

CPS ENERGY
MINUTES OF REGULAR MEETING OF THE BOARD OF TRUSTEES
HELD ON NOVEMBER 18, 2019

The Regular Meeting of the Board of Trustees of CPS Energy for the month of November was held in the Board Room at CPS Energy's Main Office, 145 Navarro Street, San Antonio, Texas on Monday, November 18, 2019. Chair John Steen called the meeting to order at 1:00 p.m.

Present were Board members:

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

Also present were:

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

I. SAFETY MESSAGE

The Board meeting began with a safety message delivered by Mr. Joe Cordova, Program/Project Manager, People Readiness / Organization Change Management.

II. PUBLIC COMMENT

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

1. Mr. Mario Bravo, Environmental Defense Fund, commented on agenda item 14, *FlexPower* Bundle Update, stating that CPS Energy has not provided sufficient information for the public to provide feedback and provided handouts containing a list of public comments. He requested information on our load forecast and inquired whether we include distributed rooftop solar in our capacity number. He questioned various aspects of our plan to procure additional natural gas electricity.
2. Mr. Alan Montemayor, a Sierra Club member, spoke regarding item 14, *FlexPower* Bundle Update. He announced that he was speaking for himself. He encouraged CPS Energy to review the City of San Antonio's electric vehicle (EV) plan and to coordinate with them on a sustainable

- vehicle fleet. He stated that now is the time to move away from carbon and asked that we cease customer incentives to move from electricity to natural gas.
3. Dr. Meredith McGuire, Sierra Club member and university professor, spoke on agenda item 14, *FlexPower* Bundle Update. She advocated for generation portfolios of distributed energy resources. She cited Hawaii as a model and commented that CPS Energy needs a new business model that encourages customers to co-invest in non-wired solutions.
 4. Ms. Kaiba White, Public Citizen, spoke on agenda item 14, *FlexPower* Bundle Update. She expressed concern with a no-bid natural gas contract and stated that we should issue a competitive request for proposal (RFP) for this procurement and provided handouts to the Board. She commented that a natural gas power plant is not the only type of resource that can meet our needs. Other utilities use "all source" RFPs and she encouraged CPS Energy to do the same. Ms. White clarified that she resides in Austin Texas.

III. INVOCATION AND PLEDGE OF ALLEGIANCE

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

IV. CHAIRMAN'S REMARKS

Chair Steen recognized Councilmember Ana Sandoval in the audience. Councilmember Sandoval thanked the Board for incorporating public comment and live-streaming into their meetings.

Chair Steen also recognized Mr. Joe Yakubik, a member of the Citizens Advisory Committee. Mr. Yakubik congratulated CPS Energy on its recent participation in the GridEx V exercise.

V. CEO'S REPORT

Ms. Gold-Williams began her report by providing insights and context to certain items on the agenda. She explained that due to timing constraints, a Financial Update would not be presented during the meeting; it would be separately provided to the Board. She stated that CPS Energy's financial performance remains on track.

Ms. Gold-Williams highlighted the Save for Tomorrow Energy Plan (STEP). She recapped the history of STEP and explained that the point of STEP is not to give away money, but to encourage behavior change and awareness around saving energy and the adoption of new technologies that people have not used before. A discussion about STEP's future is on today's agenda.

Ms. Gold-Williams briefed the Board on CPS Energy's recent participation in GridEx V, a national crisis response exercise conducted by the North American Electric Reliability Corporation (NERC).

In conclusion, she described the different ways that CPS Energy is protecting customers from scammers, including using social media, bill inserts, on-hold messaging and postcards to spread awareness. She reminded the Board that we do not call customers and threaten them with disconnection unless immediate payment is made and that we seek to work with customers through customer payment plans.

VI. ADDITIONAL UPDATES

Cost Savings: Substation Battery Testing

Mr. David Lentz, Interim Director, Substation Construction & Maintenance, briefed the Board about a new automated method of testing batteries used to provide power to protective relays and our remote control system. Previously, we used manual testing that was costly and time-consuming. By adopting automated testing, there is increased testing consistency, improved reliability, and decreased site visits. Additionally, it is estimated that we will save approximately 4,098 labor hours, or \$328,000.00, annually. Future additional cost savings are expected through the adoption of automated electrolyte level monitoring.

Other

No other updates were provided.

VII. APPROVAL OF CONSENT ITEM:

Trustee Kelley moved that the Consent Agenda be approved, Dr. Mackey seconded and upon affirmative vote by all members present, the following item on the Consent Agenda was unanimously approved.

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

The New Series Bond Ordinance that took effect February 1, 1997 provides for a total cash payment to the City of San Antonio (City) in an amount not to exceed 14% of gross revenue as calculated pursuant to such Ordinance, less the value of other services provided to the City, with the percentage (within the 14% limitation) to be determined by the governing body of the City. The cash transfer to the City for the month of October 2019 is based on actual gross revenue per the New Series Bond Ordinance of \$206,984,221.11 less applicable exclusions. The revenue for the month of October 2019 is calculated as follows:

Gross revenue per CPS Energy financial statements	
Electric revenue	\$181,304,110.32
Gas revenue	12,224,315.33
Interest and other income	3,783,377.48
Gross revenue per CPS Energy financial statements	<u>197,311,803.13</u>
Excluded revenue	
School and hospital revenue per City Ordinance 55022	(7,888,314.74)
LVG revenue per City Ordinance 100709	0.00
Fuel cost component of off-system nonfirm energy sales per City Ordinance 61794 and revenue for wholesale special contracts	(9,841,785.99)
Noncash and other income, GASB 31 investment market value change, miscellaneous interest income, gas billing adjustment and unbilled revenue	<u>27,402,518.71</u>
Total excluded revenue	<u>9,672,417.98</u>

Gross revenue per New Series Bond Ordinance subject to 14% payment to the City	<u>\$206,984,221.11</u>	
City payment per Bond Ordinance for October 2019 based upon October 2019 revenue	\$28,977,790.96	
City payment per memorandum of understanding (MOU) regarding wholesale special contracts	(125,998.16)	
Wholesale Special Contract Annual True Up	0.00	
City Payment reduction per UTSA gas billing adjustment MOU Annual True Up per UTSA MOU	(12,500.00)	
	<u>0.00</u>	
City payment per Bond Ordinance plus adjustments for memorandums of understanding	28,839,292.80	A
Utility services provided to the City for October 2019	(2,585,538.21)	
Net amount to be paid from October 2019 revenue to the City in November 2019	<u>\$26,253,754.59</u>	

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

(Dollars in thousands)

September 2019	Actual	Budget	Variance	
Current Month* A	\$28,839	\$26,777	\$2,062	7.7%
Year-to-Date*	\$272,720	\$264,990	\$7,730	2.9%

* This amount does not include any additional funding authorized by the Board of Trustees.

Approval of the following resolution is requested:

"BE IT RESOLVED by the CPS Energy Board of Trustees that payment to the City of San Antonio in the amount of \$26,253,754.59, representing 14% of applicable system gross revenues for the month of October 2019, such payment being net of City utility services (\$2,585,538.21), is hereby approved."

VIII. EXECUTIVE SESSION

At approximately 1:32 p.m., Chair Steen announced that the required notice had been posted and that the Trustees, with only necessary parties in attendance, would convene into Executive Session, pursuant to the provisions of Chapter 551 of the Texas Government Code, for discussion of the following posted items:

- Real Property (\$551.072)
- Competitive Matters (\$551.086)

Chair Steen noted that item 13 on the agenda, Resolution for Approval of Real-Estate Items, would be taken up immediately after Executive Session to accommodate schedules.

The Board reconvened in open session at 2:42 p.m. Ms. Shellman reported that only Real Property and Competitive Matters and no others were discussed, and no votes were taken in Executive Session.

IX. RESOLUTION FOR APPROVAL OF REAL-ESTATE ITEMS

Chair Steen requested that Ms. Shellman read a resolution for the approval of real property transactions.

Ms. Shellman read the following resolution:

RESOLUTION FOR THE APPROVAL OF PROPERTY TRANSACTION

WHEREAS, CPS Energy owns the Downtown Campus (Main Office, Navarro Building & Garage, Villita Assembly Building, Lot 2, Tower Life Garage) and Northside Customer Service Center (collectively, the "Properties"); and

WHEREAS, these Properties were declared surplus at the September 24, 2018 meeting by the Board of Trustees as they are no longer needed for use in the operation of the gas and electric systems; and

WHEREAS, Chapter 272 of the Texas Local Government Code, which governs the sale or exchange of land by a municipality, provides in Section 272.001(k) that notice and bidding requirements do not apply to sales of land owned by a municipality operating a municipally owned electric or gas utility if the land is held by the municipal utility, provided that the governing body of the municipal utility adopts a resolution stating the conditions and circumstances of the sale and the public purpose that will be achieved by the sale of these properties; and

WHEREAS, with the assistance of its brokers, CBRE, CPS Energy has been marketing the Properties to achieve the best possible sale outcome for the benefit of the systems and all of its customers.

NOW, THEREFORE, BE IT RESOLVED:

1. The recitals to this Resolution are hereby incorporated by reference.
2. The CPS Energy Board of Trustees finds that a "public purpose" will be achieved by the sale of these Properties because they are no longer needed for the operation of the systems, and the revenues generated by the sale will support the operation and service of the utility. As such, the transaction is exempt from the notice and bidding requirements of Chapter 272 of the Texas Local Government Code.
3. The CPS Energy Board of Trustees hereby authorizes, but does not obligate, the President and CEO, or her designee(s), to work with CBRE to pursue negotiations for the sale of the Downtown Campus and Northside Customer Service Center properties consistent with Board discussions and to take actions as necessary to carry out the purposes and intent of this Resolution.

On motion duly made by Dr. Mackey, seconded by Trustee Kelley and upon affirmative vote by all members present, the resolution read by Ms. Shellman was approved.

X. RESOLUTION FOR APPOINTMENT OF ASSISTANT TREASURER TO THE CPS ENERGY BOARD OF TRUSTEES

Ms. Delores Lenzy-Jones stated that due to the retirement of Ms. Linda Chester, Senior Director, Cost Management, she is presenting a resolution approving the appointment of CPS Energy's Senior Director, Budgeting Analysis & Management Reporting, Ms. Maricela Benavides, as Assistant Treasurer to the Board of Trustees. She noted that Ms. Shannon Albert, Senior Director, Treasury, and Mr. Gary Gold, Vice President, Corporate Services will remain as Assistant Treasurers.

Ms. Lenzy-Jones highlighted Ms. Chester's 34 years of service to CPS Energy and provided a brief bio of Ms. Benavides.

Ms. Lenzy-Jones read the following resolution:

**RESOLUTION APPROVING APPOINTMENT OF ASSISTANT TREASURER
FOR THE CPS ENERGY BOARD OF TRUSTEE**

WHEREAS, the CPS Energy Board of Trustees is required to designate and authorize specific officers and staff to conduct financial transactions on behalf of CPS Energy; and

WHEREAS, Delores Lenzy-Jones serves as Treasurer to the Board of Trustees; and,

WHEREAS, effective December 1, 2019, Linda R. Chester, who has served as an Assistant Treasurer and as the Senior Director of Cost Management, will retire from CPS Energy with nearly 35 years of service; and,

WHEREAS, effective December 1, 2019, Maricela Benavides who serves as the Senior Director of Budgeting Analysis & Management Reporting, will assume responsibility for managing and directing many of the financial transactions that require Board of Trustees approval and will be providing support to the Board related to these financial matters; and,

WHEREAS, Gary W. Gold and Shannon R. Albert will continue to serve as Assistant Treasurers to the Board of Trustees; and,

WHEREAS, one Treasurer and three Assistant Treasurers will facilitate effective and timely financial transaction coverage.

NOW, THEREFORE, BE IT RESOLVED that the CPS Energy Board of Trustees hereby approves the appointment of Maricela Benavides as an Assistant Treasurer to the Board of Trustees, effective December 1, 2019.

WITNESS MY HAND AND SEAL OF THE CPS ENERGY BOARD OF TRUSTEES on the 18th day of November 2019.

At this time Ms. Benavidez briefly addressed the Board.

On motion duly made by Trustee Kelley, seconded by Dr. Mackey and upon affirmative vote by all members present, the resolution read by Ms. Lenzy-Jones was approved.

XI. FLEXIBLE PATH COMMUNITY ENGAGEMENT UPDATE (PART 2)

Mr. Jonathan Tijerina, Senior Director, Corporate Communication & Marketing & Smart City Outreach, provided an overview of ways that CPS Energy engages with the community. This presentation is a continuation of information the Board received during its October Meeting.

Mr. Tijerina described the different ways that we listen to our customers, including engaging at our walk-in centers and after-call surveys. He described our Community Engagement team, led by Maria Garcia, Vice President, Community Engagement, and Jesse Hernandez, Director, Community Strategy & Engagement, that is present in the community and helps build awareness of our products and services, as well as troubleshoot customer inquiries. Mr. Tijerina highlighted community outreach in area schools and to non-CPS Energy construction workers to promote safety awareness and provide tips. We seek feedback from attendees on these events.

Mr. Tijerina showed data relating Customer Response Unit (CRU) engagements to City Council Districts.

He discussed the Residential Energy Assistance Program (REAP), a partnership between the City, Bexar County and CPS Energy, and showed a video featuring a grateful REAP beneficiary. Proceeds from GrillsGiving, a BBQ cookoff being held Saturday, November 23, 2019, support REAP.

The Energy to Business "E2B" team was recently launched to address the needs of and receive feedback from small to medium-business and commercial customers. He highlighted E2B On the Spot winners, businesses recognized for their energy conservation and efficiency efforts. Mr. Tijerina showed a video in which Mr. Jose Campos of Commonwealth Coffeehouse & Bakery received the first On the Spot recognition and was presented with a window decal.

Mr. Tijerina also highlighted the Key Account Management and Economic Development teams that work to solve for energy solutions while working on attracting and retaining businesses to our community. He provided statistics regarding *People First* Community Fairs, focus groups, and customer satisfaction surveys, noting that these are all methods by which CPS Energy communicates and receives feedback from its customers. The feedback is used to inform decisions about customer experience.

In conclusion, Mr. Tijerina noted that CPS Energy will continue to gather feedback through a multitude of channels.

Mayor Nirenberg commented positively on CRU and asked how CPS Energy incorporates the feedback it receives. Ms. Gold-Williams and Mr. Tijerina stated that a future presentation will feature that information.

XII. CELEBRATING STEP SUCCESS

Mr. Rick Luna, Interim Director, Technology & Product Innovation, briefed the Board on the Save for Tomorrow Energy Plan (STEP). He reviewed STEP's vision to align with former Mayor Phil Hardberger's Mission Verde initiative and embrace conservation, perceived as the "Fifth Fuel", avoiding the need for a new power plant and reducing dependence on fossil fuels. STEP was approved by CPS Energy and the City in 2009. STEP's goal is to achieve 771 MW savings by 2020. The total cost of the program was expected to be \$849 million. It was designed to leverage emerging technologies; help customers manage their energy consumption; support job creation and economic growth; and reduce carbon emissions and air pollution. STEP has served as a bridge from the traditional generation portfolio of 2009 (large assets with long operating lives) to a more flexible, diverse approach of 2019 (smaller, renewable, and more agile assets). STEP enabled us to postpone committing to a large generation asset for 11 or 12 years.

Mr. Luna informed the Board that STEP achieved its goal in August 2019, one year ahead of schedule, and for \$719 million, \$130 million below original cost estimates. It is projected that savings of approximately 830 MW will be achieved by the end of the year. A STEP performance report is currently being finalized and will be delivered to the City upon completion. Other STEP highlights include 1.4 TWh of gross electricity savings in FY19, 680 estimated annual jobs and \$28 million in annual income over the lifetime of STEP, and reduced carbon dioxide emissions of 3.3 million tons.

STEP has been recognized throughout the years for thought leadership and innovation.

Mr. Luna stated that CPS Energy achieved the STEP objectives through a broad portfolio of choices – residential and commercial energy efficiency, demand response, and solar programs. Regarding the scale of STEP, CPS Energy, among other things, has provided over \$236,000 in energy efficiency rebates, installed over 150,000 smart thermostats, and attained over 261 MW of demand response capacity. Over 28,000 homes have been weatherized to help customers improve the comfort and efficiency of their homes and save them about \$400 per year.

Mr. Luna explained how STEP is funded. Pursuant to the City ordinance, money spent on STEP is recoverable after energy savings and cost effectiveness have been validated by a third party. Reports from previous years are available on the City's Sustainability site. STEP's return on investment (ROI) is calculated using the Utility Cost Test, which considers the value of program costs versus the value of the energy saved. Using this test, STEP has delivered \$1.92 in savings for every \$1.00 invested since FY10. The average impact of program costs to customer bills has fluctuated throughout the life of STEP. Currently, the bill impact is about \$4.00 per month based on a 1,000 kWh bill. However, even with the efficiency spend, CPS Energy bills are still the lowest in Texas.

In conclusion, Mr. Luna informed the Board that CPS Energy has been seeking feedback from the community to inform *FlexSTEP*, the next generation of STEP. Options will be presented to the Board in the future.

Mayor Nirenberg commented positively about STEP. He encouraged CPS Energy to continue along the path and seek innovation and partnerships, such as with universities, where we can. He cautioned that not everything valuable to the community can be measured in simple ROI. The City is in nonattainment status and there are challenges regarding weather patterns and community values. We should open

ourselves up to conversations that go beyond just the economic factors, including those that yield other community benefits.

Trustee Gonzalez asked whether EVs would be part of STEP. Mr. Luna stated that we have been thinking about that a lot. Trustee Gonzalez encouraged us to think about EVs and how nonattainment is measured. She wants to ensure that resource planning addresses the feedback she has received in the last few months.

XIII. FLEXPOWER BUNDLE UPDATE (PART 2)

Mr. John Bonnin, Vice President, Energy Supply & Market Operations, provided a follow up to his *FlexPower* Bundle presentation given at the October Board Meeting. He stated that this month's presentation would provide more detail about CPS Energy's load and the process for moving forward.

Mr. Bonnin explained that our power plants are aging. Thirty percent of our nameplate capacity is between 40 and 50 years old. These aging plants were built for an "intermediate role", meaning they are started in the morning and shut down in the evening. Historically, these plants ran this way every day resulting in many thermal cycles (expansion and contraction) that have led to reliability issues with large metal components. These plants were also built at a time when units were less efficient. So, today these units are generally deployed last and during periods of high consumption and high pricing. Consequently, the risk of failure is higher and potentially costlier.

Mr. Bonnin showed graphs indicating that CPS Energy relies on its aging plants to meet our load requirement. The implementation of *FlexPower* Bundle capacity effectively removes this risk from our portfolio since *FlexPower* Bundle, gas, and solar plus storage can be used to meet our native load requirements until 2025. Implementing the *FlexPower* Bundle at this stage mitigates the risk of the aging units failing and subjecting our customers to scarcity pricing.

Trustee Gonzalez asked whether the flex plan requires that we also make investments in the aging plants. Ms. Gold-Williams responded that it does not; the *FlexPower* Bundle is intended to replace the aging units. Trustee Gonzalez asked whether we are open to a solution for some term less than 10 years. Dr. Eugster stated that we are open to that. Mr. Bonnin clarified that a solar plus storage solution would have a term longer than 10 years. Regarding the gas toll, Dr. Eugster stated that he would like to see where the market is since shorter deals may be more expensive given the short-term capacity projects. Additionally, storage may develop to make the back half more reasonable.

In response to Trustee Gonzalez' inquiry about pricing, Ms. Gold-Williams stated that we only have indicative pricing at this time; a formal RFP is needed to see what pricing would be, keeping in mind that timing is an important variable. Trustee Gonzalez sought clarification that the Board was not being asked to commit to a 10 year deal. Ms. Gold-Williams and Dr. Eugster both responded that we are nowhere near requesting a Board commitment.

Dr. Eugster and Mr. Bonnin explained that the aging plants are all gas and that the plants being considered for the gas toll are combined-cycle, and thus, more efficient and lower emitting.

Mr. Bonnin stated that if, in the years that we have enough capacity to meet our obligations, the aging plants require major repairs, we may decide to retire them early.

Trustee Gonzalez asked whether the capacity chart on slide 6 of the presentation includes wind power. Ms. Gold-Williams explained that wind is included as part of the current fleet, but it is not included in the *FlexPower* Bundle because we have so much of it already and we expect solar to be more effective during periods of peak demand.

Mayor Nirenberg characterized the gas toll as a hedge against unreliable power sources. He asked why we do not make the commitment to shut down the aging plants early since we should have the *FlexPower* Bundle purchase power agreement (PPA) in 2022 that should provide reliable firm capacity. Ms. Gold-Williams stated that we believe that option is available to us. Just because we indicate a plant life does not mean that a plant will actually run that long. In the event of a catastrophic failure or expensive repair, we could decide to forgo the expenses and retire the plant. The key is transitioning out of the aging plants and ensuring that reliability is firm.

Mayor Nirenberg acknowledged that reliability is a top concern for our community, but so is environmental sustainability. Considering that the impetus for the 900 MW solar commitment is reliability, why can't reliability and sustainability be coupled together? He acknowledged the significance of timelines and confirmed that the Board has not committed to a decision.

Ms. Gold-Williams confirmed that there has not been a commitment to a decision. She stated that CPS Energy was asked to set a date about closing plants, but even when we decided to close the Deely Power Plant, we first went to the market to see what the capacity could be before we definitively decided to close it. She stressed that everything, not just a date, has to be considered and put in place so that the community is not arbitrarily impacted. The goal is ultimately to close the aging units, but we can't cut off the "faucets" without knowing.

Mr. Bonnin detailed the elements of the *FlexPower* Bundle: up to 900 MW of solar; up to 50 MW of storage; and up to 500 MW of gas-fired generation. This combination provides a good resource for the next 10 years.

Next, Mr. Bonnin showed graphs on slide 8 of how our fleet resources stack up to meet our summer and winter peak days. He noted that the daily winter peaks happen before the sun rises and after the sun sets- when solar energy is not effective. Wind production on winter days may also be insufficient because of icing that occurs in west Texas where wind farms are located. The *FlexPower* Bundle will firm up these intermittent resources. He added that storage has a long way to go before it can be effective in meeting the needs of our customers. Ms. Gold-Williams clarified that the graphs are based on the current state of technologies.

Mayor Nirenberg stated that projections about storage will dramatically change year to year and that we should project what those changes will look like.

Mr. Bonnin explained our approach to solar and storage. Using an RFP, we will explore current pricing. He distinguished solar pricing that the Board may hear or read about with that which will be specific to our current conditions, such as investment tax credits and tariffs. We think pricing might be in a low range, but there are things that are changing in the market. He has heard anecdotally that, unless you already have your solar panels in the United States, it will take a long time to build your solar farm, longer than the average 12-18 months. The availability and price of solar are "wildcards" in this environment. The RFP should show us how the pricing may be different from pricing that has been in the press. Dr. Eugster added that the same

applies to storage costs. Ms. Gold-Williams stated that, ultimately, we want to add much more storage. Even if we start with 50 MW, we want to achieve better penetration and increase the amount of storage we have.

Trustee Gonzalez cautioned about potential security and safety risks with the technology suppliers. Those considerations must be prioritized over the desire to incorporate new technology for environmental purposes, reliability and cost effectiveness. Mr. Almaraz assured her that his Supply Chain team, working with Mr. Bonewell's Safety & Security team, are very mindful of her concerns and expect to address them by carefully tracking components and placing appropriate requirements on vendors.

Trustee Gonzalez and Mr. Bonnin communicated ideas about who would be on the RFP team.

Mayor Nirenberg asked why CPS Energy would not issue an RFP for the entire *FlexPower* Bundle? Ms. Gold-Williams replied that usually the source providers for gas are not the same for other markets. We're going to blitz the market and see what we get. If they want to combine and give us a bid on the whole thing, that would be fine, too. She explained that, typically, more people are looking for solar and storage. She clarified that we are not looking at building a plant; we are trying to get enough capacity to manage our exposure as we transition out of those older units.

Trustee Gonzalez asked whether the Board is being asked to consider investing a significant amount of money in existing plants. Ms. Gold-Williams clarified that we are planning to look at whether any of our plants could be repowered.

Mayor Nirenberg questioned why CPS Energy would issue a proposal for the entire bundle, instead of breaking it up.

Ms. Gold-Williams noted that "all requirements" is a buzz word. CPS Energy is trying to create more capacity and will continue to look at additional opportunities. But right now, we are not trying to build any more gas generation. We will ultimately open it up when we think about new capacity.

Dr. Eugster stated that the amount of storage we will add will largely depend upon how much the cost comes down. Additionally, in the next three to five years, a gas toll will be very important to firm up solar and storage. He noted that there are only a handful of companies in ERCOT with physical plants who can meet the gas toll need, so that component has been treated differently than the rest of the bundle. CPS Energy remains open to a shorter or longer toll to transition to that space that can carry the load.

Mayor Nirenberg asked about the usage curve shown on slide 6 of the presentation – whether the gas toll would be used when CPS Energy is not exceeding peak demand. Ms. Gold-Williams replied that the gas toll could be used in those instances, such as when other units are down for maintenance. Dr. Eugster noted that the gas toll will be from a combined cycle plant which is very efficient and will likely get used during more than just the peak hours. The gas toll will also have a lower carbon footprint than the gas steam units we want to shut down. Ms. Gold-Williams stated that we will bring more information about that to the Board.

Mayor Nirenberg stated that we have to hedge our customers against the regulatory environment, such as a new carbon tax, so going to the market for answers and seeing what the market will bear makes sense to him. He commented that reliability is important, but so are sustainability, security and emissions.

Mr. Bonnin explained that we will continue exploring gas firming options and expect to release the RFP for solar plus storage early in 2020.

Mr. Bonnin reminded the Board of the six pillars of consideration for the *FlexPower* Bundle: security, safety, resiliency, reliability, environmental responsibility, and customer affordability.

Trustee Kelley commented that "financial strength" must be considered because without cash flow, we would not be able to execute the transactions we are contemplating.

Mayor Nirenberg agreed, clarifying that he is not in favor of environmental sustainability in a financially irresponsible way; balance is necessary. However, we have to do what our customers are asking for. He noted that he does not want to get into a long-term play and then wish we would have waited. He stated that the City's Climate Action and Adaptation Plan (CAAP) was built on a foundation of equity, ensuring that the most vulnerable, cost-disadvantaged customers are the ones that we are looking out for first. No one should leave the meeting thinking that he is in favor of becoming environmentally sustainable on the backs of our customers; it is quite the opposite.

Trustee Kelley reiterated that he believes financial strength should be a key consideration, since without cash flow, you have nothing.

Mayor Nirenberg and Trustee Gonzalez both agreed with Trustee Kelley.

XIV. ADJOURNMENT

There being no further business to come before the Board and upon a motion duly made by Dr. Mackey, seconded by Trustee Gonzalez, and upon an affirmative vote by all members present, the meeting was adjourned at 4:16 p.m. by Chair Steen.


Carolyn E. Shellman
Secretary of the Board