

**CPS ENERGY
MINUTES OF THE REGULAR MEETING OF THE BOARD OF TRUSTEES
HELD ON FEBRUARY 27, 2023**

The Regular Meeting of the Board of Trustees of CPS Energy for the month of February was held on Monday, February 27, 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 1:11 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 Ms. Christina Houser, Business Management Strategist.

III. PUBLIC COMMENT

Ms. Henrietta LaGrange, community member, stated that it gives her pleasure as a woman to see the excellent direction and path CPS Energy has taken. She honored the newly elected Chair and Vice Chair. Ms. LaGrange delivered white roses to represent the fresh start working in unity, and red roses to represent each individual working with a passion.

Ms. Mariana Lujan, community member, stated she has known Chair Gonzalez for 20 years and knows her dedication to community service and diligent work. She stated she has wisdom, will be a great chair, and knows she will do great.

Mr. Ernesto Salinas, community member, asked if there was a way for CPS Energy to be more effective with their communication. He stated that none of his neighbors knew about the closure of the Spruce Coal Plant, and that there was not any messaging in his monthly statement. He requested that notice of important meetings be advertised in monthly statements to raise awareness.

Ms. San Juanita Gonzalez, community member, stated her support of Chair Gonzalez. She has known her for 20 years, and she appreciates that both the Chair and CEO are Latino. She thanked them for the mission to assist small businesses and the efforts to be more inclusive. She is excited to see the vision become reality for our community.

Ms. Sandra Crocker and Mr. Joseph Shokrian, community members, ceded their time to Mr. Mike O'Donnell.

Mr. Mike O'Donnell, community member, expressed concerns about the long-term implications of cost increases resulting from the recently adopted generation plan. He stated there is danger in an overwrought climate panic, and there is not a climate emergency. He read Genesis 8:22, which states seasons will never cease as long as the earth continues. He noted it is a minority view, but stated correct answers are not determined by majority vote. Finally, he stated that shutting down coal capacity is imprudent and asked, at the very least, that Spruce 1 be mothballed for a rainy day. He referenced the war in Ukraine as the reason for retaining coal generation.

Ms. Denise Gutierrez-Homer, community member, urged the CPS Energy Board of Trustees be more effective with communication. She noted that there could be more coordination on city brush pick-up and tree trimming. She also expressed concern that in the previous meeting, CPS Energy referenced a customer that owed \$10,000. She stated that there should be a re-evaluation of billing to ensure that no customer gets to such an extreme level of debt because it is other CPS Energy customers that will have to make up the difference.

Ms. Cindy Taylor, community member, stated that Chair Gonzalez is a great leader. She also said she is a great friend who is loyal, true, and fun. She is direct, resolves differences, knows the art of compromise, is trustworthy, and always returns phone calls. She stated these are good qualities in a friendship but are also good qualities for a Board Chair. She wished Chair Gonzalez a wholehearted congratulations.

Ms. Melinda Teplitzsky, community member and small business owner, read I Peter 5:6, which states to humble yourselves under the mighty hand of God that he may exalt you in due time. She is honored to be a friend of Chair Gonzalez since their sons were in kindergarten, and that it has been a privilege to witness her courage, grit, and discipline. She appreciates that Chair Gonzalez has advocated for small businesses and her community, and that she stands with her.

Ms. Anne Lee, community member, stated she supports the continued use of coal for generation.

IV. CHAIR'S REMARKS.

Chair Gonzalez dedicated her first meeting as Chair to the young girls and women that dare to dream. She asked that we picture a world where every woman is empowered; never hesitates, never falters, and never wavers in her confidence and belief in herself. She honored the women that paved the way: Emma

Tenayuca, Rosie Castro, Cyndi Krier, Mary Alice Cisneros, Ina Minjarez, and Trish DeBerry are women who risked their positions to reach higher potential. With the strength of these women pushing us forward we can achieve a world where all women are empowered, and humanity prospers.

V. RATE ADVISORY COMMITTEE (RAC) UPDATE

Trustee Dr. Romero stated that RAC has started a rate design discussion. At the meeting last week, the RAC received several great presentations on the background of rate design to help formulate their recommendation.

She stated that the Board needs to consider changing the bylaws to extend their terms to the end of July to allow them to finish their work. Trustee Steen asked some clarifying questions, and Ms. Ramirez stated she would circulate proposed revisions of the bylaws to the Board of Trustees.

VI. BOARD COMMITTEE ASSIGNMENTS

Chair Gonzalez asked that Ms. Ramirez read the committee assignments, which are as follows:

Audit & Finance:	Ms. Janie Gonzalez (Chair) Dr. Willis Mackey
Employee Benefits Oversight:	Ms. Janie Gonzalez (Chair) Dr. Willis Mackey
Operations Oversight:	Dr. Francine Romero (Chair) Mr. John Steen
Technology & Resilience:	Ms. Janie Gonzalez (Chair) Dr. Francine Romero
Personnel:	Ms. Janie Gonzalez (Chair) Dr. Willis Mackey
Risk Management	Dr. Francine Romero (Chair) All CPS Energy Board of Trustees Member

VII. EXECUTIVE SESSION

At approximately 1:32 p.m., Ms. Ramirez announced that the required notice had been posted and that the Trustees, with only necessary parties in attendance, would convene into Executive Session, pursuant to the provisions of Chapter 551 of the Texas Government Code, for discussion of a number of posted items, including the following:

- Attorney-Client Matters (§551.071)
- Real Property (§551.072)
- Prospective Gifts (§551.073)

- Personnel Matters (§551.074)
- Security Personnel or Devices (§551.076)
- Security Audits and Devices (§551.089)
- Confidential Information Under the Texas Homeland Security Act (§418.183(f))
- Economic Development Negotiations (§551.076)
- Competitive Matters (§551.086)

The Board reconvened in open session at 3:05 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.

VIII. APPROVAL OF CONSENT ITEMS

On a motion duly made by Trustee Steen, seconded by Trustee Dr. Mackey, and upon affirmative vote by all members present, Item 8A (Approval of Payment to the City of San Antonio for January 2023) on the Consent Agenda was unanimously approved.

A. Approval of Payment to the City of San Antonio for January 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 January 2023 is based on actual gross revenue per the New Series Bond Ordinance of \$254,716,111.22, less applicable exclusions. The revenue for the month of January 2023 is calculated as follows:

Gross revenue per CPS Energy financial statements	
Electric revenue	\$192,100,594.69
Gas revenue	46,498,981.83
Interest and other income	37,157,013.00
Gross revenue per CPS Energy financial statements	<u>275,756,589.52</u>
Excluded revenue	
School and hospital revenue per City Ordinance 55022	(3,977,006.70)
LVG revenue per City Ordinance 100709	(42,553.46)
Fuel cost component of off-system nonfirm energy sales per City Ordinance 61794 and revenue for wholesale special contracts	(3,354,137.87)
Noncash and other income, GASB 31 investment market value change, miscellaneous interest income, gas billing adjustment and unbilled revenue	<u>(13,666,780.27)</u>
Total excluded revenue	<u>(21,040,478.30)</u>
Gross revenue per New Series Bond Ordinance subject to 14% payment to the City	<u><u>\$254,716,111.22</u></u>

City payment per Bond Ordinance for January 2023 based upon January 2023 revenue	\$35,660,255.57	
City payment per memorandum of understanding (MOU) regarding wholesale special contracts	(993,296.53)	
Wholesale Special Contract Annual True Up	800,791.80	
City Payment reduction per gas customer billing adjustment MOU	(12,500.00)	
Annual True Up/ (Down) per gas customer MOU	(2,063.00)	
City payment per Bond Ordinance plus adjustments for memorandums of understanding	35,453,187.84	A
Utility services provided to the City for January 2023	(2,970,891.99)	
Net amount to be paid from January 2023 revenue to the City in February 2023	\$32,482,295.85	

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)

January 2023	Actual	Budget	Variance	
Current Month* A	\$35,453	\$31,566	\$3,887	12.3%
Year-to-Date*	\$438,528	\$388,214	\$50,314	13.0%

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

ADDITIONAL FUNDING AND TRANSFERS

Accrued January 2023 – Additional Transfer per Bond Ordinance	
Total	<u>\$11,523,482.47</u> B

Approval of the following resolution is requested:

- A** **"BE IT RESOLVED** by the CPS Energy Board of Trustees that payment to the City of San Antonio in the amount of \$32,482,295.85 representing 14% of applicable system gross revenues for the month of January 2023, such payment being net of City utility services (\$2,970,891.99), is hereby approved."
- B** **"BE IT RESOLVED** by the CPS Energy Board of Trustees that payment to the City of San Antonio in the amount of \$11,523,482.47, representing an additional transfer within the allowed 14% of applicable system gross revenues, is hereby approved."

CPS Energy's management team has verified that collectively all of the City Payments mentioned herein fit under the Bond ordinance maximum of 14% of applicable revenues, including the following:

- A.** The amounts paid routinely during the year, net;
- B.** The additional distribution paid once for the year.

B. Board of Trustees Travel and Expense Overview

Trustee Dr. Mackey made a motion to approve Item 8B (Board of Trustees Travel and Expense Overview). Trustee Dr. Romero seconded the motion. The Board of Trustees discussed.

Trustee Steen expressed concern about being asked to alter the established board travel policy by newly elected board leadership. He stated that he was concerned that the change in policy would weaken checks and balances. Further, if the Board is not mindful and careful about trustee travel, it has the potential to be a problematic area for our board.

Trustee Dr. Romero did not agree that the change in policy would weaken checks and balances. She stated the travel procedure, including the approval process, is very clear and very transparent. She also stated that the public can be secure in this policy.

On a roll call vote, the motion passed 4-1. Trustee Steen voted against the motion.

C. Procurement Items: None

IX. OPERATIONS EFFICIENCY REVIEW:

Ms. Lisa Lewis, Chief Administrative Officer, noted that the presentations by Gallup and Daymark are the result of a request of the Board of Trustees for an independent third-party review of our operational efficiency.

- A. Gallup presented an assessment of our organizational culture
- B. Daymark presented an assessment of our financial health, operational excellence, and customer engagement & experience

The Board of Trustees asked questions and discussed the presentations.¹

X. ACCOUNTS RECEIVABLE MONTHLY UPDATE

Ms. DeAnna Hardwick, Executive Vice President for Customer Strategy, presented on accounts receivable. She noted that total amount past due has continued to show a positive trend, decreasing to \$196M with \$95M in payment plans. She noted that we are continuing increased collection efforts and using best practices. The Board of Trustees asked questions and discussed the presentation.

XI. YEAR-END FINANCIAL UPDATE

Mr. Cory Kuchinsky, Chief Financial Officer & Treasurer, presented the year-end financial update. Mr. Kuchinsky highlighted the FY2023 key investments and noting that the year-end metric results came in above or in line with our planned targets. The Board of Trustees asked questions and discussed the presentation.

¹ Trustee Steen requested to read a prepared statement. Chair Gonzalez asked if the comments were new or different from his prior comments on the subject. After brief discussion, Trustee Steen voluntarily recused himself from participating in the discussion.

XII. CEO'S CLOSING COMMENTS

Mr. Rudy Garza recognized the System Operations team, which had 100% participation in the restoration efforts. Our operators worked on their scheduled day off and during extended hours to provide 24-hour coverage. They kept safety in the forefront while coordinating across the board to restore services and communicate information to customers on longer duration outages.

XIII. ADJOURNMENT

There being no further business to come before the Board, upon a motion duly made by Trustee Mackey, seconded by Mayor Nirenberg and upon an affirmative vote by all members present, the meeting was unanimously adjourned at 4:44 p.m. by Chair Janie Gonzalez.

A handwritten signature in black ink, appearing to read 'Shanna M. Ramirez', is written over a horizontal line.

Shanna M. Ramirez
Secretary of the Board