



# ***CEO'S REPORT***

*PRESENTED BY:*

**Paula Gold-Williams**

President & CEO

August 26, 2019

# THIS MONTH'S TOPICS

- **CPS ENERGY BOARD AGENDA INSIGHTS**
- ***FLEXPOWER* BUNDLE**
- **NEW PUBLIC INPUT PERIODS**
- **ELECTRIFICATION – FALL SA SYMPOSIUM**
- **UPCOMING TOPICS**

# AGENDA INSIGHTS – 1 of 6

## 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**
    - **Consistent w/other similar studies, it focused on energy consumption**
    - **Generation Supplies Power for Consumption**
    - **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

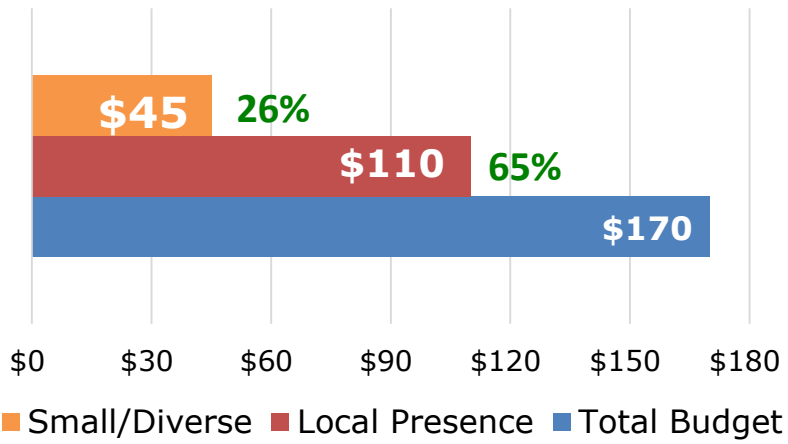
## ITEM 12 – WORKSPACE STRATEGY & RECOMMENDED VENDOR

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

### McCullough Budget (\$millions)

Max Contract Value + CEO Contingency	\$215M
Less CEO Contingency	(5M)
Maximum Contract Value	210M
Land & Existing Building	(25M)
Subtotal	185M
Fees – Insurance, City & Others	(15M)
<b>Total Budget*</b>	<b>\$170M</b>

### McCullough Vendor Profile (\$millions)



## ITEM 13 – EMERGING LEADERS COHORT

- EMPLOYEE DEVELOPMENT PROGRAMS:
  - ✓ We continue to expand this portfolio
- THIS NEW PROGRAM BUILDS LEADERS:

**Foremen  
Leadership**  
*(Aspiring  
foremen  
from across  
Operations)*

**People First  
Leadership**  
*(Managers &  
org leaders)*

**Opportunity**  
*(No corporate  
pre-manager  
leadership  
development)*



# FLEXPOWER BUNDLE



Solar + Storage + Gas



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

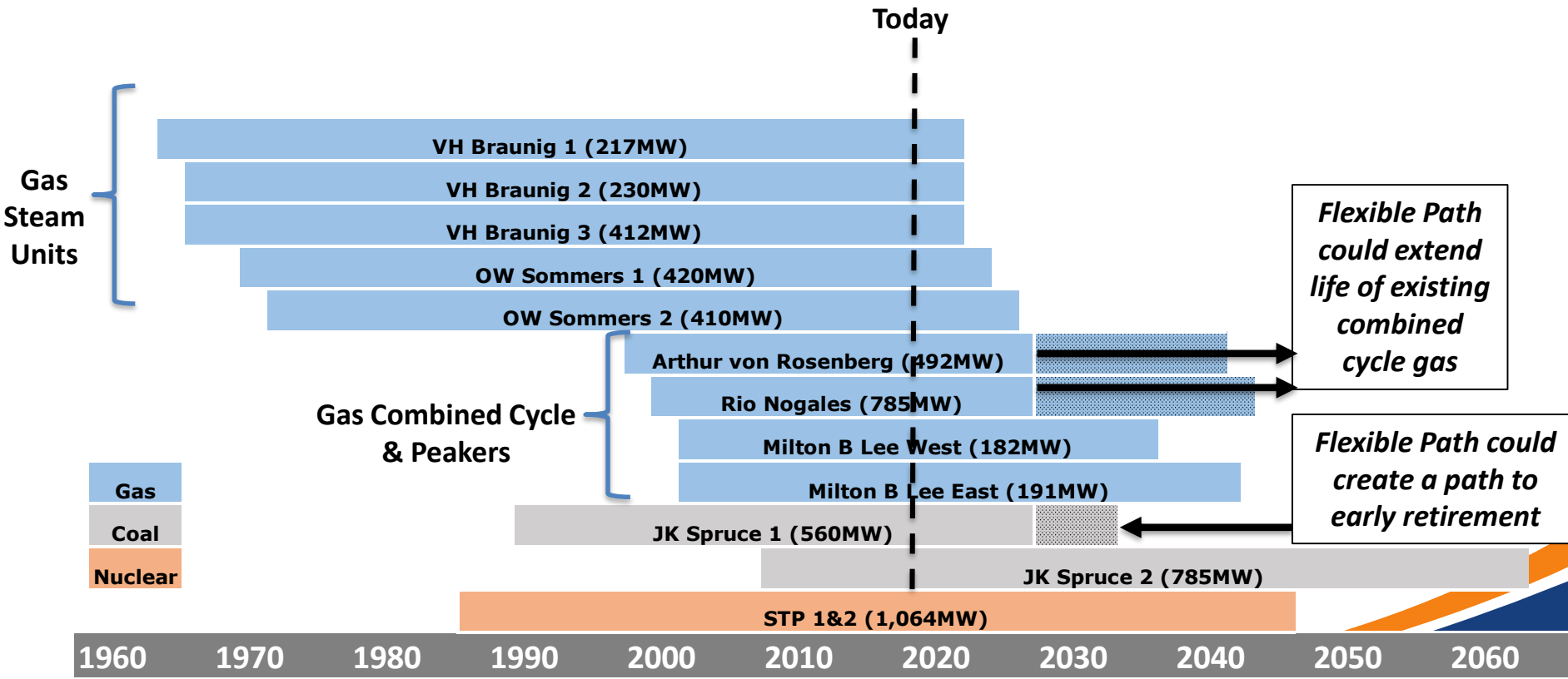


## AFFORDABILITY

This is how we save our customers money & add value.

# CURRENT PORTFOLIO OVERVIEW

OUR UNITS WILL SUPPORT & DRIVE CHANGE



# FLEXIBLE PATH IN ACTION

## MAJOR STEP FORWARD



### FLEXPOWER BUNDLE COMPONENTS FOR DISCUSSION



300-900 MEGAWATTS  
(MW)



10-50 MEGAWATTS  
(MW)



300-500 MEGAWATTS  
(MW)

CPS ENERGY'S PRESIDENT & CEO LAUNCHES  
COMMUNITY INPUT ON THE NEW "POWER  
BUNDLEFLEX"

CPS ENERGY NEWSROOM, JULY 10, 2019

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

RIVARD REPORT, JULY 10, 2019

# BUNDLED APPROACH

## WE CAN ADD CAPACITY IN BALANCE



## SOURCES OF GENERATION

	SOLAR	STORAGE	GAS
BENEFITS	<ul style="list-style-type: none"><li>• Aligns with our load</li><li>• Costs continue to decrease</li><li>• Zero emission source</li><li>• Low maintenance</li><li>• Improving technologies</li></ul>	<ul style="list-style-type: none"><li>• Great back-up source of power</li><li>• Reduces need for increased peak generation capacity</li><li>• Zero emission source</li></ul>	<ul style="list-style-type: none"><li>• Abundant supply</li><li>• Consistently dependable source of energy</li><li>• Affordable</li><li>• Mature technology</li></ul>
CHALLENGES	<ul style="list-style-type: none"><li>• Weather &amp; time dependent resource</li><li>• Requires back-up generation</li><li>• Uses a lot of real estate</li><li>• Unknown environmental impacts</li></ul>	<ul style="list-style-type: none"><li>• Expensive</li><li>• Shorter lifespan than other sources</li><li>• Unknown environmental impacts</li><li>• Immature technology</li></ul>	<ul style="list-style-type: none"><li>• Carbon-emitting</li><li>• Higher maintenance costs</li><li>• Forced outage risk</li><li>• Useful life may extend beyond market value</li></ul>

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

# IMPORTANT CONSIDERATIONS



	Solar	Energy Storage	Natural Gas
<b>Security (physical &amp; cyber)</b>	—	=	+
<b>Safety</b>	+	—	+
<b>Resilience</b>	—	+	+
<b>Reliability</b>	—	+	+
<b>Environmental Impact</b>	+	+	—
<b>Affordability</b>	+	—	=

**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 ...*

# ELECTRIFICATION

**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



**PARTNERSHIP:  
CPS Energy & EPRI**



# UPCOMING TOPICS

- **PROGRAM PROGRESS**
    - ❑ ***FLEXPOWER BUNDLE* - continues**
    - ❑ ***FLEXSTEP***
- ... more to come ...**



***Thank You***

# GLOSSARY / DEFINITIONS



- 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