THIS MONTH’S TOPICS

• CPS ENERGY BOARD AGENDA INSIGHTS
• FLEXPOWER BUNDLE
• NEW PUBLIC INPUT PERIODS
• ELECTRIFICATION – FALL SA SYMPOSIUM
• UPCOMING Topics
ITEM 7 – PFC COST SAVINGS, STATUS UPDATE

• **THE FINANCING TRANSACTION:**
  - Initiated in 2007
  - Optimized the spread between the taxable & non-taxable financial markets

• **FOCUS:** Purchased distribution gas @ a discount

• **SAVINGS:** $100 millions over 20 years
ITEM 10 – CLIMATE ACTION & ADAPTATION PLAN (CAAP)

• INITIATED IN 2018
  ❑ S.A. reached Marginal Non-Attainment

❑ CPS Energy sponsored an emissions baseline study
  o Consistent w/other similar studies, it focused on energy consumption
  o Generation Supplies Power for Consumption
  o Primary Emissions Sources
    ✓ Buildings
    ✓ Transportation
ITEM 10 – CLIMATE ACTION & ADAPTATION PLAN (CAAP)

- **ASPIRATIONAL PLAN** initiated by the **CITY**
  - CPS Energy participated in the City’s committee work

- **OTHER PARTICIPANTS:** Navigant & UTSA
  - **Today:**
    - The Board will receive a briefing on the updated CAAP
    - **ITS PRIMARY GOAL:** Carbon Neutrality / Net Zero Emissions by 2050
ITEM 12 – WORKSPACE STRATEGY & RECOMMENDED VENDOR SELECTION

• CURRENT STATUS:
  ✓ Many of our locations are decades old
  ✓ Most furniture is aged

• MOST ECONOMICAL APPROACH:
  ✓ Ensure new furniture is optimized across the enterprise
  ✓ Furniture in good condition is reused
ITEM 12 – WORKSPACE STRATEGY & RECOMMENDED VENDOR

- INCLUDES NEEDS FOR HEADQUARTERS:
  - <50% of the Procurement

**McCullough Budget ($millions)**

- Max Contract Value + CEO Contingency: $215M
- Less CEO Contingency: $210M
- Maximum Contract Value: 210M
- Land & Existing Building: (25M)
- Subtotal: 185M
- Fees – Insurance, City & Others: (15M)
- Total Budget*: $170M

**McCullough Vendor Profile ($millions)**

- Small/Diverse: $45, 26%
- Local Presence: $110, 65%
- Total Budget: $170
ITEM 13 – EMERGING LEADERS COHORT

- **EMPLOYEE DEVELOPMENT PROGRAMS:**
  ✓ We continue to expand this portfolio

- **THIS NEW PROGRAM BUILDS LEADERS:**

<table>
<thead>
<tr>
<th>Foremen Leadership</th>
<th>People First Leadership</th>
<th>Opportunity</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Aspiring foremen from across Operations)</td>
<td>(Managers &amp; org leaders)</td>
<td>(No corporate pre-manager leadership development)</td>
</tr>
</tbody>
</table>
The FlexPower Bundle navigates CPS Energy to a diversified solution to support all of our customers’ needs.
WE HAVE A BALANCED APPROACH
THESE CONSIDERATIONS ARE ALL IMPORTANT

SECURITY

SAFETY

RESILIENCY

RELIABILITY

ENVIRONMENT

AFFORDABILITY

This is how we save our customers money & add value.
CURRENT PORTFOLIO OVERVIEW
OUR UNITS WILL SUPPORT & DRIVE CHANGE

Flexible Path could extend life of existing combined cycle gas
Flexible Path could create a path to early retirement

Gas
Coal
Nuclear

Gas Combined Cycle & Peakers

Today

Gas Steam Units

VH Braunig 1 (217MW)
VH Braunig 2 (230MW)
VH Braunig 3 (412MW)
OW Sommers 1 (420MW)
OW Sommers 2 (410MW)
Arthur von Rosenberg (492MW)
Rio Nogales (785MW)
STP 1&2 (1,064MW)
JK Spruce 1 (560MW)
JK Spruce 2 (785MW)
OW Sommers 2 (410MW)
Milton B Lee West (182MW)
Milton B Lee East (191MW)

FLEXIBLE PATH IN ACTION
MAJOR STEP FORWARD

FLEXPOWER BUNDLE COMPONENTS FOR DISCUSSION

300-900 MEGAWATTS (MW)

10-50 MEGAWATTS (MW)

300-500 MEGAWATTS (MW)

CPS Energy Proposes Adding New Solar, Batteries, Buying Natural Gas Power

CPS ENERGY’S PRESIDENT & CEO LAUNCHES COMMUNITY INPUT ON THE NEW “POWER BUNDLEFLEX”

CPS ENERGY NEWSROOM, JULY 10, 2019

RIVARD REPORT, JULY 10, 2019
## SOURCES OF GENERATION

<table>
<thead>
<tr>
<th>BENEFITS</th>
<th>SOLAR</th>
<th>STORAGE</th>
<th>GAS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>BUNDLED APPROACH</strong></td>
<td><strong>WE CAN ADD CAPACITY IN BALANCE</strong></td>
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<td><strong>SOURCES OF GENERATION</strong></td>
<td><strong>BUNDLED APPROACH</strong></td>
<td><strong>WE CAN ADD CAPACITY IN BALANCE</strong></td>
<td></td>
</tr>
<tr>
<td><strong>BENEFITS</strong></td>
<td>• Aligns with our load</td>
<td>• Great back-up source of power</td>
<td>• Abundant supply</td>
</tr>
<tr>
<td></td>
<td>• Costs continue to decrease</td>
<td>• Reduces need for increased peak generation capacity</td>
<td>• Consistently dependable source of energy</td>
</tr>
<tr>
<td></td>
<td>• Zero emission source</td>
<td>• Zero emission source</td>
<td>• Affordable</td>
</tr>
<tr>
<td></td>
<td>• Low maintenance</td>
<td></td>
<td>• Mature technology</td>
</tr>
<tr>
<td></td>
<td>• Improving technologies</td>
<td></td>
<td></td>
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<tr>
<td><strong>CHALLENGES</strong></td>
<td>• Weather &amp; time dependent resource</td>
<td>• Expensive</td>
<td>• Carbon-emitting</td>
</tr>
<tr>
<td></td>
<td>• Requires back-up generation</td>
<td>• Shorter lifespan than other sources</td>
<td>• Higher maintenance costs</td>
</tr>
<tr>
<td></td>
<td>• Uses a lot of real estate</td>
<td>• Unknown environmental impacts</td>
<td>• Forced outage risk</td>
</tr>
<tr>
<td></td>
<td>• Unknown environmental impacts</td>
<td>• Immature technology</td>
<td>• Useful life may extend beyond market value</td>
</tr>
</tbody>
</table>

While there is no perfect solution, each technology has its benefits. More value is created through bundling.
# IMPORTANT CONSIDERATIONS

<table>
<thead>
<tr>
<th></th>
<th>Solar</th>
<th>Energy Storage</th>
<th>Natural Gas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Security (physical &amp; cyber)</td>
<td>-</td>
<td>=</td>
<td>+</td>
</tr>
<tr>
<td>Safety</td>
<td>+</td>
<td>-</td>
<td>+</td>
</tr>
<tr>
<td>Resilience</td>
<td>-</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Reliability</td>
<td>-</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Environmental Impact</td>
<td>+</td>
<td>+</td>
<td>-</td>
</tr>
<tr>
<td>Affordability</td>
<td>+</td>
<td>-</td>
<td>=</td>
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**KEY:**
- Less Favorable
- Neutral
- More Favorable

The *FlexPower* Bundle considers many important factors to provide the most value for our customers.
NEW PUBLIC INPUT PERIODS IN MOTION

INPUT CHANNELS:

• PRESENTATIONS
• WORK SESSIONS
• FOCUS GROUPS
• PANELS
• SURVEYS ➔
• + OTHERS AS HELPFUL

THUS FAR PRESENTATIONS SHARED W/:

• SUBURBAN CITIES
• ENVIRONMENTAL STAKEHOLDERS
  ❑ (This group formally opposes our positions)

... more events are being scheduled ...
SYMPOSIUM IN S.A. THIS FALL

ELECTRIFICATION U.S. SYMPOSIUM SERIES
The Electrification Experience

October 2-3, 2019
San Antonio, Texas

Hosted by CPS Energy & EPRI

PARTNERSHIP:
CPS Energy & EPRI
UPCOMING TOPICS

• PROGRAM PROGRESS
  ❑ FLEXPOWER BUNDLE - continues
  ❑ FLEXSTEP

... more to come ...
Thank You
• CAAP  Climate Action and Adaptation Plan
• CEO  Chief Executive Officer
• CFO  Chief Financial Officer
• CRU  Customer Response Unit
• EPRI  Electric Power Research Institute
• FY  Fiscal Year
• M  Million
• MW  Megawatts
• PFC  SA Energy Acquisition Public Facility Corporation
• S.A.  San Antonio
• RFP  Request for Proposal