



CPS ENERGY BOARD OF TRUSTEES MEETING
TO BE HELD ON AUGUST 28, 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. Brandyn Rodriguez
3	PUBLIC COMMENT Pre-Registration is from Wednesday, August 23, 2023 5:00 PM – Friday, August 25, 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	COMMUNITY INPUT GROUPS <ul style="list-style-type: none"> Resolution Rate Advisory Committee Feedback & Recognition (Dr. Francine Romero) 	Vote & Discuss	Ms. Janie Gonzalez
CONVENE TO EXECUTIVE SESSION			
6	EXECUTIVE SESSION: A. Consultation concerning Competitive Matters (Section 551.086) & Attorney-Client Matters (Section 551.071) B. Consultation concerning Competitive Matters (Section 551.086) & Confidential Information Under the Texas Homeland Security Act (Section §418.183(f))	Discuss	Ms. Janie Gonzalez
RECONVENE TO OPEN SESSION			
CONSENT AGENDA			
7	APPROVAL OF CONSENT ITEMS: A. Minutes of the Regular Board meeting held on 07/31/2023	Vote	Ms. Janie Gonzalez

	B. Payment to the City of San Antonio for July 2023 C. Procurements Items: None		
REGULAR AGENDA			
8	COMMITTEE REPORTS: A. Audit and Finance Committee (A&F) meeting held on 7/20/2023 (Ms. Janie Gonzalez) B. Employee Benefits Oversight Committee (EBOC) meeting held on 7/20/2023 (Ms. Janie Gonzalez) C. Personnel Committee meeting held on 8/16/2023 (Ms. Janie Gonzalez)	Discuss	Ms. Janie Gonzalez
9	FY2024 SECOND QUARTER PERFORMANCE UPDATE	Discuss	Dr. John Soltau & Ms. DeAnna Hardwick & Mr. Cory Kuchinsky
10	CEO RECOGNITION	Discuss	Mr. Rudy Garza
11	REVIEW OF ACTION ITEMS	Discuss	Ms. Shanna Ramirez
12	ADJOURNMENT	Execute	Ms. Janie Gonzalez
If the Board meeting has not adjourned by 3:50 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.			
THE REGULAR MEETING OF THE CPS ENERGY BOARD OF TRUSTEES WILL BE FOLLOWED BY A MEETING OF THE RISK MANAGEMENT COMMITTEE (RMC).			

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

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.

Shanna M. Ramirez
Secretary of the Board

DRAFT

2023 RATE REQUEST COMMUNITY INPUT WORKING GROUP

PURPOSE

The purpose of the 2023 Rate Request Community Input Working Group will be to offer feedback to CPS Energy management on specific matters pertaining to the utility's 2023 rate request through a series of meetings open to the public. The Working Group shall provide its input no later than November 2023. The proposed Board Resolution establishing the Working Group also provides for its natural expiration upon completion of its mission.

MEETING SCHEDULE AND FORMAT

All meetings will be held at CPS Energy's headquarters at 500 McCullough from 5:00 – 7:00pm.

Meetings will be open to the public, live streamed, and archived on the utility's website. Meeting materials will also be posted on the utility's website. At the conclusion of each meeting, an opportunity for public input will be permitted on items specific to that meeting's agenda.

Public input is always welcomed and encouraged through existing forums such as monthly Board of Trustees meetings, quarterly Board of Trustees public input sessions, tele townhalls, customer surveys, and the CPS Energy website. Further, CPS Energy will continue its practice of soliciting public input throughout its rate request process.

The Working Group will meet during the month of October 2023 and will follow the schedule below:

- 1st Meeting: CPS Energy staff will provide a historical perspective on previously approved rate increases and the necessity for continued rate support.
- 2nd Meeting: CPS Energy staff will provide a briefing on the utility's recent cost of service study and the utility's current revenue requirements.
- 3rd Meeting: CPS Energy staff will propose continued rate support, answer questions and request feedback.

Meetings will be facilitated by an independent third party (Mary Repole) with Epiphany Research & Marketing, Inc. who has extensive knowledge of the utility industry and demonstrated expertise in facilitating customer feedback sessions. The facilitator will be responsible for the process of the meetings, which includes making sure the agenda and ground rules are being followed, and participants are engaged and on-task. Surveys before and after the meetings will be utilized to hone the focus of discussion and capture input.

MEMBERS

The membership will consist of 15-20 people identified by the utility who reside within the CPS Energy service territory, are from various customer classes, have familiarity with the operations of the utility and how utility rates are set, and have previously engaged in various public input processes. A list of the participants will be attached when it is finalized.

OUTCOME

The Board of Trustees will receive a summary of the Working Group's feedback (survey results) and actions taken by CPS Energy to address the input during rate request discussions.

2023 RATE REQUEST COMMUNITY INPUT WORKING GROUP
MEMBERSHIP

1. Aaron Stein
2. Dr. Adelita Cantu
3. Adrian Lopez
4. Anacua Garcia*
5. David Walter
6. DeeDee Belmares
7. Eric Cooper
8. John Kelly
9. JR Treviño
10. Brenda Pacheco
11. Mary Dennis
12. Miriam Juckett
13. Pat Attwater
14. Pat Garcia
15. Peter Onofre
16. Sam Dawson
17. Stephanie Reyes
18. Tom Corser
19. Wayne Eddington

*Acceptance pending.

Draft for review and approval
at the August 28, 2023 meeting

**CPS ENERGY
MINUTES OF THE REGULAR MEETING OF THE BOARD OF TRUSTEES
HELD ON JULY 31, 2023**

The Regular Meeting of the Board of Trustees of CPS Energy for the month of July was held on Monday, July 31, 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 (arrived at 1:07p.m.)

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, Interim 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. Ana Lozano, Director, Technology & Product Innovation.

III. PUBLIC COMMENT

Henrietta La Grange, community member, provided numerous complementary remarks about the exceptional service provided by Maria Stanton, Vice President of Supply Chain and President & CEO Rudy Garza.

Jeanne Russell, Executive Director of CAST Schools, thanked CPS Energy and Lisa Lewis as a founding member and Board Member, respectively, and discussed the robust CPS Energy intern program. Student Intern, Adel Leza, then spoke about his experience as an intern in the Digital Lounge.

Draft for review and approval
at the August 28, 2023 meeting

Ruben Mercado, UTSA CEID Student Success Center, discussed the CPS Energy/UTSA partnership in providing internships for local students.

Rita Schimpf, community member and granddaughter of JK Sommers, requested the Board preserve the former Sommers Saloon building and provided historic photographs and a family history.

DeeDee Belmares, community member, spoke on behalf of the RAC and urged the Board to continue the work of the RAC as ratepayers need an advocate.

Jack Finger, community member, urged the Board to change the procedure for citizens to sign up to speak at the Board meetings and requested they lengthen the time allotted for speaking. He also requested that business rates be increased instead of the rates of the citizens or that they end the fund transfer to the City of San Antonio.

IV. CHAIR'S REMARKS

Chair Gonzalez thanked the various employees and citizens that participated in the recent open houses. She also shared an example of an interaction she had with a particular individual at an open house and shared the ways in which we all receive different value from participating in those events.

Chair Gonzalez noted that Texas Public Power Association and the Texas Workforce Commission were both here in July and she had the opportunity to meet with other professionals and provide feedback.

V. RATE ADVISORY COMMITTEE (RAC) UPDATE

Vice Chair Dr. Romero stated that the RAC has concluded its discussion on affordability. The RAC Chair and members created an 18-question survey, the results of which were received and discussed during their June meeting. The RAC Chair will attend the Board meeting next month to discuss the results.

Vice Chair Dr. Romero also thanked Ms. Belmares for coming today and participating in the process.

VI. EXECUTIVE SESSION

At approximately 1:25 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)
- Personnel Matters (§551.086)
- Competitive Matters (§551.086)
- Security Personnel or Devices (§551.076)

The Board reconvened in open session at 2:24 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.

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at the August 28, 2023 meeting

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 May 22, 2023
- B. Minutes of the Special Board meeting held on June 12, 2023
- C. Minutes of the Regular Board meeting held on June 26, 2023
- D. Approval of Payment to the City of San Antonio for June 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	<u>49.00</u>
City payment per Bond Ordinance plus adjustments for memorandums of understanding	50,100,304.59 A

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Utility services provided to the City for July 2023	(3,151,119.37)
Net amount to be paid from July 2023 revenue to the City in August 2023	<u>\$46,949,185.22</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)

July 2023	Actual	Budget	Variance	
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."

E. 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. Operations Oversight Committee meeting held on June 29, 2023. The report is attached as "Attachment A" to the meeting minutes.
- B. Technology & Resilience Committee meeting held on July 5, 2023. The report is attached as "Attachment B" to the meeting minutes.

IX. ANNUAL STEP UPDATE: YEAR 1

Jonathan Tijerina, Vice President of Enterprise Risk & Development, presented our approach to conservation via the Sustainable Tomorrow Energy Plan (STEP). He stated the first year of the new program was successful as the cost of energy saved through STEP is half as much as to buy and produce the electricity. Mr. Tijerina then introduced Ana Lozano, Director, Technology & Product Innovation.

Ms. Lozano presented our current portfolio of STEP programs, including new equity-focused programs, and stated our goal is to develop programs which reduce barriers for customers, reduce the demand for energy, and increase energy savings for all customers. This last year's goal of a reduction of 151 MW was exceeded with a total reduction of 329,621 MWh and 1,741 homes weatherized.

The Board discussed the presentation and asked questions.

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at the August 28, 2023 meeting

X. EVOLVE – ERP UPDATE

Evan O'Mahoney, Interim Chief Information Officer, provided an update on the ERP program. He stated that our digital transformation is foundational to achieving our Vision 2027 outcomes and will mitigate existing risks within our technology landscape. Mr. O'Mahoney emphasized that this program affects applications and processes enterprise wide and is not simply just an update of technology. For example, it supports how we communicate, manage our assets, take in meter data, et cetera. It encompasses over 400 systems.

The Board of Trustees discussed the presentation and asked questions.

XI. CEO RECOGNITION

Mr. Garza recognized the 43 summer interns and their mentors. Mr. Garza noted that seven interns have been hired as full-time employees and at least two more are going through the hiring process. Trustee Dr. Mackey and Vice Chair Dr. Romero as well as Chair Gonzalez and Mayor Nirenberg all expressed their support for the program and shared encouraging words for the interns.

Trustee Steen asked questions regarding the limestone structure referred to as the "Saloon for Sommers Beer Garden," located at our 10th Street Substation property, and Mr. Garza noted that he would provide the information.

XII. REVIEW OF ACTION ITEMS

Ms. Ramirez noted that all the action items from last month have been addressed or otherwise resolved including, and the following are the action items for the next month:

1. Request for a written update for cost on the ERP;
2. Request to share Trustee Steen's written comments and provide answers;
3. Request to provide ERP costs to all Trustees; and
4. Request to answer questions concerning the Sommers property.

XIII. ADJOURNMENT

There being no further business to come before the Board, upon a motion duly made by Trustee Dr. Mackey, seconded by Trustee Dr. Romero and upon an affirmative vote by all members present, the meeting was unanimously adjourned at 3:48 p.m. by Chair Janie Gonzalez.

Shanna M. Ramirez
Secretary of the Board

CPS Energy Board of Trustees Meeting August 28, 2023

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CPS Energy Board of Trustees Meeting August 28, 2023

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(Dollars in thousands)

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AUDIT & FINANCE COMMITTEE (A&F)

EXECUTIVE SUMMARY AND CHAIR REPORT FROM THE JULY 20, 2023 MEETING

PREPARED FOR CHAIR JANIE GONZALEZ

FOR REPORT AT THE AUGUST 28, 2023 BOARD OF TRUSTEES MEETING

The Audit & Finance Committee met on July 20, 2023. As part of the Audit & Finance Committee agenda, the Committee:

- A. Approved meeting minutes from the prior meeting held on April 19, 2023.
- B. 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 May 31, 2023, and a trend analysis based on case category for FY2023 versus FY2024.
- C. Provided an update on the Depository Services RFP. The selected Depository will require Board approval per Local Government Code 105. Six responses to the RFP were received and are in the process of being evaluated.
- D. Provided a procurement preview of new contracts and future funding requests. The new contracts were for gas engineering services, customer construction design and engineering services, a specialized ecosystem of IT service providers to support our digital transformation, and 345kv autotransformers required to support the reliability and growth of the transmission grid.
- E. Received an update on EVOLVE and the ERP program. The ERP program is taking a phased approach focused on achieving outcomes while also tying back to the Vision 2027 strategy. The ERP program should not be seen as a technology transformation, but a business transformation. In December 2023 the contract for the technology partner is planned to be brought to the Board for approval and in January 2024 the implementation vendor is planned to be communicated to the Board.
- F. Provided a review of project count, audit coverage, and project feedback metrics. Received a review of the results of five projects completed since the last Committee meeting. Informed that Audit Services management is actively recruiting to fill open auditor positions and that contract negotiations are in progress with two vendors selected for the Audit Services partner firm contract.

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 JULY 20, 2023 MEETING PREPARED FOR COMMITTEE CHAIR JANIE GONZALEZ FOR REPORT AT THE AUGUST 28, 2023 BOARD OF TRUSTEES MEETING

The EBOC met on July 20, 2023. As part of the EBOC agenda, the Committee:

- A. Approved meeting minutes from the prior meeting held on April 19, 2023.
- B. Reviewed the Action Items list from the meeting held on April 19, 2023.

The Committee also received presentations regarding:

- C. An Investment Practices & Performance Evaluation Report presented by Champion Capital Research, which included an executive review of Champion's findings.
- D. A Benefit Plans Administrative & Financial Update, which highlighted the following topics: the timeline for presenting the Investment Practices & Performance Evaluation Report to the EBOC and Board of Trustees, the Administrative Committee Improvement Plan and Asset Allocation Study, the Benefit Trusts' Actuarial Rate of Return (ARoR) assumption, and investment performance for the year to date through May 2023, as well as for calendar year 2022 and fiscal year 2023.
- E. Health Plan Designs & Premiums, which included a recommendation to increase health premiums by 4.7% and to make some minor changes to the health plan design for calendar year 2024. The EBOC approved these recommendations.

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



PERSONNEL COMMITTEE

**EXECUTIVE SUMMARY AND CHAIR REPORT FROM THE AUGUST 16, 2023 MEETING
PREPARED FOR COMMITTEE CHAIR JANIE GONZALEZ
FOR REPORT AT THE AUGUST 28, 2023 BOARD OF TRUSTEES MEETING**

The Personnel Committee met on August 16, 2023. As part of the Personnel Committee agenda, the Committee:

- A. Evaluated CEO performance against Strategic Objectives identified by the Personnel Committee to be addressed within the year
- B. Evaluated company performance of the Tier 1 Metrics from February 1, 2022 through January 31, 2023
- C. Conducted the President & CEO's annual performance review discussion
- D. Reviewed potential measures to be considered for the FY2024 CEO scorecard

The next meeting of the Personnel Committee is not yet scheduled.



FY2024 SECOND QUARTER PERFORMANCE UPDATE

PRESENTED BY:

Dr. John Soltau

Director, Strategic Alignment, Planning & Performance

DeAnna Hardwick

Chief Customer Strategy Officer (CCSO)

Cory Kuchinsky, CPA

Chief Financial Officer & Treasurer (CFO)

August 28, 2023

Informational Update

AGENDA



- **FY2024 SCORECARD UPDATE**
- **ACCOUNTS RECEIVABLES**
- **FINANCIAL PERFORMANCE**

We will provide an update on our FY2024 Scorecard, Accounts Receivables and our Financial Performance through the second quarter.



FY2024 SCORECARD: Q2 UPDATE

Strategic Execution - Forward Looking Progress Towards Vision 2027

Action	Update
Update Vision 2027 incorporating Operational Efficiency Review recommendations and market/legislative changes	<ul style="list-style-type: none"> We are incorporating the Operational Efficiency Review recommendations into our FY2024 Business Plans and updating the Vision 2027 roadmap accordingly
Execute generation plan to power our future by initiating budgeted engineering studies	<ul style="list-style-type: none"> Developing detailed generation, transmission and gas business plans
Execute on Enterprise Resource Planning (ERP) RFP to mitigate system end-of-life by selecting software partner	<ul style="list-style-type: none"> Demos of three shortlisted technology vendors in progress On track to request Board approval of software selection in December 2023
Engage with our community on rate design and adjustments	<ul style="list-style-type: none"> The RAC provided its input to the Board of Trustees on future rate considerations
Pursue grants and other new revenue sources with partners	<ul style="list-style-type: none"> Submitted Grid Infrastructure Improvement Program (GRIP) and EV Infrastructure grants

Run the Business - Enterprise Measures* (End-of-Year LE as of July 31, 2023)

61.92 Outage Duration (SAIDI)	0.96 Outage Frequency (SAIFI)	0 Environmental Issues	1.76 Adjusted Debt Service Coverage	\$787.9M O&M Budget	\$987.5M Capital Budget (Gross of CIAC)	75.7% Customer Satisfaction	1.09 Safety Rate (RIR)
1.77% Gas Growth	85.1% Plant Reliability (PCA)	99.9% Technology Availability	170 Days Cash On Hand	61.7% Debt Capitalization	AA-/Aa2 Senior Lien Bond Rating	N/A Employee Engagement	N/A Talent Readiness
# At Risk	# On Track	Annual Measure Only	Operational Evolution	Financial Stability	Customer Experience	Team Culture	*Measure details in appendix



OPERATIONAL EFFICIENCY REVIEW

ALIGNING BUSINESS PLANS

92

Recommendations Provided by Daymark and Gallup

Examples of putting recommendations into action:

- Completed a pulse survey to assess engagement throughout the year
- Recognizing employees living core values
- Gas Business is improving employee performance, safety and succession by updating training programs and curriculum

Review & Discovery	Development & Inflight	Aligned
21	63	8

We are incorporating recommendations into our FY2024 and FY2025 Business Plans.

SECOND QUARTER MEASURES UPDATE



- SAIDI and SAIFI are back on-track due to less impactful weather and continued reliability improvements.
- Investments in vegetation management and modernizing our grid over the last two years have improved performance.
- If fall-/winter-end are wetter than normal due to El Niño, it may impact our reliability results.



- Portfolio Commercial Availability (PCA) is at-risk due to unplanned outages in the spring.
- An innovative solution from our plant team led to Spruce 2 returning to service at the beginning of the summer-peak season.
- Potential to make end-of-year target if we see high ERCOT pricing and sustained plant availability.

The Financial Measures will be discussed in the Financial Performance section.



ACCOUNTS RECEIVABLES



RECEIVABLES CONTINUE TO DROP

\$13M YTD

UTILITY ASSISTANCE

1,064

ENGAGEMENTS
FY YTD



42 Events
SCHEDULED IN AUGUST

195K Customer Accounts Past Due for \$172M

44K Inactive Accounts for \$46M

151K Active Accounts for \$126M

187K
\$162M
RESIDENTIAL

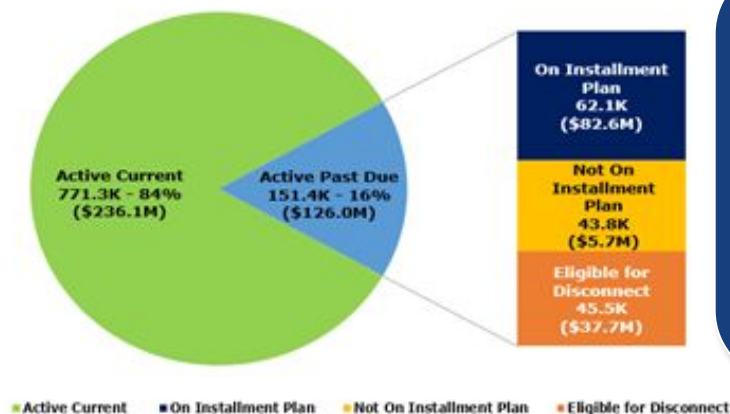
8K
\$10M
COMMERCIAL

\$3.5M
LATE FEES
FY YTD

42K
DISCONNECTS
FY YTD

1.5M
COLLECTION
NOTIFICATIONS
FY YTD

OF ACTIVE CUSTOMER ACCOUNTS 922.7K



Past-due balances are down \$36M with more than half of the amount enrolled in installment plans!



FINANCIAL PERFORMANCE



FINANCIAL PERFORMANCE



- **Q2 YEAR-TO-DATE**

- Overall financial performance is favorable to plan due to higher than forecasted electric sales, lower fuel prices, stronger wholesale revenue, and investment income.
- As a result, Repair & Replacement (R&R) contributions are higher than forecast.
- However, we have seen significant cost pressures on our Capital and O&M budgets that are absorbing some of the positive lift from revenues.

- **FULL-YEAR REVISED FORECAST**

- With the performance drivers noted above through Q2, we are making guidance changes to our full-year forecast. Compared to plan, these guidance changes reflect the overall improved financial health relative to plan, despite cost pressures. Some highlighted updates:
 - \$15M higher O&M spend
 - \$47M higher Capital spend
 - 1% additional growth in electric sales
 - \$24M in higher wholesale revenues
 - \$400M+ in fuel savings



OPERATIONS COST PRESSURES



	<u>FY2023</u> <u>Actual</u>		<u>FY2024</u> <u>Forecast</u>		
	<u>Cost per Unit</u>	<u>Total Cost</u>	<u>Cost per Unit</u>	<u>Total Cost</u>	<u>Cost per Unit</u> <u>% Increase</u>
New Meters	\$6.3K	\$218M	\$7.3K	\$234M	15.8%
Transformers	\$9.3K	\$34M	\$15.7K	\$65M	68.8%
Reclosers	\$91K	\$15M	\$111.2K	\$16M	22.2%
Gas locates	\$28K	\$7M	\$32K	\$8M	14.3%
Gas leak repairs	\$3.9K	\$8M	\$4.2K	\$9M	7.7%

The cost of key materials and equipment to operate our business continues to significantly increase year-over-year.

NET INCOME

YEAR-TO-DATE ACTUAL VS. PLAN



FY2024			
Description	Plan	Actuals	Variance: (Under Plan) Over Plan
Revenue available for nonfuel expenses			
Electric	\$ 1,639.1	\$ 1,477.5	\$ (161.6)
Gas	151.9	115.0	(36.9)
Total operating revenue	1,791.0	1,592.5	(198.5)
Less:			
Electric fuel, distribution gas & regulatory	827.9	578.7	(249.2)
Payments to the City of San Antonio	218.1	204.6	(13.5)
Net operating revenue	745.0	809.2	64.2
Nonoperating revenue	23.0	40.7	17.7
Total revenue available for nonfuel expenses	768.0	849.9	81.9
Nonfuel expenses			
Operation & maintenance	386.7	388.7	2.0
Depreciation, amortization & decommissioning	269.6	259.5	(10.1)
Interest & debt-related	122.4	119.4	(3.0)
Total nonfuel expenses	778.7	767.6	(11.1)
Net Income (Loss)	\$ (10.7)	\$ 82.3	\$ 93.0

Highlights:

- **Operating Revenue**
 - Low fuel costs resulted in lower fuel revenue, offset by higher electric sales.
 - High temperatures and high market prices increased wholesale revenue above plan.
- **Non-Operating Revenue**
 - Primarily driven by additional investment income & FEMA reimbursement.
- **Operation & Maintenance**
 - Above plan due to weather-event related emergency repair work and storm-related overtime expense in spring, compliance spend on gas line locates, leak repair and hiring / workforce retention.
- **Interest & debt-related**
 - Better execution than plan.
- **Depreciation & Amortization**
 - Under plan from lower plant in-service.

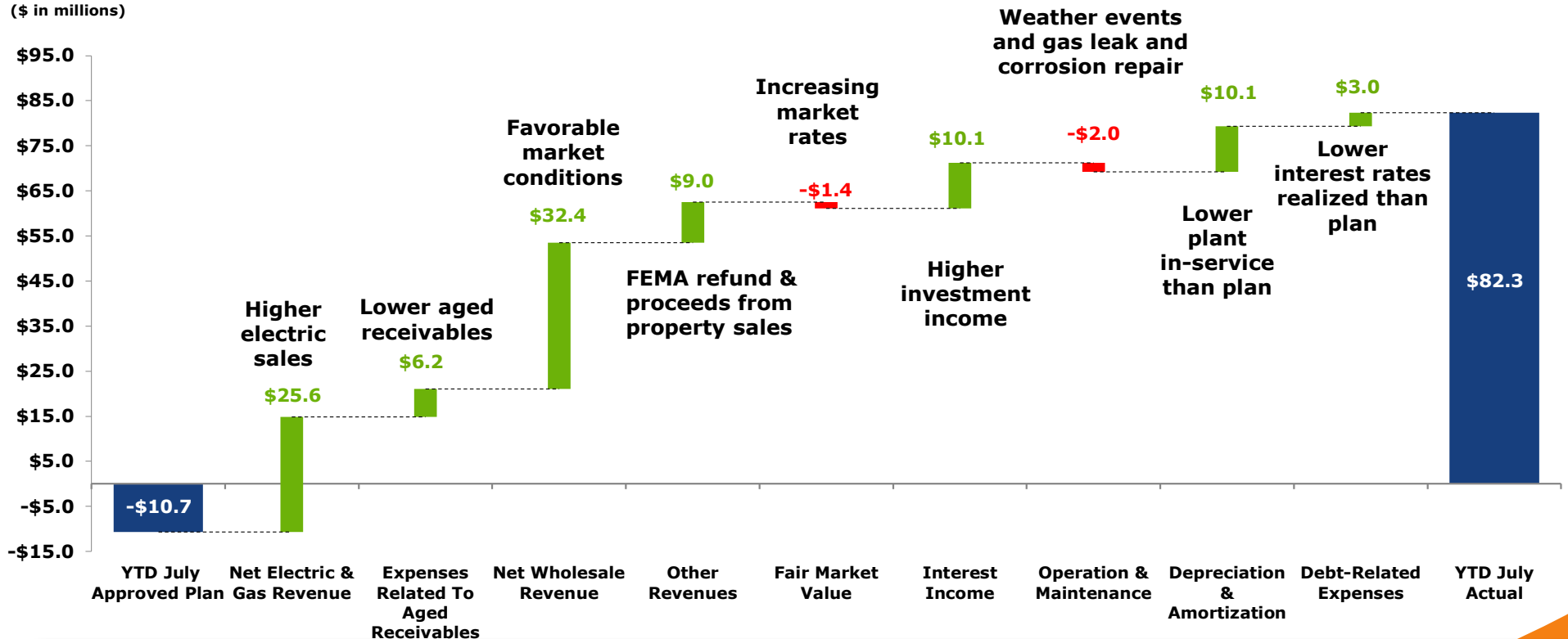
Non-cash items, such as investment fair value adjustments, impact total net income but do not impact financial metrics such as ADSC or DCOH. These items impact the equity portion in the debt / capitalization metric.
July YTD bad debt expense of \$6.8M vs \$13.0M for the Plan which is \$6.2M under plan.

FY2024 YTD NET INCOME (JULY)

PLAN TO ACTUAL WALK-FORWARD



(\$ in millions)



Higher revenue from stronger sales and non-operating revenue are driving net income higher than plan.

Please note that 'net electric & gas revenue' is net of gross revenue (billed & unbilled), net TCOS revenues, fuel & reg, & city payment.

FLOW OF FUNDS (JULY)

YEAR-TO-DATE ACTUAL VS. PLAN



(\$ in millions)			
Description	FY2024		
	Plan	Actuals	Variance: (Under Plan) Over Plan
Revenues, net of unbilled	\$ 1,789.7	\$ 1,577.4	\$ (212.3)
Less: fuel & regulatory expense	824.4	575.1	(249.3)
Less: Operation & maintenance	387.4	389.5	2.1
Revenues, net of Operating Expenses	577.9	612.8	34.9
Less: Debt service	227.4	225.3	(2.1)
6% Gross Revenue to R&R	107.4	94.6	(12.8)
Less: city payment (CP) per flow of funds	218.1	204.6	(13.5)
Remaining to R&R	25.0	88.2	63.2
Total R&R fund additions	\$ 132.4	\$ 182.9	\$ 50.5
Gross Non-Transmission Capital	\$ 413.4	\$ 410.6	\$ (2.8)
Gross Transmission Capital	56.3	63.9	7.6
Total Gross Capital	\$ 469.7	\$ 474.5	\$ 4.8

Highlights:

- **Revenue (operating & non operating), net of unbilled:**
 - Low fuel costs resulted in lower fuel revenue offset by higher electric sales.
 - High temperatures and high market prices increased wholesale revenue above plan.
- **Operation & Maintenance**
 - Above plan due to weather-event related emergency repair work and storm-related overtime expense in spring, compliance spend on gas leak repair and corrosion control and hiring / workforce retention.
- **Repair & Replacement Fund**
 - Contributions are over plan YTD driven by weather.
- **Capital**
 - Over plan due to high growth, with increasing costs for transformers, reclosers, feeder circuits and voltage conversions, higher costs for Howard Switchyard, purchase of Chulie substation property and Rio Nogales rotor installation ahead of schedule.

July YTD bad debt expense of \$6.8M vs \$13.0M for plan is \$6.2M under plan YTD.

FINANCIAL METRICS FORECAST



	<u>FY2024 Plan</u>	<u>FY2024 Forecast</u>
Adjusted Debt Service Coverage Ratio	1.62	1.76
Debt Capitalization Ratio	62.6%	61.7%
Days Cash On Hand	170	170

The benefit of one-time revenue lifts is a strengthened debt profile, as we prepare for a decade of transformational investment.



Thank You



Appendix

GLOSSARY / DEFINITIONS



Acronym or Word	Definition	Acronym or Word	Definition
Adjusted Debt Service Coverage Ratio	Measurement of available cash flow to pay current debt obligations	O&M	Normal costs incurred to keep business operations ongoing (Operating & Maintenance)
Days Cash on Hand	Represents the number of days a company can continue to pay its operating expenses with current cash available	OPEB	Postemployment benefits other than pension benefits (Other Post-employment Benefits)
Debt Capitalization Ratio	Measurement that shows the proportion of debt a company uses to finance its assets, relative to the amount of cash (equity) used for the same purpose	R&R	A restricted cash account which may be used to fund construction costs (Repair & Replacement account)
Debt Service	In the Flow of Funds, the annual amount of principal and interest payments due to bond holders	Wholesale Revenue net Fuel	Revenues from market sales of incremental power produced less the cost of fuel to produce the power

NET INCOME

FULL YEAR FORECAST VS. PLAN



(\$ in millions)	FY2024		
Description	Plan	Forecast	Variance: (Under Plan) Over Plan
<u>Revenue available for nonfuel expenses</u>			
Electric	\$ 3,217.6	\$ 2,892.5	\$ (325.1)
Gas	321.2	251.9	(69.3)
Total operating revenue	3,538.8	3,144.4	(394.4)
<u>Less:</u>			
Electric fuel, distribution gas & regulatory	1,602.1	1,179.6	(422.5)
Payments to the City of San Antonio	436.8	410.2	(26.6)
Net operating revenue	1,499.9	1,554.6	54.7
Nonoperating revenue	46.9	64.9	18.0
Total net revenue available for nonfuel expenses	1,546.8	1,619.5	72.7
<u>Nonfuel expenses</u>			
Operation & maintenance	773.0	787.9	14.9
Depreciation, amortization & decommissioning	539.3	529.2	(10.1)
Interest & debt-related	255.3	251.6	(3.7)
Total nonfuel expenses	1,567.6	1,568.7	1.1
Net Income (Loss)	\$ (20.8)	\$ 50.8	\$ 71.6

Highlights:

- **Operating Revenue**
 - Low fuel costs resulted in lower fuel revenue offset by higher electric sales.
 - High temperatures and high market prices created wholesale revenue opportunities.
- **Non-Operating Revenue**
 - Driven by increased investment income and FEMA reimbursement.
- **Operation & Maintenance**
 - Over plan primarily due to additional investment related to emergency repair work and storm-related overtime expense, compliance spend on gas locates, leak repair and increased hiring / retention.
- **Interest & debt-related**
 - Better execution than plan.
- **Depreciation & Amortization**
 - Expected to be under plan from lower plant in-service.

Non-cash items, such as investment fair value adjustments, impact total net income but do not impact financial metrics such as ADSC or DCOH. These items impact the equity portion in the debt / capitalization metric.
July LE bad debt expense of \$25.0M vs \$30.0M for Plan which is \$5.0M under Plan.

FLOW OF FUNDS

FULL YEAR FORECAST VS. PLAN



(\$ in millions)			
Description	FY2024		
	Plan	Forecast	Variance: (Under Plan) Over Plan
Revenues, net of unbilled	\$ 3,560.2	\$ 3,186.4	\$ (373.8)
Less: fuel & regulatory expense	1,595.0	1,176.0	(419.0)
Less: Operation & maintenance	774.4	787.9	13.5
Revenues, net of Operating Expenses	1,190.8	1,222.5	31.7
Less: Debt service	465.4	462.5	(2.9)
6% Gross Revenue to R&R	213.6	191.2	(22.4)
Less: city payment (CP) per flow of funds	436.8	410.2	(26.6)
Remaining to R&R	75.0	158.6	83.6
 Total R&R fund additions	 \$ 288.6	 \$ 349.8	 \$ 61.2
 Gross Non-Transmission Capital	 \$ 820.5	 \$ 847.7	 \$ 27.2
Gross Transmission Capital	120.0	139.8	19.8
Total Gross Capital	\$ 940.5	\$ 987.5	\$ 47.0

Highlights:

- **Revenue (operating & non operating), net of unbilled:**
 - Low fuel costs drove lower fuel revenue offset by higher electric sales.
 - Higher temperatures and higher market prices led to wholesale revenue above plan.
- **Operation & Maintenance**
 - Over plan primarily due to weather-event related emergency repair work, higher than planned gas leak repair and corrosion control work, and net hiring increase.
- **Repair & Replacement Fund**
 - Contributions are over plan YTD driven by weather.
- **Capital**
 - Over plan primarily due to higher spend on transformers, reclosers, feeder circuits and voltage conversions, Howard Switchyard upgrades and installations and the purchase of Chulie substation property.

6+6 LE bad debt expense forecast of \$25.0M vs \$30.0M for Plan is \$5.0M under Plan.

ELECTRIC SALES

BY CUSTOMER SEGMENT- YTD FY2024*



Customer Sector	Usage Growth	% of Total Load	% Impact on Total Usage
Residential	1.2%	43.6%	0.5%
Churches & Services	0.7%	6.6%	0.0%
Manufacturing	0.0%	2.3%	0.0%
Retail	1.2%	5.1%	0.1%
Educational Services	0.5%	4.8%	0.0%
Hotel & Food Services	1.9%	4.4%	0.1%
Other**	0.1%	33.2%	0.0%
Total System		100.0%	0.7%

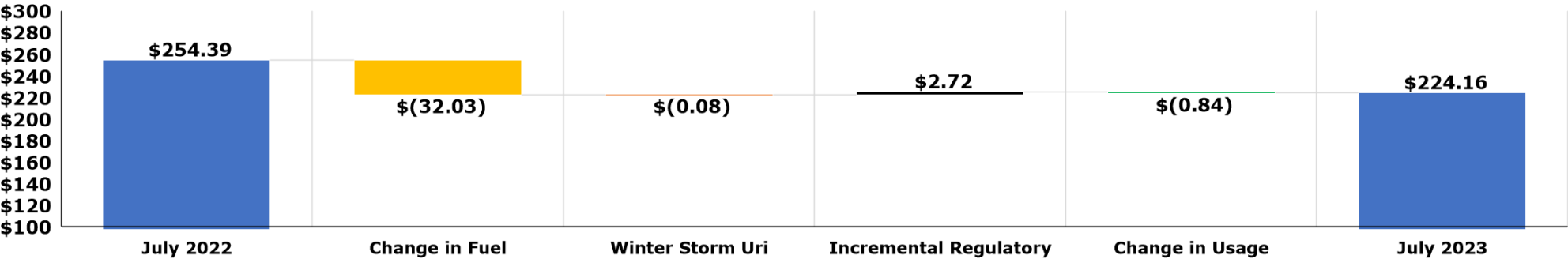
*Billed July actual YTD performance to Plan.

**Other sector includes other commercial sectors, data centers, food & wood product manufacturing, municipals, lighting, etc.

RESIDENTIAL BILLS ARE DOWN



Combined Residential Electric & Gas Bill
July 2022 to July 2023

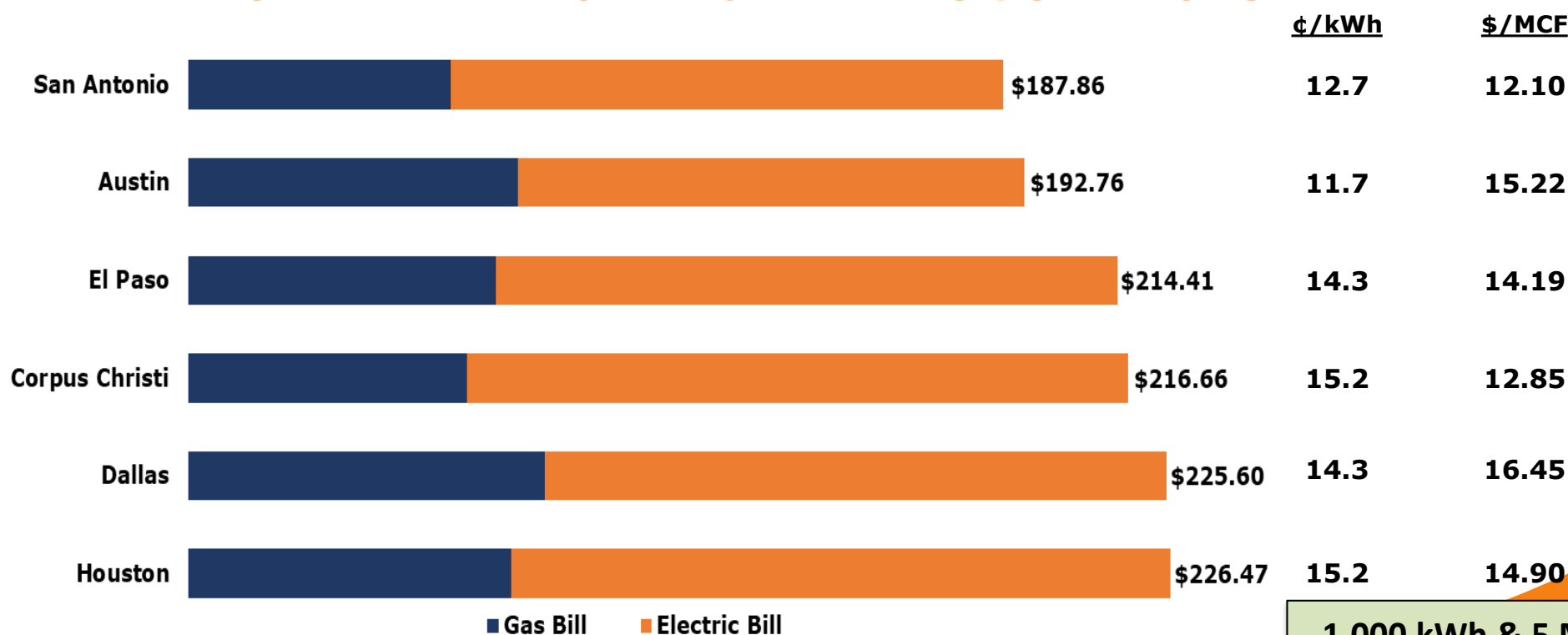


AVERAGE RESIDENTIAL USAGE			
	July 2022	July 2023	Variance
Electric (kWh)	1,646	1,639	-7
Gas (CCF)	10	10	0

Bills continue to be lower year-over-year, primarily due to lower fuel costs.

Note: Winter Storm Uri Recovery = \$0.00085*1,639 kWh (average electric usage for July) + \$0.008249*10 CCF (average gas usage for July)

TEXAS CITIES COMBINED RESIDENTIAL BILL COMPARISON TRAILING TWELVE MONTHS ENDING JULY 2023



Note: Deregulated markets electric data from powertochoose.org (Terms 12; 4&5 star rated REPs).
San Antonio is the only city that has a single electric & gas provider.

FY2024 ENTERPRISE MEASURE SUMMARY

AS OF JULY 31, 2023



Previous Tier Level In FY2023 ¹	Unrecoverable		At Risk		On Track		Achieved		Total Metrics
1	0	0%	3	18.7%	13	81.3%	0	0%	16

FY2024 ENTERPRISE MEASURE OUTLIERS	
At Risk	Capital Budget (Gross of CIAC)
At Risk	O&M Budget
At Risk	Portfolio Commercial Availability (PCA)

¹ Previous Tier 1 Metrics are now reported to the Board in FY2024 as Enterprise Measures.

FY2024 ENTERPRISE MEASURE RESULTS

AS OF JULY 31, 2023



Strategic Objective	Measure Name	Measure Frequency	FY/CY	Unit	Target Indicator	Historical Actuals		Current Year			Year End Forecast	Latest Estimate
						FY 2022 CY 2021	FY 2023 CY 2022	YTD Target	YTD Actual	Year-End Target		
Operational Evolution	Critical IT System Availability	monthly	FY	%	↑	99.9	99.8	99.5	99.9	99.5	On Track	99.9
	Environmental Compliance Issues - NOE & NOV (Category A & B) Enterprise	monthly	CY	#	↓	0	0	0	0	0	On Track	0
	Gas System Growth	monthly	FY	%	↑	1.97	1.97	0.71	1.08	1.51	On Track	1.77
	Portfolio Commercial Availability (PCA)	monthly	CY	%	↑	77.1	82.2	88.9	88.5	88.9	At Risk	85.1
	System Average Interruption Duration Index (SAIDI)	monthly	CY	#	↓	67.68	59.81	35.50	33.71	63.70	On Track	61.92
	System Average Interruption Frequency Index (SAIFI)	monthly	CY	#	↓	1.01	0.95	0.56	0.54	0.98	On Track	0.96
Financial Stability	Adjusted Debt Service Coverage	quarterly	FY	#	↑	1.66	1.89	2.23	1.81	>1.50 ¹	On Track	1.76
	Capital Budget (Gross of CIAC)	monthly	FY	\$	↓	689.5	788.3	469.7	474.5	941.0	At Risk	987.5
	Days Cash on Hand	quarterly	FY	#	↑	182	166	138	154	>150 ¹	On Track	170
	Debt Capitalization	quarterly	FY	%	↓	61.6	61.8	63.0	61.3	<65.0 ¹	On Track	61.7
	Enterprise Senior Lien Bond Ratings ²	quarterly	FY	#	=	0	1	1	1	1	On Track	1
	O&M Budget	monthly	FY	\$	↓	618.5	688.7	386.7	388.7	773.0	At Risk	787.9
Customer Experience	Customer Satisfaction – Residential	quarterly	CY	#	↑	78.9	74.4	75.0	79.7	75.0	On Track	75.7
Team Culture	Employee Engagement – Enterprise	annually	FY	#	↑	3.99	4.09	N/A	N/A	4.12	N/A	N/A
	Enterprise Readiness – Executives	annually	FY	%	↑	83	72	N/A	N/A	75	N/A	N/A
	Enterprise Recordable Incident Rate - (RIR)	monthly	FY	#	↓	1.68	1.49	1.35	0.96	1.35	On Track	1.09

¹ Year-End targets for these Measures are set to maintain our financial stability aligned with Credit Rating Agency thresholds.

² A measure of the Senior Lien Bond Ratings as measured by Fitch, Moody's, and Standard & Poor's (Fitch = AA-, Moody's = Aa2, Standard & Poor's = AA-) such that "1" represents the maintenance of current Ratings, a "2" (or "0") indicates an upgrade (or downgrade) in one or more Ratings.

FY2024 ENTERPRISE MEASURES AT RISK

KEY OBSERVATIONS



Strategic Objective	Measure Name	Measure Frequency	FY/CY	Unit	Target Indicator	Historical Actuals		Current Year			Year End Forecast	Latest Estimate
						FY 2022 CY 2021	FY 2023 CY 2022	YTD Target	YTD Actual	Year-End Target		
Operational Evolution	Portfolio Commercial Availability (PCA)	monthly	CY	%	↑	77.1	82.2	88.9	88.5	88.9	At Risk	85.1
	<p>Key Observations:</p> <p>Drivers:</p> <ul style="list-style-type: none"> Performance January - July 2023 is 88.5% PCA is at risk of meeting the target of 88.9% due to the unplanned events below that account for 70% of the YTD lost margin: <ul style="list-style-type: none"> Spruce 1 turbine overspeed device failure Spruce 2 forced draft fan variable frequency drive transformer failures Sommers 2 exciter lead repairs <p>Mitigations:</p> <ul style="list-style-type: none"> This measure is possible to recover with sustained unit availability and significant scarcity pricing 											

FY2024 ENTERPRISE MEASURES AT RISK

KEY OBSERVATIONS



Strategic Objective	Measure Name	Measure Frequency	FY/CY	Unit	Target Indicator	Historical Actuals		Current Year			Year End Forecast	Latest Estimate
						FY 2022 CY 2021	FY 2023 CY 2022	YTD Target	YTD Actual	Year-End Target		
Financial Stability	Capital Budget (Gross of CIAC)	monthly	FY	\$	↓	689.5	788.3	469.7	474.5	941.0	At Risk	987.5
	Key Observations: Drivers: <ul style="list-style-type: none"> Customer growth – increased costs for new service installations, transformers and other equipment Increased cost and timing of major transmission projects – Howard Road Switchyard Mitigations: <ul style="list-style-type: none"> Offset by increased revenues from core business, wholesale and investment income 											
	O&M Budget	monthly	FY	\$	↓	618.5	688.7	386.7	388.7	773.0	At Risk	787.9
	Key Observations: Drivers: <ul style="list-style-type: none"> Higher labor costs – emergency work and weather events, improved hiring and retention Increased cost and quantity of both leak repairs and atmospheric corrosion controls work. Mitigations: <ul style="list-style-type: none"> Offset by increased revenues from core business, wholesale and investment income 											

We designed our Financial Stability metrics to be flexible and to work in unison to achieve financial health. We are thoughtfully using extra revenue from strong sales and wholesale market performance year-to-date to support our operations.