



**CPS ENERGY BOARD OF TRUSTEES MEETING  
TO BE HELD ON DECEMBER 18, 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	<b>CALL TO ORDER</b>	Execute	Ms. Janie Gonzalez
2	<b>SAFETY MESSAGE, INVOCATION &amp; PLEDGE OF ALLEGIANCE</b>	Execute	Mr. Gautam Shringapure
3	<b>PUBLIC COMMENT</b> Pre-Registration is from Wednesday, December 13, 2023, 5:00 PM – Friday, December 15, 2023, 1:00 PM. Dial (210) 353-4662 or email <a href="mailto:PublicCommentRegistration@CPSEnergy.com">PublicCommentRegistration@CPSEnergy.com</a>	Discuss	Ms. Janie Gonzalez
4	<b>CHAIR’S REMARKS</b>	Discuss	Ms. Janie Gonzalez
5	<b>APPROVAL OF CONSENT ITEMS:</b> A. Minutes of the Regular Board meeting held on October 31, 2023 B. Minutes of the Special Board meeting held on November 8, 2023 C. Payment to the City of San Antonio for November 2023 D. Procurements Items: None.	Vote	Ms. Janie Gonzalez
6	<b>APPROVAL OF BYLAWS FOR THE OPERATIONS OVERSIGHT COMMITTEE CHARTER</b> (Ms. Shanna Ramirez)	Vote	Dr. Francine Romero
7	<b>FY2024 THIRD QUARTER PERFORMANCE UPDATE</b>	Discuss	Mr. Chad Hoopingarner
8	<b>WINTER DEMAND RESPONSE INITIATIVE</b>	Discuss	Mr. Jonathan Tijerina
9	<b>CEO RECOGNITION</b>	Discuss	Mr. Rudy Garza
10	<b>REVIEW OF ACTION ITEMS</b>	Discuss	Ms. Shanna Ramirez
11	<b>EXECUTIVE SESSION:</b> A. Attorney-Client Matters (§551.071) & Competitive Matters (§551.086)	Discuss	Ms. Janie Gonzalez

	B. Attorney-Client Matters (§551.071)		
<b>12</b>	<b>ADJOURNMENT</b>	Execute	Ms. Janie Gonzalez
<p>If the Board meeting has not adjourned by 3:45 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.</p>			

Draft for review and approval  
at the December 18, 2023 meeting

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

The Regular Meeting of the Board of Trustees of CPS Energy for the month of October was held on Tuesday, October 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 1:01 p.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 & Treasurer  
Ms. DeAnna Hardwick, Chief Customer Strategy Officer  
Mr. Evan O'Mahoney, Chief Information Officer  
Ms. Lisa Lewis, Chief Administrative Officer  
Ms. Elaina Ball, Chief Strategy Officer  
Mr. Benny Ethridge, Chief Energy Supply 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. Julie Johnson, Vice President of Finance & Accounting and Assistant Treasurer.

**III. PUBLIC COMMENT**

Ms. Henrietta LaGrange, community member, expressed her gratitude for Chair Gonzalez and her work in the community. She also congratulated Mr. Garza on receiving an award and his work in notifying customers of their usage.

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Mr. Adam Chitwood, Fractal Industries, stated he just retired from the Air Force and started Fractal Industries to install solar power plants on the roofs of commercial and apartment real estate properties. He expressed concern that he cannot implement his business plans because of CPS Energy regulations and that he wished to work with CPS Energy to solve the many problems within grid reliance.

**IV. CHAIR’S REMARKS**

Chair Gonzalez stated that the team will highlight work done for winter safety, and she requested that all customers sign up for Energy Alerts and ensure their contact information is correct and updated. She said that customers can visit our website or call 210-353-2222 to receive Energy Alerts and get other information to assist them.

Next, Chair Gonzalez highlighted a very successful Grillsgiving, which raised a record \$350,000 and will benefit our Residential Energy Assistance Program (REAP). She thanked the CPS Energy team members who made it happen and who put in a lot of work to create a successful event. She also thanked all teams and sponsors, particularly the CPS Energy teams that cooked BBQ. She also highlighted the all-female CPS Energy engineering team who promoted STEAM, and the Powerhouse team who raised awareness for cancer.

**V. APPROVAL OF CONSENT ITEMS**

On a motion duly made by Mayor Nirenberg, 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 September 25, 2023**

**B. Approval of Payment to the City of San Antonio for September 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 September 2023 is based on actual gross revenue per the New Series Bond Ordinance of \$359,529,487.18, less applicable exclusions. The revenue for the month of September 2023 is calculated as follows:

Gross revenue per CPS Energy financial statements	
Electric revenue	\$278,461,951.90
Gas revenue	12,042,625.18
Interest and other income	3,850,778.65
Gross revenue per CPS Energy financial statements	294,355,355.73
Excluded revenue	
School and hospital revenue per City Ordinance 55022	(9,757,911.53)
LVG revenue per City Ordinance 100709	(6,861.43)

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Fuel cost component of off-system nonfarm energy sales per City Ordinance 61794 and revenue for wholesale special contracts	(14,896,351.19)
Noncash and other income, GASB 31 investment market value change, miscellaneous interest income, gas billing adjustment and unbilled Revenue	<u>89,835,255.60</u>
Total excluded revenue	<u>65,174,131.45</u>
Gross revenue per New Series Bond Ordinance subject to 14% payment to the City	<u>\$359,529,487.18</u>
City payment per Bond Ordinance for September 2023 based upon September 2023 revenue	\$50,334,128.21
City payment per memorandum of understanding (MOU) regarding wholesale special contracts	737,223.01
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	51,058,851.22 <b>A</b>
Utility services provided to the City for September 2023	<u>(3,267,729.81)</u>
Net amount to be paid from September 2023 revenue to the City in October 2023	<u>\$47,791,121.41</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)

September 2023	Actual	Budget	Variance	
Current Month <b>A</b>	\$51,059	\$43,701	\$7,358	16.8%
Year-to-Date	\$317,347	\$307,095	\$10,252	3.3%

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 \$47,791,121.41 representing 14% of applicable system gross revenues for the month of September 2023, such payment being net of City utility services (\$3,267,729.81), is hereby approved."

**C. Procurement Items:**

1. **Item Description:** Call Center Support Services  
**Purchase Category:** General Services  
**Supplier:** A to Z Call Center Services, LP dba The CMI group
  
2. **Item Description:** Additional Funding Request: Overhead Electric Distribution Services  
**Purchase Category:** General Services  
**Supplier:** Chain Electric Company

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Greenstone Electrical LLC  
Pike Electric LLC

- 3. Item Description:** Additional Funding Request: Joint Trench Gas and Electric Service Installation Services  
**Purchase Category:** General Services  
**Supplier:** Greenstone Electrical Services LLC  
Mears Installation LLC  
Wampole-Miller, Inc. dba Miller Bros Division of Wampole-Miller, Inc.
- 4. Item Description:** Additional Funding Request: New Electric and Gas Infrastructure Installation Services  
**Purchase Category:** General Services  
**Supplier:** Badeco Inc.  
Benton-Georgia, LLC  
MasTec North America, Inc.  
Mears Installation LLC  
Wampole-Miller, Inc. dba Miller Bros Division of Wampole-Miller, Inc.
- 5. Item Description:** Additional Funding Request: Substation Electrical Construction Services  
**Purchase Category:** General Services  
**Supplier:** E.P. Breaux Utility Services, LLC  
The L.E. Myers Co., Inc.
- 6. Item Description:** Additional Funding Request: Integrated Security Services and Consulting  
**Purchase Category:** General Services  
**Supplier:** TriCorps Security, Inc.  
Whitman Consulting-Security Services-Private Instigators, LLC

## VI. 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 (OOC) meeting held on September 18, 2023. The report is attached as "Attachment A" to the meeting minutes.
- B. Technology and Resilience Committee (T&R) meeting held on September 27, 2023. The report is attached as "Attachment B" to the meeting minutes.
- C. Nominations Committee (NC) meeting held on October 16, 2023. The report is attached as "Attachment C" to the meeting minutes.

## VII. FINANCIAL POLICIES ANNUAL APPROVAL

Ms. Julie Johnson, Vice President of Finance & Accounting and Assistant Treasurer, noted that the financial policies were presented to the Audit & Finance Committee, and she is now seeking approval of the financial policies.

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She noted that 5 of 6 policies had administrative changes or no changes. The NDT Investment Policy is the only policy with proposed changes that are substantive, and the proposed update is to the asset allocation, which is recommended by the NDT investment consultant to optimize performance.

Vice Chair Dr. Romero moved to approve the resolutions, adopting the policies. The motion was seconded by Mayor Nirenberg, and it was approved unanimously.

### INVESTMENT POLICY RESOLUTION

The following resolution relating to the investment activities of the City of San Antonio, Texas acting by and through City Public Service Board (“CPS Energy”) was presented for consideration and approval by the CPS Energy Board of Trustees (“Board”):

**WHEREAS**, Texas Government Code Section 1502.070 vests management and control of the CPS Energy gas and electric systems in the Board, including management and control over the purchasing activities of the systems; and

**WHEREAS**, the Board is responsible for the prudent handling and control of funds and investments of CPS Energy; and

**WHEREAS**, the Texas Public Funds Investment Act (“PFIA”) requires that the governing body of a local government review its investment policies and investment strategies not less than annually during the fiscal year; and

**WHEREAS**, CPS Energy Management desires to modify the Policy, as attached, with non-substantive changes which are administrative in nature and include:

- Clarifying existing language, and
- Updating the effective date;

**WHEREAS**, CPS Energy desires the approval of a resolution a) acknowledging that a review of the Policy has been completed and b) adopting the Policy with the proposed changes; and

**WHEREAS**, CPS Energy Management has verified and represents to the Board that the Policy as attached hereto is in compliance with the requirements of the CPS Energy operating procedures, the PFIA, the Bond Ordinances and the Commercial Paper Ordinances.

**NOW THEREFORE BE IT RESOLVED** that the Board hereby approves and adopts the Policy, as attached hereto, effective January 31, 2024.

### NUCLEAR DECOMMISSIONING TRUST INVESTMENT POLICY RESOLUTION

The following resolution relating to the Nuclear Decommissioning Trust (“NDT”) activities of the City of San Antonio, Texas acting by and through the City Public Service Board (“CPS Energy”) was presented for consideration and approval by the CPS Energy Board of Trustees (the “Board”):

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**WHEREAS**, Texas Government Code Section 1502.070 vests management and control of the CPS Energy gas and electric system in the Board, including management and control over the purchasing activities of the systems; and

**WHEREAS**, the Board is responsible for the prudent handling and control of funds and investments of CPS Energy, the City Public Service Decommissioning Master Trust for the South Texas Project (the "28% Trust"), and the City Public Service Decommissioning Master Trust Agreement Related to the South Texas Project Interest Acquired from AEP Texas Central Company (the "12% Trust (TCC Funded)"); and

**WHEREAS**, the Texas Public Funds Investment Act ("PFIA") requires that the governing body of a local government review its investment policies and investment strategies not less than annually during the fiscal year; and

**WHEREAS**, CPS Energy Management desires to modify the CPS Energy South Texas Project NDT Investment Policy ("Policy"), as attached, with substantive changes and include:

- Modifying target asset allocations,
- Clarifying existing language, and
- Updating the effective date;

**WHEREAS**, CPS Energy desires the approval of a resolution a) acknowledging that a review of the Policy has been completed and b) adopting the Policy with the proposed changes.

**WHEREAS**, CPS Energy management has verified and represents to the Board that the Policy as attached hereto complies with the requirements of the U.S. Nuclear Regulatory Commission, the Public Utility Commission of Texas, the PFIA, the Texas Property Code Subtitle B, Title 9, where applicable and the requirements of the 28% Trust and the 12% Trust (TCC Funded).

**NOW THEREFORE BE IT RESOLVED** that the Board hereby approves and adopts the Policy as attached hereto, effective January 31, 2024.

#### **FINANCIAL AUTHORIZATIONS AND APPROVALS POLICY FOR BANKING, INVESTING AND HEDGING RESOLUTION**

The following resolution relating to the banking, investing and hedging activities of the City of San Antonio, Texas acting by and through City Public Service Board ("CPS Energy") was presented for consideration and approval by the Board of Trustees ("Board"):

**WHEREAS**, the Board of Trustees of the City Public Service Board of San Antonio, Texas, is required to designate and authorize specific CPS Energy Officers and staff to conduct financial transactions on behalf of CPS Energy, the City Public Service Restated Decommissioning Master Trust for the South Texas Project, the City Public Service

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Decommissioning Master Trust Agreement Related to the South Texas Project Interest Acquired from AEP Texas Central Company; and Hedge Instrument transactions on behalf of CPS Energy; and

**WHEREAS**, a CPS Energy Financial Authorizations and Approvals Policy for Banking, Investing and Hedging (“the Policy”) must be provided to banks, investment firms, brokers and other counterparties in order to conduct transactions in the daily operations of CPS Energy; and

**WHEREAS**, CPS Energy Management has no proposed changes to the Policy other than the effective date;

**NOW THEREFORE BE IT RESOLVED** that the Board hereby approves the attached CPS Energy Financial Authorizations and Approvals Policy for Banking, Investing and Hedging, effective January 31, 2024.

#### **COLLATERAL POLICY RESOLUTION**

The following resolution relating to the collateral activities of the City of San Antonio, Texas acting by and through City Public Service Board (“CPS Energy”) was presented for consideration and approval by the Board of Trustees (“Board”):

**WHEREAS**, Texas Government Code Section 2257.023 requires that CPS Energy adopt a policy concerning the collateral pledged to secure the deposit of CPS Energy funds in a depository bank or other financial institution; and

**WHEREAS**, CPS Energy Management has no proposed changes to the Collateral Policy other than the effective date.

**NOW THEREFORE BE IT RESOLVED** that the Board hereby approves the attached CPS Energy Collateral Policy, effective January 31, 2024.

#### **MASTER INTEREST RATE MANAGEMENT POLICY RESOLUTION**

The following resolution relating to interest rate management agreements and transactions of the City of San Antonio, Texas acting by and through City Public Service Board (“CPS Energy”) was presented for consideration and approval by the CPS Energy Board of Trustees (“Board”):

**WHEREAS**, Texas Government Code Section 1371.056, requires that the City Council (the “City Council”) of the City of San Antonio, Texas (the “City”), adopt a risk management policy governing entering into and managing interest rate management agreements and transactions in anticipation of, related to, or in connection with the authorization, issuance, security, purchase, payment, sale, resale, redemption, remarketing, or exchange of debt obligations of the City as a condition to the execution of any such agreement or transaction; and

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**WHEREAS**, Texas Government Code Section 1502.070 and various ordinances of the City Council vests management and control of the CPS Energy electric and gas systems (the “Systems”) in the Board; and

**WHEREAS**, it is in the best interests of the customers of the Systems that the Board and the City be authorized to enter into interest rate management agreements to manage the net interest expense borne by debt obligations of the City issued and to be issued to finance or refinance eligible costs of Systems’ projects and/or other permitted costs and payable from revenue of the Systems; and

**WHEREAS**, on November 28, 2011, the Board approved the Master Interest Rate Management Policy, which has subsequently been updated; and

**WHEREAS**, CPS Energy Management desires to modify the Master Interest Rate Management Policy, as attached, with non-substantive changes that are administrative in nature and include:

- Clarifying existing language, and
- Updating the effective date;

**NOW THEREFORE BE IT RESOLVED** that the Board hereby ratifies and approves the attached CPS Energy Master Interest Rate Management Policy, as revised, effective January 31, 2024.

#### **ENERGY PRICE RISK MANAGEMENT POLICY RESOLUTION**

The following resolution relating to the investment and hedging activities of the City of San Antonio, Texas acting by and through City Public Service Board (“CPS Energy”) was presented for consideration and approval by the CPS Energy Board of Trustees (“Board”):

**WHEREAS**, Texas Government Code Section 1502.070 vests management and control of the CPS Energy gas and electric systems in the Board, including management and control over the purchasing activities of the systems; and

**WHEREAS**, the Board is responsible for the prudent handling and control of energy hedge instruments; and

**WHEREAS**, the Texas Public Funds Investment Act (“PFIA”) requires that the governing body of a local government review its investment policies and investment strategies not less than annually; and

**WHEREAS**, by policy, the Board shall review CPS Energy’s Energy Price Risk Management (“EPRM”) Policy on an annual basis and approve any changes thereto; and

**WHEREAS**, CPS Energy Management desires to modify the EPRM Policy, as attached, with non-substantive changes which are administrative in nature and include:

- Clarifying existing language, and

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- Updating the effective date;

**WHEREAS**, CPS Energy desires the approval of a resolution a) acknowledging that a review of the Policy has been completed and b) adopting the Policy with the proposed changes; and

**WHEREAS**, CPS Energy Management has verified and represents to the Board that the Policy as attached hereto is in compliance with the requirements of the PFIA.

**NOW THEREFORE BE IT RESOLVED** that the Board hereby approves and adopts the Policy, as attached hereto, effective January 31, 2024.

#### **VIII. REVISED BENEFIT PLANS STATEMENT OF GOVERNANCE**

Ms. Debra Wainscott, Vice President of People & Culture presented the proposed revisions to the Statement of Governance and requested approval. She reviewed the process for making changes to the Statement of Governance, and she noted that the proposed changes were administrative or organizational. She noted the organizational change is to update the length of service for Administrative Committee members from a 6-year to a 5-year term.

The Board of Trustees discussed and asked questions. Mayor Nirenberg moved to approve the revised benefit plans Statement of Governance, Vice Chair Romero seconded, and the motion carried 4-1. Trustee Steen voted against the motion, noting the same concerns he expressed in the December 19, 2022, meeting regarding the process for approving actuarial returns. He stated that while he agreed with the changes to the Statement of Governance, he regretted that there has not been any action on his request to make the Board of Trustees the governing body of CPS Energy's retirement system to determine the actuarial rate of return.

#### **IX. WINTER 2023 PREPAREDNESS**

The Executive Leadership Team presented on winter preparedness. Mr. Benjamin Ethridge, Chief Energy Supply Officer provided an introduction and overview.

Mr. Kevin Pollo, Vice President of Energy Supply & Market Operations, provided a recap of summer 2023, noting the record heat. He stated that our community did a great job in demand response. He also noted that the CPS Energy fleet was available and delivering during the periods of the lowest ERCOT reserve.

Mr. Brian Alonzo, Chief Meteorologist, provided more in-depth information on the record setting summer, noting that we had 75 days of 100 degrees or higher. He then provided a forecast for the winter weather, noting that the temperature outlook shows equal chances of temperatures being above, below, or near normal, but that precipitation is expected to be above normal due to a strong El Nino. He stressed that El Nino typically means cooler and wetter.

Mr. Ethridge then introduced the plant managers and noted that winter readiness activities would be completed by December 1 to meet the needs of our community. He also that enhancements to the weatherization program are in place to deliver plant reliability during extreme winter weather.

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Mr. Richard Medina, Chief Energy Delivery Officer, noted that we leverage lessons-learned to enhance system performance and emergency response during significant events and focused on measures we take for safety, operations, and equipment.

Ms. Melissa Sorola, Vice President for Corporate Communications & Marketing, review the outreach CPS Energy conducted during the summer to contact customers. She also shared the results of their efforts, showing an increase in customer interaction. Finally, she noted that the team is prepared to encourage conservation and provide emergency messaging to our customers and stakeholders this winter.

The Board of Trustees asked questions and made comments.

**X. VOTE TO REAPPOINT THE TRUSTEE REPRESENTING THE SOUTHWEST QUADRANT TO SERVE A SECOND TERM ON THE CPS ENERGY BOARD AND APPROVE RELATED RESOLUTION**

Trustee Dr. Mackey noted that the Nominations Committee met and recommended reappointment. He made a motion to reappoint and to approve the resolution reappointing the trustee representing the southwest quadrant to serve a second term. Mayor Nirenberg seconded the motion, and the motion was unanimously.

**XI. CEO RECOGNITION**

Mr. Garza recognized our Gas Rodeo Team, who made their initial appearance at the National Gas Rodeo. They competed against 40 teams and were the first newcomers to make the finals and the team the competition shirt contest. They donated the \$1,000 to REAP.

Mr. Garza recognized the JBSA Support Team for finishing their review of the privatized electric and gas system operations and our partner relations with JBSA. He noted that our military operations team does a lot to support our military partners in San Antonio, and they received an exceptional rating in 3 of the 5 categories in the contractor assessment report.

**XII. REVIEW OF ACTION ITEMS**

Ms. Ramirez reviewed the action items from the previous meeting and then recapped the new actions for this meeting: including 1) adding Trustee Steen’s reason or voting against motion in Item # VIII in the minutes, 2) adding acronyms in the appendix for the Winter 2023 Preparedness presentation, and 3) a request from Mayor Nirenberg for an executive session discussion.

**XIII. EXECUTIVE SESSION**

At approximately 2:29 p.m. 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)

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- Competitive Matters (§551.086)

The Board reconvened in open session at 2:58 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.

#### **XIV. ADJOURNMENT**

There being no further business to come before the Board, upon a motion duly made by Mayor Nirenberg, seconded by Trustee Dr. Mackey and upon an affirmative vote by all members present, the meeting was unanimously adjourned at 2:59 p.m. by Chair Gonzalez.

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Shanna M. Ramirez  
Secretary of the Board

DRAFT

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**CPS ENERGY**  
**MINUTES OF THE SPECIAL MEETING OF THE BOARD OF TRUSTEES**  
**HELD ON NOVEMBER 8, 2023**

A Special Meeting of the Board of Trustees of CPS Energy was held on Wednesday, November 8, 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 11:01 a.m.

Present were Board members:

Ms. Janie Gonzalez, Chair  
Dr. Francine Romero, Vice Chair  
Dr. Willis Mackey (arrived at 11:02 a.m.)  
Mr. John Steen  
Mayor Ron Nirenberg (arrived at 11:04 a.m.)

Also present were:

Mr. Rudy Garza, President & CEO  
Ms. Shanna Ramirez, Chief Legal & Ethics Officer, General Counsel & Board Secretary  
Mr. Cory Kuchinsky, Chief Financial Officer & Treasurer  
Ms. DeAnna Hardwick, Chief Customer Strategy Officer  
Mr. Evan O'Mahoney, Chief Information Officer  
Ms. Lisa Lewis, Chief Administrative Officer  
Ms. Elaina Ball, Chief Strategy Officer  
Mr. Benny Ethridge, EVP for Energy Supply  
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. Nathalia Lopez, Legal Program Manager.

**III. PUBLIC COMMENT**

Ms. Henrietta LaGrange, community member, thanked every CPS Energy employee for being the backbone of CPS Energy. She also noted that members of the community she speaks to are against a rate increase because they are on a fixed budget.

Dr. Terry Burns, former leader of the local Sierra Club, thanked CPS Energy for its progress over the last few years. He noted that the culture and operations have greatly improved under Mr. Garza's leadership and that they are excited about the hiring of Ms. Elaina Ball as the Chief Strategy Officer. He also noted that the Rate Advisory Committee was an example of excellent community work, and it had great

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recommendations. He stated they could not support another rate increase without rate reform to assist low-income customers.

Mr. Joe Garcia, community member, stated he was against the rate increase and noted that there was already an increase two years ago and one planned for FY2027. He understands that with the growth, there must be new technology, but he urged the Board of Trustees to employ new technologies and stop the increases in rates.

Ms. DeeDee Balmores, Public Citizen, stated the rate case process is happening fast. She stated that the amount of increase was announced last week, and that CPS Energy would be moving forward with a rate increase during the holidays. She also urged a tiered rate structure and rates that would encourage conservation, and she urged the Board of Trustees to hold management to a timeline to explore time of use and tiered rates.

Mr. Jack M. Finger, community member, stated his objection in signing up to speak. He also stated that there is a proposed rate increase even with the better-than-expected revenues for the City of San Antonio, and cannot see the need for a rate increase.

Ms. Debra Ponce, community member, stated she has always paid her bills and staggered investments in her home as she can afford. She is asking the same – there was a rate request two years ago and already another one planned in two years. She also expressed concern about her rates being increased permanently for expenses like upgrades to technology.

#### **IV. CHAIR'S REMARKS**

Chair Gonzalez stated that she has spoken to several members of the community and heard the following: 1) we must not lose sight of the most vulnerable, 2) we continue to support economic development, especially in areas that have not seen economic development, 3) we must plan for the future to address growing needs of both residential and commercial customers, 4) we must protect the investments made by and 5) consider tiered rates.

She stated that CPS Energy staff has provided the Board with thoughtful guidance on the challenges and opportunities that need to be addressed driven by community engagement. She also noted that staff has kept the Board informed of the need for a rate request, and the Board has the responsibility to guide the organization through the energy transformation while staying focused on growing customer needs. She also noted key partnerships with SAWS and the City of San Antonio will be important as CPS Energy looks to the future. She thanked all individuals who have participated in the process.

#### **V. FY2025 RATE REQUEST UPDATE**

Mr. Rudy Garza stated he appreciated all the work of the CPS Energy and City of San Antonio staff that has worked diligently to ensure that the rate increase request is appropriate and that future increases will be based on need. He stated CPS Energy's job is to provide the best electric and gas services as affordably as possible.

Then, he recognized:

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- Mr. Kenny Byrom, Journeyman Lineman, with CPS Energy for 15 years.
- Mr. Blaine Saenz, Journeyman, in the Corrosion Control Division, with CPS Energy for 8 years.

Mr. Garza stated that to bring a rate case forward is never easy and never done lightly. It is done with singular focus of ensuring that our crews and people have what they need to get their jobs done.

Mr. Cory Kuchinsky, Chief Financial Officer & Treasurer, shared our preliminary rate request amount and the investments it will support and protect. He walked through the community commitments and key benefits for the community that resulted from the last rate increase. He stated that the proposed increase to base rates of 4.25% is lower than anticipated due to stronger than expected performance in the wholesale market. He reviewed the planned use of the one-time wholesale revenue, and then detailed the customer benefits to be achieved with the proposed rate increase. Finally, he detailed that the additional revenue generated from rate support will help the financial stability of our utility.

Ms. DeAnna Hardwick, Chief Customer Strategy Officer, presented on customer assistance and community outreach. She covered the proposed changes to the Affordability Discount Program (ADP) to 1) increase the amount received by participants to cover 50% of the rate increase, and 2) to enroll at least an additional 15,000 customers with severe energy burden. She also covered community outreach efforts by CPS Energy, including the residential and small commercial bill estimators.

The Board of Trustees asked questions and discussed the update on the FY2025 rate request.

Ms. Ramirez noted several action items: 1) request for cost of fuel trends over the 15 years, 2) update the appendix slide of financial metrics to forecast 5 years, 3) verify how long ADP has been in existence, 4) share the statutory reference which allows for ADP, and 5) ADP breakdown between residential and commercial customers.

## **VI. EXECUTIVE SESSION**

Chair Gonzalez noted that the executive session item was withdrawn.

## **VII. ADJOURNMENT**

There being no further business to come before the Board, upon a motion duly made by Trustee Dr. Mackey, seconded by Vice Chair Romero and upon an affirmative vote by all members present, the meeting was unanimously adjourned at 12:56 p.m. by Chair Gonzalez.

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Shanna M. Ramirez  
Secretary of the Board

## CPS Energy Board of Trustees Meeting December 18, 2023

### Approval of Payment to the City of San Antonio for November 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 November 2023 is based on actual gross revenue per the New Series Bond Ordinance of \$200,583,184.60, less applicable exclusions. The revenue for the month of November 2023 is calculated as follows:

Gross revenue per CPS Energy financial statements		
Electric revenue		\$213,995,850.32
Gas revenue		19,240,775.70
Interest and other income		12,599,300.46
Gross revenue per CPS Energy financial statements		<u>245,835,926.48</u>
Excluded revenue		
School and hospital revenue per City Ordinance 55022		(7,177,789.24)
LVG revenue per City Ordinance 100709		(2,140.80)
Fuel cost component of off-system nonfirm energy sales per City Ordinance 61794 and revenue for wholesale special contracts		(10,437,936.48)
Noncash and other income, GASB 31 investment market value change, miscellaneous interest income, gas billing adjustment and unbilled revenue		<u>(27,634,875.36)</u>
Total excluded revenue		<u>(45,252,741.88)</u>
Gross revenue per New Series Bond Ordinance subject to 14% payment to the City		<u>\$200,583,184.60</u>
City payment per Bond Ordinance for November 2023 based upon November 2023 revenue		\$28,081,645.84
City payment per memorandum of understanding (MOU) regarding wholesale special contracts		393,514.99
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		28,462,660.83 <b>A</b>
Utility services provided to the City for November 2023		<u>(2,689,932.53)</u>
Net amount to be paid from November 2023 revenue to the City in December 2023		<u>\$25,772,728.30</u>

## CPS Energy Board of Trustees Meeting December 18, 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)

November 2023	Actual	Budget	Variance	
Current Month <b>A</b>	\$28,463	\$31,652	(\$3,189)	-10.1%
Year-to-Date	\$383,803	\$371,048	\$12,755	3.4%

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 \$25,772,728.30 representing 14% of applicable system gross revenues for the month of November 2023, such payment being net of City utility services (\$2,689,932.53), is hereby approved."

Charter Created: 07/26/11 Last  
Revised: ~~10/31/16~~ 11/21/23

## **CPS Energy Board of Trustees**

### **OPERATIONS OVERSIGHT COMMITTEE CHARTER**

#### **I. Role of the Operations Oversight Committee**

The Operations Oversight Committee, appointed by and a standing committee of the CPS Energy Board of Trustees ("Board"), assists the Board by conducting review and providing oversight of key strategic projects, performance indicators, and trends for the most critical operational areas of the utility, in order to ensure that planning and processes for reliability, safety, regulatory compliance and related indicators are fully sufficient.

#### **II. Authority**

The Operations Oversight Committee is authorized to exercise its business judgment to review reports from CPS Energy management concerning reliability, safety, compliance and related operational indicators, and to report its findings to the full Board. The Committee is also authorized to make recommendations to the Board concerning any actions within the scope of its responsibility that it feels are necessary to enhance or improve the utility's operational performance. Committee members shall strive to develop a broad understanding of CPS Energy's business and to apply their business experience and judgment to the issues and reports brought to them by CPS Energy personnel concerning operational performance and trends.

#### **III. Committee Membership**

The Operations Oversight Committee shall consist of two (2) Board members. Committee appointments, including designation of one member as the Chair of the Committee, shall be approved annually by the full Board.

#### **IV. Meetings**

The Operations Oversight Committee shall meet at least two (2) times per calendar year. Additional meetings shall be scheduled as considered necessary by the Committee or Committee Chair. All members are expected to attend each meeting. In person attendance is preferred. The Committee may invite members of management or others to attend meetings and provide pertinent information, as necessary. The Committee may also conduct meetings in executive session as warranted and as permitted by law. Minutes of meetings will be prepared.

#### **V. Responsibilities**

Charter Created: 07/26/11 Last  
 Revised: ~~10/31/16~~ 11/21/23

The Operations Oversight Committee is tasked with the following kinds of responsibilities:

- Meet periodically with management to review operational reports, trends and industry benchmarks for the CPS Energy electric and gas systems. Matters that may be reviewed include, but are not limited to:
  - Safety performance: enterprise level and by business unit/area
  - Reliability
    - Energy Delivery Services: SAIFI, SAIDI, CAIDI
    - Power Generation: EAF, EFOR and Human Performance Events (by generation type, i.e., coal, gas steam, gas combined cycle, and gas combustion turbines)
    - Gas: odor response time, lost/unaccounted for gas (annual), annual Railroad Commission audit findings
  - Environmental: SO<sub>2</sub> and NO<sub>x</sub> emissions, Notices of Violation (NOVs), Notices of Enforcement (NOEs)
  - Renewables: renewable energy supply and renewable energy participation
  - Electric Generation Status and Plans: natural gas, coal, nuclear, renewables, other
  - Fuel inventory: gas in storage, coal, oil
  - Sales: retail and wholesale electric, gas
  - Corporate Support Services: inventory accuracy, material availability, supplier diversity, local business utilization, residential customer satisfaction (e.g., MSI metrics), energy efficiency (STEP), and ~~EIP status~~ enterprise metrics.
  
- Understand CPS Energy's business and business plan objectives sufficiently to be able to ensure that there are no unreasonable restrictions or limitations on operations and processes that would impair safe and successful operations or prevent achievement of business plan goals
  
- Provide regular reports to the CPS Energy Board of Trustees concerning Committee activities, issues and recommendations
  
- Perform other tasks authorized by the Charter as requested by the Board
  
- Institute and oversee special investigations, as needed, to fulfill the responsibilities of the Committee
  
- Periodically review and assess the adequacy of the Committee Charter, requesting Board approval for any necessary changes
  
- Confirm annually that all responsibilities outlined in the Charter have been sufficiently fulfilled

*Charter Created: 07/26/11 Last*

*Revised: ~~10/31/16~~ 11/21/23*

- Review periodically the Committee's performance and the participation of individual members

*This Charter of the Operations Oversight Committee of the CPS Energy Board of Trustees is hereby approved this 5<sup>th</sup> ~~31<sup>st</sup>~~ day of December 2023 ~~October 2016~~.*

*Charter Created: 07/26/11*

*Last Revised: 11/21/23*

## **CPS Energy Board of Trustees**

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Charter Created: 07/26/11

Last Revised: 11/21/23

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  - Reliability
    - Energy Delivery Services: SAIFI, SAIDI, CAIDI
    - Power Generation: EAF, EFOR and Human Performance Events (by generation type, i.e., coal, gas steam, gas combined cycle, and gas combustion turbines)
    - Gas: odor response time, lost/unaccounted for gas (annual), annual Railroad Commission audit findings
  - Environmental: SO<sub>2</sub> and NO<sub>x</sub> emissions, Notices of Violation (NOVs), Notices of Enforcement (NOEs)
  - Renewables: renewable energy supply and renewable energy participation
  - Electric Generation Status and Plans: natural gas, coal, nuclear, renewables, other
  - Fuel inventory: gas in storage, coal, oil
  - Sales: retail and wholesale electric, gas
  - Corporate Support Services: inventory accuracy, material availability, supplier diversity, local business utilization, residential customer satisfaction (e.g., MSI metrics), energy efficiency (STEP), and enterprise metrics.
- Understand CPS Energy's business and business plan objectives sufficiently to be able to ensure that there are no unreasonable restrictions or limitations on operations and processes that would impair safe and successful operations or prevent achievement of business plan goals
- Provide regular reports to the CPS Energy Board of Trustees concerning Committee activities, issues and recommendations
- Perform other tasks authorized by the Charter as requested by the Board
- Institute and oversee special investigations, as needed, to fulfill the responsibilities of the Committee
- Periodically review and assess the adequacy of the Committee Charter, requesting Board approval for any necessary changes
- Confirm annually that all responsibilities outlined in the Charter have been sufficiently fulfilled

*Charter Created: 07/26/11*

*Last Revised: 11/21/23*

- Review periodically the Committee's performance and the participation of individual members

*This Charter of the Operations Oversight Committee of the CPS Energy Board of Trustees is hereby approved this 5<sup>th</sup> day of December 2023 .*



# FY2024 THIRD QUARTER PERFORMANCE UPDATE

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*PRESENTED BY:*  
**Chad Hoopingarner**  
Vice President, Financial Planning

**December 18, 2023**  
*Informational Update*



# AGENDA

- FY2024 Scorecard Update
- Financial Performance Update
- Accounts Receivables

We will provide an update on our Financial Performance, Accounts Receivables, and Enterprise Measures thru Q3.

# FY2024 SCORECARD: Q3 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"> <li>Conducted leadership meeting to update strategic initiative roadmaps and propose new enterprise measures</li> </ul>
Execute generation plan to power our future	<ul style="list-style-type: none"> <li>1,150MW of power purchase agreements completed, more renewable RFPs in process</li> <li>Contracted Owner's Engineers for new plant construction and gas conversion</li> </ul>
Execute on Enterprise Resource Planning (ERP) RFP to mitigate system end-of-life by selecting software partner	<ul style="list-style-type: none"> <li>Final negotiations with top vendors underway; seeking Board approval in February</li> </ul>
Engage with our community on rate design and adjustments	<ul style="list-style-type: none"> <li>Rate request approved by Board on Dec 4 and Council on Dec 7</li> </ul>
Pursue grants and other new revenue sources with partners	<ul style="list-style-type: none"> <li>Awarded GRIP Grant</li> <li>Awaiting feedback on EV and Gas Infrastructure grant submissions</li> </ul>

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

<b>63.38</b> Outage Duration (SAIDI)	<b>1.03</b> Outage Frequency (SAIFI)	<b>0</b> Environmental Issues	<b>2.00</b> Adjusted Debt Service Coverage	<b>\$810.7M</b> O&M Budget	<b>\$987.9M</b> Capital Budget (Gross of CIAC)	<b>77.9%</b> Customer Satisfaction	<b>0.91</b> Safety Rate (RIR)			
<b>1.92%</b> Gas Growth	<b>93.6%</b> Plant Reliability (PCA)	<b>99.9%</b> Technology Availability	<b>200</b> Days Cash On Hand	<b>61.0%</b> Debt Capitalization	<b>AA-/Aa2</b> Senior Lien Bond Rating	<b>N/A</b> Employee Engagement	<b>N/A</b> Talent Readiness			
As of: 10/31/2023	# At Risk	# On Track	# Strategic Variance	Annual Measure Only	Operational Evolution	Financial Stability	Customer Experience	Team Culture	*Measure details in appendix	<b>3</b>

# THIRD QUARTER MEASURES UPDATE



- SAIFI is at-risk due to the stormy start to the year and extensive lightning affecting our reliability.
- Investments in vegetation management have allowed us to increase the amount of circuit miles trimmed (projecting 1,000 miles).
- If the winter season is wetter than normal due to El Niño, it may impact reliability results.



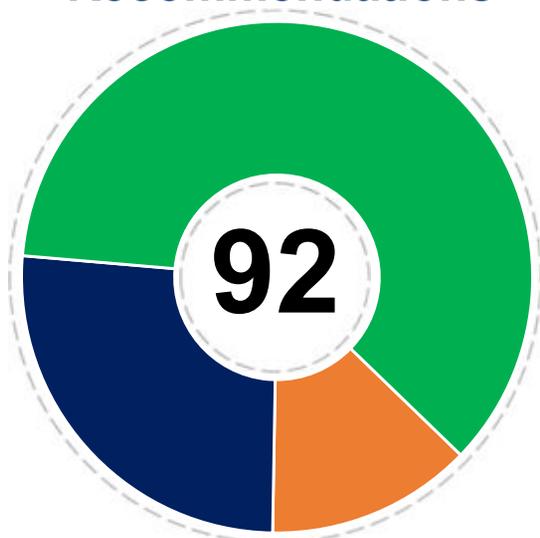
- We are thoughtfully using revenue from strong sales and wholesale market performance year-to-date to support our operations and are strategically exceeding our O&M and Capital targets.
- Financial Stability measures are designed to be flexible and to work in unison to achieve overall financial health and serve our customers.
- Any measure not meeting year-end targets will be counted as “missed” in final reporting.



# OPERATIONAL EFFICIENCY REVIEW

## ALIGNING TO BUSINESS PLANS

### Recommendations



Provided by Daymark and Gallup

- 12** **REVIEWS & DISCOVERY**  
Recommendations under evaluation within business teams
- 24** **DEVELOPMENT & INFLIGHT**  
Recommendations are in production mode; business teams are building a framework and process, testing to ensure alignment and cross-referencing to business plans
- 56** **ALIGNED**  
Recommendations we have incorporated into our processes and business plans for FY2024 and FY2025

All remaining recommendations will be incorporated in FY2025 Business Plans.



# FINANCIAL PERFORMANCE

- **Q3 YEAR-TO-DATE**

- Overall financial performance is above plan due to stronger wholesale revenue, higher than forecasted electric sales, lower fuel prices, and higher investment income
- As a result, Repair & Replacement (R&R) contributions are higher than forecast
- We have strategically allocated a portion of this year's favorable revenue results to our O&M and capital plans

- **PAST DUE ACCOUNTS**

- The total past due accounts balance at the end of October was \$175.5M
- ~72% of this balance is either already on a payment plan (~\$83M) or is inactive and will be written off (~\$43M)

- **FULL-YEAR REVISED FORECAST**

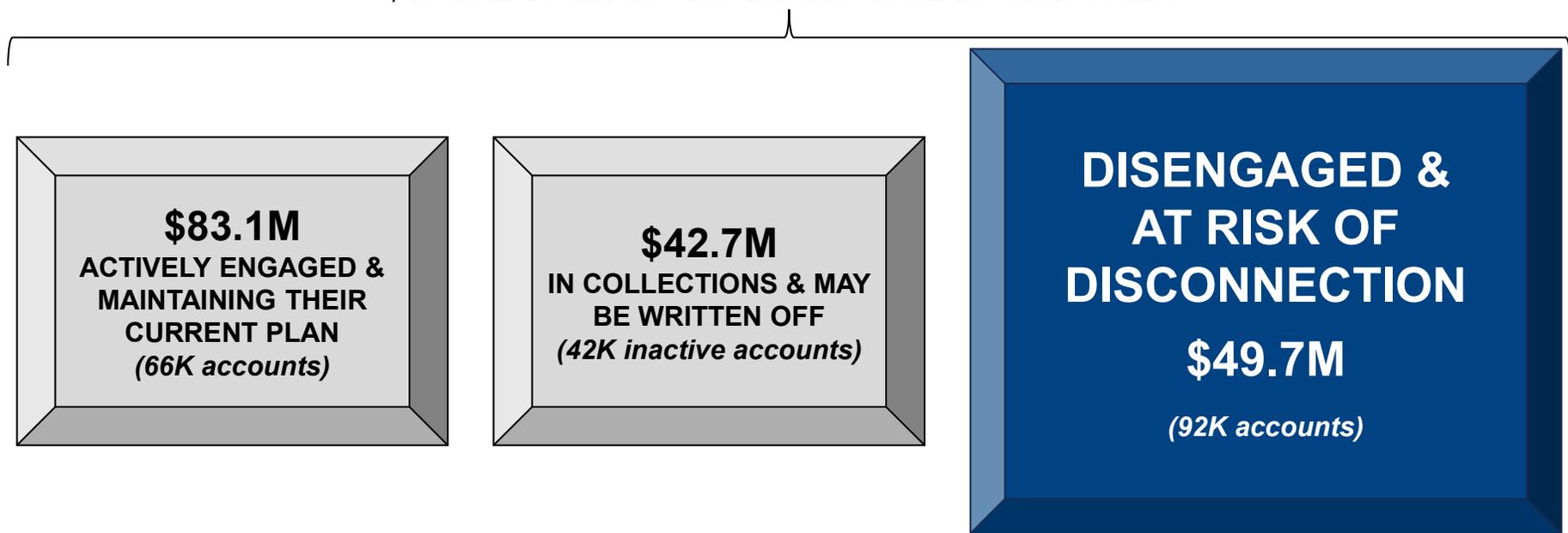
- With the performance drivers noted above, all three of our key financial metrics are expected to outperform plan



# PAST DUE ACCOUNTS

We are actively managing the overall past-due balance of \$175.5M, with a strategic focus on the \$49.7M that holds the most significant potential for resolution through payment plans or account closure.

***\$175.5M Total Past-due Balance from 200K Accounts<sup>1</sup>***



1. Data as of October 31, 2023

# FINANCIAL METRICS FORECAST



	<u>FY2024 Latest Estimate*</u>	<u>FY2025</u>	<u>FY2026</u>
<b>Debt Service Coverage Ratio</b> <small>(Higher is Better)</small>	<b>2.00</b>	<b>1.67</b>	<b>1.77</b>
<b>Debt Capitalization Ratio</b> <small>(Lower is Better)</small>	<b>61.0%</b>	<b>61.7%</b>	<b>62.9%</b>
<b>Days Cash On Hand</b> <small>(Higher is Better)</small>	<b>200</b>	<b>188</b>	<b>176</b>

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

\*As of October 31, 2023



**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



# ELECTRIC SALES BY CUSTOMER SEGMENT – OCTOBER FY2024\*

Customer Sector	Sales vs. Budget	% of Total Load	% Impact on Total Usage
Residential	11.8%	43.5%	5.1%
Churches & Services	7.3%	6.5%	0.5%
Manufacturing	6.0%	2.2%	0.1%
Retail	7.7%	5.0%	0.4%
Educational Services	8.4%	5.4%	0.5%
Hotel & Food Services	10.6%	4.3%	0.5%
Other**	5.5%	33.1%	1.7%
<b>Total System</b>		<b>100.0%</b>	<b>8.8%</b>

\*Billed October actual performance to Plan.

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



# ELECTRIC SALES

## BY CUSTOMER SEGMENT – YTD FY2024\*

Customer Sector	Usage Growth	% of Total Load	% Impact on Total Usage
Residential	6.4%	44.9%	2.9%
Churches & Services	3.3%	6.5%	0.2%
Manufacturing	2.2%	2.2%	0.0%
Retail	3.8%	5.0%	0.2%
Educational Services	3.6%	4.9%	0.2%
Hotel & Food Services	5.2%	4.3%	0.2%
Other**	2.2%	32.2%	0.7%
<b>Total System</b>		<b>100.0%</b>	<b>4.4%</b>

\*Billed October actual YTD performance to Plan.

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



# NET INCOME

## YEAR-TO-DATE ACTUAL VS. PLAN

Description	FY2024		
	Plan	Actuals	Variance: (Under Plan) Over Plan
<b>(\$ in millions)</b>			
<b>Revenue available for nonfuel expenses</b>			
Electric	\$ 2,532.8	\$ 2,458.8	\$ (74.0)
Gas	208.1	155.5	(52.6)
<b>Total operating revenue</b>	<b>2,740.9</b>	<b>2,614.3</b>	<b>(126.6)</b>
<b>Less:</b>			
Electric fuel, distribution gas & regulatory	1,229.4	880.9	(348.5)
Payments to the City of San Antonio	339.4	355.3	15.9
<b>Net operating revenue</b>	<b>1,172.1</b>	<b>1,378.1</b>	<b>206.0</b>
<b>Nonoperating revenue</b>	<b>34.8</b>	<b>58.7</b>	<b>23.9</b>
<b>Total revenue available for nonfuel expenses</b>	<b>1,206.9</b>	<b>1,436.8</b>	<b>229.9</b>
<b>Nonfuel expenses</b>			
Operation & maintenance	570.0	579.9	9.9
Depreciation, amortization & decommissioning	404.4	387.0	(17.4)
Interest & debt-related	186.1	191.3	5.2
<b>Total nonfuel expenses</b>	<b>1,160.5</b>	<b>1,158.2</b>	<b>(2.3)</b>
<b>Net Income (Loss)</b>	<b>\$ 46.4</b>	<b>\$ 278.6</b>	<b>\$ 232.2</b>

### Highlights:

- **Operating Revenue**
  - Low fuel costs drove lower fuel revenue, offset by higher electric sales.
  - Higher temperatures and higher than planned market prices increased wholesale revenue well above plan.
- **Non-Operating Revenue**
  - Primarily driven by higher investment income, property sales and FEMA reimbursement.
- **Operation & Maintenance**
  - Above plan due to weather-event related emergency repair work and storm-related overtime expense, leak repair, and hiring / workforce retention.
- **Net Income**
  - Well above plan due wholesale favorability and weather-related local sales.

Non-cash items such as investment fair value adjustments do not impact financial metrics such as ADSC or DCOH. These items only impact net income and by extension the equity portion of the debt / capitalization metric.  
 Oct YTD bad debt expense of \$9.6M vs \$21.0M for budget which is \$11.4M underbudget.



# FLOW OF FUNDS

## YEAR-TO-DATE ACTUAL VS. PLAN

Description	FY2024		
	Plan	Actuals	Variance: (Under Plan) Over Plan
<b>Revenues, net of unbilled</b>	\$ 2,764.7	\$ 2,733.7	\$ (31.0)
<b>Less: fuel &amp; regulatory expense</b>	1,223.8	875.6	(348.2)
<b>Less: Operation &amp; maintenance</b>	571.1	580.3	9.2
<b>Revenues, net of Operating Expenses</b>	<b>969.8</b>	<b>1,277.8</b>	<b>308.0</b>
<b>Less: Debt service</b>	<b>343.6</b>	<b>349.9</b>	<b>6.3</b>
<b>6% Gross Revenue to R&amp;R</b>	<b>165.9</b>	<b>164.0</b>	<b>(1.9)</b>
<b>Less: city payment (CP) per flow of funds</b>	<b>339.4</b>	<b>355.3</b>	<b>15.9</b>
<b>Remaining to R&amp;R</b>	<b>120.9</b>	<b>408.6</b>	<b>287.7</b>
<b>Total R&amp;R fund additions</b>	<b>\$ 286.8</b>	<b>\$ 572.6</b>	<b>\$ 285.8</b>
<b>Gross Non-Transmission Capital</b>	<b>\$ 617.8</b>	<b>\$ 619.8</b>	<b>\$ 2.0</b>
<b>Gross Transmission Capital</b>	<b>84.6</b>	<b>97.6</b>	<b>13.0</b>
<b>Total Gross Capital</b>	<b>\$ 702.4</b>	<b>\$ 717.4</b>	<b>\$ 15.0</b>

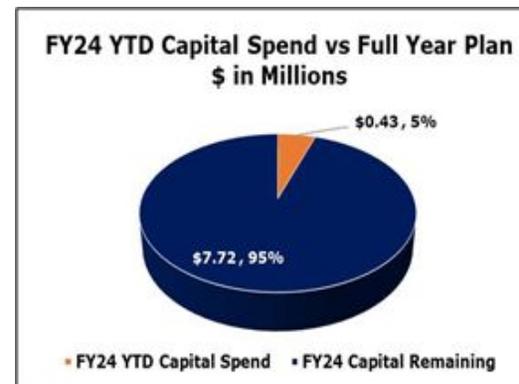
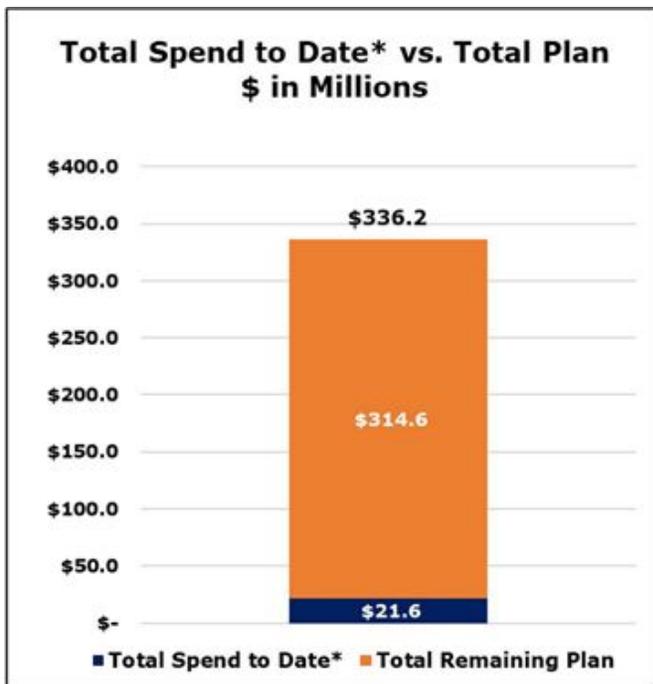
**Highlights:**

- **Revenue (operating & non operating), net of unbilled:**
  - Low fuel costs drove lower fuel revenue, offset by higher electric sales.
  - Higher temperatures and high market prices increased wholesale revenue well above plan.
- **Operation & Maintenance**
  - Above plan due to weather-event related emergency repair work and storm-related overtime expense, leak repair, and hiring / workforce retention.
- **Repair & Replacement Fund**
  - Contributions are above plan due to higher demand from weather & higher wholesale revenue.
- **Capital**
  - Intentionally higher than original plan due to allocation of strong revenue results.

Oct YTD bad debt expense of \$9.6M vs \$21.0M for budget which is \$11.4M underbudget.

# EVOLVE. FINANCIAL SUMMARY

## AS OF OCTOBER 31, 2023



FY24 O&M & Capital Spend			
\$ in Millions	YTD Actual Spend	Full Year Plan	Variance
Capital	\$0.43	\$8.15	(\$7.72)
O&M	\$4.61	\$14.14	(\$9.53)
<b>Total</b>	<b>\$5.04</b>	<b>\$22.29</b>	<b>(\$17.25)</b>

\* Includes FY21-FY23 Actuals, FY24 YTD, and Forecast thru FY29.

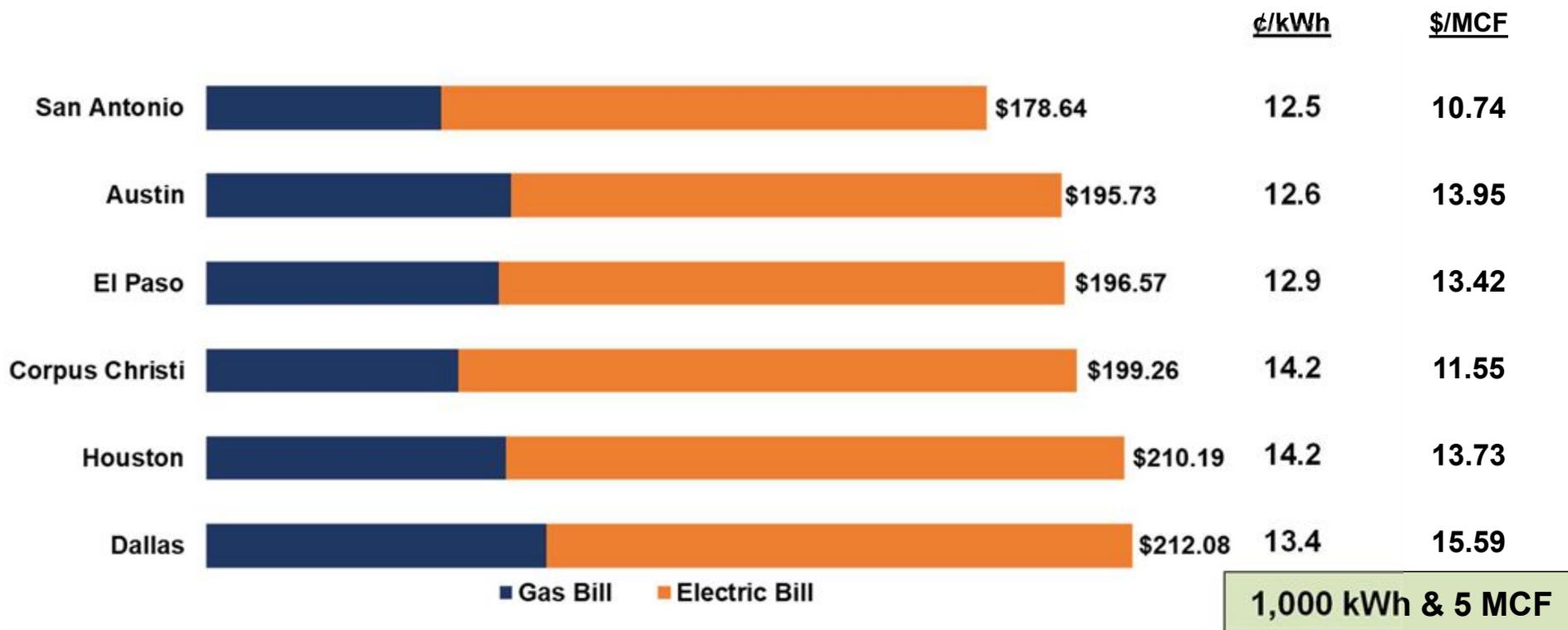
EVOLVE initiatives continue to progress. Contract negotiations are underway with the shortlisted ERP vendors.

(1) Visuals do not include any adjustments for contingencies.  
 (2) Visuals include all EVOLVE initiatives. ERP is the largest effort within EVOLVE.  
 (3) Total estimate informed by current known variables, to be refined based on future organizational, technology and market conditions.

# TEXAS CITIES COMBINED RESIDENTIAL BILL COMPARISON



**TRAILING TWELVE MONTHS ENDING OCTOBER 2023**



Note: Deregulated markets electric data from [powertochoose.org](http://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 OCTOBER 31, 2023

Unrecoverable		At Risk		Strategic Variance		On Track		Achieved		Total Metrics
0	0%	1	6.3%	2	12.5%	13	81.2%	0	0%	16

FY2024 ENTERPRISE MEASURE OUTLIERS	
Strategic Variance	Capital Budget (Gross of CIAC)
Strategic Variance	O&M Budget
At Risk	System Average Interruption Frequency Index (SAIFI)

SAIFI remains At Risk of achieving its year-end target and mitigations are in place to improve performance. O&M and Capital Budget remain as “Strategic Variance” to represent our strategic increase in spending this year to accommodate higher levels of investment needed to support our business.

# FY2024 ENTERPRISE MEASURE RESULTS

## AS OF OCTOBER 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	1.09	1.53	1.51	On Track	1.92
	Portfolio Commercial Availability	monthly	CY	%	↑	77.1	82.2	88.9	94.3	88.9	On Track	93.6
	System Average Interruption Duration Index (SAIDI)	monthly	CY	#	↓	67.68	59.81	55.33	55.02	63.70	On Track	63.38
	System Average Interruption Frequency Index (SAIFI)	monthly	CY	#	↓	1.01	0.95	0.84	0.89	0.98	At Risk	1.03
Financial Stability	Adjusted Debt Service Coverage	quarterly	FY	#	↑	1.66	1.89	1.83	2.67	>1.50 <sup>1</sup>	On Track	2.00
	Capital Budget (Gross of CIAC)	monthly	FY	\$	↓	689.5	788.3	702.4	717.4	941.0	Strategic Variance	987.9
	Days Cash on Hand	quarterly	FY	#	↑	182	166	156	194	>150 <sup>1</sup>	On Track	200
	Debt Capitalization	quarterly	FY	%	↓	61.6	61.8	62.9	60.6	<65.0 <sup>1</sup>	On Track	61.0
	Enterprise Senior Lien Bond Ratings <sup>2</sup>	quarterly	FY	#	=	0	1	1	1	1	On Track	1
	O&M Budget	monthly	FY	\$	↓	618.5	688.7	570.0	579.9	773.0	Strategic Variance	810.7
Customer Experience	Customer Satisfaction – Residential	quarterly	CY	#	↑	78.9	74.4	75.0	77.9	75.0	On Track	76.9
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	0.91	1.35	On Track	0.91

<sup>1</sup> Year End targets for these Measures are set to maintain our financial stability aligned with Credit Rating Agency thresholds. \*We are currently evaluating the full financial impact of our summer results. Our year-end forecast reflects the results provided during Q2. We will provide an updated forecast prior to sharing Q3 results.

<sup>2</sup> 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 MEASURE 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	System Average Interruption Frequency Index (SAIFI)	monthly	CY	#	↑	1.01	0.95	0.84	0.89	0.98	At Risk	1.03
	<p style="text-align: center;"><b>Key Observations:</b></p> <p><b>Drivers:</b></p> <ul style="list-style-type: none"> <li>SAIFI captures non-major events (low to moderate)</li> <li>Stormy spring, twice as many storms versus last year. Storms had extensive lightning affecting an increased number of customers</li> <li>There were more circuit-level outages in September and October. These circuits serve a greater population of customers than our average circuit</li> </ul> <p><b>Mitigations:</b></p> <ul style="list-style-type: none"> <li>Increased inspections continue in areas impacted by storms</li> <li>Follow up on hot spot tree trimming and maintenance work opportunities</li> <li>Construction projects are in-flight to address areas with high growth and to improve reliability issues</li> <li>Focus on reduction of circuit length for the large circuits impacted by storms</li> <li>Reviewing timing logic for device coordination</li> <li>Substation inspections will increase for animal encroachment in high habitat areas</li> </ul>											



# FY2024 ENTERPRISE MEASURES – STRATEGIC VARIANCE

## KEY OBSERVATIONS

Strategic Objective	Measure Name	Measure Frequency	FY/CY	Unit	Target Indicator	Historical Actuals		Current Year			Year End Forecast	Latest Estimate
						FY 2022	FY 2023	YTD	YTD	Year-End		
						CY 2021	CY 2022	Target	Actual	Target		
Financial Stability	Capital Budget (Gross of CIAC)	monthly	FY	\$	↓	689.5	788.3	702.4	717.4	941.0	Strategic Variance	987.9
	<b>Key Observations:</b>											
	<ul style="list-style-type: none"> <li>• Cost increases driven by inflation and community growth (examples include new service installations, transformers &amp; other equipment, major transmission projects)</li> <li>• Using FY2024 financial favorability to fund Capital, rather than slowing or delaying growth projects</li> </ul>											
	O&M Budget	monthly	FY	\$	↓	618.5	688.7	570.0	579.9	773.0	Strategic Variance	810.7
<b>Key Observations:</b>												
<ul style="list-style-type: none"> <li>• Higher labor costs – Emergency work &amp; weather events, improved hiring &amp; retention</li> <li>• Increased cost and quantity - Leak repair &amp; atmospheric corrosion control</li> <li>• Using FY2024 financial favorability to fund O&amp;M</li> </ul>												

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.



# WINTER DEMAND RESPONSE INITIATIVE

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*PRESENTED BY:*  
**Jonathan R. Tijerina**  
Vice President of Corporate Development

**December 18, 2023**  
*Informational Update*



# AGENDA

- Approach to Winter Demand Response (DR)
- Winter DR Benchmarking
- New Program Offerings
- Program Implementation

**DR initiatives can be expanded to create additional capacity during the winter season.**

# **INCREASING RESILIENCY**

## **CREATING NEW OPPORTUNITIES**



**OPERATIONAL  
EVOLUTION**

### **New Resiliency Opportunity**

Winter DR provides an opportunity to expand our program initiatives to enhance resiliency for our customers during the winter season.

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### **Expanded Reach**

This initiative provides a unique opportunity to engage new customers, embrace emerging technologies and explore innovative approaches to serving our community.

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### **Program Funding**

This new Winter DR program will be funded through our fuel budget.

# SUPPORTING WINTER READINESS

## LEVERAGING DR INITIATIVES



DR programs have played a key role in reducing the community's demand during the summer season and will now be leveraged to provide added resiliency during the winter.

### Program benefits:

- Contributes to grid resiliency during extreme weather
- Supports ERCOT's RFP and call to action for additional generation resources
- Reduces overall system fuel costs and creates savings for all customers



# WINTER DR BENCHMARKING

## TEXAS PEER UTILITIES



		
<b>Qualifying Customers</b>	Commercial only	Commercial only
<b>Target</b>	150 MW	35 MW
<b>Availability</b>	Dec 1 – Feb 28, 24/7	Oct 1 – Mar 31, 24/7
<b>Dispatch Criteria</b>	ERCOT EEA Level 2	ERCOT EEA Level 1&2
<b>Dispatch Time</b>	30-minutes	30-minutes
<b>Payment Qualification</b>	Must pass two test events	Must pass two test events

Filing details: <http://www.texasefficiency.com/>

# WINTER DR INITIATIVE

## NEW COMMERCIAL & INDUSTRIAL(C&I) PROGRAM

### Program Details

- December 1 – March 31
- Availability: 6am to 10am & 6pm to 10pm
- Unlimited EEA deployment availability

### Customer Qualification

- No power minimum for participation
- Customers participate in 1 test event

### Customer Incentive

- Payment based on average performance
- Customers are paid for capacity if no events are called

Program Options (Dispatch Time)	Max Events	Max Hours	Incentive Payment (\$/kW)
Option 1 (30 minute)	10	40	\$45
Option 2 (60 minute)	10	40	\$40
Option 3 (Generators only – 30 minute)	ERCOT EEA Level 1 or 2 events	N/A	\$35

~90 MW of potential C&I demand response available this winter season.

# WINTER DR INITIATIVE

## RESIDENTIAL THERMOSTAT PROGRAM

### Program Opportunities

- ~150,000 thermostats enrolled
- Customers actively participating during summer DR

### Program Details

- Available for deployment in anticipation of EEA events

### Customer Qualification

- Must be enrolled in the WiFi Thermostat Rewards Program

### Customer Payment

- Offering an additional \$20 payment if deployed

### Customer Communication

- We will communicate to customers about potential winter events



**~42 MW of potential demand reduction is available through our residential thermostat program.**

# WINTER DR INITIATIVE

## RESIDENTIAL STORAGE PILOT

### Program Opportunity

- Customer owned battery storage systems: ~1,800
- Total capacity: ~9.8 MW

### Program Details

- Behavior-based offering
- Qualifying participants notified prior to events
- Performance verified after each event
- Available for deployment in anticipation of EEA events

### Customer Qualification

- Must own a battery storage system

### Customer Payment

- Offering \$20 incentive per event



**New opportunity to engage customers in demand response and gain insight into program potential.**



# WINTER DR PROGRAM IMPLEMENTATION

ITEM NUMBER	EVENT / TRANSACTION	PROGRESS
1	Perform benchmarking & market analysis	
2	Engage internal stakeholders in program design	
3	Complete financial analysis	
5	Draft program terms & conditions	
6	Initiate marketing & outreach campaign	
7	Customer enrollment	

**New program will target existing summer demand response customers.**

= completed      = in progress      = not started



**THANK YOU**

# GLOSSARY / DEFINITIONS



ACRONYM OR WORD	DEFINITION
RFP	Request for proposal
ERCOT	The Electric Reliability Council of Texas, Inc. (ERCOT) is an American organization that operates Texas's electrical grid, the Texas Interconnection, which supplies power to more than 25 million Texas customers and represents 90 percent of the state's electric load.
EEA	Energy Emergency Alert (EEA) are levels of emergency operations and are issued to maintain reliability of the grid as operating reserves decline.
EEA 1	ERCOT enters Energy Emergency Alert Level 1 when Physical Responsive Capability falls below 2,500 MW and is expected to remain below that level for at least 30 minutes.
EEA 2	ERCOT enters Energy Emergency Alert Level 2 when Physical Responsive Capability falls below 2,000 MW and is expected to remain below that level for at least 30 minutes, or frequency drops below 59.91 Hz for at least 15 minutes.
C&I	Commercial and Industrial customers
kW	Kilowatt; One thousand watts.