

CPS ENERGY
MINUTES OF THE REGULAR MEETING OF THE BOARD OF TRUSTEES
HELD ON AUGUST 28, 2023

The Regular Meeting of the Board of Trustees of CPS Energy for the month of August was held on Monday, August 28, 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 1:00 p.m.

Present were Board members:

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

Also present were:

Mr. Rudy Garza, President & CEO
Ms. Shanna M. Ramirez, Chief Legal & Ethics Officer, General Counsel & Board Secretary
Mr. Cory Kuchinsky, Chief Financial Officer
Ms. Deanna Hardwick, Chief Customer Strategy Officer
Mr. Evan O'Mahoney, Chief Information Officer
Ms. Lisa Lewis, Chief Administrative Officer
Mr. Benny Ethridge, Chief Energy Supply Officer
Ms. Elaina Ball, Chief Strategy Officer
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. Brandyn Rodriguez, Director - Senior Manager for Corporate Responsibility.

III. PUBLIC COMMENT

Ms. Henrietta LaGrange, community member, expressed her support and appreciation for Mr. Rudy Garza, President & CEO.

Mr. Arthur Rakowitz, community member, requested a closed session to discuss matters before the Board and presented a book about railroads, noting the need to have a rail system in San Antonio.

Mr. Calen Rude, community member, expressed concern about the direction of CPS Energy on several issues, and noted the responsibility that CPS Energy has to its customers to provide electricity.

Mr. Alan Montemayor, Alamo Group of the Sierra Club, stated he provided a report on geothermal generation, and he urged awareness about the energy burden for ratepayers and the impacts of high heat.

IV. CHAIR'S REMARKS

Chair Gonzalez provided a moment of silence to honor those who lost their lives and those affected by the wildfires in Maui and the Northeast. She also asked that the moment of silence extend to the families of local community members Terri Williams, Billy Mahone, and Gilbert Duran and she recognized their contributions to the San Antonio community.

She then expressed her appreciation for our community partners in coordinating a response to ERCOT's conservation appeals, and to customers for lowering usage in times of need.

Finally, she stated that it has been a humbling experience and privilege to serve on the Board of Trustees and to participate in the evolution of CPS Energy. Halfway through her first year as Chair, she expressed gratitude and stated she looked forward to ongoing collaboration to achieve the Vision 2027 plan.

V. COMMUNITY INPUT WORKING GROUP

Chair Gonzalez introduced the resolution and stated that strong connections between CPS Energy and the community is very important. Chair Gonzalez asked Ms. Ramirez to read the draft resolution. Trustee Dr. Mackey made a motion to approve, and Vice Chair Dr. Romero seconded the motion. The Board of Trustees discussed the resolution, and asked questions of staff. Trustee Steen noted that he supported sunsetting the Rate Advisory Committee (RAC) but did not support the creation of another group to perform a similar function. Mr. Garza responded that the terms for RAC members have expired, and some members are ready to complete their work. He further stated that the 2023 Rate Request Community Input Working Group was a logical bridge between where we are today and where we're going with the future of the Citizens Advisory Committee, and that the composition of the ad hoc group would be a mix of RAC & CAC members and representatives of key constituencies in which we interact.

Trustee Steen moved to amend the resolution by adding clarifying language in the following clause: **"BE IT FURTHER RESOLVED**, the Board directs CPS Energy Management to convene a 2023 Rate Request Community Input Working Group ("Working Group"), as outlined in Attachment A, to provide informal, but thoughtful feedback on the planned rate increase to be voted upon by the Board this year and shall conclude and be dissolved at the conclusion of said rate request; and".

Trustee Dr. Romero seconded the motion to amend, and the motion passed on a 4-1 vote, with Trustee Dr. Mackey voting against the motion.

The Board of Trustees returned to the original motion. The motion passed on a 4-1 vote, with Trustee Steen voting against the motion, reiterating that he could support dissolving the RAC, but could not support creating the 2023 Rate Request Community Input Working Group. The final resolution adopted reads as follows:

RESOLUTION ON COMMUNITY INPUT COMMITTEES

WHEREAS, this Board of Trustees created the Rate Advisory Committee, a special purpose advisory group, to provide a forum for community stakeholders to share ideas and observations on CPS Energy's rate structure, rate design, proposed rate increases, and generation planning; and

WHEREAS, the Rate Advisory Committee began its work in May 2021, and its membership has dedicated a significant amount of time and effort in learning about the utility business and rate design function to provide thoughtful input and perspectives to CPS Energy Management and this Board of Trustees; and

WHEREAS, the Rate Advisory Committee has achieved its special purpose, its 21 members representing a broad and diverse cross-section of customers from the CPS Energy service area, delivering thorough and well-considered feedback on a rate increase, generation planning, and rate structure and design; and

WHEREAS, the Rate Advisory Committee completed its work by delivering the results of a survey whereby members provided input on how redesigning rates could lower the energy burden on lower income residential customers, specifically considering affordability as a combination of rate relief, energy conservation, and demand management; and

WHEREAS, the Citizens Advisory Committee was created in 1998 by the Board of Trustees to act as a sounding board for the community and provide input to CPS Energy business activities, and to serve as a trusted interface in facilitating two-way communication between CPS Energy and its customers; and

WHEREAS, this Board of Trustees recognizes that continued input from CPS Energy's customers about the utility's rate structure and the way CPS Energy recovers its costs through rates will help ensure that customer concerns and interests are consistently understood by CPS Energy in its decisions.

NOW, THEREFORE, BE IT RESOLVED, the CPS Energy Board of Trustees, expresses its utmost gratitude to all the CPS Energy customers that served on the Rate Advisory Committee, both past and present, for their work, dedication, robust discussions, and recommendations to this Board; and

BE IT FURTHER RESOLVED, the Board directs CPS Energy Management to consider the results and opinions expressed by the Rate Advisory Committee through its survey, evaluating potential short-term and long-term options to improve affordability in our utility's rates; and

BE IT FURTHER RESOLVED, the Board directs CPS Energy Management to convene a 2023 Rate Request Community Input Working Group ("Working Group"), as outlined in Attachment A, to provide informal, but thoughtful feedback on the planned rate increase to be voted upon by the Board this year and shall conclude and be dissolved at the

conclusion of said rate request; and

BE IT FURTHER RESOLVED, the Rate Advisory Committee created by Board Resolution on December 14, 2020 is hereby dissolved; and

BE IT FURTHER RESOLVED, CPS Energy is to continue its public engagement activities on our rates, ensuring further conversations with our customers, and

BE IT FURTHER RESOLVED, CPS Energy Management shall propose changes to the customer input process in the form of amendments to the existing Citizens Advisory Committee's bylaws not later than May 31, 2024 to ensure that CPS Energy has a single advisory committee, comprised of a broad and diverse cross-section of customers, which provides thoughtful input on our rate structure and other important issues, primarily through the formation of specific subcommittees or task forces that can dedicate the time to learn about these important issues and support CPS Energy and our customers as we move into the future.

Trustee Dr. Romero introduced Mr. Reed Williams, Chair of the Rate Advisory Committee (RAC). She expressed that she was proud to serve as the Board liaison to the RAC and thanked the members for their service. Mr. Williams introduced all RAC members who were present in the audience, and he stated his appreciation for all RAC members hard work and dedication. He stated it was a diverse group of 21 individuals that came together and exemplified what our community can do when we put aside our fears and anger. He discussed the RAC's survey and focus on 1) rate relief, 2) energy conservation, and 3) demand response.

VI. EXECUTIVE SESSION

At approximately 2:25 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)
- Competitive Matters (§551.086)
- Confidential Information Under Homeland Security Act (§418.183(f))

The Board reconvened in open session at 3:08 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 Regular Board meeting held on July 31, 2023
B. Approval of Payment to the City of San Antonio for July 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 July 2023 is based on actual gross revenue per the New Series Bond Ordinance of \$351,267,056.95, less applicable exclusions. The revenue for the month of July 2023 is calculated as follows:

Gross revenue per CPS Energy financial statements		
Electric revenue		\$361,858,246.82
Gas revenue		13,337,071.72
Interest and other income		3,909,627.31
Gross revenue per CPS Energy financial statements		<u>379,104,945.85</u>
Excluded revenue		
School and hospital revenue per City Ordinance 55022		(8,821,860.08)
Fuel cost component of off-system nonfirm energy sales per City Ordinance 61794 and revenue for wholesale special contracts		(18,117,759.02)
Noncash and other income, GASB 31 investment market value change, miscellaneous interest income, gas billing adjustment and unbilled revenue		<u>(898,269.80)</u>
Total excluded revenue		<u>(27,837,888.90)</u>
Gross revenue per New Series Bond Ordinance subject to 14% payment to the City		<u>\$351,267,056.95</u>
City payment per Bond Ordinance for July 2023 based upon July 2023 revenue		\$49,177,387.97
City payment per memorandum of understanding (MOU) regarding wholesale special contracts		935,367.62
City Payment reduction per gas customer billing adjustment MOU		(12,500.00)
Annual True up/ (down) per gas customer MOU		49.00
City payment per Bond Ordinance plus adjustments for memorandums of understanding		<u>50,100,304.59</u>
Utility services provided to the City for July 2023		<u>(3,151,119.37)</u>
Net amount to be paid from July 2023 revenue to the City in August 2023		<u>\$46,949,185.22</u>

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Comparison of City payment per Bond Ordinance (plus adjustments for memorandums of understanding) vs. Budget before deduction for utility services provided to the City:

(Dollars in thousands)

July 2023	Actual	Budget	Variance
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Current Month* A	\$50,100	\$45,972	\$4,128	9.0%
Year-to-Date*	\$204,589	\$218,120	(\$13,531)	-6.2%

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

Approval of the following resolution is requested:

"BE IT RESOLVED by the CPS Energy Board of Trustees that payment to the City of San Antonio in the amount of \$46,949,185.22 representing 14% of applicable system gross revenues for the month of July 2023, such payment being net of City utility services (\$3,151,119.37), is hereby approved."

C. Procurement Items: None.

VIII. COMMITTEE REPORTS

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

- A. Audit and Finance Committee meeting held on July 20, 2023
- B. Employee Benefits Oversight Committee meeting held on July 20, 2023
- C. Personnel Committee meeting held on August 16, 2023

IX. FY2024 SECOND QUARTER PERFORMANCE UPDATE

Dr. John Soltau, Director for Strategic Alignment, Planning & Performance presented an update on the FY2024 scorecard. He noted that eleven of the enterprise metrics are on track and discussed the three metrics at-risk. He also discussed the operational efficiency review, and noted we are incorporating the recommendations in our FY2024 and FY2025 business plans.

Ms. DeAnna Hardwick, Chief Customer Strategy Officer, presented an update on accounts receivable. She noted that even with the record-breaking heat, past-due balances are down \$36M and more than half of the past due accounts are enrolled in installment plans.

Mr. Cory Kuchinsky, Chief Financial Officer & Treasurer, presented an update on our financial performance. He noted that overall performance is favorable to plan due to higher than forecasted electric sales, lower fuel prices, stronger wholesale revenue, and investment income.

The Board of Trustees discussed and asked questions.

X. CEO RECOGNITION

Mr. Garza recognized the Data Center Transformation Team. Mr. Garza noted that the Data Center Transformation Team has moved us away from legacy systems, which has enhanced the resiliency of our critical business applications.


Next, Mr. Garza recognized the Personal Protection Equipment (PPE) Lab Team. He noted he recently took a tour of the PPE Lab – and that it is a small but mighty team. All PPE is tested for a higher voltage than specs – and they remove failing products from circulation and protects our line crews.

XI. REVIEW OF ACTION ITEMS

Ms. Ramirez reported that there were three actions from the previous meeting, which are either closed or will be closed after the Risk Management Committee occurs. She reported that there were two action items from today: 1) include Trustee Steen's comments on the resolution in the minutes, and 2) create a one-page summary of the RAC survey results.

XII. ADJOURNMENT

There being no further business to come before the Board, upon a motion duly made by Mayor Nirenberg, seconded by Vice Chair Romero and upon an affirmative vote by all members present, the meeting was unanimously adjourned at 3:52 p.m. by Chair Janie Gonzalez.



Shanna M. Ramirez
Secretary of the Board