

CPS ENERGY
MINUTES OF THE REGULAR MEETING OF THE BOARD OF TRUSTEES
HELD ON JANUARY 31, 2022

The Regular Meeting of the Board of Trustees of CPS Energy for the month of January was held on Monday, January 31, 2022 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 Dr. Mackey called the meeting to order at 1:02 p.m.

Present were Board members:

Dr. Willis Mackey, Chair

Ms. Janie Gonzalez, Vice Chair

Mr. Ed Kelley

Mr. John Steen

Mayor Ron Nirenberg (arrived at 1:11 p.m.)

Also present were:

Mr. Rudy Garza, Interim President & CEO

Ms. Shanna M. Ramirez, Chief Legal & Ethics Officer, General Counsel & Board Secretary

Mr. Frank Almaraz, Chief Power, Sustainability & Business Development Officer

Mr. Paul Barham, Chief Grid Optimization & Resiliency Officer

Ms. Vivian Bouet, Chief Information Officer

Mr. Cory P. Kuchinsky, Chief Financial Officer & Treasurer

Ms. Lisa Lewis, Chief Administrative Officer

Dr. Francine Romero

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. Denae Myers, Board Relations Manager.

III. PUBLIC COMMENT

No persons were registered, so no public comment occurred.

IV. CHAIR'S REMARKS

Chair Dr. Mackey stated that he has distributed a draft resolution regarding a generation planning to the other members of the Board of Trustees, and noted that his intent is to discuss the draft resolution at the next regular meeting.

Chair Dr. Mackey summarized the resolution: 1) direction for CPS Energy to provide the generation planning model requested by the Rate Advisory Committee (RAC) as soon as possible to allow the RAC to evaluate and have informed discussion on the costs, risks, timeline and generation alternatives available to transition from coal to low emission alternatives while maintaining reliability, 2) direction for the RAC to provide thoughtful input and perspective to the Board of Trustees on the generation planning model. Chair Dr. Mackey noted that he worked with Mr. Reed Williams, Chair of the RAC. He noted that he would like to have all Trustees give input at next month's meeting, so this Board could develop a plan with objectives and a timeframe.

Chair Dr. Mackey then noted that he will be assigning committees next month. He visited with Trustee Kelley, Chair of the Master Planning Oversight Committee (MPOC) and discussed the elimination of the Committee as CPS Energy has completed its new headquarters and is selling other properties. Therefore, the MPOC will be removed.

Chair Dr. Mackey then stated that Mr. Rudy Garza and other members of the leadership team, working with Mayor Nirenberg, City Council, and city staff, have done a tremendous job with the rate case. He noted that Mr. Garza has done a tremendous job in leading meetings and notifying members of the community, and that he received the confidence of City Council in an 8-3 vote. He further noted that in attending the meetings he heard several things he would like the Board to consider: 1) reviewing the appointment procedures in the Rate Advisory Committee Bylaws, and 2) reviewing management structure, operational efficiency and cost savings, corporate culture, and executive compensation at CPS Energy. Chair Dr. Mackey stated his intention is to appoint a Trustee to be the liaison on this review.

V. RECOGNITION OF TRUSTEE ED KELLEY

Upon a motion duly made by Trustee Steen, seconded by Vice Chair Gonzalez, the following resolution recognizing Trustee Kelley was brought forward for discussion and comments:

RESOLUTION IN HONOR OF ED KELLEY

WHEREAS, Mr. Ed Kelley has served the maximum of two five-year terms on the CPS Energy Board of Trustees, representing the Northwest Quadrant of the City, and held key leadership positions such as Board Chair, as well as Chair of several Board committees; and

WHEREAS, Mr. Kelley served in the role of Chair and during critical times of transition for CPS Energy and its Board of Trustees, provided valuable business guidance and leadership; and

WHEREAS, during his tenure, Mr. Kelley played a vital role in the selection of a President & CEO and several Board members, and he supported the Board in the appointment of over thirty new members to the Citizens Advisory Committee; and

WHEREAS, during his tenure, Mr. Kelley made outstanding contributions that solidified CPS Energy's financial position as a World-Class utility, maintained CPS Energy's competitive advantage, fostered the Greater San Antonio area's economic development, and helped CPS Energy and Greater San Antonio prepare for the challenges of the future; and

WHEREAS, during his tenure, CPS Energy's assets grew approximately 37.31 percent to a total of \$13,530,530,000 and CPS Energy conveyed \$3,572,063,000 to its owner – the City of San Antonio – as a return on investment; and

WHEREAS, during his tenure, the Board approved 15 new money bond transactions that totaled \$3,101,440,000 par amount of debt and 13 refunding bond transactions totaling \$3,021,800,000 that realized \$495,238,658 in gross lifetime debt service savings; and

WHEREAS, Mr. Kelley was a vital Board member of the SA Energy Acquisition Public Facility Corporation (PFC) prepaid gas transaction which enabled CPS Energy to purchase a 20-year supply of natural gas dedicated for use in CPS Energy's gas distribution system; and

WHEREAS, Mr. Kelley provided expert guidance, advice and strategic counsel on dozens of real estate transactions including the purchase and construction of the McCullough headquarters building and the sale of our downtown properties and others; and

WHEREAS, Mr. Kelley supported the development of EPIcenter and its mission; and

WHEREAS, Mr. Kelley worked with his fellow Trustees to support CPS Energy's 75th Anniversary of being owned by the City of San Antonio (COSA), as celebrated on October 24, 2017; and

WHEREAS, Mr. Kelley's strong real estate, financial expertise, business acumen, leadership and unselfish commitment of time and energy to the Board have greatly benefited not only CPS Energy but all its customers within the Greater San Antonio area.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Trustees conveys to Mr. Kelley its deep and abiding gratitude for his unselfish service to CPS Energy and its customers; and

BE IT FURTHER RESOLVED that this Resolution be incorporated into the minutes of this meeting of the Board of Trustees.

Chair Dr. Mackey then invited comments from community members. The following persons made comments noting their appreciation for Trustee Kelley's leadership and service to the CPS Board and San Antonio community:

1. Mr. Al Rodriguez
2. Mr. Derrick Howard
3. Mr. Jim and Ms. Katie Reed
4. The Honorable Henry Cisneros
5. Mr. John Kelly
6. Dr. Bruce and Ms. Cheryl Leslie
7. Mr. Michael Burke

Chair Dr. Mackey asked Ms. Ramirez to read the proposed resolution aloud. Trustee Steen, Vice Chair Gonzalez, Mayor Nirenberg, and Chair Dr. Mackey expressed their appreciation for Trustee Kelley's leadership on the CPS Energy Board of Trustees and their appreciation for working together on important issues.

Mr. Garza and Ms. Ramirez presented Trustee Kelley with a commemorative plaque and copy of the resolution. Mr. Garza and Ms. Ramirez also expressed their appreciation for Trustee Kelley's leadership and service to CPS Energy and its employees.

Trustee Kelley took a moment to respond, thanking individuals for their kind comments and stating he cared deeply about CPS Energy, its employees, and the City of San Antonio. He stated he was honored to be a small part of the CPS Energy team, and that he appreciated the 3,000 employees of CPS Energy that work around the clock to make sure the community is provided electricity.

Chair Dr. Mackey requested that the Board take a moment to take some commemorative pictures.

Upon affirmative vote by members present, the resolution was unanimously approved.

VI. INTERIM CEO'S REPORT

Mr. Garza began by highlighting accomplishments and opportunities as we head into the next fiscal year, which begins tomorrow. Mr. Garza noted that CPS Energy will continue to focus on engaging the public in a thoughtful and proactive manner to build trust with our customers.

Mr. Garza honored Mr. Paul Barham, Chief Grid Optimization & Resiliency Officer, on his retirement, and thanked him for his 35 years of service. Mr. Garza also thanked all 51 employees that are retiring today. Vice Chair Gonzalez, Trustee Kelley, Trustee Steen, Mayor Nirenberg, and Chair Dr. Mackey congratulated Mr. Barham and expressed their appreciation for his service. Mr. Barham expressed his appreciation for his time at CPS Energy.

Mr. Garza reported on the incoming weather and recent winter weather. Mr. Garza noted that CPS Energy was prepared for the freeze two weeks ago and communicated well with its partners and will continue to be prepared as San Antonio sees freezing temperatures this week. Mr. Garza noted we use a team approach to be prepared, and that the updated plans that have been implemented over the past year have put CPS Energy into a position to be better able to perform during freezing temperatures and meet our customer needs. Trustee Steen asked about the differences between Winter Storm Uri and expectations for this winter storm for those in the community. Mr. Garza responded that CPS Energy is developing more comprehensive messaging for our customers, and will be working with our partners on messaging, and have continued to encourage customers to plan for an emergency should there be an outage. Mr. Garza also noted that this storm is not expected to be as severe as Winter Storm Uri, and CPS Energy is much more prepared and has done the work to be ready.

Mr. Garza provided an update on customer service metrics, and CPS Energy's dedication in communicating and building trust with customers. Trustee Kelley commented that he believed the metrics were primarily attributable to Winter Storm Uri, which was an unforeseeable event. Vice Chair Gonzales commented that extreme circumstances do arise, and performance should be partially measured on the response to extreme events. Mr. Garza also provided information on operational and financial metrics to monitor in the next year.

Finally, Mr. Garza finally introduced employees in management roles:

Benny Etheridge, EVP of Energy Supply

Deanna Hardwick, Interim EVP of Customer Strategy

Richard Lujan, Interim EVP of Gas Solutions
Richard Medina, Interim EVP of Energy Delivery Services

Trustee Steen noted that at the December 13th meeting, he suggested that Mr. Garza add a fourth goal to his areas of focus: staunching the outflow of senior management. Trustee Steen noted that since that meeting, three of the most valued and experienced executives have taken other jobs or are retiring, including Mr. Barham. Trustee Steen further noted that the loss of senior management is an item that credit agencies take note of and was cited by Moody's in its January 21 downgrade. Finally, Trustee Steen urged Mr. Garza to make this issue a priority and share his plan with the Board. Mr. Garza responded that the best leaders in the world are challenged in keeping top talent, and that it will be difficult to retain these newly promoted leaders given the competition in the current industry market. Mr. Garza further noted that this is why he has a strong focus on the review of our compensation package to stay competitive. He noted that part of it is elevating leaders within the organization that are capable and part of it is the compensation system needs to be competitive. Chair Dr. Mackey noted that executive compensation is important to keep good employees.

VII. WINTER PREPAREDNESS PROGRESS REPORT

Mr. Barham provided a presentation on winter preparedness, noting that CPS Energy has implemented all CEP and internal recommendation for this winter and believes CPS Energy is prepared. Mr. Barham noted that other regulatory entities, including the PUC, continue to work on issues, but that statewide progress has been made by utilities. Finally, Mr. Barham noted that this will be the last regular report to the Board of Trustees as items have been implemented for this winter's preparedness and that a summary report has been completed. Mr. Barham also noted that updates and information will continue to be provided on these issues as we move forward on long-term action items. Trustee Steen asked if reporting was complete to the Municipal Utilities Committee (MUC), and if the MUC acknowledged the completeness and conclusion of reporting. Mr. Walsh responded that the pace of reporting by CPS and SAWS to the MUC has been on a monthly basis and after last week's meeting the reporting will move to quarterly. Mr. Walsh further noted that he didn't believe reporting on CEP items would ever be fully complete, but the MUC did acknowledge the completeness of work and appreciated the efforts, but that coordination between the entities would need to continue. Vice Chair Gonzalez inquired about prioritizing and budgeting for items, and Mr. Garza responded that if there was a budgetary impact it was include as part of the action plan.

VIII. EXECUTIVE SESSION

At approximately 2:37 p.m., Ms. Ramirez announced that the required notice had been posted and that the Trustees, with only necessary parties in attendance, would convene into Executive Session, pursuant to the provisions of Chapter 551 of the Texas Government Code, for discussion of a number of posted items, including the following:

- Attorney-Client Matters (§551.071)
- Real Property (§551.072)
- Prospective Gifts (§551.073)
- Personnel Matters (§551.074)
- Security Personnel or Devices (§551.076)
- Security Audits and Devices (§551.089)

- Confidential Information Under the Texas Homeland Security Act (§418.183(f))
- Economic Development Negotiations (§551.076)
- Competitive Matters (§551.086)

The Board reconvened in open session at 3:54 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.

IX. APPROVAL OF CONSENT ITEMS

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

- A. Approval of Minutes of the Special Board Meeting held on October 4, 2021 were approved as presented.
- B. Approval of Minutes of the Special Board Meeting as the Risk Management Committee held on November 1, 2021 were approved as presented.
- C. Approval of Minutes of the Regular Board Meeting held on November 15, 2021 were approved as presented.
- D. Approval of Minutes of the Regular Board Meeting held on December 13, 2021 were approved as presented.
- E. Approval of Payment to the City of San Antonio for December 2021

The New Series Bond Ordinance that took effect February 1, 1997 provides for a total cash payment to the City of San Antonio (City) in an amount not to exceed 14% of gross revenue as calculated pursuant to such Ordinance, less the value of other services provided to the City, with the percentage (within the 14% limitation) to be determined by the governing body of the City. The cash transfer to the City for the month of December 2021 is based on actual gross revenue per the New Series Bond Ordinance of \$176,537,966.73, less applicable exclusions. The revenue for the month of December 2021 is calculated as follows:

Gross revenue per CPS Energy financial statements	
Electric revenue	\$172,501,504.17
Gas revenue	23,137,479.83
Interest and other income	5,312,419.03
Gross revenue per CPS Energy financial statements	<u>200,951,403.03</u>
Excluded revenue	
School and hospital revenue per City Ordinance 55022	(6,619,919.67)
LVG revenue per City Ordinance 100709	(135,737.61)
Fuel cost component of off-system nonfarm energy sales per City Ordinance 61794 and revenue for wholesale special contracts	(16,271,274.94)
Noncash and other income, GASB 31	

investment market value change, miscellaneous interest income, gas billing adjustment and unbilled Revenue	(1,386,504.08)	
Total excluded revenue	(24,413,436.30)	
Gross revenue per New Series Bond Ordinance subject to 14% payment to the City	\$176,537,966.73	
City payment per Bond Ordinance for December 2021 based upon December 2021 revenue	\$24,715,315.34	
City payment per memorandum of understanding (MOU) regarding wholesale special contracts	606,787.41	
City Payment reduction per gas customer billing adjustment MOU	(12,500.00)	
City payment per Bond Ordinance plus adjustments for memorandums of understanding	25,309,602.75	A
Utility services provided to the City for December 2021	(2,548,466.69)	
Net amount to be paid from December 2021 revenue to the City in January 2022	\$22,761,136.06	

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)

December 2021	Actual	Budget	Variance	
Current Month* A	\$25,310	\$26,692	(\$1,382)	-5.2%
Year-to-Date*	\$323,555**	\$328,954	(\$5,399)**	-1.6%

* 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 \$22,761,136.06 representing 14% of applicable system gross revenues for the month of December 2021, such payment being net of City utility services (\$2,548,466.69), is hereby approved."

X. MONTHLY FINANCIAL UPDATE & FY2023 BUDGET

Mr. Cory Kuchinsky began by presenting on the monthly financial update.

Mr. Kuchinsky then presented the proposed FY 2023 budget and asked for approval by the Board of Trustees. He noted that the proposed budget includes the same amounts as those discussed in the rate increase request. Trustee Kelley asked about the proposed increase in cash funding for non-fuel O&M and capital expenditures. Mr. Kuchinsky noted that it is part of the strategy with the rate request. Trustee Kelley also asked about projected interest rate increases. Mr. Kuchinsky responded that CPS Energy has planned higher interest rates in the forecast in coming years.

On a motion duly made by Trustee Kelley, seconded by Chair Dr. Mackey, and upon the affirmative vote by all members present, the annual budget was unanimously approved.

XI. SCENIC LOOP CERTIFICATE OF CONENIENCE & NECESSITY (CCN)

Mr. LeeRoy Perez, Interim Vice President of System Operations and Customer Reliability, presented on the Scenic Loop Certificate of Convenience & Necessity. He explained that this is a new process after state law changed to require the Public Utility Commission (PUC) to approve the construction of municipally owned transmission line facilities located outside of the City of San Antonio city limits. Mr. Perez provided a summary of the project and requested board approval for land acquisition and construction and to request City Council to approve an ordinance for eminent domain authority. Vice Chair Gonzalez asked about community input regarding the location of substation. Mr. Garza responded that PUC process determined the location of substation. Trustee Steen asked if CPS Energy provided multiple options for PUC review or a single recommendation, and also for general thoughts on the process. Mr. Perez responded that PUC expects the submittal of several geographically diverse routes for review and selection, and CPS Energy does not state a preference. Trustee Kelley asked of the route has been communicated to interested parties, recognizing that there were interests and opinions about the substation's location. Mr. Perez responded that CPS Energy has kept individuals up-to-date and will inform them of board approval. Mr. Perez also noted that part of the education process was to inform individuals that PUC determined the route, not CPS Energy.

Chair Dr. Mackey requested Ms. Ramirez read the resolution aloud. It is attached as *Attachment A*.

On a motion duly made by Vice Chair Gonzalez, seconded by Trustee Kelley, and upon the affirmative vote by all members present, the resolution was unanimously approved.

XII. COMMITTEE REPORTS


Chair Dr. Mackey accepted the submission of reports for the record in lieu of having them read during the meeting.

Master Planning and Oversight Committee (MPOC) Meeting held on December 13, 2021

A report of the MPOC meeting, which took place on December 13, 2021 was posted with the public notice of this meeting and will be attached (As Attachment "B") to the meeting minutes.

XIII. ADJOURNMENT

There being no further business to come before the Board, upon a motion duly made by Trustee Kelley, and seconded by Vice Chair Gonzalez, and upon an affirmative vote by all members present, the meeting was unanimously adjourned at 4:33 p.m. by Chair Dr. Mackey.



Shanna M. Ramirez
Secretary of the Board



**City Public Service Board of San Antonio
Resolution in Honor of Ed Kelley**

WHEREAS, Mr. Ed Kelley has served the maximum of two five-year terms on the CPS Energy Board of Trustees, representing the Northwest Quadrant of the City, and held key leadership positions such as Board Chair, as well as Chair of several Board committees; and

WHEREAS, Mr. Kelley served in the role of Chair and during critical times of transition for CPS Energy and its Board of Trustees, provided valuable business guidance and leadership; and

WHEREAS, during his tenure, Mr. Kelley played a vital role in the selection of a President & CEO and several Board members, and he supported the Board in the appointment of over thirty new members to the Citizens Advisory Committee; and

WHEREAS, during his tenure, Mr. Kelley made outstanding contributions that solidified CPS Energy's financial position as a World-Class utility, maintained CPS Energy's competitive advantage, fostered the Greater San Antonio area's economic development, and helped CPS Energy and Greater San Antonio prepare for the challenges of the future; and

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BE IT FURTHER RESOLVED that this Resolution be incorporated into the minutes of this meeting of the Board of Trustees.




Adopted this 31st day of January 2022


Dr. Willis Mackey, Chair & Trustee


Ms. Janie Gonzalez, Vice-Chair & Trustee


Mayor Ron Nirenberg


Mr. John Steen, Trustee



MASTER PLANNING & OVERSIGHT COMMITTEE (MPOC)

EXECUTIVE SUMMARY AND CHAIR REPORT FROM THE DECEMBER 13, 2021 MEETING PREPARED FOR COMMITTEE CHAIR ED KELLEY FOR REPORT AT THE JANUARY 31, 2022 BOARD OF TRUSTEES MEETING

The MPOC met on December 13, 2021. As part of the MPOC agenda, the Committee:

- A. Discussed the operation and activities in and around the McCullough Building.
- B. Reviewed the status, current and potential buyers, marketing strategies and/or contract & closing deadlines for the following properties:
 - 1. Main Office Building;
 - 2. Tower Garage;
 - 3. Villita Assembly Building;
 - 4. Surface Parking Lot #2;
 - 5. Northside Customer Service Center; &
 - 6. Mission Road Power Plant and Gugert Street.
- C. Discussed disposition of Jones North and Jones South and reviewed property features and information.
- D. Discussed strategic property purchase opportunities that support electric and gas system reliability, resiliency and customer growth, as well as potential property sale opportunities.

The next meeting of the MPOC is January 31, 2022.