

**CPS ENERGY
MINUTES OF THE REGULAR MEETING OF THE BOARD OF TRUSTEES
HELD ON APRIL 24, 2023**

The Regular Meeting of the Board of Trustees of CPS Energy for the month of April was held on Monday, April 24, 2023 in the Board Room on the First Floor of the CPS Energy headquarters located at 500 McCullough, San Antonio, Texas.

I. CALL TO ORDER

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

Present were Board members:

Ms. Janie Gonzalez, Chair
Dr. Francine Romero, Vice Chair
Dr. Willis Mackey
Mr. John Steen
Mayor Ron Nirenberg (arrived at 1:05 p.m., left at 3:19 p.m.)

Also present were:

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

II. SAFETY MESSAGE, INVOCATION AND PLEDGE OF ALLEGIANCE

A safety message, invocation, and the Pledge of Allegiance were delivered by Mr. David Ramirez, Senior Director, Controller.

III. PUBLIC COMMENT

Ms. Henrietta LaGrange, community member, stated she appreciates CPS Energy's new leadership. In her visits with employees, they state they are enjoying working with Board Members Chair Gonzalez and Vice Chair Romero and with President & CEO Rudy Garza.

Mr. Alan Montemayor, Chair of the Alamo Group of the Sierra Club, stated he attended the RAC meeting last week. He expressed frustration with the timeline for roll out of community solar. He stated it was his understanding that there is a waitlist for community solar and urged the Board to do what it can to move more quickly.

Mr. Darby Riley, community member, noted that Ms. Shanna Ramirez presented to the RAC on rate decoupling, which he appreciated. He stated that the utility could further promote conservation efforts without impact to revenues by using rate decoupling. He recommended that CPS Energy engage in a study on rate decoupling.

Ms. Melissa Sorola, Vice President of Corporate Communications Marketing for CPS Energy, provided a summary of the first quarterly public input session held on April 4. She noted there were 6 people that provided comments in-person, and 36 people that provided written comments. She noted that CPS Energy staff sent an e-blast to 400,000 people. She also stated we are working to resolve customer questions/concerns that were received within written comments. Finally, she stated we are working on creating more opportunities to raise awareness.

IV. CHAIR'S REMARKS

Chair Gonzalez thanked colleagues and individuals who participated in the first quarterly input session. She welcomed individuals to provide comments at the June Public Input Session. As we continue to move forward, we will continue to find ways to engage with the community.

Then, Chair Gonzalez noted the supply chain disruption that utilities are facing across the United States. She also discussed the new processes and procedures CPS Energy has implemented to provide more flexibility and ways to meet our customers' needs.

She encouraged individuals participating in Fiesta to use VIA for transportation services.

Finally, Chair Gonzalez thanked the CPS Energy employees and their family members for working over the weekend to address extreme weather outages.

V. RATE ADVISORY COMMITTEE (RAC) UPDATE

Vice Chair Dr. Romero noted that RAC Chair, Mr. Reed Williams, is doing a good job of addressing affordability. Mr. Williams has put forward "bill relief triangle" that focuses on key elements to reduce a customer's bill: affordability, conservation, and demand response. RAC is continuing to discuss each element, and hopes to have its final recommendation to the Board of Trustees by July, if not sooner.

VI. CONSENT AGENDA

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. Approval of Payment to the City of San Antonio for March 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 March 2023 is based on actual

gross revenue per the New Series Bond Ordinance of \$191,051,689.36, less applicable exclusions. In accordance with the New Series Bond Ordinance, current month revenue was insufficient to meet the City Payment by \$4,205,182.19. Under the previously approved agreement with the City, CPS Energy will advance to the City \$4,205,182.19 against future months' revenues for fiscal year 2024. The revenue for the month of March 2023 is calculated as follows:

Gross revenue per CPS Energy financial statements	
Electric revenue	\$197,003,576.23
Gas revenue	25,973,010.37
Interest and other income	12,468,566.18
Gross revenue per CPS Energy financial statements	<u>235,445,152.78</u>
Excluded revenue	
School and hospital revenue per City Ordinance 55022	(7,119,163.64)
LVG revenue per City Ordinance 100709	(47,043.81)
Fuel cost component of off-system nonfirm	
energy sales per City Ordinance 61794	
and revenue for wholesale special contracts	(4,531,362.04)
Noncash and other income, GASB 31	
investment market value change, miscellaneous	
interest income, gas billing adjustment and unbilled	
revenue	<u>(32,695,893.93)</u>
Total excluded revenue	<u>(44,393,463.42)</u>
Gross revenue per New Series Bond Ordinance subject to	
14% payment to the City	<u>\$191,051,689.36</u>
City payment per Bond Ordinance for March 2023	
based upon March 2023 revenue	\$26,747,236.51
City payment per memorandum of understanding (MOU)	
regarding wholesale special contracts	338,810.33
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	27,073,546.84 A
Utility services provided to the City for March 2023	<u>(2,669,820.14)</u>
Net amount to be paid from March 2023 revenue to	
the City in April 2023	<u>\$24,403,726.70</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)

March 2023	Actual	Budget	Variance	
Current Month* A	\$27,073	\$32,032	(\$4,959)	-15.5%
Year-to-Date*	\$61,418	\$65,934	(\$4,516)	-6.8%

* 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 \$24,403,726.70 representing 14% of applicable system gross revenues for the month of March 2023, such payment being net of City utility services (\$2,669,820.14), and including the current month deficiency, is hereby approved." The total amount to be recovered from future months' revenues for fiscal year 2024 is \$4,205,182.19.

B. Procurement Items: None

VII. COMMITTEE REPORTS

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

- A. Audit and Finance Committee (A&F) meeting held on March 2, 2023. The report is attached as "Attachment A" to the meeting minutes.
- B. Employee Benefit Oversight Committee (EBOC) meeting held on March 2, 2023. The report is attached as "Attachment B" to the meeting minutes.
- C. Technology & Resilience Committee meeting held on March 8, 2023. The report is attached as "Attachment C" to the meeting minutes.
- D. Personnel Committee meeting held on April 19, 2023. The report is attached as "Attachment D" to the meeting minutes.

VIII. ANNUAL AUDITED FINANCIAL STATEMENTS

Mr. David Ramirez, Senior Director, Controller, introduced the external audit team: Ms. Caroline Garcia, Mr. Robert Nelson, and Ms. McKenzie Stanton-Rangel from KPMG; and Mr. Chris Carmona from Schriver Carmona. Ms. Garcia presented on the annual audit financial statements, and noted the audit was successful. The Board of Trustees discussed the presentation and asked questions.

IX. FY2024 PERFORMANCE MEASURES DISCUSSION

Dr. John Soltan, Director, Strategic Alignment, Performance & Planning, provided an overview of the proposed enhancements for the FY2024 Performance Measures. The Board of Trustees asked questions and provided feedback.

X. EXECUTIVE SESSION

At approximately 2:15 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:

- Personnel Evaluation of President & CEO (§551.074)
- Consultation Concerning Attorney-Client Matters (§551.074)

- Consultation Concerning Attorney-Client Matters (§551.074)

The Board reconvened in open session at 3:19 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.

XI. CEO PERFORMANCE REVIEW AND GOALS

Chair Gonzalez noted that Mr. Garza's performance review occurred at a Personnel Committee meeting that occurred on April 19, 2023. She stated Mr. Garza has completed strategic objectives, stabilized CPS Energy, improved communication with the community, and prepared the organization for industry and technology transition. Chair Gonzalez finally noted that there would be no increase in base pay. Mr. Garza stated he appreciated the review process and remained committed executing the Board's direction.

XII. CEO RECOGNITION

Mr. Garza recognized CPS Energy employees that volunteered at the 24th Annual Kid Fish Day at Calaveras Lake. It took 165 volunteers to host the event for Boysville, which is a wonderful community organization. He specifically recognized Mr. Rudy Guerrero. Finally, he thanked Texas Fish & Wildlife for stocking the lake and outfitters, Finn Addict for outfitting, and Boy Scout Troop No. 52 who did the color guard.

XIII. REVIEW OF ACTION ITEMS

Ms. Ramirez noted that there were no action items in this meeting. She also reported that all action items from the previous meetings have been completed.

XIV. ADJOURNMENT

There being no further business to come before the Board, upon a motion duly made by Trustee Dr. Romero, seconded by Trustee Dr. Mackey and upon an affirmative vote by all members present, the meeting was unanimously adjourned at 3:29 p.m. by Chair Gonzalez.



Shanna M. Ramirez
Secretary of the Board



AUDIT & FINANCE COMMITTEE (A&F)

EXECUTIVE SUMMARY AND CHAIR REPORT FROM THE MARCH 2, 2023 MEETING

PREPARED FOR CHAIR JANIE GONZALEZ

FOR REPORT AT THE APRIL 24, 2023 BOARD OF TRUSTEES MEETING

The Audit & Finance Committee met on March 2, 2023. As part of the Audit & Finance Committee agenda, the Committee:

- A. Approved meeting minutes from the prior meeting held on November 17, 2022.
- B. Received an update on the Ethics Program, including a summary of cases that were opened and closed through January 31, 2023, and a trend analysis for FY2022 fourth Quarter versus FY2023 fourth Quarter.
- C. Received an overview of the history of NERC, ERCOT, Texas Reliability Entity (TxRE) and our NERC program and informed the TxRE conducts the NERC audits in the Texas region. Provided a summary of findings from prior NERC audit.
- D. Received a GASB update which included an overview of the current year implementation of GASB 94 – Public-Private & Public-Public Partnerships & Availability Arrangements (PPP & APAs), GASB 96 – Subscription-Based Information Technology Arrangements (SBITAs), and GASB 99 – Omnibus 2022. Provided with an overview of GASB statements that will be effective in the future.
- E. Provided an overview of the planned organizational structure for the Enterprise Risk Management & Solutions team and current internal controls projects. Provided an overview of the types of checks processed and the amount of time required to process different types of checks. Received an update that our cyber insurance coverage renewal supports a favorable assessment of our cyber program internal controls.
- F. Provided a review of project count, audit coverage, and project feedback metrics and informed Audit Services management is reviewing the metrics. Received status update on the FY2023 and FY2024 audit plans and provided an overview of the annual audit planning process which began in March 2023. Received a review of the results of twelve projects completed since the last Committee meeting. Provided an update on the FY203 budget to actual update and informed that the FY2023 actual was slightly more than \$125,000 under budget. Provided an overview of the FY2024 budget and informed a Request for Proposal (RFP) would be issued for an Audit Services partner firm or firms in 2023.
- G. Reviewed and approved proposed revisions to the Audit Services Charter.

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



EMPLOYEE BENEFITS OVERSIGHT COMMITTEE (EBOC)

EXECUTIVE SUMMARY AND CHAIR REPORT FROM THE MARCH 2, 2023 MEETING PREPARED FOR COMMITTEE CHAIR JANIE GONZALEZ FOR REPORT AT THE APRIL 19, 2023 BOARD OF TRUSTEES MEETING

The EBOC met on March 2, 2023. As part of the EBOC agenda, the Committee:

- A. Approved meeting minutes from the prior meeting held on November 17, 2022.
- B. Approved the appointment of Ms. Annamarie Rangel, Director of Enterprise Risk Management & Solutions, as a member of the Administrative Committee.

The Committee also received a presentation regarding:

- C. A Benefit Plans Administrative & Financial Update, which highlighted the following topics: governance overview, annual calendar review, FY24 benefit plan funding, and the benefit plan trusts investment performance for 2022 and 2021.
- D. An Administrative Committee Membership Update, which included the request for approval of the appointment of Ms. Rangel.
- E. An update on the Investment Practices and Performance Report required by Texas Law, which is expected to be presented to the EBOC and Board of Trustees in July.

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



TECHNOLOGY & RESILIENCE COMMITTEE (T&R) MEETING

EXECUTIVE SUMMARY AND CHAIR REPORT FROM THE MARCH 8, 2023 MEETING

PREPARED FOR BOARD CHAIR JANIE GONZALEZ

FOR REPORT AT THE APRIL 24, 2023 BOARD OF TRUSTEES MEETING

The Technology & Resilience Committee met on March 8, 2023. As part of the Technology & Resilience Committee Meeting agenda, the Committee:

- A. Approved meeting minutes from the prior meeting, held on September 28, 2022.
- B. Received a Distributech, Evolve, and ERP Transformation update.
- C. Three new action items were generated from this session.

The next meeting of the Technology & Resilience Committee will be held in the Summer of 2023.



PERSONNEL COMMITTEE

**EXECUTIVE SUMMARY AND CHAIR REPORT FROM THE APRIL 19, 2023 MEETING
PREPARED FOR COMMITTEE CHAIR JANIE GONZALEZ
FOR REPORT AT THE APRIL 24, 2023 BOARD OF TRUSTEES MEETING**

The Personnel Committee met on April 19, 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 FY24 CEO scorecard

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