energy due to the unique extensive operational requirements.



Proposed Crisis Metrics & Self-Assessment

Guiding Pillar <sup>1</sup> & Business Continuity Event Goal <sup>2</sup>	Qualitative Crisis Metrics <sup>3</sup> Framework Developed by ScottMadden	Self-Assessment	Progress Update By CPS Energy Management
<p><b>RELIABILITY</b> <b>Cris Eugster, Chief Operating Officer</b></p>	<ul style="list-style-type: none"> <li>■ Maintain needed staffing levels with healthy employees</li> <li>■ Isolate known or suspected outbreaks</li> <li>■ Create sequestration programs</li> <li>■ Inform decision-making using cost versus benefits analyses during the pandemic</li> <li>■ Reinforce core business functions while minimizing risks</li> </ul>		<p><b>Keep the lights on and the gas flowing</b></p> <ul style="list-style-type: none"> <li>■ Developed an absenteeism reporting dashboard to monitor staffing levels, created isolated teams to fill vacancies, optimized crew structure and restricted access to control rooms to minimize spread of COVID-19</li> <li>■ Implemented social distancing, mask wearing practices, daily temperature checks and health screening assessments for employees and contractors</li> <li>■ Developed comprehensive Sequestration Plan with investment in on-site lodging</li> <li>■ Prioritized Distribution Electric System &amp; Vegetation Management to minimize safety risk and increase reliability</li> <li>■ Continued proactive focus on key Operational metrics in-light of budget constraints and COVID-19 impacts</li> <li>■ Deployed remote work solutions to support work safe solutions</li> </ul>

<sup>1</sup> Guiding Pillar – existing CPS Energy guiding pillar

<sup>2</sup> Business Continuity Event Goal – the strategic outcome desired specific to the event, recognizing that we are not operating in a normal and customary environment. Goals are established at the conceptual level.

<sup>3</sup> Qualitative Crisis Metrics – a set of qualitative metrics aligned to Guiding Pillars



Proposed Crisis Metrics & Self-Assessment

Guiding Pillar <sup>1</sup> & Business Continuity Event Goal <sup>2</sup>	Qualitative Crisis Metrics <sup>3</sup> Framework Developed by ScottMadden	Self-Assessment	Progress Update By CPS Energy Management
<p><b>CUSTOMER AFFORDABILITY</b></p> <p><b>Rudy Garza, Interim Chief Customer Engagement Officer</b></p>	<ul style="list-style-type: none"> <li>■ Enhance current offerings for customers to be flexible and socially equitable</li> <li>■ Address feedback from customer focused communication activities</li> <li>■ Support community programs</li> <li>■ Implement safety protocols to keep walk in centers open and serving our customers</li> </ul>		<p><b>Respond to Customers’ unique needs during crisis and continue to provide energy and services without creating undue economic hardships to already impacted customers</b></p> <ul style="list-style-type: none"> <li>■ Implemented Customer Outreach Resource Effort (CORE) programs to help customers obtain assistance from various sources</li> <li>■ Expanded outreach to inform our customers of our commitment to helping them.</li> <li>■ Summer Campaign focus on savings and demand response</li> <li>■ Developed agency relationship status reports to track all forms of assistance available to customers</li> <li>■ Expanded use of data in tracking collection activities</li> <li>■ Developed a trigger dashboard to assess timing when to reinstate disconnects</li> <li>■ Implemented efforts to re-engage our Weatherization programs to help customers manage bills</li> <li>■ Supported programs with CoSA &amp; other community partners to help local entities address the Digital Divide</li> <li>■ Collaborated with Governmental Relations team and federal officials to identify funding to provide customer bill assistance or reimbursement of COVID-19-related costs</li> </ul>



Proposed Crisis Metrics & Self-Assessment

Guiding Pillar <sup>1</sup> & Business Continuity Event Goal <sup>2</sup>	Qualitative Crisis Metrics <sup>3</sup> Framework Developed by ScottMadden	Self-Assessment	Progress Update By CPS Energy Management
<p><b>SECURITY</b></p> <p><b>Fred Bonewell, Chief Security Safety &amp; Gas Solutions Officer</b></p>	<ul style="list-style-type: none"> <li>Evaluate effectiveness of response to new physical threats attributable to the pandemic</li> <li>Evaluate effectiveness of response to new digital threats attributable to the pandemic</li> </ul>		<p><b>Ensure physical and digital security</b></p> <ul style="list-style-type: none"> <li>Created an Enterprise program to facilitate and manage response named a broader Enterprise Resiliency Program (ERP) with a Crisis Management Team with centralized recovery teams</li> <li>Elevated guard services &amp; supplemented contract guard force</li> <li>Increased number of facilities with guard services during remote work period</li> <li>Completed Annual Security Vulnerability Assessments of all power plants</li> <li>Provided Security Awareness &amp; Training program with frequent messaging around remote work risks</li> <li>Collaborated with EIT to secure new remote work solutions</li> <li>Collaborated with People &amp; Culture to plan and secure sequestration options</li> <li>Secured new headquarters building</li> <li>Updated emergency response and evacuation plans for new headquarters building in consideration of new safety practices</li> <li>Collaborated with Customer Success to implement heightened security protocols at walk-in centers</li> <li>Evolved Return to Work plan for quarantine and positive cases</li> </ul>



Proposed Crisis Metrics & Self-Assessment

Guiding Pillar <sup>1</sup> & Business Continuity Event Goal <sup>2</sup>	Qualitative Crisis Metrics <sup>3</sup> Framework Developed by ScottMadden	Self-Assessment	Progress Update By CPS Energy Management
<p><b>SAFETY</b></p> <p><b>Fred Bonewell, Chief Security Safety &amp; Gas Solutions Officer</b></p>	<ul style="list-style-type: none"> <li>■ Update customer safety protocols for events such as home entry, public encounters, and in-person crisis response (e.g., line down)</li> <li>■ Assess effectiveness of programs (e.g., increasing hygiene measures, limiting travel, enabling telework, sequestration planning, increased messaging, etc.) put in place for:                             <ul style="list-style-type: none"> <li>• Preparation – (initial planning)</li> <li>• Initial mitigation – no confirmed employee cases</li> <li>• Response – confirmed employee cases</li> </ul> </li> <li>■ Evaluate effectiveness of partnerships with local and state emergency management</li> </ul>		<p><b>Ensure the safety and health of customer, workforce &amp; community</b></p> <ul style="list-style-type: none"> <li>■ Stood up ERP Team in February:                             <ul style="list-style-type: none"> <li>• Reviewed Business Continuity plans and held challenge sessions</li> <li>• Provided guidance on mitigation actions</li> </ul> </li> <li>■ Formed ERP focused on: Screening, Contact Tracing, Research</li> <li>■ Developed team &amp; database to support timely contact tracing</li> <li>■ Expanded focus &amp; role of Occupational Health team</li> <li>■ Increased focus on Zero Harm and building a stronger culture of safety</li> <li>■ Collaborated with regional partners to improve mutual support TXPPC</li> <li>■ Trained Gas Troubleshooters on updated safe work practices when entering customer’s homes</li> <li>■ Executed multiple Contracts for Testing</li> <li>■ Continued engagement with both community and broader organizations including CoSA Office of Emergency Management &amp; SA Metro Health</li> </ul>

			<ul style="list-style-type: none"><li>■ Explored and implemented relevant employee &amp; business safety technologies including proximity tracing, temperature screening and sanitization</li><li>■ Assessed safety process for work areas and job tasks in order to reduce risk for employees. Examples: Gas Solutions in homes, ESMO, System Operations, Service Restoration</li><li>■ Updated emergency response and evacuation plans for new headquarters building in consideration of new safety practices</li></ul>
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Proposed Crisis Metrics & Self-Assessment

Guiding Pillar <sup>1</sup> & Business Continuity Event Goal <sup>2</sup>	Qualitative Crisis Metrics <sup>3</sup> Framework Developed by ScottMadden	Self-Assessment	Progress Update By CPS Energy Management
<p><b>ENVIRONMENTAL RESPONSIBILITY</b></p> <p><b>Frank Almaraz, Chief Administrative &amp; Business Development Officer</b></p>	<ul style="list-style-type: none"> <li>■ Maintain partnership programs with regulatory agencies</li> <li>■ Assess key environmental factors likely impacted by the crisis and the plans to mitigate (if necessary)</li> </ul>		<p><b>Maintain existing environmental program and regulatory partnerships</b></p> <ul style="list-style-type: none"> <li>■ Maintained consistent contact with regulatory agencies via phone and video conference and adapted to changing circumstances</li> <li>■ Achieved zero compliance events identified YTD that attributed to COVID-19 factors</li> <li>■ Maintained all Tier 1 &amp; Tier 2 environmental compliance metrics are On-Track YTD</li> </ul>



Proposed Crisis Metrics & Self-Assessment

Guiding Pillar <sup>1</sup> & Business Continuity Event Goal <sup>2</sup>	Qualitative Crisis Metrics <sup>3</sup> Framework Developed by ScottMadden	Self-Assessment	Progress Update By CPS Energy Management
<p><b>RESILIENCY: ENTERPRISE</b></p> <p><b>Frank Almaraz, Chief Administrative &amp; Business Development Officer</b></p>	<ul style="list-style-type: none"> <li>■ Plan for moving from pandemic to the 'next normal' post-pandemic state</li> <li>■ Apply lessons learned and put into practices</li> </ul>		<p><b>Actively demonstrate an ability to prepare for and adapt to changing conditions impacting people &amp; ability to support the Enterprise</b></p> <ul style="list-style-type: none"> <li>■ Activated ERP led by Sr. Leadership to monitor and make business decisions in response to pandemic conditions:                             <ul style="list-style-type: none"> <li>• Monitored performance and made business decisions in response to pandemic conditions</li> <li>• Engaged with Company's top executives and CEO</li> <li>• Learned from invited guests on various topics such as transmission, efficacy, testing, return to work planning, and vaccine development</li> </ul> </li> <li>■ Expanded <b>People First</b> communication from CEO &amp; Sr. Leadership to organization to keep them informed on changes, plans and expectations</li> <li>■ Increased focus on communication around physical and mental health</li> <li>■ Increased frequency of team communication to support people</li> <li>■ Developed stand-alone workstreams with assigned leads to spearhead efforts for Sequestration &amp; New Normal</li> </ul>

			<ul style="list-style-type: none"> <li>■ Incorporated New Normal practices into employee move planning for new Headquarters building</li> <li>■ Supported employees during the pandemic including the establishment of grocery services during times of scarcity and new facility cleaning protocols such as the use of electrostatic cleaning</li> <li>■ Developed new practices, policies and guidance documents for:             <ul style="list-style-type: none"> <li>• Employee Screening</li> <li>• Contact Tracing</li> <li>• Return to Work Testing</li> <li>• Health &amp; Safety Policy</li> </ul> </li> <li>■ Expanded Telecommuting Program</li> <li>■ Developed &amp; deployed Business Continuity Resiliency Reporting Tool</li> <li>■ Delivered Virtual Change Management Training</li> <li>■ Facilitated effective Enterprise Change Management/People Readiness in support of key activities: ERP, New Normal, Sequestration, Remote Work and Mutual Assistance</li> </ul>
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Proposed Crisis Metrics & Self-Assessment

Guiding Pillar <sup>1</sup> & Business Continuity Event Goal <sup>2</sup>	Qualitative Crisis Metrics <sup>3</sup> Framework Developed by ScottMadden	Self- Assessment	Progress Update By CPS Energy Management
<p><b>RESILIENCY: OPERATIONS</b></p> <p><b>Cris Eugster, Chief Operating Officer</b></p> <p><b>Carolyn Shellman, Chief Legal Officer &amp; General Counsel</b></p>	<ul style="list-style-type: none"> <li>■ Focus on grid effectiveness</li> </ul>		<p><b>Actively demonstrate an ability to prepare for and adapt to changing conditions and withstand and recover rapidly from Operation disruptions, including the ability to withstand and recover from deliberate attacks, accidents, or naturally occurring threats or incidents</b></p> <ul style="list-style-type: none"> <li>■ Completed daily testing of Critical Operational Systems</li> <li>■ Established isolated Control Centers that provide flexibility and prevent single-point failures that enhance our robust emergency response plan. Multiple Control Centers also support our COVID-19 social distancing guidelines</li> <li>■ Maintained compliance with ERCOT protocols in respect to generation, scheduling and energy delivery</li> <li>■ Participated in mutual assistance planning &amp; efforts regionally and nationally to supplement internal crews during storms/natural disasters/adverse conditions</li> <li>■ Worked with local, state and federal officials to prioritize utility personnel as essential and mission-critical for COVID-19 PPE &amp; testing to mitigate impacts to power plant, grid &amp; market operations; continuing work on vaccine prioritization</li> <li>■ Hosted and participated in calls with industry, trade associations &amp; state and federal regulators to collect industry practices, such as sequestering mission-critical personnel</li> </ul>



Proposed Crisis Metrics & Self-Assessment

Guiding Pillar <sup>1</sup> & Business Continuity Event Goal <sup>2</sup>	Qualitative Crisis Metrics <sup>3</sup> Framework Developed by ScottMadden	Self-Assessment	Progress Update By CPS Energy Management
<p><b>FINANCIALLY RESPONSIBLE:</b></p> <p><b>Gary Gold, Interim Chief Financial Officer &amp; Treasurer</b></p>	<ul style="list-style-type: none"> <li>■ Implement financial programs in response to the pandemic</li> <li>■ Manage financial impact closely</li> <li>■ Monitor and manage changes to rating agency outlooks and write-ups concerning our financial stability</li> </ul>		<p><b>Maintain financial metrics to preserve credit rating; generate sufficient cash flow to meet operating payments, debt commitments and city payment, to allow for growth while maintaining service levels</b></p> <ul style="list-style-type: none"> <li>■ Prepared updated sales &amp; revenue forecasts with multiple scenarios to conservatively evaluate financial impacts</li> <li>■ Developed operating and capital cost saving plans to mitigate financial impacts of lower revenues and preserve cash. Examples include O&amp;M/CapEx deferrals to FY2022, EIP Suspension, General Hiring Freeze, elimination of business travel</li> <li>■ Refreshed forecasts monthly &amp; communicated to the Board and City staff. Reports to City staff include our current projections to the Flow of Funds and related risks, particularly to the remaining R&amp;R and City Payment amounts in the Flow of Funds</li> <li>■ Monitored accounts receivable trends, working proactively with customers to connect them with assistance programs and offer payment plan options</li> <li>■ Monitored other working capital items (inventory, prepaids, payables)</li> </ul>

		<ul style="list-style-type: none"> <li>■ Continued focus of analysis on key revenue drivers, including but not limited to, lower sales revenues from both Retail sales to our native load customers and Wholesale customers</li> <li>■ Prepared weekly cash &amp; liquidity forecasts to ensure liquidity for operations and meet financial metrics</li> <li>■ Identified additional sources of liquidity for potential implementation, including Flex Rate Revolving Notes &amp; government-sponsored programs</li> <li>■ Monitored incremental, unbudgeted costs related to COVID-19 for potential reimbursement from either FEMA or from federal stimulus funds</li> <li>■ Evaluated refunding opportunities and execution of other debt instruments throughout the fiscal year to reduce debt service requirements compared to budget</li> <li>■ Conducted immediate outreach with ratings agencies (inclusive of all Sr. Chiefs) to explain pandemic impacts on operations and financials, with mitigation plans</li> <li>■ Continued to monitor rating agency announcements and actions to our utility peers</li> <li>■ Collaborated with Demand Side Analytics to develop Load Tracker in order to calculate retail sales impact scenarios that drive financial outcomes</li> <li>■ Implemented hiring freeze and instituted rigorous evaluation process for new posting</li> </ul>
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Proposed Crisis Metrics & Self-Assessment

Guiding Pillar <sup>1</sup> & Business Continuity Event Goal <sup>2</sup>	Qualitative Crisis Metrics <sup>3</sup> Framework Developed by ScottMadden	Self-Assessment	Progress Update By CPS Energy Management
<p><b>MEDIA STRATEGY:</b> <b>Rudy Garza,</b> <b>Interim Chief Customer Engagement Officer</b></p>	<ul style="list-style-type: none"> <li>■ Track number of infringement instances identified by counterparty</li> <li>■ Foster proactive customer engagement</li> <li>■ Focus on our message – stay positive with our Community</li> <li>■ Build effective partnerships with local government, business associations and other</li> <li>■ Tag media in our posts</li> </ul>		<p><b>Proactively share and engage with media to ensure our People First strategy of being here for our community is reinforced with customers through media coverage. Always tell our story clearly, positively and proactively to reach our customers</b></p> <ul style="list-style-type: none"> <li>■ Continued to monitor rating agency announcements &amp; actions to our utility peers</li> <li>■ Explored investments into Social Listening and Analysis tools</li> <li>■ Outreached proactively to customers through CORE programs</li> <li>■ Initiated campaign focusing on scam call, imposters, and shutting down imposter phone numbers. Campaign features “Phonie,” a cell phone disguised as a criminal</li> </ul>



Proposed Crisis Metrics & Self-Assessment

Guiding Pillar <sup>1</sup> & Business Continuity Event Goal <sup>2</sup>	Qualitative Crisis Metrics <sup>3</sup> Framework Developed by ScottMadden	Self-Assessment	Progress Update By CPS Energy Management
<p><b>LOCAL BUSINESS ADVOCACY:</b> <b>Rudy Garza,</b> <b>Interim Chief Customer Engagement Officer</b></p>	<ul style="list-style-type: none"> <li>■ Plan and support local community</li> <li>■ Conduct community outreach programs and 'listening sessions'</li> </ul>		<p><b>Outreach for Small Business customers to talk about their specific needs to provide energy and services and provide information on financial assistance as well as community engagement</b></p> <ul style="list-style-type: none"> <li>■ Monitored incremental, unbudgeted costs related to COVID-19 for potential reimbursement from either FEMA or from federal stimulus funds</li> <li>■ Maintained community engagement via virtual platforms (WCEE, SA Women's Chamber, St. Mary's University, student mentorships)</li> <li>■ Held virtual events on Facebook and other platforms</li> <li>■ Implemented CORE programs to help customers obtain assistance from various sources</li> <li>■ Collaborated with local governments to ensure outreach is provided to residents and small businesses</li> </ul>

**APPENDIX A: GLOSSARY**

<b>Term</b>	<b>Definition</b>
Business Continuity (BC)	■ Abbreviation for business continuity plan maintained by Company in order to prepare and respond in the event of a wide range of potential incidents
Business Impact Analysis (BIA)	■ Critical business units perform business impact analysis on annual basis and report on findings
City of San Antonio (CoSA)	■ Abbreviation for the City of San Antonio
Crisis Metrics	■ Metrics designed to help assess management's performance in response to the current crisis
Customer Outreach Resource Effort (CORE)	■ Outreach efforts to help our customers connect with our assistance programs
Disaster Response (DR)	■ Plan designed to prepare for wide range of possible disasters and mitigate impacts
Electric Reliability Council of Texas (ERCOT)	■ Grid operator that manages the flow of electric power on the Texas Interconnection
Enterprise Resiliency Program (ERP)	■ Strategic Enterprise response to COVID-19 impacts on people, health & economic led by Sr. Leadership
Employee Incentive Program (EIP)	■ Employee benefit designed to incentivize employee performance
Energy Service & Market Operations (CSMO)	■ Organizational unit with responsibility for wholesale power portfolio management, including Day Ahead and Real Time operations, power trading, fuels management, and associated analytics
Enterprise Information Technology (EIT)	■ Organizational unit responsible for the architecture, hardware, software, and networking of computers
Gas Troubleshooters	■ CPS Energy employee job classification responsible for responding to natural gas operational issues

Term	Definition
Grid Ex V	<ul style="list-style-type: none"> <li>■ NERC scenario planning exercise designed to responds to coordinated cyber and physical attacks affecting the bulk power system across North America</li> </ul>
Health Event Continuity of Operations Plan (HECOP)	<ul style="list-style-type: none"> <li>■ Company operations plan that ensures business continuity following a health-related event</li> </ul>
Incident Response & Business Continuity Program (IRBC Program)	<ul style="list-style-type: none"> <li>■ Program designed to prepare, detect, contain, and recover from incidents that affect our business</li> </ul>
New Normal	<ul style="list-style-type: none"> <li>■ Project supporting people safely transition to new ways of working</li> </ul>
North American Electric Reliability Corporation (NERC)	<ul style="list-style-type: none"> <li>■ Not-for-profit international regulatory authority that assures the effective and efficient reduction of risks to the reliability and security of the grid</li> </ul>
Public Facility Corporation (PFC)	<ul style="list-style-type: none"> <li>■ Specific-purpose entity created to enable to economical purchase of natural gas</li> </ul>
Railroad Commission (RRC)	<ul style="list-style-type: none"> <li>■ State regulatory agency responsible for regulating gas utilities, pipeline safety, and other energy related activities</li> </ul>
Guiding Pillars	<ul style="list-style-type: none"> <li>■ Pillars were defined to help focus and align the Company processes and decision-making with the Company strategy. Key enterprise metrics and goals are defined and tracked for each pillar.</li> </ul>
Texas Commission on Environmental Quality (TCEQ)	<ul style="list-style-type: none"> <li>■ Environmental agency for the state of Texas</li> </ul>
Texas Public Power Corridor Council (TXPPC)	<ul style="list-style-type: none"> <li>■ Partnership between LCRA, New Braunfels, CPS Energy &amp; Austin Energy</li> </ul>
Women’s Council on Energy and the Environment (WCEE)	<ul style="list-style-type: none"> <li>■ Not-for-profit organization that focuses on women, energy, and the environment</li> </ul>



# ***INVESTOR PERSPECTIVES & CHALLENGES OF A CHANGING INDUSTRY***

*PRESENTED BY:*

**Cory Kuchinsky**

Interim VP, Strategic Pricing &  
Enterprise Risk Management & Solutions (ERMS)

**Dan Aschenbach**

Principal Consulting Partner, AGVP Advisory

September 16, 2020

*Informational Update*

# OBJECTIVES & TAKEAWAYS



- **HIGHLIGHT RISK PROGRAM DIMENSIONS**
- **EXPLORING INVESTOR PERSPECTIVES & CHALLENGES**



# AGENDA



- **RISK PROGRAM DIMENSIONS**
- **A PRESENTATION BY AGVP ADVISORY**



# RISK PROGRAM DIMENSIONS

← FULL BOARD – RISK MGMT COMMITTEE MEETINGS →



ALIGNED RISK SUB-COMMITTEE MEETINGS

OOC & T&I



A&F & EBOC



A multi-dimensional program gives our management team the ability to provide appropriately focused updates to the Board.

# STRATEGIC FOCUS ON RISK



**The enterprise leadership & strategy on risk has positioned us well.**



- Strong leadership & knowledge sharing
- Multi-dimensional risk consideration
- Multiple supporting programs

# INVESTOR PERSPECTIVES & CHALLENGES



## ABOUT THE SPEAKER



Dan Aschenbach  
AGVP Advisory

- Started AGVP Advisory in 2019, a risk assessment consulting firm with a focus on public finance and electric utilities
- Member of Municipal Analysts Group of New York; elected to the 2020 Board of Governors of the National Federation of Municipal Analysts
- Previously was Senior VP at Moody's Investor Services, leading the Public Power Electric Utility Ratings team
- Also served 18 years on the Cranford, NJ governing board & four (4) terms as Mayor
- Dan resides in Cranford, NJ with wife Eileen, & has 6 children & 4 grandchildren

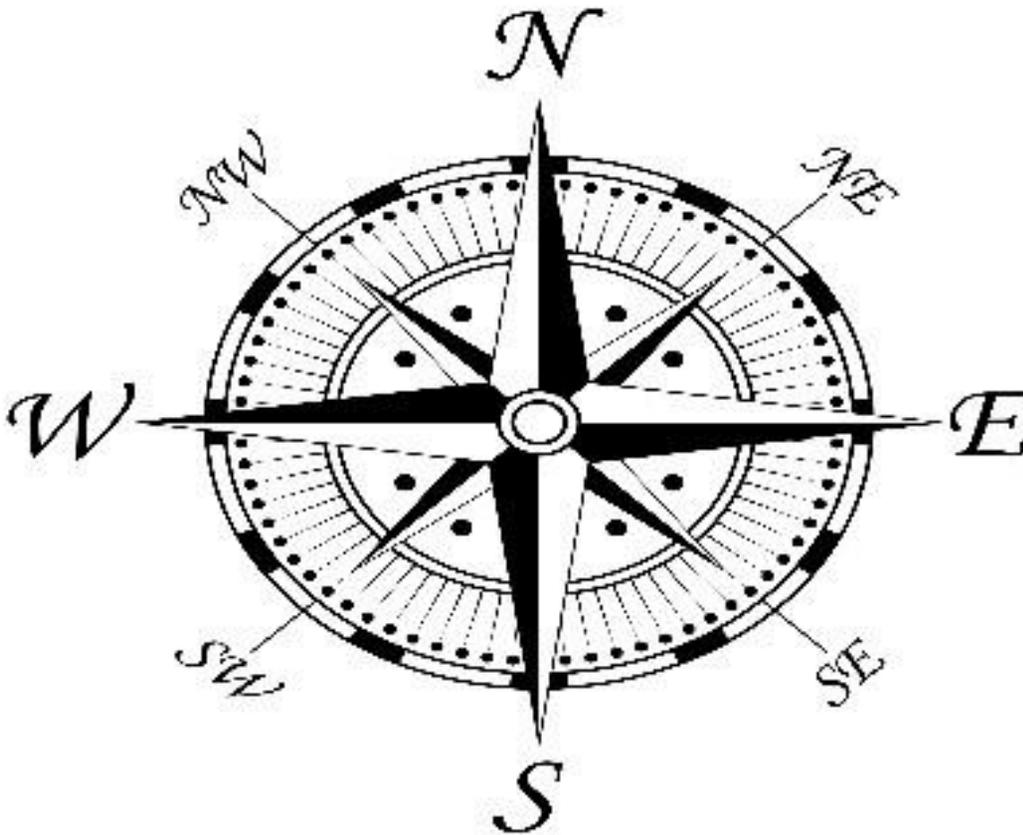


## Presentation to CPS Energy's Board of Trustees

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Presented by Dan Aschenbach,  
Principal AGVP Advisory





**My firm: AGVP Advisory  
at [agvpadvisory.com](http://agvpadvisory.com)**

**\*Public finance and utility risk management  
consulting; credit position estimates; and  
research**

**\*Lobby and advocacy**

**[Danaschenbach@agvpadvisory.net](mailto:Danaschenbach@agvpadvisory.net)**

**[agvpadvisory.com](http://agvpadvisory.com)**



## Dan Aschenbach Biography



Dan formed a new firm in 2019, AGVP Advisory at [agvpadvisory.com](http://agvpadvisory.com). The new firm has provided risk assessment consulting services for public finance and electric utilities in Florida and California, including serving as financial advisor to Peninsula Clean Energy. Some of the services include credit rating estimates and relationships, enterprise risk assessment matrix development and comparative assessments.

Dan was elected to the 2020 Board of Governors of the National Federation of Municipal Analysts. Dan is member of Municipal Analysts Group of New York.

Previously at Moody's Investors Service, he was senior vice president and led the firm's Public Power Electric Utility Ratings team with a portfolio of \$120 billion. Dan chaired Rating Committees for most of his career at Moody's. Awarded the top industry analyst award for Power for 15 years, Dan provided value to investors through published articles and industry and investor conference presentations.

Prior to Moody's Dan worked for US Congressman Tim Lee Carter and US Congresswoman Helen Meyner.

Dan served on Cranford, New Jersey's governing board for 18 years and 4 terms as Mayor. Was Finance Commissioner for 9 terms. He has been Executive Director of the Mayors Council Rahway River Watershed Flood Control 2011-2020. Currently he serves on the Cranford zoning board.

Dan received his Bachelor of Arts degree in American Civilization and History at Boston University. Dan earned his Master's Degree in Public Administration at Rutgers University. Dan completed 48 credits towards a PhD at New York University School of Public Administration. Certificate in Legislative Affairs at George Washington University. Completed the Leadership for the 21st Century at Harvard University Kennedy School of Government.

Dan resides in Cranford New Jersey with wife Eileen; 6 children and 4 grandchildren.

# Agenda

- ESG an evolving assessment tool for investors
- Reliable, clean energy and its environmental, cost governance and management challenges
- Industry transition risk remains front and center



# ESG

an evolving assessment tool for investors

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## ESG Lens: a different perspective for investors

Rather than only the investment return and credit ratings, investors are increasingly interested in the **Environmental, Social and Governance (ESG)** factors that shape a utility.

## **Evolving application of ESG analysis**

- Major US investor-owned utilities reporting ESG assessments to their boards
- Rating agencies are using ESG as a component of their work to assess risks
- Expected increasing shift in municipal bond sector to incorporate ESG factors and analysis. (Black Rock; DWS; VanEck; Vanguard)

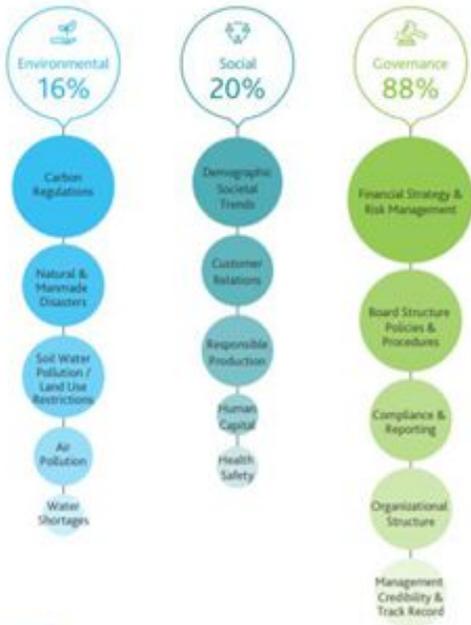
## **For utilities, heavily weighted E factor in an ESG analysis: examples**

- Level of greenhouse gas emissions exposure (tons produced)
- Strategies to meet UN Climate Change goals of net zero carbon emissions by 2050 and state and GHG standards
- Power plant location and exposure to climate change impacts
- Lifecycle of power generation production and greenhouse gas emissions
- Air pollution exposure

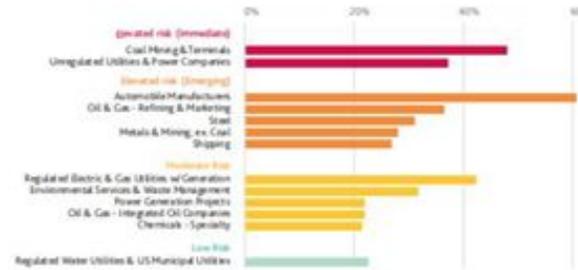
# ESG factors frequently cited as material credit considerations in 2019 private-sector rating actions

Of the 7,637 rating actions that we published last year for private-sector issuers, 2,521, or 33%, contained references to material ESG considerations, underscoring the significance of these considerations in our credit analysis. We expect that the materiality of ESG considerations will continue to increase.

Of the rating actions that cited ESG considerations, 88% included references to governance issues, 20% referred to social issues and 16% cited environmental issues, with many containing references to more than one ESG consideration.



**Environmental considerations:** Strong correlation between "elevated risk" heat map scores and language in rating actions in 2019



**Social considerations:** Frequently cited in rating actions across a wide range of sectors



**Governance considerations:** Mentioned in more than half of the rating actions in 20 sectors



Rating directionality of Moody's 2019 private-sector rating action that cited ESG considerations



## **Governance is a critical factor in ESG assessments**

- In the table, environmental risks are important but it is governance that makes the difference in ESG assessments
- From my external observations and my experience, CPS Energy has strongly managed the environmental and social risk factors and governance issues

# Reliable, clean energy and its environmental, cost governance and management challenges



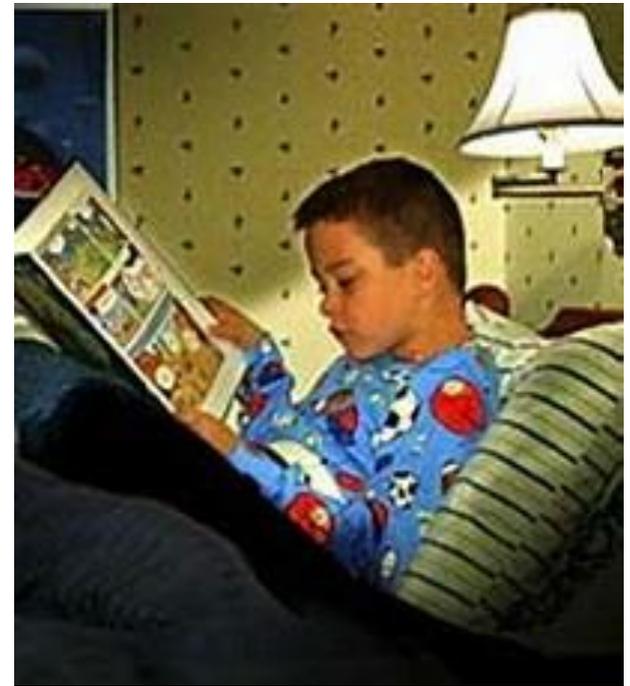
# As electric industry evolves major questions have to be addressed about reliability and cost of a clean energy grid



## **Getting to a reliable and clean energy grid will not be as easy as some suggest...**

- The full cost of transition out of fossil fuel assets; with some potentially stranded, is a challenge to affordability of service to all customers
- Reliability while ensuring management of existing extreme weather and disasters and...
- Intermittency

## Importance of Reliability



## **E---Environmental Question: Clean energy by 2025,2030, 2035, 2040 or 2050? Not so simple a question.**

- **“The Green New Deal** will convert the old, gray economy into a new, sustainable economy that is environmentally sound, economically viable and socially responsible. It seeks to solve the climate crisis by combining quick action to get to net- zero greenhouse gas emissions and 100% renewable energy by 2030 along with an ‘Economic Bill of Rights’ – the right to single-payer healthcare, a guaranteed job at a living wage, affordable housing and free college education”.  
- Green New Deal website
- **Congressman Bill Flores (R-TX)** calls for a “Moonshot” to be carbon neutral by 2040.
- **Vice-President Biden** plan is carbon neutral by 2035.
- **Under the current Trump administration** there is no date given but the significant shift from coal to natural gas and solar and wind has been driven by economics not regulation

## What to build or not to build?

- Without storage what is maximum level of solar and wind and what then gets built that meets environmental goals?
- Will a new federal administration regulate carbon reduction timetable, but will that decision maintain affordability and reliability?
- Energy efficiency-for CPS Energy can 771MW be replicated?
- Can demand side management achieve more certainty?

## Challenges to road to clean energy-EV demand growth?

- Electric vehicle transition- converting entire fleet equals 1.8 trillion Kwh; total US electricity production now is 4.4 trillion Kwh.
- If electricity production is still fossil fuel based what is achieved with electrifying vehicle fleet?
- While solar and wind can possibly meet this demand if it follows expansion path in last decade, what about the capacity requirements.
- Transportation sector becomes fully supported by the electricity sector. What are public policy implications?



**Reliable and Clean Energy**

## **Flexibility is needed to ensure clean energy comes with reliability at affordable cost**

- As an observer CPS Energy's Flexible Path, is leading the way on explaining to customers the importance of leaning forward on clean energy development but maintaining system reliability and affordability goals.
- All stakeholders need to find a way to better explain the importance of that balance.



# **Industry transition risk remains front and center**

# Beyond the ESG assessment: Risk Assessment Outlook: 2020-2021

Risks	Comments on Public Utilities
Outcome of federal election	Main risk would be the pace of the timetable to CO2 reduction and cost to comply
General Fund transfer to city pressure due to COVID-19	GFT always a risk for US public power utilities; stronger utility policies needed recognizing utility business requirements. While CPS Energy has above average transfer, rates remain competitive; capital investment rate and policies are sound
Trend in solar and battery storage and EV development matched to power supply and reliability requirements	Managing industry transition to reliable and cleaner energy a major risk

## Risk assessment outlook continued...

Risks	Comments on Public Utilities
COVID-19 forbearance	Unregulated rate-setting; CPS Energy responsive to community needs and thus far managing current crisis
Questioning capability to manage industry transition (JEA)	CPS Energy clearly has the capability to manage transition well
Maintaining competitiveness while managing industry transition	CPS Energy maintains competitiveness but industry transition remains challenging
Cybersecurity risks	Continuing risk: good information source: National Federation Municipal Analysts white paper

# NFMA Recommended Cyber Due Diligence: [www.NFMA.org](http://www.NFMA.org)

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## **APPENDIX C: RECOMMENDED CYBERSECURITY RISK DUE DILIGENCE QUESTIONS FOR STATE AND LOCAL GOVERNMENT PRIMARY OFFERINGS**

To start the development of good cybersecurity risk disclosure due diligence for municipal issuer/conduit borrowers, this NFMA White Paper recommends the following questions/areas of inquiry:

1. Has the municipal issuer/conduit borrower had any material cybersecurity attacks in last three years?
2. If Yes, describe the circumstances including the following:
  - a) the areas of governmental operations/private operations affected
  - b) the length of the cybersecurity disruption
  - c) the steps taken by the municipal issuer/conduit borrower to address the disruption;
  - d) the fiscal cost to address the disruption(s) (if quantified)
  - e) the third-party resources used by the municipal issuer/conduit borrower to address the cybersecurity event
  - f) the expected time-frame to resolve the problems created by the cybersecurity event
3. Does the municipal issuer/conduit borrower have cybersecurity insurance coverage? If so, what are its maximum limits and deductibles by covered risks?
4. What affirmative/voluntary steps is the municipal issuer/conduit borrower taking to minimize cybersecurity events? Has the municipal issuer/conduit borrower retained third-party professionals to assess cybersecurity risks and provide an assessment report? If not, why not?
5. If the municipal issuer/conduit borrower does not have cybersecurity insurance, how will the municipal issuer/conduit borrower self-insure for such risks, and what levels of self-insurance are deemed prudent by the municipal issuer/conduit borrower?

## Credit Agency Considerations

- Thus far stable credit outlook but recognition of COVID-19 pressures.
- Fitch calls the fundamental factor “revenue defensibility.” Weighing heavily the rate process; its use and flexibility to recover costs.
- Incorporation of ESG factors in credit and investment decisions is evolving and potentially impactful for some.

## Summary

- ESG is a new evolving lens investors are using to determine investment goals beyond credit and yield.
- The E in ESG for utilities is complicated as environmental factors become more pronounced and have to be balanced with utility competitiveness. Sound governance is essential.
- While industry transition stresses remain, CPS Energy is meeting the challenges and continues to position for a reliable and clean energy grid with emphasis on affordability and stakeholder understanding of risks.

Keep up with the success  
against COVID-19!



Questions?

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***Thank You***

