

COSA - CITY CLERK
2021 AUG 26 AM 10:51:52

CPS ENERGY BOARD OF TRUSTEES

NOTICE OF REGULAR MEETING

Notice is hereby given that the CPS Energy Board of Trustees will hold its Regular Monthly Meeting **on Monday, August 30, 2021 at 1:00 p.m.**, in the Board Room located on the First Floor of the CPS Energy headquarters located at 500 McCullough, San Antonio, Texas. The meeting will also be live-streamed.

To protect the health of the public and limit the potential spread of COVID-19, social distancing and limited in-person attendance will be enforced at the meeting. Facial coverings are encouraged. Public comment on agenda items may be provided in-person, virtually or in writing. 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, and shall remain in place until further notice or until the state disaster declaration expires or is otherwise terminated by the Governor.

The subject of this meeting is to act upon all matters pertaining to 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.

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

Those wishing to speak on an agenda item during the Public Comment portion of the meeting must register on Friday, August 27, 2021, from 7:00 a.m. CT to 1:00 p.m. CT. Registration may be made by email at publiccommentregistration@cpsenergy.com or by phone at (210) 353-4662. Those registering to speak should be prepared to provide the following information:

- First & last name
- City & state of residence
- Phone number
- Email address
- Designate whether public comment will be provided in person or virtually
- Group for which the individual is speaking, if applicable
- Agenda item # about which they are speaking
- Any required translation services

In-person commenters, followed by virtual commenters, will be called to speak in the order that each registers.


Written comments may be sent to publiccommentregistration@cpsenergy.com. Note that written comments will not be read during the Board meeting.

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 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.



Shanna M. Ramirez
Secretary of the Board
August 25, 2021



**CPS ENERGY BOARD OF TRUSTEES MEETING
TO BE HELD ON AUGUST 30, 2021 AT 1:00 PM**

**COSA - CITY CLERK
2021 AUG 26 AM 10:52:02**

LOCATION: CPS ENERGY BOARD ROOM (500 MCCULLOUGH AVE)

To protect the health of the public and limit the potential spread of COVID-19, social distancing and limited in-person attendance will be enforced at the meeting. Facial coverings are encouraged. Public comment on agenda items may be provided in-person, virtually or in writing.

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 concerning:

- attorney-client matters under Section 551.071;
- deliberations and other authorized action on real property under Section 551.072;
- prospective gifts or donations under Section 551.073;
- personnel under Section 551.074;
- security personnel or devices under Section 551.076;
- economic development negotiations under Section 551.087;
- deliberations, voting or taking final action on competitive matters under Section 551.086;
- deliberations regarding security audits and devices under Section 551.089; or
- deliberations 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	Dr. Willis Mackey
2	SAFETY MESSAGE, INVOCATION AND PLEDGE OF ALLEGIANCE	Execute	Ms. Julie Johnson
3	PUBLIC COMMENT Pre-Registration on Friday, August 27, 2021 from 7:00 AM – 1:00 PM @ (210) 353-4662 or PublicCommentRegistration@CPSEnergy.com A. Chair’s Announcements B. Comments	Discuss	Dr. Willis Mackey
UPDATE ON CHAIR’S PRIORITIES			
4	PERSONNEL COMMITTEE ASSIGNMENT	Vote	Dr. Willis Mackey
5	CEO’S REPORT	Discuss	Ms. Paula Gold-Williams
6	ENTERPRISE PROVISIONAL RATE CASE PRIORITIES: A. Customer (Mr. Rudy Garza) B. Technology (Ms. Vivian Bouet) C. Security (Mr. Fred Bonewell)	Discuss	Ms. Paula Gold-Williams
7	OPERATIONS PROVISIONAL RATE CASE PRIORITIES: A. Generation (Mr. Frank Almaraz) B. Grid (Mr. Paul Barham) C. Gas (Mr. Fred Bonewell)	Discuss	Ms. Paula Gold-Williams
8	WORKFORCE PROVISIONAL RATE CASE PRIORITIES	Discuss	Ms. Lisa Lewis
9	PREVIEW OF THE PROVISIONAL RATE CASE	Discuss	Mr. Cory Kuchinsky
10	PROCUREMENT PREVIEWS: A. Procurement Policy & Procedure Update (Ms. Lisa Lewis) B. General Services – Context for items 13G1 and 13G2: Weatherization Program; STEP Bridge (Mr. Rudy Garza) C. Professional Services – Context for item 13G3: Engineering Services for Power Generation (Mr. Benny Ethridge)	Discuss	Ms. Paula Gold-Williams
11	FLEXPOWER BUNDLE™ UPDATE	Discuss	Mr. Kevin Pollo
CONVENE TO EXECUTIVE SESSION			
12	EXECUTIVE SESSION: Please see the narrative list at the top of this agenda for the potential discussion topics.	Discuss	Dr. Willis Mackey
RECONVENE TO OPEN SESSION			
CONSENT AGENDA			
13	APPROVAL OF CONSENT ITEMS: A. Minutes of the Special Board Meeting held on 07/09/2021 B. Minutes of the Special Board Meeting held on 07/15/2021 C. Minutes of the Special Board Meeting held on 07/22/2021 D. Minutes of the Regular Board Meeting held on 07/26/2021 E. Minutes of the Special Board Meeting held on 07/27/2021 F. Payment to the City of San Antonio for July 2021 G. Procurement Items: 1. General Services: Energy Efficiency Programs (Mr. Rudy Garza) 2. General Services: Weatherization Program (Mr. Rudy Garza) 3. Professional Services: Engineering Services for Power Generation (Mr. Frank Almaraz) H. Resolution Appointing A Successor Records Management Officer (Ms. Shanna Ramirez)	Vote	Dr. Willis Mackey

August Regular Board Meeting - AGENDA & NOTICE

REGULAR AGENDA			
14	COMMITTEE REPORTS: A. Master Planning Oversight Committee Meeting (MPOC) held on 07/26/2021 (Mr. Ed Kelley) B. Audit & Finance (A&F) Meeting held on 7/28/2021 (Mr. John Steen) C. Employee Benefits Oversight Committee (EBOC) Meeting held on 07/28/2021 (Mr. John Steen) D. A&F & EBOC Aligned Risk Sub-Committee Meeting held on 7/28/2021 (Mr. John Steen) E. Nominations Committee Meeting held on 8/12/2021 (Mr. Ed Kelley)	Discuss	Dr. Willis Mackey
15	FINANCING TRANSACTIONS FY2022	Discuss & Possible Vote	Ms. Julie Johnson
16	ADJOURNMENT	Execute	Dr. Willis Mackey
If the Board meeting has not adjourned by 5:00 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.			

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August 30, 2021

CPS ENERGY BOARD OF TRUSTEES
COMMITTEE ASSIGNMENT UPDATE

1. Personnel Committee (PC)

Janie Gonzalez, Chair

Dr. Willis Mackey, Vice-Chair



ENTERPRISE PROVISIONAL RATE CASE PRIORITIES

PRESENTED BY:

Rudy Garza
**Chief Customer &
Stakeholder Engagement
Officer (CC&SEO)**

Vivian Bouet
**Chief Information Officer
(CIO)**

Fred Bonewell
**Chief Operating Officer
(COO)**

August 30, 2021
Informational Update

AGENDA



- **CUSTOMER & STAKEHOLDER ENGAGEMENT – RUDY GARZA**

- **BUSINESS & TECHNOLOGY EXCELLENCE – VIVIAN BOUET**

- **INTEGRATED SECURITY – FRED BONEWELL**

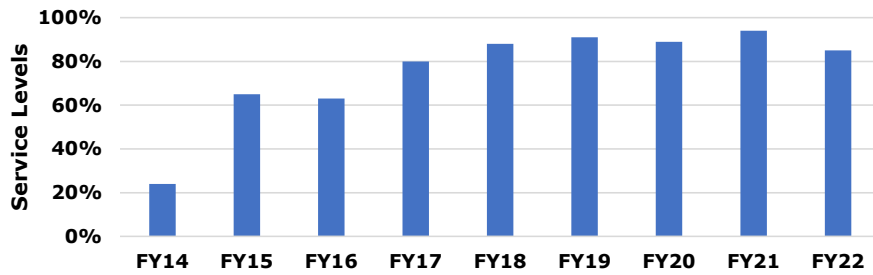


CUSTOMER & STAKEHOLDER ENGAGEMENT



1

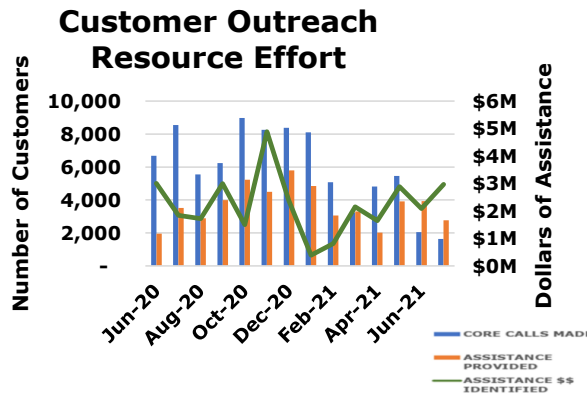
Answering calls faster – Service levels are up!



FY2014 Service Levels = 24%
 FY2022 Service Levels = 85% } 61% Increase!

2

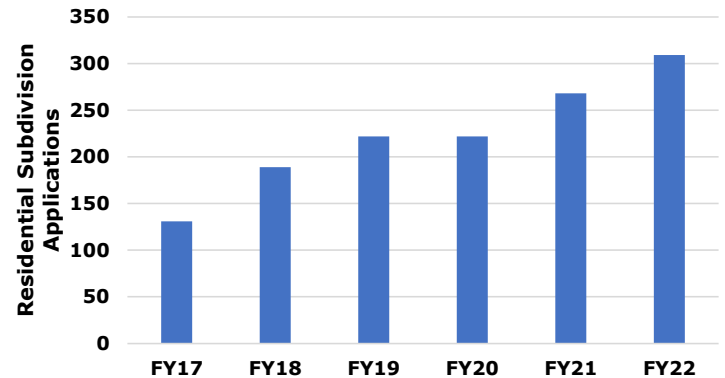
We have reached out to over **83k customers** & helped them secure **\$31.3M** in assistance & will continue to help them into next year!



3

Accountability for High Growth Levels!

New Residential Applications



The number of residential subdivision applications has increased 136%

Our **CUSTOMERS** are our **priority** in our day-to-day activities & in our budget!

BUSINESS & TECHNOLOGY EXCELLENCE

1 Our technology ecosystem impacts all aspects of our operations & delivery of services to customers.

3,005
Employees
Human Capital Management

885K & 367K
Electric & Gas Customers
Customer Management & Engagement

\$11.5B
Assets
Enterprise Asset Management

\$2.5B
Revenue
Financial Management

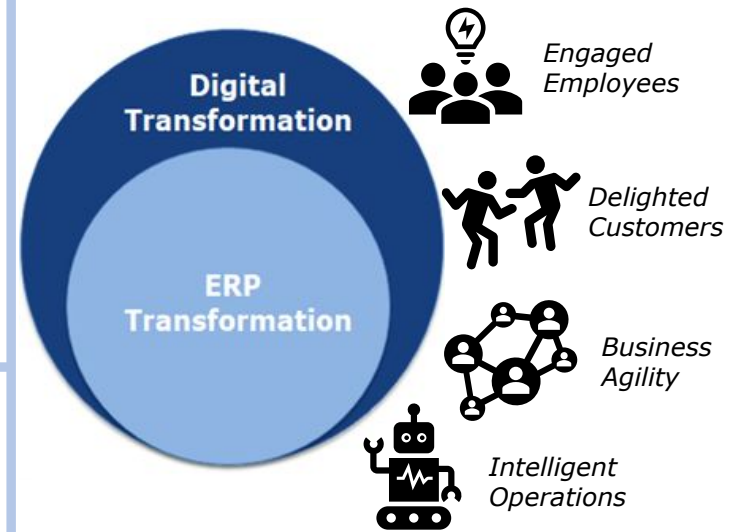
21K
Purchase Orders
Supply Chain Management

15K
Work Assignments
Work Order Management

2 The Data Center environment requires a refresh of aging infrastructure & technologies.



3 Digital & ERP Transformations will enable a digital grid.



Investments in our aging assets & systems are needed to best serve our CUSTOMERS.



INTEGRATED SECURITY

1

The sophistication & **evolution of attack techniques** have been **so rapid that companies have more than doubled their spend** on cybersecurity.

2x

On cybersecurity spending

Source: Verizon - 2020 Data Breach Investigations Report

2



Cyber criminals are organized, advanced & **financially motivated.**

Source: IBM Security - 2020 Cost of a Data Breach Report

3

Our **Primary Focus** is to **protect our CUSTOMERS & Assets** from physical & cyber threats.



Thank You





**AUGUST 30, 2021 BOARD MEETING
AGENDA ITEM 6 NARRATIVE**

**Agenda Item 6A
Enterprise Provisional Rate Case Priorities
CUSTOMER – RUDY GARZA**

PRIORITIES TIED TO NEEDED FISCAL SPEND:

1 Maintaining Customer Service Levels:

- Overall, our customers' experience with us has improved dramatically since 2014:
 - Our customers' call-center experiences have improved considerably. We have decreased customer wait times by more than half. Our Energy Advisors spent 28% less time with customers versus today's levels. Today our customers wait less and get more help. **About 85% of customers can speak to a live agent within 30 seconds or less.**
 - Meter reading performance has improved, as well. **We have reduced estimated meter readings by approximately 98%, from about 135,000 estimations in 2014 to only 2,900 in 2020.**
 - In addition, the walk-in payment center experience has improved. **We have reduced in-person wait times by over 30 minutes (from 37:02 to 4:35).**
- Using customer feedback, we have also enhanced self-service programs through our Manage My Account (MMA) portal. **Today we have about 620,000 customers enrolled in MMA, reflecting an increase of 82%, which is up from approximately 340,000 in 2014.**
- Our forward focus is aspiring to maintain availability across whatever channel customers want or need to connect with us.
- Part of our communication to customers includes providing information about our products and services. Since February 1, 2013, requests to offer customers alternatives to traditional energy services have increased significantly. Products such as alternative rate structures, solar products, battery storage, *Resiliency* services, and whole home/business energy management products are key to ensuring that San Antonio not only stays competitive with other markets, but it also ensures that San Antonio and CPS Energy have an avenue to align our continuing efforts to focus on the community goals set forth in the Climate Action & Adaptation Plan (CAAP).



AUGUST 30, 2021 BOARD MEETING AGENDA ITEM 6 NARRATIVE

2

Grassroots Engagement in our Community & Assisting our Customers:

- In June 2014, our Community Engagement team took customer service mobile with a proactive approach that created the Customer Response Unit (CRU) team. CRU is dedicated to increasing community awareness of, and enrollment in, assistance programs, educating customers about energy efficiency and **Safety**, and working directly with customers with unique needs. **We call this personalized customer service.**

CRU offers enhanced customer service by resolving situations through a wholistic case management approach. Our Community Engagement team performs outreach in cooperation with our local elected officials and community agencies. The team also connects customers with Casa Verde weatherization program opportunities and assistance programs:

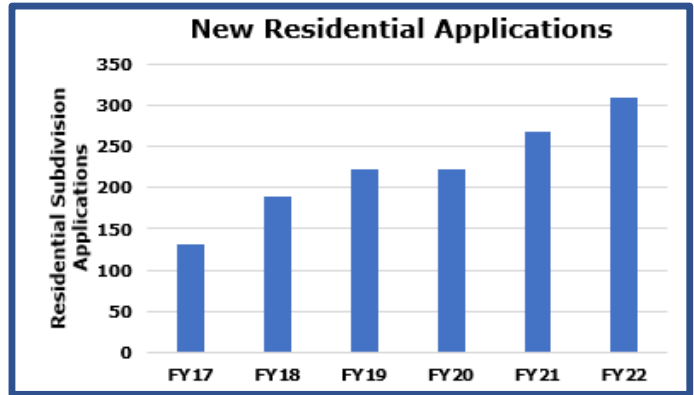
- **Since FY2014 our Casa Verde Weatherization program has weatherized over 26,000 homes, saving over 100 MW.**
- **We have increased participation in our *Affordability* Discount Program (ADP) to over 52,000 customers.**
- In 2020, aligned to the increased need related to COVID-19, we began, and are continuing to maintain the Customer Outreach Resource Effort (CORE). **To date we have spoken to approximately 60,000 customers and have arranged for approximately \$32 million in bill payment assistance.**
- More than **\$23 million for local education programs** has been committed through our New Energy Economy (NEE) Partnerships, with a primary focus on science, technology, and engineering programs.
- To remain responsive to the needs of the community, we have a diversified strategy around corporate sponsorships, which support education, environmental awareness/conservation, economic development and community and civic investments. Since 2014, **we have provided more than \$8.7 million in direct sponsorships to support local community non-profit organizations.**



**AUGUST 30, 2021 BOARD MEETING
AGENDA ITEM 6 NARRATIVE**

3 Responding to Growth in San Antonio:

- Design work driving construction activity continues to grow:
 - Residential Subdivision development growth has continued to skyrocket, and we have seen more than a **136% increase in subdivision applications from 2017 to 2021**. What was once focused growth on the northside, has now grown to every part of our service area.



- Overall residential growth has continued to surge and we have seen more than a **96% electric and 150% gas increase for residential applications from 2013 to 2020**. Once residential areas are built, the commercial segments follow, including development of new H-E-Bs, hospitals, strip malls, gas stations, etc.
- **All electric applications** have increased more than 85% from FY2013 to FY2021.
- **All gas applications** have increased more than 142% from FY2013 to FY2021.

Our CUSTOMERS are our priority in our day-to-day activities & in our budget!



AUGUST 30, 2021 BOARD MEETING AGENDA ITEM 6 NARRATIVE

OTHER CONSIDERATIONS:

Managed Accounts Experience:

- A highly successful strategy has included our Managed & Key Accounts program focused on providing concierge services for our larger commercial customers. This approach has helped us increase Customer Satisfaction scores from 81.0 (2013) to 89.7 (2020). During 2020, at the peak of the pandemic, our Account Managers received a quarterly customer satisfaction score of 98!!
- Our performance shows the success of one-call, solution-driven support programs that we provide to our most complex customers.
- We are also focused on extending this strategy to our small commercial customer base to improve their experience.

Military:

- In 2017, CPS Energy was awarded a highly competitive electric and gas utility privatization contract for all Joint Base San Antonio (JBSA) installations. In 2013, we increased our installation contracts by 150% – Ft. Sam Houston and Camp Bullis. In 2017, we added the largest installations – Randolph, Lackland, and Chapman Training.
- **In 2020, we began a grid-hardening partnership with JBSA.** It includes our focused approach to provide enhanced **Reliability** for JBSA, the Department of Energy (DOE) and the Department of Homeland Security (DHS) on our "Circuit 1" project. This project has officially been named a pilot project under the Department of Defense (DoD). This innovative Circuit 1 project is the only current effort in the United States to fully harden an electric circuit, including gas for startup.

Corporate Communications & Marketing:

- There is increased focus on being proactive versus reactive, including real-time communication.



**AUGUST 30, 2021 BOARD MEETING
AGENDA ITEM 6 NARRATIVE**

- Our multi-dimensional approach includes media and public relations, internal employee communications, marketing campaign execution, and management of executive brand and thought leadership opportunities.
- While our communication strategy is increasingly robust, we aspire to do more!
- The communications landscape and how customers consume news has changed dramatically in the last 10 years with the growth of social media. San Antonians expect us to respond to customer and media inquiries in real time.
- We maintain a robust presence on Twitter, Facebook, LinkedIn, Nextdoor, and Instagram. Each platform is used differently to share the latest company news, provide updates on service disruptions, and connect our customers to resources and customer assistance.
- We are focused on growth of our overall digital communication strategy as we look for ways to enhance the work we do on social media. We currently have close to 100,000 followers/likes on these platforms:

Platform	Positive Tracking	Our Approximate Current Level
Twitter	Followers	29,000
Facebook	Likes	34,000
Instagram	Followers	7,000
LinkedIn	Followers	23,000
Total		94,000

- Growing customer expectations to have real-time information, especially about service interruptions, provides future opportunities for the Corporate Communications & Marketing and Customer Engagement teams to introduce new communication tools for customer and stakeholder outreach. Winter Storm Uri confirmed those expectations and there is a need for people, enhanced processes, and tools to meet our customers' needs.
- We must emphasize a strategy to bring employees along, as well. We provide daily news and information to employees through two (2) dedicated email blasts:



AUGUST 30, 2021 BOARD MEETING AGENDA ITEM 6 NARRATIVE

- One providing the latest news featuring CPS Energy and the energy industry; and
- Our employee newsletter that has a variety of topics including **Safety**, employee program information, benefits, and more to keep our employees informed and engaged.

Stakeholder Engagement – Public Policy Development:

- We continue our engagement with federal, state and local officials. Our Local Government Relations team often takes the lead in educating local elected officials on topics of community interest.
- As the largest municipally owned electric and gas utility in the U.S., the input of CPS Energy is often sought out by policy makers and our input helps shape balanced policy across all levels of government and regulatory agencies deliberations.
- Due to Winter Storm Uri, Energy Market Policy considerations at the Public Utility Commission of Texas (PUCT), Railroad Commission of Texas (RRC), Electric Reliability Council of Texas (ERCOT), Texas Commission on Environmental Quality (TCEQ), amongst others, continue to evolve as the pace of change has increased dramatically. We are charged with facilitating and advising internal teams on proposals for market design enhancements and **Reliability** improvements with a key focus on regulatory compliance.



**AUGUST 30, 2021 BOARD MEETING
AGENDA ITEM 6 NARRATIVE**

**Agenda Item 6B
Enterprise Provisional Rate Case Priorities
TECHNOLOGY – VIVIAN BOUET**

While we have made significant progress to enhance each customer's experience, there are challenges that lie ahead as key enabling technologies are approaching their ends of life. Additionally, we have put a focus on Digital Transformation to enhance frictionless, intuitive, and convenient experiences, that simultaneously enhance the operational performance of our employees.

PRIORITIES TIED TO NEEDED FISCAL SPEND:

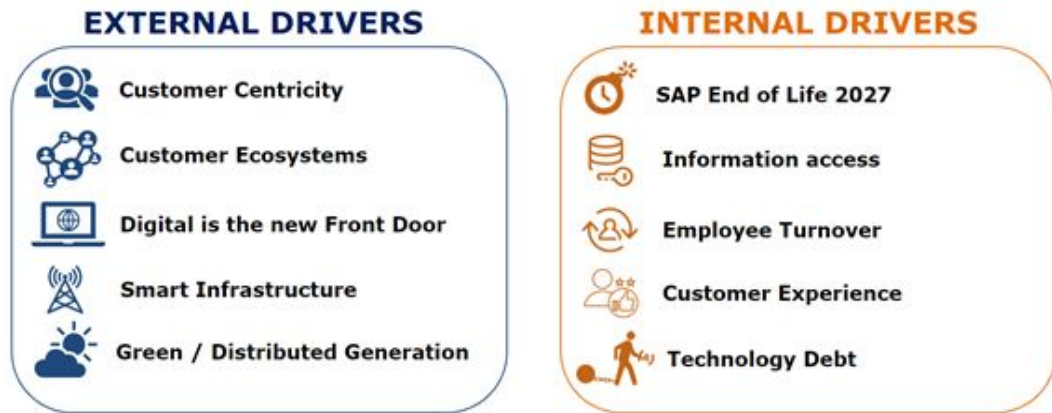
- 1 Our Technology Ecosystem impacts all aspects of operations and our plans include a crucial Enterprise Resource Planning (ERP) System replacement:**

First, our ERP System fundamentally serves as **our customer, employee and administrative system**. The system manages our day-to-day business activities such as customer account management, human resources, finance, procurement, supply chain, asset tracking, and numerous other operational functions. It is also highly integrated with several other enterprise systems whereby information is sent and received throughout the day to support our 24/7/365 business.

- As with any technology, an ERP system ages over time and ultimately reaches a point where it is no longer effective or adds value. Our current **ERP system was selected in 1998** and at 22+ years old, the system vendor announced **they will retire the system in 2027**. This means the system must be replaced because the vendor will no longer sustain the system with maintenance and **Security** updates.
- Our employees are aware of the ERP project and understand it will be extensive. This said, employees are increasingly interested in the benefits that will accompany the conversion, including new functionality that will make their jobs more efficient.



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AGENDA ITEM 6 NARRATIVE**



Risk of Not Replacing Our ERP System:

Not replacing this system means the organization will not be able to serve our customers well. Even basic business functions would not be possible. To the contrary, employees believe a foundational investment in a replacement ERP system will support other important objectives such as new technologies to improve the grid.

Plan:

As a result, and to mitigate the risk, we have already started the essential preparation for this critical change. Replacing the ERP System will be a massive enterprise undertaking. As such, we recognize the scope requires full participation from all business areas to ensure our success as we embark on this transformation journey. It will take a minimum of 5 years to complete. **Accordingly, we must wholeheartedly start the ERP conversion next year.**

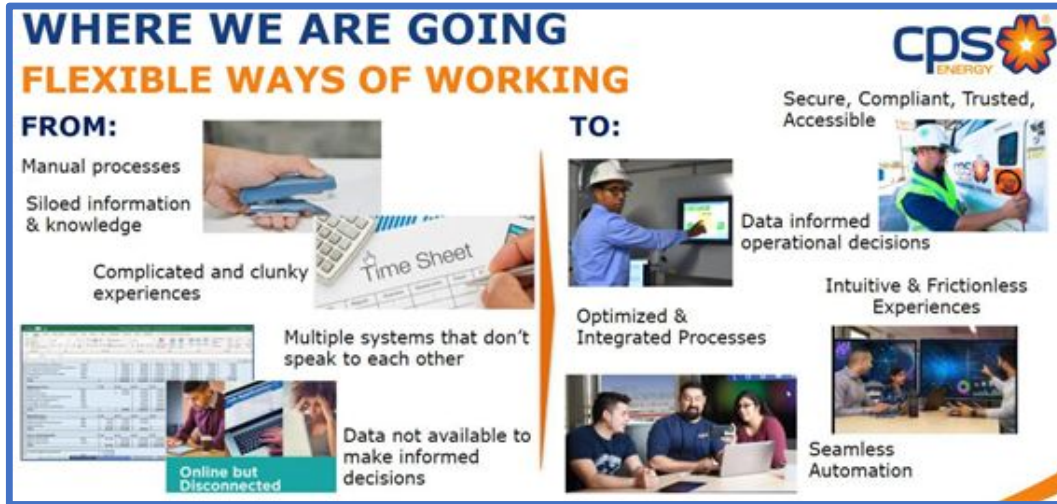
Benefits:

While replacing the ERP system has become **a time-sensitive mandate**, this initiative provides us with a tremendous opportunity to deliver enhanced value for our community, rethink our day-to-day operations, improve business agility, and enable continued growth. In fact, we will be redesigning for a more flexible future through process automation, digitalization, and information access optimization. In short, we will be able to work better, faster, more efficiently



**AUGUST 30, 2021 BOARD MEETING
AGENDA ITEM 6 NARRATIVE**

and deliver more customer value. Our goal is to enhance customer experiences, engage employees, drive analytically-intelligent operations, deliver business agility, and support business growth.



Highlighted outcomes as a result of this transformation include:

Delighted Customers:

We will improve access to information regarding usage and billing details, expedite deployment of automatized rates and programs, accelerate fulfillment of support requests, and include an integrated customer view for tailored experiences.

Engaged Employees:

We will enhance employee portals with ease of access to critical operational information, optimize shift and schedule management, and include integrated employee views.

Intelligent Operations:

We will integrate our ERP complex with critical operational systems such as our grid management solutions, data-driven decision-making capabilities through centralized information access, and an improved digital work management experience for field teams.



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Business Agility:

We will ensure platforms are more configurable to support evolving business requirements both today and, in the future, which will ease the integration of information sources thereby promoting accuracy and continuous improvement.

2

Data Center

Background:

To deliver all energy solutions, we own and operate our own data centers. These facilities support the infrastructure required to maintain all aspects of our technology solutions. Whether it is our customer billing and information systems, or grid operational systems, they operate on critical IT infrastructure solutions.

Example:

Just like a laptop enables an individual to connect to the internet, to host the software applications they use, to store data and enable how fast they can do their work through processing power, the infrastructure that resides in our data centers provides enterprise network connectivity, houses applications that we use to manage our grid, delivers energy solutions, and importantly services our customers.

Our data center environment supports hundreds of applications that are used across our business areas and includes integrated back-up and recovery solutions to ensure **Resiliency** is integrated throughout.

- The current state of our data center infrastructure requires a lifecycle refresh that must be completed by January 2023.



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Plan:

When we refresh the infrastructure residing in our data centers, our goal is to leverage a Hybrid-Cloud model. This means we will replace the datacenter infrastructure with technology, both in our physical data centers, as well as leveraging assets residing at other data centers, typically called “the Cloud.” As such, we have developed an enhanced Hybrid-Cloud strategy that will ensure technology solutions are deployed and maintained in the most optimal manner, including aligning to our **Guiding Pillars** and foundation of **Financial Responsibility**.

Additionally, in serving the community, and as customer and employee needs change, there is an ongoing need for the rapid delivery of infrastructure services (more network and more computer processing power). This model will allow us to ramp up and ramp down services, enabling us to better optimize how much infrastructure we need and its associated cost.

That said, it is worth emphasizing our migration to a Hybrid-Cloud model will have a huge focus on **Security, Reliability, Resiliency, and Affordability**.



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Highlighted outcomes as a result of this transformation include:

Flexibility:

We must robustly manage costs to support immediate and future needs for IT infrastructure, which support the management of our evolving technology ecosystem, while ensuring we are only investing where required.

Reliability & Resiliency:

Automation and orchestration of environment management and resource deployment allows for real-time risk mitigation of application performance.

Investment Optimization:

We have opportunities to expand our asset sharing program by extending data center services to other civic partners like the City of San Antonio (CoSA), San Antonio Water System (SAWS), and VIA Metropolitan Transit (VIA).

3

EXPERIENCE TRANSFORMATION THROUGH DIGITAL

Background:

Digital Technologies are rapidly shaping the lives of our customers and how our community operates daily. The speed of change introduced by Digital Technologies necessitates that we have the capability to bring highly valued solutions to our community at a rapid pace. Our goal is to develop and launch experiences that allow our customers and employees to engage with us through convenient, frictionless, and intuitive experiences.



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This includes serving our customers who may not have access to digital resources but may be engaging with employees through various channels or in-person. Employees must be able to serve all customers equally and provide them with the right services and relevant information in a timely manner.

Additionally, the disruption caused globally by the COVID-19 Pandemic, combined with the challenges from Winter Storm Uri, have heightened and accelerated our need to anticipate and respond to sudden disruptions, address changing customer needs, improve ways of working for our employees and meet pivotal market opportunities in real time.

- **Key Focus Areas:**

Includes re-design or key enhancements to the following areas:

- The CPS Energy website
- Customer Communications Platforms
- Customer Mobile app.
- Digital Tools for Field Operations
- Employee Intranet
- Data Transformation

Impact:

These initiatives are driven by a deep empathy for our customers and our community. With **People First** in our DNA, we are hyper-focused on making sure we understand customer pain points and their expectations even better. We will leverage approaches that better align our digital transformation roadmap directly to our customers, the community and our employee needs equitably.

Plan:

For these initiatives to deliver the most value the **ownership will be distributed across the organization, as well as our community**, to ensure that we have pertinent support from all stakeholders and alignment across various teams to remove roadblocks and ensure the success of our initiatives.

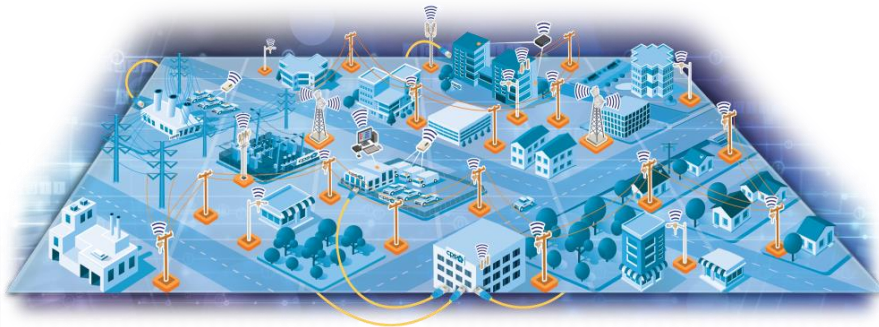


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Our goal is to deliver value iteratively and continuously, to increase the speed at which we offer that value, and to continuously incorporate customer, community, and employee feedback to improve successful value delivery.

Communications:

Our communications ecosystem is essential to enabling our **Reliable** delivery of energy services and ongoing operation of our business functions. This infrastructure allows for remote management of the grid, communication with meter infrastructure including meter data, systems access to our field and mobile workers, and many other critical forms of information access.



Fiber Lifecycle & Expansion:

Optical fiber is the core of our communications network. We own and maintain over 1,200 miles of fiber infrastructure that connects various aspects of our energy operations network, including substations and grid communications, and it is the primary enabler of our business operations network. We have established a multiyear lifecycle management program to mitigate risk across our existing network, as well as support ongoing growth and expansion requirements to keep up with customer demand.

Advanced Metering Infrastructure (AMI) Network:

Our AMI network supports wireless communication with our meter infrastructure and allows us to remotely manage operations and data collection at an individual meter level. This network consists of numerous access points across our service territory to enable the required connectivity. In addition to ensuring ongoing **Resiliency** of this network through proactive optimization assessments, we ensure **Reliable** connectivity with our critical meter devices. Additionally, this network continues to grow to support our expanded customer



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base and other strategic partnerships with civic partners such as SAWS and CoSA.

Alamo Area Regional Radio System (AARRS):

We joined AARRS as a part-owner following our Board of Trustees approval in 2018. This system is jointly owned by CPS Energy, CoSA, and Bexar County to provide a fully integrated public safety radio communication system. This new system will enhance the radio signal coverage across our service territory to provide a more **Resilient** communication system for our field teams. Additionally, this shared ownership model maximizes the community investment in this critical asset.

Other Ancillary Forms of Communications Infrastructure:

This supports various use cases across our environment. These include solutions such as microwave technologies, shared-infrastructure agreements, and hybrid-wireless solutions with public telecommunications partners. This evolving landscape requires frequent analysis to ensure our ecosystem is best designed and maintained to support our operational needs. Additionally, distributed generation will further require new communications solutions to ensure visibility and accessibility to manage our generation portfolio and overall grid performance.

**Investments in our aging assets & systems
are needed to best serve our CUSTOMERS.**



**AUGUST 30, 2021 BOARD MEETING
AGENDA ITEM 6 NARRATIVE**

**Agenda Item 6C
Enterprise Provisional Rate Case Priorities
SECURITY – FRED BONEWELL**

PRIORITIES TIED TO NEEDED FISCAL SPEND:

1 The evolution of attack techniques has been rapid:

As we look at the *Security* landscape in alignment with our *Guiding Pillars*, we see a rapidly changing and complex environment.

- Cyber and Physical *Security* costs continue to grow.
- The FBI's 2020 Internet Crime Report includes 791,790 complaints of suspected internet crime – a 69% increase from 2019 – with losses exceeding \$4.1 billion.
- In the last year, the compromise of just one information technology vendor (Solar Winds) caused nearly 18,000 companies worldwide an estimated \$90 million in recovery expenses. This was the result of a cybersecurity breach at the *vendor-level*, not even to the companies themselves.
- Additionally, Ransomware has become a favored means of attack on businesses and local governments. In 2020, there was a 150% increase in ransomware attacks and it is growing even faster in 2021.



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AUGUST 30, 2021 BOARD MEETING AGENDA ITEM 6 NARRATIVE

2

Attackers are organized and financially motivated:

- Groups that are carrying out these attacks are from numerous backgrounds and hold wide-ranging agendas, including anti-government, supremacist, environmental extremist, conspiracy theorist and many more. These groups can also be activated to carry out coordinated attacks that would be near impossible for lone actors. The primary objective of most of these groups is financial gain.
- We have been the target of infrastructure attacks of both the digital and “traditional” variety:
 - In 2020, an individual was arrested after he made threats against our company. Based upon the extreme nature of his efforts, law enforcement was involved.
 - Earlier this year an arsonist made threats related to the roll out of 5G, which we were not directly involved with.

3

Summary:

- Enhancing our cyber and physical **Security** posture will never be “complete.”
- For example, the Biden Administration is formulating new guidance in response to the Colonial Pipeline attack to further protect critical infrastructure. If this is implemented, initial estimates by our teams suggest that it would take significant resources to perform the work outlined to protect operations and would be mandatory for any entity operating a gas supply system.
- We continue to build on our Cyber and Physical **Security** using them in concert to provide a hardened, multi-layered approach towards integrated security.
- Our Integrated **Security** team (Physical and Cyber) works daily with federal, state, and local law enforcement to understand evolving threats and identify solutions. The team leverages DOE and DHS federally-funded resources for protecting our operations. Examples include:



AUGUST 30, 2021 BOARD MEETING AGENDA ITEM 6 NARRATIVE

- DHS Cyber & Physical annual assessments
- CRISP (Cyber **Security** Risk Information Sharing Program) and Dragos Neighborhood keeper – DOE monitors traffic on Information Technology (IT) and Operational Technology (OT) networks
- Section 9 designation was secured last week. CPS Energy was identified as critical to National Defense and our team will have access to classified and unclassified information and working groups.
- Despite all that is available through these programs, we also need additional funding to further strengthen our defense.
- Our forward-looking Integrated **Security** plan has identified several projects that are necessary to secure our long-term physical infrastructure and our cyber assets. These projects require appropriate financial support and include:
 - For Physical **Security**, we must focus on:
 - The maintenance and upgrade of access barriers,
 - Intrusion detection systems,
 - Access control systems,
 - Alert and monitoring systems, and
 - Related expenses for equipment, hardware, software, and technology solutions.
 - For Cyber **Security**, we must focus on:
 - Maintaining and upgrading our **Security** tools and solutions,
 - Updating our identity management solution,
 - Expanding our situational awareness and visibility into our Industrial Control Systems, and
 - Developing defensive measures necessary to counter the increase of advanced persistent threats impacting Industrial Control Systems.

We are making progress on physical and particularly cyber **Security**. We are encouraged by many of the steps we have taken to date but there is always more to do, and we need to be prepared. The risk of failure has never been higher, would-be-attackers are evolving, and we must evolve, too. Physical and Cyber **Security** threats are all around us. Therefore, we must do all that we can to **protect our customers, our employees, our assets, and our business.**

**Our Primary Focus is to protect our CUSTOMERS
& Assets from physical & cyber threats.**



OPERATIONS PROVISIONAL RATE CASE PRIORITIES

PRESENTED BY:

Frank Almaraz
**Chief Power Sustainability
& Business Development
Officer**
(CPS&BDO)

Paul Barham
**Chief Grid Optimization &
Resiliency Officer**
(CGO&RO)

Fred Bonewell
Chief Operating Officer
(COO)

August 30, 2021

Informational Update

AGENDA



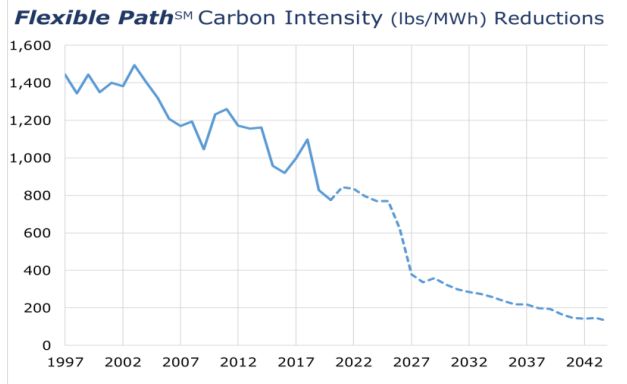
- **POWER SUSTAINABILITY & BUSINESS DEVELOPMENT – FRANK ALMARAZ**
- **GRID OPTIMIZATION & RESILIENCY – PAUL BARHAM**
- **GAS SOLUTIONS – FRED BONEWELL**



POWER, SUSTAINABILITY & BUSINESS DEVELOPMENT

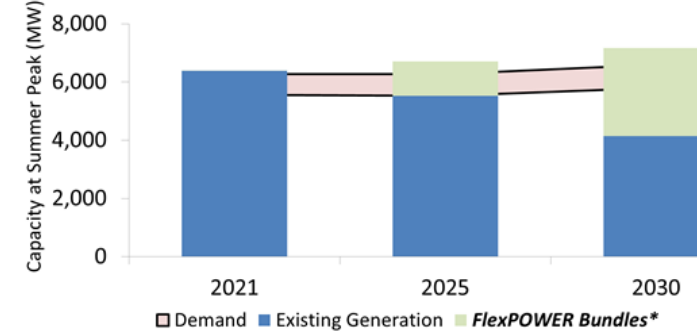


1 Climate Action/Environmental Stewardship



CAAP - Net-zero carbon emissions by 2050.
Flexible PathSM 80% reduction in carbon emissions & 50% Renewables by 2040.
Biden Admin. Focused on carbon-free electricity generation by 2035.

2 Manage Energy Technologies

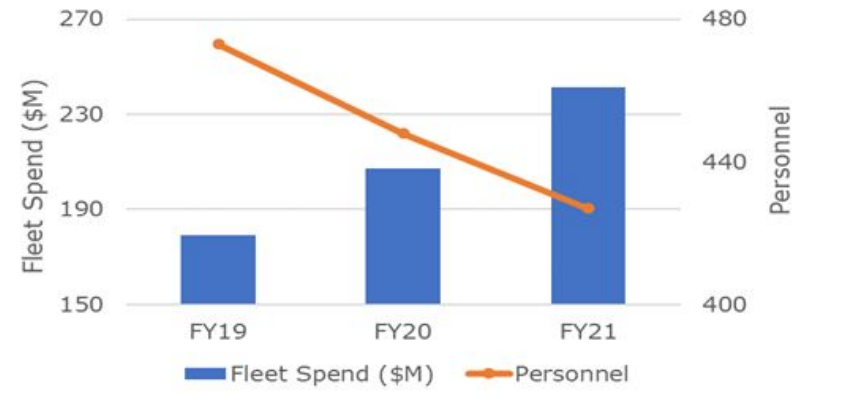


Increases in the number & type of **energy technologies** requires **personnel & centralized management systems.**

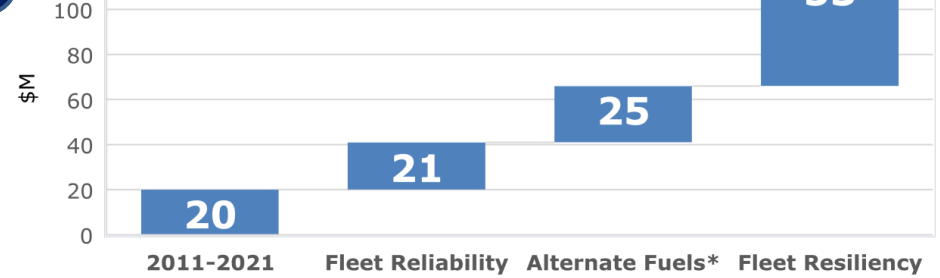
* Include renewables, bulk storage, low-emitting flexible generation, and/or other technologies.

3 Changing Market Fundamentals

Increased power price volatility ⇒ Wear & tear on aging plants.
 Strong Cost Control Efforts ⇒ Team Members Doing More.



4 Generation Enhancements



*Provides 10 days Fuel oil capability for Lee West ~ 200 MW

Needed to improve *Reliability* for our CUSTOMERS!

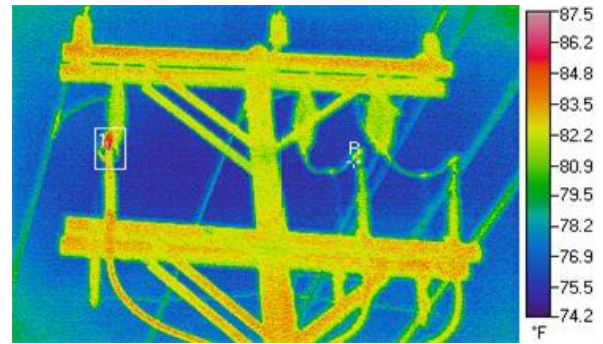
GRID OPTIMIZATION & RESILIENCY



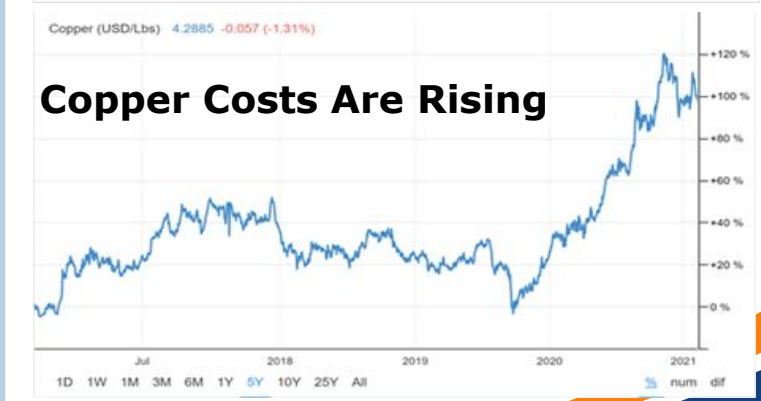
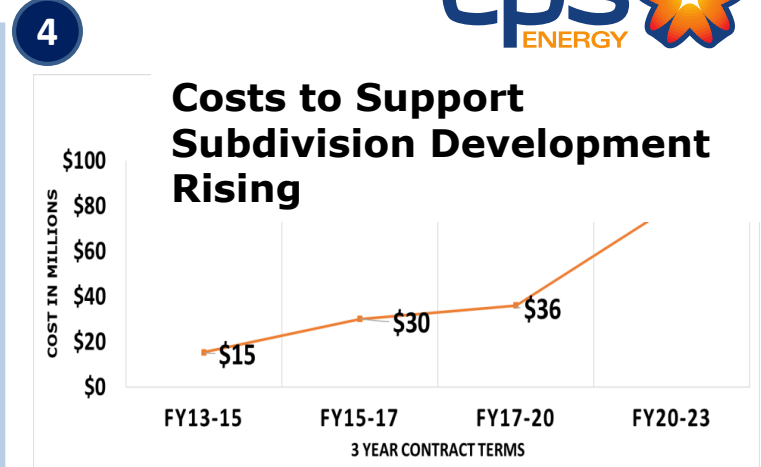
- 1 Growth Up since 2014** ↑
- 17% customer base
 - 13% substations
 - 5% both transmission & OH distribution miles
 - 27% UG distribution miles

- 2 Costs Up** ↑
- 100% price increase in material (lumber, copper, steel)
 - 65% increase in **Reliability**-related maintenance
 - Storm costs have doubled since FY2016

- 3 Aging infrastructure & changing needs**
- 63% wooden poles > 40 years old & 500+ miles of direct buried cable needs replacement
 - 500+ downtown system equipment ~50 years old
 - Unplanned vegetation spend up 65% since 2017
 - Investment in technology



Infrared scanner technology used to detect overheated component



We need to make more investment in new technology & fund expenditures to give CUSTOMERS more grid *Reliability & Resiliency*.

GAS SOLUTIONS

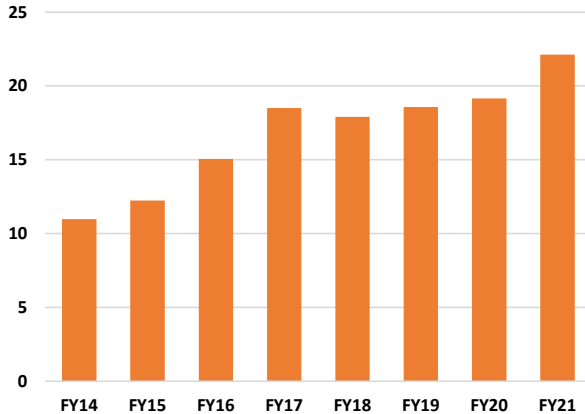


1

We help ensure **Safety** through Regulatory Compliance.

Our growth & expanding regulatory requirements continue to increase operations & maintenance activities.

Utility Locate Requests (In Ten-Thousands)



2



Gas Main Construction

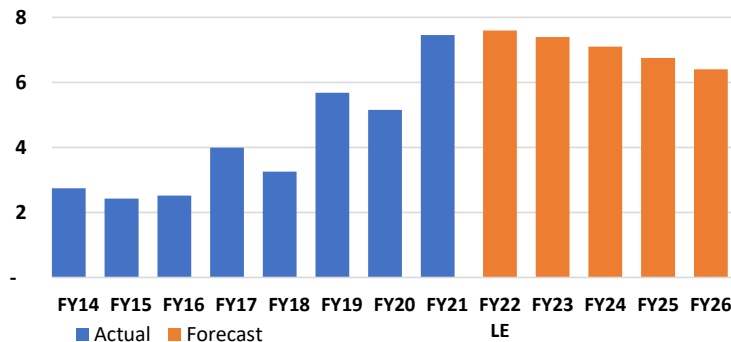
We are improving **Reliability & Resiliency** by modernizing our gas infrastructure & increasing capacity for our growing community.

Natural Gas Pipelines

862 miles Installed (FY2017-FY2021) **1,015 miles Planned** (FY2022-FY2026) ↑

3

Average New Gas Customers (In Thousands)



CUSTOMER growth is a top priority! Today we serve **370,343** gas customers, an increase of 12% over 8 years. We expect to grow 10% more in the next 5 years!

5



Thank You





AUGUST 30, 2021 BOARD MEETING AGENDA ITEM 7 NARRATIVE

Agenda Item 7A Operations Provisional Rate Case Priorities: **GENERATION – FRANK ALMARAZ**

PRIORITIES TIED TO NEEDED FISCAL SPEND:

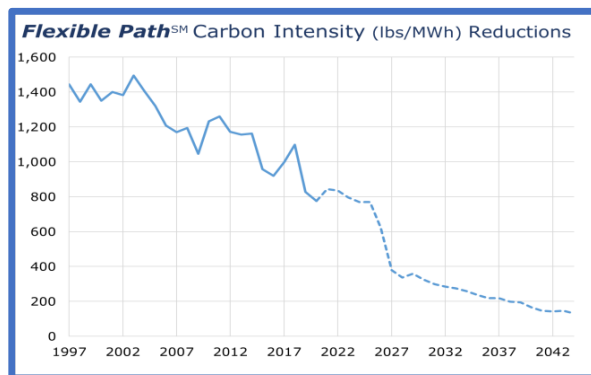
Our operational team has worked with an eye on our *Guiding Pillars* to implement new efficiencies and **cost-cutting measures**, deploy technology solutions, and deliver *Reliable* and *Affordable* power to our growing and prosperous community.



Climate Action / Environmental Stewardship:

Financial markets and Credit Rating Agencies have increased their focus on Environmental, Social & Governance (ESG) criteria when calculating credit risk. We have been a leader in environmental stewardship for many years and have tracked carbon emissions since the 1990s, but there is an increased need to track and report ESG criteria. With the approval of the CoSA Climate Action & Adaptation Plan (CAAP) in late 2019, there has been an increased focus on climate and sustainability.

The CAAP sets a goal of net-zero carbon emissions by 2050 and our *Flexible Path*SM includes an 80% reduction in carbon emissions and increases renewables to 50% (capacity) by 2040. In addition to local carbon reduction goals, the Biden Administration is aiming to reduce carbon emissions economy-wide by 50% by 2030 and have carbon-free electricity generation by 2035. These are aggressive goals. This work will have a cost / benefit profile to consider and velocity of even the best initiatives will impact our ability to take responsible action for our customers.





AUGUST 30, 2021 BOARD MEETING AGENDA ITEM 7 NARRATIVE

2

Changing Energy Technologies:

With Winter Storm Uri, and our recent experience with unconscionable, and in some cases illegally high, natural gas prices in mind, it is easy to forget that the vast majority of the time, over many years, low natural gas pricing combined with the widespread deployment of renewable energy has altered wholesale market pricing patterns. This has helped to keep average market prices low for customers **most of the time** but has also led to increases in price volatility. The result is additional intermittent generation and power supply volatility causing our coal and gas units to start, ramp up and down, and turn off much more often than ever before – creating wear and tear on our aging plants, ultimately driving maintenance costs up. As a result, plant spending has increased, even while we are carefully managing costs.

3

Changing Market Fundamentals:

These market realities have increased the value and necessity of quick-responding energy supply. The firming capacity within the **FlexPower BundleSM** will help address this need, but future **FlexPower Bundles** will need to follow closely after. Another valuable resource is our significant demand response program that is used as an operational asset to reduce our use when prices are highest and most volatile. This program has saved our customers an average of almost \$11 million per year over the past few years. All things have a cost, however, and the introduction of different types of generation resources and demand-side programs require additional automated systems to manage and to optimize them. Expansion of distributed energy resources and utility scale energy storage require a centralized, automated system to deploy them effectively.



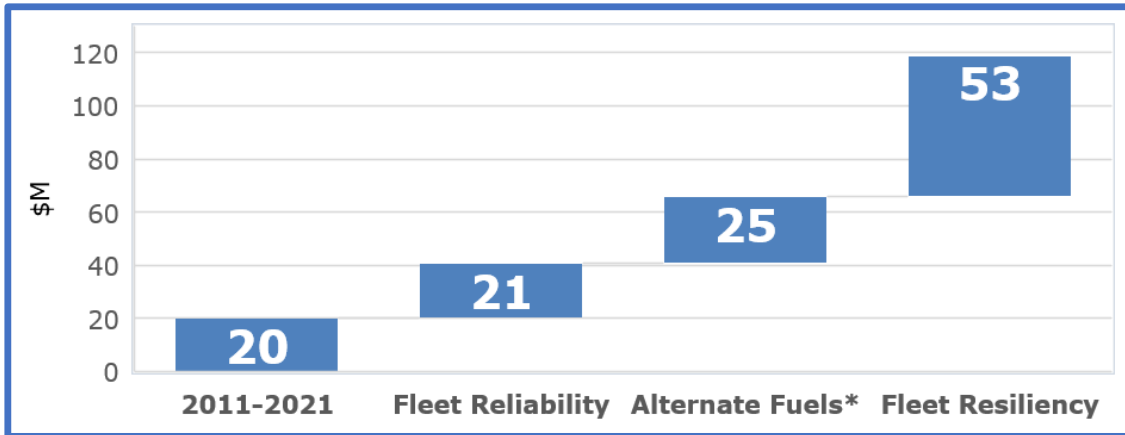
AUGUST 30, 2021 BOARD MEETING AGENDA ITEM 7 NARRATIVE

4

Generation Enhancements:

Winter Storm Uri has highlighted the importance of preventative maintenance and targeted investments to harden our assets and improve **Resiliency**. While we have invested significant time and money on hardening our aging power plants against seasonal weather since 2011, we need to make substantial additional investments to improve our fleet's **Reliability**, fuel flexibility, and **Resiliency** for future extreme weather events.

Generation Enhancements



*Provides 10 days of Fuel oil capability for Lee West – 200 MW

**These enhancements are
needed to improve *Reliability*
for our CUSTOMERS!**



**AUGUST 30, 2021 BOARD MEETING
AGENDA ITEM 7 NARRATIVE**

**Agenda Item 7B
Operations Provisional Rate Case Priorities:
GRID – PAUL BARHAM**

PRIORITIES TIED TO NEEDED FISCAL SPEND:

Background:

- There are 3 primary drivers of increasing cost in the Transmission & Distribution business area: System Expansion, Aging Infrastructure, and Changing Requirements.
- Our team manages:
 - 8,000 miles of overhead,
 - 6,000 miles of underground,
 - 375,000 poles, and
 - 1,500 miles of transmission lines.
- Budgets have remained relatively flat since our last rate increase. We have made numerous reductions, efficiency gains, and deferred projects to cover these costs up to this point.

1

Growth:

- Customer & System Expansion: Our community and customer base has grown – in number and diversity. The trend in growth is forecasted to continue based on new customer requests. In addition, to accommodate growth and demand, we must continue to increase capacity by adding to our system. These costs are further exacerbated by significant commodity price increases.
 - Growth has many positive benefits to our community, including jobs and services, but requires support of quality infrastructure to fully realize those benefits.
 - Since 2014 we have increased our customer base by 17%, which includes several large customers, like data centers.
 - Infrastructure to increase capacity added since 2014 includes:
 - 14 substations (+12.9%),
 - 39 substation transformers (+14.1%),



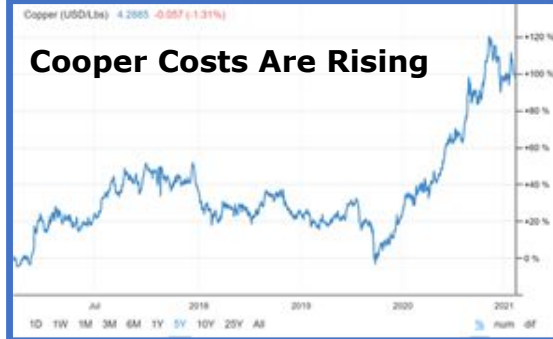
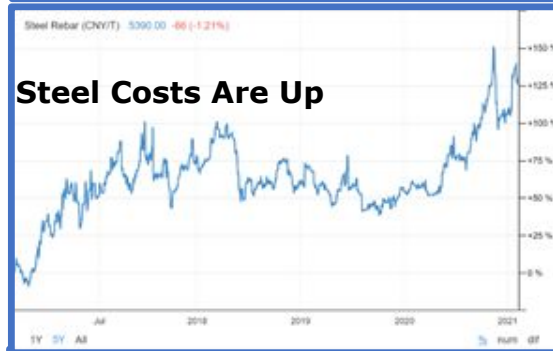
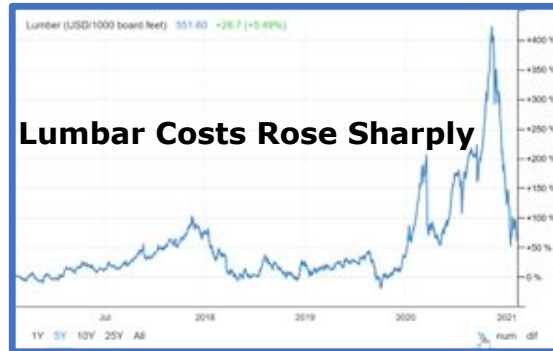
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- 54 substation transmission class breakers (8.9%),
- 172 substation distribution class breakers (13.8%),
- 392 miles of overhead distribution circuits (+5%),
- 1,340 miles of underground distribution circuits (+27%), and
- 60 miles of transmission circuits (+4%).

2

Costs Are Up:

- In addition to current growth, we are also seeing significant increases in material costs that are further increasing the total cost of new infrastructure. Three representative examples are shown below highlighting the 5-year trends for lumber, steel, and copper. All 3 show significant price volatility and price increases on the order of 100% or more over the period.



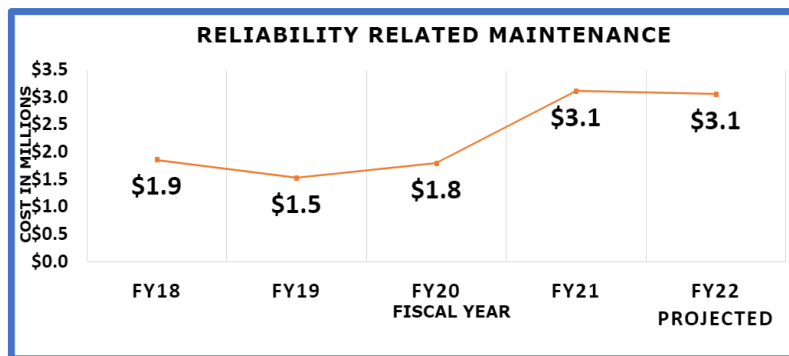


**AUGUST 30, 2021 BOARD MEETING
AGENDA ITEM 7 NARRATIVE**

3 Aging Infrastructure & Changing Needs:

Past growth also has its impacts to the increase in the age of our infrastructure. As infrastructure ages, it requires increased maintenance attention and ultimately replacement. While application of technology and process improvements have maintained **Reliability** performance, we are seeing stress in the trend of those numbers.

- A few examples of projects targeting aging infrastructure are:
 - The system that serves our vital downtown area has about 500 critical pieces of equipment (transformers, switches) that are reaching 50 years of age and are due for replacement. Significant investment is needed to support replacement of ~30 of these components per year.
 - We have around 370,000 poles and 63% of those are over 40 years old. We currently replace 1,000 poles per year and need to enhance this program to meet our replacement cycles. We maximize service life through a testing and inspection program, but we currently have a growing backlog of poles identified for replacement, with the expectation of increases moving forward.
 - Direct buried cable was used in underground systems in the 1970s but was found to not have the life we expected. When these cables fail it results in outages lasting for longer periods that are very frustrating for customers. We currently have 525 miles of this cable in service needing proactive replacement.
 - While we still have above average **Reliability** numbers, we are seeing degradation in that performance, particularly over the past 2 years. We also see a need to put additional focus on pockets of customers that are experiencing significantly worse performance than the average customer. This is driving increasing maintenance needs in repairs and vegetation management. The chart below shows actual costs for **Reliability**-related maintenance over the past 5 years.



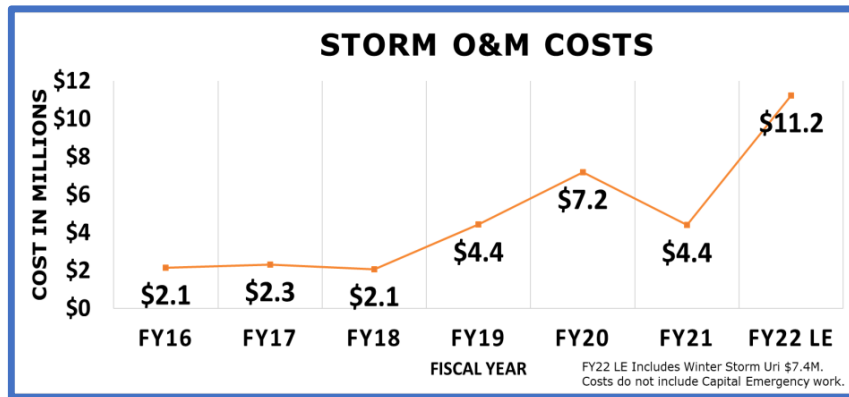


AUGUST 30, 2021 BOARD MEETING AGENDA ITEM 7 NARRATIVE

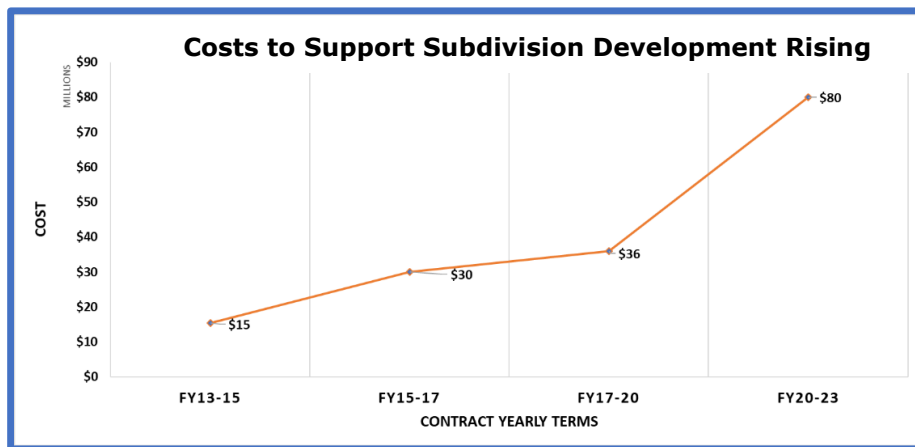
- Changing Requirements and Expectations: It is said that if Edison returned today, he would recognize the transmission and distribution (T&D) system. While the basic components have not changed significantly, there is noteworthy change occurring to the T&D system. This is driven by expanding digitization, changes in the load we serve, an increase in storm activity, and changing expectations of our customers.
 - The increase in digital controls, automation, and communications in the T&D system brings benefits to customers through improved **Resiliency**, **Reliability**, and restoration time, but also improves the **Safety** and efficiency of the system overall. Improved control and monitoring of the system are also required with the increase of distribution-level generation, such as solar and batteries. We have multiple projects aimed at meeting this need, most notably an upgrade to our overall controls system for T&D. This replacement is an expenditure of \$36 million.
 - While overhead wires and equipment are our standard design and lowest cost, there is an increasing desire for electrical services to be underground. This is preferred by most customers for aesthetic reasons, but underground service is also more **Reliable** and **Resilient** to storm damage. Converting the entire system to underground service is not feasible, but we are investing in overhead-to-underground conversions to address **Reliability** issues and to strengthen critical services. Currently this is targeted at \$20 million per year which equates to around 20 miles.
 - Winter Storm Uri revealed several areas for improvement to strengthen our system for a future event. Our customers sentiment is clear, and expectations have been explained through the recommendations from the Committee on Emergency Preparedness (CEP). Some of the enhancements can be accomplished through process improvement and other low-cost options, but some of the recommendations will require additional capital investment, some of which is still not fully defined.
 - The impact and cost of storms in general on the electric system has been growing over the last several years, as shown in the chart on the next page. This trend further emphasizes the need for additional infrastructure investment for modernization, investment in new technologies and hardening, in addition to increased maintenance investment to existing equipment previously discussed.



**AUGUST 30, 2021 BOARD MEETING
AGENDA ITEM 7 NARRATIVE**



- Finally, there are regulatory changes that we must comply with. One such regulatory change is a requirement for the inspection and assessment of transmission lines put in place by the state after a sail boating accident involving contact with a transmission line (not CPS Energy). While this is a positive requirement to ensure public **Safety**, it is an additional cost of \$2.5 million for the 5-year inspection cycle.
- Growth is not slowing down. As an example, applications for subdivisions are up 36% over last year. Another indicator of the increased construction activity is contract costs for new subdivision infrastructure (three-year terms) as seen in the graph below.



- In addition to connecting customers, the overall infrastructure must be upgraded or added to serve these new loads. This includes upgrades of conductors and transformers, new substations, new wires, and poles, etc. We currently have over 360 upgrade projects identified to ensure our distribution system can meet the growing demand of our community.



AUGUST 30, 2021 BOARD MEETING AGENDA ITEM 7 NARRATIVE

Conclusion:

A flat budget does drive an organization to focus on the most critical activities and reduce waste, and we believe that has happened. We are also seeing several indicators that budget constraints are negatively impacting our ability to serve customers at the level they expect. We will continue to pursue technology and process improvements that will drive efficiency and cost effectiveness, but it is critical that we get funding to properly support this critical infrastructure.

**We need to make more investment in new technology
& fund expenditures to give CUSTOMERS more grid
*Reliability & Resiliency.***



**AUGUST 30, 2021 BOARD MEETING
AGENDA ITEM 7 NARRATIVE**

**Agenda Item 7C
Operations Provisional Rate Case Priorities:
GAS – FRED BONEWELL**

PRIORITIES TIED TO NEEDED FISCAL SPEND:

- The natural gas industry is an important component in meeting our community's energy needs and environmental goals. Nationally, on average¹:
 - Homes that utilize natural gas for heating, cooking, and drying clothes save an average of \$879 per year compared to all-electric homes.
 - Natural gas utilities add nearly 663,000 customers each year (on average 1 new customer every minute).
 - Nearly 21,000 businesses sign up to use natural gas each year.
 - Increased use of natural gas is the single largest factor in power sector emissions reductions reaching a 27-year low.

At the local level, our 161-year-old gas business continues to be a value-added revenue stream – 7% of overall revenue – that contributes to covering many of the utility's fixed costs and overall profitability. Further, the gas business unit has contributed over \$500 million of margin to CPS Energy over the past 5 years (FY2017-FY2021), which helps keep our customer bills **Affordable**. On average, customers with combined electric and natural gas homes save about 25% on their bill compared to all-electric homes with the same energy needs. Additionally, our customers continue to prefer natural gas for cooking and energy efficiency as evidenced by continued strong residential growth.

- Our gas business unit:
 - Serves over 370,343 customers and is growing,
 - Maintains over 4,187 miles of service pipelines,
 - Maintains 5,786 miles of distribution mains, and
 - Maintains 89 miles of transmission mains.

In alignment with our **Guiding Pillars**, the Gas Solutions team's key economic drivers include **Safety, Reliability** and **Resiliency programs**, and **Customer Growth**.

- Over the next 5 years, a total of **1,015 miles** of natural gas pipelines² will be installed in our system.

¹ Source: American Public Gas Association

² Note: The term "Gas Pipelines" is a general term that refers to both gas distribution mains and service pipelines.



AUGUST 30, 2021 BOARD MEETING AGENDA ITEM 7 NARRATIVE

1 **Safety through Regulatory Compliance:**

The **Safety** of our people and our community is built into everything we do. Our gas system is highly regulated by the Department of Transportation (DOT) Pipeline & Hazardous Material Safety Administration (PHMSA), the RRC, Federal Environmental Protection Agency (EPA), the TCEQ, and others to help ensure public **Safety** and environmental protection.

- Since our last rate increase, the number of gas regulations have increased significantly, which has resulted in increased operations & maintenance requirements, audits, and reporting.
- We expect additional natural gas regulations from PHMSA and the RRC soon.
 - Today, there are 9 new rules slated to impact our compliance and maintenance programs, which will result in increased maintenance requirements and resources. For example:
 - Asset tracking and traceability technology requirements will be implemented in the next 2 years. These are designed to better identify material issues and geospatially track facilities;
 - Equipment inspections are expected to become more frequent; and
 - We expect increased leak detection requirements as these bodies increasingly emphasize emissions reduction.
- It is important to note that many of our system modernization efforts are not only intended to improve **Reliability** and **Resiliency** but are required by regulation. For instance:
 - 60 miles of service pipeline slated for replacement over the next 5 years target some of our oldest steel services as part of our Distribution Integrity Management Plan regulatory requirement.
- With increased customer growth and construction activities in our community, there is an increased risk of third-party excavator damages requiring more locates, inspections, repairs, and other maintenance activities.
 - 101% increase in locate requests from FY2014 – FY2021.
 - 102% increase in Gas Construction and Maintenance orders from FY2020 – FY2021.



AUGUST 30, 2021 BOARD MEETING AGENDA ITEM 7 NARRATIVE

Through our maintenance, **Reliability** efforts, and utilization of new technology, such as our Smart Sniffer Vehicle, we continue to improve our efforts to mitigate leaks and reduce emissions.

2

Reliability & Resiliency:

As we expand to meet customer needs, a key component of our go-forward plan for Gas Solutions is focused on mitigating risk of service interruptions. To do this, our 10-year plan calls for investments in two categories: System Expansion and System Modernization.

- Expansion (install new pipelines)
 - We plan to install **89 miles** of new main distribution pipelines over the next 5 years.
 - The recent surge in customer growth has also prompted us to accelerate projects slated for future years (5+) to meet this demand and to re-prioritize other projects to remain within budget.
- Modernization (replace/reinforce existing pipelines)
 - We plan to replace **128 miles** of existing pipelines over the next 5 years.
 - These steps are critical to maintaining **Reliability, Resiliency**, and the **Safety** of our gas system.

In the coming years we will be facing several challenges, including increased employee retirements and additional training needs to maintain a strong and competent workforce.

3

Customer Growth:

Since our last rate increase, we have added:

- 36,320 customers (12% increase),
- 1,274 miles of gas pipelines, and
- The JBSA 50-year Utilities Privatization Contract (Executed in 2019).

In FY2021 our gas customer growth increased by 2.1% or 7,461 new customers.

- We project strong growth over the next 5 years:
 - Estimated total growth of **10%** or approximately **37,343 customers** with a projected average growth rate of **2%** per year!



AUGUST 30, 2021 BOARD MEETING AGENDA ITEM 7 NARRATIVE

- We plan to install **710 miles** of pipelines to support new customer growth.
- Civic improvement work also continues to support public infrastructure enhancements, partnering with local and state entities.
 - We plan to install **88 miles** of new pipeline to accommodate civic improvement projects over the next 5 years.

Our primary infrastructure and reinforcement costs also include:

- As mentioned in the Grid Optimization summary, we are seeing significant increases in material costs that are going to further drive up the cost of new infrastructure.
- In addition to gas customer growth, Gas Solutions continues to support the growing needs and maintenance of existing infrastructure for the gas pipelines that serve our Power Generation fleet, which, as we know, are quickly evolving to support electric power growth.

Conclusion:

While electric power growth continues, we expect the use of natural gas as a viable energy option for our customers to continue for many years to come. Since FY2014, our budgets have remained relatively flat in part because we have improved operational efficiencies and reduced costs. Our continuous improvement efforts and ability to incorporate new technology have helped us meet the demands of increasing regulatory requirements, enhanced **Reliability** and **Resiliency** programs, and strong customer growth. As we look to the future, we remain committed to these same principles and to making the most efficient use of our revenues to deliver **Reliable, Resilient** and **Affordable** energy to our community.

CUSTOMER growth
is a top priority!
Today we serve
370,343
gas customers,
an increase of 12% over
8 years.
We expect to grow 10%
in the next 5 years!



WORKFORCE PROVISIONAL RATE CASE PRIORITIES

PRESENTED BY:

Lisa Lewis
Chief Administrative Officer (CAO)

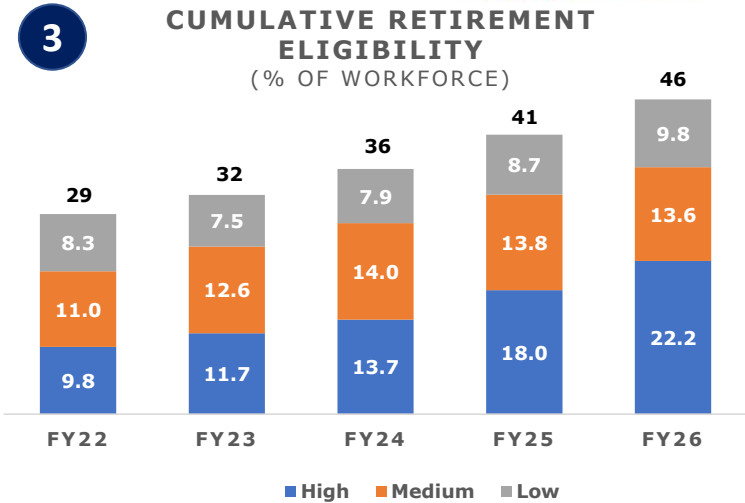
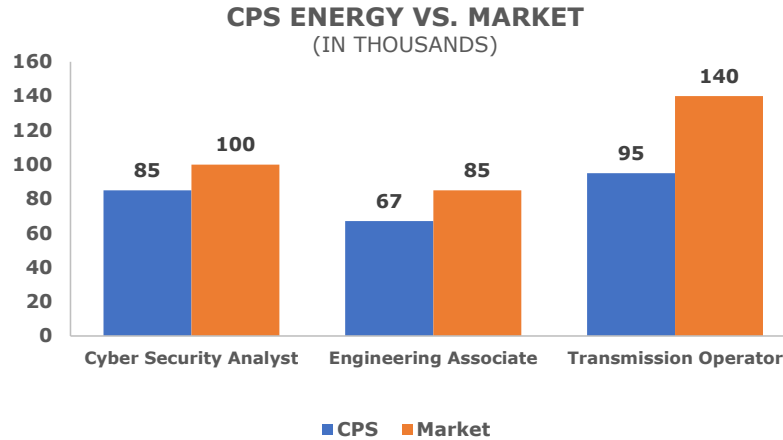
August 30, 2021
Informational Update



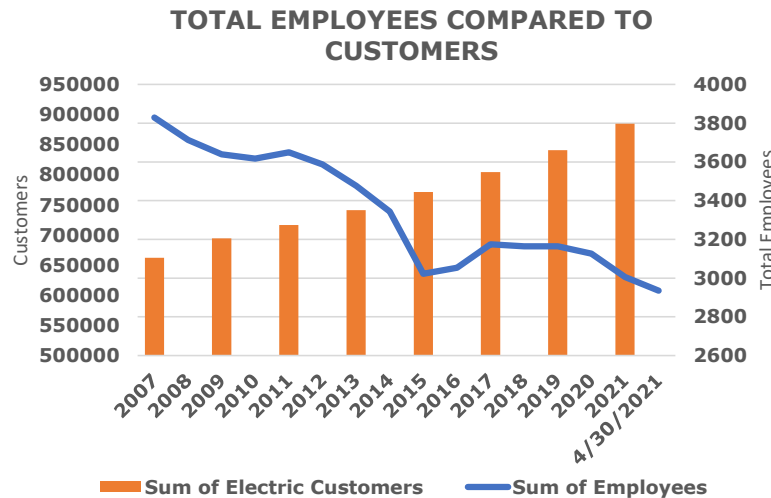
WORKFORCE RETENTION & GROWTH ARE CRITICAL



1 Fierce **competition** for **candidates** continues, we are **in recovery mode** like our customers, & must **stabilize our staffing.**



2 **Serving 33% more customers** since 2007, while **employee headcount has decreased** almost **25%** in the same time period.



- Retirement eligibility is increasing.
- About **30%** of our workforce is expected to **retire within the next 5 years.**

We must Retain & Hire talent to improve our business & better serve CUSTOMERS!



Thank You





**AUGUST 30, 2021 BOARD MEETING
AGENDA ITEM 8 NARRATIVE**

**Agenda Item 8
People & Culture Provisional Rate Case Priorities:
WORKFORCE – LISA LEWIS**

PRIORITIES TIED TO NEEDED FISCAL SPEND:

Our company is **entering a 5-year period of significant workforce transition:**

- Predicted retirements have arrived: it is highly probable that about 30% of our workforce will retire in the next 5 years.
- **Our workforce is at a 20-year low.** Further reductions are impossible.
- The last of our Baby Boomers are retiring (about 20% of the active workforce). The Gen Z digital natives are coming on board slowly (less than 3% of active workforce).
- We will be **operating in two technology worlds simultaneously** and managing a *highly* complex **transition to a low-carbon energy future** where assets are managed digitally, requiring higher levels of **Security**, oversight, and compliance.
- Preparing our mid-career employees for these major technology shifts requires substantial upskilling and training support.
- Onboarding new employees at all levels requires considerable knowledge transfer and development.

1

We are experiencing fierce competition:

Greater San Antonio is no longer a “cheap labor” market:

- Pre-pandemic:
 - **San Antonio’s job market for skilled and Science, Technology, Engineering, and Math (STEM) positions was already very strong.**
 - Multiple employers battling for the same **small pool of candidates** was driving wage increases **3% to 3.5% annually.**



AUGUST 30, 2021 BOARD MEETING AGENDA ITEM 8 NARRATIVE

- With regular annual wage increases through 2019, we were able to remain near the market averages for all but the hardest-to-fill technical roles.
- **Wages for skilled trades, technicians, and professionals have escalated rapidly.** A shortage of qualified candidates has created a bidding war favoring the employees.
- Our summer 2020 **pay-freeze has increased the gap** between our average pay and the market.
- Post-Pandemic:
 - **We are experiencing significant challenges in our ability to compete for the technically skilled talent that is critical to run our complex business.**
 - **Hard-to-fill STEM roles** like engineers, technicians, grid operators, information systems programmers and analysts, cyber **Security** analysts, and many others are harder to fill today than they were two years ago. We are now having to hire inexperienced, entry-level applicants, because experienced candidates decline our offers. This requires increased training support and on-the-job-development.
 - The move to **remote-based work has exacerbated the hiring problem**, as regional and national employers offer local job candidates 100% remote work at rates of pay higher than the traditional regional averages. There is no longer "San Antonio pay" as compared to "Austin pay" or "Houston pay." We are **struggling to retain team members** who can increase their base salaries by 10-20% and work 100% remotely for out-of-market employers.
 - In the second quarter of this year (FY2022), hiring has not kept pace with departures, and even as we hire those critical roles, our headcount has remained flat.
 - This is expected to be our landscape for at least the next 18-24 months, and possibly longer.

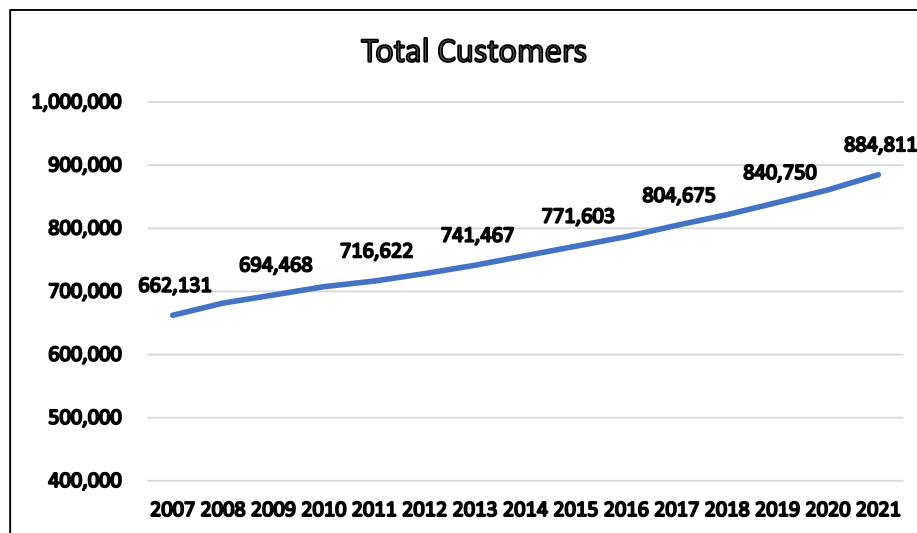
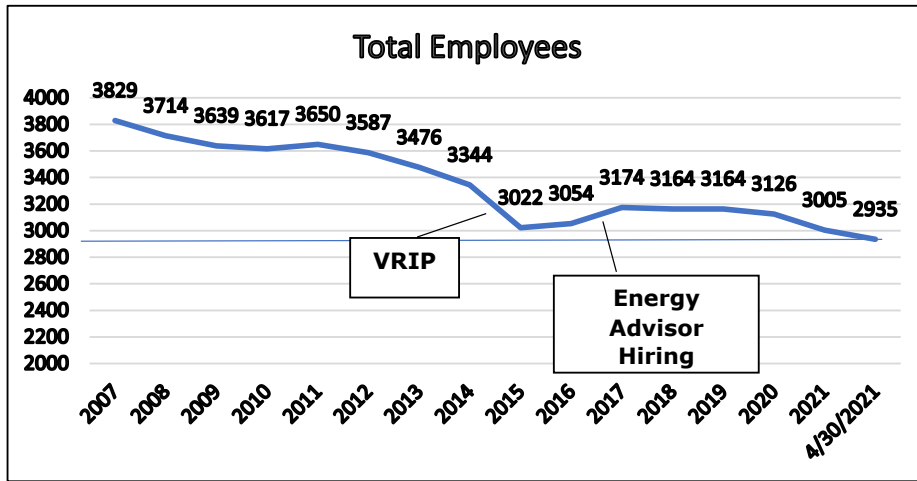
2

Employees serving Customers:

- Since 2007, our employee headcount has decreased by about 25%, while the total number of customers served by these employees has increased by more than 33%.
- The transition to a low-carbon energy future, managed and delivered digitally, will require an increase in team members.
- Our staffing is at an all-time low in modern history, with fewer than 2,950 employees as of July 2021.



**AUGUST 30, 2021 BOARD MEETING
AGENDA ITEM 8 NARRATIVE**



We have saved more than \$100 million since 2016 by controlling our Benefits Costs.

- Our Employee Benefits team has focused intently on managing benefits costs, particularly on rising healthcare costs.
 - **We have renegotiated our pharmacy benefit management contract, saving significant dollars** for the CPS Energy Health Plan and CPS Energy’s operations & maintenance budget.
 - Third-party Health Plan claims administration was transitioned to a new vendor, achieving higher claims cost discounts.



AUGUST 30, 2021 BOARD MEETING AGENDA ITEM 8 NARRATIVE

- An intense focus on our outcomes-based Wellness Program has contributed to reduced health claims, by managing plan members' chronic diseases, such as diabetes, heart disease, etc. **Employees who consistently fully participate in our Wellness Program activities have claims costs that are significantly lower, on average, than those who do not.** Additionally, those fully engaged in our Wellness Program experienced lower levels of absenteeism and **Safety** incidents than those who are not fully engaged.
- Due to this diligent management, and the success of our Wellness Program, our Health Plan premiums (employer and employee) have remained flat for the past three years, compared to an average increase of 6% or more for other plans.
- We continue to assess our post-employment benefits annually. Our pension remains 88.5% fully funded, with a 30-year amortization rate and a 7% discount rate. The Pension Trust is a \$2 billion asset that continues to perform to plan.
- As part of our due diligence efforts, we have continued to evaluate adjustments to the pension benefit such as changes to age/years of service to achieve the benefit, contribution adjustments, etc. Given that this is **THE most significant retention tool** for most of our mid-career workforce, any changes could spur employees to leave prior to retirement. Given current workforce levels, this could have a severe impact on our ability to serve.

We cannot achieve a low-carbon future without the skilled people to do the work.

- People account for about half of our annual operations budget. They also are the linchpin to our success in transitioning to the low-carbon, digital future that our customers are asking us to create. We cannot cost cut our way to that future through our people.
- To effectively invest in our community's energy future and make the needed transitions over the next decade, we must invest in our workforce now, through retention, hiring, and skills development.
- We continue to explore a range of options to control costs associated with employment. Some of those options discussed included outsourcing support services. While saving dollars, these actions could have other impacts:
 - Increased cyber **Security** risks,
 - A near-term *increase* in costs to serve, since many parts of the business are already running very lean, and



AUGUST 30, 2021 BOARD MEETING AGENDA ITEM 8 NARRATIVE

- Sending good-paying jobs outside of our region while simultaneously contributing to the effort to recruit good-paying jobs to our community.
- With about three quarters of our workforce roles being STEM-focused, and an average employee salary of \$87,000, we provide the kind of good-paying jobs with benefits that our Economic Development Foundation so often seeks to recruit.
- Ultimately, we cannot control our community's energy destiny without the skilled workforce to support the transition to our low-carbon future.

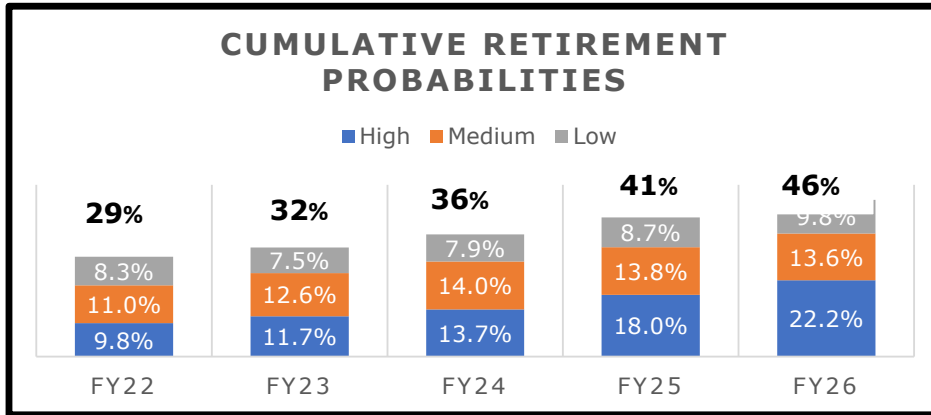
3

We are standing on the predicted "utility retirements" cliff:

- Compounding our workforce challenge is the high number of team members eligible to retire over the next 5 years—from almost 30% *eligible* today to 45% within 5 years. It is reasonable to expect about 30% of the eligible employees to retire in that timeframe.
- Our efforts to hire conservatively for cost control have collided with the long-predicted retirement cliff for utility employees. This is not easily remedied by hiring. Mid-career trades persons will be difficult to recruit.
- Only in the past 5-7 years has broad investment in the workforce development of skilled trade persons become a focus of the education and business sectors. For example, novice electric journeymen, and fewer of them, could lead to increased outage duration, since on-the-job experience is vital to solving the variety of issues and challenges encountered in the field.
- Simultaneously, the transition to new technology types will require significant re-skilling of mid-career team members.



AUGUST 30, 2021 BOARD MEETING AGENDA ITEM 8 NARRATIVE



Employees highly likely to retire increases from about 10% of our FY2022 workforce to more than 22% in FY2026.

We must Retain & Hire talent to improve our business & better serve **CUSTOMERS!**



PREVIEW OF THE PROVISIONAL RATE CASE

PRESENTED BY:

Cory Kuchinsky
Chief Financial Officer (CFO) & Treasurer

August 30, 2021

Informational Update



OBJECTIVES & TAKEAWAYS



- **SUMMARIZE OUR JOURNEY SINCE THE LAST RATE INCREASE**
- **PROVIDE INFORMATION ON THE DRIVERS OF OUR FINANCIAL NEED**
- **PREVIEW OUR IMPENDING RATE REQUEST**



AGENDA



- **OUR JOURNEY SINCE 2014**
- **CHANGING CIRCUMSTANCES**
- **ACHIEVING FINANCIAL STABILITY**
- **PREVIEW OF OUR REQUEST**
- **ADDITIONAL CONSIDERATIONS**



OUR GUIDING PILLARS & FOUNDATION



Reliability



Customer Affordability



Security



Safety



Environmental Responsibility



Resiliency



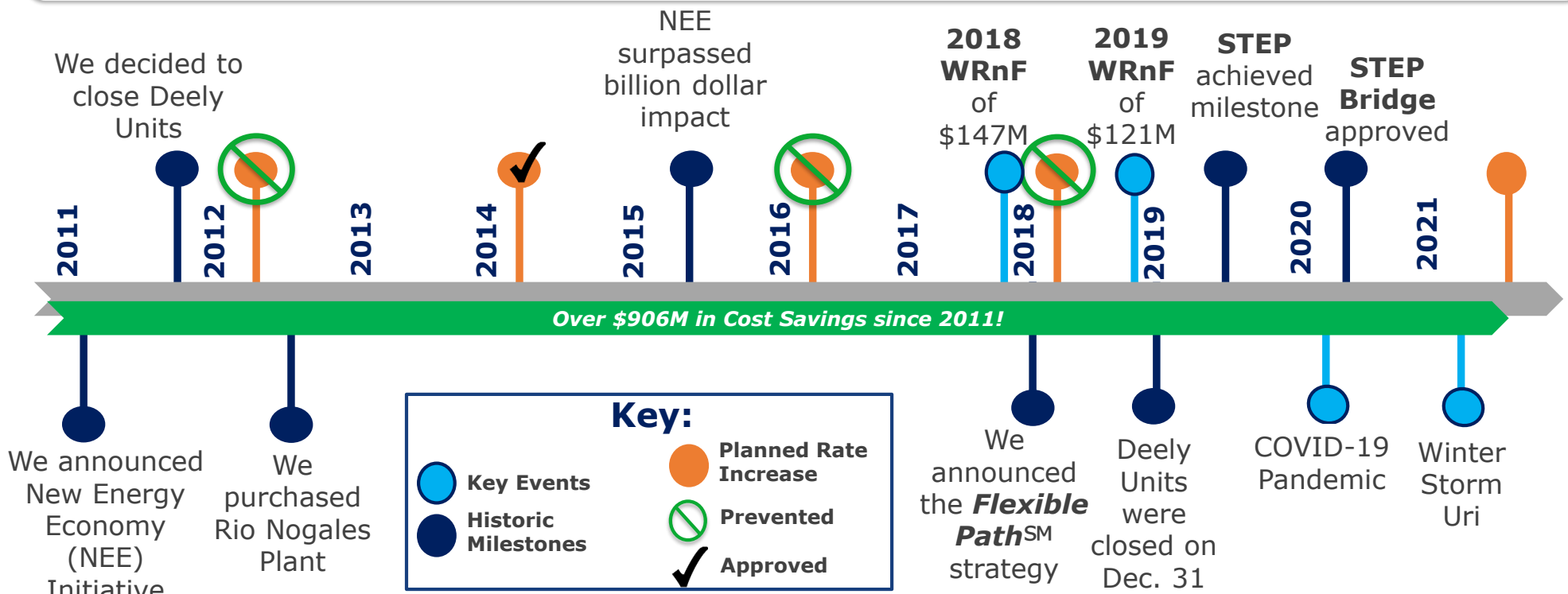
Financially Responsible

All business decisions are based on our commitment to being one of the best-managed & most *Financially Responsible* utilities in the nation!

OUR JOURNEY



We have only had 1 rate increase in almost 12 years & the last increase was nearly 8 years ago!



Key:

- Light Blue Circle: Key Events
- Dark Blue Circle: Historic Milestones
- Orange Circle: Planned Rate Increase
- Green Circle with slash: Prevented
- Checkmark: Approved

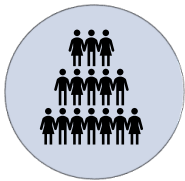
Note: WRnF = Wholesale Revenues net Fuel



CHANGING CIRCUMSTANCES



Our operating environment has become significantly more challenging since the last time we increased rates.

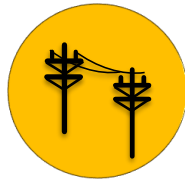


**+125,000
Electric
Customers
(+17%)**

**+36,000
Gas
Customers
(+12%)**



**+222 MW
Peak
System
Demand**



**+ 1,500
Miles of
Lines**



**+ 1,250
Miles of
Gas Lines**



**+ \$1 Billion
in
Assets**



**+280,000
Additional
Customers
Enrolled in
Manage My
Account**



**+8,000%
Increase in
Cyber Data
Breaches
Worldwide**



**Aging
Technology
Platforms**



**~300
Fewer
Employees**

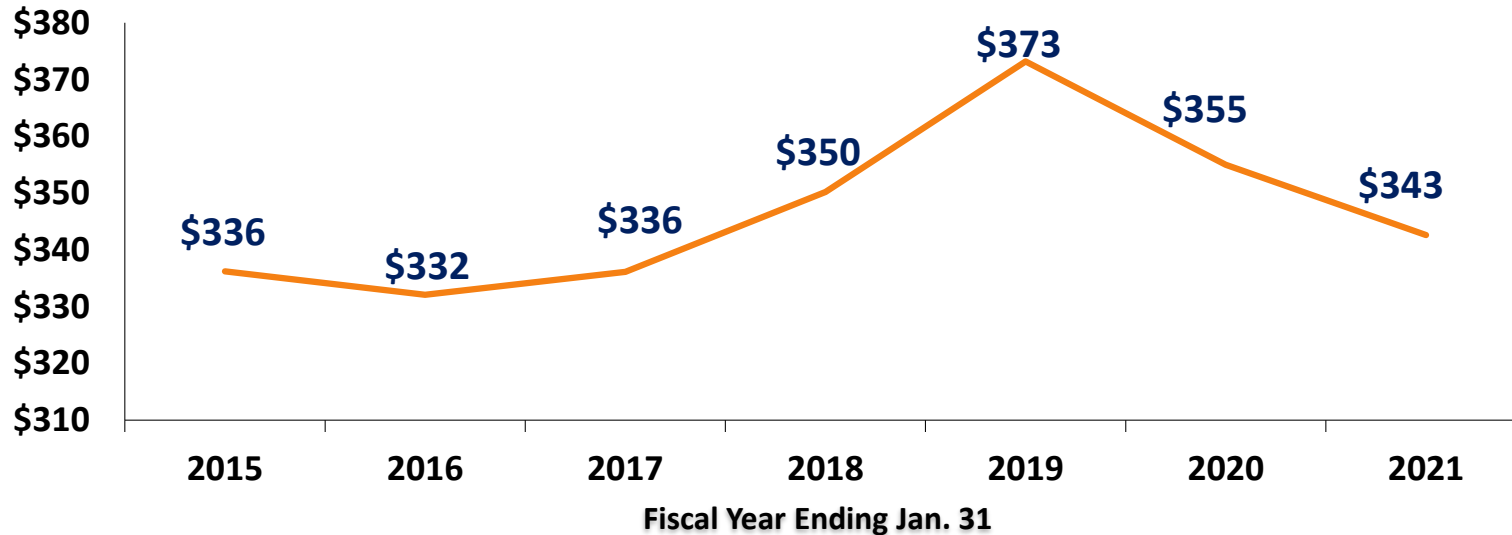


**More than a Decade of Cost Savings Totaling
Over \$906M**

CONTINUED COMMUNITY CONTRIBUTIONS



**CPS Energy General Fund
Transfer History (\$M)**

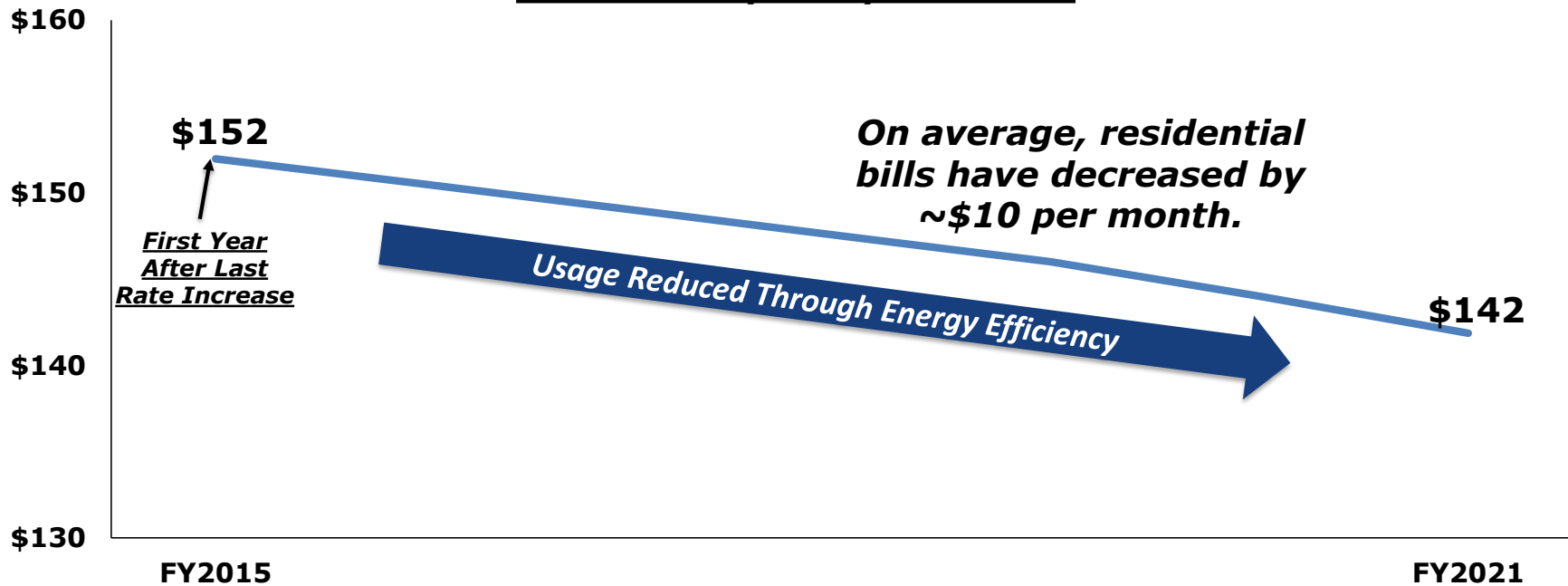


Despite these significant headwinds, we have increased the contribution to the City's General Fund...



REDUCING ENERGY BILLS

Average Residential Combined Electric & Gas Monthly Bill by Fiscal Year



...while at the same time lowering average bills for our customers.

ACHIEVING FINANCIAL STABILITY



Operations & Growth

Drivers: Customer growth, aging operational & technology assets
Consideration: Maintaining operations, growth, *Reliability* & technology is paramount



Pandemic

Driver: Unrecovered costs due to write-offs of customer balances
Consideration: ~\$110M in bills currently past due is creating financial pressure

Working to Reduce
\$1B

Winter Storm Uri

Driver: High fuel costs incurred during February's Winter Storm Uri
Consideration: Still fighting to reduce winter storm fuel costs from \$1B

Even before the impacts of the pandemic & Winter Storm Uri, our need for an increase was building. We understand the importance of a financially healthy recovery for our customers!

SUSTAINING OPERATIONS



TOP 25%
IN THE US FOR
SHORT OUTAGE DURATION



1 ENHANCE SYSTEM
RELIABILITY &
RESILIENCY

POPULATION
1.9M¹ → 2.9M
CUSTOMER GROWTH BY 2040

2 KEEP UP WITH
GROWTH &
COMMUNITY
IMPROVEMENT
PROJECTS

EMPLOYEES AS OF 2014 = 3,344
EMPLOYEES AS OF 2021 = 3,005



3 DRIVE EFFICIENCY
& KEEP
OPERATIONAL
SERVICE LEVELS
STRONG

CREDIT RATINGS²
Aa1/AA-
LOWER COSTS TO CUSTOMERS

4 MAINTAIN
FINANCIAL
STABILITY &
CONTROL COSTS

52+
PRODUCTS & SERVICES & GROWING



5 IMPROVE
TECHNOLOGY WITH
NEW PRODUCTS &
SERVICES



6 SERVE &
PROTECT
CUSTOMERS

Cost control is no longer adequate. A rate increase is critical to support our daily operations.

¹Dear County Census Report, July 2017
²Current credit ratings are Aa1 (Moody's) and AA- (Fitch & S&P)

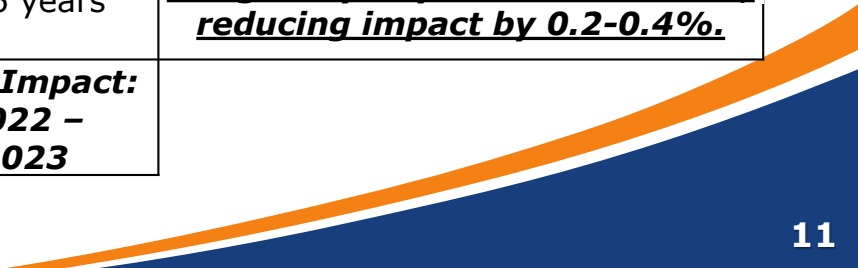
PROVISIONAL RECAP

Presented in May



Managing the affordability impact over time is of the utmost priority as we continue to evaluate these items on customer bills.

Driver	Avg. Est. Customer Affordability		Duration	Description
	Low	High		
Operations & Growth	~4.0%	- 4.5%	Ongoing	Supports Reliability , customer service, infrastructure maintenance & growth.
Pandemic-Related Bad Debt Recovery	~1.0%	- 2.0%	Time Limited: up to 5 years	
Sub-total	~5.0% ~\$7.40	- 6.5% \$9.70		
Winter Storm Uri Fuel <i>Usually recovered over 60-90 days. Recommend alternative</i>	~1.5%	- 3.0%	Time Limited: up to 25 years	<u>The City of San Antonio agreed to forego City Payment on this cost, reducing impact by 0.2-0.4%.</u>
Total Est. Affordability Impact	~6.5% ~\$9.70	- 9.5% \$14.60	Avg. Bill Impact: FY '2022 - FY '2023	



RATE SUPPORT SCENARIOS



Rate Support for Basic Operations

Pandemic Bad Debt	1.0 - 2.0%
Winter Storm Uri Fuel <i>excluding City Payment</i>	2.6%
Debt Paydown <i>(Reduces D/E Ratio by 0.3%)</i>	2.0%
Operations & Growth <i>(Includes FlexPOWER @ 0.6%) (Includes FlexSTEP @ 1.7%) + CEP Support + Data Center Transformation + ERP System Update</i>	4.0%
<hr/>	
9.6 - 10.6%	



Menu Options

Resiliency

0.1%

Additional CEP: network communications & load shed enhancements

Debt Paydown

6.5%

Additional reduction of Debt-to-Equity ratio to 63.4%

Security/Technology

0.4%

Digital ERP, web & mobile channel enhancements, new product support, customer service

Undergrounding

15%

Convert 10% of overhead lines to underground

Reliability

0.3%

Service Dist. enhancement, bus. continuity, replace aging infrastructure, veg. management

Digital Control Rooms

1%

Modernize 5 generation control rooms

ALTERNATIVE OUTCOME FOR METRICS



Metric	Accountability Plans Threshold	FY2023 Estimate With 9.6-10.6% Rate Support	Preliminary View
			FY2023 Estimate Without Support
Adjusted Debt Service Coverage (ADSC)	1.50 ¹	1.88	1.41
Days Cash on Hand (DCOH)	150 ¹	185	141
Debt Capitalization (DC)	63.4% ²	64.6%	66.0%
Net Income (in Millions \$)	N/A	\$76.0 ³	(\$81.9)

- Outside of Credit Ratings Agency Guidance
- On Target with Credit Ratings Agency Guidance

¹ Aligned to Credit Ratings Agency Guidance.

² Aligned to the Debt Capitalization approved by the Board of Trustees; Board Approval is still pending.

³ Forecasted Net Income equal to or greater than \$76.0M

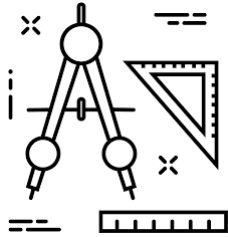
ADDITIONAL CONSIDERATIONS



Affordability



Rate Design



Equity



Generation Strategy



Customer Outreach





Thank You



Document	Redline Version	Clean Version
Procurement Procedures Alternative to Chapter 252		✓
Procurement Procedures Alternative to Chapter 252	✓	
Procedural Guidelines for the Implementation of the Purchasing Resolution		✓
Procedural Guidelines for the Implementation of the Purchasing Resolution	✓	
Procedural Guidelines – Change Summary for the Supplier Diversity Program		✓

**City Public Service
Board of Trustees**

**Procurement Procedures
Alternative to Chapter 252**

**Adopted by the Board of Trustees on
September 30, 2002**

**Effective as of
October 30, 2002**

**Revised October 30,
2021**

City Public Service Procurement Procedures Alternative to Chapter 252
(Adopted 9/30/02; Last Revised October 30, 2021)

City Public Service

**PROCUREMENT PROCEDURES
ALTERNATIVE TO CHAPTER 252**

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City Public Service Procurement Procedures Alternative to Chapter 252
(Adopted 9/30/02; Last Revised October 30, 2021)

City Public Service

PROCUREMENT PROCEDURES ALTERNATIVE TO CHAPTER 252¹

Part 1. General Provisions

1.1 Public Purpose

- 1.1.1 The public purpose to be served by these City Public Services (“CPS Energy”) Procurement Procedures Alternative to Chapter 252 (“Procedures”) shall be consistent with the “Philosophy and Public Purpose to be Served” section of the CPS Energy Board of Trustees Procurement Policy (“Procurement Policy”), with an increased emphasis on the following:
- (a) Increasing business efficiencies,
 - (b) Improving CPS Energy’s ability to compete,
 - (c) Maintaining a successful supplier diversity program; and
 - (d) Seeking opportunities to assist business units in choosing products and services that are environmentally preferable where best value deemed.
- 1.1.2 Furthermore, any activities by CPS Energy under these Procedures shall remain consistent with the philosophy and values and standards of behavior as outlined in the Procurement Policy and CPS Energy Ethics Policy.

1.2 Scope of Procedures

- 1.2.1 Procurements made by CPS Energy using these Procedures are exempt from the Local Government Code, Chapter 252. Procurement shall be conducted in a manner that conforms to the Procurement Policy, these Procedures and all applicable local, state, and federal procurement laws. Nothing in these Procedures precludes CPS Energy from utilizing other mechanisms for procurement that may be provided by law. These Procedures do not exempt CPS Energy from any other applicable statutory or legal requirement.
- 1.2.2 These Procedures do not change or apply to the subject matter addressed by the procurement resolution passed by the Board of Trustees on September 24, 2001, entitled “Resolution Adopting Alternative Procurement Procedures for Obtaining Fuel Supply and Related Services” (the “Fuels Resolution”), as amended. The Fuels Resolution together with the Procurement Policy, govern procurement of Fuel Supply and Related Services.

¹ Adopted by the City Public Service Board of Trustees on September 30, 2002; Effective October 30, 2002, Revised December 2004, Revised April 2006, Revised January 2010, Revised March 2011, Revised November 2013, Revised August 2015, Revised June 26, 2017, Revised October 30, 2021.

City Public Service Procurement Procedures Alternative to Chapter 252
(Adopted 9/30/02; Last Revised October 30, 2021)

- 1.2.3 Sub-part 3.1 of these Procedures covers procurement-related aspects of CPS Energy's competitive matters that are subject to protection under the Open Meetings and Public Information Acts, respectively, sections 551.086 and 552.133 of the Texas Government Code.
- 1.2.4 The Vice President of Supply Chain, or his/her designee, may adopt and revise the Procedural Guidelines for the Implementation of the Purchasing Resolution Approved by the Board of Trustees September 30, 2002 ("Guidelines"), as amended, consistent with the Procurement Policy and these Procedures to promote the uniform and consistent application of these Procedures.
- 1.2.5 If a "Compelling Business Reason" as described in section VI of the Procurement Policy exists, CPS Energy is exempt from these Procedures, and may or may not apply sub-part 2.2 of these Procedures.

1.3 Approval and Review of Contracts

- 1.3.1 The authority to approve and execute contracts for both purchase order and other types of transactions is delineated in the Policy for Designation of Financial Authorizations and the Contract Signatory Policy. The Vice President of Supply Chain may delegate to his/her designee the responsibility for the performance of procurement responsibilities for goods and services as outlined in these Procedures.
- 1.3.2 The Board of Trustees must approve expenditures for the procurement of goods and services exceeding those limits specified in section IV of the Procurement Policy, except for any expenditure approved under section VI of the Procurement Policy and Part 5 of these Procedures.
- 1.3.3 A change order or amendment shall be approved and/or executed based upon the value of the transaction contained within the change order or amendment as provided in section 1.3.1 of this Procedure or section VI of the Procurement Policy.
- 1.3.4 Actions taken under these Procedures shall be subject to audit on a regular basis.

Part 2. Procurement Process for Goods and Services

2.1 General

- 2.1.1 Threshold for Competitive Procurement Process. Except as provided in sub-part 2.4, CPS Energy shall utilize the competitive process outlined in sub-part 2.3 for expenditures equal to or in excess of \$50,000.
- 2.1.2 Advertising and/or Notice to Suppliers. As a general rule, CPS Energy procurement solicitations will be published not less than five (5) calendar days, using any notification mechanism deemed sufficient by the Vice President of

City Public Service Procurement Procedures Alternative to Chapter 252
(Adopted 9/30/02; Last Revised October 30, 2021)

Supply Chain or his/her designee. The mechanisms may include, but are not limited to, publishing the solicitation within a newspaper of general circulation, displayed on the Internet, or through the utilization of other similar electronic or written means. If the Vice President of Supply Chain determines, based on historical responses, an applicable CPS Energy supplier database, or any other reliable means, that not more than six (6) suppliers can reasonably meet CPS Energy's needs at the time of solicitation, notice may be conducted by any means and for such period of time as CPS Energy determines is reasonably necessary for the notice to be received by the applicable suppliers.

2.1.3 Bonding for Public and Non-Public Works. For procurements not deemed public works, the Field Representative, in consultation with risk management and an insurance representative, has the discretion to determine whether a bond requirement is otherwise appropriate based on a review of factors such as subcontracting opportunities, costs of bond and risks associated with delay of a project or a supplier being unable to complete performance or delivery of a quality product. For procurements deemed public works, a performance and payment bond shall be obtained from the successful offeror in the amount determined to be consistent with applicable law or if not commercially available, in an amount determined to be prudent and reasonable by CPS Energy. The bond shall be issued on the condition that the contractor will faithfully perform the contract, and shall be executed in a form and manner acceptable to CPS Energy.

2.1.4 Exceptions to Procedures. Determinations regarding the application of any exception under sub-part 2.4 shall be made by the Vice President of Supply Chain or his/her designee(s).

2.1.5 Reporting. If not required otherwise in these Procedures, all Procurement activity in excess of \$50,000 shall be reported to the Board of Trustees on a quarterly basis.

2.2 Supplier Diversity Program

2.21 In accordance with the philosophy of the CPS Energy Board of Trustees, as outlined in the Board Procurement Policy under "Philosophy and Public Purpose to be Served" and "Values and Standards of Procurement Activities," CPS Energy is committed to a strong Supplier Diversity Program. It is the policy of CPS Energy to provide additional and meaningful procurement opportunities to small, Minority, Women, Veteran, Historically Underutilized Business (HUB) Zone, or Service-disabled Veteran-owned businesses. In furtherance of the Policy we have an established Supplier Diversity Program which enhances CPS Energy's commitment to the growth and development of San Antonio's small and diverse business community.

2.22 In order to increase opportunity and participation of local small, Minority, Women, Veteran, Historically Underutilized Business (HUB) Zone, or Services-disabled Veteran-owned businesses, CPS Energy will actively seek at least two vendors to be solicited for procurements. If two diverse vendors cannot be solicited, there must be a documented reason submitted to Supply Chain, which

City Public Service Procurement Procedures Alternative to Chapter 252
(Adopted 9/30/02; Last Revised October 30, 2021)

will review the circumstances and provide helpful consultation to among other things, potentially correct the issue, mitigate the current impact, and/or improve the outreach in the future.

- 223 CPS Energy employees are required to maximize procurement opportunities for local small, Minority, Women, Veteran, Historically Underutilized Business (HUB) Zone, or Services-disabled Veteran-owned businesses. CPS Energy prime contractors will recruit small, Minority, Women, Veteran, Historically Underutilized Business (HUB) Zone, or Service-disabled Veteran-owned businesses to perform their sub-contracting opportunities.
- 224 The provisions of this sub-part (sections 2.2.2-2.2.3) are meant to be cumulative of, but in no case are they meant to contravene, any other requirements imposed by local, state or federal law or contract applicable to CPS Energy's procurement activities.
- 225 The Vice President of Supply Chain will provide a report to the Board of Trustees of CPS Energy procurement activities for minority and women-owned businesses on a quarterly basis.

2.3 Solicitations

- 231 Issuance. The Vice President of Supply Chain, or his/her designee, will be responsible for determining and stating in the Guidelines the various types of solicitation methods available including, but not limited to, a Request for Quotation, a Request for Qualification, a Request for Proposal, and an Invitation To Participate in an Internet Auction, to support the procurement of goods and services by CPS Energy. This determination shall be made consistent with the Procurement Policy and with consideration given to the competitive needs and concerns stated by the Business Unit Representatives participating in the procurement. The methods shall be designed in such a way as to give CPS Energy the ability to take advantage of unique supplier expertise, new technologies, or other commercial developments and solicit a range of features, benefits and contract components from the offerors.
- 232 Evaluation. All solicitations issued by CPS Energy shall specify the critical evaluation factors to be used in evaluating the offers and the technical criteria deemed appropriate and necessary for determining whether an offeror is qualified for award as contemplated under Section 2.3.4. The award may be made after an initial evaluation and clarification of offers, or may be conducted in phases wherein CPS Energy short-lists the qualified offerors after an initial evaluation and then allows the short-listed offerors an opportunity for discussion and revisions of proposals prior to the award. All evaluations for procurements exceeding the specific limitations set forth by the Board of Trustees in the Procurement Policy, Section IV, will require risk management evaluation criterion. The business unit shall work with Risk Management to identify and determine the weighting of the criterion in the evaluation matrix.

City Public Service Procurement Procedures Alternative to Chapter 252
(Adopted 9/30/02; Last Revised October 30, 2021)

- 233 Revisions. Revised proposals may be solicited at the discretion of CPS Energy, for any one or more elements of the procurement from any qualified offerors for the selected element. To obtain best and final offers, revisions by qualified offerors may be permitted by CPS Energy after submissions and before the award of a contract.
- 234 Awards Policy. The award shall be based on a good faith evaluation of those offers deemed to be the best value to CPS Energy considering the relative importance of price and the other presented factors. As examples of evaluation factors used in determining best value for CPS Energy, the factors might include installation costs, life cycle costs, quality and reliability of goods and services, environmental impact of product/service life cycle, delivery terms, indicators of probable supplier performance, cost of employee training, effects on productivity, safety risk, and all other factors deemed relevant to the desired objectives associated with a particular purchase. CPS Energy reserves the right to reject any and all offers, including those with variances, irregularities or deficiencies, to waive formalities, and to award a contract that represents best value and quality to CPS Energy and its customers.

2.4 Exceptions to Competitive Procurement Process

- 2.4.1 The following exceptions provide a mechanism by which procurements may be made outside of the normal procurement processes embodied in these Procedures. To qualify for such an exception, the procurement must meet a critical and/or operational need of CPS Energy and require utmost flexibility in the procurement process in order to maintain CPS Energy's competitive position.
- 2.4.2 The following exceptions may be utilized in meeting CPS Energy's need for goods and services:
- (a) An emergency arising from a public calamity that necessitates an immediate purchase be made in order to protect the public safety or preserve public property;
 - (b) A procurement made necessary due to unexpected environmental or operational conditions which, if not remedied efficiently and expeditiously, may materially impact health or safety of the public;
 - (c) A procurement made immediately necessary because of unforeseen damage to or failure of CPS Energy's equipment, materials or items integral to CPS Energy's reliable and safe operations;
 - (d) Captive parts or components for equipment, goods, services, or information technology, including but not limited to, software, hardware (servers, storage, network switches, routers, etc.), and information technology services, that are available from only one source or manufacturer;
 - (e) A procurement of personal, professional or planning services that requires a labor, skill, or expertise which is predominantly mental or intellectual, rather than physical or manual and/or which are highly technical, creative

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- or unique in nature;
- (f) Goods purchased by CPS Energy for subsequent retail sale or exchange;
- (g) Procurement made necessary for compliance with unanticipated regulatory or legal requirements affecting design or operation of CPS Energy infrastructure or equipment;
- (h) Procurement made necessary due to a potential financial loss associated with (1) significant delays of a project through no fault of CPS Energy or (2) market conditions which potentially threaten or adversely affect CPS' ability to obtain sufficient and/or uninterrupted goods or services, which are integral to CPS Energy's competitive position within the energy market, at the lowest available and commercially acceptable cost;
- (i) CPS Energy's need for the acquisition, lease or other trading of water rights for use in CPS Energy business operations;
- (j) The one-time renewal or extension of a contract for one additional term beyond the original term that is equal to or less than the original term provided that the contract was originally let on a competitive basis and the original commercial terms govern the extension without change except with respect to a commercially reasonable escalation in pricing;
- (k) An interlocal agreement as contemplated by the Government Code Chapter 791.001;
- (l) The acquisition or lease, to include a renewal agreement, for property or real estate; and
- (m) A procurement of goods, services, and/or a Strategic Relationship designed to promote clean energy and energy efficiency initiatives, including a special evaluation process to be utilized when a procurement proposal is received from an existing Strategic Relationship partner who is in good standing with CPS Energy and is providing material, economic, educational or other comparable benefits to the community served by CPS Energy.

Part 3. Competitive Matter-Related Procurement

3.1 General Provisions

- 3.1.1 In accordance with these Procedures, CPS Energy may conduct the procurement of goods and services related to any competitive matter described in section 1.2.3 of this Procedure (a "Competitive Matter-Related Procurement") through inquiry, solicitation, evaluation, discussion and decision Procedures under a competitive process, subject to this Part 3.
- 3.1.2 A procurement of Fuel Supply and Related Services as described in the Fuels Resolution is a Competitive Matter-Related Procurement. The Level 4 leader of the area will consult with General Counsel and shall determine whether any other Competitive Matter-Related Procurement exists.

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- 3.13 Information related to the Competitive Matter-Related Procurement may be protected from public disclosure to the extent legally permissible. Such reasonable means may include, but are not be limited to, the presentation of information related to and the award of the procurement during an executive session during the meeting of the Board of Trustees.
- 3.14 For any Competitive Matter-Related Procurement, CPS Energy has the sole discretion to determine the type, manner, and timing of notice to the public and/or potential suppliers, and no published notice, public opening, or a public reading shall be required. The process by which CPS Energy obtains Fuel Supply and Related Services is set forth in the Fuels Resolution.
- 3.15 All Competitive Matter-Related Procurement awards above \$50,000 shall be reported to the Board of Trustees on a quarterly basis. Approval of Competitive Matter-Related Procurements, in accordance with the Specific Limitations established in the Procurement Policy, may be handled in an executive session during the next meeting of the Board of Trustees.

3.2 Trade Secrets, Proprietary or Confidential Information

- 3.2.1 At CPS Energy's discretion, solicitation information shall be considered confidential and proprietary and shall not, if so designated, be disclosed or made available for public inspection. For purposes of this section, "solicitation information" includes, but is not limited to, pricing and cost data such as rates and adjustment provisions, minimum quantity requirements, formula and process information, design manuals, drawings and technical data, supply or source information, and other similar/related information.
- 3.2.2 Responses to solicitations containing confidential, competitive, proprietary information or trade secrets shall be opened in a manner that avoids disclosure of the contents to competing offerors and/or other persons and maintains the confidentiality of the information during and after the bid/proposal opening, negotiations, evaluation, and award of the bids or proposals.
- 3.2.3 CPS Energy may require prospective suppliers and/or third parties to enter into a written confidentiality agreement to protect confidential, competitive or proprietary information. Thereafter, should further commitments to a business relationship be desired between CPS Energy and a proposed supplier, CPS Energy may require the supplier, any of its subcontractors, and/or consultants to agree to further confidentiality obligations by written agreement to reasonably protect all information disclosed as a result of the procurement process.

Part 4. Construction Delivery Methods

4.1 Use of Construction Delivery Methods

CPS Energy may use the construction delivery methods ("Construction Delivery Methods") for its construction projects consistent with the requirements set forth in

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the Government Code, Chapter 2267, except as noted otherwise in these Procedures. The Supply Chain Vice President is authorized to determine which

Construction Delivery Method provides best value to CPS Energy when CPS Energy chooses to procure a construction project under Chapter 2267.

- 4.1.1 CPS Energy is a governmental entity, and as such, shall not be restricted in its utilization of the Construction Delivery Methods described in Chapter 2267. CPS Energy shall be fully authorized to utilize the competitive processes outlined in the Procurement Procedures in addition to those outlined in Chapter 2267 for all of its construction projects, and as allowed in Chapter 2267. The requirements found within the CPS Energy Procurement Policy and Procurement Procedures shall prevail over conflicting requirements found within Chapter 2267.
- 4.1.2 To the extent that CPS Energy utilizes the “design-build” Construction Delivery Method for procurement of a construction project, it may:
- Prepare a request for proposal that includes a request for a guaranteed maximum price or bid for the overall design or construction; and
 - CPS Energy reserves the right to determine, in its sole discretion, the type and amounts of security and risk mitigation instruments, such as performance and payment bonds, required of the selected design-build firm during the construction project.

Part 5. Procurement of Legal Services

Due to the unique nature of and the unpredictable need for legal services, CPS Energy may procure legal services through non-purchase orders, subject only to approval by CPS Energy’s General Counsel or his/her designee. Notwithstanding anything herein, non-purchase orders for legal services shall not be subject to expenditure limits set forth in the Procurement Policy.

Part 6. Corrective Action for Violation of Procedures

Violations of these Procedures are subject to corrective action, up to and including termination of employment.

**City Public Service
Board of Trustees**

**Procurement Procedures
Alternative to Chapter 252**

**Adopted by the Board of Trustees on
September 30, 2002**

**Effective as of
October 30, 2002**

**Revised ~~June 26,~~
~~2017~~October August
1030, 2021**

City Public Service Procurement Procedures Alternative to Chapter 252
(Adopted 9/30/02; Last Revised ~~June 26, 2017~~August 19~~October 30,~~
2021)

City Public Service
PROCUREMENT PROCEDURES
ALTERNATIVE TO CHAPTER 252

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City Public Service

PROCUREMENT PROCEDURES ALTERNATIVE TO CHAPTER 252¹

Part 1. General Provisions

1.1 Public Purpose

1.1.1 The public purpose to be served by these City Public Services (“CPS Energy”) Procurement Procedures Alternative to Chapter 252 (“Procedures”) shall be consistent with the “Philosophy and Public Purpose to be Served” section of the CPS Energy Board of Trustees Procurement Policy (“Procurement Policy”), with an increased emphasis on the following:

- (a) Increasing business efficiencies,
- (b) Improving CPS Energy’s ability to compete,
- (c) Maintaining a successful supplier diversity program; and
- (d) Seeking opportunities to assist business units in choosing products and services that are environmentally preferable where best value deemed.

1.1.2 Furthermore, any activities by CPS Energy under these Procedures shall remain consistent with the philosophy and values and standards of behavior as outlined in the Procurement Policy and CPS Energy Ethics Policy.

1.2 Scope of Procedures

1.2.1 Procurements made by CPS Energy using these Procedures are exempt from the Local Government Code, Chapter 252. Procurement shall be conducted in a manner that conforms to the Procurement Policy, these Procedures and all applicable local, state, and federal procurement laws. Nothing in these Procedures precludes CPS Energy from utilizing other mechanisms for procurement that may be provided by law. These Procedures do not exempt CPS Energy from any other applicable statutory or legal requirement.

1.2.2 These Procedures do not change or apply to the subject matter addressed by the procurement resolution passed by the Board of Trustees on September 24, 2001, entitled “Resolution Adopting Alternative Procurement Procedures for Obtaining Fuel Supply and Related Services” (the “Fuels Resolution”), as amended. The Fuels Resolution together with the Procurement Policy, govern procurement of Fuel Supply and Related Services.

¹ Adopted by the City Public Service Board of Trustees on September 30, 2002; Effective October 30, 2002, Revised December 2004, Revised April 2006, Revised January 2010, Revised March 2011, Revised November 2013, Revised August 2015, Revised June 26, 2017, Revised October 30, 2021.

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- 1.2.3 Sub-part 3.1 of these Procedures covers procurement-related aspects of CPS Energy's competitive matters that are subject to protection under the Open Meetings and Public Information Acts, respectively, sections 551.086 and 552.133 of the Texas Government Code.
- 1.2.4 The ~~Senior Director~~Vice President of Supply Chain, or his/her designee, may adopt and revise the Procedural Guidelines for the Implementation of the Purchasing Resolution Approved by the Board of Trustees September 30, 2002 ("Guidelines"), as amended, consistent with the Procurement Policy and these Procedures to promote the uniform and consistent application of these Procedures.
- 1.2.5 If a "Compelling Business Reason" as described in section VI of the Procurement Policy exists, CPS Energy is exempt from these Procedures, and may or may not apply sub-part 2.2 of these Procedures.

1.3 Approval and Review of Contracts

- 1.3.1 The authority to approve and execute contracts for both purchase order and other types of transactions is delineated in the Policy for Designation of Financial Authorizations and the Contract Signatory Policy. The ~~Senior Director~~Vice President of Supply Chain may delegate to his/her designee the responsibility for the performance of procurement responsibilities for goods and services as outlined in these Procedures.
- 1.3.2 The Board of Trustees must approve expenditures for the procurement of goods and services exceeding those limits specified in section IV of the Procurement Policy, except for any expenditure approved under section VI of the Procurement Policy and Part 5 of these Procedures.
- 1.3.3 A change order or amendment shall be approved and/or executed based upon the value of the transaction contained within the change order or amendment as provided in section 1.3.1 of this Procedure or section VI of the Procurement Policy.
- 1.3.4 Actions taken under these Procedures shall be subject to audit on a regular basis.

Part 2. Procurement Process for Goods and Services

2.1 General

- 2.1.1 Threshold for Competitive Procurement Process. Except as provided in sub-part 2.4, CPS Energy shall utilize the competitive process outlined in sub-part 2.3 for expenditures equal to or in excess of \$50,000.
- 2.1.2 Advertising and/or Notice to Suppliers. As a general rule, CPS Energy procurement solicitations will be published not less than five (5) calendar days, using any notification mechanism deemed sufficient by the ~~Senior Director~~Vice President of

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Supply Chain or his/her designee. The mechanisms may include, but are not limited to, publishing the solicitation within a newspaper of general circulation, displayed on the Internet, or through the utilization of other similar electronic or written means. If the ~~Senior Director~~Vice President of Supply Chain determines, based on historical responses, an applicable CPS Energy supplier database, or any other reliable means, that not more than six (6) suppliers can reasonably meet CPS Energy's needs at the time of solicitation, notice may be conducted by any means and for such period of time as CPS Energy determines is reasonably necessary for the notice to be received by the applicable suppliers.

- 2.13 Bonding for Public and Non-Public Works. For procurements not deemed public works, the Field Representative, in consultation with risk management and an insurance representative, has the discretion to determine whether a bond requirement is otherwise appropriate based on a review of factors such as subcontracting opportunities, costs of bond and risks associated with delay of a project or a supplier being unable to complete performance or delivery of a quality product. For procurements deemed public works, a performance and payment bond shall be obtained from the successful offeror in the amount determined to be consistent with applicable law or if not commercially available, in an amount determined to be prudent and reasonable by CPS Energy. The bond shall be issued on the condition that the contractor will faithfully perform the contract, and shall be executed in a form and manner acceptable to CPS Energy.
- 2.14 Exceptions to Procedures. Determinations regarding the application of any exception under sub-part 2.4 shall be made by the ~~Senior Director~~Vice President of Supply Chain or his/her designee(s).
- 2.15 Reporting. If not required otherwise in these Procedures, all Procurement activity in excess of \$50,000 shall be reported to the Board of Trustees on a quarterly basis.

2.2 Supplier Diversity Program

221 In accordance with the philosophy of the CPS Energy Board of Trustees, as outlined in the Board Procurement Policy under "Philosophy and Public Purpose to be Served" and "Values and Standards of Procurement Activities," CPS Energy is committed to a strong Supplier Diversity Program. It is the policy of CPS Energy to provide additional and meaningful procurement opportunities in its acquisitions to small, Minority, Women, Veteran, Historically Underutilized Business (HUB) Zone, or Service-disabled Veteran-owned businesses. In furtherance of the Policy we have an established Supplier Diversity Program for which enhances CPS Energy's commitment to the growth and development of San Antonio's small and ~~small~~ diverse business community supplier diversity program. CPS Energy, therefore, encourages all segments of the local business community to participate actively in CPS Energy's procurement process.

222 For expenditures between \$25,000 and \$50,000, CPS Energy will contact at least two qualified local small, Women, Minority, Veteran, Historically Underutilized Business (HUB) Zone, or Service disabled Veteran-owned businesses on a

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~~rotating basis in order to inform them of opportunities to participate in CPS Energy's procurement process. In order to increase opportunity and participation of local small, Minority, Women, Veteran, Historically Underutilized Business (HUB) Zone, or Services-disabled Veteran-owned businesses, CPS Energy will actively seek ~~at least two vendors to be solicited for expenditures procurements valued~~. If two diverse vendors cannot be solicited, there must be a documented reason submitted to Supply Chain, which~~

~~222~~ will review the circumstances and provide helpful consultation to among other things, potentially correct the issue, mitigate the current impact, and/or improve the outreach in the future.

~~223~~ As deemed applicable under the Guidelines, CPS Energy will use reasonable efforts to encourage prime contractors to support the supplier diversity program and

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~~223 provide the maximum practicable opportunities to small, Women, Minority, Veteran, Historically Underutilized Business (HUB) Zone, or Service-disabled Veteran-owned businesses to their sub-contracting opportunities deemed applicable under the Guidelines. CPS Energy employees are expected required to maximize procurement and subcontracting opportunities for local small, Women, Minority, Women, —Veteran, Historically Underutilized Business (HUB) Zone, or Services-disabled Veteran-owned businesses. CPS Energy prime contractors will recruit small, Women, Minority, Women, —Veteran, Historically Underutilized Business (HUB) Zone, or Service-disabled Veteran-owned businesses to perform their sub-contracting opportunities, associated with the Supplier Diversity Program by using prime contractors who recruit small, Women, Minority, Veteran, Historically Underutilized Business (HUB) Zone, or Service-disabled Veteran-owned businesses to their sub-contracting opportunities.~~

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224 The provisions of this sub-part (sections 2.2.2-2.2.3) are meant to be cumulative of, but in no case are they meant to contravene, any other requirements imposed by local, state or federal law or contract applicable to CPS Energy's procurement activities.

225 The ~~Senior Director~~Vice President of Supply Chain will provide a report to the Board of Trustees of CPS Energy procurement activities for minority and women-owned businesses on a quarterly basis.

2.3 Solicitations

231 Issuance. The ~~Senior Director~~Vice President of Supply Chain, or his/her designee, will be responsible for determining and stating in the Guidelines the various types of solicitation methods available including, but not limited to, a Request for Quotation, a Request for Qualification, a Request for Proposal, and an Invitation To Participate in an Internet Auction, to support the procurement of goods and services by CPS Energy. This determination shall be made consistent with the Procurement Policy and with consideration given to the competitive needs and concerns stated by the Business Unit Representatives participating in the procurement. The methods shall be designed in such a way as to give CPS Energy the ability to take advantage of unique supplier expertise, new technologies, or other commercial developments and solicit a range of features, benefits and contract components from the offerors.

232 Evaluation. All solicitations issued by CPS Energy shall specify the critical evaluation factors to be used in evaluating the offers and the technical criteria deemed appropriate and necessary for determining whether an offeror is qualified for award as contemplated under Section 2.3.4. The award may be made after an initial evaluation and clarification of offers, or may be conducted in phases wherein CPS Energy short-lists the qualified offerors after an initial evaluation and then allows the short-listed offerors an opportunity for discussion and revisions of proposals prior to the award. All evaluations for procurements exceeding the specific limitations set forth by the Board of Trustees in the Procurement Policy,

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Section IV, will require risk management evaluation criterion. The business unit shall work with Risk Management to identify and determine the weighting of the criterion in the evaluation matrix.

~~232~~

233 Revisions. Revised proposals may be solicited at the discretion of CPS Energy, for

~~233~~ any one or more elements of the procurement from any qualified offerors for the selected element. To obtain best and final offers, revisions by qualified offerors may be permitted by CPS Energy after submissions and before the award of a contract.

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242 The following exceptions may be utilized in meeting CPS Energy's need for goods and services:

- (a) An emergency arising from a public calamity that necessitates an immediate purchase be made in order to protect the public safety or preserve public property;
- (b) A procurement made necessary due to unexpected environmental or operational conditions which, if not remedied efficiently and expeditiously, may materially impact health or safety of the public;
- (c) A procurement made immediately necessary because of unforeseen damage to or failure of CPS Energy's equipment, materials or items integral to CPS Energy's reliable and safe operations;
- (d) Captive parts or components for equipment, goods, services, or information technology, including but not limited to, software, hardware (servers, storage, network switches, routers, etc.), and information technology services, that are available from only one source or manufacturer;
- (e) A procurement of personal, professional or planning services that requires a labor, skill, or expertise which is predominantly mental or intellectual, rather than physical or manual and/or which are highly technical, creative

(e) or unique in nature;

(f) Goods purchased by CPS Energy for subsequent retail sale or exchange;

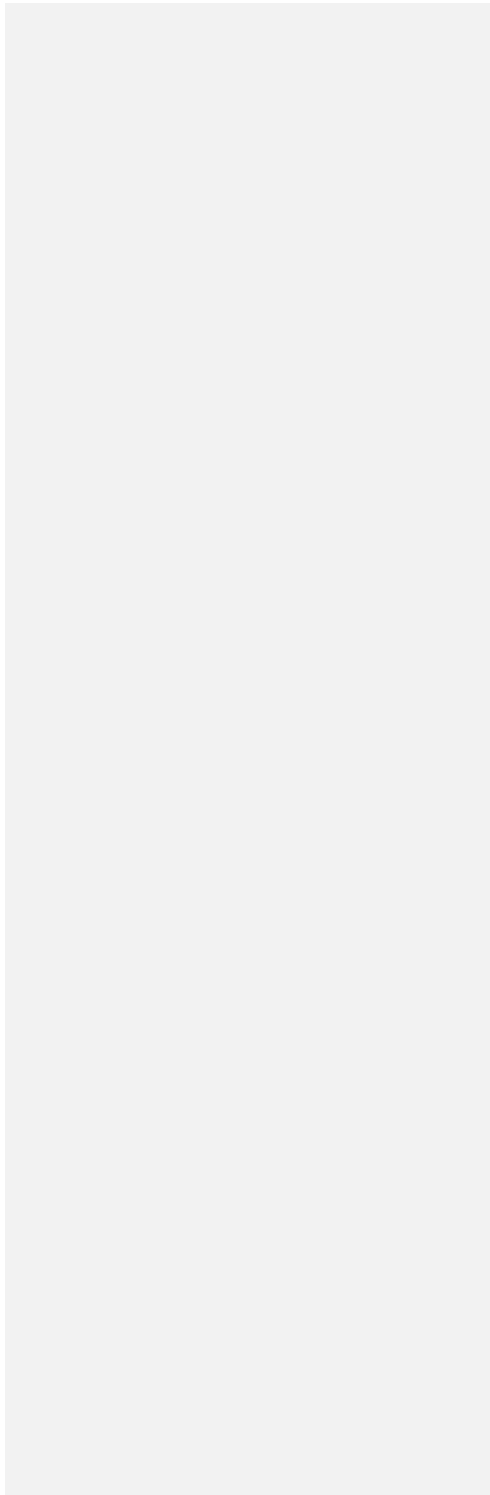
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(g) Procurement made necessary for compliance with unanticipated regulatory or legal requirements affecting design or operation of CPS Energy

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infrastructure or equipment;



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- (h) Procurement made necessary due to a potential financial loss associated with (1) significant delays of a project through no fault of CPS Energy or (2) market conditions which potentially threaten or adversely affect CPS' ability to obtain sufficient and/or uninterrupted goods or services, which are integral to CPS Energy's competitive position within the energy market, at the lowest available and commercially acceptable cost;
- (i) CPS Energy's need for the acquisition, lease or other trading of water rights for use in CPS Energy business operations;
- (j) The one-time renewal or extension of a contract for one additional term beyond the original term that is equal to or less than the original term provided that the contract was originally let on a competitive basis and the original commercial terms govern the extension without change except with respect to a commercially reasonable escalation in pricing;
- (k) An interlocal agreement as contemplated by the Government Code Chapter 791.001;
- (l) The acquisition or lease, to include a renewal agreement, for property or real estate; and
- (m) A procurement of goods, services, and/or a Strategic Relationship designed to promote clean energy and energy efficiency initiatives, including a special evaluation process to be utilized when a procurement proposal is received from an existing Strategic Relationship partner who is in good standing with CPS Energy and is providing material, economic, educational or other comparable benefits to the community served by CPS Energy.

Part 3. Competitive Matter-Related Procurement

3.1 General Provisions

- 3.1.1 In accordance with these Procedures, CPS Energy may conduct the procurement of goods and services related to any competitive matter described in section 1.2.3 of this Procedure (a "Competitive Matter-Related Procurement") through inquiry, solicitation, evaluation, discussion and decision Procedures under a competitive process, subject to this Part 3.
- 3.1.2 A procurement of Fuel Supply and Related Services as described in the Fuels Resolution is a Competitive Matter-Related Procurement. The Level 4 leader of the area will consult with General Counsel and shall determine whether any other Competitive Matter-Related Procurement exists.

3.1.3 Information related to the Competitive Matter-Related Procurement may be protected from public disclosure to the extent legally permissible. Such reasonable means may include, but are not be limited to, the presentation of information related

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- 3.14 For any Competitive Matter-Related Procurement, CPS Energy has the sole discretion to determine the type, manner, and timing of notice to the public and/or potential suppliers, and no published notice, public opening, or a public reading shall be required. The process by which CPS Energy obtains Fuel Supply and Related Services is set forth in the Fuels Resolution.
- 3.15 All Competitive Matter-Related Procurement awards above \$50,000 shall be reported to the Board of Trustees on a quarterly basis. Approval of Competitive Matter-Related Procurements, in accordance with the Specific Limitations established in the Procurement Policy, may be handled in an executive session during the next meeting of the Board of Trustees.

3.2 Trade Secrets, Proprietary or Confidential Information

- 3.2.1 At CPS Energy's discretion, solicitation information shall be considered confidential and proprietary and shall not, if so designated, be disclosed or made available for public inspection. For purposes of this section, "solicitation information" includes, but is not limited to, pricing and cost data such as rates and adjustment provisions, minimum quantity requirements, formula and process information, design manuals, drawings and technical data, supply or source information, and other similar/related information.
- 3.2.2 Responses to solicitations containing confidential, competitive, proprietary information or trade secrets shall be opened in a manner that avoids disclosure of the contents to competing offerors and/or other persons, and maintains the confidentiality of the information during and after the bid/proposal opening, negotiations, evaluation, and award of the bids or proposals.
- 3.2.3 CPS Energy may require prospective suppliers and/or third parties to enter into a written confidentiality agreement to protect confidential, competitive or proprietary information. Thereafter, should further commitments to a business relationship be desired between CPS Energy and a proposed supplier, CPS Energy may require the supplier, any of its subcontractors, and/or consultants to agree to further confidentiality obligations by written agreement to reasonably protect all information disclosed as a result of the procurement process.

Part 4. Construction Delivery Methods

4.1 Use of Construction Delivery Methods

~~4.1.1~~ CPS Energy may use the construction delivery methods ("Construction Delivery Methods") for its construction projects consistent with the requirements set forth in

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~~Construction- Delivery- Method- provides- best- value- to-~~ CPS Energy ~~- when~~
CPS Energy chooses to procure a construction project under Chapter 2267.

~~4.12.1.1~~ CPS Energy is a governmental entity, and as such, shall not be restricted in its utilization of the Construction Delivery Methods described in ~~-Chapter-~~ 2267. CPS Energy shall be fully authorized to utilize the competitive processes outlined in the Procurement Procedures in addition to those outlined in Chapter 2267 for all of its construction projects, and as allowed in Chapter 2267. The requirements found within the CPS Energy Procurement Policy and Procurement Procedures shall prevail over conflicting requirements found within Chapter 2267.

~~4.13.1.2~~ To the extent that CPS Energy utilizes the “design-build” Construction Delivery Method for procurement of a construction project, it may:

- Prepare a request for proposal that includes a request for a guaranteed maximum price or bid for the overall design or construction; and
- CPS Energy reserves the right to determine, in its sole discretion, the type and amounts of security and risk mitigation instruments, such as performance and payment bonds, required of the selected design-build firm during the construction project.

Part 5. Procurement of Legal Services

Due to the unique nature of and the unpredictable need for legal services, CPS Energy may procure legal services ~~- through- non-purchase- orders,- subject- only- to- approval- by~~ CPS Energy’s General Counsel or his/her designee. Notwithstanding anything herein, non-purchase orders for legal services shall not be subject to expenditure limits set forth in the Procurement Policy.

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City Public Service Procurement Procedures Alternative to Chapter 252
(Adopted 9/30/02; Last Revised ~~June 26, 2017~~ October 30, 2021)

Part 6. Corrective Action for Violation of Procedures

Violations of these Procedures are subject to corrective action, up to and including termination of employment.

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**Procedural Guidelines for the Implementation of the Purchasing Resolution
Approved by the Board of Trustees
September 30, 2002**

*Revised November 2013, June
2014, 2017, 2021*

I. Introduction

These Procedural Guidelines (“Guidelines”) are designed to allow City Public Service (CPS Energy) to more efficiently procure quality material goods and services at a reasonable cost and, more specifically, to meet the public purpose of protecting and enhancing the ability of CPS Energy to provide reliable energy-related materials and services on a competitive, fair and equitable basis, while ensuring the expansion of CPS Energy’s Supplier Diversity Program to the maximum extent possible.

These Guidelines shall apply to all procurements made by CPS Energy in accordance with the Resolution and Procurement Policy (“Policy”) adopted by the CPS Energy Board of Trustees (“Board”) on September 30, 2002 and revised June 2017, and the Procurement Procedures Alternative to Chapter 252 (“Procedures”) adopted by the Board on September 30, 2002 and revised June 2017.

The Procurement Policy’s purpose is to set forth the behavioral standards for all procurement activities and to establish the authority of the President & CEO in the purchase of material goods and services for CPS Energy. The Policy makes it clear that in order for CPS Energy to fulfill its mission to provide reliable, cost-competitive electric and gas products and services to its customers, CPS Energy’s goods and services should be obtained at a reasonable cost, be of high quality, be environmentally preferable, where available, and be deemed best value.

II. Approval and Obligation Authority

All Purchase Orders and Contracts for material, goods or services executed by Supply Chain will be signed within Supply Chain based on the approval levels indicated in the Policy for Designation of Financial Authorizations (latest revision) and published on the CPS Energy Intranet. For those documents that exceed the specific limitations within the Supply Chain organization, they must be routed and fully executed by the President & CEO.

III. Types of Procurements

A. Small And Simplified Procurements

In an effort to procure small dollar value items in a more efficient and timely manner, Supply Chain may procure material goods or services of \$50,000 or less using more simplified procedures and with the use of minimal competitive bidding as discussed in more detail in this document. However, CPS Energy’s Procurement Policy and these Guidelines prohibit the practice of splitting or separating procurements to exempt CPS Energy from the \$50,000 competitive bid requirement. In using this method, Supply Chain shall always consider these proposed acquisitions for the set aside for small and or local businesses. Supply Chain shall perform market research and document the file as to why a small business set-aside is inappropriate when an acquisition is not set aside for small business, unless an award is anticipated to a small business.

B. Stock Material Goods

CPS Energy storerooms stock and manage over 37,000 material goods on a daily basis. The majority of these stock material goods are spare parts used within the power plants or construction material goods within the electric and gas distribution system for new

construction or maintenance. If the material goods needed are stock material goods, the Business Unit should first determine whether the item is in stock before initiating a non-stock purchase requisition. The majority of all stock material goods should be considered for purchases in bulk quantities in order to obtain economies of scale pricing and timelier deliveries.

C. Non-Stock Material Goods

Material goods that are not maintained in stock inventory are considered non-stock material goods. When appropriate, Supply Chain combines several non-stock material goods requests in order to obtain discounted pricing and more timely deliveries.

D. Services

When the procurement is for a contracted service and is equal to or greater than \$50,000 but less than \$100,000, Supply Chain will determine if additional commercial and technical terms are necessary in addition to those on the PO in order to protect CPS Energy's interests. In most cases, a contract will need to be developed by Supply Chain for the following:

1. professional and/or personal services (as defined under Section C "Specific Limitations"), or
2. at the request of the Business Unit, or
3. if the supplier submits its own agreement.

In some instances, insurance will be required which is based on the level of risk associated with performance of the services. For purchase of a service over \$100,000, a formal solicitation and resulting contract is typically required.

E. Product Leasing

Business Units should consider whether to lease or purchase equipment based on a case-by-case evaluation of comparative costs and other factors. The following factors are the minimum that should be considered:

1. Estimated length of the period the equipment is to be used and the extent of use within that period.
2. Financial and operating advantages of alternative types and makes of equipment.
3. Cumulative rental payments for the estimated period of use.
4. Net purchase price.
5. Transportation and installation costs.
6. Maintenance and other service costs.
7. Potential obsolescence of the equipment because of imminent technological improvements.

The following additional factors should be considered, as appropriate, depending on the type, cost, complexity, and estimated period of use of the equipment:

1. Availability of purchase options.
2. Potential for use of the equipment by other agencies after its use by the acquiring agency is ended.

3. Trade-in or salvage value.
4. Imputed interest.
5. Availability of a servicing capability, especially for highly complex equipment; e.g., can the equipment be serviced by the Government or other sources if it is purchased?

Generally, the purchase method is appropriate if the equipment will be used beyond the point in time when cumulative leasing costs exceed the purchase costs. Business Units should not rule out the purchase method of equipment acquisition in favor of leasing merely because of the possibility that future technological advances might make the selected equipment less desirable.

The lease method is appropriate if it is to CPS Energy's advantage under the circumstances. The lease method may also serve as an interim measure when the circumstances require immediate use of equipment to meet program or system goals; but do not currently support acquisition by purchase. If a lease is justified, a lease with option to purchase is preferable. Generally, a long term lease should be avoided, but may be appropriate if an option to purchase or other favorable terms are included. If a lease with option to purchase is used, the contract shall state the purchase price or provide a formula which shows how the purchase price will be established at the time of purchase.

F. Information Technology and Related Items

Software and hardware related items that involve CPS Energy Information Technology (IT) and/or require integration with CPS Energy infrastructure such as, but not limited to IT services, servers, networks, hard drives, cloud computing, copiers, printers, laptop PCs, tablets, software, and other technology related items or services need to be reviewed and approved by Enterprise Information Technology (EIT) by use of the EIT Procurement Form.

IV. Acquisition Planning

There are many considerations the Business Unit must take into account during the planning phase of any procurement for material goods, equipment or contract services. While the specific steps taken may vary from procurement to procurement, the following provides a fundamental base of information applicable to the pertinent areas of procurement planning.

Business Units should pay particular attention to the development of the specification, cost or budgetary estimates, risk and resource allocations, identification of potential suppliers, lead-times for fabrication and shipment, contract development, review time needed by other Business Unit stakeholders such as the General Counsel and Risk Management sections, the selected solicitation method, evaluation criteria and weighting, evaluation and award dates and the overall procurement schedule.

When multiple parties are involved in the procurement process, it is advisable to have a clear understanding of the responsibilities of all participating parties. Early communication as to when a procurement is on the critical path of a project is essential to a successful execution of the project.

Understanding the roles and responsibilities of all parties involved in the procurement process

requires follow-up and timely communication with all internal participants (Procurement Analysts, General Counsel, Risk Management, Audit Services, EIT, etc.). A general timeframe appropriate to the project should be obtained by contacting Supply Chain to determine when submission of a Purchase Requisition is required to specific deadlines.

Understanding of CPS Energy's good faith effort to provide maximum practicable opportunity in the procurement process by encouraging the utilization of local business community, small, disadvantaged, veteran, service-disabled veteran, HUBZone and women-owned businesses, on a fair and equitable basis and as encouraged under applicable policy and procedures which afford these firms an evaluation preference during the sourcing event.

V. Development of the Purchase Requisition

All Purchase Requisitions ("PR") are found within the SAP system. The PR is the mechanism by which a Business Unit documents the need to procure a material good or service and obtains approval for the same. The information contained within the PR serves to inform Supply Chain as well as all necessary personnel approving the PR as to the specifics of the requested procurement. Depending on the procurement to be made (i.e. one-time, term contract, non-stock commodity, contract service, etc.) the type of PR may vary but the information contained in the PR is the same. At a minimum, the information contained within the PR indicates the material, goods or services needed (specification) and the timeline of the procurement (need by date). Additional information may be submitted with the PR including, but not limited to, a list of suppliers to be solicited, the EIT Form, Exempt Form, or other applicable and relevant information. All PR's are approved based on the approval levels indicated in the Policy for Designation of Financial Authorizations and can be found on the CPS Energy Intranet.

VI. Training

The Supply Chain Team and the Accounts Payable Team are responsible for the Field Representative training program designed to provide training and guidance to CPS Energy personnel whose job duties entail monitoring supplier performance or the expenditure of CPS Energy funds.

The structure of the training program is geared toward providing "hands-on" practical information to better serve personnel whose assigned tasks and duties require them to expend CPS Energy funds. While still providing a core amount of material related to the Policy and Procedures, the subject matters included in the training portfolio will be specific to the Business Unit or Department in attendance. Coordination will also be available with Financial Services to ensure that training is provided regarding the proper use of the Non-Purchase Order payment process as well as the responsibilities of a Field Representative relative to Accounts Payable.

Every individual involved in procurement activity is required to complete an Annual Field Representative Refresher Training class or attend an instructor led training session on an annual rotating basis. If an individual does not complete the required training, all SAP procurement related roles will be removed until such training is completed.

VII. Requirements for the Sourcing Event

A. Publicizing/Advertising of Proposed Contract Actions

1. General

- a) As part of the CPS Energy solicitation process, CPS Energy must make notices of proposed contract actions available as specified in this section.
- b) The primary purposes of the notice are to improve small business access to solicitation information and enhance competition by identifying additional sources and potential subcontracting opportunities. Small and local business are defined as those business that are local in accordance to the zip codes defined within the San Antonio Metropolitan Area (SAMA) statistical area and small business is defined as those firms registered with CPS Energy as a small disadvantaged, service-disabled veteran owned, HUBZone and/or women-owned businesses.
- c) For the purchase of supplies and services, other than that stated in paragraph 2 below, CPS Energy must transmit a notice to CPS Energy's Corporate Communication Department , for each proposed—
 - (1) Purchase Requisition at or above \$50,000;
 - (2) Amendment or Change Order to an existing Agreement for additional supplies or services that meets or exceeds \$50,000; or
 - (3) Contract awards exceeding \$50,000 that are likely to result in the award of any subcontracts that would be advantageous to industry or to CPS Energy.
- d) The CPS Energy Web Site may be accessed via the Internet at <https://www.CPSEnergy.com>.

B. Publicizing/Advertising of Proposed Contract Actions are not required when –

- 1. Supply Chain Management determines that –
 - a) The advertisement cannot be worded to preclude disclosure of CPS Energy's needs and such disclosure would compromise the proprietary nature of CPS Energy (e.g., would result in disclosure of confidential or proprietary information). The fact that a proposed solicitation or contains confidential or proprietary information, or that access to confidential or proprietary information may be necessary to submit a proposal or perform the Agreement does not, in itself, justify use of this exception to requirement;
 - b) The proposed Agreement action is made under the process of Small and Simplified procedures or if unusual and compelling urgency precludes competition to the maximum extent practicable and CPS Energy would be seriously injured if Supply Chain complies with the time periods specified below;
 - c) The proposed Agreement is one for which the terms and conditions of applicable Interlocal Agreement is being used;
 - d) The Agreement is expressly authorized or required by a statute or policy to be made through another Government agency, including acquisitions from Texas Department of Information Resources (DIR) and Texas Multiple Award

Schedule Program (TXMAS);

- e) The Agreement is an exempt procurement in accordance with paragraph 2.4 of the City Public Service Procurement Procedures Alternative to Chapter 252 and only one source is available;
 - f) The proposed Purchase Requisition is for perishable subsistence supplies, and advance notice is not appropriate or reasonable;
 - g) The proposed Purchase Requisition is to be made under the terms of an existing Agreement that was previously advertised in sufficient detail to comply with the requirements of this section with respect to the current proposed Purchase Requisition action;
 - h) The proposed Procurement Requisition actions for an amount not expected to exceed \$50,000.
2. Publicizing/Advertising and Response Time

Whenever CPS Energy is required to publicize/advertise a notice of proposed procurement actions stated above, CPS Energy must post the notice for a period of at least, but not limited to, five (5) calendar days before issuance of a solicitation.

Each notice must establish a solicitation response time that will afford potential offerors a reasonable opportunity to respond to each proposed procurement action. Each solicitation's response time should consider the circumstances of the individual purchase, such as the complexity, commerciality, availability, and urgency, when establishing the solicitation response time. Typically, we should endeavor to allow at least a 30-day response time for receipt of bids or proposals from the date of issuance of a solicitation.

VIII. Exceptions to the Competitive Procurement Process

The Procurement Procedures have been designed to lend the greatest amount of flexibility to the procurement process. However, there are unique situations that warrant either different procurement methodologies or alternative procurement procedures stipulated in the Procurement Procedures. When these situations present themselves, Business Units are strongly encouraged to be prudent in determining when an exception to the procurement competition requirements are necessary and only when a strong business reason supported by senior leadership exists to support for the exception. Types of exemptions and necessary justifications and approvals are obtained through the Business Unit's completion and execution of the "Request for an Exempt Procurement" (published on the CPS Energy Intranet). This form must accompany the Purchase Requisition to Supply Chain.

IX. Competitive Matters Related Purchases

On occasion, CPS Energy may have a need to procure goods or services that are of a Competitive Related Matter where the subject matter of the procurement warrants the non-disclosure of the information associated with the respective purchase. In those instances, Supply Chain, in consultation with the Business Unit, will consult with General Counsel and determine if such matter exists. If General Counsel and the Business Unit jointly

determine that the project purchase falls within that of a Competitive Matter Related Procurement, Supply Chain shall assist the Business Unit in completing the **“Request to Process as a Competitive Matter Related Procurement” (published on the CPS Energy Intranet)** and obtain proper approvals.

X. Small and Simplified Purchase Process

In lieu of the previous term of Most Economical Way, Supply Chain has instituted a new process for procurements of \$50,000 or less (now deemed “Small and Simplified Purchases”). The purpose of this part is to prescribe simplified acquisition procedures in order to—

1. Reduce administrative costs;
2. Improve opportunities for small, small disadvantaged, women-owned, veteran-owned, HUBZone, and service-disabled veteran-owned small business concerns to obtain a fair proportion of CPS Energy contracts;
3. Promote efficiency and economy in procurement; and
4. Avoid unnecessary burdens for Business Units and our supplier base.

Procurement of supplies or services that have an anticipated dollar value below \$50,000 should be reserved exclusively for small business concerns and/or local firms and shall be set aside to the extent practicable. In the event that a particular purchase for supplies or services cannot be made to such small or local concerns, Supply Chain, in consultation with the Business Unit, shall document the file with sufficient documentation supporting the decision.

In no event should the small and simplified acquisition procedures be used to acquire supplies and services if the anticipated award will exceed the \$50,000 threshold. Supply Chain shall ensure that, within reason, Business Units do not break down requirements in an attempt to use this process.

CPS Energy is based upon promoting competition to the maximum extent practicable to obtain supplies and services from the source whose offer provides the best value to CPS Energy. CPS Energy must not—

1. Solicit quotations based on personal preference; or
2. Restrict solicitation to suppliers of well-known and widely distributed makes or brands.
3. When using these small and simplified purchasing procedures, maximum practicable competition ordinarily can be obtained by soliciting quotations or offers from sources within the local trade area. Unless otherwise determined and documented within the file, solicitation of at least three sources shall be used to promote competition to meet adequate competition requirements. CPS Energy does not have to obtain individual quotations for each purchase. Standing price quotations may be used if—
 - a. The pricing information is current; and
 - b. CPS Energy obtains the benefit of maximum discounts before award.

CPS Energy shall evaluate quotations or offers –

- a. In an impartial manner; and

- b. Inclusive of transportation charges from the shipping point of the supplier to the delivery destination.

Quotations or offers shall be evaluated on the basis established in the solicitation. All quotations or offers shall be considered. Supply Chain has broad discretion in fashioning suitable evaluation procedures. If using price and other factors, the evaluation team must ensure that quotations or offers can be evaluated in an efficient and minimally burdensome fashion. Unlike purchase exceeding \$50,000, formal evaluation plans and establishing a competitive range, conducting discussions, and scoring quotations or offers are not required. CPS Energy may conduct comparative evaluations of offers. Evaluation of other factors, may be based on one or more of the following:

1. Employee knowledge of and previous experience with the supply or service being acquired;
2. Customer surveys, and past performance questionnaire replies; or
3. Any other reasonable basis.

Before issuing any award, CPS Energy must determine that the proposed price is fair and reasonable. Whenever possible, price reasonableness should be based on competitive quotations or offers. If only one response is received, additional justification may be needed to ensure price reasonableness. This additional justification can be made by—

1. Market research;
2. Comparison of the proposed price with prices found reasonable on previous purchases;
3. Current price lists, catalogs, or advertisements. However, inclusion of a price in a price list, catalog, or advertisement does not, in and of itself, establish fairness and reasonableness of the price;
4. A comparison with similar items in a related industry;
5. Employee's personal knowledge of the item being purchased;
6. Comparison to an independent CPS Energy estimate; or
7. Any other reasonable basis.

A. For procurements equal to greater than \$50,000

1. Procurements equal to or in excess of \$50,000 require utilization of the competitive processes outlined in the City Public Service Procurement Procedures Alternative to Chapter 252 unless the procurement meets an exception as noted in these Guidelines. The Vice President of Supply Chain, or his/her designee, in consultation with the Business Unit, determines which solicitation method provides CPS Energy with the ability to better leverage supplier expertise, new technologies or other commercial developments and further provides a range of features, benefits and contract components. Examples of current methodologies include a Request for Quotation ("RFQ") (where price and the ability to meet CPS Energy minimum requirements are the lead determining factors), a Request for Qualification ("RQ") (where past experience and qualifications are the determining factors), a Request for Proposal ("RFP") (where a variety of weighted evaluation criteria other than price and price-related factors serve as the mechanism for award), and an Invitation to Bid ("IFB") (when the award will be made on the basis of only price and other price-related factors only), or in a

Reverse Auction (where price and ability to meet CPS Energy requirements are the main bidding factors). All solicitations must specify the minimum qualifications and technical specifications and if applicable, the evaluation factors to be used in evaluating the offers. Some of the important considerations in developing the procurement documents are as follows:

1. Minimum Qualifications:

Minimum qualifications are the mechanism by which information regarding minimum experience, skills, reputation and financial standing is solicited. Offerors who are unable to satisfactorily demonstrate meeting such minimum standards may be deemed “unresponsive” to the solicitation and rejected as viable for award. Examples of information to be submitted that demonstrate minimum qualifications are resumes of key individuals, past projects names and references, financial statements and ability to meet material or performance specifications and schedule.

2. Solicitation Evaluation Criteria:

Evaluation criteria are the mechanism by which the Business Unit states the commercial and technical criteria deemed necessary and appropriate for determining whether an offeror is qualified for award. Information is solicited from the offerors that is then used to evaluate and further clarify the offers in accordance with the listed evaluation criteria. These evaluation criteria are stated in the solicitation and used as the basis for evaluation of Respondents and ultimate selection.

2. Insurance requirements associated with the procurements of material goods and/or services are occasionally reviewed by Risk Management in advance of the procurement so that minimum limits of insurance may be required of the offerors and placed in the solicitation package. In many situations, insurance will be required and included as part of the solicitation process. The Business Unit shall work with Supply Chain and Risk Management to identify and determine the weighting of the criteria in the evaluation matrix as required for all procurements exceeding the specific limitations set forth by the Board of Trustees in the Procurement Policy, Section IV. Failure by any offeror to provide evidence of the offeror’s ability to procure and maintain the stated minimum coverages may result in the offeror being unqualified for award.

XI. Solicitation Considerations:

A. Bonding Considerations:

1. Requiring that a supplier provide performance or payment bonds is a commonly used method of transferring the risk of supplier default to a third party surety. A performance bond guarantees that the supplier will perform the duties assumed by entering the contract. The performance bond shall be conditioned on the fact that the supplier will faithfully perform the contract. The payment bond guarantees that the supplier will pay all suppliers and subcontractors.
2. For public work projects, a performance and payment bond shall be obtained

from the successful offeror in the amount determined to be consistent with applicable law or if not commercially available, in an amount determined to be prudent and reasonable by CPS Energy.

3. For those purchases not deemed public works, the Field Representative, in consultation with General Counsel, Risk Management and Supply Chain, has the discretion to determine whether a bond requirement is otherwise appropriate based on a review of factors such as subcontracting opportunities, costs of bond and risks associated with delay of a project or a supplier being unable to complete performance or delivery of a quality product. Thus, CPS Energy may require a bond from the successful offeror in an amount determined to be prudent and responsible by CPS Energy.
4. Another type of bond, the bid bond, is a form of security which assures that the bidder—
 - a) Will not withdraw a bid within the period specified for acceptance; and
 - b) Will execute a written contract and furnish required bonds, including any necessary coinsurance or reinsurance agreements, within the time specified in the bid, unless a longer time allowed, after receipt of the specified forms. All bonds shall be executed in a form and manner acceptable to CPS Energy.

B. Liquidated Damages for Delay and/or Performance Consideration:

If CPS Energy may incur financial damages as a result of a supplier's failure to timely perform, consideration must be given to including a liquidated damages provision in the final agreement. This provision can only be included when the actual damages can be estimated by CPS Energy at the outset of a contract and the contract can stipulate a dollar amount that the supplier will be charged for failing to meet its contractual obligations. This provision cannot be a penalty and must be based on actual damages that may be sustained by CPS Energy and the amount of the liquidated damage must represent a quantifiable amount that is realistic. If actual damages cannot be determined in advance, provisions in the contract can outline procedures that must be followed in the event of a breach by the supplier and remedies that CPS Energy may invoke for such failure to perform.

C. Incentives Consideration:

Whenever liquidated damages are stated, a Business Unit may also want to consider the inclusion of a provision where incentives are given for exceptional performance by the supplier. The exact criteria for determining exceptional performance and how and when incentives would be paid must be clearly stated in the contract. Incentives are also used to encourage suppliers to complete obligations ahead of schedule.

D. Non-Disclosure Agreements Consideration:

CPS Energy may require prospective suppliers and/or third parties to enter into written confidentiality agreements to protect confidential, competitive or proprietary information that might be shared during the solicitation process. Accordingly, CPS Energy may require a proposed supplier and any of its subcontractors, suppliers or consultants to agree to strict confidentiality obligations, by written agreement, to reasonably protect

all information disclosed as a result of the procurement.

E. Payment Consideration for Public Works Projects

A public works contract is one which includes the construction, alteration or repair of a public building or the construction or completion of a public work. These projects have several legal requirements that differ from routine procurements. They are:

1. Retainage of more than 5% of the periodic payment is required to be placed in an interest-bearing account and paid to the supplier upon completion of the contract if the Project cost is over \$400,000.
2. For purchases in excess of \$100,000, a performance bond must be executed by the supplier in the amount of the contract, if commercially available. If not commercially available, in an amount determined to be prudent and reasonable by CPS Energy.
 - a) For purchases in excess of \$25,000, a payment bond must be executed by the supplier in the amount of the contract, if commercially available. If not commercially available, in an amount determined to be prudent and reasonable by CPS Energy.
 - b) Workers employed on the Project must be paid no less than the prevailing wage which is determined and published by CPS Energy in the solicitation package

F. Specifications Material Goods and Services Considerations:

There are several different types of specifications associated with the procurement of material goods and services:

1. Design or Technical Specifications
Design or technical specifications usually list in detail, how a material good is to be made or a service carried out. They focus on (i) how something is to be made or done, (ii) prescribe the materials and method of manufacturing in producing the desired end product and, (iii) describe the minimum standards for conforming to the desired quality.
2. Performance or Functional Specifications
Performance or functional specifications focus on the expected result for the service or the functionality required of a material good, rather than how the material good is made or the service accomplished. They describe the minimum functional and quality levels for reliability and/or ease of use. Performance specifications call for results, leaving it to the supplier to use technical capability and capacity to achieve a workable material good that performs as required. Use of performance specifications allows the identification of differences in material goods and services that provide equal or better performance and lower costs.
3. Engineering Drawings
Engineering drawings are typically used with other physical purchase descriptions,

although they may be used alone. Where precise shapes and dimensions are required, engineering drawings are the most accurate method of describing the required specifications. Engineering drawings are used for construction projects, foundry or machine shop work, and special mechanical parts and components. The drawings describe the design requirements and sometimes establish standards for final inspection.

4. Blueprints

Blueprints are produced by architects and engineers and are typically used for construction projects. They are also used in conjunction with other physical descriptions to describe exact requirements. The Business Unit must ensure that no ambiguity exists within the physical descriptions and the drawings so that potential costly conflicts are avoided. All dimensions, shapes and spatial relationships must be completely covered and include explicit descriptive instructions and standards for inspection.

5. Brand Name Specifications

Brand name specifications may be "brand name or equal" or "brand name only". The brand name or equal specifications use manufacturers' or brand names as references to identify the required quality and performance characteristics. This type of specification should clearly state that the brands designated are for reference purposes only not just state a preference.

6. Brand Name Only Specification (Single/Sole Source)

Brand name only specifications do not allow equivalent material goods and are clearly restrictive. The Business Units are encouraged to limit their use of the brand name only to circumstances where only a specific material good can fulfill the required need.

7. Qualified Products Lists

Qualified material goods or approved brands lists are stated groups of manufacturers and/or brand names developed on the basis of a written specification. The material goods listed have been examined and/or tested for compliance before release of the solicitation. This type of specification limits the offeror to these pretested and approved material goods or brands.

XII. CPS Energy Supplier Diversity Program Requirements and associated Considerations

A. The Supplier Diversity Program Policy

In March 1989 CPS Energy established the Supplier Diversity Program and adopted the following policy:

"It is the policy of CPS Energy to provide additional and meaningful opportunities in its procurements to small, Minority, Women, Veteran, Historically Underutilized Business (HUB) Zone, or or Service-disabled Veteran-owned businesses. Such businesses must also have the maximum opportunity to participate as subcontractors in contracts awarded by CPS Energy, consistent with efficient contract performance. It is CPS Energy's policy to assist these businesses and to provide them an opportunity for full and equal participation in the procurement process. In response to its belief of equality of

opportunity, CPS Energy has extended the concept of equal opportunity to focus on increasing the amount of business conducted with such businesses.”

In furtherance of the Policy, CPS Energy developed the Supplier Diversity Program which additionally enhances CPS Energy's commitment to the growth and development of San Antonio's small and diverse business community by encouraging active participation in CPS Energy's procurement process. The goal of the Program is to offer business owners every opportunity to meet, examine and discuss the business potential for sales of material goods and services to CPS Energy. All employees are required to maximize procurement and subcontracting opportunities associated with the Supplier Diversity Program by using prime contractors who recruit small, Minority, Women, Veteran, Historically Underutilized Business (HUB) Zone, or Service-disabled Veteran-owned businesses to their subcontracting opportunities

B. Encouraging Small Business Participation in Procurement Activities:

It is the objective of CPS Energy to provide maximum opportunities in its procurements to small, Minority, Women, Veteran, Historically Underutilized Business (HUB) Zone, or Service-disabled Veteran-owned businesses. Such businesses must also have the maximum opportunity to participate as subcontractors in the contracts awarded by CPS Energy, consistent with efficient contract performance.

All CPS Energy Business Units are required to effectively implement the supplier diversity program within their activities, including achieving established aspirational goals. They are to ensure that Supply Chain and technical personnel maintain knowledge of small business program requirements and take all reasonable actions to increase participation in their activities.

Any supplier receiving a contract that offers subcontracting opportunities must agree in the contract that local and small, Minority, Women, Veteran, Historically Underutilized Business (HUB) Zone, or Service-disabled Veteran-owned businesses will have the maximum opportunity to participate in contract performance consistent with its efficient performance. It is further the practice of CPS Energy that its prime contractors establish prompt payment procedures to ensure their subcontracts with local and small, Minority, Women, Veteran, Historically Underutilized Business (HUB) Zone, or Service-disabled Veteran-owned businesses are paid the amounts due pursuant to the terms of their subcontract in a timely manner.

Local and small, Minority, Women, Veteran, Historically Underutilized Business (HUB) Zone, or Service-disabled Veteran-owned businesses shall be afforded an equal opportunity to compete for all contracts that they can perform to the extent consistent with CPS Energy's interest. When applicable, the Vice President of Supply Chain or designee shall take the following actions:

1. Divide proposed procurements of supplies and services into reasonably small lots to permit offers on quantities less than the total requirement.
2. Plan procurements such that, if practicable, more than one local and small businesses may perform the work.

3. Ensure that delivery schedules are established on a realistic basis and will encourage Local and small, Minority, Women, Veteran, Historically Underutilized Business (HUB) Zone, or Service-disabled Veteran-owned business participation to the extent consistent with the actual requirements of CPS Energy.
4. Encourage prime contractors to subcontract with Local and small, Minority, Women, Veteran, Historically Underutilized Business (HUB) Zone, or Service-disabled Veteran-owned when opportunities exist.

C. Notice of Price Evaluation Preference for Local and small, Minority, Women, Veteran, Historically Underutilized Business (HUB) Zone, or Service-disabled Veteran-owned Businesses.

Local and small, Minority, Women, Veteran, Historically Underutilized Business (HUB) Zone, or Service-disabled Veteran-owned businesses will be given higher evaluation matrix scoring. Local businesses are awarded five points and diverse businesses are awarded five points.

In sealed bidding acquisitions, each negotiated solicitation to perform a contract that is expected to exceed \$700,000 (\$1.5 million for construction) and that has subcontracting possibilities, will require the apparent successful Respondent to submit an acceptable subcontracting plan. If the apparent successful Respondent fails to negotiate a subcontracting plan acceptable to CPS Energy within the time limit prescribed in the solicitation, the Respondent may be determined to be ineligible for award.

Each contract Amendment that causes the value of a contract without a subcontracting plan to exceed \$700,000 (\$1.5 million for construction), shall require the supplier to submit a subcontracting plan for the contract, if CPS Energy determines that subcontracting opportunities exist.

Subcontracting plans as discussed above are not required—

1. From small businesses;
2. For personal services contracts;
3. For Amendments that are within the scope of the contract and the contract does not contain the provision in paragraph (c) below entitled, Utilization of Small Businesses.

Any supplier or subcontractor failing to comply in good faith with the requirements of the subcontracting plan is in material breach of its contract. Further, a supplier's failure to make a good faith effort to comply with the requirements of the subcontracting plan may result in the imposition of liquidated damages. The amount of damages attributable to the supplier's failure to comply shall be an amount equal to the actual dollar amount by which the supplier failed to achieve each subcontracting goal.

The Vice President of Supply Chain shall ensure the insertion of the clauses in solicitations and contracts substantially similar to those of 48 CFR 52.219.9, Utilization of Small

Businesses and 48 CFR 52.219-9, Small Business Subcontracting Plan.

XIII. Solicitation Methods

The Vice President of Supply Chain, or his/her designee, has been given the authority to ultimately determine the various types of solicitation methods by which CPS Energy acquires material goods and services. Listed below are some of the various types of solicitation methods available:

A. Bids and Proposals

A bid is comprised of a set of minimum qualifications that the offeror must meet to be qualified for award and a detailed set of specifications. Factors such as safety record, internal costs resulting from engaging a “new” supplier and benefits associated with goods or services that surpass the minimum specifications in the base bid, as offered in an alternate bid, may also be taken into account when evaluating a bid and determining the best value offeror.

On the other hand, a proposal is comprised of a set of requests for further information regarding an offeror’s proposal such as, but not limited to, the supplier’s experience, implementation plan and schedule, training, and costs. A proposal may also contain a set of minimum qualifications. A list of evaluation criteria are published in the RFP and award is based on the highest scoring offeror once the offeror’s answers to the requests for information on technical and commercial criteria are evaluated. While both these mechanisms have been used in the past, they are not exclusive. There may be other mechanisms that when applied, give CPS Energy the ability to better leverage unique supplier expertise, new technologies, or other commercial developments and which solicit a range of features, benefits and contract components from the offerors. All solicitations, however, must specify the qualifications deemed necessary to be qualified for an award, the technical specifications necessary for meeting the solicitations requirements, and in the case of proposals, the critical evaluation factors to be used to evaluate the offers to ensure the best overall value.

B. Strategic Relationships

Strategic Relationships are defined as those special associations or contractual relationships with other individuals or entities that further the interests of the parties and which represent best value to CPS Energy in comparison to more traditional approaches to contracting for the procurement of material goods or services. The Strategic Relationship might have elements of multiple categories and does not fit into one of the other categories under Article IV Specific Limitations. A Strategic Relationship may include a participation agreement, such as a research and development funding agreement, related to CPS Energy business product development, business development, or testing of energy-related products. A solicitation such as this is usually made by issuing a two phase RFQ whereby the offerors are first short-listed based on their qualifications and then ranked according to their responses based on the evaluation criteria information. In every instance, however, the requirements governing supplier diversity shall apply.

C. Contracting and delivery procedures for construction projects

CPS Energy may use alternative contracting and delivery procedures for construction projects consistent with the requirements stated in the Local Government Code Chapter 2269, Contracting and Delivery Procedures for Construction Projects. The methods are:

1. Competitive Sealed Proposals - is a procurement method by which CPS Energy requests proposals, ranks the offerors, negotiates as prescribed, and then contracts with a general contractor for the construction, rehabilitation, alteration, or repair of a facility. A method similar to competitive bidding only sealed proposals are obtained. The selection of best value contractor is based on published selection criteria and on a ranking evaluation.
2. Construction Manager-Agent - is a delivery method by which CPS Energy contracts with a construction manager-agent to provide consultation or administrative services during the design and construction phase and to manage multiple contracts with various construction prime contractors. A construction manager-agent is a sole proprietorship, partnership, corporation, or other legal entity that serves as the agent for CPS Energy by providing construction administration and management services in lieu of a general contractor but holds no subcontracts. The selection of a best value contractor is based on demonstrated competence and qualifications in the same manner as engineers and architects.
3. Construction Manager-at-Risk - is a delivery method by which CPS Energy contracts with an architect or engineer for design and construction phase services and contracts separately with a construction manager-at-risk to serve as the general contractor and to provide consultation during the design and construction, rehabilitation, alteration, or repair of a facility. A construction manager-at-risk is a sole proprietorship, partnership, corporation, or other legal entity that assumes the risk for construction, rehabilitation, alteration, or repair of a facility at the contracted price as a general contractor and provides consultation to CPS Energy regarding construction during and after the design of the facility. The contracted price may be a guaranteed maximum price. The selection of a best value contractor is based on a two-phase RFP process with first phase being ranked on qualifications and second phase being based on published selection criteria and the ranking evaluation, and
4. Design-Build - is a project delivery method by which CPS Energy contracts with a single entity to provide both design and construction services for the construction, rehabilitation, alteration, or repair of a facility. The selection of a best value contractor is based on a two-phase RFP process with first phase being ranked on qualifications and second phase being based on published selection criteria and a ranking evaluation.
5. Job Order Contracting - is a procurement method used for maintenance, repair, alteration, renovation, remediation, or minor construction of a facility when the work is of a recurring nature but the delivery times, type, and quantities of work required are indefinite. A method wherein the selection is based on award under a bid or a proposal to one or more contractors.

The Vice President of Supply Chain or designee, in consultation with the Business Unit, is

authorized to determine the method that represents best value to CPS Energy when the Business Unit desires to utilize any of these alternative project delivery methods. This person has the authority to deem what is best value when CPS Energy chooses to use any of the Alternative Delivery Methods as invested in his/her role as outlined in the Procurement Procedures Alternative to Chapter 252.

D. Use of other Procurement Mechanisms

In accordance with Texas Local Government Code Chapter 271 Section 271.083, CPS Energy is authorized to participate in local, state, federal, and national Purchasing programs. In these type arrangements, CPS Energy is extended the applicable entity's contract prices and procurement services. However, in order to begin such an endeavor and work towards execution of an agreement, the requesting Business Unit must seek and obtain, with the help of Supply Chain, a resolution from the CPS Board of Trustees allowing CPS Energy the authority to participate in the program.

XIV. Evaluation, Revisions and Award

A. Evaluation

The method of evaluation to be used depends upon the type of solicitation method selected by the Business Unit and Supply Chain. Regardless of the evaluation method used, the concept of fair and equal treatment for all suppliers must be applied. To the extent that evaluation criteria are going to be used to evaluate the offers, the solicitation must specify in sufficient detail the critical evaluation factors and the technical criteria deemed appropriate and necessary for determining whether an offeror is qualified for award and is the best value to CPS Energy. Best value shall mean a determination that is deemed most advantageous to CPS Energy in that it represents the most effective, economic and efficient solution available. The evaluation process shall be facilitated by Supply Chain and part of any and all internal discussions related thereto.

When using a RQ, evaluation of the procurement offers and submittals usually consists of determining whether the offeror meets the minimum qualifications and complies with the solicitation specifications. Should exceptions be taken or an alternate bid be offered by any of the offerors a discussion may be undertaken with those offerors in an attempt to reallocate risk or further clarify the alternate bid. However, an offeror who takes exceptions or offers only an alternate bid may be deemed non-responsive and the review of offers would then progress until a best value determination is reached. A written determination of best value and award recommendation can be made either after initial evaluation of the offers or after clarification of the offerors' alternate bid.

When using a RFP, the Business Unit may utilize a variety of methods to evaluate and reach award of the contract. Some examples include:

1. A two-step process wherein the offerors are evaluated on qualifications first and then short-listed. The short-listed offerors are then provided the rest of the proposal and evaluated on their response to the proposal utilizing the evaluation criteria outlined in the solicitation documents. A written award recommendation is then made by the Business Unit identifying the offeror deemed best value;
2. Allowing all potential offerors to submit responses to the full solicitation package and then the offerors are short-listed. The short-listed offerors are afforded an

opportunity for discussion and may revise their response by submitting what is called the "Best and Final" offer. The evaluation is then conducted using the Best and Final offers and a written recommendation for award is made by the Business Unit identifying the offeror deemed best value.

3. Eliminating the step of short-listing the offerors and the offerors are evaluated, utilizing the evaluation criteria outlined in the solicitation documents after they submit their response to the solicitation. A written award recommendation is then made by the Business Unit identifying the offeror deemed best value.

In all cases, additional negotiations with the recommended offeror may be undertaken so as to come to complete agreement regarding the terms of the procurement.

The evaluation process used with the Request For Qualification solicitation method consists of determining which offeror is best qualified based upon a set of minimum qualifications and evaluation criteria listed in the solicitation documents. After selection of the most qualified firm or individual, negotiations for a contract at a fair and reasonable price may proceed with the firm. If CPS Energy is unable to obtain an acceptable contract with the most qualified firm or individual, negotiations will formally end and negotiations with the next most qualified firm or individual are initiated. Negotiations will be continued in like sequence until an acceptable contract is obtained.

All evaluations for procurements exceeding the specific limitations set forth by the Board of Trustees in the Procurement Policy, Section IV, require evaluation criteria associated with risk management. The business unit shall work with Risk Management to identify and determine the weighting of such criteria in the evaluation matrix.

B. Revisions

Revised proposals may be solicited at the discretion of CPS Energy, for any one or more elements of the procurement from any qualified offerors for the selected element. To obtain best and final offers, revisions by qualified offerors may be permitted by CPS Energy after submissions and before the award of a contract.

C. Award

Regardless of what solicitation method is utilized, all award recommendations must be documented based upon the evaluation team's good faith judgment of which offer has been evaluated as the best value to CPS Energy considering the relative importance of price and other evaluation factors, as applicable. Examples of evaluation factors used in determining best value for CPS Energy include installation costs, life cycle costs, quality and reliability of goods and services, environmental impact of product/service life cycle, delivery terms, indicators of probable supplier performance, cost of employee training, effects on productivity, safety risk, diverse and economic development opportunities, financials and all other factors deemed relevant to a particular purchase. CPS Energy reserves the right to reject any and all offers, including those with variances, irregularities, or deficiencies, and to waive formalities required in the solicitation.

The award recommendation shall be provided in accordance with the guidelines established with the Evaluation Team for the solicitation method utilized.

XV. Approval and Review of Contracts

The authority to approve and execute contracts for both purchase order and other types of transactions is delineated in the Policy for Designation of Financial Authorizations (latest revision) and the Contract Signatory Policy (latest revision). The Vice President of Supply Chain may delegate to his/her designee the responsibility for the performance of procurement responsibilities for goods and services as outlined in Procurement Procedures Alternative to Chapter 252.

XVI. Requests under the Open Records Act

All information submitted by suppliers is subject to disclosure upon written request to CPS Energy. Any written request for information is subject to the Public Information Act (Texas Government Code §§ 552.001 et seq.). The request does not need to contain any specific language to be a request subject to the law. Members of the public, including unsuccessful suppliers, may request the evaluation matrix; as well information submitted by other suppliers, however, in some cases, exceptions to required disclosure apply. Third parties, including suppliers whose information is requested, may submit arguments to the Office of the Texas Attorney General in order to protect their information. There are strict legal deadlines associated with withholding information; therefore, an employee who receives a request for information should *immediately* forward the request to Legal Services upon receipt for processing.

The Supply Chain staff is encouraged to share helpful information to suppliers, who want to know why they were not awarded a contract, without disclosing competing suppliers' information.

XVII. Contract Management—Post Award

A. Field Representatives' Responsibilities

When it is determined that a service contract requires the designation and entry type of purchase order is required, the Business Unit shall appoint a Field Representative that is a current CPS Energy employee who has attended appropriate training and is considered competent to manage the Contract/Purchase Order throughout the entire procurement process. (Individuals that are serving as contractors to CPS Energy should not be allowed to perform the functions of a Field Representative). The Business Unit Field Representative's responsibilities and accountabilities are many, and hence, Field Representatives are required to perform their roles in accordance with the "Field Representative Requirements" (**Attachment 1 hereto and published on the CPS Energy Intranet**). At a minimum, the Field Representative must establish controls, as necessary, to verify the supplier's satisfactory performance, monitor the Contract expiration date and payment history, verify invoicing by the supplier and create Service Entry Sheets so as to ensure that payment is timely made by CPS Energy, ensuring that access and assets are given to only those authorized by the appropriate business unit. The Field Representative must also confirm that all prices, quantities and quality of services are consistent with the terms of the Contract by closely monitoring all terms and documentation as it is submitted. The Field Representative shall **not**, at any time, assign any portion of their aforementioned appointed responsibilities to another individual. If the Field Representative is changed during the term of the Contract, the Business Unit must complete the **Change of Field Representative (published on the CPS Energy Intranet)**.

Any Field Representative who fails to adhere to the compliance of the guidelines and responsibilities shall be reported to their respective Business Unit's management resulting in possible disciplinary action.

B. Modifications to Purchase Orders and Agreements

This part prescribes procedures for preparing and processing modifications and or Amendments for all types of contracts. If changes in plans or specifications are necessary after an Agreement or PO is executed or if it is necessary to decrease or increase the quantity of work to be performed or of materials, equipment, or supplies to be furnished, the Business Unit may request a Modification or Amendment and Supply Chain for evaluation and consideration.

Only CPS Supply Chain personnel acting within the scope of their authority are empowered to execute modifications or amendments on behalf of CPS Energy. Other CPS Energy personnel shall not—

1. Execute modifications or amendments;
2. Act in such a manner as to cause the supplier to believe that they have authority to bind CPS Energy; or
3. Direct or encourage the supplier to perform work that should be the subject of a modification or amendment.

If a modification or amendment involves an increase that when combined with the originally approved amount exceeds the Specific Limitations set for the various categories of CPS Energy procurements, Supply Chain, with the appropriate CPS Energy Business Unit management, may complete negotiations of the modification or amendment but must obtain Board of Trustee approval prior to final execution.

This modification or amendment process applies to POs (Base POs and Supplemental POs), Framework Orders and Competitive Sensitive Orders. These types of POs are associated with one-time services or term contracts and are created as "unplanned services." The following proposed modifications or amendments are typically not allowed:

1. Changes in the Scope of Work which differ from the original agreement or PO.
2. Agreements or POs that have been created as a Planned Service with a firm price.
3. Agreements or POs that have been created with a Not-to-Exceed Price.
4. An agreement or PO where the contract term has been previously extended by way of a modification or amendment to the original executed document.
5. Material Outline Agreements that are received and accepted through the storeroom.
6. Requests which result in the PO amount exceeding the Specific Limitations set forth by the Board of Trustees in the Procurement Policy.
7. Any situation that is considered "unacceptable" or appears to be "unacceptable."

All increases in costs to any type agreement or PO requires approval by the respective Business Unit's Senior Leadership. The approval from the Business Unit's management is based on the situation and dollar amount associated with the requested change.

C. Reallocation of PO Funds

The Reallocation of Funds Process applies to agreements and POs (Base POs and Supplemental POs), Framework Orders and Competitive Sensitive Orders already issued to multiple suppliers, under one PR, and must be requested by the Business Unit.

The Reallocation of Funds are subject to the following parameters:

1. Movement of funding from a small business concern to a large business concern with justification and approval of the L4 of the Business Unit.
2. Once funds have been reallocated from one PO to another PO, approval may not be issued for subsequent movement of funds in the reverse order.

D. Supplier Performance

CPS Energy relies heavily on the private sector to carry out aspects of CPS Energy's mission. Because of the critical reliance on supplier support and the large expenditures involved, contract surveillance is vital to ensure suppliers are providing quality services and supplies in a timely manner; to mitigate supplier performance problems; and to ensure CPS Energy receives best value for the company.

Contract quality performance is the responsibility of both the supplier and the designated Field Representative of CPS Energy discussed above. The supplier is responsible for carrying out its obligations under the contract in terms of quality, timeliness and cost. CPS Energy is responsible for ensuring that services and supplies acquired conform to the quality and performance requirements of the contract.

Contract quality surveillance is an essential activity. In most cases, contract quality surveillance is the responsibility of the Business Unit and their assigned Field Representative — the organization most familiar with the technical complexities and nuances of the requirement — with assistance from Supply Chain. The requiring Business Unit prescribes contract quality requirements that Supply Chain includes in contracts. Members of the Business Unit, Field Representatives, are designated specific authority by Supply Chain to conduct contract surveillance as a designated representative of CPS Energy in order to verify that the supplier is fulfilling contract requirements and to document performance for the contract record. These individuals function as the eyes and ears of Supply Chain and are a liaison between CPS Energy and supplier when executing surveillance responsibilities.

An ongoing system for measuring supplier performance is a vital tool for encouraging improvement and assuring that material goods and services meet the specified quality and performance standards of CPS Energy. Measuring supplier performance is critical to selecting and maintaining qualified and reliable suppliers. Failure to accurately measure and evaluate supplier performance can impact CPS Energy's costs, service quality and efficiency. Monitoring supplier performance enables CPS Energy to determine the overall costs and benefits of conducting business with specific suppliers. Two standardized forms are available on the CPS Energy Intranet under the titles of "Supplier Performance Record" and "Contractor and Supplier Evaluation Form" that will assist the Field Representative in verifying services performed and document contractor performance. Through the use of supplier performance tools, CPS Energy can focus on

building relationships and working with suppliers to improve the quality of their performance by achieving on-time delivery, competitive cost, quality of material goods and services and timely service. In addition, the following determinations can be made:

1. Which suppliers reflect a continuous commitment to CPS Energy's goals?
2. Which suppliers consistently meet the specified performance criteria and expectations of CPS Energy?
3. Which suppliers engage in "best practices" when performing for CPS
4. Energy such that they are better able to be offered future CPS Energy procurement opportunities.

XIII. Termination of Procurement Actions

At some point within the term of a contract, reasons may present a need to terminate a contract. There are a variety of reasons as to why a particular contract might have to be terminated. From conditions changing the business direction to that of consistent supplier performance issues. If it is decided to that termination is necessary, efforts should be made to ensure that the termination will result in the least amount of damages for CPS Energy.

There are two types of contract terminations, termination at will and termination for cause/default. Termination at will gives CPS Energy the right to cancel a contract when doing so is in the best interest of CPS Energy, notwithstanding the supplier's ability and readiness to perform. CPS Energy may terminate a contract at will if the supply or service is no longer needed, the contract is no longer affordable, it is impossible for the supplier to perform as specified in the contract (through no fault of the contractor), or the requirement has changed radically. A termination at will allows the supplier to submit a settlement proposal for the work that has been accomplished under the contract up to the effective date of the termination, including the cost associated with any work in progress. CPS Energy and the supplier then negotiate a settlement agreement. The supplier is entitled to be reimbursed for costs for work completed.

The other type, termination for cause/default, allows CPS Energy to terminate the contract for the supplier's failure to do execute to the level of the terms and conditions set forth in the contract. For example, the failure to deliver supplies or perform services within a specified time. Because CPS Energy is not liable for work not accepted, the termination for cause/default has a greater adverse consequence on suppliers. A termination for cause/default is improper if the required notice and opportunity to "cure" the situation is not given to the contractor. This is where detailed documentation is necessary to support a decision of this nature.

In either termination method stated above, Supply Chain will lead the effort, in consultation with Legal, on any written direction executing this right. Accordingly, if, the Business Unit requires a contract relationship be terminated, adequate justification and documentation should be provided through the proper Business Unit leadership (L3/L4) to Supply Chain.

Attachment 1

Procurement Field Representative Invoice Review and Contract Compliance Requirements

When it is determined that a Field Representative is required, the Business Unit shall appoint an individual that is a current CPS Energy employee, is scheduled to attend the required training, and is competent to manage the purchase order/contract throughout the entire process. The Business Unit's Field Representative is responsible at the beginning of the procurement process to establish controls, as necessary, to verify the supplier's satisfactory performance and to monitor the purchase order/contract.

After issuance of the purchase order/contract, the Field Representative is in charge of monitoring the compliance of the purchase order/contract as established, such as but not limited to: validating services rendered, commodities received, verifying that the services occurred during the contract period, expiration date, purchase order renewal, payments, and the relationship with the supplier, as applicable.

All invoice payments to the supplier must be reviewed and approved through the SAP Invoice Approval Workflow process in a timely manner. The supplier is required to mail the invoice to CPS Energy Accounts Payable department. Accounts Payable, in turn, will scan the invoice and a workflow in SAP will be sent to the respective Field Representative. The Field Representative must approve the workflow, create the service entry sheet, and send the approved workflow to Accounts Payable in order to provide timely payment of invoices. Untimely payments can result in the invoice being sent to collections thusly affecting CPS Energy's bond rating and be subject to interest accrual under the Texas Prompt Payment Act. Accounts Payable will review the workflow and post the payment. Payments will be sent to the supplier according to SAP payment terms.

Field Representative Guidelines and Responsibilities

1. Supply Chain will provide you with a copy of the Purchase Order, Price Schedules, associated add orders, and copy of the signed Contract, as applicable. It will be your responsibility to verify the validity of all invoices to the Contract and price schedules, as well as ensuring the vendor is performing according to the contract terms and conditions. To assist the Field Representative in verifying services performed and document contractor performance issues, refer to the Contractor Performance for Service Contracts Guidelines which may be accessed on the CPS Energy Intranet.
2. As a Field Representative for service entry type purchase orders, you are required to perform invoice review and contract compliance responsibilities throughout the Purchase Order period. Contract compliance and applicability for NERC, if related to Cyber Critical Systems or locations and SSAE 18 requirements, if for third party hosted solutions outside of the CPS Energy firewall.
3. At the beginning of the Contract period, you must establish the necessary controls to verify adherence to the Contract performance, ensure timely payments, be aware of the contract expiration date and the monetary limits of the purchase order. Payments cannot be made on contracts that have exhausted funds and/or have expired.

4. Verify that prices and quantities are in accordance with the Contract by checking and verifying the prices on the invoice to the Price Schedule and items listed on the Contract.
 - Indicate in the notes tab within the Invoice Approval Workflow any invoice deductions due to over-billing, for items not received, for work not performed, or other invoice discrepancies. Deductions must be explained by the Field Representative.
 - Verify that services and quantities on the invoice have been performed and delivered.
5. Certify that the Supplier has performed in accordance with the terms of the Purchase Order and the Contract. Complete the SAP Invoice Approval Workflow prior **to the due date** so that the payment can be made within payment terms.
 - Invoice Approval Workflow should not be held past the due date. Late processing of the Invoice Approval Workflow may affect CPS' accrual process and supplier relationship.
 - If the Invoice Approval Workflow is past due, immediately notify Accounts Payable by e-mail or phone and call the supplier to inform them why the invoice cannot be paid in case the invoice needs to be re-billed.
6. Review the supporting documentation (invoices, receipts, worksheets, etc.) for reimbursable expenses submitted by the supplier.
 - Ensure the documentation meets the criteria established in the Contract such as providing receipts for items greater than \$25. Invoices should not include and should be reduced for reimbursement of sales tax charges on material used on the CPS Energy project.
 - Notify the supplier to call Accounts Payable and acquire a Sales & Use Tax Exemption certificate so they will not be charged sales tax for material used on the CPS Energy Contract.
7. The service entry sheet must be created using the Invoice Approval Workflow for all service type contracts. The Field Representative is responsible for approving or rejecting the invoice using the Invoice Approval Workflow. If the invoice is approved, the Field Representative has the discretion to either create the service entry sheet or forward the workflow to another individual to create the service entry sheet. After creating the Service Entry Sheet using the Invoice Approval Workflow, the workflow is sent back to Accounts Payable for processing. The Field Representative is responsible for allocating the invoice amount to the correct cost object and Purchase Order/Contract. The Service Entry Sheet is the authorizing document for the contract payment transaction in SAP.
8. When an invoice is to be paid prior to the due date, prepare an [Acceleration of Payment form](#) to include the appropriate payment date and approvals. Invoice payments greater than or equal to \$1 million will need Financial Services approval prior to processing the invoice for payment. Please mail the Acceleration of Payment form to Accounts Payable Mail Drop box # 100705.
9. If there is a need to change the appointed Field Representative after the issuance of the Purchase Order/Contract, the Business Unit must complete the [Change Field Representative form](#) and send to Accounts Payable.
10. Note any special handling instructions in the manage attachments tab in the Invoice Approval Workflow (such as: mailing or picking up check).

11. Communicate discrepancies noted in contract performance to the supplier immediately. Questions regarding contract compliance should be directed to the Buyer.
12. Report any problems that cannot be resolved with the supplier to the appropriate Procurement Analyst in Supply Chain.
13. When presented with a request to increase, change or add to the existing scope of a contract, please consult the Procurement Analyst in Supply Chain for proper guidance and direction. A Purchase Requisition for a Supplemental Purchase Order may be required.
14. When finalizing the Contract and Purchase Order, coordinate with the Supplier for the retrieval of special tools or equipment purchased by the Supplier for CPS Energy.
15. **Once the supplier submits the FINAL INVOICE for all goods and/or services, the Field Representative and the backup (Administrator) should verify the final payment. After verification of the final payment, the service entry or entries (per line items) should be properly closed out. It is important that all one time service purchase orders and framework purchase orders are properly closed by [clicking the final payment indicator](#) when creating the final service entry sheet.**

Notes

Individual purchase orders/contracts differ thereby this list is not in all inclusive of all guidelines or responsibilities. If you currently do not have the SAP role for creating service entry sheets, please contact the Service Desk at extension 2020.

**Procedural Guidelines for the Implementation of the Purchasing Resolution
Approved by the Board of Trustees
September 30, 2002**

*Revised November 2013. June
2014. ~~June~~ 2017. 2021*

I. Introduction

These Procedural Guidelines ("Guidelines") are designed to allow City Public Service (CPS Energy) to more efficiently procure quality material goods and services at a reasonable cost and, more specifically, to meet the public purpose of protecting and enhancing the ability of CPS Energy to provide reliable energy-related materials and services on a competitive, fair and equitable basis, while ensuring the expansion of CPS Energy's Supplier Diversity Program to the maximum extent possible.

These Guidelines shall apply to all procurements made by CPS Energy in accordance with the Resolution and Procurement Policy ("Policy") adopted by the CPS Energy Board of Trustees ("Board") on September 30, 2002 and revised June 2017, and the Procurement Procedures Alternative to Chapter 252 ("Procedures") adopted by the Board on September 30, 2002 and revised June 2017.

The Procurement Policy's purpose is to set forth the behavioral standards for all procurement activities and to establish the authority of the President & CEO in the purchase of material goods and services for CPS Energy. The Policy makes it clear that in order for CPS Energy to fulfill its mission to provide reliable, cost-competitive electric and gas products and services to its customers, CPS Energy's goods and services should be obtained at a reasonable cost, be of high quality, be environmentally preferable, where available, and be deemed best value.

II. Approval and Obligation Authority

All Purchase Orders and Contracts for material, goods or services executed by Supply Chain will be signed within Supply Chain based on the approval levels indicated in the Policy for Designation of Financial Authorizations (latest revision) and published on the CPS Energy Intranet. For those documents that exceed the specific limitations within the Supply Chain organization, they must be routed and fully executed by the President & CEO.

III. Types of Procurements

A. Small And Simplified ~~Procurements~~Acquisitions

In an effort to procure small dollar value items in a more efficient and timely manner, Supply Chain may procure material goods or services of \$50,000 or less using more simplified procedures and with the use of minimal competitive bidding as discussed in more detail in this document. However, CPS Energy's Procurement Policy and these Guidelines prohibit the practice of splitting or separating procurements to exempt CPS Energy from the \$50,000 competitive bid requirement. In using this method, Supply Chain shall always consider these proposed acquisitions for the set aside for small and or local businesses. Supply Chain shall perform market research and document the file as to why a small business set-aside is inappropriate when an acquisition is not set aside for small business, unless an award is anticipated to a small business.

B. Stock Material Goods

CPS Energy storerooms stock and manage over 37,000 material goods on a daily basis. The majority of these stock material goods are spare parts used within the power plants or construction material goods within the electric and gas distribution system for new

construction or maintenance. If the material goods needed are stock material goods, the Business Unit should first determine whether the item is in stock before initiating a non-stock purchase requisition. The majority of all stock material goods should be considered for purchases in bulk quantities in order to obtain economies of scale pricing and timelier deliveries.

C. Non-Stock Material Goods

Material goods that are not maintained in stock inventory are considered non-stock material goods. When appropriate, Supply Chain combines several non-stock material goods requests in order to obtain discounted pricing and more timely deliveries.

D. Services

When the procurement is for a contracted service and is equal to or greater than \$50,000 but less than \$100,000, Supply Chain will determine if additional commercial and technical terms are necessary in addition to those on the PO in order to protect CPS Energy's interests. In most cases, a contract will need to be developed by Supply Chain for the following:

1. professional and/or personal services (as defined under Section C "Specific Limitations"), or
2. at the request of the Business Unit, or
3. if the supplier submits its own agreement.

In some instances, insurance will be required which is based on the level of risk associated with performance of the services. For purchase of a service over \$100,000, a formal solicitation and resulting contract is typically required.

E. Product Leasing

Business Units should consider whether to lease or purchase equipment based on a case-by-case evaluation of comparative costs and other factors. The following factors are the minimum that should be considered:

1. Estimated length of the period the equipment is to be used and the extent of use within that period.
2. Financial and operating advantages of alternative types and makes of equipment.
3. Cumulative rental payments for the estimated period of use.
4. Net purchase price.
5. Transportation and installation costs.
6. Maintenance and other service costs.
7. Potential obsolescence of the equipment because of imminent technological improvements.

The following additional factors should be considered, as appropriate, depending on the type, cost, complexity, and estimated period of use of the equipment:

1. Availability of purchase options.
2. Potential for use of the equipment by other agencies after its use by the acquiring agency is ended.

3. Trade-in or salvage value.
4. Imputed interest.
5. Availability of a servicing capability, especially for highly complex equipment; e.g., can the equipment be serviced by the Government or other sources if it is purchased?

Generally, the purchase method is appropriate if the equipment will be used beyond the point in time when cumulative leasing costs exceed the purchase costs. Business Units should not rule out the purchase method of equipment acquisition in favor of leasing merely because of the possibility that future technological advances might make the selected equipment less desirable.

The lease method is appropriate if it is to CPS Energy's advantage under the circumstances. The lease method may also serve as an interim measure when the circumstances require immediate use of equipment to meet program or system goals; but do not currently support acquisition by purchase. If a lease is justified, a lease with option to purchase is preferable. Generally, a long term lease should be avoided, but may be appropriate if an option to purchase or other favorable terms are included. If a lease with option to purchase is used, the contract shall state the purchase price or provide a formula which shows how the purchase price will be established at the time of purchase.

F. Information Technology and Related Items

Software and hardware related items that involve CPS Energy Information Technology (IT) and/or require integration with CPS Energy infrastructure such as, but not limited to IT services, servers, networks, hard drives, cloud computing, copiers, printers, laptop PCs, tablets, software, and other technology related items or services need to be reviewed and approved by Enterprise Information Technology (EIT) by use of the EIT Procurement Form.

IV. Acquisition Planning

There are many considerations the Business Unit must take into account during the planning phase of any procurement for material goods, equipment or contract services. While the specific steps taken may vary from procurement to procurement, the following provides a fundamental base of information applicable to the pertinent areas of procurement planning.

Business Units should pay particular attention to the development of the specification, cost or budgetary estimates, risk and resource allocations, identification of potential suppliers, lead-times for fabrication and shipment, contract development, review time needed by other Business Unit stakeholders such as the General Counsel and Risk Management sections, the selected solicitation method, evaluation criteria and weighting, evaluation and award dates and the overall procurement schedule.

When multiple parties are involved in the procurement process, it is advisable to have a clear understanding of the responsibilities of all participating parties. Early communication as to when a procurement is on the critical path of a project is essential to a successful execution of the project.

Understanding the roles and responsibilities of all parties involved in the procurement process

requires follow-up and timely communication with all internal participants (Procurement Analysts, General Counsel, Risk Management, Audit Services, EIT, etc.). A general timeframe appropriate to the project should be obtained by contacting Supply Chain to determine when submission of a Purchase Requisition is required to specific deadlines.

Understanding of CPS Energy's good faith effort to provide maximum practicable opportunity in the procurement process by encouraging the utilization of local business community, small, disadvantaged, veteran, service-disabled veteran, HUBZone and women-owned businesses, on a fair and equitable basis and as encouraged under applicable policy and procedures which afford these firms an evaluation preference during the sourcing event.

V. Development of the Purchase Requisition

All Purchase Requisitions ("PR") are found within the SAP system. The PR is the mechanism by which a Business Unit documents the need to procure a material good or service and obtains approval for the same. The information contained within the PR serves to inform Supply Chain as well as all necessary personnel approving the PR as to the specifics of the requested procurement. Depending on the procurement to be made (i.e. one-time, term contract, non-stock commodity, contract service, etc.) the type of PR may vary but the information contained in the PR is the same. At a minimum, the information contained within the PR indicates the material, goods or services needed (specification) and the timeline of the procurement (need by date). Additional information may be submitted with the PR including, but not limited to, a list of suppliers to be solicited, the EIT Form, Exempt Form, or other applicable and relevant information. All PR's are approved based on the approval levels indicated in the Policy for Designation of Financial Authorizations and can be found on the CPS Energy Intranet.

VI. Training

The Supply Chain Team and the Accounts Payable Team are responsible for the Field Representative training program designed to provide training and guidance to CPS Energy personnel whose job duties entail monitoring supplier performance or the expenditure of CPS Energy funds.

The structure of the training program is geared toward providing "hands-on" practical information to better serve personnel whose assigned tasks and duties require them to expend CPS Energy funds. While still providing a core amount of material related to the Policy and Procedures, the subject matters included in the training portfolio will be specific to the Business Unit or Department in attendance. Coordination will also be available with Financial Services to ensure that training is provided regarding the proper use of the Non-Purchase Order payment process as well as the responsibilities of a Field Representative relative to Accounts Payable.

Every individual involved in procurement activity is required to complete an Annual Field Representative Refresher Training class or attend an instructor led training session on an annual rotating basis. If an individual does not complete the required training, all SAP procurement related roles will be removed until such training is completed.

VII. Requirements for the Sourcing Event

A. Publicizing/Advertising of Proposed Contract Actions

1. General

- a) As part of the CPS Energy solicitation process, CPS Energy must make notices of proposed contract actions available as specified in this section.
- b) The primary purposes of the notice are to improve small business access to solicitation information and enhance competition by identifying additional sources and potential subcontracting opportunities. Small and local business are defined as those business that are local in accordance to the zip codes defined within the San Antonio Metropolitan Area (SAMA) statistical area and small business is defined as those firms registered with CPS Energy as a small disadvantaged, service-disabled veteran owned, HUBZone and/or women-owned businesses.
- c) For the purchase of supplies and services, other than that stated in paragraph 2 below, CPS Energy must transmit a notice to CPS Energy's Corporate Communication Department , for each proposed—
 - (1) Purchase Requisition at or above \$50,000;
 - (2) Amendment or Change Order to an existing Agreement for additional supplies or services that meets or exceeds \$50,000; or
 - (3) Contract awards exceeding \$50,000 that are likely to result in the award of any subcontracts that would be advantageous to industry or to CPS Energy.
- d) The CPS Energy Web Site may be accessed via the Internet at <https://www.CPSEnergy.com>.

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B. Publicizing/Advertising of Proposed Contract Actions are not required when –

- 1. Supply Chain Management determines that –
 - a) The advertisement cannot be worded to preclude disclosure of CPS Energy's needs and such disclosure would compromise the proprietary nature of CPS Energy (e.g., would result in disclosure of confidential or proprietary information). The fact that a proposed solicitation or contains confidential or proprietary information, or that access to confidential or proprietary information may be necessary to submit a proposal or perform the Agreement does not, in itself, justify use of this exception to requirement;
 - b) The proposed Agreement action is made under the process of Small and Simplified procedures or if unusual and compelling urgency precludes competition to the maximum extent practicable and CPS Energy would be seriously injured if Supply Chain complies with the time periods specified below;
 - c) The proposed Agreement is one for which the terms and conditions of applicable Interlocal Agreement is being used;
 - d) The Agreement is expressly authorized or required by a statute or policy to be made through another Government agency, including acquisitions from Texas Department of Information Resources (DIR) and Texas Multiple Award

Schedule Program (TXMAS);

- e) The Agreement is an exempt procurement in accordance with paragraph 2.4 of the City Public Service Procurement Procedures Alternative to Chapter 252 and only one source is available;
 - f) The proposed Purchase Requisition is for perishable subsistence supplies, and advance notice is not appropriate or reasonable;
 - g) The proposed Purchase Requisition is to be made under the terms of an existing Agreement that was previously advertised in sufficient detail to comply with the requirements of this section with respect to the current proposed Purchase Requisition action;
 - h) The proposed Procurement Requisition actions for an amount not expected to exceed \$50,000.
2. Publicizing/Advertising and Response Time

Whenever CPS Energy is required to publicize/advertise a notice of proposed procurement actions stated above, CPS Energy must post the notice for a period of at least, but not limited to, five (5) calendar days before issuance of a solicitation.

Each notice must establish a solicitation response time that will afford potential offerors a reasonable opportunity to respond to each proposed procurement action. Each solicitation's response time should consider the circumstances of the individual purchase, such as the complexity, commerciality, availability, and urgency, when establishing the solicitation response time. Typically, we should endeavor to allow at least a 30-day response time for receipt of bids or proposals from the date of issuance of a solicitation.

VIII. Exceptions to the Competitive Procurement Process

The Procurement Procedures have been designed to lend the greatest amount of flexibility to the procurement process. However, there are unique situations that warrant either different procurement methodologies or alternative procurement procedures stipulated in the Procurement Procedures. When these situation present themselves, Business Units are strongly encouraged to be prudent in determining when an exception to the procurement competition requirements are necessary and only when a strong business reason supported by senior leadership exists to support for the exception. Types of exemptions and necessary justifications and approvals are obtained through the Business Unit's completion and execution of the "Request for an Exempt Procurement" (published on the CPS Energy Intranet). This form must accompany the Purchase Requisition to Supply Chain.

IX. Competitive Matters Related Purchases

On occasion, CPS Energy may have a need to procure goods or services that are of a Competitive Related Matter where the subject matter of the procurement warrants the non-disclosure of the information associated with the respective purchase. In those instances, Supply Chain, in consultation with the Business Unit, will consult with General Counsel and determine if such matter exists. If General Counsel and the Business Unit jointly

determine that the project purchase falls within that of a Competitive Matter Related Procurement, Supply Chain shall assist the Business Unit in completing the **"Request to Process as a Competitive Matter Related Procurement"** (published on the CPS Energy Intranet) and obtain proper approvals.

X. Small and Simplified Purchase Process

In lieu of the previous term of Most Economical Way, Supply Chain has instituted a new process for procurements of \$50,000 or less (now deemed "Small and Simplified Purchases"). The purpose of this part is to prescribe simplified acquisition procedures in order to—

1. Reduce administrative costs;
2. Improve opportunities for small, small disadvantaged, women-owned, veteran-owned, HUBZone, and service-disabled veteran-owned small business concerns to obtain a fair proportion of CPS Energy contracts;
3. Promote efficiency and economy in procurement; and
4. Avoid unnecessary burdens for Business Units and our supplier base.

Procurement of supplies or services that have an anticipated dollar value below \$50,000 should be reserved exclusively for small business concerns and/or local firms and shall be set aside to the extent practicable. In the event that a particular purchase for supplies or services cannot be made to such small or local concerns, Supply Chain, in consultation with the Business Unit, shall document the file with sufficient documentation supporting the decision.

In no event should the small and simplified acquisition procedures be used to acquire supplies and services if the anticipated award will exceed the \$50,000 threshold. Supply Chain shall ensure that, within reason, Business Units do not break down requirements in an attempt to use this process.

CPS Energy is based upon promoting competition to the maximum extent practicable to obtain supplies and services from the source whose offer provides the best value to CPS Energy. CPS Energy must not—

1. Solicit quotations based on personal preference; or
2. Restrict solicitation to suppliers of well-known and widely distributed makes or brands.
3. When using these small and simplified purchasing procedures, maximum practicable competition ordinarily can be obtained by soliciting quotations or offers from sources within the local trade area. Unless otherwise determined and documented within the file, solicitation of at least three sources shall be used to promote competition to meet adequate competition requirements. CPS Energy does not have to obtain individual quotations for each purchase. Standing price quotations may be used if—
 - a. The pricing information is current; and
 - b. CPS Energy obtains the benefit of maximum discounts before award.

CPS Energy shall evaluate quotations or offers –

- a. In an impartial manner; and

- b. Inclusive of transportation charges from the shipping point of the supplier to the delivery destination.

Quotations or offers shall be evaluated on the basis established in the solicitation. All quotations or offers shall be considered. Supply Chain has broad discretion in fashioning suitable evaluation procedures. If using price and other factors, the evaluation team must ensure that quotations or offers can be evaluated in an efficient and minimally burdensome fashion. Unlike purchase exceeding \$50,000, formal evaluation plans and establishing a competitive range, conducting discussions, and scoring quotations or offers are not required. CPS Energy may conduct comparative evaluations of offers. Evaluation of other factors, may be based on one or more of the following:

1. Employee knowledge of and previous experience with the supply or service being acquired;
2. Customer surveys, and past performance questionnaire replies; or
3. Any other reasonable basis.

Before issuing any award, CPS Energy must determine that the proposed price is fair and reasonable. Whenever possible, price reasonableness should be based on competitive quotations or offers. If only one response is received, additional justification may be needed to ensure price reasonableness. This additional justification can be made by—

1. Market research;
2. Comparison of the proposed price with prices found reasonable on previous purchases;
3. Current price lists, catalogs, or advertisements. However, inclusion of a price in a price list, catalog, or advertisement does not, in and of itself, establish fairness and reasonableness of the price;
4. A comparison with similar items in a related industry;
5. Employee's personal knowledge of the item being purchased;
6. Comparison to an independent CPS Energy estimate; or
7. Any other reasonable basis.

A. For procurements equal to greater than \$50,000

1. Procurements equal to or in excess of \$50,000 require utilization of the competitive processes outlined in the City Public Service Procurement Procedures Alternative to Chapter 252 unless the procurement meets an exception as noted in these Guidelines. The ~~Senior Director~~Vice President of Supply Chain, or his/her designee, in consultation with the Business Unit, determines which solicitation method provides CPS Energy with the ability to better leverage supplier expertise, new technologies or other commercial developments and further provides a range of features, benefits and contract components. Examples of current methodologies include a Request for Quotation ("RFQ") (where price and the ability to meet CPS Energy minimum requirements are the lead determining factors), a Request for Qualification ("RQ") (where past experience and qualifications are the determining factors), a Request for Proposal ("RFP") (where a variety of weighted evaluation criteria other than price and price-related factors serve as the mechanism for award), and an Invitation to Bid ("IFB") (when the award will be made on the basis of only price and other price-related factors only),

or in a Reverse Auction (where price and ability to meet CPS Energy requirements are the main bidding factors). All solicitations must specify the minimum qualifications and technical specifications and if applicable, the evaluation factors to be used in evaluating the offers. Some of the important considerations in developing the procurement documents are as follows:

1. Minimum Qualifications:

Minimum qualifications are the mechanism by which information regarding minimum experience, skills, reputation and financial standing is solicited. Offerors who are unable to satisfactorily demonstrate meeting such minimum standards may be deemed "unresponsive" to the solicitation and rejected as viable for award. Examples of information to be submitted that demonstrate minimum qualifications are resumes of key individuals, past projects names and references, financial statements and ability to meet material or performance specifications and schedule.

2. Solicitation Evaluation Criteria:

Evaluation criteria are the mechanism by which the Business Unit states the commercial and technical criteria deemed necessary and appropriate for determining whether an offeror is qualified for award. Information is solicited from the offerors that is then used to evaluate and further clarify the offers in accordance with the listed evaluation criteria. These evaluation criteria are stated in the solicitation and used as the basis for evaluation of Respondents and ultimate selection.

2. Insurance requirements associated with the procurements of material goods and/or services are occasionally reviewed by Risk Management in advance of the procurement so that minimum limits of insurance may be required of the offerors and placed in the solicitation package. In many situations, insurance will be required and included as part of the solicitation process. The Business Unit shall work with Supply Chain and Risk Management to identify and determine the weighting of the criteria in the evaluation matrix as required for all procurements exceeding the specific limitations set forth by the Board of Trustees in the Procurement Policy, Section IV. Failure by any offeror to provide evidence of the offeror's ability to procure and maintain the stated minimum coverages may result in the offeror being unqualified for award.

XI. Solicitation Considerations:

A. Bonding Considerations:

1. Requiring that a supplier provide performance or payment bonds is a commonly used method of transferring the risk of supplier default to a third party surety. A performance bond guarantees that the supplier will perform the duties assumed by entering the contract. The performance bond shall be conditioned on the fact that the supplier will faithfully perform the contract. The payment bond guarantees that the supplier will pay all suppliers and subcontractors.
2. For public work projects, a performance and payment bond shall be obtained

from the successful offeror in the amount determined to be consistent with applicable law or if not commercially available, in an amount determined to be prudent and reasonable by CPS Energy.

3. For those purchases not deemed public works, the Field Representative, in consultation with General Counsel, Risk Management and Supply Chain, has the discretion to determine whether a bond requirement is otherwise appropriate based on a review of factors such as subcontracting opportunities, costs of bond and risks associated with delay of a project or a supplier being unable to complete performance or delivery of a quality product. Thus, CPS Energy may require a bond from the successful offeror in an amount determined to be prudent and responsible by CPS Energy.
4. Another type of bond, the bid bond, is a form of security which assures that the bidder—
 - a) Will not withdraw a bid within the period specified for acceptance; and
 - b) Will execute a written contract and furnish required bonds, including any necessary coinsurance or reinsurance agreements, within the time specified in the bid, unless a longer time allowed, after receipt of the specified forms. All bonds shall be executed in a form and manner acceptable to CPS Energy.

B. Liquidated Damages for Delay and/or Performance Consideration:

If CPS Energy may incur financial damages as a result of a supplier's failure to timely perform, consideration must be given to including a liquidated damages provision in the final agreement. This provision can only be included when the actual damages can be estimated by CPS Energy at the outset of a contract and the contract can stipulate a dollar amount that the supplier will be charged for failing to meet its contractual obligations. This provision cannot be a penalty and must be based on actual damages that may be sustained by CPS Energy and the amount of the liquidated damage must represent a quantifiable amount that is realistic. If actual damages cannot be determined in advance, provisions in the contract can outline procedures that must be followed in the event of a breach by the supplier and remedies that CPS Energy may invoke for such failure to perform.

C. Incentives Consideration:

Whenever liquidated damages are stated, a Business Unit may also want to consider the inclusion of a provision where incentives are given for exceptional performance by the supplier. The exact criteria for determining exceptional performance and how and when incentives would be paid must be clearly stated in the contract. Incentives are also used to encourage suppliers to complete obligations ahead of schedule.

D. Non-Disclosure Agreements Consideration:

CPS Energy may require prospective suppliers and/or third parties to enter into written confidentiality agreements to protect confidential, competitive or proprietary information that might be shared during the solicitation process. Accordingly, CPS Energy may require a proposed supplier and any of its subcontractors, suppliers or consultants to agree to strict confidentiality obligations, by written agreement, to reasonably protect

all information disclosed as a result of the procurement.

E. Payment Consideration for Public Works Projects

A public works contract is one which includes the construction, alteration or repair of a public building or the construction or completion of a public work. These projects have several legal requirements that differ from routine procurements. They are:

1. Retainage of more than 5% of the periodic payment is required to be placed in an interest-bearing account and paid to the supplier upon completion of the contract if the Project cost is over \$400,000.
2. For purchases in excess of \$100,000, a performance bond must be executed by the supplier in the amount of the contract, if commercially available. If not commercially available, in an amount determined to be prudent and reasonable by CPS Energy.
 - a) For purchases in excess of \$25,000, a payment bond must be executed by the supplier in the amount of the contract, if commercially available. If not commercially available, in an amount determined to be prudent and reasonable by CPS Energy.
 - b) Workers employed on the Project must be paid no less than the prevailing wage which is determined and published by CPS Energy in the solicitation package

F. Specifications Material Goods and Services Considerations:

There are several different types of specifications associated with the procurement of material goods and services:

1. Design or Technical Specifications
Design or technical specifications usually list in detail, how a material good is to be made or a service carried out. They focus on (i) how something is to be made or done, (ii) prescribe the materials and method of manufacturing in producing the desired end product and, (iii) describe the minimum standards for conforming to the desired quality.
2. Performance or Functional Specifications
Performance or functional specifications focus on the expected result for the service or the functionality required of a material good, rather than how the material good is made or the service accomplished. They describe the minimum functional and quality levels for reliability and/or ease of use. Performance specifications call for results, leaving it to the supplier to use technical capability and capacity to achieve a workable material good that performs as required. Use of performance specifications allows the identification of differences in material goods and services that provide equal or better performance and lower costs.
3. Engineering Drawings
Engineering drawings are typically used with other physical purchase descriptions,

although they may be used alone. Where precise shapes and dimensions are required, engineering drawings are the most accurate method of describing the required specifications. Engineering drawings are used for construction projects, foundry or machine shop work, and special mechanical parts and components. The drawings describe the design requirements and sometimes establish standards for final inspection.

4. Blueprints

Blueprints are produced by architects and engineers and are typically used for construction projects. They are also used in conjunction with other physical descriptions to describe exact requirements. The Business Unit must ensure that no ambiguity exists within the physical descriptions and the drawings so that potential costly conflicts are avoided. All dimensions, shapes and spatial relationships must be completely covered and include explicit descriptive instructions and standards for inspection.

5. Brand Name Specifications

Brand name specifications may be "brand name or equal" or "brand name only". The brand name or equal specifications use manufacturers' or brand names as references to identify the required quality and performance characteristics. This type of specification should clearly state that the brands designated are for reference purposes only not just state a preference.

6. Brand Name Only Specification (Single/Sole Source)

Brand name only specifications do not allow equivalent material goods and are clearly restrictive. The Business Units are encouraged to limit their use of the brand name only to circumstances where only a specific material good can fulfill the required need.

7. Qualified Products Lists

Qualified material goods or approved brands lists are stated groups of manufacturers and/or brand names developed on the basis of a written specification. The material goods listed have been examined and/or tested for compliance before release of the solicitation. This type of specification limits the offeror to these pretested and approved material goods or brands.

XII. CPS Energy Supplier Diversity Program Requirements and associated Considerations

A. The Supplier Diversity Program Policy

In March 1989 CPS Energy established the Supplier Diversity Program and adopted the following policy:

"It is the policy of CPS Energy to provide maximum additional and meaningful opportunities in its acquisitions procurements to to small business, veteran-owned small business, service-disabled veteran owned small business, HUBZone small business, small disadvantaged business, and women owned small business concerns. Such concerns small, Women, Minority, Women, Veteran, Historically Underutilized Business (HUB) Zone, or --and/or and/or Service-disabled Veteran-owned businesses. Such businesses must also have the maximum opportunity to participate as subcontractors in

~~the~~ contracts awarded by CPS Energy, consistent with efficient contract performance. It is CPS Energy's policy to assist these businesses ~~to overcome the barriers that kept them from and to provide them an opportunity for~~ full and equal participation in the ~~mainstream of the American Business Enterprise System in the past~~ procurement process. In response to its belief of equality of opportunity, CPS Energy has extended the concept of equal opportunity to focus on increasing the amount of business conducted with such ~~concerns~~ businesses."

In furtherance of the Policy, CPS Energy developed the Supplier Diversity Program ~~for~~ which additionally enhances CPS Energy's commitment to the growth and development of San Antonio's small ~~and diverse~~ business community by encouraging active participation in CPS Energy's procurement process. The goal of the Program is to offer business owners every opportunity to meet, examine and discuss the business potential for sales of material goods and services to CPS Energy. All employees are ~~encouraged~~ ~~required~~ ~~expected~~ to ~~strive for maximizing~~ maximize procurement and subcontracting opportunities associated with ~~CPS Energy's~~ the Supplier Diversity Program: ~~by using prime contractors who recruit small, Women, Minority, Women, Veteran, Historically Underutilized Business (HUB) Zone, or Service-disabled Veteran-owned businesses to their sub-contracting opportunities~~

B. Encouraging Small Business Participation in Procurement Activities:

It is the objective of CPS Energy to provide maximum opportunities in its ~~procurements~~ ~~acquisitions~~ to small ~~business, veteran-owned small business, service-disabled veteran-owned small business, HUBZone small business, small disadvantaged business, and women owned small business concerns.~~ Such concerns, ~~Women, Minority, Women, -Veteran, Historically Underutilized Business (HUB) Zone, or Service-disabled Veteran-owned businesses.~~ Such businesses must also have the maximum opportunity to participate as subcontractors in the contracts awarded by CPS Energy, consistent with efficient contract performance.

All CPS Energy Business Units are ~~responsible~~ ~~required to~~ ~~for~~ effectively implementing the ~~small supplier diversity business~~ programs within their activities, including achieving established, ~~corporate aspirational~~ goals. They are to ensure that Supply Chain and technical personnel maintain knowledge of small business program requirements and take all reasonable actions to increase participation in their ~~activities~~ ~~activities~~.

Any supplier receiving a contract that offers subcontracting opportunities must agree in the contract that ~~small and local business, veteran-owned small business, service-disabled veteran-owned small business, HUBZone small business, small disadvantaged business, and women owned small business concerns~~ local and small, ~~Women, Minority, Women, -Veteran, Historically Underutilized Business (HUB) Zone, or Service-disabled Veteran-owned businesses~~ will have the maximum opportunity to participate in contract performance consistent with its efficient performance. ~~It is further the practice of CPS Energy that its prime contractors establish prompt payment procedures to ensure their subcontracts with local and small, Minority, Women, Veteran, Historically Underutilized Business (HUB) Zone, or Service-disabled Veteran-owned businesses are paid the amounts due pursuant to the terms of their subcontract in a timely manner.~~

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~~It is further the practice of CPS Energy that its prime contractors establish procedures to ensure the timely prompt payment of amounts due pursuant to the terms of their subcontracts with small and local business, veteran-owned small business, service-disabled veteran-owned small business, HUBZone small business, small disadvantaged business, and women-owned small business concerns local and small, Women, Minority, Women, Veteran, Historically Underutilized Business (HUB) Zone, or Service disabled Veteran-owned businesses.~~

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~~Small Local and and local business concerns small, Minority, Women, Veteran, Historically Underutilized Business (HUB) Zone, or Service-disabled Veteran-owned businesses shall be afforded an equitable opportunity to compete for all contracts that they can perform to the extent consistent with CPS Energy's interest. When applicable, the Senior Director Vice President of Supply Chain or designee shall take the following actions:~~

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- ~~1. Divide proposed acquisitions procurements of supplies and services (except construction) into reasonably small lots (not less than economic production runs) to permit offers on quantities less than the total requirement.~~
- ~~2. Plan acquisitions procurements such that, if practicable, more than one local and small businesses may perform the work.~~
- ~~3. Ensure that delivery schedules are established on a realistic basis that and will encourage small Local and small, Minority, Women, Veteran, Historically Underutilized Business (HUB) Zone, or Service-disabled Veteran-owned business participation to the extent consistent with the actual requirements of CPS Energy.~~
- ~~4. Encourage Require Encourage prime contractors to subcontract with local and small businesses Local and small, Minority, Women, Veteran, Historically Underutilized Business (HUB) Zone, or Service-disabled Veteran-owned when should opportunities exist.~~
- ~~5. Ensure the insertion of a clause substantially the same as of the following in all solicitations and contracts:~~

~~**C. Notice of Price Evaluation Preference for Small Business Concerns and Local firms** Local and small, Minority, Women, Veteran, Historically Underutilized Business (HUB) Zone, or Service-disabled Veteran-owned Businesses.~~

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~~Local and small, Minority, Women, Veteran, Historically Underutilized Business (HUB) Zone, or Service-disabled Veteran-owned businesses Res will be given higher evaluation matrix scoring. Respondent's offer or bid may potentially result in an evaluation preference attributable to Economic Development to non local business or non small business. Respondents offers or bids will be provided an evaluation preference for being classified with CPS Energy as a local business in accordance to those businesses within the greater San Antonio Metropolitan area as defined by the Office of Management and Budget (OMB). Respondent's offers or bids will also be provided an evaluation preference for being classified with CPS Energy as a small disadvantaged, service disabled veteran owned, HUBZone and/or women-owned businesses. Local businesses are awarded five points and diverse businesses are awarded five points.~~

~~In sealed bidding acquisitions, each negotiated solicitation to perform a contract that is~~

expected to exceed \$700,000 (\$1.5 million for construction) and that has subcontracting possibilities, will require the apparent successful Respondent to submit an acceptable subcontracting plan. If the apparent successful Respondent fails to negotiate a subcontracting plan acceptable to CPS Energy within the time limit prescribed in the solicitation, the Respondent may be determined to be ineligible for award.

Each contract Amendment that causes the value of a contract without a subcontracting plan to exceed \$700,000 (\$1.5 million for construction), shall require the supplier to submit a subcontracting plan for the contract, if CPS Energy determines that subcontracting opportunities exist.

Subcontracting plans as discussed above are not required—

1. From small ~~business concerns~~businesses;
2. For personal services contracts;
3. For Amendments that are within the scope of the contract and the contract does not contain the provision in paragraph (c) below entitled, Utilization of Small ~~Business Concerns~~Businesses.

Any supplier or subcontractor failing to comply in good faith with the requirements of the subcontracting plan is in material breach of its contract. Further, a supplier's failure to make a good faith effort to comply with the requirements of the subcontracting plan may result in the imposition of liquidated damages. The amount of damages attributable to the supplier's failure to comply shall be an amount equal to the actual dollar amount by which the supplier failed to achieve each subcontracting goal.

The ~~Senior Director~~Vice President of Supply Chain shall ensure the insertion of the clauses in solicitations and contracts substantially similar to those of 48 CFR 52.219.9, Utilization of Small Businesses and 48 CFR 52.219-9, Small Business Subcontracting Plan.

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XIII. Solicitation Methods

The ~~Senior Director~~Vice President of Supply Chain, or his/her designee, has been given the authority to ultimately determine the various types of solicitation methods by which CPS Energy acquires material goods and services. Listed below are some of the various types of solicitation methods available:

A. Bids and Proposals

A bid is comprised of a set of minimum qualifications that the offeror must meet to be qualified for award and a detailed set of specifications. Factors such as safety record, internal costs resulting from engaging a "new" supplier and benefits associated with goods or services that surpass the minimum specifications in the base bid, as offered in an alternate bid, may also be taken into account when evaluating a bid and determining the best value offeror.

On the other hand, a proposal is comprised of a set of requests for further information

regarding an offeror's proposal such as, but not limited to, the supplier's experience, implementation plan and schedule, training, and costs. A proposal may also contain a set of minimum qualifications. A list of evaluation criteria are published in the RFP and award is based on the highest scoring offeror once the offeror's answers to the requests for information on technical and commercial criteria are evaluated. While both these mechanisms have been used in the past, they are not exclusive. There may be other mechanisms that when applied, give CPS Energy the ability to better leverage unique supplier expertise, new technologies, or other commercial developments and which solicit a range of features, benefits and contract components from the offerors. All solicitations, however, must specify the qualifications deemed necessary to be qualified for an award, the technical specifications necessary for meeting the solicitations requirements, and in the case of proposals, the critical evaluation factors to be used to evaluate the offers to ensure the best overall value.

B. Strategic Relationships

Strategic Relationships are defined as those special associations or contractual relationships with other individuals or entities that further the interests of the parties and which represent best value to CPS Energy in comparison to more traditional approaches to contracting for the procurement of material goods or services. The Strategic Relationship might have elements of multiple categories and does not fit into one of the other categories under Article IV Specific Limitations. A Strategic Relationship may include a participation agreement, such as a research and development funding agreement, related to CPS Energy business product development, business development, or testing of energy-related products. A solicitation such as this is usually made by issuing a two phase RFQ whereby the offerors are first short-listed based on their qualifications and then ranked according to their responses based on the evaluation criteria information. In every instance, however, the requirements governing supplier diversity shall apply.

C. Contracting and delivery procedures for construction projects

CPS Energy may use alternative contracting and delivery procedures for construction projects consistent with the requirements stated in the Local Government Code Chapter 2269, Contracting and Delivery Procedures for Construction Projects. The methods are:

1. Competitive Sealed Proposals - is a procurement method by which CPS Energy requests proposals, ranks the offerors, negotiates as prescribed, and then contracts with a general contractor for the construction, rehabilitation, alteration, or repair of a facility. A method similar to competitive bidding only sealed proposals are obtained. The selection of best value contractor is based on published selection criteria and on a ranking evaluation.
2. Construction Manager-Agent - is a delivery method by which CPS Energy contracts with a construction manager-agent to provide consultation or administrative services during the design and construction phase and to manage multiple contracts with various construction prime contractors. A construction manager-agent is a sole proprietorship, partnership, corporation, or other legal entity that serves as the agent for CPS Energy by providing construction administration and management services in lieu of a general contractor but holds no subcontracts. The selection of a best value contractor is based on

demonstrated competence and qualifications in the same manner as engineers and architects.

3. Construction Manager-at-Risk - is a delivery method by which CPS Energy contracts with an architect or engineer for design and construction phase services and contracts separately with a construction manager-at-risk to serve as the general contractor and to provide consultation during the design and construction, rehabilitation, alteration, or repair of a facility. A construction manager-at-risk is a sole proprietorship, partnership, corporation, or other legal entity that assumes the risk for construction, rehabilitation, alteration, or repair of a facility at the contracted price as a general contractor and provides consultation to CPS Energy regarding construction during and after the design of the facility. The contracted price may be a guaranteed maximum price. The selection of a best value contractor is based on a two-phase RFP process with first phase being ranked on qualifications and second phase being based on published selection criteria and the ranking evaluation, and
4. Design-Build - is a project delivery method by which CPS Energy contracts with a single entity to provide both design and construction services for the construction, rehabilitation, alteration, or repair of a facility. The selection of a best value contractor is based on a two-phase RFP process with first phase being ranked on qualifications and second phase being based on published selection criteria and a ranking evaluation.
5. Job Order Contracting - is a procurement method used for maintenance, repair, alteration, renovation, remediation, or minor construction of a facility when the work is of a recurring nature but the delivery times, type, and quantities of work required are indefinite. A method wherein the selection is based on award under a bid or a proposal to one or more contractors.

The ~~Senior Director~~Vice President of Supply Chain or designee, in consultation with the Business Unit, is authorized to determine the method that represents best value to CPS Energy when the Business Unit desires to utilize any of these alternative project delivery methods. This person has the authority to deem what is best value when CPS Energy chooses to use any of the Alternative Delivery Methods as invested in his/her role as outlined in the Procurement Procedures Alternative to Chapter 252.

D. Use of other Procurement Mechanisms

In accordance with Texas Local Government Code Chapter 271 Section 271.083, CPS Energy is authorized to participate in local, state, federal, and national Purchasing programs. In these type arrangements, CPS Energy is extended the applicable entity's contract prices and procurement services. However, in order to begin such an endeavor and work towards execution of an agreement, the requesting Business Unit must seek and obtain, with the help of Supply Chain, a resolution from the CPS Board of Trustees allowing CPS Energy the authority to participate in the program.

XIV. Evaluation, Revisions and Award

A. Evaluation

The method of evaluation to be used depends upon the type of solicitation method selected by the Business Unit and Supply Chain. Regardless of the evaluation method used, the concept of fair and equal treatment for all suppliers must be applied. To the extent that evaluation criteria are going to be used to evaluate the offers, the solicitation must specify in sufficient detail the critical evaluation factors and the technical criteria deemed appropriate and necessary for determining whether an offeror is qualified for award and is the best value to CPS Energy. Best value shall mean a determination that is deemed most advantageous to CPS Energy in that it represents the most effective, economic and efficient solution available. The evaluation process shall be facilitated by Supply Chain and part of any and all internal discussions related thereto.

When using a RQ, evaluation of the procurement offers and submittals usually consists of determining whether the offeror meets the minimum qualifications and complies with the solicitation specifications. Should exceptions be taken or an alternate bid be offered by any of the offerors a discussion may be undertaken with those offerors in an attempt to reallocate risk or further clarify the alternate bid. However, an offeror who takes exceptions or offers only an alternate bid may be deemed non-responsive and the review of offers would then progress until a best value determination is reached. A written determination of best value and award recommendation can be made either after initial evaluation of the offers or after clarification of the offerors' alternate bid.

When using a RFP, the Business Unit may utilize a variety of methods to evaluate and reach award of the contract. Some examples include:

1. A two-step process wherein the offerors are evaluated on qualifications first and then short-listed. The short-listed offerors are then provided the rest of the proposal and evaluated on their response to the proposal utilizing the evaluation criteria outlined in the solicitation documents. A written award recommendation is then made by the Business Unit identifying the offeror deemed best value;
2. Allowing all potential offerors to submit responses to the full solicitation package and then the offerors are short-listed. The short-listed offerors are afforded an opportunity for discussion and may revise their response by submitting what is called the "Best and Final" offer. The evaluation is then conducted using the Best and Final offers and a written recommendation for award is made by the Business Unit identifying the offeror deemed best value.
3. Eliminating the step of short-listing the offerors and the offerors are evaluated, utilizing the evaluation criteria outlined in the solicitation documents after they submit their response to the solicitation. A written award recommendation is then made by the Business Unit identifying the offeror deemed best value.

In all cases, additional negotiations with the recommended offeror may be undertaken so as to come to complete agreement regarding the terms of the procurement.

The evaluation process used with the Request For Qualification solicitation method consists of determining which offeror is best qualified based upon a set of minimum qualifications and evaluation criteria listed in the solicitation documents. After selection of the most qualified firm or individual, negotiations for a contract at a fair and reasonable price may proceed with the firm. If CPS Energy is unable to obtain an acceptable contract with the most qualified firm or individual, negotiations will formally end and negotiations with the next most qualified firm or individual are initiated. Negotiations will be continued

in like sequence until an acceptable contract is obtained.

All evaluations for procurements exceeding the specific limitations set forth by the Board of Trustees in the Procurement Policy, Section IV, require evaluation criteria associated with risk management. The business unit shall work with Risk Management to identify and determine the weighting of such criteria in the evaluation matrix.

B. Revisions

Revised proposals may be solicited at the discretion of CPS Energy, for any one or more elements of the procurement from any qualified offerors for the selected element. To obtain best and final offers, revisions by qualified offerors may be permitted by CPS Energy after submissions and before the award of a contract.

C. Award

Regardless of what solicitation method is utilized, all award recommendations must be documented based upon the evaluation team's good faith judgment of which offer has been evaluated as the best value to CPS Energy considering the relative importance of price and other evaluation factors, as applicable. Examples of evaluation factors used in determining best value for CPS Energy include installation costs, life cycle costs, quality and reliability of goods and services, environmental impact of product/service life cycle, delivery terms, indicators of probable supplier performance, cost of employee training, effects on productivity, safety risk, diverse and economic development opportunities, financials and all other factors deemed relevant to a particular purchase. CPS Energy reserves the right to reject any and all offers, including those with variances, irregularities, or deficiencies, and to waive formalities required in the solicitation.

The award recommendation shall be provided in accordance with the guidelines established with the Evaluation Team for the solicitation method utilized.

XV. Approval and Review of Contracts

The authority to approve and execute contracts for both purchase order and other types of transactions is delineated in the Policy for Designation of Financial Authorizations (latest revision) and the Contract Signatory Policy (latest revision). The ~~Senior Director~~Vice President of Supply Chain may delegate to his/her designee the responsibility for the performance of procurement responsibilities for goods and services as outlined in Procurement Procedures Alternative to Chapter 252.

XVI. Requests under the Open Records Act

All information submitted by suppliers is subject to disclosure upon written request to CPS Energy. Any written request for information is subject to the Public Information Act (Texas Government Code §§ 552.001 et seq.). The request does not need to contain any specific language to be a request subject to the law. Members of the public, including unsuccessful suppliers, may request the evaluation matrix; as well information submitted by other suppliers, however, in some cases, exceptions to required disclosure apply. Third parties, including suppliers whose information is requested, may submit arguments to the Office of the Texas Attorney General in order to protect their information. There are strict legal deadlines associated

with withholding information; therefore, an employee who receives a request for information should *immediately* forward the request to Legal Services upon receipt for processing.

The Supply Chain staff is encouraged to share helpful information to suppliers, who want to know why they were not awarded a contract, without disclosing competing suppliers' information.

XVII. Contract Management—Post Award

A. Field Representatives' Responsibilities

When it is determined that a service contract requires the designation and entry type of purchase order is required, the Business Unit shall appoint a Field Representative that is a current CPS Energy employee who has attended appropriate training and is considered competent to manage the Contract/Purchase Order throughout the entire procurement process. (Individuals that are serving as contractors to CPS Energy should not be allowed to perform the functions of a Field Representative). The Business Unit Field Representative's responsibilities and accountabilities are many, and hence, Field Representatives are required to perform their roles in accordance with the "Field Representative Requirements" (**Attachment 1 hereto and published on the CPS Energy Intranet**). At a minimum, the Field Representative must establish controls, as necessary, to verify the supplier's satisfactory performance, monitor the Contract expiration date and payment history, verify invoicing by the supplier and create Service Entry Sheets so as to ensure that payment is timely made by CPS Energy, ensuring that access and assets are given to only those authorized by the appropriate business unit. The Field Representative must also confirm that all prices, quantities and quality of services are consistent with the terms of the Contract by closely monitoring all terms and documentation as it is submitted. The Field Representative shall **not**, at any time, assign any portion of their aforementioned appointed responsibilities to another individual. If the Field Representative is changed during the term of the Contract, the Business Unit must complete the **Change of Field Representative (published on the CPS Energy Intranet)**.

Any Field Representative who fails to adhere to the compliance of the guidelines and responsibilities shall be reported to their respective Business Unit's management resulting in possible disciplinary action.

B. Modifications to Purchase Orders and Agreements

This part prescribes procedures for preparing and processing modifications and or Amendments for all types of contracts. If changes in plans or specifications are necessary after an Agreement or PO is executed or if it is necessary to decrease or increase the quantity of work to be performed or of materials, equipment, or supplies to be furnished, the Business Unit may request a Modification or Amendment and Supply Chain for evaluation and consideration.

Only CPS Supply Chain personnel acting within the scope of their authority are empowered to execute modifications or amendments on behalf of CPS Energy. Other CPS Energy personnel shall not—

1. Execute modifications or amendments;

2. Act in such a manner as to cause the supplier to believe that they have authority to bind CPS Energy; or
3. Direct or encourage the supplier to perform work that should be the subject of a modification or amendment.

If a modification or amendment involves an increase that when combined with the originally approved amount exceeds the Specific Limitations set for the various categories of CPS Energy procurements, Supply Chain, with the appropriate CPS Energy Business Unit management, may complete negotiations of the modification or amendment but must obtain Board of Trustee approval prior to final execution.

This modification or amendment process applies to POs (Base POs and Supplemental POs), Framework Orders and Competitive Sensitive Orders. These types of POs are associated with one-time services or term contracts and are created as "unplanned services." The following proposed modifications or amendments are typically not allowed:

1. Changes in the Scope of Work which differ from the original agreement or PO.
2. Agreements or POs that have been created as a Planned Service with a firm price.
3. Agreements or POs that have been created with a Not-to-Exceed Price.
4. An agreement or PO where the contract term has been previously extended by way of a modification or amendment to the original executed document.
5. Material Outline Agreements that are received and accepted through the storeroom.
6. Requests which result in the PO amount exceeding the Specific Limitations set forth by the Board of Trustees in the Procurement Policy.
7. Any situation that is considered "unacceptable" or appears to be "unacceptable."

All increases in costs to any type agreement or PO requires approval by the respective Business Unit's Senior Leadership. The approval from the Business Unit's management is based on the situation and dollar amount associated with the requested change.

C. Reallocation of PO Funds

The Reallocation of Funds Process applies to agreements and POs (Base POs and Supplemental POs), Framework Orders and Competitive Sensitive Orders already issued to multiple suppliers, under one PR, and must be requested by the Business Unit.

The Reallocation of Funds are subject to the following parameters:

1. Movement of funding from a small business concern to a large business concern with justification and approval of the L4 of the Business Unit.
2. Once funds have been reallocated from one PO to another PO, approval may not be issued for subsequent movement of funds in the reverse order.

D. Supplier Performance

CPS Energy relies heavily on the private sector to carry out aspects of CPS Energy's mission. Because of the critical reliance on supplier support and the large expenditures involved, contract surveillance is vital to ensure suppliers are providing quality services

and supplies in a timely manner; to mitigate supplier performance problems; and to ensure CPS Energy receives best value for the company.

Contract quality performance is the responsibility of both the supplier and the designated Field Representative of CPS Energy discussed above. The supplier is responsible for carrying out its obligations under the contract in terms of quality, timeliness and cost. CPS Energy is responsible for ensuring that services and supplies acquired conform to the quality and performance requirements of the contract.

Contract quality surveillance is an essential activity. In most cases, contract quality surveillance is the responsibility of the Business Unit and their assigned Field Representative — the organization most familiar with the technical complexities and nuances of the requirement — with assistance from Supply Chain. The requiring Business Unit prescribes contract quality requirements that Supply Chain includes in contracts. Members of the Business Unit, Field Representatives, are designated specific authority by Supply Chain to conduct contract surveillance as a designated representative of CPS Energy in order to verify that the supplier is fulfilling contract requirements and to document performance for the contract record. These individuals function as the eyes and ears of Supply Chain and are a liaison between CPS Energy and supplier when executing surveillance responsibilities.

An ongoing system for measuring supplier performance is a vital tool for encouraging improvement and assuring that material goods and services meet the specified quality and performance standards of CPS Energy. Measuring supplier performance is critical to selecting and maintaining qualified and reliable suppliers. Failure to accurately measure and evaluate supplier performance can impact CPS Energy's costs, service quality and efficiency. Monitoring supplier performance enables CPS Energy to determine the overall costs and benefits of conducting business with specific suppliers. Two standardized forms are available on the CPS Energy Intranet under the titles of "Supplier Performance Record" and "Contractor and Supplier Evaluation Form" that will assist the Field Representative in verifying services performed and document contractor performance. Through the use of supplier performance tools, CPS Energy can focus on building relationships and working with suppliers to improve the quality of their performance by achieving on-time delivery, competitive cost, quality of material goods and services and timely service. In addition, the following determinations can be made:

1. Which suppliers reflect a continuous commitment to CPS Energy's goals?
2. Which suppliers consistently meet the specified performance criteria and expectations of CPS Energy?
3. Which suppliers engage in "best practices" when performing for CPS
4. Energy such that they are better able to be offered future CPS Energy procurement opportunities.

XIII. Termination of Procurement Actions

At some point within the term of a contract, reasons may present a need to terminate a contract. There are a variety of reasons as to why a particular contract might have to be terminated. From conditions changing the business direction to that of consistent supplier performance issues. If it is decided that that termination is necessary, efforts should be made to ensure that the termination will result in the least amount of damages for CPS Energy.

There are two types of contract terminations, termination at will and termination for cause/default. Termination at will gives CPS Energy the right to cancel a contract when doing so is in the best interest of CPS Energy, notwithstanding the supplier's ability and readiness to perform. CPS Energy may terminate a contract at will if the supply or service is no longer needed, the contract is no longer affordable, it is impossible for the supplier to perform as specified in the contract (through no fault of the contractor), or the requirement has changed radically. A termination at will allows the supplier to submit a settlement proposal for the work that has been accomplished under the contract up to the effective date of the termination, including the cost associated with any work in progress. CPS Energy and the supplier then negotiate a settlement agreement. The supplier is entitled to be reimbursed for costs for work completed.

The other type, termination for cause/default, allows CPS Energy to terminate the contract for the supplier's failure to do execute to the level of the terms and conditions set forth in the contract. For example, the failure to deliver supplies or perform services within a specified time. Because CPS Energy is not liable for work not accepted, the termination for cause/default has a greater adverse consequence on suppliers. A termination for cause/default is improper if the required notice and opportunity to "cure" the situation is not given to the contractor. This is where detailed documentation is necessary to support a decision of this nature.

In either termination method stated above, Supply Chain will lead the effort, in consultation with Legal, on any written direction executing this right. Accordingly, if the Business Unit requires a contract relationship be terminated, adequate justification and documentation should be provided through the proper Business Unit leadership (L3/L4) to Supply Chain.

Attachment 1

**Procurement Field Representative Invoice Review
and Contract Compliance Requirements**

When it is determined that a Field Representative is required, the Business Unit shall appoint an individual that is a current CPS Energy employee, is scheduled to attend the required training, and is competent to manage the purchase order/contract throughout the entire process. The Business Unit's Field Representative is responsible at the beginning of the procurement process to establish controls, as necessary, to verify the supplier's satisfactory performance and to monitor the purchase order/contract.

After issuance of the purchase order/contract, the Field Representative is in charge of monitoring the compliance of the purchase order/contract as established, such as but not limited to: validating services rendered, commodities received, verifying that the services occurred during the contract period, expiration date, purchase order renewal, payments, and the relationship with the supplier, as applicable.

All invoice payments to the supplier must be reviewed and approved through the SAP Invoice Approval Workflow process in a timely manner. The supplier is required to mail the invoice to CPS Energy Accounts Payable department. Accounts Payable, in turn, will scan the invoice and a workflow in SAP will be sent to the respective Field Representative. The Field Representative must approve the workflow, create the service entry sheet, and send the approved workflow to Accounts Payable in order to provide timely payment of invoices. Untimely payments can result in the invoice being sent to collections thusly affecting CPS Energy's bond rating and be subject to interest accrual under the Texas Prompt Payment Act. Accounts Payable will review the workflow and post the payment. Payments will be sent to the supplier according to SAP payment terms.

Field Representative Guidelines and Responsibilities

1. Supply Chain will provide you with a copy of the Purchase Order, Price Schedules, associated add orders, and copy of the signed Contract, as applicable. It will be your responsibility to verify the validity of all invoices to the Contract and price schedules, as well as ensuring the vendor is performing according to the contract terms and conditions. To assist the Field Representative in verifying services performed and document contractor performance issues, refer to the Contractor Performance for Service Contracts Guidelines which may be accessed on the CPS Energy Intranet.
2. As a Field Representative for service entry type purchase orders, you are required to perform invoice review and contract compliance responsibilities throughout the Purchase Order period. Contract compliance and applicability for NERC, if related to Cyber Critical Systems or locations and SSAE 18 requirements, if for third party hosted solutions outside of the CPS Energy firewall.
3. At the beginning of the Contract period, you must establish the necessary controls to verify adherence to the Contract performance, ensure timely payments, be aware of the contract expiration date and the monetary limits of the purchase order. Payments cannot be made on contracts that have exhausted funds and/or have expired.

4. Verify that prices and quantities are in accordance with the Contract by checking and verifying the prices on the invoice to the Price Schedule and items listed on the Contract.
 - Indicate in the notes tab within the Invoice Approval Workflow any invoice deductions due to over-billing, for items not received, for work not performed, or other invoice discrepancies. Deductions must be explained by the Field Representative.
 - Verify that services and quantities on the invoice have been performed and delivered.
5. Certify that the Supplier has performed in accordance with the terms of the Purchase Order and the Contract. Complete the SAP Invoice Approval Workflow prior to the due date so that the payment can be made within payment terms.
 - Invoice Approval Workflow should not be held past the due date. Late processing of the Invoice Approval Workflow may affect CPS' accrual process and supplier relationship.
 - If the Invoice Approval Workflow is past due, immediately notify Accounts Payable by e-mail or phone and call the supplier to inform them why the invoice cannot be paid in case the invoice needs to be re-billed.
6. Review the supporting documentation (invoices, receipts, worksheets, etc.) for reimbursable expenses submitted by the supplier.
 - Ensure the documentation meets the criteria established in the Contract such as providing receipts for items greater than \$25. Invoices should not include and should be reduced for reimbursement of sales tax charges on material used on the CPS Energy project.
 - Notify the supplier to call Accounts Payable and acquire a Sales & Use Tax Exemption certificate so they will not be charged sales tax for material used on the CPS Energy Contract.
7. The service entry sheet must be created using the Invoice Approval Workflow for all service type contracts. The Field Representative is responsible for approving or rejecting the invoice using the Invoice Approval Workflow. If the invoice is approved, the Field Representative has the discretion to either create the service entry sheet or forward the workflow to another individual to create the service entry sheet. After creating the Service Entry Sheet using the Invoice Approval Workflow, the workflow is sent back to Accounts Payable for processing. The Field Representative is responsible for allocating the invoice amount to the correct cost object and Purchase Order/Contract. The Service Entry Sheet is the authorizing document for the contract payment transaction in SAP.
8. When an invoice is to be paid prior to the due date, prepare an [Acceleration of Payment form](#) to include the appropriate payment date and approvals. Invoice payments greater than or equal to \$1 million will need Financial Services approval prior to processing the invoice for payment. Please mail the Acceleration of Payment form to Accounts Payable Mail Drop box # 100705.
9. If there is a need to change the appointed Field Representative after the issuance of the Purchase Order/Contract, the Business Unit must complete the [Change Field Representative form](#) and send to Accounts Payable.
10. Note any special handling instructions in the manage attachments tab in the Invoice Approval Workflow (such as: mailing or picking up check).

11. Communicate discrepancies noted in contract performance to the supplier immediately. Questions regarding contract compliance should be directed to the Buyer.
12. Report any problems that cannot be resolved with the supplier to the appropriate Procurement Analyst in Supply Chain.
13. When presented with a request to increase, change or add to the existing scope of a contract, please consult the Procurement Analyst in Supply Chain for proper guidance and direction. A Purchase Requisition for a Supplemental Purchase Order may be required.
14. When finalizing the Contract and Purchase Order, coordinate with the Supplier for the retrieval of special tools or equipment purchased by the Supplier for CPS Energy.
15. **Once the supplier submits the FINAL INVOICE for all goods and/or services, the Field Representative and the backup (Administrator) should verify the final payment. After verification of the final payment, the service entry or entries (per line items) should be properly closed out. It is important that all one time service purchase orders and framework purchase orders are properly closed by [clicking the final payment indicator](#) when creating the final service entry sheet.**

Notes

Individual purchase orders/contracts differ thereby this list is not in all inclusive of all guidelines or responsibilities. If you currently do not have the SAP role for creating service entry sheets, please contact the Service Desk at extension 2020.

Procedural Guidelines – Change Summary for the Supplier Diversity Program

Section	Original Content	Proposed Content	Intent of Proposal
<p>XII.</p> <p>A.</p> <p>B.</p>	<p>Change Summary for the Supplier Diversity Program Requirements and associated Considerations</p> <p>The Supplier Diversity Program Policy</p> <p>“It is the policy of CPS Energy to provide maximum opportunities in its acquisitions to small business, veteran-owned small business, service-disabled veteran-owned small business, HUBZone small business, small disadvantaged business, and women-owned small business concerns. Such businesses must also have the maximum practicable opportunity to participate as subcontractors in the contracts awarded by CPS Energy, consistent with efficient contract performance.”</p> <p>It is CPS Energy’s policy to assist these businesses to overcome the barriers that kept them from full and equal participation in the mainstream of the American Business Enterprise System in the past. In response to its belief of equality of opportunity, CPS Energy has extended the concept of equal opportunity to focus on increasing the amount of business conducted with such concerns.</p> <p>All employees are encouraged to strive for maximizing procurement and subcontracting opportunities associated with CPS Energy’s Supplier Diversity Program.</p> <p>It is the objective of CPS Energy to provide maximum practicable opportunities in its acquisitions to small business, veteran-owned small business, service-disabled veteran-owned small business,</p>	<p>Change Summary for the Supplier Diversity Program Requirements and associated Considerations</p> <p>The Supplier Diversity Program Policy</p> <p>“It is the policy of CPS Energy to provide additional and meaningful opportunities in its procurements to small, Minority, Women, Veteran, Historically Underutilized Business (HUB) Zone, or Service-disabled Veteran-owned businesses. Such businesses must also have the maximum opportunity to participate as subcontractors in contracts awarded by CPS Energy, consistent with efficient contract performance.”</p> <p>It is CPS Energy’s policy to assist these businesses and to provide them an opportunity for full and equal participation in the procurement process. In response to its belief of equality of opportunity, CPS Energy has extended the concept of equal opportunity to focus on increasing the amount of business conducted with such businesses.</p> <p>All employees are expected to maximize procurement and subcontracting opportunities associated with the Supplier Diversity Program by using prime contractors who recruit small, Minority, Women, Veteran, Historically Underutilized Business (HUB) Zone, or Service-disabled Veteran-owned businesses to their sub-contracting opportunities</p> <p>It is the objective of CPS Energy to provide maximum opportunities in its procurements to small, Minority, Women,</p>	<p>Change Summary for the Supplier Diversity Program Requirements and associated Considerations</p> <p>A. Change Policy language from “maximum opportunities” to “additional and meaningful opportunities.” Changes Policy language to provide consistence program language when addressing the correct terminology for the diverse business community. Small, Minority, Women, Veteran, (SMWV) is the correct acronym for the diverse businesses.</p> <p>A. Changes Policy language to provide consistence program language.</p> <p>A. Changes language from “All employees are encouraged to strive for maximizing procurement and subcontracting opportunities associated with CPS Energy’s Supplier Diversity Program....” to “All employees are expected to maximize procurement and subcontracting opportunities associated with the Supplier Diversity Program by using prime contractors who recruit small...”</p> <p>B. Changes language from “provide maximum practicable” to “provide maximum opportunities.”</p>

<p>HUBZone small business, small disadvantaged business, and women-owned small business concerns</p> <p>All CPS Energy Business Units are responsible for effectively implementing the small business programs within their activities, including achieving established corporate goals.</p> <p>It is further the practice of CPS Energy that its prime contractors establish procedures to ensure the timely payment of amounts due pursuant to the terms of their subcontracts with small and local business, veteran-owned small business, service-disabled veteran-owned small business, HUBZone small business, small disadvantaged business, and women-owned small business concerns.</p> <p>Small and local business concerns shall be afforded an equitable opportunity to compete for all contracts that they can perform to the extent consistent with CPS Energy’s interest. When applicable, the Senior Director of Supply Chain or designee shall take the following actions:</p> <ol style="list-style-type: none"> 1. Divide proposed acquisitions of supplies and services (except construction) into reasonably small lots (not less than economic production runs) to permit offers on quantities less than the total requirement. 2. Plan acquisitions such that, if practicable, more than one small or local business concern may perform the work. 3. Ensure that delivery schedules are established on a realistic basis that will encourage small business participation to the extent consistent with the actual requirements of CPS Energy. 	<p>Veteran, Historically Underutilized Business (HUB) Zone, or Service-disabled Veteran-owned businesses.</p> <p>All CPS Energy Business Units are required to effectively implement the supplier diversity program within their activities, including achieving established aspirational goals.</p> <p>It is further the practice of CPS Energy that its prime contractors establish prompt payment procedures to ensure their subcontracts with local and small, Minority, Women, Veteran, Historically Underutilized Business (HUB) Zone, or Service-disabled Veteran-owned businesses are paid the amounts due pursuant to the terms of their subcontract in a timely manner.</p> <p>Local and small, Minority, Women, Veteran, Historically Underutilized Business (HUB) Zone, or Service-disabled Veteran-owned businesses shall be afforded an equal opportunity to compete for all contracts that they can perform to the extent consistent with CPS Energy’s interest. When applicable, the Vice President of Supply Chain or designee shall take the following actions:</p> <ol style="list-style-type: none"> 1. Divide proposed procurements of supplies and services into reasonably small lots to permit offers on quantities less than the total requirement. 2. Plan procurements such that, if practicable, more than one local and small businesses may perform the work. 3. Ensure that delivery schedules are established on a realistic basis and will encourage Local and small, Minority, Women, Veteran, Historically Underutilized Business (HUB) Zone, or Service-disabled Veteran-owned business participation to the extent consistent with the actual requirements of CPS Energy. 	<p>B. Changes language from “responsible for effectively implementing” to are “required to effectively implement.”</p> <p>B. Clarifying Prompt Payment language.</p> <p>B. Clarifying debundling of contracts to create opportunities for local and diverse businesses.</p>
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C.	<p>4. Encourage prime contractors to subcontract with small and local business concerns.</p> <p>5. Ensure the insertion of a clause substantially the same as of the following in all solicitations and contracts:</p> <p>Respondent’s offer or bid may potentially result in an evaluation preference attributable to Economic Development to non-small business or non-local concerns. Respondent’s offers or bids will be provided an evaluation preference for being classified with CPS Energy as a small disadvantaged, service-disabled veteran owned, HUBZone and/or women-owned businesses. Respondents offers or bids will also be provided an evaluation preference for being classified with CPS Energy as a local business in accordance to those businesses within the greater San Antonio Metropolitan area as defined by the Office of Management and Budget (OMB).</p>	<p>4. Encourage prime contractors to subcontract with Local and small, Minority, Women, Veteran, Historically Underutilized Business (HUB) Zone, or Service-disabled Veteran-owned when opportunities exist.</p> <p>Local and small, Minority, Women, Veteran, Historically Underutilized Business (HUB) Zone, or Service-disabled Veteran-owned businesses will be given higher evaluation matrix scoring. Local businesses are awarded five points and diverse businesses are awarded five points.</p>	C. Clarifying evaluation points for local and diverse businesses.
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Procurement Procedures Alternative 252 – Proposed Revisions

<u>Section</u>	<u>Original Content</u>	<u>Proposed Content</u>	<u>Intent of Proposal</u>
2.2	<p>2.2 Supplier Diversity Program</p> <p>2.2.1 In accordance with the philosophy of the CPS energy Board of Trustees, as outlined in the Board Procurement Policy under “Philosophy and Public Purpose to be Served” and “Values and Standards of Procurement Activities,” CPS Energy is committed to a strong supplier diversity program. CPS Energy, therefore, encourages all segments of the local business community to participate actively in CPS energy’s procurement process.</p>	<p>2.2 Supplier Diversity Program</p> <p>2.2.1 In accordance with the philosophy of the CPS Energy Board of Trustees, as outlined in the Board Procurement Policy under “Philosophy and Public Purpose to be Served” and “Values and Standards of Procurement Activities,” CPS Energy is committed to a strong Supplier Diversity Program. It is the policy of CPS Energy to provide additional and meaningful opportunities in its acquisitions to small, Minority, Women, Veteran, Historically Underutilized Business (HUB) Zone, or Service-disabled Veteran-owned businesses. In furtherance of the Policy we have an established Supplier Diversity Program which enhances CPS Energy’s commitment to the growth and development of San Antonio’s small business community.</p>	<p>2.2.1 revisions highlight a greater emphasis on the Supplier Diversity Program and our <i>policies</i> to provide additional and meaningful opportunities to...</p>

<p>2.2.2 For Expenditures between \$25,000 and \$50,000, CPS Energy will contact at least two qualified local small, women, minority, veteran, historically underutilized business (HUB) Zone, or Service-disabled Veteran-Owned business on a rotating basis in order to inform them of opportunities to participate in CPS Energy's procurement process.</p>	<p>2.2.2 In order to increase opportunity and participation of local small, Minority, Women, Veteran, Historically Underutilized Business (HUB) Zone, or Services-disabled Veteran-owned businesses, CPS Energy will actively seek at least two vendors to be solicited for procurements. If two diverse vendors cannot be solicited, there must be a documented reason submitted to Supply Chain, which will review the circumstances and provide helpful consultation to among other things, potentially correct the issue, mitigate the current impact, and/or improve the outreach in the future.</p>	<p>2.2.2 revisions outline that <u>"CPS Energy will actively seek at least two vendors to be solicited for procurements. If two diverse vendors cannot be solicited, there must be a documented reason submitted to Supply Chain, which will review the circumstances and provide helpful consultation to among other things, potentially correct the issue, mitigate the current impact, and/or improve the outreach in the future."</u></p>
<p>2. 2.3 As deemed applicable under the Guidelines, CPS Energy will use reasonable efforts to encourage prime contractors to support the supplier diversity program and provide the maximum practicable opportunities to local small, women, minority, veteran, historically underutilized business (HUB) Zone, or Service-disabled Veteran-Owned business to their sub-contracting opportunities.</p>	<p>2.2.3 As deemed applicable under the Guidelines, CPS Energy employees are expected to maximize procurement and subcontracting opportunities associated with the Supplier Diversity Program by using prime contractors who recruit small, Minority, Women, Veteran, Historically Underutilized Business (HUB) Zone, or Service-disabled Veteran-owned businesses to their sub-contracting opportunities</p>	<p>2.2.3 changes language from "CPS energy will use <u>reasonable efforts to encourage prime contractors to support the supplier diversity program and provide the maximum practicable opportunities to...</u>" to "CPS Energy <u>employees are expected to maximize procurement and subcontracting opportunities associated with the Supplier Diversity Program by using prime contractors who recruit small...</u>"</p>



PROCUREMENT PREVIEW: ENERGY EFFICIENCY & WEATHERIZATION

PRESENTED BY:

Rudy Garza

Chief Customer & Stakeholder Engagement Officer (CC&SEO)

August 30, 2021

*Approval Requested
on Consent Agenda*



OBJECTIVES & TAKEAWAYS



- **PROVIDE CONTEXT ON OUR STEP BRIDGE PROCUREMENT ITEMS**



AGENDA



- **OUR *GUIDING PILLARS* & FOUNDATION**
- **PROCUREMENT ITEMS PREVIEW**



OUR GUIDING PILLARS & FOUNDATION



Reliability



Customer Affordability



Security



Safety



Environmental Responsibility



Resiliency



● *Financially Responsible* ●

All business decisions are based on our commitment to being one of the best-managed & most *Financially Responsible* utilities in the nation!



TRIED & TRUE

PROGRAM COMPONENTS

Residential Energy Efficiency

- Residential HVAC & Home Efficiency
- New Home Construction
- Home Energy Assessments
- Energy Savings Through Schools
- Retail Channel Partnerships
- Cool Roof

Commercial Energy Efficiency

- Commercial & Industrial Solutions
- Schools & Institutions
- Small Business Solutions
- Whole Building Optimization

Weatherization/Casa Verde

Residential Demand Response

Commercial Demand Response & Solar Rebates



AUGUST PROCUREMENT ITEMS

PREVIEW



We are seeking your approval on two procurement items on today's Consent Agenda:

Item 1

TRIED & TRUE:
Residential & Commercial Energy Efficiency

- Award contracts based on RFP to cover the remainder of **STEP Bridge**
- Includes **FlexSTEPSM** renewal options, assuming the companies continue to perform

Item 2

TRIED & TRUE:
Weatherization

- Temporary extension to cover the remainder of **STEP Bridge**
- Allows time to support a creative new RFP process for our Weatherization program



ENERGY EFFICIENCY PROGRAMS

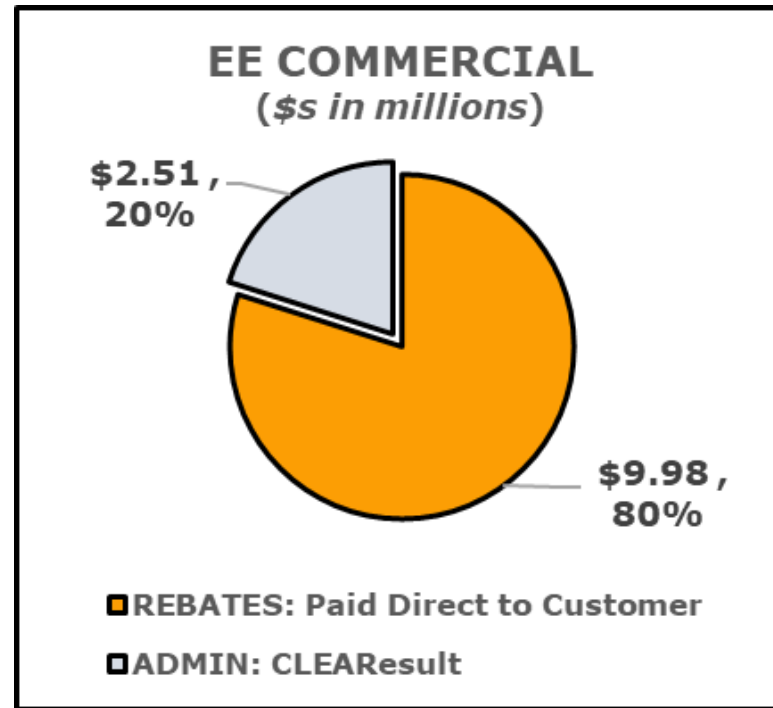
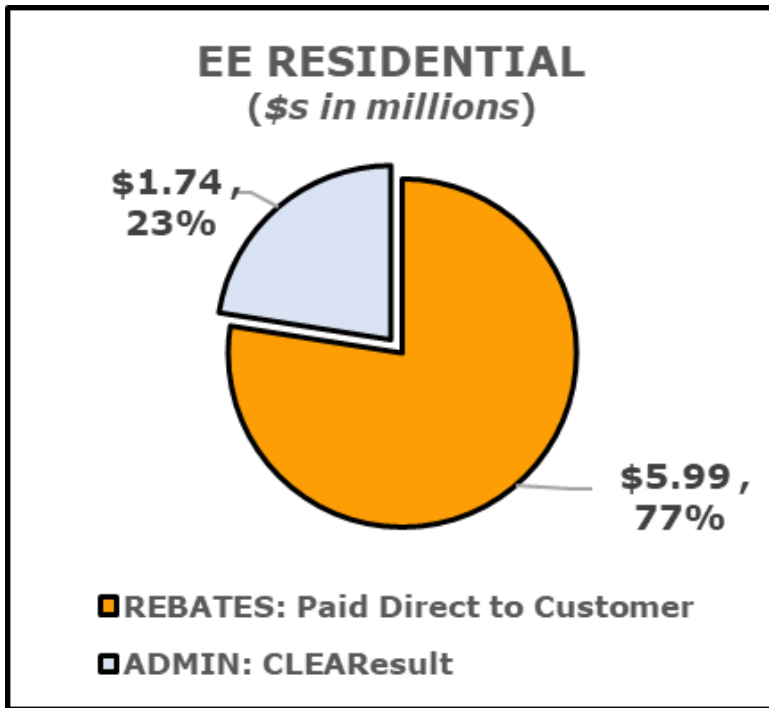
RECOMMENDATION



Request	Award Residential & Commercial Energy Efficiency implementation services contracts to CLEAResult Consulting, Inc.
Term & Value	11 months (9/1/2021 to 7/31/2022), \$20,225,000
Highlights	<ul style="list-style-type: none"> • Successful track record with us, demonstrated expertise & achieved program goals every year • Austin-based, industry experts, serve 130 clients & 850 programs nationwide, leverage best practices to improve our programs • Strongest digital engagement platform, including industry-leading virtual & online tools • Enhanced customer experience; one-stop for all customer rebates
Jobs & Economic Development	<p>Commitments include:</p> <ul style="list-style-type: none"> • Training & development for small & diverse trade allies • 24 local direct jobs • Local scholarships & internships

These contracts will reduce our administrative costs by \$1.6M, allowing for more dollars to go to customer rebates.

ENERGY EFFICIENCY PROGRAM SPENDING



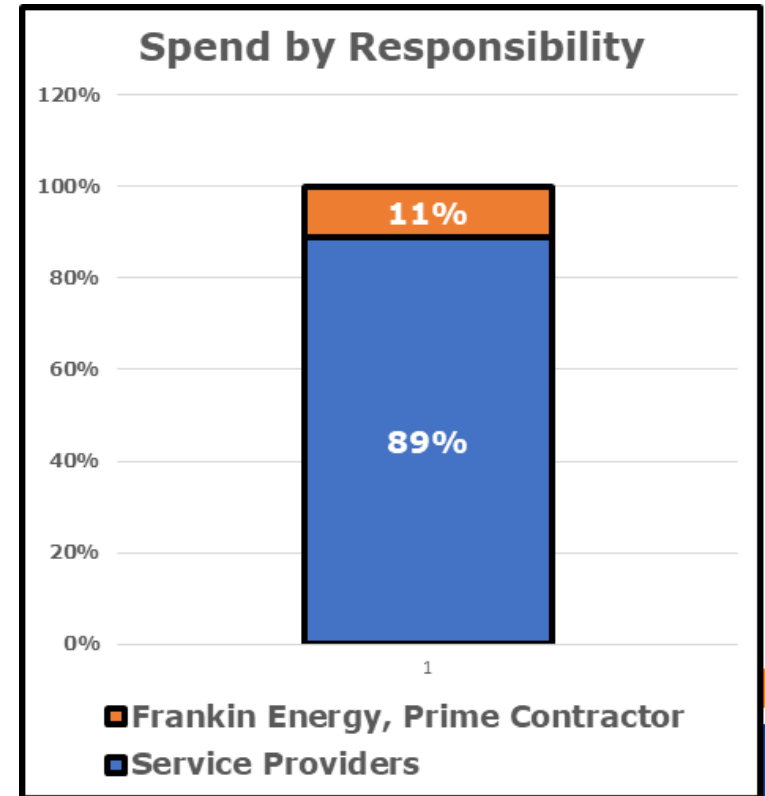
The majority of these programs' benefits will go directly to customers!

WEATHERIZATION

EXTENSION FUNDING REQUEST



Request	Extend Weatherization implementation services contract with Franklin Energy Services
Term	11 months (9/1/2021 to 7/31/2022)
Value	\$10,587,500
Jobs	14 direct local jobs + 165 subcontractor jobs
Sub-Contractors	<ul style="list-style-type: none"> • M&M Weatherization Company, Emerging Small Business • RAM's Weatherization & Construction, Emerging Small Business, Women-Owned, Hispanic • Roadrunner Remodeling, Inc., Small Business, Hispanic • Cool Component Heating & A/C, Small Business, Hispanic • Right Choice Heating & A/C, Small Business, Hispanic



OPTIONS

PROCUREMENT ITEMS



- **OPTION #1** – Approve the items on the Consent Agenda:
 - Award energy efficiency implementation contracts for up to \$20,225,000 to CLEAResult Consulting, Inc.
 - Extend our weatherization contract with Franklin Energy Services for up to \$10,587,500.
- **OPTION #2** – Extend both existing energy efficiency & weatherization contracts for 60 days for up to \$5,600,000.
- **OPTION #3** – No Action. The energy efficiency & weatherization programs stop on August 31, 2021.

Approval allows us to continue delivering valued programs for our customers that support *Affordability, Resiliency, Reliability & Environmental Responsibility*.



Thank You





Appendix



GLOSSARY/DEFINITIONS



Acronym or Word	Definition
CY	Calendar Year
Demand Response (DR)	Demand Response is a change in the power consumption of electric customers to better match the demand for power with the supply. Customers may adjust power demand by reducing or shifting tasks that require large amounts of electric power.
Energy Efficiency (EE)	Energy Efficiency is using technology or services that requires less energy to perform the same function.
HVAC	Heating, ventilation and air conditioning. A broadly used term to describe equipment used to keep homes at a comfortable temperature.
M	Million
Megawatt (MW)	A measure of capacity to produce electric power. A megawatt equals 1,000 kilowatts or 1,000,000 watts.
RFP	Request for Proposals
SM	Service Mark

GLOSSARY/DEFINITIONS



Acronym or Word	Definition
Solar	A solar system employs solar modules to generate electrical power.
STEP	CPS Energy's Save for Tomorrow Energy Plan
Weatherization/Casa Verde	Weatherization is the process of modifying a building to reduce energy consumption and optimize energy efficiency.
Yr	Year



ENGINEERING SERVICES FOR POWER GENERATION

PRESENTED BY:

Benny Ethridge

Senior Vice President, Power Generation

August 30, 2021

Approval Requested On Consent Agenda

OBJECTIVES & TAKEAWAYS



- **SEEKING APPROVAL FOR POWER GENERATION PROFESSIONAL ENGINEERING SERVICES CONTRACTS**
- **REVIEW SPEND ON ENGINEERING SERVICES CONTRACTS**

AGENDA



- **OUR *GUIDING PILLARS* & FOUNDATION**
- **CONSENT AGENDA ITEM SUMMARY**
- **CONTRACT SPEND**
- **RECOMMENDED COMPANIES TABLE 1**
- **REQUEST FOR APPROVAL**



OUR GUIDING PILLARS & FOUNDATION



Reliability



Customer Affordability



Security



Safety



Environmental Responsibility



Resiliency



● *Financially Responsible* ●

All business decisions are based on our commitment to being one of the best-managed & most *Financially Responsible* utilities in the nation!



PROCUREMENTS

2 GENERAL TYPES

RFQ
REQUEST FOR
QUALIFICATIONS

OR

RFP
REQUEST FOR
PROPOSALS

MORE STRINGENT
Texas Government
Code, Sec. 2254.004
governs procurements for
professional services of
this type.

LESS STRINGENT
Can take into
consideration more
qualitative attributes.

RFQ APPLIES HERE BEING COMPLIANT & HELPFUL



We must select the most highly qualified vendor.

OUR VALUE-ADDED APPROACH:

- Focusing on growing a qualified & diverse vendor pool
- Actively recruiting SWMV¹ businesses
- Engaging with partnership agencies²
- Driving opportunities to “de-bundle”
- Subcontracting plans & vendor mentorship as part of vendor selection



President & CEO Paula Gold-Williams speaking during a CPS Energy Supply Chain Facebook Live event August 5, 2020

1 Small / Women / Minority / Veteran Owned

2 Fair Contracting Coalition, South Central Texas Regional Certification Agency

BOARD APPROVAL

CONSENT AGENDA



- 23 proposals received
- 9 Engineering Firms selected
 - Subcontracting opportunities for small/diverse/local firms
- Contract Overview
 - Term: 5 years
 - Term value: \$36M total



SWRI/BESS Solar Site

The 9 best qualified firms were selected, with subcontracting opportunities for small/diverse/local firms.

CONTRACT SPEND



Power Generation Professional Engineering Services Contract
Actual & Forecasted Annual Spend





RECOMMENDED COMPANIES

TABLE 1

Company Name	Local / Small / Diversity Status	Award Amount
Structural Engineering Associates	✓	\$4,000,000
AECOM Technical Services, Inc.	✓	\$4,000,000
TRC Engineers Inc.	✓	\$4,000,000
Pape-Dawson Consulting Engineers	✓	\$4,000,000
CDG Engineers, Inc.	✓	\$4,000,000
Merrick & Company	✓	\$4,000,000
Black & Veatch Corporation	✓	\$4,000,000
Burns & McDonnell Engineering		\$4,000,000
Sargent & Lundy		\$4,000,000
	Total:	\$36,000,000

Note: 14 other firms also provided qualifications, but are not recommended for award.

REQUEST FOR APPROVAL



- We request approval as part of the Consent Agenda for award of contracts to 9 companies listed in Table 1 for Engineering Services in the amount of \$36 million over 5 years.



Thank You





Appendix



SUMMARY OF SOLICITATION



- Engineering Services for Power Generation
 - Contracts will be consistent with existing engineering services contracts
 - Five-year term with \$36 million value
 - Requires Board Approval
- Competitive Request for Qualification (RFQ)
 - Multiple firms & disciplines
 - Local & diverse firms included in solicitation

VALUE



- Technical engineering support
- Access to multi-discipline engineering firms & subject matter experts
- On-demand response for emergent issues
- Allocates spending based on project need
- Supplements internal resources



FLEXPOWER BUNDLESM ***UPDATE***

PRESENTED BY:

Kevin Pollo

Interim VP, Energy Supply & Market Operations (ESMO)

August 30, 2021

Informational Update

Confidential Information - Property of CPS Energy



OBJECTIVES & TAKEAWAYS

- **PROVIDE AN UPDATE ON *FLEXPOWER BUNDLE*SM REQUEST FOR PROPOSAL (RFP)**



AGENDA

- **STRUCTURE FOCUS**
- **KEY COMPONENTS**
- **ENGAGEMENT SEQUENCING**
- ***FLEXPOWER BUNDLE*SM, WHY NOW?**
- **HOW ARE WE DOING THIS?**
- **WHY A BUNDLE?**
- **RFP UPDATE**

FLEXPOWER BUNDLESM ENGAGEMENT SEQUENCING



We are providing updates this month, each with intentional focus.

Technology & Resiliency (T&R) Committee (8/26/2021)

1. Technology & Resiliency

- Emerging **Security** risks to the bulk electric system
- Firming & Storage technology maturity update for **Reliability & Resiliency**

2. Operations

- **FlexPOWER BundleSM** process overview
- Priority Solar selection methodology
- Procurement process

Board of Trustees Meeting 8/30/2021

**FlexPOWER BundleSM
Update**

FLEXPOWER BUNDLESM
STRUCTURE FOCUS



Utility Scale → Notably focused on utility-scale infrastructure

Distributed Scale → Aligned to Save for Tomorrow Energy Plan (STEP) contributions



FLEXPOWER BUNDLESM

KEY COMPONENTS



Up to 900 MW
SOLAR



Potential Prioritized Solar Selection
Large-scale Solar:
~200 to 250 MWs



Up to 50 MW
STORAGE



Up to 500 MW
ALL-SOURCE
FIRMING

FlexPOWER BundleSM
solar procurement is focused on
utility-scale infrastructure.

We will supplement distribution
solar investments with our
***FlexSTEPSM* program.**





WHY NOW?

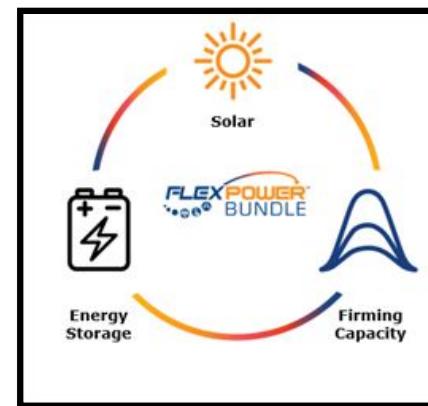
Our aging infrastructure is ready to be replaced by newer, cleaner options.

We have the opportunity to replace our aging Braunig units with newer forms of generation.



Braunig Gas Power Plants were built in the late 1960s

The combination of solar, storage & firming resources are ALL required to continue to meet our customer needs.

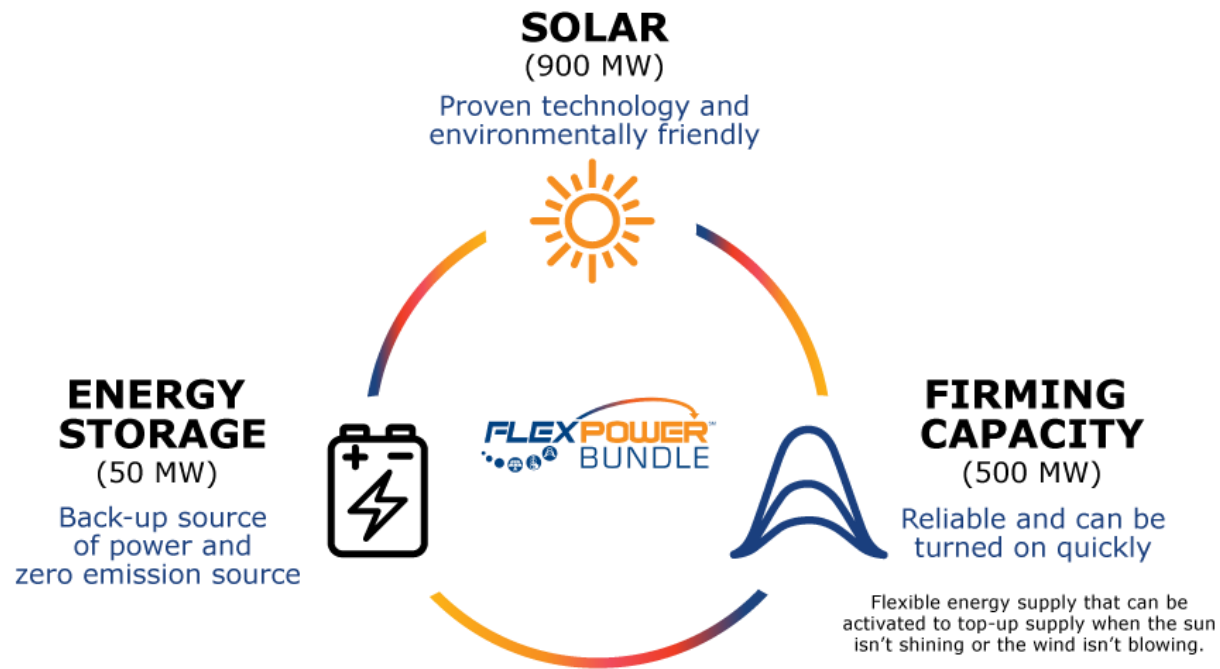


FlexPOWERSM Bundle is an innovative way to modernize our grid.



HOW ARE WE DOING THIS?

While there is no perfect solution, more value is created through bundling.





WHY A BUNDLE?

Our decisions are powered by our *Guiding Pillars*.



Environmental Responsibility

Adding a large volume of solar is environmentally responsible.



Resiliency

Supply (solar & storage) at various locations, rather than centralized, makes the grid more resilient.



Reliability

Solar can be variable, so combining with storage & firming products provides additional reliability.



Customer Affordability

Renewables are more affordable than they have ever been, but by procuring a bundle, it optimizes the cost as a whole.



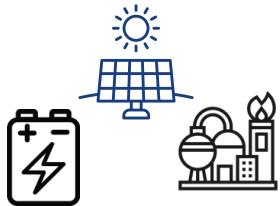
Safety + Security

All potential partners are vetted to ensure they comply with CPS Energy's stringent physical & cybersecurity requirements.



This keeps our people, our company & our community safe.

FLEXPOWER BUNDLESM RFP UPDATE



Priority Solar award this Fall & targeting Winter 2021 for final bundle awards



Using our *Guiding Pillars*, evaluating not just on price, but also on quality



Evaluating individual projects as well as the whole "bundle"

We're proud to be pioneering a new way to think about procuring energy resources.



Thank You



Draft for review and approval at the
August 30, 2021 meeting

CPS ENERGY
MINUTES OF SPECIAL MEETING OF THE BOARD OF TRUSTEES
HELD ON JULY 9, 2021

A Special Meeting of the CPS Energy Board of Trustees was held on Friday, July 9, 2021, in the Board Room located on the First Floor of the CPS Energy headquarters located at 500 McCullough, San Antonio, Texas. In order to protect the health of the public and limit the potential spread of the Coronavirus (COVID-19), limited in-person attendance was enforced. Chair Dr. Mackey called the meeting to order at 9:02 a.m.

Present were Board members:

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

Also present were:

Ms. Paula Gold-Williams, President & CEO
Mr. Fred Bonewell, Chief Operations Officer
Ms. Shanna M. Ramirez, Interim Chief Legal & Ethics Officer, General Counsel & Board Secretary
Mr. Paul Barham, Chief Grid Optimization & Resiliency Officer
Ms. Lisa Lewis, Chief Administrative Officer
CPS Energy Staff Members
City of San Antonio officials
Interested Citizens

I. SAFETY MESSAGE, INVOCATION AND PLEDGE OF ALLEGIANCE

A safety message, the invocation and Pledge of Allegiance were delivered by Mr. Curt Brockmann, Interim Vice President, Compliance, Ethics & Facilities Master Planning.

II. PUBLIC COMMENT

Chair Dr. Mackey announced that public comments would be taken, and Ms. Loretta Kerner, Director of Board Relations and Chief of Staff to the CEO outlined the guidelines for making public comment. Ms. Rebecca Bennett, the only person who registered to make public comments, did not join the meeting.

III. EXECUTIVE SESSION

At approximately 9:07 a.m., Board Secretary Ms. Ramirez 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 possible discussion of a number of posted items, including the following:

- Personnel Matters (§551.074)

Draft for review and approval at the
August 30, 2021 meeting

The Board reconvened in open session at 10:29 a.m. A quorum was re-established. Ms. Ramirez reported that only the matters cited above, and no others, were discussed and no votes were taken in Executive Session.

IV. ADJOURNMENT

There being no further business to come before the Board, and upon motion duly made by Mayor Nirenberg, and seconded by Vice Chair Gonzalez, and upon an affirmative vote by all members present, the meeting was unanimously adjourned at 10:30 a.m. by Chair Dr. Mackey.

Shanna M. Ramirez
Secretary of the Board

Draft for review and approval at the
August 30, 2021 meeting

CPS ENERGY
MINUTES OF SPECIAL MEETING OF THE BOARD OF TRUSTEES
HELD ON JULY 15, 2021

A Special Meeting of the CPS Energy Board of Trustees was held on Thursday, July 15, 2021, in the Board Room located on the First Floor of the CPS Energy headquarters located at 500 McCullough, San Antonio, Texas. In order to protect the health of the public and limit the potential spread of the Coronavirus (COVID-19), limited in-person attendance was enforced. Chair Dr. Mackey called the meeting to order at 2:00 p.m.

Present were Board members:

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

Also present were:

Ms. Paula Gold-Williams, President & CEO
Mr. Fred Bonewell, Chief Operations Officer
Ms. Shanna M. Ramirez, Interim Chief Legal & Ethics Officer, General Counsel & Board Secretary
Ms. Vivian Bouet, Chief Information Officer
Ms. Lisa Lewis, Chief Administrative Officer
CPS Energy Staff Members
City of San Antonio officials
Interested Citizens

I. SAFETY MESSAGE, INVOCATION AND PLEDGE OF ALLEGIANCE

A safety message, the invocation and Pledge of Allegiance were delivered by Ms. Loretta Kerner, Director of Board Relations & Chief of Staff to the CEO.

II. PUBLIC COMMENT

No persons were registered, so no public comment occurred.

III. EXECUTIVE SESSION

At approximately 2:09 p.m., Board Secretary Ms. Ramirez 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 possible discussion of a number of posted items, including the following:

- Attorney-Client Matters (§551.071)
- Real Property (§551.072)
- Personnel Matters (§551.074)

Draft for review and approval at the
August 30, 2021 meeting

- Prospective Gifts (§551.073)
- Security Personnel or Devices (§551.076)
- Security Audits and Devices (§551.089)
- Confidential Information Under the Texas Homeland Security Act (§418.183(f))
- Economic Development Negotiations (§551.076)
- Competitive Matters (§551.086)

The Board reconvened in open session at 3:36 p.m. A quorum was re-established. Ms. Ramirez reported that only the matters cited above, and no others, were discussed and no votes were taken in Executive Session.

IV. RESOLUTION FOR APPROVAL OF REAL ESTATE ITEMS

On motion duly made by Trustee Steen, seconded by Trustee Kelley, and upon affirmative vote by all members present, the following resolution was unanimously approved.

RESOLUTION FOR THE SALE OF SURPLUS PROPERTY

WHEREAS, CPS Energy owns the Mission Road Power Plant property located at 207-303 Mission Road, which is and further depicted in Exhibit A attached hereto (the "Property"); and

WHEREAS, the Property is no longer needed for use in the operation or development of the CPS Energy Gas and Electric Systems (the "Systems"); and

WHEREAS, the EPIcenter no longer plans to develop the Property and has changed its plan from managing a large development project to focusing more on decentralized innovation centers and collaboration spaces; and

WHEREAS, Chapter 272 of the 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; and

WHEREAS, the proceeds from the sale of the Property will generate revenue which can be applied to the operation and development of the Systems;

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 the Property is surplus property and is no longer needed for use in the operation of the Systems.

Draft for review and approval at the
August 30, 2021 meeting

3. The CPS Energy Board of Trustees finds that a "public purpose", generating revenue for the operation and development of the Systems, will be achieved by the sale of the Property and, as such, the transactions are exempt from the notice and bidding requirements of Chapter 272 of the Local Government Code.

4. The CPS Energy Board of Trustees hereby authorizes, but does not obligate, the President and CEO, or her designee(s), to determine a final sales price and to take such action as is deemed necessary and appropriate to carry out the purposes and intent of this resolution and complete the sale of all or a portion of the Property.

V. ADJOURNMENT

There being no further business to come before the Board, and upon motion duly made by Trustee Kelley, and seconded by Vice Chair Gonzalez, and upon an affirmative vote by all members present, the meeting was unanimously adjourned at 3:40 p.m. by Chair Dr. Mackey.

Shanna M. Ramirez
Secretary of the Board

Draft for review and approval at the
August 30, 2021 meeting

CPS ENERGY
MINUTES OF SPECIAL MEETING OF THE BOARD OF TRUSTEES
HELD ON JULY 22, 2021

A Special Meeting of the CPS Energy Board of Trustees was held on Thursday, July 22, 2021, in the Board Room located on the First Floor of the CPS Energy headquarters located at 500 McCullough, San Antonio, Texas. In order to protect the health of the public and limit the potential spread of the Coronavirus (COVID-19), limited in-person attendance was enforced. Chair Dr. Mackey called the meeting to order at 3:00 p.m.

Present were Board members:

Dr. Willis Mackey, Chair
Ms. Janie Gonzalez, Vice Chair¹
Mr. Ed Kelley
Mr. John Steen
Mayor Ron Nirenberg²

Also present were:

Ms. Paula Gold-Williams, President & CEO
Mr. Fred Bonewell, Chief Operations Officer
Ms. Shanna M. Ramirez, Chief Legal & Ethics Officer, General Counsel & Board Secretary
Mr. Paul Barham, Chief Grid Optimization & Resiliency Officer
Mr. Rudy Garza, Chief Customer Engagement Officer
Ms. Lisa Lewis, Chief Administrative Officer
CPS Energy Staff Members
City of San Antonio officials
Interested Citizens

I. SAFETY MESSAGE, INVOCATION AND PLEDGE OF ALLEGIANCE

A safety message, the invocation and Pledge of Allegiance were delivered by Ms. Denae Myers, Manager, Board Relations.

II. PUBLIC COMMENT

No persons were registered, so no public comment occurred.

III. CEO'S REPORT

Ms. Paula Gold-Williams announced to the Board that CPS Energy had launched its search for a new Board member to replace outgoing Trustee Ed Kelley. She also reported on recent supply chain concerns, price escalations, and labor pressures affecting the organization.

¹ Vice Chair Gonzalez appeared remotely for the Executive Session.

² Mayor Ron Nirenberg arrived at the meeting at 3:05 p.m.

Draft for review and approval at the
August 30, 2021 meeting

Ms. Gold-Williams provided a status update on the Rate Advisory Committee (“RAC”), which held its fifth meeting that week. She noted the RAC is making progress and that the Board will be kept informed on its efforts.

Ms. Gold-Williams and Mr. Bonewell briefed the Board on the status of COVID-19 within CPS Energy, noting that 42 employees were currently quarantined, and one person is in the hospital.

Mayor Nirenberg provided a brief update on COVID-19. He reported San Antonio’s positivity rate is 13.5%, a significant increase, and that the Delta variant was now the predominant variant in San Antonio. He stressed that the city is watching the matter carefully and continues to provide guidance, recommending mask wearing for those who are not vaccinated.

He announced that County Judge Nelson Wolff and himself had scheduled a press conference with public health officials for the following day to report on the new data and the CDC’s current guidance. He also encouraged vaccinations.

In response to additional questions from the Board as to CPS Energy’s response to COVID-19, Mr. Bonewell explained that CPS Energy has maintained physical distancing and hygiene protocols for its employees. In response to a question from Chair Dr. Mackey on what has been done to protect plant operators from COVID-19 exposure, Mr. Bonewell explained that CPS Energy is continuing to maintain plexiglass barriers between operators. He added that CPS Energy continues to maintain a 50% occupancy limit in most buildings and may take a pause in moving to 75% capacity based on current conditions. He estimated about 60% of CPS Energy employees have been vaccinated.

IV. EXECUTIVE SESSION

At approximately 3:14 p.m., Board Secretary Ms. Ramirez 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 possible discussion of a number of posted items, including the following:

- Attorney-Client Matters (§551.071);
- Real Property (§551.072);
- Prospective Gifts (§551.073);
- Personnel Matters (§551.074);
- Security Personnel or Devices (§551.076);
- Security Audits and Devices (§551.089);
- Confidential Information Under the Texas Homeland Security Act (§418.183(f));
- Economic Development Negotiations (§551.076); and
- Competitive Matters (§551.086).

The Board reconvened in open session at 4:06 p.m. and a quorum was re-established. Ms. Ramirez reported that only the matters cited above, and no others, were discussed and no votes were taken in Executive Session.

Draft for review and approval at the
August 30, 2021 meeting

V. ADJOURNMENT

There being no further business to come before the Board, and upon motion duly made by Trustee Kelley, and seconded by Mayor Nirenberg, and upon an affirmative vote by all members present, the meeting was unanimously adjourned at 4:06 p.m. by Chair Dr. Mackey.

Shanna M. Ramirez
Secretary of the Board

Draft for review and approval at the
August 30, 2021 meeting

CPS ENERGY
MINUTES OF THE REGULAR MEETING OF THE BOARD OF TRUSTEES
HELD ON JULY 26, 2021

The Regular Meeting of the Board of Trustees of CPS Energy for the month of July was held on Monday, July 26, 2021 in the Board Room located on the First Floor of the CPS Energy headquarters located at 500 McCullough, San Antonio, Texas. In order to protect the health of the public and limit the potential spread of the Coronavirus (COVID-19), limited in-person attendance based on social distancing guidelines was enforced. Chair Dr. Mackey called the meeting to order at 1:00 p.m.

Present were Board members:

Dr. Willis Mackey, Chair
Ms. Janie Gonzalez, Vice Chair¹
Mr. Ed Kelley
Mr. John Steen
Mayor Ron Nirenberg²

Also present were:

Ms. Paula Gold-Williams, President & CEO
Mr. Fred Bonewell, Chief Operations Officer
Ms. Shanna M. Ramirez, Chief Legal & Ethics Officer, General Counsel & Board Secretary
Mr. Frank Almaraz, Chief Power, Sustainability & Business Development Officer
Mr. Paul Barham, Chief Grid Optimization & Resiliency Officer
Ms. Vivian Bouet, Chief Information Officer
Mr. Rudy Garza, Chief Customer & Stakeholder Engagement Officer
Mr. Cory P. Kuchinsky, Chief Financial Officer & Treasurer
Ms. Lisa Lewis, Chief Administrative Officer
CPS Energy Staff Members
City of San Antonio officials
Interested Citizens

I. SAFETY MESSAGE, INVOCATION AND PLEDGE OF ALLEGIANCE

A safety message, invocation, and the Pledge of Allegiance were delivered by Mr. Rick Luna, Director, Technology & Product Innovation.

II. PUBLIC COMMENT

Chair Dr. Mackey announced that public comments would be taken, and Ms. Loretta Kerner, Director, Board Relations & Chief of Staff to the CEO, outlined the guidelines for doing so. The following persons made comments:

1. Mr. Todd Havekost, Member, NW Community Church Board of Elders, commented on Agenda Item 11, the Tezel Site recommendation, and expressed support for selection of Site 5.

¹ Vice Chair Gonzalez arrived at 1:05 p.m.

² Mayor Nirenberg arrived at 1:02 p.m.

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2. Mr. Richard Perez, President & CEO, San Antonio Chamber of Commerce expressed his support for the Board's governance, and favored the Board taking a long-term view as an economic development tool and generator for the community.

III. CEO'S REPORT

Ms. Gold-Williams provided an overview of her written report to the Board and a summary of items that will be presented during the meeting. This included an update on the search for candidates from the Northwest Quadrant (1) to fill the seat to be vacated by Trustee Kelley, whose term expires January 31, 2022. She noted that information is available at cpsenergy.com.

Ms. Gold-Williams reported issues on material procurement. CPS Energy has so far been able to obtain the supplies it needs, and Supply Chain is working with Operations in addressing challenges such as raw material shortages and a lack of transportation workers.

She reported increasing labor pressures in hiring and retaining all levels of workers throughout CPS Energy because of the current labor shortage and fierce competition for talent. Ms. Gold-Williams stated that the organization is persevering through its strategic hiring freeze, but that staffing is currently below the target; the company continues to look for talent to fill critical positions.

Ms. Gold-Williams reported that discussions continue with all the Credit Ratings Agencies, including Standard & Poor's, Fitch Ratings and Moody's, noting their interest in ESG, or Environmental, Social and Governance, sustainability, and in our **FlexPOWER Bundle**SM.

Ms. Gold-Williams mentioned that the Rate Advisory Committee (RAC) led by Chair Williams and Vice Chair Portillo-Morales has held five meetings. She noted that the RAC members completed orientation, were provided a CPS Energy overview, and have participated in sessions covering topics including rate design, trends, and cost of service review with the Brattle Group and the CPS Energy team. The RAC's next meeting is scheduled for August 5, 2021. She added that CPS Energy responds to questions from the RAC, and that the responses are posted on our website as a reference for the community.

Ms. Gold-Williams provided comments concerning the status of the **STEP** program, noting the Board and San Antonio City Council have approved funding through July 2022. She announced that the team has introduced a global Request for Proposal (RFP) seeking new programs to be considered for approval during the fall, including a segment covering existing efficiency and weatherization programs and a preview of new recommendations. The new RFPs will focus on energy efficiency and conservation for residential and commercial customers to take us through the July 2022 timeframe, and will include renewal options for vendors. The weatherization component will be recast to potentially have more direct, prime contractors and subcontractors going forward.

Ms. Gold-Williams mentioned that Mr. Cory Kuchinsky, Chief Financial Officer, will provide a preview of budget planning which includes a breakdown on investments across the community by quadrant. She added that Ms. DeAnna Hardwick, Vice President, Customer Success, will provide a discussion on customer engagement and outreach and the plan to get back to a new normal, including the reestablishment of disconnects. Ms. Gold-Williams also reported that the meeting will include a discussion and a vote on the

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budget, as well as discussion and a vote on Tezel Road Substation Routing & Siting, and that the meeting would be followed by a meeting of the SA Energy Public Facilities Corporation (PFC).

Trustee Steen complimented Ms. Gold-Williams for clarifying in her comments that Board members have a fiduciary duty for all of the service areas and represent the entire service area and community, not only the quadrant in which they live.

Ms. Gold-Williams then asked Mr. Luna to provide a status update on the **STEP** program, as previously requested by the Board.

Mr. Luna explained that we are currently authorized to continue the **STEP** programs under **STEP Bridge** with authority to spend up to \$70 million through July 2022 to achieve a goal of 75 MWh of energy savings. We confirmed an incremental gain of 81 MWh in energy savings during FY2021, which exceeded our goal. To date, the program has resulted in savings of 926 MWh. Additionally, 1,726 homes were weatherized, 4,416 solar systems were installed on homes and businesses, and 55,781 energy efficiency rebates were paid to customers.

Mr. Luna noted that we issued a global RFP in February 2021 to refresh our roster of **STEP** programs. The “Tried and True” existing programs focused on demand response and solar projects with demonstrated success, and an added component of innovative and new proposals will be considered for recommendation during fall 2021. **STEP Bridge** will transition to **FlexSTEPSM** during FY2022.

Mr. Luna provided a detailed description of how these Board-level procurement programs work and identified the procurement items that will be on the August 30, 2021 Board Meeting agenda, noting an opportunity to enable local and diverse companies that are currently operating as subcontractors, to expand their opportunities to grow into the roles of prime contractors.

Mr. Luna concluded with a summary of continuing stakeholder and customer engagement to report on the value of these programs using our website, opinion surveys and community outreach events.

After Mr. Luna’s presentation, Chair Dr. Mackey reported that he was told a prime contractor was up to seven months late on payments to subcontractors and requested that we ensure prompt payment to all subcontractors.

Vice Chair Gonzalez raised a question as to when the small business policy was last updated. Ms. Gold-Williams responded that we currently have a strategy to target smaller vendors. Vice Chair Gonzalez asked to review the small business strategy or policies and ensure that they were updated before voting on any additional procurements.

She also requested to review the analytics for all the communication strategies and channels used by CPS Energy, including social media. She commented that engagement is lacking and requested an explanation as to how the company will be refining engagement as we move forward.

Trustee Kelley congratulated Mr. Luna on the great job on the presentation but questioned the benefits reaped from the funds spent on the **STEP** program. He expressed concerns that CPS Energy is suffering from a degradation in its debt to capital ratio, raised his concern that the **STEP** program does not

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have a positive impact on our balance sheet and stated that we should be looking for productive assets, not giveaways.

Mayor Nirenberg responded by stating that from his perspective, **STEP** did not need to be defended, and focused on the 900 MWh savings since 2009. He did stress that during the next meeting, a summary of the distribution of the program impact across CPS Energy's customer base would be helpful. He suggested that there was an extraordinary opportunity to benefit the southern sector of our service area, which he characterized as having been underserved. He also supported Vice Chair Gonzalez' comment on the need for diversity in procurement. Finally, he asked for more information on what has been proposed in the innovation portion of the RFP responses.

Vice Chair Gonzalez emphasized that we must be careful on how we spend our money and noted she feels we do a poor job quantifying all that we provide for our community. She added that we do not promote our role in addressing community environmental and equity matters that we are being asked to support by the Mayor and many in the community.

Chair Dr. Mackey asked Mr. Luna to provide details behind the report's statement as to 900 MWh of savings through **STEP** programs.

Ms. Gold-Williams acknowledged that our team will take all the Board's feedback and do our best to respond by August 2021. She also responded to Trustee Kelley's assertion that the **STEP** program does not provide tangible benefits to CPS Energy's balance sheet, citing that it provides thermostats and more energy efficient housing to customers in the community who participate in the program, adding that we cannot capitalize customer assets on our balance sheet. She described the program as a benefit to the community because it allows customers to save energy over time. She also emphasized that the Board allows us to recover the costs and administrative expenses for managing the programs through an ordinance and emphasized that this enables us to avoid debt associated with the construction of additional power plants.

Trustee Kelley disagreed with Ms. Gold-Williams.

Trustee Steen asked that Ms. Gold-Williams discuss the issue of the increase in the debt to equity ratio. She responded that increased costs across the board and no rate increase in over seven years were the primary reasons for the increased debt to equity ratio. She also emphasized that the **STEP** program was not the primary driver of the gap between the increased debt to equity ratio and that we ultimately get back money spent on the **STEP** program.

Trustee Kelley proposed a provision that CPS Energy have no more "giveaway programs" until the debt to equity ratio is reduced to 60% .

IV. OPTIMIZED BUDGET PLANNING: NOW & IN THE FUTURE

Mr. Kuchinsky explained he would give a presentation on optimizing budget planning, present a supplemental item for consideration, and that we will be seeking approval for FY2022's Operations and Maintenance (O&M) and Capital Budget.

Mr. Kuchinsky noted that we have submitted written responses to requests for information from the Board. He added that he would be responding during this meeting to a request for a breakdown on project

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spending across the city. He explained that we do not track such information by zip code, as requested by Vice Chair Gonzalez, but that spending could be shown across the Board quadrants.

Mr. Kuchinsky provided an explanation of the factors considered in making expenditures. He noted that growth in the community is a key driver for decisions on expenditures, although other factors such as age of infrastructure, enabling technology, grid performance, public **Safety**, regulatory requirements and specific community needs are also considered. He indicated an increased emphasis on analyzing expenditures under an equity lens and that going forward, that information will be tracked and presented to the Board. Mr. Kuchinsky heeded that data showed that despite some claims, Winter Storm Uri (Uri) outages were not disproportionately in the service region's southern quadrants.

The Board's attention was then directed to a supplemental item analyzing expenditures under a preliminary quadrant view. He emphasized that investments are based on growth, and areas needing **Reliability** improvements, which amounts to approximately \$450 million. He acknowledged that there was a slight increase in expenditures in the north quadrant driven by customer growth and **Reliability** concerns. The northside has seen a 70% increase in new meter sets and experienced approximately 70% of outage durations. He also pointed out that the remaining capital budget dollars covering generation amounted to approximately \$260 million in expenditures, and that the entire service area benefits from these expenditures.

Vice Chair Gonzalez commented that the focus on investment does not include conservation and asked whether conservation can be added as a main consideration to the budget discussion.

Trustee Steen commented that the presentation highlighted that we spend money where growth is happening, a factor that we do not control. He asked why outages in the northside were of a higher duration. Mr. Kuchinsky responded that it is largely caused by the design of the circuits in that area. Ms. Gold-Williams further explained the design of the systems is organic and that we are following the location of new developments. She added that the longer lines constructed in the northside create **Reliability** challenges.

Vice Chair Gonzalez asked whether we should design our distribution lines considering inequities in our community, as part of our budget planning process.

Ms. Gold-Williams responded that leadership would take that information back for further discussion.

V. CARING FOR OUR CUSTOMERS

Ms. Hardwick presented information on the care and support options we will provide to our customers as we transition back to normal business operations and resume normal collection activities and disconnections. The discussion covered how we have connected customers with support options, and how we continue to ensure that the right assistance options are available for customers. Her presentation also addressed the financial impacts caused by the suspension of disconnects.

Ms. Hardwick identified many support options available for customers, noting that almost \$30 million in assistance has been identified to support customers and keep their accounts current.

She reported that over 83,000 residential customers are more than 30 days past due and over 70,000 of those customers are eligible for disconnection. On average, past due accounts are over 200 days past

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due with over \$600 due. Additionally, over 8,000 commercial customers are past due over 30 days and over 4,000 commercial customers are eligible for disconnection.

Ms. Hardwick identified our key messaging approach, focusing on customers with past due balances to help prevent their account from being eligible for disconnection and to identify the best support for their needs. She stressed that we want our customers to know that their account does not have to be disconnected; all they need to do is to contact us and we will find a solution to fit their needs.

As to sequencing and planning, Ms. Hardwick reported that we will continue heightened communication to customers through the summer before we resume disconnections. Disconnections for large commercial customers will resume on September 1, 2021, and for small and medium businesses on October 1, 2021.

She stressed that we want to provide additional time for residential customers who are part of the vulnerable population to get assistance. Starting on October 1, 2021, disconnections will resume for residential customers who fit **all** of the following criteria: are not enrolled in any CPS Energy assistance programs; have not made payments for twelve months or more; and have not responded to our outreach efforts concerning their accounts. Then, on November 1, 2021, we will resume disconnections for residential customers who are not enrolled in any type of assistance programs. After January 2022, we will resume with the remaining disconnections. Ms. Hardwick stressed that it was our goal to give customers as much time as we can to find all solutions that are available to them and to help them connect to available funds. Our goal is to be as thoughtful and caring as we can to help our customers recover.

Mayor Nirenberg commented that he appreciated CPS Energy's communication strategy and its alignment with SAWS' plans. He asked whether there was any attempt to work with SAWS in correlating customer base data. He suggested that there could be some combined messaging with the City as well.

Ms. Hardwick responded that we have met with the City on available resources. She noted that although some information cannot be shared based on privacy rules, we are working to share aggregated data.

Mayor Nirenberg asked what the response has been from customers as to our communication strategy. Ms. Hardwick responded that the number of customers eligible for disconnection has decreased since March 2021 from approximately 83,000 customers to 74,000 customers. She noted that we have opened up and increased walk-in center hours and have seen more customers contact us for assistance with their bills.

Vice Chair Gonzalez asked whether there are any programs available for small business organizations that are below \$1 million in income. Ms. Hardwick responded that payment plans are available for those types of customers, as well. Ms. Gold-Williams responded that she understands Vice Chair Gonzalez' concern and noted that the plan is to start disconnections with big companies first and to be as flexible as we can with small businesses.

Trustee Steen commented that offering payment plans to small businesses is significant assistance.

Mayor Nirenberg responded that it is important that there be a message to contact the City, CPS Energy and SAWS. He suggested that businesses who are in arrears should contact CPS Energy to set up

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a payment schedule so they are not placed on the disconnect list. He stressed that the City will work with these struggling businesses as it identifies new areas of assistance.

Chair Dr. Mackey commented that he feels that we are doing a great job in trying to work with our customers. He stressed that customers must contact us because if they do not take the initiative, then we cannot help them. He stressed that we have an obligation to continue operating and we cannot delay a decision to resume disconnections.

VI. EXECUTIVE SESSION

At approximately 2:38 p.m., Ms. Ramirez 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 a number of posted items, including the following:

- Attorney-Client Matters (§551.071)
- Real Property (§551.072)
- Prospective Gifts (§551.073)
- Personnel Matters (§551.074)
- Security Personnel or Devices (§551.076)
- Security Audits and Devices (§551.089)
- Confidential Information Under the Texas Homeland Security Act (§418.183(f))
- Economic Development Negotiations (§551.076)
- Competitive Matters (§551.086)

The Board reconvened in open session at 4:06 p.m. The quorum was re-established, and all members were present. Ms. Ramirez reported that only the matters cited above, and no others were discussed, and no votes were taken in Executive Session.

VII. APPROVAL OF CONSENT ITEMS

On motion duly made by Trustee Kelley, seconded by Vice Chair Gonzalez, and upon affirmative vote by all members present, the following items on the Consent Agenda were unanimously approved.

Approval of Minutes

Minutes of the Risk Management Committee Meeting held on June 22, 2021, and the Regular Board Meeting held on June 28, 2021 were approved as presented.

Approval of Payment to the City of San Antonio for June 2021

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 June 2021 is based on actual gross revenue per the New Series Bond Ordinance of

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\$226,344,458.24, less applicable exclusions. The revenue for the month of June 2021 is calculated as follows:

Gross revenue per CPS Energy financial statements	
Electric revenue	\$249,460,988.76
Gas revenue	12,102,631.02
Interest and other income	(3,891.64)
Gross revenue per CPS Energy financial statements	<u>261,559,728.14</u>
Excluded revenue	
School and hospital revenue per City Ordinance 55022	(7,736,554.76)
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	(18,659,010.13)
Noncash and other income, GASB 31 investment market value change, miscellaneous interest income, gas billing adjustment and unbilled Revenue	<u>(8,819,705.01)</u>
Total excluded revenue	<u>(35,215,269.90)</u>
Gross revenue per New Series Bond Ordinance subject to 14% payment to the City	<u>\$226,344,458.24</u>
City payment per Bond Ordinance for June 2021 based upon June 2021 revenue	\$31,688,224.15
City payment per memorandum of understanding (MOU) regarding wholesale special contracts	1,562,751.19
City Payment reduction per gas customer billing adjustment MOU	<u>(12,500.00)</u>
City payment per Bond Ordinance plus adjustments for memorandums of understanding	33,238,475.34 A
Utility services provided to the City for June 2021	<u>(2,598,325.94)</u>
Net amount to be paid from June 2021 revenue to the City in July 2021	<u>\$30,640,149.40</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)

June 2021	Actual	Budget	Variance	
Current Month* A	\$33,238	\$35,226	(\$1,988)	-5.6%
Year-to-Date*	\$134,015**	\$134,302	(\$287)**	-0.2%

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

** Includes a rounding adjustment of \$1 to agree to correctly rounded YTD amount.

Approval of the following resolution is requested:

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"**BE IT RESOLVED** by the CPS Energy Board of Trustees that payment to the City of San Antonio in the amount of \$30,640,149.40 representing 14% of applicable system gross revenues for the month of June 2021, such payment being net of City utility services (\$2,598,325.94), is hereby approved." The Board ratifies that June 2021 revenue was sufficient to recover \$21,490,096.57 in funds that were advanced to the City in the prior fiscal months. The total amount to be recovered from future months' revenues for fiscal year 2022 is \$11,945,334.08.

Approval of Procurement Items - July 2021

One (1) Non-Competitively Sensitive Item

Item Description: Financial Audit Services
Purchase Category: Professional Services
Supplier: KPMG LLP

*The listed Procurement Item to be attached as Attachment "A".

At the request of Trustee Steen, Mr. Kuchinsky clarified for the record that this procurement item was for a new contract for external auditors with KPMG, LLP. The contract has a four-year term, with an option to continue for a fifth year. Mr. Kuchinsky added that the item includes a quote for a potential integrated audit.

VIII. COMMITTEE REPORTS

Nominations Committee Meeting held on July 9, 2021

Trustee Kelley reported on the July 9, 2021 Nominations Committee meeting. He explained that the committee discussed the need to search for a new Board member to fill the seat to be vacated by himself upon the end of his term (January 31, 2022). He noted that qualifications were reviewed, including that eligible applicants must be United States citizens, residents of Bexar County residing in Northwest Quadrant (1), and must be current on their CPS Energy bill. He announced that the application is now available online on CPS Energy's website and that paper applications are also available at service centers and at CPS Energy's Headquarters. He reported that approval was granted for the application to go live and that the application deadline is 5 p.m. on Tuesday, August 31, 2021.

Trustee Kelley announced that the "Find My Quadrant" tool was demonstrated for attendees of the meeting and can be found on CPS Energy's website. He also reported that the committee reviewed and approved the marketing and communications plan that will promote the vacancy with a multi-layer grassroots approach, utilizing engagement opportunities with partners, our own communication channels, media outreach, print advertising and targeted digital advertising. He announced that the press release went out, which highlighted the requirements to be a Trustee, along with other helpful information. The committee meeting was unanimously adjourned at 11:00 a.m. Trustee Kelley stated he wanted to make sure that the application deadline of August 31, 2021, was widely disseminated and that we are reaching out to the community in every way possible.

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In the interest of time, Chair Dr. Mackey accepted the submission of the following reports for the record in lieu of having them read during the meeting.

Master Planning Oversight Committee (MPOC) Meeting held on June 28, 2021

A report of the MPOC meeting, which took place on June 28, 2021, was posted with the public notice of this meeting and will be attached (as Attachment "B") to the meeting minutes.

Personnel Committee Meeting held on July 8, 2021

A report of the Personnel Committee meeting, which took place on July 8, 2021, was posted with the public notice of this meeting and will be attached (as Attachment "C") to the meeting minutes.

IX. FY2022 FINANCIAL PLAN PART 5 – UPDATED BUDGET PROPOSAL

Ms. Shannon Albert, Vice President Accounting & Assistant Treasurer, provided an updated budget proposal for a vote by the Board. In her presentation to the Board, Ms. Albert touched on our Financial Sustainability Approach and emphasis on controlling costs. She noted that we have been able to defer rate increases since 2014, in part due to a strong cost management program - having achieved \$604 million of savings during the last three years. She noted that the budget being presented includes a provisional rate increase that would be estimated to take effect during the fall of 2021; however, she emphasized that the provisional rate increase was only a placeholder and any increase would be subject to approval by the Board and City Council.

Ms. Albert provided a breakdown of our FY2022 annual funding requirements, sources of revenue, operating expenses, city payment amounts, debt requirements, and repair and replacement (R&R) contributions, as well as a breakdown of our capital plan by strategic category. She noted that, the Board is being asked to approve \$687.5 million in non-fuel Operations and Maintenance costs ("O&M") and \$714.3 million in capital expenditure budget items during this meeting. In her presentation, Ms. Albert provided a summary of our budget metrics for FY2022. She noted that the proposed budget anticipates a deficit for FY2022 and that the adjusted debt service coverage, days cash on hand, and debt to equity ratio would be above our minimum thresholds for FY2022, but that the proposed provisional rate increase would aid in posting a net profit and would lead to improved budget metrics, including an increased remaining R&R contribution for FY2023. Ms. Albert stressed that there were still uncertainties in expenses, but that we would refresh and finetune our request for rate support to bring back to the Board when needed, presumably in fall 2021.

Vice Chair Gonzalez asked whether the fuel adjustment charge for Uri was included in our FY2022 budget and what the plan was on how to pass that cost on to customers. Ms. Albert acknowledged that our FY2022 budget does account for initial costs incurred by Uri. Ms. Gold-Williams said that the summer period will help us understand what the financing component will look like to get passed the immediate impacts of the winter storm. Vice Chair Gonzalez expressed confusion as to what is being submitted for the budget and indicated she was unsure as to whether investments have been prioritized according to our business plan and City Council directives.

In response to a question from Trustee Steen, Ms. Gold-Williams explained that for historical reasons we started the FY2022 beginning on January 31, 2021. She also explained that the budget has been delayed

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due to factors created during the COVID-19 pandemic, as well as the effects of Uri. Ms. Gold-Williams attributed a reported loss in the budget due to costs rising faster than our rates and revenue. She explained that reduced revenue from customers and increasing costs of doing business have created a funding gap that cannot be fixed without considering a rate increase. Ms. Gold-Williams emphasized that we continue to fight to save money and will continue to provide updates to the Board, but that we do need to have our budget approved.

Mayor Nirenberg commented that he was interested in how the conversation on generation planning related to the **FlexPOWER Bundle** will impact the budget numbers regarding costs tied to maintaining operations and supporting growth.

Ms. Albert agreed with Mayor Nirenberg that we have the most control over costs related to power generation. She stated that she hopes we will have more certainty once disconnects are reinstated and she emphasized that the Board will continue to be updated on metrics as we progress through the year. Mayor Nirenberg asked for information on capital expenditures, including those related to recommendations from the winter storm report. Ms. Gold-Williams also added, in response to a question from Vice Chair Gonzalez, that the Board will be provided various metrics and information on residential and commercial customers billing and revenue.

Trustee Kelley asked how we are tracking to the proposed budget. Ms. Albert affirmed that we are tracking to the proposed numbers. For operating revenue, she indicated that we were almost \$23 million favorable at \$178 million. Overall income was a \$16.7 million net loss compared to a \$41.9 million projected net loss at that point. Trustee Kelley expressed his concern as to trends for wholesale revenue and the level of debt to equity and cash funding in the proposed budget. However, he complimented Ms. Gold-Williams and her team for controlling expenses and expressed his support for the proposed budget.

Chair Dr. Mackey asked for assurances that next year's budget be submitted timely. Ms. Albert assured him that the team was already working on next year's budget and should be ready for introduction to the Board in January 2022.

Trustee Steen asked what the consequences of not approving the budget would be. Ms. Gold-Williams responded that it would send a negative message to financial stakeholders and would offer no way for us to move forward.

Mayor Nirenberg commented that he appreciates the pause, concern and contemplation as to the budget, but that we support our utility and will do what is necessary to keep it strong. He emphasized that the message should be confidence in CPS Energy to get the job done and to do it in a way that is sensitive to pressures our rate payers are experiencing.

On a motion to approve the budget duly made by Trustee Kelley, and seconded by Mayor Nirenberg, and upon vote by all members present, the proposed FY2022 Budget was approved 4-1 , with affirmative votes from Chair Dr. Mackey, Trustee Steen, Trustee Kelley and Mayor Nirenberg, with Vice Chair Gonzalez voting in opposition to the motion.

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X. TEZEL SUBSTATION ROUTING & SITING

Mr. LeeRoy Perez, Senior Director, Substation & Transmission, provided a recommendation for routing and siting of the Tezel Substation for a vote by the Board. In his presentation, Mr. Perez provided a project overview, an evaluation of public feedback and a siting recommendation with renderings of the proposed site. He also provided a recap of feedback received during the Public Input Session led by Vice Chair Gonzalez and Chair Dr. Mackey on June 24, 2021, and specifically responded to questions and concerns received from the public.

Mr. Perez explained how the various locations considered for siting were evaluated and why Site 5 was recommended for approval based on multiple factors, including environmental impact, cost, proximity to habitable homes, impact to landowner development, distribution needs and ordinance requirements. Mr. Perez noted that the substation project, which is planned to be completed by June 2024, will increase capacity for residential and commercial customers and will improve **Reliability** by shortening existing distribution lines in the area. He also explained that the project follows the Board's internal approval process because it is located within San Antonio city limits.

On motion to approve the recommendation duly made by Trustee Steen, and seconded by Trustee Kelley, and upon vote by all members present, the proposed Tezel Substation site and route was approved 4-1, with affirmative votes from Chair Dr. Mackey, Trustee Steen, Trustee Kelley and Mayor Nirenberg, with Vice Chair Gonzalez voting in opposition to the motion.

XI. FlexPOWER Bundle UPDATE

Mr. Kevin Pollo, Interim VP, Energy Supply & Market Operations, provided an update on the **FlexPOWER Bundle** RFP and Prioritized Solar Selection. His update covered the RFP's key components and evaluation process as well as **Security** considerations, stakeholder engagement, project progress and current project timelines. Mr. Pollo also provided a summary of the roles of the team comprised of over forty individuals from across CPS Energy, including Supply Chain, Operations, Communications & Marketing, Enterprise Information Technology (EIT), Legal, Risk Management, Integrated Security, and Compliance and Ethics.

Mr. Pollo explained that we are seeking to add up to 900 MW of solar (with up to 250 MW of early prioritized solar), 50 MW of storage, and 500 MW of firming capacity. He added that we consider the **FlexPOWER Bundle** as the next step in our **Flexible Path** strategy to replace our aging Braunig gas units that typically run during the summer. Mr. Pollo commented that future components of the **FlexPOWER Bundle** may have different makeups of capacity based on need. He provided an overview and diagram of the evaluation process and explained that we are currently working through a quantitative evaluation of short-listed projects. As that list is narrowed down further, the team will move into interviews with best and final offer candidates. He noted that projects that do not make the short list are moved into a secondary list and still have an opportunity to be in the **FlexPOWER Bundle** at a later date.

Mr. Pollo reported that the team is currently working on finalizing candidates for the prioritized solar portion of the **FlexPOWER Bundle**. Six high-quality projects from the large-scale solar category have been shortlisted and are undergoing a qualitative evaluation, including a comprehensive **Security** review. These project candidates range in capacity from 125 MWs to 300 MWs and have advertised commercial operation dates for 2023. He noted that those projects could be awarded during FY2022.

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He also reported that we received over 650 proposals totaling 43,000 MWs of total capacity, including 32,000 MW of solar, 2,000 MW of storage capacity and 9,000 MW of all-source firming capacity. We are moving forward on the evaluation process and could be in the position to award the balance of projects in the fourth quarter of FY2022.

Mr. Pollo also covered the physical and cyber **Security** assessment review component of the RFP process, which covers both cybersecurity and supply chain **Security** controls. The process included interviews to gauge the effectiveness of **Security** controls of the companies being considered in the RFP process, and covered ownership and sourcing matters to ensure procurement is consistent with federal requirements. Mr. Pollo also provided a review of recent stakeholder engagement tied to the RFP process, including a July 30, 2021 briefing to the U.S. Energy Association and an upcoming Town Hall scheduled for August 12, 2021.

Vice Chair Gonzalez suggested that the bids recommended by Operations go through the Technology and Resilience (T&R) Committee before taking the recommendations to the full Board for a vote. Ms. Gold-Williams agreed to bring the selections to the Operations Oversight (OOC) and T&R Committees for review. Ms. Gold-Williams explained that the procurement process includes an analysis, and that the selections can be reviewed and voted on by the Board.

Mayor Nirenberg asked for clarification on the timeline and requested continued updates on the progress of the selection process. Ms. Gold-Williams provided more context on procurement policy requirements. Mr. Pollo mentioned that selection for prioritized solar could be made as soon as the following month and the rest of the Bundle could be selected by the end of the fourth quarter of this calendar year.

XII. ADJOURNMENT

There being no further business to come before the Board, upon a motion duly made by Trustee Kelley, and seconded by Trustee Steen, and upon an affirmative vote by all members present, the meeting was unanimously adjourned at 5:26 p.m. by Chair Dr. Mackey.

Shanna M. Ramirez
Secretary of the Board

Draft for review and approval at the
August 30, 2021 Board meeting

CPS ENERGY
MINUTES OF SPECIAL MEETING OF THE BOARD OF TRUSTEES
HELD ON JULY 27, 2021

A Special Meeting of the CPS Energy Board of Trustees was held on Tuesday, July 27, 2021, in the Board Room located on the First Floor of the CPS Energy headquarters located at 500 McCullough, San Antonio, Texas. In order to protect the health of the public and limit the potential spread of the Coronavirus (COVID-19), limited in-person attendance was enforced. Chair Dr. Mackey called the meeting to order at 2:01 p.m.

Present were Board members:

Dr. Willis Mackey, Chair
Ms. Janie Gonzalez, Vice Chair
Mr. Ed Kelley
Mr. John Steen
Mayor Ron Nirenberg¹

Also present were:

Mr. Fred Bonewell, Chief Operations Officer
Ms. Shanna M. Ramirez, Chief Legal & Ethics Officer, General Counsel & Board Secretary
Mr. Frank Almaraz, Chief Power, Sustainability & Business Development Officer
Mr. Paul Barham, Chief Grid Optimization & Resiliency Officer
Ms. Vivian Bouet, Chief Information Officer
Mr. Rudy Garza, Chief Customer Engagement Officer
Mr. Cory P. Kuchinsky, Chief Financial Officer & Treasurer
Ms. Lisa Lewis, Chief Administrative Officer
CPS Energy Staff Members
City of San Antonio officials
Interested Citizens

I. SAFETY MESSAGE, INVOCATION AND PLEDGE OF ALLEGIANCE

A safety message, the invocation and Pledge of Allegiance were delivered by Ms. Denae Myers, Manager, Board Relations.

II. PUBLIC COMMENT

Chair Dr. Mackey announced that public comments would be taken, and Ms. Loretta Kerner, Director, Board Relations & Chief of Staff to the CEO, outlined the guidelines for doing so. The following person made comments:

1. Mr. Sean Strambler, Account Executive, Juicebar EV, commented on the importance of expanding development of electrical vehicle infrastructure in response to continued city growth and commended CPS Energy for its leadership role in adopting innovative technologies.

¹ Mayor Nirenberg arrived at 2:03 p.m.

Draft for review and approval at the
August 30, 2021 Board meeting

III. CEO'S REPORT

Ms. Gold-Williams was not present during the meeting to provide her report. Trustee Kelley took a moment to address the Board and offered his sincere apologies to Ms. Gold-Williams for his choice of words during an exchange with her while expressing his opposition to the STEP program during the July 26, 2021 Regular Board Meeting. Trustee Kelley commented that he is one of Ms. Gold-Williams' biggest supporters and considers her to be an outstanding executive and person. Trustee Kelley asked Mr. Bonewell to relay to Ms. Gold-Williams his message, and stressed that if there were any implications he was referring to her in a negative manner, it was opposed to what he meant to say.

IV. EXECUTIVE SESSION

At approximately 2:12 p.m., Board Secretary Ms. Ramirez 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 possible discussion of a number of posted items, including the following:

- Attorney-Client Matters (§551.071)
- Real Property (§551.072)
- Prospective Gifts (§551.073)
- Personnel Matters (§551.074)
- Security Personnel or Devices (§551.076)
- Security Audits and Devices (§551.089)
- Confidential Information Under the Texas Homeland Security Act (§418.183(f))
- Economic Development Negotiations (§551.076)
- Competitive Matters (§551.086)

The Board reconvened in open session at 3:00 p.m. A quorum was re-established. Ms. Ramirez reported that only the matters cited above, and no others, were discussed and no votes were taken in Executive Session.

V. ADJOURNMENT

There being no further business to come before the Board, and upon motion duly made by Trustee Kelley, and seconded by Vice Chair Gonzalez, and upon an affirmative vote by all members present, the meeting was unanimously adjourned at 3:01 p.m. by Chair Dr. Mackey.

Shanna M. Ramirez
Secretary of the Board

CPS Energy Board of Trustees Meeting August 30, 2021

Approval of Payment to the City of San Antonio for July 2021

The New Series Bond Ordinance that took effect February 1, 1997 provides for a total cash payment to the City of San Antonio (City) in an amount not to exceed 14% of gross revenue as calculated pursuant to such Ordinance, less the value of other services provided to the City, with the percentage (within the 14% limitation) to be determined by the governing body of the City. The cash transfer to the City for the month of July 2021 is based on actual gross revenue per the New Series Bond Ordinance of \$252,526,737.71, less applicable exclusions. The revenue for the month of July 2021 is calculated as follows:

Gross revenue per CPS Energy financial statements		
Electric revenue		\$257,930,634.92
Gas revenue		11,764,552.35
Interest and other income		3,230,808.78
Gross revenue per CPS Energy financial statements		<u>272,925,996.05</u>
Excluded revenue		
School and hospital revenue per City Ordinance 55022		(7,157,153.23)
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		(21,317,447.46)
Noncash and other income, GASB 31 investment market value change, miscellaneous interest income, gas billing adjustment and unbilled revenue		<u>8,075,342.35</u>
Total excluded revenue		<u>(20,399,258.34)</u>
Gross revenue per New Series Bond Ordinance subject to 14% payment to the City		<u>\$252,526,737.71</u>
City payment per Bond Ordinance for July 2021 based upon July 2021 revenue		\$35,353,743.28
City payment per memorandum of understanding (MOU) regarding wholesale special contracts		139,006.74
Wholesale Special Contract Annual True Up		1,014,942.75
City Payment reduction per gas customer billing adjustment MOU		<u>(12,500.00)</u>
City payment per Bond Ordinance plus adjustments for memorandums of understanding		36,495,192.77 A
Utility services provided to the City for July 2021		<u>(2,749,363.92)</u>
Net amount to be paid from July 2021 revenue to the City in August 2021		<u>\$33,745,828.85</u>

CPS Energy Board of Trustees Meeting August 30, 2021

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

(Dollars in thousands)

July 2021	Actual	Budget	Variance	
Current Month* A	\$36,495	\$38,358	(\$1,863)	-4.9%
Year-to-Date*	\$170,510	\$172,660	(\$2,150)	-1.2%

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

Approval of the following resolution is requested:

"BE IT RESOLVED by the CPS Energy Board of Trustees that payment to the City of San Antonio in the amount of \$33,745,828.85 representing 14% of applicable system gross revenues for the month of July 2021, such payment being net of City utility services (\$2,749,363.92), is hereby approved." The Board ratifies that July 2021 revenue was sufficient to recover \$11,945,334.08 in funds that were advanced to the City in the prior fiscal months.



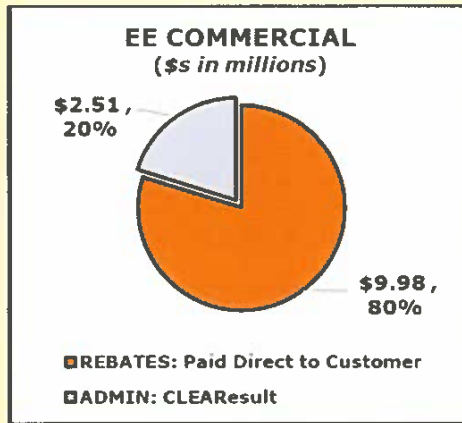
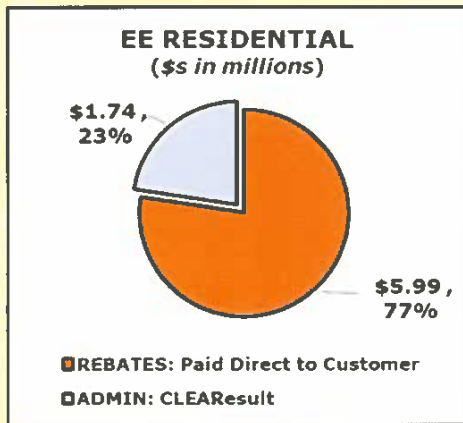
CPS Energy Board of Trustees Meeting
August 30, 2021
PROCUREMENT FORM 1

Item Description	Residential & Commercial Energy Efficiency Programs
Purchase Order Value	\$20,225,000
Purchase Category	General Services
Department	Customer & Stakeholder Engagement
Senior Director	Andrew Higgins
Chief Customer and Stakeholder Engagement Officer	Rudy Garza

What we plan to do & why it is of value to our customers & company

This procurement item is for two separate contracts for the implementation of residential and commercial efficiency program services in support of **STEP Bridge**. The program dollars allocated through this contract are allocated for direct customer rebates (approximately 80%) and program administration and support (approximately 20%). CPS Energy issued a global RFP and CLEAResult Consulting, Inc. offers the best value to CPS Energy for both programs, based on their safety performance, experience, cost, community impact, and financial soundness. These services provide implementation support for our residential and commercial rebate programs, including: Home Efficiency, New Home Construction, In-School Education, Small Business Rebates, Schools & Institutions, and more.

This contract is integral to meeting the **STEP Bridge** goals approved by the Board & City Council. This contract currently includes megawatt (MW) savings targets and funding based on achieving the current approved **STEP Bridge** goals, estimated for completion in July 31, 2022. It also contains provisions for extension to support the initial phase of the pending *FlexSTEP* program, should the program gain approval in 2022.



Subcontracting opportunities associated with the contracts

Energy Bees is an emerging small, woman-owned business that will be subcontracted to implement the In-School Education program. The In-School Education program is an in-class demonstration where students and their teachers will participate in hands-on activities and receive energy awareness and energy efficiency education. The program includes take-home energy efficiency kits with contents customized for sixth graders, as well as instruction on how to install the measures and learning activities encouraging home efficiency.

In addition, a portion of CLEAResult Consulting, Inc.'s program fees are contingent on achieving a Key Performance Indicators (KPIs) for 60% of rebate spend to be with small, minority, woman or veteran owned businesses.



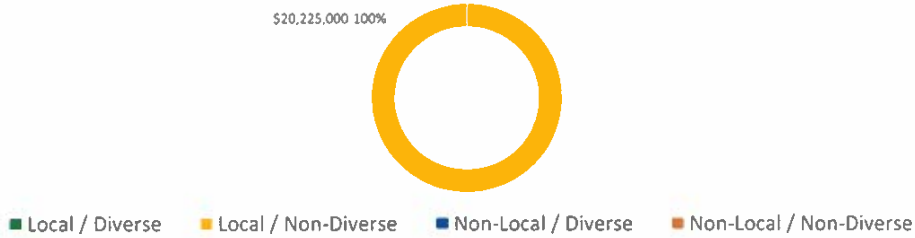
CPS Energy Board of Trustees Meeting
 August 30, 2021
PROCUREMENT FORM 1 (continued)

Recommended Supplier(s) & Spend						
Supplier Name	SBA Classification	SBA Classification Details	PO Term	PO Value	PO #	Comments
CLEAResult Consulting, Inc. (Residential Energy Efficiency)	Local / Non-Diverse	Male, Large, No HUB/Vet, Non-Minority	11 months	\$ 7,725,000	2197608	
CLEAResult Consulting, Inc. (Commercial Energy Efficiency)	Local / Non-Diverse	Male, Large, No HUB/Vet, Non-Minority	11 months	\$ 12,500,000	2197609	
Total				\$ 20,225,000		
Annual Funds Budgeted						
FY	Funding Method	Corporate Annual Budget	Projected FY22 PO Spend	% Of Annual Corp Budget	Projected FY23 PO Spend	Projected FY24 & FY25 PO Spend
22	Capital	\$714,300,000	\$0	0.00%	\$0	\$0
22	Operating Budget*	\$1,710,800,000	\$9,193,182	0.54%	\$11,031,818	\$0

* This represents the full operating budget, which combines Fuel, Non-Fuel O&M and Other Operating Expenses.

This procurement item does not contain competitively sensitive information; therefore, there are no restrictions on disclosure to the public.

Procurement Item: General Services



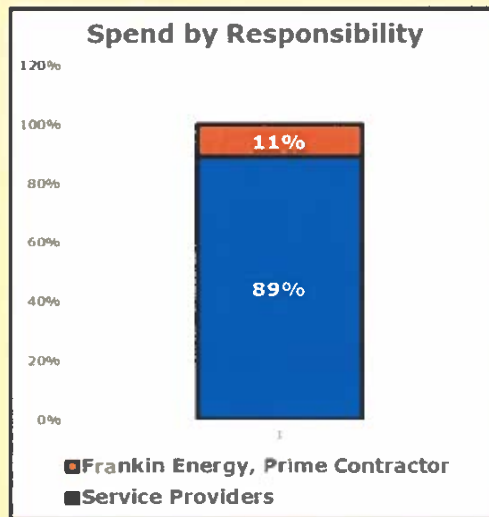


CPS Energy Board of Trustees Meeting
 August 30, 2021
 PROCUREMENT FORM 2

Item Description		Weatherization Program
Original Cumulative Purchase Order	(A)	\$56,000,000
Previously Added Funds	(B)	\$14,819,774
Additional Funds Requested	(C)	\$10,587,500
Projected Purchase Order Value	(D)	\$81,407,274
Purchase Category		General Services
Department		Customer & Stakeholder Engagement
Senior Director		Andrew Higgins
Chief Customer and Stakeholder Engagement Officer		Rudy Garza

What we plan to do & why it is of value to our customers & company

In January 2021, the Board & City Council approved an extension of the **STEP Bridge** program. The extension provided \$70M in additional funding with an additional 75 MW of demand savings to be achieved by July 31, 2022. . The current Weatherization Program is designed to direct approximately 90% of the allocated funding to be direct services provided to clients through local, diverse providers. The remaining dollars are allocated to the prime contractor for program administration and support services. This request is to fully fund the Weatherization program through the end of **STEP Bridge**. The service provided is a turnkey service for the administration, supplies and labor for the Weatherization of income qualified customer homes. This funding request is only for the Weatherization contract and allows more time for CPS Energy to develop and solicit for a re-imagined Weatherization program to grow local and diverse participation in administering the program.



Subcontracting opportunities associated with the contracts

This contract utilizes five subcontractors to deliver the installation of Weatherization measures within customer homes:

- Cool Component Heating & A/C is a small, Hispanic American-owned business.
- M&M Weatherization Company is a local, emerging small business.
- RAM's Weatherization & Construction is a local, emerging small, woman-owned, Hispanic American-owned business.
- Right Choice Heating and A/C is a small, Hispanic American-owned business.
- Roadrunner Remodeling Incorporated is a small, Hispanic American-owned business.



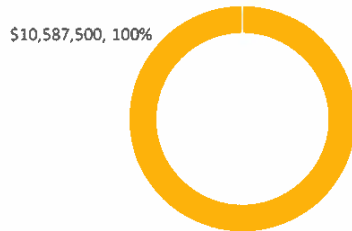
CPS Energy Board of Trustees Meeting August 30, 2021 PROCUREMENT FORM 2 (continued)							
Recommended Supplier(s) & Spend							
Supplier Name	SBA Classification	PO Term	SBA Classification Details	Original PO Value	Previously Added Funds	Additional Funds Requested	PO #
Franklin Energy Services, LLC	Local / Non-Diverse	Six (6) years	Male, Large, No Hub/Vet, Non-Minority	\$56,000,000	\$14,819,774	\$10,587,500	2159747
				(A)	(B)	(C)	
Projected Cumulative Purchase Order Value (D)						\$81,407,274	

Annual Fund Budgeted						
FY	Funding Method	Corporate Annual Budget	Projected FY22 PO Spend	% Of Annual Corp Budget	Projected FY23 PO Spend	Projected FY24 & FY25 PO Spend
22	Capital	\$714,300,000	\$0	0.00%	\$0	\$0
22	Operating Budget*	\$1,710,800,000	\$4,812,500	0.28%	\$5,775,000	\$0

* This represents the full operating budget, which combines Fuel, Non-Fuel O&M and Other Operating Expenses.

This procurement item does not contain competitively sensitive information; therefore, there are no restrictions on disclosure to the public.

Procurement Item: General Services



-
 Local / Diverse
 -
 Local / Non-Diverse
 -
 Non-Local / Diverse
 -
 Non-Local / Non-Diverse



CPS Energy Board of Trustees Meeting
August 30, 2021
PROCUREMENT FORM 3

Item Description	Engineering Services for Power Generation
Purchase Order Value	\$36,000,000
Purchase Category	Professional Services
Department	Power Generation
Senior Vice President	Benjamin Ethridge
Chief Power, Sustainability, & Business Development Officer	Frank Almaraz

What we plan to do & why it is of value to our customers & company

These contracts are for engineering technical support from multi-discipline engineering firms and subject matter experts required to support highly specialized areas within power generation. The contracts will allow CPS Energy to support capital projects as well as emergent operational issues and projects on an as-needed basis. These five-year contracts support power generation reliability, environmental stewardship, and strategic planning and will expire on 6/27/2026.

Subcontracting opportunities associated with the contracts

AECOM Technical Services, Inc., Black & Veatch Corporation, Burns & McDonnell Engineering Co Inc., Merrick & Company, Pape-Dawson Consulting Engineers Inc., Sargent & Lundy and TRC Engineers Inc. have all committed to subcontracting with one or more diverse businesses for specific scopes of work, such as geotechnical testing services, land surveying, environmental engineering, structural engineering, and electrical field services.

Recommended Supplier(s) & Spend						
Supplier Name	SBA Classification	SBA Classification Details	PO Term	PO Value	PO #	Comments
Structural Engineering Associates, Inc	Local / Diverse	Male, Small, HUBZone, Hispanic American	Five (5) years	\$ 4,000,000	2196912	Corporate headquarters based in San Antonio Metropolitan Area
CDG Engineers, Inc.	Non-Local / Diverse	Male, Small, No Hub/Vet, Non Minority	Five (5) years	\$ 4,000,000	2196908	
AECOM Technical Services, Inc.	Local / Non-Diverse	Male, Large, No Hub/Vet, Non Minority	Five (5) years	\$ 4,000,000	2196906	
Black & Veatch Corporation	Local / Non-Diverse	Male, Large, No Hub/Vet, Non Minority	Five (5) years	\$ 4,000,000	2196905	
NEW Merrick & Company	Local / Non-Diverse	Male, Large, No Hub/Vet, Non Minority	Five (5) years	\$ 4,000,000	2196909	



CPS Energy Board of Trustees Meeting
 August 30, 2021
 PROCUREMENT FORM 3 (continued)

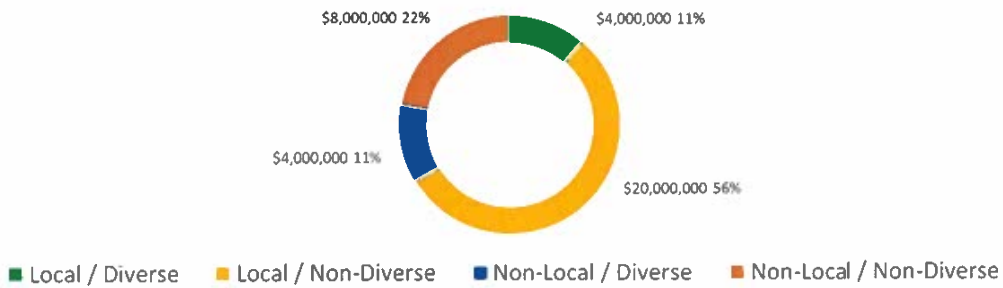
Pape-Dawson Consulting Engineers	Local / Non-Diverse	Male, Large, No Hub/Vet, Non Minority	Five (5) years	\$ 4,000,000	2196910	Corporate headquarters based in San Antonio Metropolitan Area
NEW TRC Engineers Inc	Local / Non-Diverse	Male, Large, No Hub/Vet, Non Minority	Five (5) years	\$ 4,000,000	2196913	
Burns & McDonnell Engineering Co Inc.	Non-Local / Non-Diverse	Male, Large, No Hub/Vet, Non Minority	Five (5) years	\$ 4,000,000	2196907	
Sargent & Lundy	Non-Local / Non-Diverse	Male, Large, No Hub/Vet, Non Minority	Five (5) years	\$ 4,000,000	2196911	
Total				\$ 36,000,000		

Annual Funds Budgeted

FY	Funding Method	Corporate Annual Budget	Projected FY22 PO Spend	% Of Annual Corp Budget	Projected FY23 PO Spend	Projected FY24 & FY25 PO Spend
22	Capital	\$714,300,000	\$3,905,000	0.55%	\$7,980,000	\$13,590,000
22	Non-Fuel O&M	\$687,500,000	\$0	0.00%	\$0	\$0

This procurement item does not contain competitively sensitive information; therefore, there are no restrictions on disclosure to the public.

Procurement Item: Professional Services





RESOLUTION APPOINTING A SUCCESSOR RECORDS MANAGEMENT OFFICER

WHEREAS, in 1989 the 71st Texas Legislature adopted H.B. 1285, and thereby enacted into law the Local Government Records Act (currently codified at Chapter 203 of the Local Government Code), which provides for the establishment, promotion, and support of a comprehensive, active and continuing records management program for all local government offices;

WHEREAS, the Board, as mandated by Section 203.026 of the Texas Local Government Code, passed a resolution establishing an active and continuing records management program to be administered by the Records Management Officer at its December 17, 1990 regular monthly meeting;

WHEREAS, the CPS Energy Board of Trustees (the "Board"), as mandated by Section 203.025 of the Texas Local Government Code, passed a resolution designating the current Records Management Officer at its April 25, 2016 regular monthly meeting;

WHEREAS, said Records Management Officer is responsible for administering the Records Management Program in an efficient manner as prescribed by state regulatory requirements and for carrying out the duties delineated in Section 203.023 of the Texas Local Government Code; and

WHEREAS, it has become necessary to designate a replacement Records Management Officer due to the resignation of the previously designated Officer in order to continue the administration of the CPS Energy Records Management Program.

NOW, THEREFORE, BE IT RESOLVED BY THE TRUSTEES OF CPS ENERGY that, pursuant to Section 203.025 of the Texas Local Government Code, Tammy Flemons, is hereby designated as Records Management Officer for CPS Energy; and

BE IT FURTHER RESOLVED that in accordance with Section 203.025 of the Texas Local Government Code, the designation in this resolution shall be filed with the director and librarian of the Texas State Library and Archive Commission within (30) days after adoption of this resolution.



MASTER PLANNING & OVERSIGHT COMMITTEE (MPOC)

EXECUTIVE SUMMARY AND CHAIR REPORT FROM THE JULY 26, 2021 MEETING PREPARED FOR COMMITTEE CHAIR ED KELLEY FOR REPORT AT THE AUGUST 30, 2021 BOARD OF TRUSTEES MEETING

The MPOC met on July 26, 2021. As part of the MPOC agenda, the Committee:

- A. Discussed the operation and activities in and around the McCullough Building.
- B. Reviewed the status, current and potential buyers, marketing strategies and/or contract deadlines for the following properties:
 - 1. Main Office Building;
 - 2. Tower Garage;
 - 3. Villita Assembly Building;
 - 4. Surface Parking Lot #2;
 - 5. Northside Customer Service Center; &
 - 6. Mission Road Power Plant and Gugert Street.
- C. Discussed disposition of Jones North and Jones South and reviewed property features and information.
- D. Discussed strategic property purchase opportunities that support electric and gas system **Reliability**, **Resiliency** and customer growth, as well as potential property sale opportunities.

The next meeting of the MPOC is August 30, 2021.



AUDIT & FINANCE COMMITTEE (A&F)

EXECUTIVE SUMMARY AND CHAIR REPORT FROM THE JULY 28, 2021 MEETING PREPARED FOR CHAIR JOHN STEEN FOR REPORT AT THE AUGUST 30, 2021 BOARD OF TRUSTEES MEETING

The Audit & Finance Committee met on July 28, 2021. As part of the Audit & Finance Committee agenda, the Committee:

- A. Approved meeting minutes from the prior meeting, held on April 15, 2021.
- B. Received an update on the Ethics Program, including a summary of cases that were opened and closed through June 28, 2021, and a trend analysis for FY2021 first Quarter versus FY2022 first Quarter.
- C. Received an update on FY2022 Financing Transactions:
 - a. Provided the financing transaction objectives, an overview of the debt portfolio by type, and a review of the proposed potential financing transactions for FY2022.
 - b. Provided next steps for the proposed financing transactions for FY2022. The next steps were to provide this information to the full board, seek approval of the financing transactions at the August 30, 2021 Board of Trustees regular meeting, and then seek City Council approval in October 2021, but that date was subject to change. The financing transactions are planned to begin in fall 2021.
- D. Received Audit Services Update:
 - a. Provided status of projects for FY2022.
 - b. Reviewed the results of four projects completed since the last Committee meeting, including the STP 2020 Incentive Plan Validation, EDS Invoice Review, External Audit RFP (request for proposal), and financial control documentation projects.
 - c. Discussed the FY2022 Audit Services budget.

The next meeting of the Audit & Finance Committee will be held in October 2021.



EMPLOYEE BENEFITS OVERSIGHT COMMITTEE (EBOC)

EXECUTIVE SUMMARY AND CHAIR REPORT FROM THE JULY 28, 2021 MEETING PREPARED FOR COMMITTEE CHAIR JOHN STEEN FOR REPORT AT THE AUGUST 30, 2021 BOARD OF TRUSTEES MEETING

The EBOC met on July 28, 2021. As part of the EBOC agenda, the Committee:

- A. Approved meeting minutes from the prior meeting held on April 15, 2021.
- B. Reviewed the Action Item list from the April 15, 2021 Meeting.

The Committee also received presentations regarding:

- C. Benefit Plans Administrative & Financial Updates, which included items related to governance and performance management, an update on Ex-Officio membership based on the recent CFO transition, and an annual review of the Actuarial Rate of Return (ARoR) and YTD 2021 Investment Performance.
- D. A Benefit Plans Improvement Plan Update, which included items related to continued improvement initiatives being led by the Administrative Committee (AC) to address gaps and shortfalls, and the use of subcommittees in response to a need and to serve for a specific purpose.
- E. A Benefit Plans External Auditor Recommendation for the next 5-year term. The EBOC approved this recommendation.
- F. A recommendation for Benefit Plans payment services to transition Pension & Disability benefit payment services to JPMorgan effective January 1, 2022. The EBOC approved this recommendation.
- G. An update on a Request for Proposal (RFP) for the Benefits Plans Trustee Services, which included a preliminary timeline and a plan by the AC to bring a recommendation for Trustee Services to the EBOC for approval tentatively at the next regularly scheduled meeting in October 2021.
- H. An update on a Benefit Plans internal control audit being conducted by Audit Services and a plan to share the results with the EBOC and Audit & Finance (A&F) Committees tentatively at the next regularly scheduled meeting in October 2021.
- I. A recommendation for the 2022 Health Plan premiums and pharmacy plan design, which was approved, that included no increase in Health Plan premiums and a plan design change for specialty pharmacy coverage.
- J. An update on the regularly scheduled restatement of Benefit Plan documents with an effective date of January 1, 2022, which will be presented to the EBOC for approval tentatively at the October 2021 meeting.
- K. An update on the CPS Energy Wellness Program.

The next meeting of the EBOC will be held in October 2021.



**AUDIT & FINANCE & EMPLOYEE BENEFITS OVERSIGHT COMMITTEE (EBOC)
ALIGNED RISK SUB-COMMITTEE**

**MEETING MINUTES FROM THE JULY 28, 2021 MEETING
FOR REVIEW AND APPROVAL AT THE OCTOBER 14, 2021 AUDIT & FINANCE & EBOC
ALIGNED RISK SUB-COMMITTEE MEETING**

**2:25 P.M. – 2:50 P.M.
BY TELEPHONE CONFERENCE: (415) 655-0002; ACCESS CODE 1773 36 6444**

ATTENDEES

FACILITATOR

Mr. Anthony Werland

MEMBERS OF THE SUB-COMMITTEE

Mr. John Steen, Chair

Dr. Willis Mackey

CALL TO ORDER

Committee Chair John Steen welcomed everyone to the Audit & Finance & EBOC Aligned Risk Sub-Committee (Sub-Committee) meeting and began at 2:13 pm.

APPROVAL OF MINUTES FROM APRIL 15, 2021, AUDIT & FINANCE & EBOC ALIGNED RISK SUB-COMMITTEE MEETING

The two Sub-Committee members stated that they read the minutes and had no comments or corrections. All members of the Sub-Committee approved the minutes, as provided.

REVIEW ACTION ITEMS FROM PREVIOUS MEETING

Mr. Anthony Werland, Interim Director of Enterprise Risk Management & Solutions (ERMS), confirmed that there were no action items to review.

SUB-COMMITTEE UPDATE

Mr. Werland welcomed the committee and thanked them for the opportunity to present, adding that the purpose of today’s presentation was to dig deeper into our ability to recover the additional costs caused by the pandemic and Winter Storm Uri. Mr. Werland quickly reviewed the agenda and moved on to the enterprise risk landscape, commenting that it was a familiar visual that identifies our overall risks, and Mr. Chad Hoopingarner, Interim VP of Strategic Pricing & Enterprise Risk Management & Solutions, would be focusing on the risk around rate support, cost recovery and equity considerations.

Mr. Hoopingarner thanked Mr. Werland and reiterated that he would be focusing on the risk of reduced or eliminated rate support and how we attempt to mitigate that risk by building good relationships, educating our key stakeholders and being as open and transparent as possible. He added that the three key things we focus on when establishing rates are first, *Affordability* relative to income and other utility’s rates; second, fairness across all customer segments, which means making sure that everyone is paying for their own related cost; and

third, ensuring the sustainability of the associated rate strategy. Mr. Hoopingarner explained that they are discussing these issues with the Rate Advisory Committee (RAC) to get their valuable perspective, and that there have been five RAC meetings so far. He further explained that in those five meetings, RAC members have been provided general education about CPS Energy and its industry, as well as the fundamentals of rate design, current trends, case studies and modeling practices. Mr. Hoopingarner added that they will now begin reviewing our current rate design, followed by social issues and our generation strategy. He commented that it has been very fruitful so far.

Mr. Hoopingarner then reviewed the risk mitigation framework for the risk that rate support is decreased or fully declined, reviewing current mitigations which included continuing to work with Local Government Relations to focus on managing the relationship with the city, as well as working with the RAC to both educate and listen to their feedback. He then thanked the Sub-Committee and paused for questions. Chair Steen asked how well the RAC meetings were being attended. Mr. Hoopingarner replied that there are 21 members in total and about 18 to 20 members were present at any given meeting, with only one member who had missed multiple meetings. He added that the meetings were held every other Thursday, for two hours.

Mr. Werland thanked Mr. Hoopingarner, adding that it was really good information. He commented that we would remain focused on the risk landscape and continue to share information and gather perspectives from the community.

CLOSE-OUT

Committee Chair Steen thanked everyone and asked Mr. Werland to close things out. Mr. Werland commented that he did not capture any action items during the meeting.

ADJOURNMENT

Dr. Mackey made a motion to adjourn the Sub-Committee meeting. The motion was seconded by Committee Chair Steen. All committee members approved, and the Sub-Committee meeting adjourned at approximately 2:24 P.M.



NOMINATIONS COMMITTEE (NC)

EXECUTIVE SUMMARY AND CHAIR REPORT FROM THE AUGUST 12, 2021 MEETING PREPARED FOR COMMITTEE CHAIR, ED KELLEY FOR REPORT AT THE AUGUST 30, 2021 BOARD OF TRUSTEES MEETING

The Nominations Committee met on August 12, 2021. As part of the Nominations Committee agenda, the members:

- A. Reviewed the latest Applications Tracking & Summary Matrix, which provides a high-level overview of all the applicants;
- B. Received an update on the number of applications received to date;
- C. Looked over a dashboard that had been created to show high-level information regarding the search;
- D. Were briefed on the August 18, 2021 hybrid Information Session;
- E. Walked through pieces of the Communication & Marketing Plan, which included an advertorial by Ms. Shanna Ramirez that was scheduled to run online beginning August 13, 2021.

The next meeting of the Nominations Committee is August 26, 2021.



FINANCING TRANSACTIONS FY2022

PRESENTED BY:

Julie Johnson, CPA

Interim VP, Capital Markets & Assistant Treasurer

August 30, 2021

Approval Requested

OBJECTIVES & TAKEAWAYS



- **SEEK APPROVAL FOR FY2022 FINANCING TRANSACTIONS**



AGENDA



- **FINANCIAL RESPONSIBILITY**
- **PRUDENT DEBT MANAGEMENT**
- **DEBT OVERVIEW**
- **FY2022 FINANCING TRANSACTIONS**
- **REQUEST FOR APPROVAL**



OUR *GUIDING PILLARS* & FOUNDATION



Reliability



Customer
Affordability



Security



Safety



Environmental
Responsibility



Resiliency



**FINANCIALLY
RESPONSIBLE**

All business decisions are based on our commitment to being one of the best-managed & most *Financially Responsible* utilities in the nation!

FINANCIAL RESPONSIBILITY

FINANCING TRANSACTION OBJECTIVES



- Savings opportunities
- Required remarketing of debt
- Ability to lock-in low, long-term interest rates

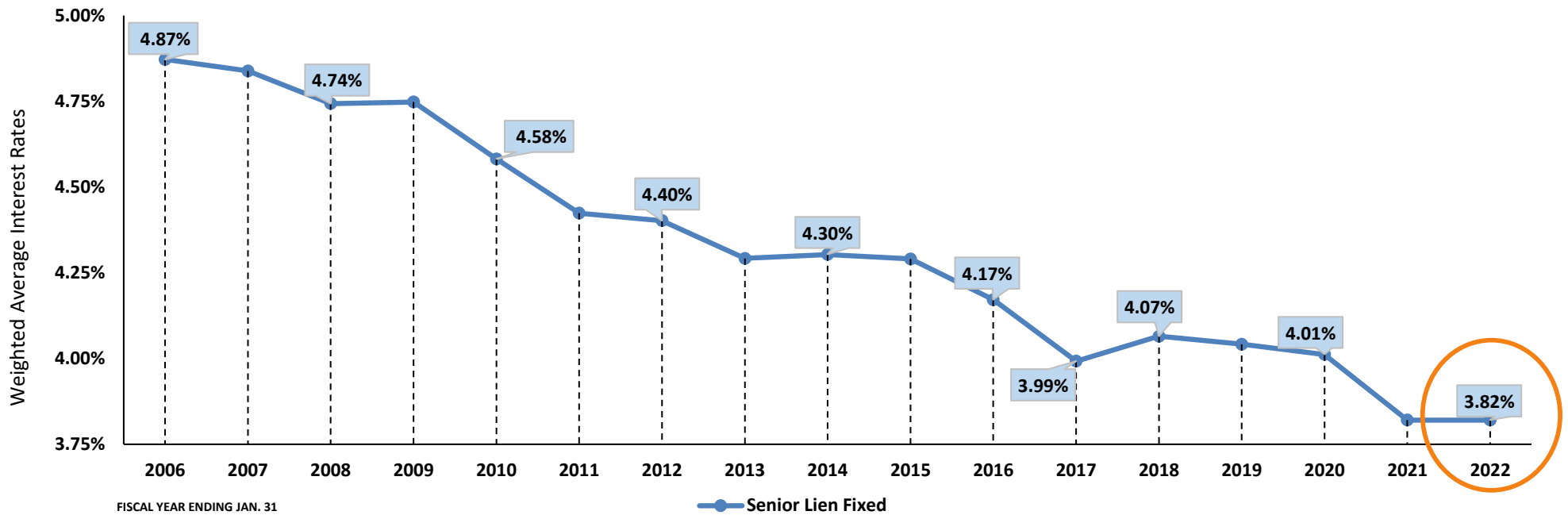


Federal Reserve Chairman Jerome Powell

Following our **Guiding Pillars**, we continuously evaluate opportunities in the capital markets to help save our customers money.

SAVINGS FOR OUR CUSTOMERS

PRUDENT DEBT MANAGEMENT



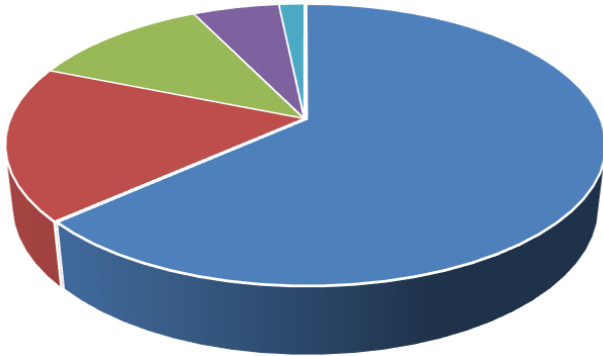
During the past 16 years, we refinanced \$3.9B of debt to achieve over \$564M of gross debt service savings for the benefit of our customers!

Note: FY2022 data as of 04/09/2021.

DEBT OVERVIEW



Portfolio by Debt Type



<u>Debt Type</u>	<u>Par Outstanding</u> ⁽¹⁾	<u>% of Total</u>	
Sr. Lien Fixed	\$3,866,570	63.4%	} \$4.95B, 81.2% Fixed
Jr. Lien Fixed	1,083,340	17.8%	
<hr style="border-top: 1px dashed green;"/>			
Jr. Lien Variable Rate	709,310	11.6%	} \$1.15B, 18.8% Variable
Commercial Paper	340,000	5.6%	
Flex Rate Revolving Note	100,000	1.6%	
Total Portfolio	\$6,099,220	100%	

¹ \$\$s in thousands.

Note: Data as of 05/01/2021.

Our strong credit provides us with opportunities to keep a balance of debt instruments in our portfolio, which helps keep borrowing costs low for our customers.

FINANCING TRANSACTIONS

FINANCING & LIQUIDITY - FY2022



Proposed Potential Transactions:	Authorization Amount	Reason	Estimated Net Present Value (NPV) Savings	Required Approval	
				Board	Council
Supports normal operations					
Jr. Lien Variable 2015B Remarketing	\$125M	Required ⁽²⁾	-	Y	N
Jr. Lien 2014 Refunding ⁽¹⁾	\$240M	Potential Savings	\$37.6M ⁽³⁾	Y	Y
Sr. Lien 2012 Refunding ⁽¹⁾	\$145M	Potential Savings	\$5.6M ⁽³⁾	Y	Y
Commercial Paper (CP) Refunding	\$410M	Lock-in low interest rates	-	Y	Y
CP Liquidity Extension ⁽⁴⁾	\$400M	3 yr. extension of liquidity at same low cost	-	Y	N

These transactions are for normal operations to provide potential savings & liquidity flexibility for our customers, as uncertainty around the pandemic & Winter Storm Uri continues throughout FY2022.

- (1) We received Board & Council approval on these transactions in FY2021, however, approval is being requested so we can continue to monitor & execute if the economics meet our thresholds.
- (2) This is a required transaction as the mandatory tender date of 12.1.21 is the date by which the bonds need to be remarketed to current interest rates.
- (3) Savings are estimated as of 6.30.2021 & are subject to change due to market conditions.
- (4) CP Program extension of Series A (\$400M capacity out of \$700M Program capacity) for a proposed annual fee of 37 basis points (bps).



REQUEST FOR APPROVAL



Authorize, without the obligation, to execute the following transactions by delegating authority to the CEO or CFO over the next 12 months:

- Remarket existing debt (\$125M)
- Refund / refinance debt for savings & lock-in low interest rates (\$795M)
- Extend current CP agreement (Series A) for an additional 3 years at the same low cost to provide liquidity flexibility (\$400M)

These financing transactions help provide potential savings to our customers & meaningful liquidity flexibility to support our operations.



Thank You





Appendix



GLOSSARY / DEFINITIONS



Acronym or Word	Definition	Acronym or Word	Definition
Basis Point (bps)	Basis point (BPS) refers to a common unit of measure for interest rates & other percentages in finance. One basis point is equal to 1/100th of 1%, or 0.01%, or 0.0001, and is used to denote the percentage change in a financial instrument. The relationship between percentage changes & basis points can be summarized as follows: 1% change = 100 basis points, and 0.01% = 1 basis point.	Commercial Paper (CP)	An unsecured, short-term debt instrument issued by a corporation, with high quality credit ratings, to meet its funding needs. Maturities typically do not exceed 270 days.
Flexible Rate Revolving Note (FRRN)	A type of credit facility such as a revolving line of credit that is backed by a bank that provides liquidity to an issuer.	Present Value (PV)	The current value of a future sum of cash flows. The future cash flows are discounted at a discount rate to calculate the present value of the cash flow stream. [PV=Future Value/(1+discount rate)^time]

RESOLUTION 1: REMARKETING

A RESOLUTION BY THE CITY PUBLIC SERVICE BOARD OF SAN ANTONIO, TEXAS RELATING TO THE REMARKETING OF OBLIGATIONS DESIGNATED AS “CITY OF SAN ANTONIO, TEXAS ELECTRIC AND GAS SYSTEMS VARIABLE RATE JUNIOR LIEN REVENUE REFUNDING BONDS, SERIES 2015B” INTO A NEW INTEREST MODE; AUTHORIZING CERTAIN CPS ENERGY REPRESENTATIVES TO EXECUTE AN APPROVAL CERTIFICATE MEMORIALIZING THE TERMS OF SUCH REMARKETING; APPROVING A REMARKETING AGREEMENT AND REMARKETING MEMORANDUM RELATING TO THESE OBLIGATIONS; AND OTHER MATTERS IN CONNECTION THEREWITH

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

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

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

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

WHEREAS, pursuant to the authority available under Chapter 1502, as amended, Texas Government Code, the City Council has, in the respective ordinances authorizing the issuance of the Senior Lien Obligations, the Junior Lien Obligations, the Commercial Paper Obligations, and the Inferior Lien Obligations, provided that the complete management and control of the Systems is vested in a Board of Trustees known as the City Public Service Board of San Antonio, Texas (the *Board*), during the period of time any of the these City obligations are outstanding and unpaid; and

WHEREAS, pursuant to the provisions of Chapters 1371, 1207, and 1502, as amended, Texas Government Code (*Chapter 1371*, *Chapter 1207*, and *Chapter 1502*, respectively, and, together, the *Act*), the City Council, on October 30, 2014, adopted an ordinance (the *2015B Ordinance*) authorizing the issuance of the CITY OF SAN ANTONIO, TEXAS ELECTRIC AND GAS SYSTEMS VARIABLE RATE JUNIOR LIEN REVENUE REFUNDING BONDS, SERIES 2015B (the *2015B Bonds*), which 2015B Bonds were initially issued on January 7, 2015 and the proceeds therefrom used to (i) refund certain then-outstanding Junior Lien Obligations, and (ii) pay the costs and expenses relating to the issuance of the Bonds; and

WHEREAS, the 2015B Bonds are variable rate demand obligations, initially issued in a SIFMA Index Mode expiring on January 31, 2018, and later remarketed into a Term Mode expiring no later than November 30, 2021, and as a result thereof, the 2015B Bonds are subject to mandatory tender by the current Holders thereof, without right of retention, on any day between June 1, 2021 and December 1, 2021; and

WHEREAS, the Board has determined, and the 2015B Ordinance allows, that the 2015B Bonds subject to mandatory tender on any day between June 1, 2021 and December 1, 2021, shall be remarketed into a new Interest Mode of fixed duration (as finally determined in the manner hereafter provided); and

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

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

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

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

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

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

SECTION 1: Conversion to New Interest Mode; Delegation of Obligations to Designated Financial Officers. Pursuant to Section 2.2C of the 2015B Ordinance, the 2015B Bonds, in the principal amount not to exceed \$123,275,000, shall be converted to a new Interest Mode that is a Fixed Mode, a SIFMA Index Mode, or a Term Mode (the period of any such mode, the *New Interest Period*), during which the 2015B Bonds shall bear interest at Fixed Rates, a SIFMA Index Rate, or a Term Rate. The New Interest Period shall commence on the mandatory tender date, which shall be not later than December 1, 2021 and shall conclude, if the 2015B Bonds during such New Interest Period bear interest at (i) a SIFMA Index Rate or a Term Rate, not later than November 30, 2031 and (ii) Fixed Rates, not later than the 2015B Bonds' stated maturity date, as specified in the 2015B Ordinance. If the 2015B Bonds in the New Interest Period bear interest at a SIFMA Index Rate, the Applicable Spread to the SIFMA Index for use in calculating the SIFMA Index Rate that is applicable to such 2015B Bonds during such New Interest Period shall not exceed 200 basis points. If the 2015B Bonds in the New Interest Period bear interest at a Term Rate, the Term Rate and the Stepped Rate applicable to the 2015B Bonds during such New Interest Period shall not exceed 8.00% and 8.00%, respectively, per annum. If the 2015B Bonds in the New Interest Period bear interest at Fixed Rates, the federal arbitrage yield applicable to the Series 2015B Bonds during such New Interest Period shall not exceed 6.00%. Determination of the foregoing shall be made by a Designated Financial Officer, within his or her discretion (but subject to the limitations described above).

In the event that the establishment of the Term Rate or Fixed Rate applicable to the 2015B Bonds in the New Interest Period, determined in accordance with Section 2.2E of the 2015B Ordinance, generates a premium (being an amount in excess of the Purchase Price of those 2015B Bonds tendered for purchase on the next occurring Purchase Date (such 2015B Bonds, the *Tendered Bonds*), then the Designated Financial Officer shall provide for the disposition of such premium in a manner permitted under the 2015B Ordinance, this Resolution, and applicable Texas law (which may include redemption of Tendered Bonds in accordance with Section 5 hereof). Such Tendered Bonds that remain Outstanding after accomplishing the remarketing that is the subject of this Resolution (which includes any redemption of Tendered Bonds) are referred to herein as the *Remarketed Bonds*.

Each Designated Financial Officer, acting by and through the Board for and on behalf of the City, is authorized to execute the Certificate for Conversion of Interest Rate, in substantially the form attached hereto as Exhibit A, establishing the final terms of the Remarketed Bonds. This Certificate for Conversion of Interest Rate is an "Approval Certificate" under the 2015B Ordinance, including particularly Section 2.2C thereof. Within such Certificate for Conversion of Interest Rate, the Designated Financial Officer shall, within the limitations of the paragraph above and the 2015B Ordinance, evidence the Applicable Spread, Term Rate, Stepped Rate, or Fixed Rates, as applicable, for the Remarketed Bonds, the duration of the New Interest Period (including the commencement date thereof), the optional redemption of any outstanding Bonds, and the disposition of any premium resulting from the remarketing of the Remarketed Bonds. Upon

execution of the Certificate of Conversion of Interest Rate, Co-Bond Counsel is authorized to complete this Resolution to reflect such final terms of the Remarketed Bonds, as evidenced in the Certificate for Conversion of Interest Rate.

The Purchase Date for the Tendered Bonds and the Rate Adjustment Date for the Remarketed Bonds, respectively, shall be a date falling between June 1, 2021 and December 1, 2021, to be determined by the Designated Financial Officer and evidenced in the Approval Certificate. A Designated Financial Officer has designated _____, 2021 as the Rate Adjustment Date for the Remarketed Bonds. Accordingly, the New Interest Period applicable to the 2015B Bonds shall commence on _____, 2021 and end on _____, 20___. The Purchase Date for the Remarketed Bonds shall be _____, 2021 (or the next occurring Business Day thereafter, in accordance with the 2015B Ordinance). During the New Interest Period, the Remarketed Bonds shall bear interest at a Term Rate of ____%, which Term Rate has been determined in accordance with the provisions of Sections 2.2C and 2.2E of the 2015B Ordinance; the Stepped Rate applicable to the Remarketed Bonds shall be ____%, which Stepped Rate has been determined in accordance with the provisions of paragraph (k) of Section 2.2B of the 2015B Ordinance. The remarketing of the Remarketed Bonds has resulted in a premium of \$ _____, including an amount (when added to the par amount of the Remarketed Bonds) that is in excess of the Purchase Price of the Tendered Bonds (excluding the accrued but unpaid interest on the Tendered Bonds, which will be paid directly by the City from lawfully available funds), which premium will be utilized in the manner specified in the Certificate for Conversion of Interest Rate.

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

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

SECTION 3: Reoffering Memorandum. The Board hereby approves, ratifies and confirms the form and content of the remarketing memorandum (the *Remarketing Memorandum*) presented to the Board with this Resolution, in substantially the same form attached hereto as Exhibit C, and prepared for use by the Remarketing Agent (defined herein) in connection with the remarketing of the 2015B Bonds and the determination of the Term Rate for the Remarketed Bonds in the New Interest Period, and authorizes the preparation of any addenda, supplements or amendments thereto as a Designated Financial Officer may deem appropriate, and the Board further ratifies and

approves the use and distribution of such Remarketing Memorandum in connection with the remarketing of the 2015B Bonds and the determination of the Term Rate. The Designated Financial Officers are individually authorized and directed to execute and deliver any certificates, instruments, affidavits, or other documents as may be necessary or appropriate in connection with the Remarketing Memorandum. It is hereby officially found, determined, and declared that the descriptions, statements, and information contained in the Remarketing Memorandum are true and correct in all material respects, to the best knowledge and belief of the Board.

SECTION 4: 2015B Bonds Subject to Mandatory Tender Without Right of Retention. The Board hereby determines that, at the end of the New Interest Period into which the Remarketed Bonds are remarketed pursuant to Section 1 hereof, such Remarketed Bonds shall be subject to mandatory tender, without right of retention by the Holders; provided, however, that a failure of the Remarketing Agent to remarket the 2015B Bonds at the end of such New Interest Period shall result in the holders of the 2015B Bonds retaining such 2015B Bonds until the same are remarketed or redeemed pursuant to the applicable provisions of the 2015B Ordinance (including Section 2.5E thereof).

SECTION 5: Supplement to Undertaking. To accommodate changes in the Rule as described in the Preamble hereof, the Undertaking, as it appears in Section 7.14 to the 2015B Ordinance is hereby supplemented in the foregoing manner:

(a) Section 7.14(A) of the 2015B Ordinance is hereby amended by adding the following definition:

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

(b) Section 7.14(C) of the 2015B Ordinance is hereby amended by adding new (15) and (16) to the list therein and subsequent language as follows:

(15) Incurrence of a financial obligation of the City or obligated person (as defined in this Rule), if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City or obligated person, any of which affect security holders, if material; and

(16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the City or obligated person, any of which reflect financial difficulties.

For these purposes, (a) any event described in the immediately preceding paragraph (12) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or

federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City, and (b) the City intends the words used in the immediately preceding paragraphs (15) and (16) and the definition of Financial Obligation in this Section to have the same meanings as when they are used in the Rule, as evidenced by SEC Release No. 34-83885, dated August 20, 2018.

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

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

F. *General Policies and Procedures Concerning Compliance with Federal Securities Laws.* The City understands that because the issuance of the Bonds is subject to the provisions of the Rule and because the potential “underwriters” in a negotiated sale or the initial purchasers in a competitive sale of the Bonds may be subject to MSRB rules and regulations, including certain due diligence and suitability requirements, among other matters, the City has enclosed as Exhibit G to this Ordinance its General Policies and Procedures Concerning Compliance with Federal Securities Laws (the *2021 Procedures*). The 2021 Procedures can be amended at the sole discretion of the City and any such amendment will not be deemed to be an amendment to the City’s Continuing Disclosure Undertaking set forth in Section 6.11 of this Ordinance. The 2021 Procedures evidence that the City acknowledges that it is subject to the Rule in its issuance of the Bonds, including its obligations to comply with the amendments to the Rule effective February 27, 2019. The City has developed these 2021 Procedures and has sought the guidance from its internal staff, its municipal advisors or financial advisors, its legal counsel, and its independent accountants, to the extent necessary, concerning the implementation, monitoring, training, and record retention aspects of the 2021 Procedures. By adoption of this Ordinance, the Board hereby adopts the 2021 Procedures. In connection with such approval, the Board authorizes each Designated Financial Officer to amend the 2021 Procedures as a result of a change in law, a future issuance of indebtedness subject to the Rule, or another purpose determined by the Designated Financial Officer to be necessary or desirable for or with respect to future compliance with the Rule.

SECTION 6: Redemption of Certain 2015B Bonds. As described in Section 1 hereof, the remarketing of the Tendered Bonds in the manner specified in Section 2.2E of the 2015B Ordinance may result in excess proceeds, which excess proceeds can be used to redeem certain of the Tendered Bonds. The 2015B Bonds are subject to redemption on the Mandatory Tender Date at the option of the City. If the remarketing of the 2015B Bonds produces proceeds in excess of the amount necessary to pay the Purchase Price of the Tendered Bonds, and a Designated Financial Officer determines that such excess proceeds shall be used to optionally redeem certain of the

Tendered Bonds, then such Tendered Bonds determined to be optionally redeemed by the Designated Financial Officer (to be evidenced in the Certificate for Conversion of Interest Rate) are hereby called for redemption.

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

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

SECTION 8: Additional Actions Authorized; Designated Financial Officers. Pursuant to the authority provided by Chapter 1371, Chapter 1207 and the 2015B Ordinance, the President and Chief Executive Officer, the Chief Financial Officer and Treasurer of the Board and any Assistant Treasurer of the Board, each of whom were identified as Designated Financial Officers under the 2015B Ordinance, are hereby identified and designated as *Designated Financial Officers* under this Resolution, as well. The Designated Financial Officers, and all other appropriate officers, agents and representatives of the Board, are hereby authorized and directed to take any and all other actions as may be necessary and appropriate to provide for the (i) payment of the Purchase Price of the Tendered Bonds, the redemption of any Tendered Bonds, and the conversion and remarketing of the Remarketed Bonds into the New Interest Period; (ii) execution of the Remarketing Agreement with the Remarketing Agent; and (iii) preparation and distribution of replacement definitive 2015B Bonds and the Remarketing Memorandum, as contemplated by this Resolution and the 2015B Ordinance. In addition and with respect to accomplishing the foregoing matters, each Designated Financial Officer is hereby authorized and directed to execute, deliver, and accept on behalf of the City (acting by and through the Board) all agreements certificates, consents, waivers, receipts, notices, requests and other documents as may be necessary or appropriate to carry out the actions contemplated by this Resolution.

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

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

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

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

SECTION 13: Coordination of Transaction Matters; Further Procedures. The Board hereby authorizes PFM Financial Advisors LLC and Estrada Hinojosa & Company, Inc., its Co-Financial Advisors, to coordinate these financial matters in consultation with CPS Energy staff, McCall, Parkhurst & Horton L.L.P. and qualified counsel (if any) serving as Co-Bond Counsel, the Tender Agent, the Paying Agent/Registrar, and the Remarketing Agent. In addition, the Board authorizes the payment of the professional fees and expenses associated with this transaction upon the approval by a Designated Financial Officer of written invoices for any such services, which payments are hereby authorized to be made from any lawful source of funds available to the Board (including proceeds derived from the remarketing of the Remarketed Bonds).

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

SECTION 13: Effective Date. This Resolution shall be in force and effect from and after its passage on the date shown below.

PASSED AND ADOPTED, this 30th day of August, 2021.

CITY PUBLIC SERVICE BOARD OF SAN
ANTONIO, TEXAS

Chair, Board of Trustees

ATTEST:

Secretary, Board of Trustees

INDEX OF SCHEDULES AND EXHIBITS

Exhibit A Certificate for Conversion of Interest Rate

Exhibit B Notice of Mandatory Tender and Conversion of
Bonds

Exhibit C Remarketing Memorandum

Exhibit D Remarketing Agreement

Exhibit E Notice to Working Group

Exhibit F General Policies and Procedures Concerning Compliance with the Rule

EXHIBIT A

Certificate for Conversion of Interest Rate

See Tab No. __

EXHIBIT B

Notice of Mandatory Tender and Conversion of Bonds

TO: Owners of City of San Antonio, Texas Electric and Gas Systems Variable Rate Junior Lien Revenue Refunding Bonds, Series 2015B (the *Bonds*):

<u>CUSIP No.</u>	<u>Stated Maturity</u>	<u>Principal Amount (\$)</u>	<u>Interest Period Expiration Date</u>	<u>Mandatory Tender Date:</u>
7962537R7	February 1, 2033	\$123,275,000		

Pursuant to Section 2.5B of the ordinance authorizing the issuance of the Bonds (the *Ordinance*), and a resolution adopted by the City Public Service Board of San Antonio, Texas (*CPS Energy*) on August 30, 2021 (the *Resolution*), CPS Energy, on behalf of the City of San Antonio, Texas, has elected to exercise its right to convert the Bonds from the current Interest Period during which the Bonds bear interest at a Term Rate to a new Interest Period during which the Bonds will bear interest at a Term Rate (such new Interest Period commencing on _____, 2021, also being the date on which Bonds now in the current Interest Period are to be tendered for purchase (the *Mandatory Tender Date*)). The duration (in years) and Term Rate for such new Interest Period was determined on or about _____, 2021 (the *Rate Determination Date*). Notice of such new rate shall be sent to U.S. Bank National Association, as paying agent/registrar for further distribution to the Holders of the Bonds.

All Bonds are subject to mandatory tender, without right of retention by the Holders thereof, on the Mandatory Tender Date (on which date shall be due to the Holders of tendered Bonds the Purchase Price). Bonds shall be deemed tendered for purchase if not tendered by noon, New York City time, on the Mandatory Tender Date. Bonds may be tendered through the Depository Trust Company or by physically delivering such Bonds by mail to: U.S. Bank National Association (the *Tender Agent*), 13737 Noel Road, Suite 800, Dallas, Texas 75240, Attn: Brian Jensen (brian.jensen@usbank.com). Any Bond not delivered to the Tender Agent for purchase, as herein provided, shall be deemed tendered and purchased on the Mandatory Tender Date and shall constitute an Untendered Bond under the Ordinance. Any Holder of an Untendered Bond shall have no further right thereunder except the right to receive the Purchase Price thereof upon presentation and surrender of such Bond to the Tender Agent.

The Remarketing Agent for the tendered Bonds and their remarketing into the succeeding Interest Period is _____.

Capitalized terms used herein without definition shall have the respective meanings ascribed thereto in the Ordinance.

U.S. BANK NATIONAL ASSOCIATION,
as Paying Agent/Registrar and Tender Agent

Dated: _____, 2021

EXHIBITC

Remarketing Memorandum

See Tab No. 4

EXHIBIT D

Remarketing Agreement

See Tab No. __

EXHIBIT E

Notice from CPS Energy to Working Group

[CPS ENERGY LETTERHEAD]

Re: City of San Antonio, Texas Electric and Gas Systems Variable Rate Junior Lien Revenue Refunding Bonds, Series 2015B

TO THE ATTACHED DISTRIBUTION LIST:

The City of San Antonio, Texas (the *City*), acting by and through the City Public Service Board of San Antonio, Texas (*CPS Energy*), hereby notifies you, as a recipient of this letter, of CPS Energy's intent to convert and remarket to a Term Mode those bonds of the captioned series (collectively, the *Bonds*), which are subject to mandatory tender, without optional right of retention, on _____, 2021. The Bonds are currently outstanding in the principal amount of \$123,275,000. All Bonds will be remarketed in the manner described above, though the City has reserved the right to effect redemption of certain of the Bonds on _____, 20__, conditioned on the results of the remarketing.

The Bonds are issued and outstanding pursuant to an ordinance of the City Council of the City adopted on October 30, 2014 (the *Ordinance*). The conversion and remarketing of the Bonds into a new interest mode is authorized pursuant to the Ordinance and a resolution of CPS Energy Board of Trustees adopted on August 30, 2021 (the *Resolution*). Capitalized terms used, but not defined herein, have the meanings ascribed thereto in the Ordinance.

This letter is provided in satisfaction of the requirements of the Resolution and the Ordinance. Please contact Mr. Clay Binford, McCall, Parkhurst & Horton L.L.P., CPS Energy's Co-Bond Counsel, with any questions concerning this matter. Documents will be circulated to the working group by Co-Bond Counsel to effectuate the remarketing of the Bonds, as well as any redemptions thereof.

Thank you, in advance, for your prompt attention to this matter. If I can provide any additional assistance concerning this matter, please do not hesitate to contact me.

Very truly yours,

cc: [INSERT DISTRIBUTION LIST]

EXHIBIT F

General Policies and Procedures Concerning Compliance with the Rule

- I. Capitalized terms used in this Exhibit have the meanings ascribed thereto in Section 7.14 of the Ordinance. “Bonds” refers to the Bonds that are the subject of the Ordinance to which this Exhibit is attached.
- II. As a capital markets participant, the City is aware of its continuing disclosure requirements and obligations existing under the Rule prior to February 27, 2019, the effective date of the most recent amendment to the Rule (the *Effective Date*), and the City, acting by and through the Board, has implemented and maintained internal policies, processes, and procedures to ensure compliance therewith. Adherence to these internal policies, processes, and procedures has enabled underwriters in non-exempt negotiated sales and initial purchasers in non-exempt competitive sales to comply with their obligations arising under various MSRB rules and regulations concerning due diligence and findings of suitability, among other matters, regarding the City’s compliance with the Rule.
- III. The City is aware that the Rule was amended as of the Effective Date (the *Rule Amendment*) and has accommodated this amendment by adding subparagraphs (15) and (16) to Section 48 of the Ordinance, which provisions are a part of the Undertaking.
- IV. The City is aware that “participating underwriters” (as such term is defined in the Rule) of the Bonds must make inquiry and reasonably believe that the City is likely to comply with the Undertaking and that the standards for determining compliance have increased over time as a result of, among others, the United States Securities and Exchange Commission’s Municipalities Continuing Disclosure Cooperation Initiative and regulatory commentary relating to the effectiveness of the Rule Amendment.
- V. The City now establishes the following general policies and procedures (the *Policies and Procedures*) for satisfying its obligations pursuant to the Undertaking, which policies and procedures have been developed based on the City’s informal policies, procedures, and processes utilized prior to the Effective Date for compliance with the City’s obligations under the Rule, the advice from and discussions with the Board’s internal senior staff (including staff charged with administering the Board’s financial affairs), its municipal or financial advisors, its legal counsel (including Co-Bond Counsel), and its independent accountants, to the extent determined to be necessary or advisable (collectively, the *Compliance Team*):
 - (a) The Chief Financial Officer of the Systems (the *Compliance Officer*) shall be responsible for satisfying the City’s obligations pursuant to the Undertaking through adherence to these Policies and Procedures;
 - (b) the Compliance Officer shall establish reminder or “tickler” systems to identify and timely report to the MSRB, in the format thereby prescribed from time to time, the City’s information of the type described in Section 7.14 of the Ordinance;
 - (c) the Compliance Officer shall promptly determine the occurrence of any of the events described in Section 7.14 of the Ordinance;

- (d) the Compliance Officer shall work with external consultants of the City, as and to the extent necessary, to timely prepare and file with the MSRB the annual information of the City and notice of the occurrence of any of the events referenced in Clauses 2 and 3 above, respectfully, the foregoing being required to satisfy the terms of the Undertaking;
- (e) the Compliance Officer shall establish a system for identifying and monitoring any Financial Obligations, whether now existing or hereafter entered into by the Issuer, and (upon identification) determining if such Financial Obligation has the potential to materially impact the security or source of repayment of the Bonds;
- (f) upon identification of any Financial Obligation meeting the materiality standard identified in Clause 5 above, the Compliance Officer shall establish a process for identifying and monitoring any City agreement to covenants, events of default, remedies, priority rights, or other similar terms under such Financial Obligation;
- (g) the Compliance Officer shall establish a process for identifying the occurrence of any default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any Financial Obligation, the occurrence of any of which reflect financial difficulties of the City; and
- (h) the Compliance Officer shall annually review these Policies and Procedures with the remainder of the Compliance Team, make any modifications on an internal document retained by the Compliance Officer and available to any “participating underwriter” (as defined in the Rule), if requested, and on the basis of this annual review (to the extent determined to be necessary or desirable), seek additional training for herself or himself, as well as other members of the City’s internal staff identified by the Compliance Officer to assist with the City’s satisfaction of the terms and provisions of the Undertaking.

**RESOLUTION 2:
PLAN OF FINANCE
REFUNDING TRANSACTIONS**

A RESOLUTION BY THE CITY PUBLIC SERVICE BOARD OF SAN ANTONIO, TEXAS RELATING TO THE ISSUANCE AND SALE OF ONE OR MORE SERIES OF OBLIGATIONS DESIGNATED AS “CITY OF SAN ANTONIO, TEXAS ELECTRIC AND GAS SYSTEMS REVENUE REFUNDING BONDS”, AS FURTHER DISTINGUISHED BY PURPOSE, SERIES, LIEN PRIORITY, TIME OF ISSUANCE, TAX TREATMENT, AND INTEREST CALCULATION METHOD (WHETHER FIXED OR VARIABLE); THE APPROVAL OF SEPARATE OFFERING DOCUMENTS RELATING TO EACH PUBLICLY SOLD SERIES OF OBLIGATIONS; AND AUTHORIZING OTHER MATTERS IN CONNECTION THEREWITH

WHEREAS, pursuant to the authority contained in Chapter 1502, as amended, Texas Government Code, certain ordinances previously passed by the City Council (the *City Council*) of the City of San Antonio, Texas (the *City*), authorizing the issuance of the currently outstanding first lien revenue bonds and junior lien revenue bonds, respectively (the *Senior Lien Obligations* and the *Junior Lien Obligations*, respectively, and collectively, the *Outstanding Obligations*), the complete management and control of the electric and gas systems (the *Systems*) of the City is vested in a Board of Trustees known as the City Public Service Board of San Antonio, Texas (the *Board*), during the period of time any of the Outstanding Obligations are outstanding and unpaid; and

WHEREAS, the Board has determined that one or more series of obligations designated as “City of San Antonio, Texas Electric and Gas Systems Revenue Refunding Bonds”, as further distinguished by series, purpose of issuance, lien priority, time of issuance, federal tax treatment, and method of calculating interest rate (whether fixed or variable rate) for distinction in the event of multiple issuances (together, the *Obligations*), in the approximate aggregate maximum principal amount of \$795,000,000 should now be issued by the City to provide funds for the purposes, as applicable, of (i) refunding the Refunding Candidates (as such term is defined in the hereinafter-defined Ordinance) and (ii) paying costs of issuance of the Obligations; and

WHEREAS, by virtue of the authority and power vested in the Board with reference to the expenditure and application of the revenues of the Systems and to comply with the terms and conditions prescribed in the applicable ordinances of the City prescribing the terms and conditions upon which the issuance of additional obligations secured by and payable from a lien on and pledge of the net revenues of the Systems on a level of priority in accordance with the applicable provisions of the Ordinance and that will be on parity with or subordinate to certain of the heretofore issued Outstanding Obligations secured by and payable from, on a series by series basis, a lien on and pledge of net revenues of specified priority, it is necessary and proper for the Board to formally request the City Council to authorize and sell the Obligations, consent to the issuance of the same, approve the ordinance authorizing each series of the Obligations (the *Ordinance*), including the approval and distribution of the disclosure documents relating thereto, as applicable, and agree to comply with all the terms and provisions of the Ordinance, including, but not limited to, those relating to the operation of the Systems and the handling of the proceeds of the Obligations; and

WHEREAS, the Board hereby finds that adoption of this Resolution is in the best interests of the Systems and its ratepayers; and now, therefore,

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

1. The City Council is hereby formally requested to authorize and sell the Obligations in one or more series, and as designated by series, purpose, lien priority, time of issuance, method of interest calculation, and federal tax treatment in the manner hereinbefore described, in the aggregate principal amount of approximately \$795,000,000, and the Board by the adoption of this Resolution hereby evidences its consent to the issuance and sale of the Obligations and the payment thereof from a lien on and pledge of the Net Revenues of the Systems (such level of priority determined in accordance with the applicable provisions of the Ordinance) and its approval of the Ordinance authorizing the issuance of the Obligations (as further designated to distinguish among series in accordance with the Ordinance) if issued in one or more series, substantially in the form attached to this Resolution as Exhibit A, such Ordinance being incorporated herein by reference for all purposes.

2. The Board hereby agrees to comply with all of the terms and provisions of the Ordinance with relation to the administration and operation of the Systems and the disposition of the revenues therefrom. Any authority included in the Ordinance authorizing a Board representative to establish the final terms and conditions governing the sale of each series of Obligations shall expire not later than the date of expiration that is specified in the Ordinance.

3. Any Preliminary Official Statement relating to a series of Obligations in substantially the form or forms presented at this meeting is hereby approved and “deemed final” for the purpose of complying with the United States Securities and Exchange Commission’s Rule 15c2-12 and the President and Chief Executive Officer, the Chief Financial Officer, and any Treasurer of the Board, whether serving in an interim or acting capacity (each an *Authorized Official* and, together, the *Authorized Officials*) is authorized to prepare or approve any changes or additions to these disclosure documents which shall be deemed appropriate or necessary, and the Chair or Vice Chair of the Board or the President and Chief Executive Officer, or any of them, is authorized to execute each final Official Statement on behalf of the Board.

4. The contract pertaining to the sale of each series of Obligations (collectively, the *Purchase Contract*), dated as of the date of the sale of the applicable series of Obligations and among the underwriter or underwriters or direct placement purchaser or purchasers named therein, the City, and the Board in the form presented at this meeting is hereby approved, and any Authorized Official is hereby authorized to execute the Purchase Contract on behalf of the Board and to deliver it to the other parties thereto.

5. In lieu of a Purchase Contract for each respective series of Obligations, the Board reserves the right to alter the method of sale for any series of Obligations to a competitively bid sale for such series of Obligations. Such decision by the Board shall include execution of an official bid form (the *Official Bid Form*) relating to a particular series of Obligations, to be dated as of the date of the sale of the applicable series of Obligations and among the purchaser or purchasers named therein, the City, and the Board in the form presented at this meeting is hereby approved, and each Authorized Official is hereby authorized to execute the applicable Official Bid Form relating to a particular series of Obligations on behalf of the Board and to deliver it to the other parties thereto.

6. The Board recognizes that provisions of the Ordinance, completed with respect to a series of Obligations, contain representations, covenants, and obligations of the City relating to the Obligations and, as and if applicable, the preservation of tax-exempt treatment of the interest on such series of Obligations for federal income tax purposes. Since the proceeds of the applicable series of Obligations will be entirely within the control and disposition of the Board, the Board specifically adopts the representations, covenants, and obligations of the City or those to be made by the City Council in that section of the Ordinance.

7. The Board recognizes that provisions of the Ordinance relating to “Continuing Disclosure of Information”, contains covenants of the City relating to the Obligations that are publicly sold in the capital markets. Since certain financial information, financial status, operating data, and annual audits of the Systems will be entirely within the control and disposition of the Board, the Board specifically adopts the covenants to be made by the City Council in those provisions of the Ordinance.

8. In order to comply with various provisions of Texas law, various certificates must be provided to co-bond counsel and to the Attorney General for the State of Texas; therefore, upon obtaining the advice and consent of legal counsel, each Authorized Official is authorized to execute any certificate or other documents, relating to the issuance, sale, and delivery of each series of Obligations.

9. The Board delegates to each Authorized Official, or the designee thereof, the authority to take any and all other actions consistent with the provisions of this Resolution and the Ordinance to effectuate the sale, issuance, and delivery of each series of Obligations and the funding, as applicable. This delegation shall last through the period of expiration as set forth in the Ordinance.

10. The Board hereby authorizes PFM Financial Advisors LLC and Estrada Hinojosa & Company, Inc., as its co-financial advisors, to coordinate these financial matters in consultation with CPS Energy staff, City staff, and McCall, Parkhurst & Horton L.L.P. and qualified counsel (if any) serving as Co-Bond Counsel. In addition, the Board authorizes the payment of the professional fees and expenses associated with this transaction upon the approval of written invoices by any Authorized Official or their designated staff.

11. Capitalized terms used herein without definition shall have the respective meaning ascribed thereto in the Ordinance.

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

13. This Resolution shall be in force and effect from and after its final passage, and it is so resolved.

* * * *

PASSED AND ADOPTED, this 30th day of August, 2021.

CITY PUBLIC SERVICE BOARD OF SAN
ANTONIO, TEXAS

Chair, Board of Trustees

ATTEST:

Secretary, Board of Trustees

EXHIBIT A

Ordinance

See Tab No. ____

RESOLUTION 3: CP SERIES A EXTENSION

A RESOLUTION BY THE CITY PUBLIC SERVICE BOARD OF SAN ANTONIO, TEXAS APPROVING CERTAIN ACTIONS RELATING TO OUTSTANDING OBLIGATIONS DESIGNATED AS CITY OF SAN ANTONIO, TEXAS ELECTRIC AND GAS SYSTEMS COMMERCIAL PAPER NOTES, SERIES A (TAX-EXEMPT) AND ELECTRIC AND GAS SYSTEMS COMMERCIAL PAPER NOTES, SERIES A (TAXABLE), INCLUDING AUTHORIZATION OF A SECOND AMENDMENT TO THE REVOLVING CREDIT AGREEMENT RELATING TO THE COMMERCIAL PAPER NOTES; AMENDMENT TO THE RELATED FEE AGREEMENT; ESTABLISHING AN EFFECTIVE DATE; AND RESOLVING OTHER MATTERS IN CONNECTION WITH THE FOREGOING

WHEREAS, pursuant to the authority contained in Chapter 1502, as amended, Texas Government Code, certain ordinances (the *Senior Lien Obligations Ordinances*) previously passed by the City Council (the *Council*) of the City of San Antonio, Texas (the *City*), authorizing the issuance of currently outstanding first lien revenue bonds (the *Senior Lien Obligations*), the complete management and control of the electric and gas systems (the *Systems*) of the City is vested in a Board of Trustees known as the City Public Service Board of San Antonio, Texas (the *Board*), during the period of time any of the Senior Lien Obligations are outstanding and unpaid; and

WHEREAS, the Council, at the request of the Board, adopted Ordinance No 2019-04-11-0314 on April 11, 2019 (the *Note Ordinance*), which Note Ordinance amended and restated prior ordinances concerning the City's establishment and maintenance of a commercial paper program in support of the Systems, pursuant to which the City has heretofore issued, and there are currently outstanding, revenue commercial paper notes designated as "City of San Antonio, Texas Electric and Gas Systems Commercial Paper Notes, Series A (Tax-Exempt)" (the *Series A Tax-Exempt Commercial Paper Notes*) and "City of San Antonio, Texas Electric and Gas Systems Commercial Paper Notes, Series A (Taxable)" (the *Series A Taxable Commercial Paper Notes*; together with the Series A Tax-Exempt Commercial Paper Notes, the *Series A Commercial Paper Notes*; collectively with the other commercial paper notes of the Systems, the *Commercial Paper Notes*); and

WHEREAS, under the Note Ordinance, the City is authorized to issue and have outstanding at any one time Commercial Paper Notes in an aggregate principal amount of \$700,000,000; and

WHEREAS, the Note Ordinance requires that Commercial Paper Notes shall only be issued in a principal amount that equals the available amount of liquidity support therefor; and

WHEREAS, the Council, acting by and through the Board (hereinafter defined), has heretofore entered into a Revolving Credit Agreement, dated as of June 21, 2019 (and as amended by the First Amendment to the Revolving Credit Agreement dated as of March 12, 2021), with

Bank of America, N.A. (the *Agreement*), pursuant to which this bank provides up to \$400,000,000 in liquidity support for the Series A Notes; and

WHEREAS, the Agreement expires by its terms on June 21, 2023 (the *Final Date*);

WHEREAS, the Commercial Paper Program has served, and continues to serve, as a beneficial tool by providing the City with ready access to capital as necessary to improve, operate, and maintain the Systems; and

WHEREAS, given the projected capital needs of the Systems, the Board has determined to extend the Final Date with respect to the Agreement to a date not later than the third anniversary of the Final Date of the Agreement; and

WHEREAS, the Board's ability to extend the Agreement's Final Date requires certain amendments to such Agreement, and to the associated Fee Letter (defined herein) executed in connection therewith; and

WHEREAS, pursuant to Section 2.10 of the Agreement, the City extension thereof requires the consent of the bank thereunder (the *Bank*) (as principal or administrative agent, as applicable, thereunder); and

WHEREAS, the City, acting by and through the Board, has submitted, or will submit, a written request and has obtained, or will obtain, the requisite consent of the Bank necessary to effectuate the amendment to extend the terms of such Agreement; and

WHEREAS, the extension of the Agreement (and related Agreement amendments) shall be evidenced in an amendment between the City and the Bank under the Agreement (the *Amendment*); and

WHEREAS, the Agreement requires execution of a corresponding amendment to the "Fee Letter" (the *Fee Letter*), which Fee Letter amendment (the *Fee Letter Amendment*) will describe the pricing terms by which the Bank has agreed to enter into its Amendment; and

WHEREAS, the Board hereby finds and determines that entering into the Amendment and the Fee Letter Amendment, as heretofore described, represents actions that are in the best interest of the System and its ratepayers, now therefore:

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

Section 1. Necessary Consent to Amendment of the Agreement. As specified in the preamble of this Resolution, the effectiveness of the Amendment is conditioned upon satisfaction of the conditions precedent set forth in the Agreement. The City, acting by and through the Board, has submitted or will submit a written request for the extension of the Final Date and has received the requisite consent of the Bank, as or to be evidenced by such Bank's execution of the respective Amendment.

Section 2. Approval of the Amendment and Related Documentation. The Amendment, the form of which is attached hereto as Exhibit A, that effectuates the amendments to the Agreement by extending its term (and making conforming amendments) in the manner described in the recitals hereof, is hereby approved, and the Chief Executive Officer, the Chief Financial Officer, Chair of the Board, Vice Chair of the Board, the Secretary or Assistant Secretary of the Board or any Treasurer of the Board, or any person serving in an interim or acting capacity of the foregoing (each, a *Designated Financial Officer* or an *Authorized Representative*) or any of them, acting by and through the Board for and on behalf of the City, are hereby authorized to execute the Amendment to the Agreement in substantially the form attached hereto as Exhibit A, as well as the Fee Letter Amendment related thereto, in substantially the form attached hereto as Exhibit B, and to deliver the same to the Bank and other parties with interest therein.

Section 3. Delegation of Authority. The authority delegated to each Designated Financial Officer hereunder shall expire if not exercised by the first anniversary of the passage of this Resolution by the Board.

Section 4. Inconsistent Provisions. All ordinances and resolutions, or parts thereof, of the Board which are in conflict or inconsistent with any provision of this Resolution are hereby repealed to the extent of such conflict, and the provisions of this Resolution shall be and remain controlling as to the matters resolved herein.

Section 5. Governing Law. This Resolution shall be construed and enforced in accordance with the laws of the State of Texas and the United States of America.

Section 6. Severability. If any provision of this Resolution or the application thereof to any person or circumstance shall be held to be invalid, the remainder of this Resolution and the application of such provision to other persons and circumstances shall nevertheless be valid, and the Board hereby declares that this Resolution would have been adopted without such invalid provision.

Section 7. Incorporation of Preamble Recitals. The recitals contained in the preamble hereof are hereby found to be true, and such recitals and other statements therein are hereby made a part of this Resolution for all purposes and are adopted as a part of the judgment and findings of the Board.

Section 8. Public Meeting. It is officially found, determined, and declared that the meeting at which this Resolution is adopted was open to the public and public notice of the time, place, and subject matter of the public business to be considered at such meeting, including this Resolution, was given, all as required by Chapter 551, as amended, Texas Government Code.

Section 9. Further Proceedings. The officers and employees of the City and the Board, in consultation with the Board's co-financial advisors (being PFM Financial Advisors LLC and Estrada Hinojosa & Company, Inc.) and the Board's co-bond counsel (being McCall, Parkhurst & Horton L.L.P. and another qualified firm, if any), are hereby authorized, empowered, and directed from time to time and at any time to do and perform all such acts and things and to execute,

acknowledge, and deliver in the name and under the corporate seal and on behalf of the City, acting by and through the Board, all such instruments, whether or not herein mentioned, as may be necessary or desirable in order to carry out the terms and provisions of this Resolution (including delivery of any notice of any matter that is the subject of the Note Ordinance, such as to the Issuing and Paying Agent under and pursuant to the Issuing and Paying Agency Agreement, as amended, or to any Dealer under an existing Dealer Agreement, relating to the Commercial Paper Notes). Specifically, by the adoption of this Resolution, the Board hereby authorizes the payment of the fees and expenses incurred and to be paid by the Board in connection with Amendment and the Fee Letter Amendment, and the execution and delivery of such agreement and all other documents and certificates related thereto. In case any officer of the Board whose signature shall appear on any certificate shall cease to be such officer before the delivery of such certificate, such signature shall nevertheless be valid and sufficient for all purposes the same as if such officer had remained in office until such delivery. In addition, the Board authorizes the payment, from legally available funds of Board, of the professional fees and expenses incurred by the Board in association with this transaction upon the approval of a written invoice approved by a Treasurer of the Board.

Section 12. Effective Date. This Resolution shall be in force and effect from and after its passage on the date shown below.

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* * * *

PASSED AND ADOPTED on the 30th day of August, 2021.

CITY PUBLIC SERVICE BOARD
OF SAN ANTONIO, TEXAS

Chair, Board of Trustees

ATTEST

Secretary, Board of Trustees

EXHIBIT A

FORM AMENDMENT TO REVOLVING CREDIT AGREEMENT

See Tab No. __

A-1

EXHIBIT B

FORM FEE LETTER AMENDMENT

See Tab No. __

B-1