



**CPS ENERGY BOARD OF TRUSTEES MEETING
TO BE HELD ON MAY 22, 2023 AT 1:00 PM
LOCATION: CPS ENERGY BOARD ROOM (500 MCCULLOUGH AVE)**

At any time during the Board Meeting, the Board may go into an executive session as permitted by the Texas Open Meetings Act, (Chapter 551 of the Texas Government Code) regarding any item on this agenda.

AGENDA

ITEM	TOPIC	ACTION	PRESENTER/ SPONSOR
1	CALL TO ORDER	Execute	Ms. Janie Gonzalez
2	SAFETY MESSAGE, INVOCATION & PLEDGE OF ALLEGIANCE	Execute	Ms. Maria Stanton
3	PUBLIC COMMENT Pre-Registration is from Wednesday, May 17, 2023 5:00 PM – Friday, May 19, 2023 1:00 PM. Dial (210) 353-4662 or email PublicCommentRegistration@CPSEnergy.com	Discuss	Ms. Janie Gonzalez
UPDATE ON CHAIR'S PRIORITIES			
4	CHAIR'S REMARKS	Discuss	Ms. Janie Gonzalez
5	RATE ADVISORY COMMITTEE (RAC) MEMBER RECOGNITION & INTRODUCTION (Ms. Ann Kinnard)	Discuss	Dr. Francine Romero
CONVENE TO EXECUTIVE SESSION			
6	EXECUTIVE SESSION: A. Real Property Acquisition (<i>Section 551.072</i>) & Consultation concerning Attorney-Client Matters (<i>Section 551.071</i>) B. Consultation concerning Attorney-Client Matters (<i>Section 551.071</i>) C. Consultation concerning Competitive Matters (<i>Section 551.086</i>) & Attorney-Client Matters (<i>Section 551.071</i>) D. Consultation concerning Attorney-Client Matters (<i>Section 551.071</i>) E. Consultation concerning Security Personnel or Devices (<i>Section 551.076</i>)	Discuss	Ms. Janie Gonzalez

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RECONVENE TO OPEN SESSION			
CONSENT AGENDA			
7	APPROVAL OF CONSENT ITEMS: A. Minutes of the Regular Board meeting held on 02/27/2023 B. Minutes of the Regular Board meeting held on 04/03/2023 C. Payment to the City of San Antonio for April 2023 D. Audit & Finance (A&F) Committee Charter Update E. Resolution approving the acquisition of the necessary property rights through negotiations or the process of eminent domain F. Procurements Items: 1. Professional Services: Substation and Transmission Related Civil Engineering Services (Mr. Richard Medina) 2. Commodity & Material Goods: Wooden Poles (Mr. Richard Medina)	Vote	Ms. Janie Gonzalez
REGULAR AGENDA			
8	COMMITTEE REPORTS: A. Operations Oversight Committee (OOC) meeting held on 4/10/2023 (Dr. Francine Romero) B. Audit & Finance Committee meeting held on 4/19/2023 (Ms. Janie Gonzalez) C. Employee Benefits Oversight Committee meeting held on 4/19/2023 (Ms. Janie Gonzalez)	Discuss	Ms. Janie Gonzalez
9	SUMMER 2023 PREPAREDNESS	Discuss	Executive Leadership Team
10	SUPPLY CHAIN IMPACTS TO DEVELOPMENT	Discuss	Ms. Maria Stanton & Ms. Karma Nilsson
11	J.P. MORGAN INVESTOR FORUM HIGHLIGHTS	Discuss	Mr. Cory Kuchinsky
12	CEO RECOGNITION	Discuss	Mr. Rudy Garza
13	REVIEW OF ACTION ITEMS	Discuss	Ms. Shanna Ramirez
14	ADJOURNMENT	Execute	Ms. Janie Gonzalez

If the Board meeting has not adjourned by 3:40 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.

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, May 22, 2023 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 Regular Board meeting will also be live-streamed.

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 streamed on cpsenergy.com.

Those wishing to speak on an agenda item during the Public Comment portion of the meeting must register between Wednesday, May 17, 2023 at 5:00 p.m. and Friday, May 19, 2023 at 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
- Group for which the individual is speaking, if applicable
- Agenda item # listed on the Agenda (any item other than #1, 2 or 3) about which they are speaking
- Any required translation services

Commenters will be called to speak in the order that each registers.

Written comments may be sent to publiccommentregistration@cpsenergy.com and will be shared with the Board prior to the start of the meeting.

The agenda packet is attached and can be found with other related informational material at:

<https://www.cpsenergy.com/en/about-us/who-we-are/trustees/board-meetings.html>

A recording of the meeting 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
May 17, 2023

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RATE ADVISORY COMMITTEE (RAC) MEMBER RECOGNITION & INTRODUCTION

PRESENTED BY:

Ann Kinnard

Director, Customer Experience

May 22, 2023

Informational Update



AGENDA



- **RECOGNIZE DR. OLUFEMI OSIDELE**
- **INTRODUCE MIRIAM JUCKETT**

Thank Dr. Femi for his service on the RAC and welcome his replacement.

THANK YOU



Dr. Olufemi Osidele

- Co-Chair Steering Committee - City of San Antonio's Climate Action & Adaptation Plan 2018 - 2019
- Member & Workgroup Lead, EPA National Advisory Council for Environmental Policy Technology 2010 - 2017
- Member, RAC, from inception - January 2023

WELCOME



Miriam Juckett

- Member - City of San Antonio's Climate Action & Adaptation Plan Technical & Advisory Committee
- Regular volunteer for Science, Technology, Engineering, and Mathematics (STEM) events
- 20 years of professional experience in environmental science and public outreach for energy projects
- Employed with Southwest Research Institute over 20 years



Thank You



Draft for review and approval
at the May 22, 2023 meeting

**CPS ENERGY
MINUTES OF THE REGULAR MEETING OF THE BOARD OF TRUSTEES
HELD ON FEBRUARY 27, 2023**

The Regular Meeting of the Board of Trustees of CPS Energy for the month of February was held on Monday, February 27, 2023 in the Board Room on the First Floor of the CPS Energy headquarters located at 500 McCullough, San Antonio, Texas.

I. CALL TO ORDER

Chair Gonzalez called the meeting to order at 1 p.m.

Present were Board members:

Ms. Janie Gonzalez, Chair
Dr. Francine Romero, Vice Chair
Dr. Willis Mackey
Mr. John Steen
Mayor Ron Nirenberg (arrived at 1:11 p.m.)

Also present were:

Mr. Rudy Garza, President & CEO
Ms. Shanna M. Ramirez, Chief Legal & Ethics Officer, General Counsel & Board Secretary
Mr. Cory P. Kuchinsky, Chief Financial Officer & Treasurer
Mr. Evan O'Mahoney, Interim Chief Information Officer
Ms. Lisa Lewis, Chief Administrative Officer
Mr. Benny Ethridge, EVP
CPS Energy staff members
City of San Antonio officials
Interested Citizens

II. SAFETY MESSAGE, INVOCATION AND PLEDGE OF ALLEGIANCE

A safety message, invocation, and the Pledge of Allegiance were delivered by Ms. Christina Houser, Business Management Strategist.

III. PUBLIC COMMENT

Ms. Henrietta LaGrange, community member, stated that it gives her pleasure as a woman to see the excellent direction and path CPS Energy has taken. She honored the newly elected Chair and Vice Chair. Ms. LaGrange delivered white roses to represent the fresh start working in unity, and red roses to represent each individual working with a passion.

Ms. Mariana Lujan, community member, stated she has known Chair Gonzalez for 20 years and knows her dedication to community service and diligent work. She stated she has wisdom, will be a great chair, and knows she will do great.

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Mr. Ernesto Salinas, community member, asked if there was a way for CPS Energy to be more effective with their communication. He stated that none of his neighbors knew about the closure of the Spruce Coal Plant, and that there was not any messaging in his monthly statement. He requested that notice of important meetings be advertised in monthly statements to raise awareness.

Ms. San Juanita Gonzalez, community member, stated her support of Chair Gonzalez. She has known her for 20 years, and she appreciates that both the Chair and CEO are Latino. She thanked them for the mission to assist small businesses and the efforts to be more inclusive. She is excited to see the vision become reality for our community.

Ms. Sandra Crocker and Mr. Joseph Shokrian, community members, ceded their time to Mr. Mike O'Donnell.

Mr. Mike O'Donnell, community member, expressed concerns about the long-term implications of cost increases resulting from the recently adopted generation plan. He stated there is danger in an overwrought climate panic, and there is not a climate emergency. He read Genesis 8:22, which states seasons will never cease as long as the earth continues. He noted it is a minority view, but stated correct answers are not determined by majority vote. Finally, he stated that shutting down coal capacity is imprudent and asked, at the very least, that Spruce 1 be mothballed for a rainy day. He referenced the war in Ukraine as the reason for retaining coal generation.

Ms. Denise Gutierrez-Homer, community member, urged the CPS Energy Board of Trustees be more effective with communication. She noted that there could be more coordination on city brush pick-up and tree trimming. She also expressed concern that in the previous meeting, CPS Energy referenced a customer that owed \$10,000. She stated that there should be a re-evaluation of billing to ensure that no customer gets to such an extreme level of debt because it is other CPS Energy customers that will have to make up the difference.

Ms. Cindy Taylor, community member, stated that Chair Gonzalez is a great leader. She also said she is a great friend who is loyal, true, and fun. She is direct, resolves differences, knows the art of compromise, is trustworthy, and always returns phone calls. She stated these are good qualities in a friendship but are also good qualities for a Board Chair. She wished Chair Gonzalez a wholehearted congratulations.

Ms. Melinda Teplitzsky, community member and small business owner, read I Peter 5:6, which states to humble yourselves under the mighty hand of God that he may exalt you in due time. She is honored to be a friend of Chair Gonzalez since their sons were in kindergarten, and that it has been a privilege to witness her courage, grit, and discipline. She appreciates that Chair Gonzalez has advocated for small businesses and her community, and that she stands with her.

Ms. Anne Lee, community member, stated she supports the continued use of coal for generation.

IV. CHAIR'S REMARKS.

Chair Gonzalez dedicated her first meeting as Chair to the young girls and women that dare to dream. She asked that we picture a world where every woman is empowered; never hesitates, never falters, and never wavers in her confidence and belief in herself. She honored the women that paved the way: Emma

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Tenayuca, Rosie Castro, Cyndi Krier, Mary Alice Cisneros, Ina Minjarez, and Trish DeBerry are women who risked their positions to reach higher potential. With the strength of these women pushing us forward we can achieve a world where all women are empowered, and humanity prospers.

V. RATE ADVISORY COMMITTEE (RAC) UPDATE

Trustee Dr. Romero stated that RAC has started a rate design discussion. At the meeting last week, the RAC received several great presentations on the background of rate design to help formulate their recommendation.

She stated that the Board needs to consider changing the bylaws to extend their terms to the end of July to allow them to finish their work. Trustee Steen asked some clarifying questions, and Ms. Ramirez stated she would circulate proposed revisions of the bylaws to the Board of Trustees.

VI. BOARD COMMITTEE ASSIGNMENTS

Chair Gonzalez asked that Ms. Ramirez read the committee assignments, which are as follows:

- | | |
|------------------------------|--|
| Audit & Finance: | Ms. Janie Gonzalez (Chair)
Dr. Willis Mackey |
| Employee Benefits Oversight: | Ms. Janie Gonzalez (Chair)
Dr. Willis Mackey |
| Operations Oversight: | Dr. Francine Romero (Chair)
Mr. John Steen |
| Technology & Resilience: | Ms. Janie Gonzalez (Chair)
Dr. Francine Romero |
| Personnel: | Ms. Janie Gonzalez (Chair)
Dr. Willis Mackey |
| Risk Management | Dr. Francine Romero (Chair)
All CPS Energy Board of Trustees Member |

VII. EXECUTIVE SESSION

At approximately 1:32 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)

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- 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 3:05 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.

VIII. APPROVAL OF CONSENT ITEMS

On a motion duly made by Trustee Steen, seconded by Trustee Dr. Mackey, and upon affirmative vote by all members present, Item 8A (Approval of Payment to the City of San Antonio for January 2023) on the Consent Agenda was unanimously approved.

A. Approval of Payment to the City of San Antonio for January 2023

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 January 2023 is based on actual gross revenue per the New Series Bond Ordinance of \$254,716,111.22, less applicable exclusions. The revenue for the month of January 2023 is calculated as follows:

Gross revenue per CPS Energy financial statements	
Electric revenue	\$192,100,594.69
Gas revenue	46,498,981.83
Interest and other income	37,157,013.00
Gross revenue per CPS Energy financial statements	<u>275,756,589.52</u>
Excluded revenue	
School and hospital revenue per City Ordinance 55022	(3,977,006.70)
LVG revenue per City Ordinance 100709	(42,553.46)
Fuel cost component of off-system nonfirm energy sales per City Ordinance 61794 and revenue for wholesale special contracts	(3,354,137.87)
Noncash and other income, GASB 31 investment market value change, miscellaneous interest income, gas billing adjustment and unbilled revenue	<u>(13,666,780.27)</u>
Total excluded revenue	<u>(21,040,478.30)</u>
Gross revenue per New Series Bond Ordinance subject to 14% payment to the City	<u><u>\$254,716,111.22</u></u>

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City payment per Bond Ordinance for January 2023 based upon January 2023 revenue	\$35,660,255.57	
City payment per memorandum of understanding (MOU) regarding wholesale special contracts	(993,296.53)	
Wholesale Special Contract Annual True Up	800,791.80	
City Payment reduction per gas customer billing adjustment MOU	(12,500.00)	
Annual True Up/ (Down) per gas customer MOU	(2,063.00)	
City payment per Bond Ordinance plus adjustments for memorandums of understanding	35,453,187.84	A
Utility services provided to the City for January 2023	(2,970,891.99)	
Net amount to be paid from January 2023 revenue to the City in February 2023	<u>\$32,482,295.85</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)

January 2023	Actual	Budget	Variance	
Current Month* A	\$35,453	\$31,566	\$3,887	12.3%
Year-to-Date*	\$438,528	\$388,214	\$50,314	13.0%

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

ADDITIONAL FUNDING AND TRANSFERS

Accrued January 2023 – Additional Transfer per Bond Ordinance Total	<u>\$11,523,482.47</u>	B
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Approval of the following resolution is requested:

- A** "BE IT RESOLVED by the CPS Energy Board of Trustees that payment to the City of San Antonio in the amount of \$32,482,295.85 representing 14% of applicable system gross revenues for the month of January 2023, such payment being net of City utility services (\$2,970,891.99), is hereby approved."
- B** "BE IT RESOLVED by the CPS Energy Board of Trustees that payment to the City of San Antonio in the amount of \$11,523,482.47, representing an additional transfer within the allowed 14% of applicable system gross revenues, is hereby approved."

CPS Energy's management team has verified that collectively all of the City Payments mentioned herein fit under the Bond ordinance maximum of 14% of applicable revenues, including the following:

- A.** The amounts paid routinely during the year, net;
- B.** The additional distribution paid once for the year.

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B. Board of Trustees Travel and Expense Overview

Trustee Dr. Mackey made a motion to approve Item 8B (Board of Trustees Travel and Expense Overview). Trustee Dr. Romero seconded the motion. The Board of Trustees discussed.

Trustee Steen expressed concern about being asked to alter the established board travel policy by newly elected board leadership. He stated that he was concerned that the change in policy would weaken checks and balances. Further, if the Board is not mindful and careful about trustee travel, it has the potential to be a problematic area for our board.

Trustee Dr. Romero did not agree that the change in policy would weaken checks and balances. She stated the travel procedure, including the approval process, is very clear and very transparent. She also stated that the public can be secure in this policy.

On a roll call vote, the motion passed 4-1. Trustee Steen voted against the motion.

C. Procurement Items: None

IX. OPERATIONS EFFICIENCY REVIEW:

Ms. Lisa Lewis, Chief Administrative Officer, noted that the presentations by Gallup and Daymark are the result of a request of the Board of Trustees for an independent third-party review of our operational efficiency.

- A. Gallup presented an assessment of our organizational culture
- B. Daymark presented an assessment of our financial health, operational excellence, and customer engagement & experience

The Board of Trustees asked questions and discussed the presentations.¹

X. ACCOUNTS RECEIVABLE MONTHLY UPDATE

Ms. DeAnna Hardwick, Executive Vice President for Customer Strategy, presented on accounts receivable. She noted that total amount past due has continued to show a positive trend, decreasing to \$196M with \$95M in payment plans. She noted that we are continuing increased collection efforts and using best practices. The Board of Trustees asked questions and discussed the presentation.

XI. YEAR-END FINANCIAL UPDATE

Mr. Cory Kuchinsky, Chief Financial Officer & Treasurer, presented the year-end financial update. Mr. Kuchinsky highlighted the FY2023 key investments and noting that the year-end metric results came in above or in line with our planned targets. The Board of Trustees asked questions and discussed the presentation.

¹ Trustee Steen requested to read a prepared statement. Chair Gonzalez asked if the comments were new or different from his prior comments on the subject. After brief discussion, Trustee Steen voluntarily recused himself from participating in the discussion.

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XII. CEO'S CLOSING COMMENTS

Mr. Rudy Garza recognized the System Operations team, which had 100% participation in the restoration efforts. Our operators worked on their scheduled day off and during extended hours to provide 24-hour coverage. They kept safety in the forefront while coordinating across the board to restore services and communicate information to customers on longer duration outages.

XIII. ADJOURNMENT

There being no further business to come before the Board, upon a motion duly made by Trustee Mackey, seconded by Mayor Nirenberg and upon an affirmative vote by all members present, the meeting was unanimously adjourned at 4:44 p.m. by Chair Janie Gonzalez.

Shanna M. Ramirez
Secretary of the Board

DRAFT

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at the May 22, 2023 meeting

**CPS ENERGY
MINUTES OF THE REGULAR MEETING OF THE BOARD OF TRUSTEES
HELD ON APRIL 3, 2023**

The Regular Meeting of the Board of Trustees of CPS Energy for the month of March was held on Monday, April 3, 2023 in the Board Room on the First Floor of the CPS Energy headquarters located at 500 McCullough, San Antonio, Texas.

I. CALL TO ORDER

Chair Gonzalez called the meeting to order at 1 p.m.

Present were Board members:

Ms. Janie Gonzalez, Chair
Dr. Francine Romero, Vice Chair
Dr. Willis Mackey
Mr. John Steen
Mayor Ron Nirenberg (arrived at 1:06 p.m.)

Also present were:

Mr. Rudy Garza, President & CEO
Ms. Shanna M. Ramirez, Chief Legal & Ethics Officer, General Counsel & Board Secretary
Mr. Cory P. Kuchinsky, Chief Financial Officer & Treasurer
Mr. Evan O'Mahoney, Interim Chief Information Officer
Ms. Lisa Lewis, Chief Administrative Officer
Mr. Benny Ethridge, EVP
CPS Energy staff members
City of San Antonio officials
Interested Citizens

II. SAFETY MESSAGE, INVOCATION AND PLEDGE OF ALLEGIANCE

A safety message, invocation, and the Pledge of Allegiance were delivered by Ms. Julie Johnson, Vice President of Finance & Accounting and Assistant Treasurer.

III. PUBLIC COMMENT

Ms. Henrietta LaGrange, community member, commented on S.B. 1100, proposed legislation on payments from municipally-owned utilities to the municipality. She expressed her concerns about the legislation.

Mr. Raymond Zavala, customer, expressed his concern about a CPS Energy employee that installed a smart meter on his home. He stated the employee did not announce his presence or show his ID. Finally, he stated he did not want a smart meter, and requested a certificate of conformance.

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Mr. Sandra Crocker, community member, stated she believes there is a lack of diversity in thought. She encouraged CPS Energy to include different voices, especially in moving forward with carbon zero efforts.

IV. CHAIR'S REMARKS.

Chair Gonzalez provided comments on her role as Board Chair. She stated her goal is to have orderly and efficient meetings to ensure our important work can get done while following the applicable rules and laws. She stated that she hopes the Board of Trustees can use the established board governance rules, the committee process, board meetings, and access to herself and CPS Energy staff to have an open dialogue and work collectively towards the greater good of CPS Energy. She recognized that this does not mean all Trustees will agree on everything, and that there will be different opinions, but wishes to discuss issues constructively and work towards an environment where we treat each other with professional courtesy and respect. Finally, she hopes the Board will spend its time together focusing on forward progress, and their obligations to CPS Energy require such an approach.

V. RATE ADVISORY COMMITTEE (RAC) UPDATE

Trustee Dr. Romero stated RAC continues its work on rate design. She stated that the March meeting covered a lot of topics on rates, including rate decoupling. She stated RAC's work is focused on affordability, conservation, demand management to achieve bill relief.

A. Amendment of RAC Bylaws

Ms. Ramirez introduced and explained the proposed changes to the bylaws. The Board of Trustees asked questions. Trustee Dr. Romero made a motion to approve the amendments to the RAC bylaws, and Trustee Dr. Mackey seconded the motion. The motion passed unanimously.

B. Member Nomination

Ms. Ann Kinnard, Director of Customer Experience for Customer Engagement, requested the Board appoint a new member, Ms. Miriam Junkett, to the RAC. Ms. Junkett was nominated by the Board of Trustees. Mayor Nirenberg moved approval, it was seconded by Trustee Dr. Romero, and it was unanimously approved.

Trustee Steen noted that Dr. Olufemi Osidele made a great contribution to the RAC and requested that we find a moment to honor him. Chair Gonzalez and Mayor Nirenberg agreed.

VI. EXECUTIVE SESSION

At approximately 1:23 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:

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

The Board reconvened in open session at 2:16 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 a motion duly made by Trustee Dr. Mackey, seconded by Vice Chair Dr. Romero, and upon affirmative vote by all members present, the following items on the Consent Agenda were unanimously approved:

- A. Minutes of the Special Board meeting held on January 23, 2023**
- B. Minutes of the Regular Board meeting held on January 30, 2023**
- C. Approval of Payment to the City of San Antonio for February 2023**

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 February 2023 is based on actual gross revenue per the New Series Bond Ordinance of \$242,842,791.42, less applicable exclusions. The revenue for the month of February 2023 is calculated as follows:

Gross revenue per CPS Energy financial statements	
Electric revenue	\$184,949,619.87
Gas revenue	35,441,227.62
Interest and other income	(838,906.11)
Gross revenue per CPS Energy financial statements	<u>219,551,941.38</u>
Excluded revenue	
School and hospital revenue per City Ordinance 55022	(11,351,104.63)
LVG revenue per City Ordinance 100709	(368,122.92)
Fuel cost component of off-system nonfirm energy sales per City Ordinance 61794 and revenue for wholesale special contracts	(5,629,573.02)
Noncash and other income, GASB 31 investment market value change, miscellaneous interest income, gas billing adjustment and unbilled Revenue	<u>40,639,650.61</u>
Total excluded revenue	<u>23,290,850.04</u>
Gross revenue per New Series Bond Ordinance subject to 14% payment to the City	<u>\$242,842,791.42</u>
 City payment per Bond Ordinance for February 2023 based upon February 2023 revenue	 \$33,997,990.80

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City payment per memorandum of understanding (MOU) regarding wholesale special contracts	371,511.79	
City Payment reduction per gas customer billing adjustment MOU	(25,000.00)	
City payment per Bond Ordinance plus adjustments for memorandums of understanding	34,344,502.59	A
Utility services provided to the City for February 2023	(3,164,075.81)	
Net amount to be paid from February 2023 revenue to the City in March 2023	<u>\$31,180,426.78</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)

February 2023	Actual	Budget	Variance	
Current Month* A	\$34,345	\$33,902	\$443	1.3%
Year-to-Date*	\$34,345	\$33,902	\$443	1.3%

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

Approval of the following resolution is requested:

A. "BE IT RESOLVED by the CPS Energy Board of Trustees that payment to the City of San Antonio in the amount of \$31,180,426.78 representing 14% of applicable system gross revenues for the month of February 2023, such payment being net of City utility services (\$3,164,075.81), is hereby approved."

D. Resolution for the Sale of Surplus Property

E. Procurement Items: None

VIII. FY2024 ADDITIONAL FINANCING OPPORTUNITIES

Mr. Cory Kuchinsky, Chief Financial Officer & Treasurer, presented information on FY2024 additional financing opportunities, specifically: 1) tendering outstanding bonds to generate debt service savings, and 2) establishing a companion commercial paper program to provide additional liquidity. He stated these additional financing tools will allow us to generate savings for our customers. Mr. Kuchinsky requested authorization to execute the additional financing transactions. The Board of Trustees asked questions and made comments. Trustee Dr. Mackey made a motion to give authorization, which was seconded by Mayor Nirenberg. The motion was unanimously approved.

IX. FY2023 END OF YEAR PERFORMANCE REVIEW

Mr. John Soltau, Director of Enterprise Planning & Performance, presented the FY2023 End of Year Performance Review. He reviewed the results for the Key Results and Tier 1 Metrics and noted that the metrics reflect a solid performance in the face of significant headwinds. He also highlighted accomplishments in FY2023 and noted the Key Results performance highlights in the success we had in

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focusing on what is important to our community. The Board of Trustees discussed the presentation and asked questions.¹

X. CEO'S CLOSING COMMENTS

Mr. Rudy Garza discussed our safety culture and how our team holds each other accountable to a standard that recognizes the thing that matters is getting every employee home safely at the end of the day. He recognized members of the Gas Solutions Guidance Team, Gas Solutions Grassroots Team, the Energy Delivery Services Guidance Team, the Energy Delivery Services Substation and Transmission Grassroots Team, and the Executive Transition Team. Mr. Garza stated that it is because of our people that we will be successful.

Trustee Steen read prepared comments and asked Mr. Garza about the contents of the agenda. Ms. Ramirez clarified that the Chair sets the agenda and our governance rules set out the process of requesting items on the Agenda. Trustee Romero asked for formal guidance from Ms. Ramirez.

Ms. Ramirez reviewed the action items discussed: 1) recognizing Mr. Osidele and Ms. Junkett on RAC, 2) considering agenda items for future meetings, and 3) including Trustee Steen's comments in the minutes.

Trustee Steen raised some questions for Mr. Garza on board meeting agenda items.²

XI. ADJOURNMENT

There being no further business to come before the Board, upon a motion duly made by Trustee Dr. Mackey, seconded by Vice Chair Dr. Romero and upon an affirmative vote by all members present, the meeting was unanimously adjourned at 3:07 p.m. by Chair Gonzalez.

Shanna M. Ramirez
Secretary of the Board

¹ Trustee Steen requested his comments be included in the minutes. His comments are attached as Attachment A.

² Trustee Steen requested his comments be included in the minutes. His comments are attached as Attachment B.

4/3/23

Statement of John Steen

Re: FY2023 End of Year Performance Review

(Agenda Item #9)

CPS Energy's FY2023 ended two months ago, on January 31st. Included on the agenda for our last meeting was an item entitled "Year-End Financial Update." This was the agenda item I was not allowed to speak on. I did ask you, Mr. Garza, about the final numbers on our FY2023 Tier 1 Metrics, and you replied they weren't finalized. You've now provided the final numbers to your trustees, which was done on March 6th by email, and this item has been placed on today's agenda. I appreciate your agendaizing it.

Please put up slide 6. We now know that management failed to meet six out of the 16 metrics. The six areas where our metrics were not achieved are:

- Portfolio Commercial Availability (PCA)
- Customer Satisfaction - Residential
- Days Cash on Hand
- Debt Capitalization
- Enterprise Recordable Incident Rate (RIR)
- Enterprise Readiness - Executive

So bottom line: CPS Energy's overall score at the end of the year is 10 out of 16 – or a 63. CPS Energy's Tier 1 Metrics are often referred to as our **report card**, which means our final grade for FY2023 is, I regret to say, a D-.

By the way, I think our overall score might be considered lower than a 63 because of the way one of the metrics was set up. Let me explain. Tier 1 Metrics need to be calibrated so that they drive improvements and help CPS Energy focus its people and resources on what's important. To be effective our metrics must be appropriately aspirational, challenging and tough. As Ed Kelley liked to put it: There should be no softballs. Hitting the targets should mean our company is firing on all cylinders, that is, operating at the highest level. The FY2023 metric we used for "Senior Lien Bond Ratings" was set up to be met if all we did was merely *maintain* our current downgraded ratings as well as the "Negative" outlooks assigned us by two of the three credit rating agencies. Guess what happened? We set the target low, and we met it. But our goal should have been, at an absolute minimum, to move the two "Negative" outlooks to "Stable." Thus, in my mind, we didn't really achieve our metric for Senior Lien Bond Ratings because our target was not appropriately set at stretch-level.

Be that as it may, at our last meeting FY2023 was described as a "strong" year for CPS Energy. What if one's child brought home a final report card showing a 63 or D- average? Would one describe him or her as a strong student? In line with my fiduciary responsibilities as a trustee, I very much want management to succeed in getting CPS Energy's house in order. A good start is to acknowledge that our position is not "strong" as was asserted at our last meeting and perhaps

not even “solid” as you’re maintaining today and that CPS Energy needs to overcome significant challenges – financial and otherwise – to be considered “strong” or “solid.”

Please put up slide 3. So there it is for all to see, our grade of 62.5. I don’t like dwelling on bad news, but we must be realistic about this and not pretend things are rosy when they’re not. Management must be held accountable for this underperformance.

So my question to you, Mr. Garza, with all due respect, is this: Would you please add as an agenda item for our next meeting a more detailed report on why CPS Energy failed to meet six of our FY2023 Tier 1 Metrics, and provide us with your comprehensive plan to rectify this situation in FY2024 **without lowering – and, in some cases, with even raising – the bar on our Tier 1 Metrics?**

I respectfully request that this statement be included in the minutes of today’s meeting.

4/3/23

Statement of John Steen

Re: CEO's Closing Comments

(Agenda Item #10)

Harking back to our last board meeting when I was blocked from expressing my views on two agenda items, I want to begin by quoting from the Texas Government Code, specifically Section 551.042 entitled "Inquiry Made at Meeting:"

- (a) If at a meeting of a governmental body ... a member of the governmental body inquires about a subject for which notice has not been given as required by this subchapter, the notice provisions of this subchapter do not apply to:
 - (1) a statement of specific factual information given in response to the inquiry; or
 - (2) a recitation of existing policy in response to the inquiry.
- (b) Any deliberation of or decision about the subject of the inquiry shall be limited to a proposal to place the subject on the agenda for a subsequent meeting.

Interestingly, this very language is paraphrased in the Rules of Order for the CPS Energy Board of Trustees, which rules were implemented at the instigation of our previous chair. This is found in Article 5 of our Rules of Order:

To the extent ... a Trustee questions or asks about a subject for which notice has not been given, as required by the Open Meetings Act, the response to such inquiry must be limited to:

- (a) An informational statement of factual explanation, given in response to the inquiry; or
- (b) A recitation of existing policy in response to the inquiry.

NOTE: Any deliberation or decision about the subject of such inquiry shall be limited to a proposal to place the subject on the agenda for a subsequent meeting.

Finally, since at the last meeting, Robert's Rules of Order were cited in denying me the right to speak, here's some language from a 5/18/22 BoardEffect article entitled "Robert's Rules of Order: How to Run a Board Meeting":

The role of the board chair is a specific role with duties and responsibilities that are different than other members. One of the responsibilities is to facilitate discussion among board members, giving each board member an opportunity to speak. An effective chair gives opposing sides time to present their arguments and invites the participation of other members.

So here are my two inquiries to our CEO, Mr. Garza.

At our December 19, 2022, board meeting, a resolution was passed regarding CPS Energy's strategy to mitigate customer debt. The final paragraph reads:

BE IT FURTHER RESOLVED, CPS Energy Board of Trustees hereby directs CPS Energy to provide this Board of Trustees a monthly update on the effects of this comprehensive plan in addressing past due accounts.

Undeniably the spirit of that language was – and is – that such an update would be an agenda item for a presentation and discussion at every board meeting going forward, and, in point of fact, that’s what was done at our January and February meetings. Indeed it was agendized both times as “Accounts Receivable Monthly Update.” However, this matter was not placed on the agenda for today’s meeting. Please correct me if I’m wrong, but I believe our last Accounts Receivable Monthly Update was presented to us at our 2/27/23 board meeting, but the information contained therein was as of 1/31/23 so, despite our 12/19/22 resolution, the last data we’ve been provided is more than two months old. This lack of transparency leads me to believe that adequate progress is not being made to resolve this significant, intractable problem. Therefore, in line with this board’s December 19, 2022, resolution, my questions to you, Mr. Garza, are:

- First, why didn’t you place this matter on today’s agenda? and
- Second, will you be placing it on the agenda for our next board meeting to be held April 24th?

I respectfully request that this statement be included in the minutes of today’s meeting.

CPS Energy Board of Trustees Meeting May 22, 2023

Approval of Payment to the City of San Antonio for April 2023

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 April 2023 is based on actual gross revenue per the New Series Bond Ordinance of \$186,717,202.89, less applicable exclusions. In accordance with the New Series Bond Ordinance Flow of Funds requirements, current month revenue did not meet the full obligation for the 6% requirement to the Repair and Replacement account and the City Payment by \$27,066,172.90. This situation is a common occurrence for CPS Energy in the spring months due to the seasonal billing patterns. Under the previously approved agreement with the City, CPS Energy will advance to the City \$26,498,524.39 against future months' revenues for fiscal year 2024. The revenue for the month of April 2023 is calculated as follows:

Gross revenue per CPS Energy financial statements		
Electric revenue		\$195,050,273.06
Gas revenue		15,563,604.65
Interest and other income		4,334,538.48
Gross revenue per CPS Energy financial statements		<u>214,948,416.19</u>
Excluded revenue		
School and hospital revenue per City Ordinance 55022		(6,897,912.81)
LVG revenue per City Ordinance 100709		(22,564.79)
Fuel cost component of off-system nonfirm energy sales per City Ordinance 61794 and revenue for wholesale special contracts		(5,531,546.26)
Noncash and other income, GASB 31 investment market value change, miscellaneous interest income, gas billing adjustment and unbilled revenue		<u>(15,779,189.44)</u>
Total excluded revenue		<u>(28,231,213.30)</u>
Gross revenue per New Series Bond Ordinance subject to 14% payment to the City		<u>\$186,717,202.89</u>
City payment per Bond Ordinance for April 2023 based upon April 2023 revenue		\$26,140,408.40
City payment per memorandum of understanding (MOU) regarding wholesale special contracts		370,615.99
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		26,498,524.39 A
Utility services provided to the City for April 2023		<u>(2,681,949.80)</u>
Net amount to be paid from April 2023 revenue to the City in May 2023		<u><u>\$23,816,574.59</u></u>

CPS Energy Board of Trustees Meeting May 22, 2023

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)

April 2023	Actual	Budget	Variance	
Current Month* A	\$26,498	\$31,555	(\$5,057)	-16.0%
Year-to-Date**	\$87,917	\$97,489	(\$9,572)	-9.8%

* 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:

"BE IT RESOLVED by the CPS Energy Board of Trustees that payment to the City of San Antonio in the amount of \$23,816,574.59 representing 14% of applicable system gross revenues for the month of April 2023, such payment being net of City utility services (\$2,681,949.80), and including the current month shortage, is hereby approved." The total amount to be recovered from future months' revenues for fiscal year 2024 is \$31,271,355.09, inclusive of \$567,648.51 necessary to satisfy the 6% Repair and Replacement requirement year-to-date and \$30,703,706.58 advanced to the City.

Charter Created: 10/29/2001
Last Revised: ~~5/22/2023~~ 5/22/2023

CPS Energy Board of Trustees

AUDIT & FINANCE COMMITTEE CHARTER

I. Role of the Audit & Finance Committee

The Audit & Finance Committee (the "Committee") is appointed by, and is a standing committee of, the CPS Energy Board of Trustees (Board). The role of the Audit & Finance Committee is to assist the Board in fulfilling its oversight responsibilities for CPS Energy related to the following:

- quality and integrity of the financial statements and the financial reporting process;
- review of financial policies for the organization
- review of proposed transactions relative to investment and debt activities
- compliance with legal and regulatory requirements;
- qualifications, independence, and performance of the external auditors;
- qualifications, independence, and performance of the internal audit function;
- system of internal controls regarding financial reporting, accounting, finance, ethics, and compliance; and
- management of business/financial risks.

The role also includes coordination with other Board committees/members and maintenance of strong, positive working relationships with management, external and internal auditors, legal counsel, and other financial advisors to management. In addition to CPS Energy, the Committee also has oversight for the 28% and 12% South Texas Project (STP) Nuclear Decommissioning Trusts.

II. Authority

The authority of the Committee is to exercise its business judgment, report to the Board, and recommend to the Board and/or management actions that the Committee reasonably believes to be in the best interest of CPS Energy. The Committee has authority to conduct or authorize investigations into any matters within its scope of responsibility.

It is also empowered to:

- Recommend for final approval by the Board the appointment and compensation of any registered public accounting firm(s) employed by the organization to conduct the annual external audit of CPS Energy's financial statements (i.e., the external auditors) and other agreed upon engagements, and oversee the work of any such firm(s);

Charter Created: 10/29/2001
Last Revised: ~~5/22/25/2023~~

- Pre-approve all audit and non-audit services that may be requested of the audit firm(s) selected to perform the annual financial statements audit;
- Review at least annually, updates to financial policies which provide financial direction for management and ensure the financial integrity of the organization;
- Review management recommendations for new financing (includes refinancing) and investment transactions in accordance with policies and bond ordinances;
- Approve the remuneration of the Chief Audit Executive (CAE), as well as the appointment or removal of the CAE.
- Retain independent legal counsel, accountants, or others to advise the Audit & Finance Committee or assist in the conduct of an investigation, as warranted, with the Board's concurrence;
- Seek any information it requires from employees all of whom are directed to cooperate with the Committee's requests or external parties; and
- Meet as needed with company officers (including the General Counsel), internal auditors, external auditors, or outside legal counsel.

III. Committee Membership

The Committee shall consist of two (2) Board members. Audit & Finance Committee appointments, including designation of one member as the Audit & Finance Committee chairperson, shall be approved annually by the full Board.

~~The Board will collectively possess sufficient knowledge of audit, finance, computer systems, governance, risk, and internal controls, including at least one member who, based upon their experience, competencies, and skills, can be designated as a "financial expert." While not absolutely necessary to do so every year because of the general need to rotate members periodically, the financial expert will typically be assigned to this Committee. Regardless of committee assignments, if in any year the Board does not have a member with significant broad financial expertise, the collective governing body will engage an independent financial counselor / advisor to provide that needed contribution to the Board and this Committee.~~

Over time, the utility business and industry will change in response to evolving financial, industry, regulatory, economic, reporting, or other developments. It is therefore important for the Board to periodically re-evaluate its members' experiences, competencies, ~~and skills~~ and the overall balance of skills on the Committee in response to emerging needs. ~~The Board will identify and address any gaps, as needed, including following the provisions within this document. Management can assist with this evaluation at the request of the Board and / or any committee.~~

Charter Created: 10/29/2001
Last Revised: ~~5/22/2023~~ 5/22/2023

IV. Meetings

The Committee shall meet at least two (2) times per calendaryear. Additional meetings shall be scheduled as considered necessary by the Committee or the Committee Chair. All members are expected to attend each meeting. The committee will invite members of management, the external and/or internal auditors, and/or others to attend meetings and provide pertinent information, as necessary. The Committee will hold private meetings with the auditors (see below) and executive sessions, as warranted. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Meeting minutes will be prepared for each meeting.

V. Responsibilities

The Audit & Finance Committee will carry out the following responsibilities:

A. Financial Policies, Transactions and Reporting

- Review and discuss with management and the external auditors all critical financial and accounting policies and practices used by the company, as well as any significant financial reporting issues, including complex or unusual transactions and highly judgmental matters;
 - any significant changes in company financial and accounting policies as well as recent professional and regulatory pronouncements;
 - any material alternative financial and accounting treatments;
 - any financial and accounting proposals that may have a significant impact on the company's financial reports and metrics;
 - results of the annual financial audit, including any difficulties encountered; and
 - all matters required to be communicated to the Committee under generally accepted auditing standards.
- Review the annual financial statements, and consider whether they are complete, consistent with information known to Committee members, and reflect appropriate accounting principles.
- Review other sections of the annual report and related regulatory filings before release and consider the accuracy and completeness of the information.
- Understand how Management develops interim financial information, and the nature and extent of internal and external auditor involvement.

B. Internal Control and Risk Management

- Consider the effectiveness of CPS Energy's system of internal controls, including information technology security and control.
- Understand the scope of the internal and external auditors' reviews of internal controls and obtain reports on significant findings and recommendations, together with Management's responses.
- Understand CPS Energy's business risk profile and controls in selected

Charter Created: 10/29/2001
 Last Revised: ~~5/22/2023~~ 5/22/2023

areas representing significant financial and/or business risk (operational, legal, reputation, etc.).

- Meet periodically with management to review CPS Energy's major financial risk.

C. Internal Audit

- Approve the Audit Services Charter.
- Approve the risk-based internal audit plan.
- Approve Audit Services' budget and resource plan.
- Receive communications from the Chief Audit Executive on Audit Services' performance relative to its plan and other matters.
- Approve decisions regarding the appointment and removal of the Chief Audit Executive.
- Approve the remuneration of the Chief Audit Executive.
- Make appropriate inquiries of management and the Chief Audit Executive to determine whether there is inappropriate scope or resource limitations.

D. External Audit

- Review the qualifications of the external auditors; oversee due diligence responsibilities relative to the selection, compensation and terms of engagement for the external audit firm(s); and recommend final approval on the appointment or discharge of the external auditors to the Board.
- Review and confirm the independence of the external auditors by obtaining statements from them on their relationships with CPS Energy, including any non-audit services, and by discussing these relationships with the external auditors.
- Review the external auditors' proposed audit scope and approach, including coordination of their audit effort with internal audit.
- Meet with the external auditors and appropriate CPS Energy staff at the end of the annual audit to review the audit results and financial statements.
- Resolve any disagreements between management and the external auditors regarding financial reporting.
- Meet separately with the external auditors to discuss any matters that the Committee believes should be discussed privately.

E. Ethics

- Review the process for communicating the CPS Energy ethics policy/code of conduct to company personnel, including the annual training plan.
- Review the effectiveness of the system for monitoring compliance with the CPS Energy ethics policy/code of conduct, including the process for handling actual or perceived conflicts of interest.
- Review results of Ethics-related investigations by management (and follow-up, including disciplinary action) of any instances of noncompliance.

Charter Created: 10/29/2001
Last Revised: ~~5/1/2025~~/2023/4

F. Compliance

- Understand the system for monitoring compliance with laws and regulations; review results of investigations by management and follow-up, including disciplinary action of any instances of noncompliance.
- Review the findings of any examinations by regulatory agencies and any internal or external auditor observations regarding compliance.
- Obtain regular updates from management and company legal counsel regarding compliance matters, including review and assessment of any significant conflicts of interest and related-party transactions.

G. Reporting Responsibilities

- Provide an open avenue of communication between internal audit (Audit Services), the external auditors, and the Board.
- Report on a regular basis to the Board about Committee activities, issues, and related recommendations.

H. Other Responsibilities

- Institute and oversee special investigations, as needed.
- Review and assess the adequacy of the Committee Charter annually, requesting Board approval for proposed changes.
- Confirm annually that all responsibilities outlined in this Charter have been carried out.
- Evaluate, on a regular basis, the Committee's effectiveness in executing its responsibilities
- Perform other activities related to this Charter as requested by the Board.

This Charter of the Audit & Finance Committee of the CPS Energy Board of Trustees is hereby approved this ~~18th~~-~~22nd~~ day of ~~February~~-~~May~~ 2023/4.

*Charter Created: 10/29/2001
Last Revised: 5/22/2023*

CPS Energy Board of Trustees

AUDIT & FINANCE COMMITTEE CHARTER

I. Role of the Audit & Finance Committee

The Audit & Finance Committee (the “Committee”) is appointed by, and is a standing committee of, the CPS Energy Board of Trustees (Board). The role of the Audit & Finance Committee is to assist the Board in fulfilling its oversight responsibilities for CPS Energy related to the following:

- quality and integrity of the financial statements and the financial reporting process;
- review of financial policies for the organization
- review of proposed transactions relative to investment and debt activities
- compliance with legal and regulatory requirements;
- qualifications, independence, and performance of the external auditors;
- qualifications, independence, and performance of the internal audit function;
- system of internal controls regarding financial reporting, accounting, finance, ethics, and compliance; and
- management of business/financial risks.

The role also includes coordination with other Board committees/members and maintenance of strong, positive working relationships with management, external and internal auditors, legal counsel, and other financial advisors to management. In addition to CPS Energy, the Committee also has oversight for the 28% and 12% South Texas Project (STP) Nuclear Decommissioning Trusts.

II. Authority

The authority of the Committee is to exercise its business judgment, report to the Board, and recommend to the Board and/or management actions that the Committee reasonably believes to be in the best interest of CPS Energy. The Committee has authority to conduct or authorize investigations into any matters within its scope of responsibility.

It is also empowered to:

- Recommend for final approval by the Board the appointment and compensation of any registered public accounting firm(s) employed by the organization to conduct the annual external audit of CPS Energy's financial statements (i.e., the external auditors) and other agreed upon engagements, and oversee the work of any such firm(s);

*Charter Created: 10/29/2001
Last Revised: 5/22/2023*

- Pre-approve all audit and non-audit services that may be requested of the audit firm(s) selected to perform the annual financial statements audit;
- Review at least annually, updates to financial policies which provide financial direction for management and ensure the financial integrity of the organization;
- Review management recommendations for new financing (includes refinancing) and investment transactions in accordance with policies and bond ordinances;
- Approve the remuneration of the Chief Audit Executive (CAE), as well as the appointment or removal of the CAE.
- Retain independent legal counsel, accountants, or others to advise the Audit & Finance Committee or assist in the conduct of an investigation, as warranted, with the Board's concurrence;
- Seek any information it requires from employees all of whom are directed to cooperate with the Committee's requests or external parties; and
- Meet as needed with company officers (including the General Counsel), internal auditors, external auditors, or outside legal counsel.

III. Committee Membership

The Committee shall consist of two (2) Board members. Audit & Finance Committee appointments, including designation of one member as the Audit & Finance Committee chairperson, shall be approved annually by the full Board.

Over time, the utility business and industry will change in response to evolving financial, industry, regulatory, economic, reporting, or other developments. It is therefore important for the Board to periodically re-evaluate its members' experiences, competencies, and the overall balance of skills on the Committee in response to emerging needs.

IV. Meetings

The Committee shall meet at least two (2) times per calendar year. Additional meetings shall be scheduled as considered necessary by the Committee or the Committee Chair. All members are expected to attend each meeting. The committee will invite members of management, the external and/or internal auditors, and/or others to attend meetings and provide pertinent information, as necessary. The Committee will hold private meetings with the auditors (see below) and executive sessions, as warranted. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Meeting minutes will be prepared for each meeting.

*Charter Created: 10/29/2001
Last Revised: 5/22/2023*

V. Responsibilities

The Audit & Finance Committee will carry out the following responsibilities:

A. Financial Policies, Transactions and Reporting

- Review and discuss with management and the external auditors all critical financial and accounting policies and practices used by the company, as well as any significant financial reporting issues, including complex or unusual transactions and highly judgmental matters;
 - any significant changes in company financial and accounting policies as well as recent professional and regulatory pronouncements;
 - any material alternative financial and accounting treatments;
 - any financial and accounting proposals that may have a significant impact on the company's financial reports and metrics;
 - results of the annual financial audit, including any difficulties encountered; and
 - all matters required to be communicated to the Committee under generally accepted auditing standards.
- Review the annual financial statements, and consider whether they are complete, consistent with information known to Committee members, and reflect appropriate accounting principles.
- Review other sections of the annual report and related regulatory filings before release and consider the accuracy and completeness of the information.
- Understand how Management develops interim financial information, and the nature and extent of internal and external auditor involvement.

B. Internal Control and Risk Management

- Consider the effectiveness of CPS Energy's system of internal controls, including information technology security and control.
- Understand the scope of the internal and external auditors' reviews of internal controls and obtain reports on significant findings and recommendations, together with Management's responses.
- Understand CPS Energy's business risk profile and controls in selected areas representing significant financial and/or business risk (operational, legal, reputation, etc.).
- Meet periodically with management to review CPS Energy's major financial risk.

C. Internal Audit

- Approve the Audit Services Charter.
- Approve the risk-based internal audit plan.
- Approve Audit Services' budget and resource plan.
- Receive communications from the Chief Audit Executive on Audit Services' performance relative to its plan and other matters.
- Approve decisions regarding the appointment and removal of the Chief Audit

*Charter Created: 10/29/2001
Last Revised: 5/22/2023*

Executive.

- Approve the remuneration of the Chief Audit Executive.
- Make appropriate inquiries of management and the Chief Audit Executive to determine whether there is inappropriate scope or resource limitations.

D. External Audit

- Review the qualifications of the external auditors; oversee due diligence responsibilities relative to the selection, compensation and terms of engagement for the external audit firm(s); and recommend final approval on the appointment or discharge of the external auditors to the Board.
- Review and confirm the independence of the external auditors by obtaining statements from them on their relationships with CPS Energy, including any non-audit services, and by discussing these relationships with the external auditors.
- Review the external auditors' proposed audit scope and approach, including coordination of their audit effort with internal audit.
- Meet with the external auditors and appropriate CPS Energy staff at the end of the annual audit to review the audit results and financial statements.
- Resolve any disagreements between management and the external auditors regarding financial reporting.
- Meet separately with the external auditors to discuss any matters that the Committee believes should be discussed privately.

E. Ethics

- Review the process for communicating the CPS Energy ethics policy/code of conduct to company personnel, including the annual training plan.
- Review the effectiveness of the system for monitoring compliance with the CPS Energy ethics policy/code of conduct, including the process for handling actual or perceived conflicts of interest.
- Review results of Ethics-related investigations by management (and follow-up, including disciplinary action) of any instances of noncompliance.

F. Compliance

- Understand the system for monitoring compliance with laws and regulations; review results of investigations by management and follow-up, including disciplinary action of any instances of noncompliance.
- Review the findings of any examinations by regulatory agencies and any internal or external auditor observations regarding compliance.
- Obtain regular updates from management and company legal counsel regarding compliance matters, including review and assessment of any significant conflicts of interest and related-party transactions.

*Charter Created: 10/29/2001
Last Revised: 5/22/2023*

G. Reporting Responsibilities

- Provide an open avenue of communication between internal audit (Audit Services), the external auditors, and the Board.
- Report on a regular basis to the Board about Committee activities, issues, and related recommendations.

H. Other Responsibilities

- Institute and oversee special investigations, as needed.
- Review and assess the adequacy of the Committee Charter annually, requesting Board approval for proposed changes.
- Confirm annually that all responsibilities outlined in this Charter have been carried out.
- Evaluate, on a regular basis, the Committee's effectiveness in executing its responsibilities
- Perform other activities related to this Charter as requested by the Board.

This Charter of the Audit & Finance Committee of the CPS Energy Board of Trustees is hereby approved this 22nd day of May 2023.

A RESOLUTION

APPROVING AND AUTHORIZING THE EXPANSION AND CONSTRUCTION OF THE CHULIE SUBSTATION AND THE ACQUISITION OF FEE SIMPLE TITLE AND PROPERTY EXCHANGES WITH OUTSIDE ENTITIES FOR THE PROPERTY LOCATED AT 8111 N. US HWY 281 IN NORTHEAST SAN ANTONIO, BEXAR COUNTY, TEXAS, EITHER BY PURCHASE THROUGH NEGOTIATIONS OR BY THE PROCESS OF EMINENT DOMAIN, FOR EXPANSION AND OPERATION OF THE CITY OF SAN ANTONIO ELECTRIC SYSTEM, INCLUDING THE CONSTRUCTION, OPERATION, EXPANSION, AND MAINTENANCE OF A SUBSTATION, ELECTRIC TRANSMISSION LINES, DISTRIBUTION LINES, COMMUNICATION SYSTEMS, AND RELATED APPURTENANCES.

WHEREAS, CPS Energy staff identified the need for the expansion of the existing Chulie substation to satisfy the power needs to support growth of the San Antonio International Airport and to enhance reliability of the CPS Energy electric system within northeast San Antonio, Bexar County, Texas (the "Chulie Substation Expansion Project");

WHEREAS, the Chulie Substation Expansion Project has a projected completion date by June 2026;

WHEREAS, the Board agrees with the staff's determination that selected site for the expansion of the Chulie substation is the best option to provide the necessary support of the expanding airport and its greater power needs:

WHEREAS, the Board finds necessary and desirable the construction and expansion of the Chulie Substation and the acquisition of fee simple title and property exchanges with outside entities for the property located at 8111 N. U.S. Hwy 281 in northeast San Antonio, Bexar County, Texas for the construction, operation, expansion, and maintenance of the City of San Antonio Electric System, including the construction, operation, expansion and maintenance of the Chulie Substation Expansion Project, either by purchase through negotiations, or by the process of eminent domain approved by the San Antonio City Council.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY PUBLIC SERVICE BOARD OF TRUSTEES that:

1. The recitals to this Resolution are hereby incorporated for all purposes.
2. The Board finds that the Chulie Substation Expansion Project is of great importance and necessary to the public and for the public use, and that CPS Energy has taken into account appropriate environmental, health and safety concerns in designating the recommended site.

3. The Board hereby approves the CPS Energy Chulie Substation Expansion Project to be constructed on the recommended site as generally depicted on the Project Site Map attached to this Resolution as Exhibit "A" and hereby incorporated for all purposes, and directs CPS Energy staff and attorneys to proceed with the necessary steps to undertake and complete the Chulie Substation Expansion Project.
4. The Board authorizes the President and CEO of CPS Energy and/or his designee to take the necessary steps to complete the Chulie Substation Expansion Project as depicted generally on Exhibit A.
5. The Board finds that the acquisition of easement rights, fee simple title to properties, and property exchanges with outside entities at the recommended site is necessary for the important public purpose and use of the construction, operation, expansion and maintenance of the City of San Antonio's Electric System, including the CPS Energy Chulie Substation Expansion Project. The Board hereby authorizes acquisition of easement rights, fee simple title, and property exchanges with outside entities necessary for CPS Energy's Chulie Substation Expansion Project, either by purchase through negotiations or by the process of eminent domain, as well as all other lawful action necessary and incidental to such acquisitions or eminent domain proceedings to survey, specify, define, and secure the necessary title and rights.



**CPS Energy Board of Trustees Meeting
May 22, 2023
APPROVAL of PROCUREMENT ITEMS
Table of Contents**

1.	Item Description:	Substation and Transmission Related Civil Engineering Services
	Purchase Category:	Professional Services
	Supplier:	Civil Design Services, Inc.
		Kimley-Horn and Associates, Inc.
		Moy Tarin Ramirez Engineers, LLC

2.	Item Description:	Wooden Poles
	Purchase Category:	Commodity & Material Goods
	Supplier:	Stella-Jones Corporation
		Telecom Electric Supply, LLC

Approval: *Lisa D. Lewis*
Lisa Lewis, Chief Administrative Officer

Approval: *Rudy Garza*
Rudy Garza, President & CEO



CPS Energy Board of Trustees Meeting
May 22, 2023
Procurement Form 1

Item Description	Substation and Transmission Related Civil Engineering Services
Purchase Order Value	\$6,000,000
Purchase Category	Professional Services
Department	Energy Delivery Services
VP T&D Engineering & Grid Transformation	Ricardo Maldonado
EVP Energy Delivery Services	Richard Medina

Detailed Description

CPS Energy staff recommends that contracts be awarded to Moy Tarin Ramirez Engineers, LLC, a local/diverse firm, and Civil Design Services, Inc. and Kimley-Horn and Associates, Inc., both local firms, as the respondents who will provide the services at the best value for CPS Energy based on the evaluation criteria set forth below.

These contracts are for routine civil engineering services for the site design of electrical substations and transmission lines. Design services such as grading, drainage, foundations, and permitting will be supported by these contractors. These contracts also help to supplement CPS Energy’s internal Civil Engineering Department. These contracts will expire on June 14, 2026.

Subcontracting Opportunities

Kimley-Horn and Associates, Inc. has committed to subcontracting 20% of overall spend to the following diverse businesses:

- Arias and Associates, Inc. is a local, small, Hispanic American-owned business providing geotechnical engineering services.
- Summit Geomatics is a local, small, Hispanic American-owned, HUBZone business providing surveying services.

Civil Design Services, Inc. has committed to subcontracting 20% of overall spend to the following diverse business:

- MP Studios, LLC is a local, small business providing landscape architecture services.

The solicitation method for this procurement was a Request for Qualifications (RFQ)¹. An evaluation team considered the following weighted evaluation criteria to determine the best value to CPS Energy.

Evaluation Criteria	Points
Experience and qualifications to perform the Services	56
Safety records and training program	20
The financial soundness of the Respondent	20
The ability to meet CPS Energy’s requirements	4
TOTAL	100

¹ CPS Energy is unable to consider price or economic development as Evaluation Criteria for RFQ’s.



CPS Energy Board of Trustees Meeting
May 22, 2023
Procurement Form 1

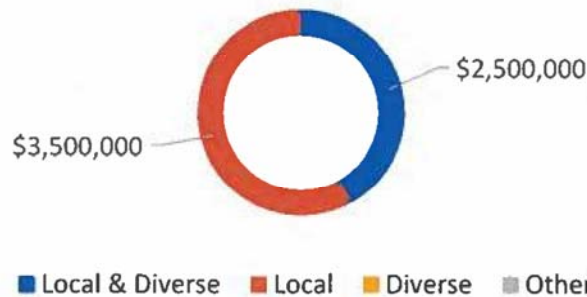
Recommended Respondent(s) & Award					
Respondent Name	SBA Classification & Details	Score	PO Value	PO #	Comments
Civil Design Services, Inc.	Local	94	\$2,500,000	2211755	Corporate headquarters based in San Antonio Metropolitan Area
Moy Tarin Ramirez Engineers, LLC	Local/Diverse (Small, Hispanic American-Owned)	92	\$2,500,000	2211453	Corporate headquarters based in San Antonio Metropolitan Area
Kimley-Horn and Associates, Inc.	Local	88	\$1,000,000	2211756	
TOTAL			\$6,000,000		

Fourteen (14) additional respondents were not recommended for award: Alisto Engineering Group; ASEC, Inc.; Binkley & Barfield, Inc; Black and Veatch; Burns & McDonnell; EN Engineering, Inc; Halff Associates; Patterson & Dewars; POWER Engineers, Inc; Power Grid Engineering (QUALUS); Testengeer, Inc; TRC Solutions, Inc; TTL; and Stanley Consultants.

Annual Funds Budgeted						
Corporate Annual Budget	Funding Method	Projected FY2024 PO Spend	% of FY2024 Annual Corp Budget	Projected FY2025 PO Spend	Projected FY2026 PO Spend	Projected FY2027 PO Spend
\$940,520,261	Capital	\$1,500,000	0.16%	\$2,000,000	\$1,500,000	\$1,000,000
\$773,000,000	Non-Fuel O&M	\$0	0%	\$0	\$0	\$0

Our current approved budget and latest estimates support these new purchase orders.

Procurement Item: Professional Services





CPS Energy Board of Trustees Meeting
May 22, 2023
Procurement Form 2

Item Description	Wooden Poles
Purchase Order Value	\$90,000,000
Purchase Category	Commodity & Material Goods
Department	Distribution Engineering
VP T&D Engineering & Grid Transformation	Ricardo Maldonado
EVP Energy Delivery Services	Richard Medina

Detailed Description

CPS Energy staff recommends that contracts for the supply of various wooden poles be awarded to Stella-Jones Corporation and Telecom Electric Supply, LLC, a diverse firm, as the respondents who will provide the materials at the best value for CPS Energy based on the evaluation criteria set forth below.

These contracts are for the procurement of wooden poles that will be used for the construction of our distribution infrastructure and for the ongoing pole replacement program. Wooden poles are among the many commodity items affected by nationwide supply chain constraints, and as such, two (2) suppliers are recommended for award to expand supply availability. The purchase order value has also increased 55% from the previous contract term to account for rapidly escalating prices experienced in this market. These contracts will support the growth of CPS Energy service territory and ongoing compliance requirements through their expiration on May 31, 2028.

Subcontracting Opportunities

Stella-Jones Corporation has committed to subcontracting their pole transportation services to Smith Trucking, a small, African American-owned business.

Telecom Electric Supply, LLC supplies wooden poles from a woman-owned pole manufacturing company, Thomasson Company.

The installation of this material also provides opportunity for CPS Energy construction contractors where prime and subcontracting opportunities to local and diverse businesses are available.

The solicitation method for this procurement was a Request for Proposals. An evaluation team considered the following weighted evaluation criteria to determine the best value to CPS Energy.

Evaluation Criteria	Points
Experience, warranty, quality control, and contingencies	30
The overall cost	30
The ability to meet CPS Energy's requirements	25
Economic Development (local & diverse consideration)	10
The financial soundness of the Respondent	5
TOTAL	100



CPS Energy Board of Trustees Meeting

May 22, 2023

Procurement Form 2

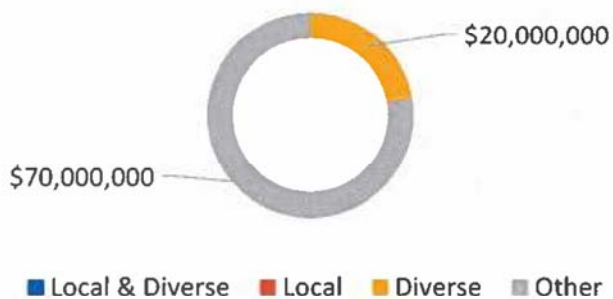
Recommended Respondent(s) & Award					
Respondent Name	SBA Classification & Details	Score	PO Value	PO #	Comments
Stella-Jones Corporation		83%	\$70,000,000	3073363	
Telecom Electric Supply, LLC	Diverse (Small)	34%	\$20,000,000	3073364	
TOTAL			\$90,000,000		

Two (2) additional respondents were not recommended for award: KBS Electrical Distributors, Inc. and Texas Electric Cooperatives Inc.

Annual Funds Budgeted						
Corporate Annual Budget	Funding Method	Projected FY2024 PO Spend	% of FY2024 Annual Corp Budget	Projected FY2025 PO Spend	Projected FY2026 PO Spend	Projected FY2027 PO Spend
\$940,520,261	Capital	\$9,030,000	1%	\$15,480,000	\$15,480,000	\$15,480,000
\$773,000,000	Non-Fuel O&M	\$1,470,000	0.2%	\$2,520,000	\$2,520,000	\$2,520,000

Our current approved budget and latest estimates support these new purchase orders.

Procurement Item: Commodity & Material Goods





OPERATIONS OVERSIGHT COMMITTEE (OOC) MEETING

EXECUTIVE SUMMARY AND CHAIR REPORT FROM THE APRIL 10, 2023 MEETING PREPARED FOR COMMITTEE CHAIR, DR. FRANCINE ROMERO FOR REPORT AT THE MAY 22, 2023 BOARD OF TRUSTEES MEETING

The Operations Oversight Committee met on April 10, 2023. As part of the agenda, the Committee:

- A. Approved meeting minutes from the prior meeting held on November 10, 2022.
- B. Received a preview of Procurement items that included:
 - a. A new contract for Civil Engineering Services
 - b. A new contract for Specialty Scaffolding Services
 - c. A new contract for Physical Security Services
 - d. A new contract for Weatherization Services as part of the new STEP program
 - e. A new contract for Wooden Poles
 - f. And an overview of future funding requests for Summer 2023.
- C. Received a PUC Market Design Update that included:
 - a. An overview of policy issues regulators are addressing to ensure there are enough generators to keep up with growth
 - b. A review of the change to focus on dispatchable generation and why this is important
 - c. A discussion on short- and long-term market changes that may be adopted by the PUC and ERCOT to incentivize generator investments
 - d. And an overview of potential Market Policy changes during the Legislative Session.
- D. Received a verbal update on the Good Neighbor Plan Rule, also known as the Cross-State Air Pollution Rule, that included:
 - a. An update on the Environmental Protection Agency's (EPA's) rejection of Texas's State Implementation Plan to reduce NOx emissions during summer months
 - b. A discussion on potential financial impacts to CPS Energy if we are forced to operate under the Federal Implementation Plan
 - c. And a discussion on options and potential ERCOT requirements if the current Texas Attorney General, Texas Commission on Environmental Quality (TCEQ) and private entity lawsuits against the EPA's rejection of the state plan are unsuccessful in delaying implementation of the Federal plan.

- E. Received an update on the proposed FY2024 Performance Measures that included:
 - a. An overview of the performance measures and a balanced approach to drive performance
 - b. A discussion on three levels of performance measures which align to the Corporate Strategic Objectives
 - c. And an overview of the proposed FY24 Board Measures.

The next meeting of the Operations Oversight Committee meeting is June 29, 2023.



AUDIT & FINANCE COMMITTEE (A&F)

EXECUTIVE SUMMARY AND CHAIR REPORT FROM THE APRIL 19, 2023 MEETING PREPARED FOR CHAIR JANIE GONZALEZ FOR REPORT AT THE MAY 22, 2023 BOARD OF TRUSTEES MEETING

The Audit & Finance Committee met on April 19, 2023. As part of the Audit & Finance Committee agenda, the Committee:

- A. Approved meeting minutes from the prior meeting held on March 2, 2022.
- B. Provided an overview of FY2023 financial reporting & audit process. The external auditors from KPMG and Shriver, Carmona & Co. were introduced.
- C. Received the results of the external audit from KPMG. Informed that the external audit process progressed more smoothly this year than the first year of the audit and there were no outstanding matters, no uncorrected misstatements, no corrected misstatements, and no deficiencies identified.
- D. Received an update on the Ethics Program, including a summary of the types and numbers of cases that were opened and closed from February 1, 2023 through March 31, 2023, and a trend analysis based on case category for FY2022 versus FY2023.
- E. Provided a procurement preview of new contracts and future funding requests. The new contracts were for civil engineering services, power generation scaffolding services, physical security services, weatherization services, and wooden poles.
- F. Provided an overview of the annual audit planning process, audit universe, and risk universe. Informed that the Enterprise Risk Management Services (ERMS) enterprise risk landscape is leveraged during the annual audit planning process. Approved the FY2024 proposed list of audit projects.
- G. Reviewed proposed revisions to the Audit & Finance Committee Charter (Charter) and agreed with the revisions and moving forward with providing the revised Charter for approval in the consent agenda at the May 22, 2023 Board meeting.

The next meeting of the Audit & Finance Committee will be held in July 2023.



EMPLOYEE BENEFITS OVERSIGHT COMMITTEE (EBOC)

EXECUTIVE SUMMARY AND CHAIR REPORT FROM THE APRIL 19, 2023 MEETING PREPARED FOR COMMITTEE CHAIR JANIE GONZALEZ FOR REPORT AT THE MAY 22, 2023 BOARD OF TRUSTEES MEETING

The EBOC met on April 19, 2023. As part of the EBOC agenda, the Committee:

- A. Approved meeting minutes from the prior meeting held on March 3, 2023.
- B. Reviewed the Action Items list from the meeting held on March 3, 2023.

The Committee also received presentations regarding:

- C. A Benefit Plans Administrative & Financial Update, which highlighted the following topics: governance overview; annual calendar review; CY 2022 audit results with an unmodified (“clean”) opinion by BDO USA, LLP for each plan (Pension, Health, Life, & Disability); and trusts investment performance for CY2022, since inception and YTD thru February.
- D. An Administrative Committee (AC) Membership & Succession Planning update, including a recommendation to revise the term that a member serves on the AC.

The next meeting of the EBOC will be held in July 2023.



SUMMER 2023 PREPAREDNESS

PRESENTED BY:
EXECUTIVE LEADERSHIP TEAM

May 22, 2023

Informational Update



AGENDA



- **PREPAREDNESS OVERVIEW**
- **SUMMER WEATHER OUTLOOK**
- **TEAM READINESS:**
 - **ENERGY SUPPLY**
 - **ENERGY DELIVERY SERVICES**
 - **CUSTOMER STRATEGY & COMMUNICATIONS**

Our team will share an update on how we are preparing for upcoming summer conditions.



SUMMER PREPAREDNESS OVERVIEW



SUMMER PREPAREDNESS OVERVIEW



SAFETY

Heat-related illnesses (fatigue), snake / insect bites, emergency operations preparation, hazardous driving conditions

OPERATIONAL

Weather and market forecasts, power plant readiness and ERCOT certification, review business continuity plans, mitigation of material shortages, collaboration with the Emergency Operations Center

EQUIPMENT

Inspection, testing, and tuning of power plants and critical assets, material staging, inventory checks

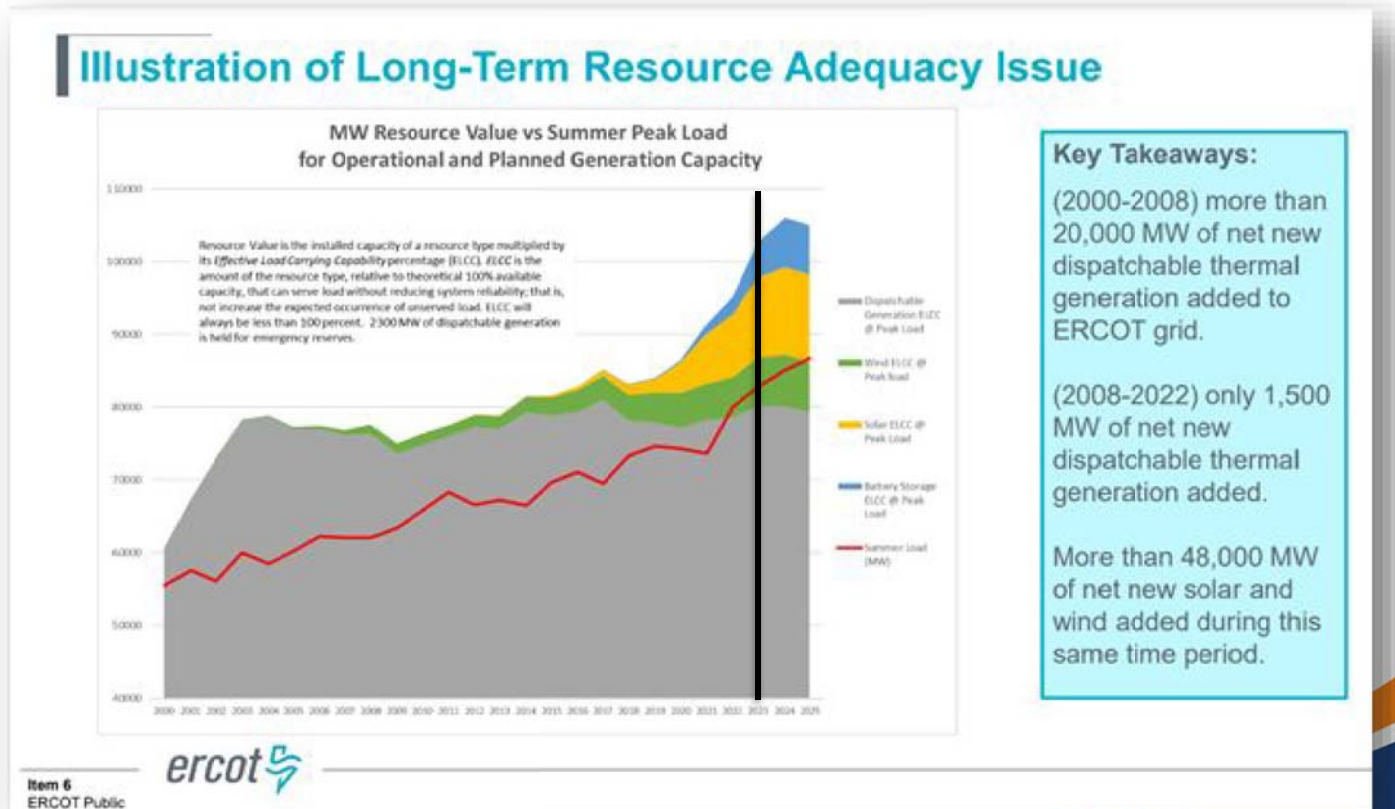
We leverage lessons-learned to enhance system performance and emergency response during significant events.

ERCOT MARKET FORECAST

GROWING CONCERNS ON RESOURCE ADEQUACY



- The latest ERCOT reports forecast enough energy for typical summer weather
- Risk is growing as the customer demand is outpacing firm generation supply, which is leading to a growing dependence on renewables to serve load



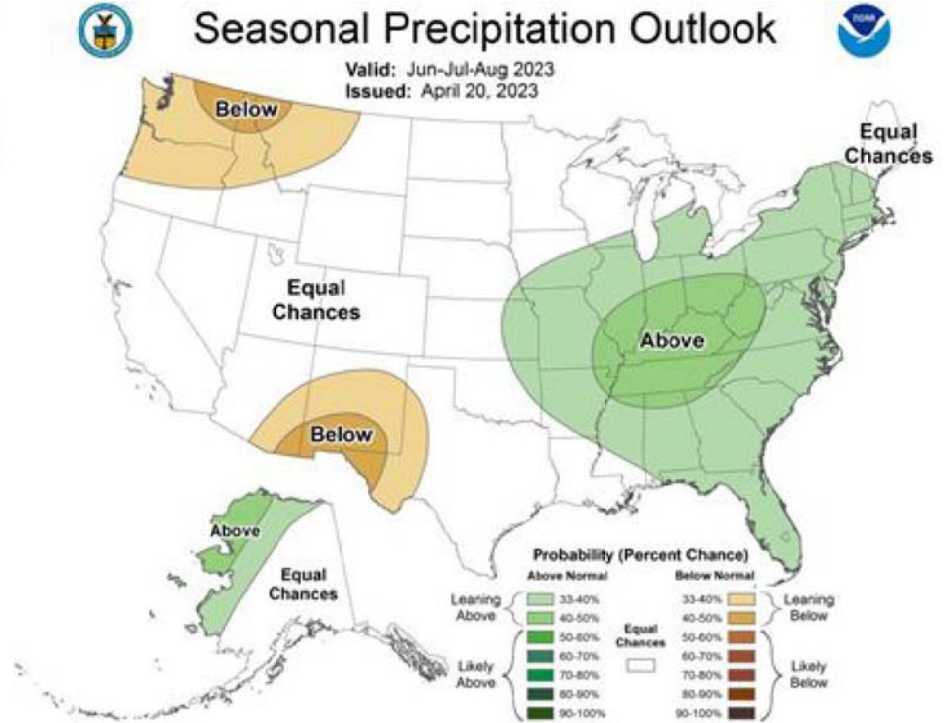
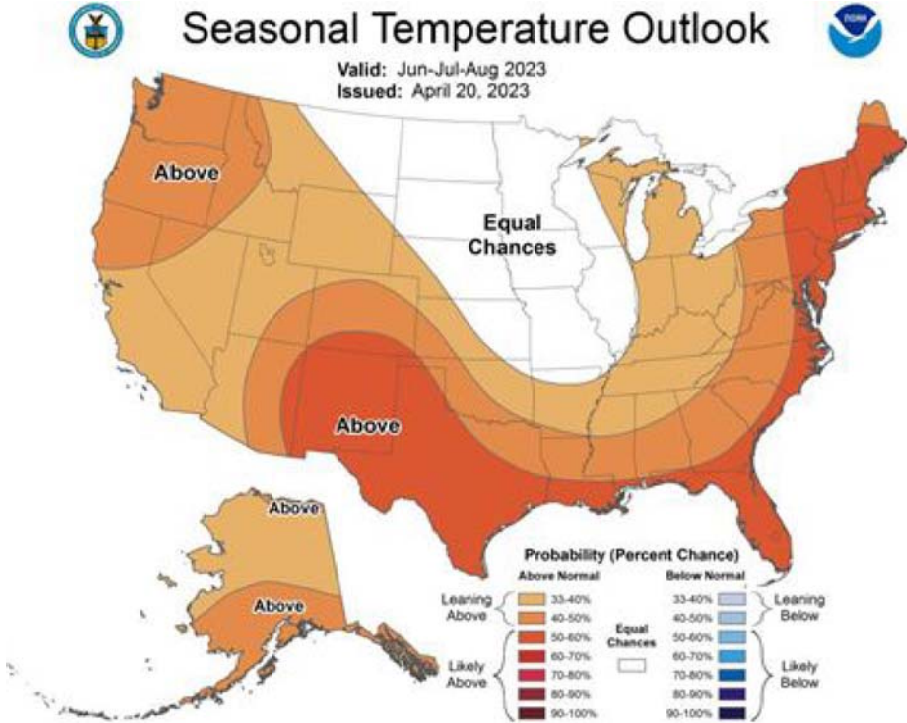


SUMMER WEATHER OUTLOOK



PRELIMINARY WEATHER OUTLOOK

TEMPERATURES & PRECIPITATION



Above normal temperatures and improvement to drought is expected. No clear signal for precipitation, with equal chances that rainfall could be below, near, or above normal.

SUMMER TROPICAL OUTLOOK

EL NIÑO DEVELOPING



- El Niño causes high wind shear in most of the Atlantic Basin which helps to tear storms apart.
- Near to below average hurricane season is expected due to El Niño.

El Niño is characterized by unusually warm ocean temperatures along the Equatorial Pacific. This image shows a strong El Niño in 2016.

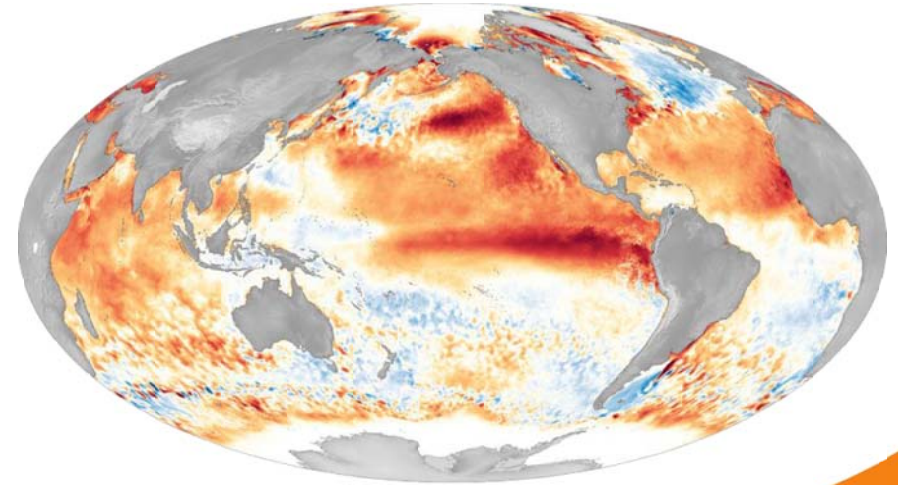


Image courtesy of NOAA/NESDIS



TEAM READINESS:
ENERGY SUPPLY
ENERGY DELIVERY SERVICES
CUSTOMER STRATEGY & COMMUNICATIONS





ENERGY SUPPLY

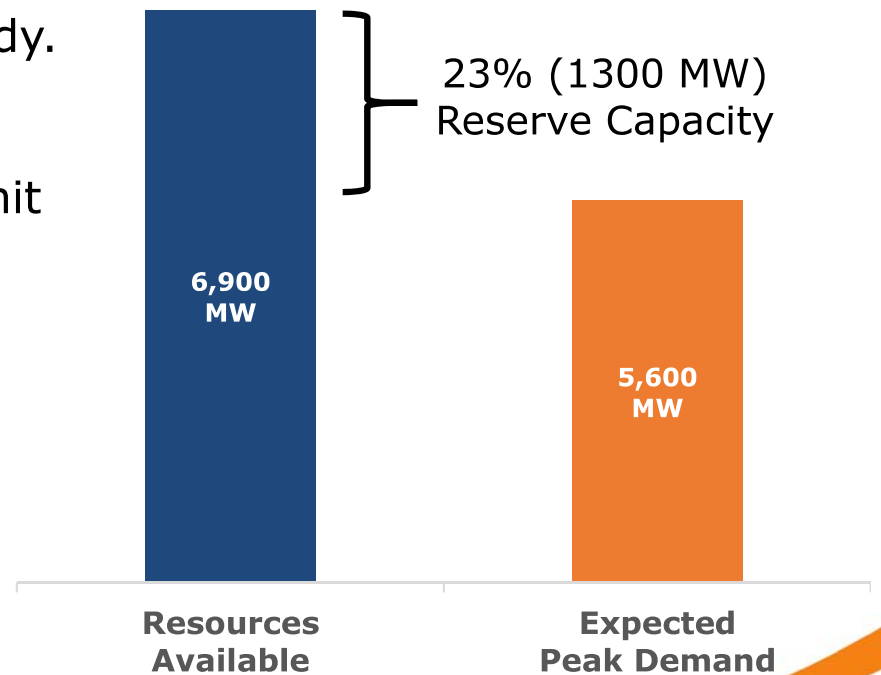


ENERGY SUPPLY SUMMER READINESS



- Demand Response programs tested and ready.
- Reserve capacity available to manage uncertainty such as extreme weather and unit outages.
- Provisions for fuel supply in place.
- Coordinating with natural gas pipeline operators to manage pipeline outage risk.

Our Summer Peak Position



Preparations in place to respond to changing market conditions.

READINESS OF PLANTS

RELIABLE & RESILIENT OPERATIONS



- Team prepares for summer from February – May.
- Planned unit maintenance and inspections are complete.
- Plant systems and equipment checked.
- Support contracts have been established.
- Plant operating plans updated.
- Our ERCOT certification will be received by June 1.

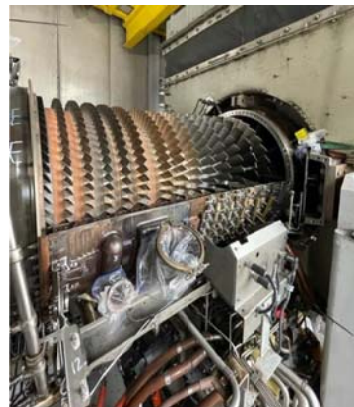
Critical Component Improvements



Employee Preparations



Equipment Maintenance





ENERGY DELIVERY SERVICES



OPERATIONS



Workforce Readiness

- Summer safety topics
- Vehicle and equipment inspections

Restoration Materials

- Stocking material levels

System Improvements

- Work prioritization
- Critical work order completion



Employee Preparations



Equipment Maintenance



Critical Component Improvements

**Prioritization of materials and work orders
will be a key component of our team's success.**

OPERATIONS & RELIABILITY



Load Shed

- Maintain increased capacity
- Maintain readiness

Trainings

- Load shed
- ERCOT-led Blackstart

Drills & Exercises

- City of San Antonio Emergency Operations Center summer planning meeting
- Incident Management Team severe event exercise
- ERCOT outage coordination meeting
- ERCOT hurricane drill



**Arc & Spark demo for
San Antonio Fire Department**

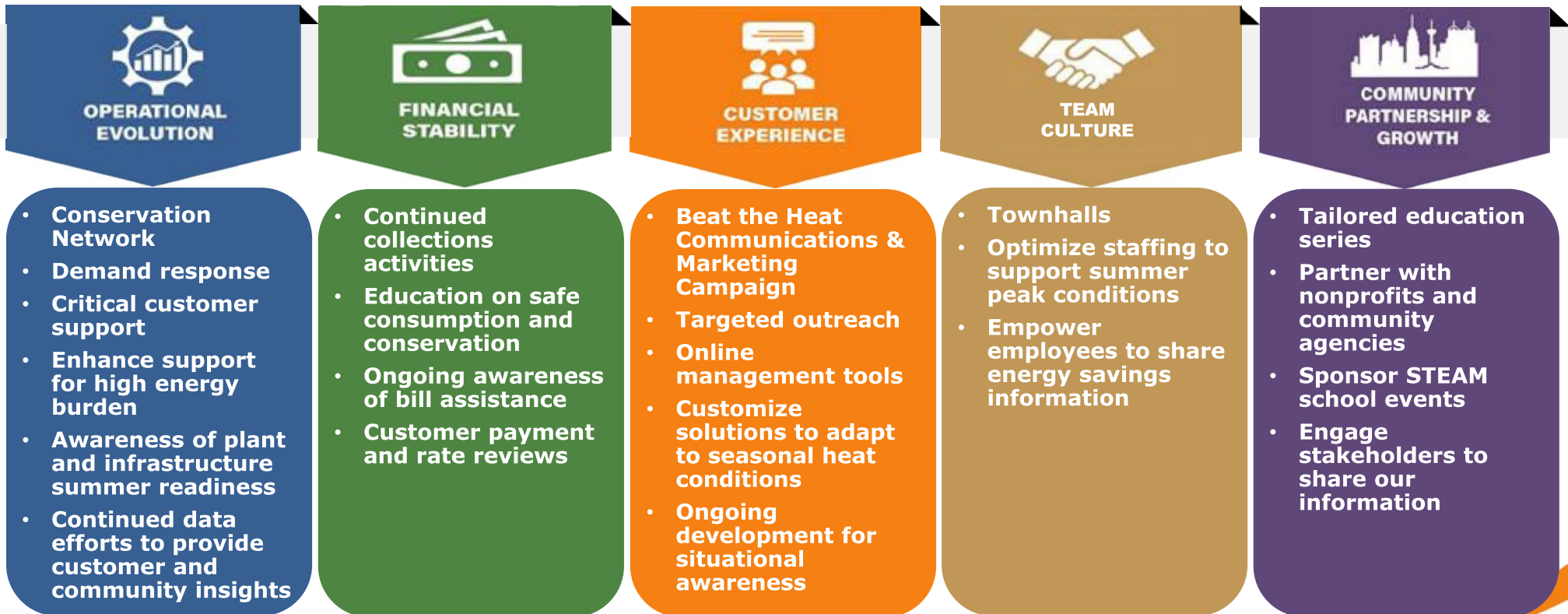
Communication and collaboration with our partners are critical components of our preparedness initiatives.



CUSTOMER STRATEGY & COMMUNICATIONS



CUSTOMER FOCUS



We will connect our customers to resources to lower their energy bills and peak power demand throughout summer.

SUMMER MARKETING CAMPAIGN



Digital billboards



Digital ads



TV



Mall kiosks



Direct to customers



Bus ads



In-store

We are expanding our communications tactics to reach more customers about how to save energy, save money, and stay safe this summer.



Thank You





Appendix



GLOSSARY / DEFINITIONS



Acronym or Word	Definition
ERCOT	Electric Reliability Council of Texas
MDT	Mobile Data Terminal
PUC	Public Utility Commission



SUPPLY CHAIN IMPACTS TO DEVELOPMENT

PRESENTED BY:

Maria Stanton
VP, Supply Chain

Karma Nilsson, PE
VP, Customer Value Optimization

May 22, 2023

Informational Update





AGENDA

- **SUPPLY CHAIN CONSTRAINTS**
 - **MATERIAL IMPACTS**
 - **MITIGATION EFFORTS**
 - **DISTRIBUTION TRANSFORMERS**
 - **GOVERNMENT RESPONSE**
- **CUSTOMER IMPACTS**
 - **PROJECTS & TRANSFORMERS**
 - **ONGOING MITIGATION STRATEGIES**

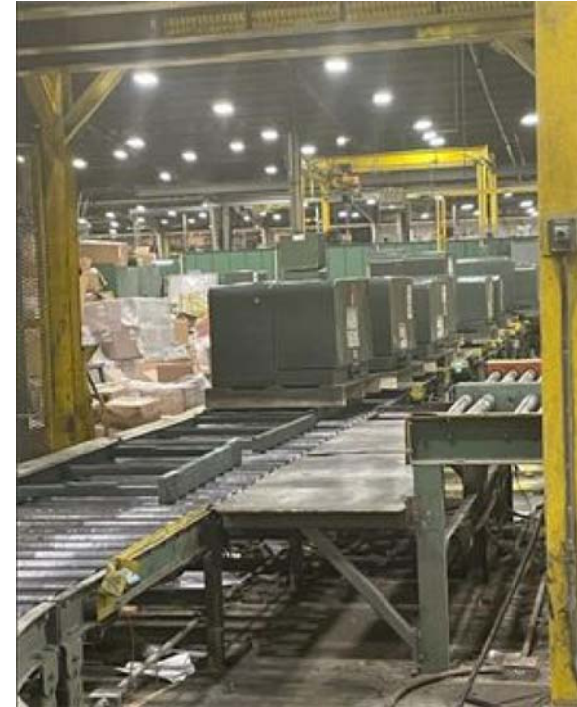
Our team remains focused on mitigating potential supply chain shortages that will impact our community.

SUPPLY CHAIN CONSTRAINTS

MATERIALS IMPACTED



- Distribution transformers
- Large insulated cable
- Wooden and steel poles
- Gas risers and regulators
- Commercial/industrial meter cans
- Subdivision construction materials



Single-phase transformers
on production line

**Our team remains engaged with our developer customers
to ensure two-way communication and updates.**

OUR TEAM'S MITIGATION EFFORTS



- Increased diversity of material sourcing (second and third contracts for items) and expanded list of vendors and manufacturers
- Continuous review of alternate materials and/or vendors
- Procurement of components and assembling final product in-house
- Review of customer-referred material for potential use
- Recertification and reuse of equipment

We are committed to finding every possible solution to mitigate the growing supply chain issues facing our industry.

DRIVERS OF CONSTRAINTS

DISTRIBUTION TRANSFORMERS



- **Primary drivers:** raw material and labor shortages, compounded by our booming growth (50% higher materials use compared to 2019)
- **Competing with:** system hardening; 5G projects; growth in other systems; US Infrastructure Bill; Inflation Reduction Act; EV demand for raw materials and manufacturing time



Supply of critical equipment and materials is decreasing while demand continues to grow, widening the gap between what is available and what is needed.



Home builders advised of transformer supply shortages

Our communication efforts began in 2021 via our Newsroom and outreach to our local media partners.

SUPPLY CHAIN CONSTRAINTS

GOVERNMENT RESPONSE



- Although the DOE engaged and considered use of the **Defense Production Act** to rapidly produce electric transformers, it instead prioritized domestic production of electric heat pumps and printed circuit boards for energy efficiency
- **Unintended consequences:** DOE's proposed new standard of amorphous steel cores in transformers, more energy efficient but heavier than traditional, grain-oriented electrical steel, will require thicker poles



CUSTOMER IMPACTS

SINGLE-PHASE, PAD MOUNT TRANSFORMERS



Primary Use: New subdivision construction requiring numerous transformers

Customer Segment: new subdivision developers, multi-family unit developers & high-volume home builders



SINGLE PHASE UNITS
Lead times up to 12 months

225
PROJECTS
NEEDING
TRANSFORMERS

3,454
TRANSFORMERS
NEEDED

645*
TRANSFORMERS
IN STOCK

4,339
TRANSFORMERS
ON ORDER

Working 6-days/week to install transformers & complete customer projects

All Data as of May 5, 2023

**not including stock reserved for restoration*

CUSTOMER IMPACTS

THREE-PHASE, PAD MOUNT TRANSFORMERS



Primary Use: New commercial & industrial construction with large loads

Customer Segment: commercial & logistics operations, medical/hospitals, manufacturing, electric vehicle chargers



THREE PHASE UNITS
Lead times up to 24 months

136
PROJECTS
NEEDING
TRANSFORMERS

147
TRANSFORMERS
NEEDED

89*
TRANSFORMERS
IN STOCK

211
TRANSFORMERS
ON ORDER

Customer-referred material program has resulted in the purchase of an additional 22 transformers

All Data as of May 5, 2023

**not including stock reserved for restoration*

CUSTOMER IMPACTS

ONGOING MITIGATION STRATEGIES



- Continue keeping customers informed
- Adjusted transformer design specifications to increase available units
- Modified electric infrastructure designs to allow partial electrification
- Ability for queue developers to swap like units among their own projects and with other developers
- Established a voluntary, residential development online waiting list to increase transparency on the numbers of units and projects in the queue
- Early load identification for future projects
- Advocated for support from the Texas legislature, as well as the U.S. Congress to incentivize increased manufacturing

Our commitment to a transparent and equitable process has led to better communications with our developers as we work through this issue to lessen these impacts on our community.



Thank You





Appendix





Rudy Garza
Interim President & Chief Executive Officer (CEO)

February 14, 2022

Mr. Shawn Hazard
Emergency Management Coordinator
Public Utility Commission of Texas
P.O. Box 13326
Austin, TX 78711

Dear Mr. Hazard:

Since the beginning of the pandemic, CPS Energy has been appreciative of the work the Public Utility Commission of Texas (PUC) has undertaken to promote greater communication and coordination with utilities. To that end, and in response to your previous request that utilities notify you of any supply chain constraints that may affect our operations, I write to inform you that CPS Energy's inventory of transformers is becoming depleted. While we are not yet without additional transformers, I am raising the issue to update the PUC and in case other utilities are experiencing similar issues.

With rigorous planning, CPS Energy has thus far managed to forestall the threat of resource scarcity. Now, though, the duration of shortages, compounded by the booming growth in our region, presents possible complications. As manufacturing production remains reduced, our stockpile of materials grows smaller, which may impede new development in San Antonio and would be problematic in the event of an emergency. Furthermore, because CPS Energy's electricity generation produces unique voltage levels, our specific transformers can be harder to acquire, making those few we have in reserve more critical.

I present this matter to ensure the PUC is apprised of the situation. Our best assessment as to why we are experiencing this reduction in supply is due to a growing shortage of raw materials such as steel, logistical challenges with delivery, and lingering COVID-related absenteeism in manufacturing facilities, both domestic and overseas.

My team and I are available to speak further and welcome the opportunity to work with the PUC and other utilities on ideas for collectively addressing supply chain issues. On behalf of the entire CPS Energy team, I appreciate your work and attention to this matter.

Sincerely,

Rudy Garza
Interim President & CEO

CC: CPS Energy Board of Trustees
CPS Energy Board Relations
Bexar County State Delegation

500 McCullough • San Antonio, Texas 78215





J.P. MORGAN INVESTOR FORUM HIGHLIGHTS

PRESENTED BY:

Cory Kuchinsky, CPA
Chief Financial Officer & Treasurer

May 22, 2023

Informational Update

AGENDA



- **INVESTOR RELATIONS**
- **J.P. MORGAN INVESTOR FORUM HIGHLIGHTS**
- **SUMMARY**

INVESTOR RELATIONS



- Create awareness and understanding of our company among the investor community
- Maintaining access to firms looking to invest funds on behalf of their investors is critical to supporting our community investments and funding needs
- Examples of investment firms holding our bonds:
 - Vanguard
 - Blackrock
 - Capital Group
 - Northern Trust
- Week of May 22 transactions:
 - Commercial Paper Refunding
 - Bond Tenders



Rudy Garza & Cory Kuchinsky presenting

J.P. MORGAN INVESTOR FORUM



- Opportunity to engage with both major holders and potential investors who have a focus in the utility space
- Topics of investor interest included:
 - Impact of potential Texas legislative changes
 - Potential future rate increase
 - Possible ERCOT / PUC changes
 - Generation plan updates



Attended J.P. Morgan Investor Conference (L-R):
Cory Kuchinsky, Rudy Garza, Eugene Diaz, Julie Johnson

SUMMARY



- Participating in these events provides an opportunity to engage in valuable interactions with both current and prospective investors
- Increases investor relations and interest in our debt that supports our capital spending on infrastructure for our growing community
- Great timing to meet with the investor community as we are entering the market for our Commercial Paper Refunding and Bond Tender transactions



Thank You

