

September 15, 2020

To the Members of the Environmental Stakeholder Group (ESG),

Thank you for participating in our most recent environmental stakeholder meeting on August 25, 2020. We continue to be appreciative of the ESG's dedication, expertise, and experience –now around our virtual table– that has allowed us to continue to engage in challenging, yet very important conversations.

I would also like to provide a special thank you to the ESG Tri-Chairs for their ongoing outreach and steadfast leadership:

- Greg Harman, representing the Sierra Club
- DeeDee Belmares, representing Public Citizen
- Diana Lopez, representing the Southwest Workers Union

As our team reflects on our direct engagement with the ESG, which has spanned 10 years, we fully embrace the fact that both our organizations believe that the environment is important. Our agendas and dialogue have consistently focused on carbon emissions reductions and the importance of helping our customers navigate to affordable and effective energy solutions over the short, medium, and long term. Although we have not been able to align over the last couple of years on the velocity at which change can be expected, our CPS Energy Team remains positive about the spirit and passion we share around creating a better future for everyone.

In our diverse outreach to many groups and individuals about the future of energy, our CPS Energy Team continues to receive input about a wide range of priorities that sometimes appear to conflict with each other. Even so, we remain hopeful that as a community, we can ultimately collaborate more effectively in the future.

OUR SUCCESSFUL ENVIRONMENTAL COMMITMENTS TO DATE:

We all have multiple accomplishments to be proud of as members of our passionate and effective San Antonio community, which include the following:

- ***In 2018, we closed two older coal units early as part of the thoughtful progressive transformation of our power generation fleet to cleaner technologies.***

- ***In 2019, as part of our Flexible Path strategy, we made a foundational commitment to reduce our net emissions profile by 80% by 2040.***
- ***We are now working toward full carbon neutrality by 2050 in support of the City of San Antonio's Climate Action & Adaption Plan (CAAP); a plan our Board of Trustees endorsed with a [resolution on August 26, 2019](#).***

EFFECTIVE ENERGY EFFICIENCY & CONSERVATION PROGRAM:

We continue to proudly offer and evolve our nationally recognized Save for Tomorrow Energy Plan (STEP). Your input over the program's life has been valuable and we welcome your continued thoughts on this topic.

For example, we found the report you commissioned concerning how to enhance our energy efficiency and conservation program succinct and helpful. We are interested in coupling aspects of the potential enhancements that you propose with our current efforts to more widely communicate our escalating climate commitments and our other helpful programs and options, such as energy saving tips and valuable rebates. We increasingly are sharing this information in both English and Spanish.

REVITALIZED SUSTAINABILITY REPORT:

Over the last decade, we have made significant progress towards our emissions reduction goals and commitments, by reducing our carbon footprint, as well as adding robust demand reduction and energy efficiency programs for our customers. We will continue pressing forward to meet or exceed our goals and those of our community.

Aligned to a recent request from you, this fall CPS Energy will release a new basic environmental sustainability report. We will share that document with you, other stakeholders, and our community. We will also post it on our website. As we get feedback from you and others, we will use that feedback to improve subsequent annual updates of the report that will help us track our ongoing progress.

OUR EXISTING FLEET OF POWER GENERATING UNITS:

Being one of our six ***Guiding Pillars***, we increasingly embrace ***Environmental Responsibility***. As we often discuss with you, we are therefore focused on making direct changes in our business model that improve air quality in San Antonio and across Texas.

Since we are a utility, we must make this transformation while also focusing on our other five pillars, most notably our commitment to ***Customer Affordability*** and ***Reliability***. ***Accordingly, while we will work to replace our older gas steam power plants, as you requested, we will re-assess our coal unit***

strategy. This will include both considering interim opportunities to repower the coal units and the exploration of a more feasible closure strategy that keeps the energy grid stable and maintains affordability for everyone.

TRANSPORTATION – ANOTHER EMISSION REDUCTION FOCAL POINT FOR OUR COMMUNITY:

Simultaneously, the transportation sector is an important focal point through the current critical period of reformation. The City's CAAP suggests addressing transportation emissions reductions as a necessary objective to meet the clean air goals it has set forth for our community. According to the CAAP, in San Antonio, 38% of the community's greenhouse gas emissions come from the transportation sector. Over 90% of that 38% is from private vehicles, including passenger cars, light trucks, and heavy trucks.

At CPS Energy, we continue to act in this regard as well. Just as we have leveraged new technologies in power generation to lower emissions, we are looking to do the same with our fleet.

- XLP Plug-In Hybrid Electric Ford F-150 Pickup Trucks – In 2018, we were the first utility in Texas to deploy the plug-in hybrid technology and today, our fleet remains the largest deployment of this technology in the state.
- New Electric Vehicle Charging Stations – We made a meaningful investment at VIA's Stone Oak Park & Ride facility and at Brooks City Base. Our work with the City continues to increase the number of EV charging stations across our community.
- Pricing & Foundational Policy Support – Additionally, we are developing 4 electric vehicle (EV) pilot rates for varying customers, designed to incentivize off-peak charging. These rates will be enthusiastically recommended to both our Board of Trustees and the San Antonio City Council, as soon as practicable.
- Public Transportation – We also have an ongoing partnership with VIA as they look at using electric busses for their fleet.
- Constructive Partnerships Continue – We are always pursuing additional partnerships to aid in achieving shared emissions reductions goals.
- ***NOTE: The items herein have contributed to CPS Energy recently being named as a top fleet in North America. On this elite list of 50 companies, this year we moved up notably from being #28 to now being #12!***

FlexPOWER Bundle

San Antonio has frequently been recognized as a leader in both solar and wind. We are at a great point now, since we already have more than 1,000 megawatts (MW) of wind and more than 500 MW of solar capacity.

In 2020, we [launched our exciting global search](#) –in 10 languages– for new energy solutions. The initiative, known as our “FlexPOWER Bundle,” currently has a dynamic profile of the following:

- ***Up to 900 MW more of solar,***
- ***Up to 50 MW of new storage (because the duration is still fairly low), and***
- ***500 MW of firming capacity.***

The Request for Information (RFI) process just closed on August 31, 2020. The RFI invited energy experts from around the world to provide information and ideas on new technologies and solutions available in the market. ***If you are interested, we look forward to sharing aspects of the RFI with you.***

As we discussed on August 25, 2020, since the global pandemic has impacted many aspects of our lives, including direct interactions and travel, we began this process with an RFI to help stimulate interest. Constructively, we will take the preliminary information from the RFI to fine tune the next step of our process, the highly anticipated Request for Proposal (RFP) for the ***FlexPOWER Bundle***. We will continue to provide updates about the ***FlexPOWER Bundle*** at our monthly Board of Trustees meetings, during our ESG meetings, and to our community at large.

OUR CONTUNUED COMMITMENT TO ON-GOING CUSTOMER CARE & OUTREACH, DISCONNECTION POLICY

Our ***People First*** philosophy is continually about being there for our customers every day, especially when times are so challenging. We, as well as our partner agencies, offer a variety of assistance programs to help customers who may be struggling during this time.

A complete list of our assistance programs can be found on our website at:

- ***www.cpsenergy.com/assistance (English) and***
- ***www.cpsenergy.com/asistencia (Spanish).***

We actively share this information with our community virtually, over the phone and through media outreach. We are also engaging with the community through virtual ***People First*** fairs. Most recently, we conducted a fair entirely in Spanish. We encourage you to share and view those virtual sessions on our **[YouTube channel](#)**.

Additionally, we have attached to this letter our flyer that contains pertinent information on several programs, including programs offered by both the City and County to provide housing and utility assistance. The flyer is also thoughtfully published in English and Spanish, and we welcome you sharing it broadly.

We were one of the first in the nation to suspend disconnections during this unprecedented time! We are also waiving late fees for customers on our payment plans.

Understanding that our work is never done, we have added an extra step to our important outreach initiatives. Our Energy Advisors in our Call Center are proactively reaching out to customers to let them know we care about them. We share information about programs across the community, as well as those that are here at CPS Energy.

We started making calls in June and through September 6, 2020, we have generated the following very positive results:

- ***We proactively called 22,007 customers,***
- ***We spoke to 49% of the people that we called,***
- ***We signed up 30% of customers for payment plans, and***
- ***We received an overall positive response from the customers we have successfully contacted!***

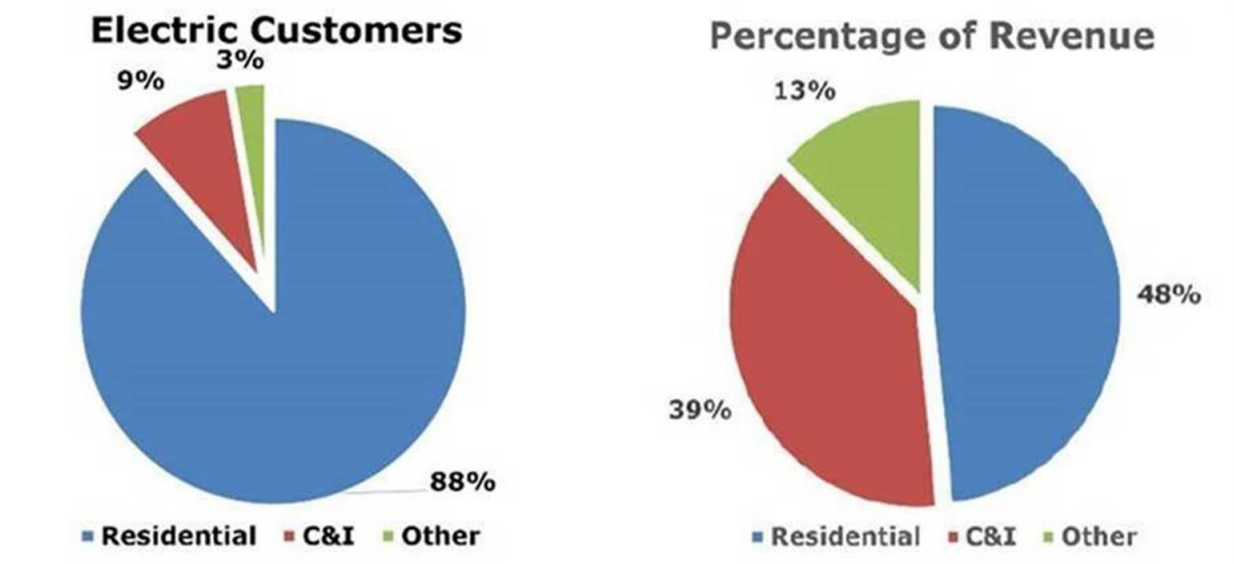
As we have shared with the ESG, we have a broad catalog of assistance programs, including our Affordability Discount Program (ADP), to aid those customers who qualify. The program is paid for and supported by all of our customers, whether they qualify for or use the assistance.

Inspired by the Federal Cares Act, eligibility has been expanded to help more people. For example, we proactively showcase our Residential Energy Assistance Program (REAP), which provides energy bill assistance twice a year to those in need and now includes customers adversely impacted by the recent economic downturn.

As part of REAP's core purpose, the program facilitates and supports those interested in a way to financially help others with their energy bill, a means to do so. These efforts have all been well supported by an initiative we have been passionate about to move the corpus of another underutilized fund, WARM, to REAP, where the resources are being better optimized.

CURRENT COMPARISON – CUSTOMER GROUPS:

An important fact to note is that 88% of our customer base is comprised of residential customers. Please see the helpful graphs below that show while 88% of our customers are residential, they comprise only 48% of the company's revenues:



Residential: Includes all places of residence in our service territory.

C&I: Included both Commercial and Industrial businesses.

Other: Includes public authorities and streetlights.

We welcome more discussion on this interesting information. We will discuss this with the Rate Advisory Committee (RAC.)

RATE ADVISORY COMMITTEE UPDATE:

As we reported before, our Board of Trustees adopted a [Resolution](#) directing management to create a framework for Board consideration of a Rate Advisory Committee (RAC). A broad internal group has been developing materials responsive to the Board’s request, incorporating input from a wide variety of sources. An initial presentation on a management proposal will occur at our September 21, 2020, Board Meeting.

An RFP was issued for consulting services to support a RAC, if one is created. The consultant would assist CPS Energy in providing analytical and industry rate design information to the RAC, as necessary.

At our most recent meeting on August 25, 2020, the ESG suggested we contact the Rocky Mountain Institute (RMI) as an additional potential resource. We have recently met with RMI. One take-away thus far is that they anecdotally believe that the FlexPOWER Bundle RFP will be a great way to explore real / applied solutions. Realizing that they could be a

solid resource to the RAC, we will thoughtfully consider their continued input, where applicable.

THANK YOU:

Again, we thank you for being passionate, active participants in our on-going discussions that are important to our entire community, as we work to meet Greater San Antonio's present and future needs.

Sincerely,

Kathy Garcia, on behalf of,

**Paula Gold-Williams
President & CEO**



Keeping People First!

Attachment:

- [**CPS Energy Financial Assistance Flyer \(in English & Spanish\)**](#)

Copy - City of San Antonio:

The Council
City Manager, Mr. Erik Walsh
Supervisor of Utilities & CFO, Mr. Ben Gorzell
Chief of Staff to the Mayor, Ms. Ivalis Meza
Mayor's Director of Policy, Ms. Michelle Lugalía-Hollon

CPS Energy:

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