

CPS ENERGY
MINUTES OF THE REGULAR MEETING OF THE BOARD OF TRUSTEES
HELD ON MAY 20, 2024

The Regular Meeting of the Board of Trustees of CPS Energy for the month of May was held on Monday, May 20, 2024, 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

Also present were:

Mr. Rudy Garza, President & CEO
Ms. Shanna M. Ramirez, Chief Legal & Ethics Officer, General Counsel & Board Secretary
Ms. Elaina Ball, Chief Strategy Officer
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
City of San Antonio officials
CPS Energy staff members
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, expressed her appreciation for Mr. Rudy Garza and his leadership. She also expressed her appreciation for Ms. Elaina Ball, Mr. Richard Medina, and Mr. Richard Lujan. She also thanked Chair Gonzalez and Vice Chair Romero for allowing her to speak.

Mr. Yenter Tu, Deaf Association of San Antonio, thanked CPS Energy for hosting community events and serving the community. He also stated his appreciation for working together on better communication for the deaf community.

Mr. Castel Rice, Pastor at Family Deaf Church, thanked CPS Energy for all the work we've been doing and for allowing us to interact with the deaf community in San Antonio.

IV. CHAIR'S REMARKS

Chair Gonzalez noted that May is National Electricity Safety Month, and she provided rules to safely use and recycle lithium batteries which will be highlighted by the Electrical Safety Foundation. She also urged community members to stay properly hydrated as we move into the hot summer months and reminded community members about cooling centers offered by the City of San Antonio and non-profits that provide fans to seniors.

She noted the recent accomplishments of CPS Energy in acquiring gas plants in Corpus Christi and Laredo, and in securing an additional 52 megawatts of nuclear power. She reminded the community about the re-envisioned Community Input Committee and the upcoming application deadline for community members to have their voices heard. CPS Energy received a \$2.45M grant from the Department of Transportation to safeguard gas infrastructure. Finally, Chair Gonzalez noted that Fitch and S&P revised our credit outlook to stable, which aligns with our Vision 2027 plan and recognizes the work of CPS Energy in financial management. The Board of Trustees discussed the upgrade in the credit outlook.

V. APPROVAL OF CONSENT ITEMS

On a motion by Trustee Dr. Mackey, seconded by Mayor Nirenberg, and upon the affirmative vote of all members present, the following items on the Consent Agenda were unanimously approved:

A. Approval of Payment to the City of San Antonio for April 2024

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 April 2024 is based on actual gross revenue per the New Series Bond Ordinance of \$197,508,924.08, less applicable exclusions. In accordance with the New Series Bond Ordinance Flow of Funds requirements, current month revenue did not meet the full obligation for City Payment by \$22,918,941.86. This situation is a common occurrence for CPS Energy in the spring months due to the seasonal billing patterns. Under the previously approved agreement with the City, CPS Energy will advance to the City \$22,918,941.86 against future months' revenues for fiscal year 2025. The revenue for the month of April 2024 is calculated as follows:

| | |
|--|-----------------------|
| Gross revenue per CPS Energy financial statements | |
| Electric revenue | \$185,755,851.82 |
| Gas revenue | 12,570,321.87 |
| Interest and other income | 1,339,228.33 |
| Gross revenue per CPS Energy financial statements | <u>199,665,402.02</u> |
| Excluded revenue | |
| School and hospital revenue per City Ordinance 55022 | (7,497,560.33) |
| Fuel cost component of off-system nonfirm | |

| | | |
|---|------------------|----------|
| energy sales per City Ordinance 61794 and revenue for wholesale special contracts | (5,195,763.90) | |
| Noncash and other income, GASB 31 investment market value change, miscellaneous interest income, gas billing adjustment and unbilled revenue | 10,536,846.29 | |
| Total excluded revenue | (2,156,477.94) | |
| Gross revenue per New Series Bond Ordinance subject to 14% payment to the City | \$197,508,924.08 | |
| City payment per Bond Ordinance for April 2024 based upon April 2024 revenue | \$27,651,249.37 | |
| City payment per memorandum of understanding (MOU) regarding wholesale special contracts | (287,346.20) | |
| City Payment reduction per gas customer billing adjustment MOU | (12,500.00) | |
| City payment per Bond Ordinance plus adjustments for memorandums of understanding | 27,351,403.17 | A |
| Utility services provided to the City for April 2024 | (2,833,906.79) | |
| Net amount to be paid from April 2024 revenue to the City in May 2024 | \$24,517,496.38 | |

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)

| April 2024 | Actual | Budget | Variance | |
|-------------------------|----------|----------|-----------|-------|
| Current Month* A | \$27,352 | \$29,631 | (\$2,279) | -7.7% |
| Year-to-Date | \$88,879 | \$93,727 | (\$4,848) | -5.2% |

* Includes a rounding adjustment of \$1 to agree to correctly rounded YTD amount.

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 \$24,517,496.38 representing 14% of applicable system gross revenues for the month of April 2024, such payment being net of City utility services (\$2,833,906.79), and including the current month shortage, is hereby approved." The total amount to be recovered from future months' revenues for fiscal year 2025 is \$31,037,921.78.

B. Minutes from the April Regular Board Meeting, held on April 22, 2024

C. Procurement Items:

1. **Item Description:** Substation and Transmission Engineering Services
Category: Professional Services
Supplier: Black & Veatch Corp.
HDR Engineering, Inc.

M&S Engineering, LLC
TRC Engineers, Inc.

*The listed Procurement Items are to be attached as Attachment "A".

VI. COMMITTEE REPORTS

In the interest of time, Chair Gonzalez accepted the submission of the following reports for the record in lieu of having them read during the meeting:

- A. Audit and Finance Committee meeting held on April 15, 2024. The report is attached as Attachment "B" to the meeting minutes.
- B. Employee Benefits and Oversight Committee meeting held on April 15, 2024. The report is attached as Attachment "C" to the meeting minutes.

VII. VISION 2027 GENERATION PLAN UPDATE

Mr. Benny Ethridge, Chief Energy Supply Officer, provided an update on the Vision 2027 Generation Plan. He noted we have made significant progress toward the execution of the plan, and we are well-positioned to meet our community's future energy needs. He reviewed the accomplishments including executed power purchase agreements, the acquisition of plants in Corpus Christi and Laredo, and the additional 2% ownership in the South Texas Project Electric Generating Station (STP). He also provided a view of the regional footprint of CPS Energy within Texas. Mr. Garza noted that the acquisitions will add critical capacity to our generation portfolio, especially as our older gas units are less reliable and will have to be retired. He also noted that the acquisitions remove the risks stemming from constructing a new plant, and we got three times the capacity at half the costs which is a good deal for our community.

Ms. Elaina Ball, Chief Strategy Officer, provided an update on the pathway to 2050 and our transition to net-zero carbon emissions. She noted that beyond 2030, it is crucial to continually seek out opportunities and technologies to integrate into our fleet to lower CO2 carbon intensity.

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

VIII. SUMMER PREPAREDNESS UPDATE

The Executive Leadership Team provided an update on CPS Energy's preparedness for the summer. Mr. Benny Ethridge, Chief Energy Supply Officer, stated we focus on our people, processes, and equipment. Mr. Brian Alonso, Chief Meteorologist, shared the NOAA outlook, noting that temperatures are already higher than normal. He stated that the rain forecast is less clear, but he stated that the prediction of a higher likelihood of tropical storms could be determinative. Mr. Ethridge introduced the team, and he noted that our people and systems are ready to respond to changing market conditions. Mr. Richard Medina, Chief Energy Delivery Officer, introduced the team and noted that prioritization of materials and work orders will be

¹ Trustee Steen expressed his financial concerns, and he requested that his concern be recorded in the minutes. His comments are attached as Attachment "D." Mr. Cory Kuchinsky clarified that continued rate increases every two years have not been automatically included in the financial plan. He also noted that credit rating agencies consider the investments over the long term and that the acquisitions will require less borrowing than new construction.

a key component of success. He also covered the preparation activities that CPS Energy has engaged in ahead of the summer. Ms. DeAnna Hardwick, Chief Customer Strategy Officer, introduced the team and noted our key customer focus areas: empowering customers, connecting customers, and partnering with stakeholders. She also reviewed messaging to our customers and stakeholders to encourage conservation and provide emergency notices.

The Board of Trustees discussed the presentation and asked questions.

IX. CEO RECOGNITION

Mr. Garza recognized the teams that worked on 1) securing the \$2.45M DOT PHMSA Grant, 2) the acquisitions of the CPS Energy South gas plants, 3) the acquisition and power purchase agreement at STP, and 4) the debt management team that lead the efforts in stabilizing our credit rating. He appreciates all of the hard work, and noted how these efforts will be a positive for our customers and community.

X. REVIEW OF ACTION ITEMS

Ms. Ramirez reviewed open items, noting that all will close today or at the June meetings. She also reviewed the two new action items:

XI. EXECUTIVE SESSION

Chair Gonzalez tabled the Executive Session items.

XII. ADJOURNMENT

There being no further business to come before the Board, upon a motion duly made by Vice Chair Dr. Romero, seconded by Trustee Dr. Mackey, and upon an affirmative vote by all members present, the meeting was unanimously adjourned at 3:02 p.m. by Chair Janie Gonzalez.



Shanna M. Ramirez
Secretary of the Board



CPS Energy Board of Trustees Meeting
May 20, 2024
APPROVAL of PROCUREMENT ITEMS
Table of Contents

| | |
|-----------------------------|---|
| 1. Item Description: | Substation and Transmission Engineering Services |
| Purchase Category: | Professional Services |
| Supplier: | Black & Veatch Corp. |
| | HDR Engineering, Inc. |
| | M&S Engineering, LLC |
| | TRC Engineers, Inc. |

Committee Presentations: Operations Oversight Committee – March 26, 2024
Audit & Finance Committee – April 15, 2024

Approval: **Lewis, Lisa D** Digitally signed by Lewis, Lisa D
Date: 2024.05.02 14:24:01 -05'00'
Lisa Lewis, Chief Administrative Officer

Approval: **Garza, Rudy D.** Digitally signed by Garza, Rudy D.
Date: 2024.05.02 16:23:58 -05'00'
Rudy Garza, President & CEO



CPS Energy Board of Trustees Meeting
May 20, 2024
Procurement Form 1

| | |
|--|---|
| Item Description | Substation and Transmission Engineering Services |
| Purchase Order Value | \$50,000,000 |
| Purchase Category | Professional Services |
| Department | T&D Engineering & Grid Transformation |
| VP T&D Engineering & Grid Transformation | Ricardo Maldonado |
| Chief Energy Delivery Officer | Richard Medina |

Detailed Description

CPS Energy staff recommends that a contract be awarded to Black & Veatch Corp., HDR Engineering, Inc., M&S Engineering, LLC and TRC Engineers, Inc. all local firms, as the respondents who will provide the services at the best value for CPS Energy based on the evaluation criteria set forth below.

This contract will provide professional engineering services to augment CPS Energy staff resources. These services are required to support a large influx of emergent customer projects, including generation interconnect and large customer load requests, which have resulted in high demand for new substations and transmission lines, in addition to the expansion and rebuilding of existing facilities needed to support this CPS Energy system growth. This contract will expire on June 30, 2027.

Subcontracting Opportunities

All businesses awarded a contract have committed a portion of the services to one or more diverse businesses.

The solicitation method for this procurement was a Request for Qualifications (RFQ)¹. An evaluation team considered the following weighted evaluation criteria to determine the best value to CPS Energy.

| Evaluation Criteria | Points |
|---|---------------|
| Experience and qualifications to perform the Services | 100 |
| Safety records and training program | Pass/Fail |
| The financial soundness of the Respondent. | Pass/Fail |
| TOTAL | 100 |

¹ CPS Energy is unable to consider price or economic development as Evaluation Criteria for RFQ's.



CPS Energy Board of Trustees Meeting
May 20, 2024
Procurement Form 1

Recommended Respondent(s) & Award

| Respondent Name | SBA Classification & Details | Score | PO Value | PO # | Comments |
|-----------------------|------------------------------|-------|---------------------|---------|--|
| M&S Engineering, LLC | Local | 85 | \$27,500,000 | 2218837 | Corporate headquarters located in San Antonio Metropolitan Area |
| TRC Engineers, Inc. | Local | 81 | \$7,500,000 | 2218838 | |
| Black & Veatch Corp. | Local | 72 | \$7,500,000 | 2218839 | |
| HDR Engineering, Inc. | Local | 71 | \$7,500,000 | 2218840 | |
| TOTAL | | | \$50,000,000 | | |

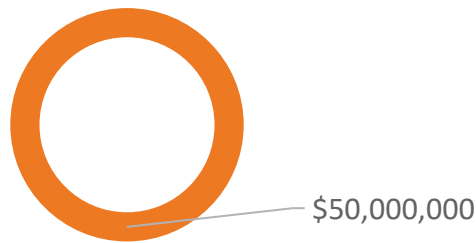
Twenty (20) additional respondents were not recommended for award: Ampirical Solutions LLC; Atwell LLC; ASEC Inc.; Aquawolf LLC; Burns & McDonnell; EN Engineering LLC; Leidos Engineering LLC; Luzco Technologies LLC; McCord Engineering; Moy Tarin Ramirez Engineers; NV5 Inc; Pickett and Associates LLC; Prime Partners Engineering; Qualus; Sargent & Lundy; Select Power Systems LLC; SEnergy; Ulteig Engineers Inc; United Engineers & Constructors; and Worley Group.

Annual Funds Budgeted

| Corporate Annual Budget | Funding Method | Projected FY2025 PO Spend | % of FY2025 Annual Corp Budget | Projected FY2026 PO Spend | Projected FY2027 PO Spend | Projected FY2028 PO Spend |
|-------------------------|----------------|---------------------------|--------------------------------|---------------------------|---------------------------|---------------------------|
| \$937,000,000 | Capital | \$12,000,000 | 0.85% | \$14,800,000 | \$12,700,000 | \$10,500,000 |
| \$890,000,000 | Non-Fuel O&M | \$0 | 0% | \$0 | \$0 | \$0 |

Our current approved budget and latest estimates support these new purchase orders.

Procurement Item: Professional Services



■ Local & Diverse ■ Local ■ Diverse ■ Other



AUDIT & FINANCE COMMITTEE (A&F)

EXECUTIVE SUMMARY AND CHAIR REPORT FROM THE APRIL 15, 2024 MEETING

PREPARED FOR CHAIR JANIE GONZALEZ

FOR REPORT AT THE MAY 20, 2024 BOARD OF TRUSTEES MEETING

The Audit & Finance Committee met on April 15, 2024. As part of the Audit & Finance Committee agenda, the Committee:

- A. Approved meeting minutes from the prior meeting held on January 22, 2024.
- B. Received the results of the external audit from KPMG. There were no significant items, no uncorrected misstatements, and no corrected misstatements identified. Informed that an unmodified "clean" audit opinion would be issued.
- C. Received an update on the Ethics Program, including a summary of the types and numbers of cases opened and closed from February 1, 2024 through March 8, 2024, and a trend analysis based on case category for FY2024 fourth Quarter versus FY2023 fourth Quarter. Informed there were more gifts & entertainment contacts in FY2024 than in FY2023 and that periodically scenarios which provide guidance on how an employee should handle situations, such as receipt of a gift from a vendor per the Ethics policy, are included in company communications.
- D. Provided an overview of the Transportation Security Administration (TSA) Pipeline Cybersecurity Directive and the TSA on-site inspection performed in January 2024. Informed final report from TSA inspection was received on April 10, 2024, and there were no findings or recommendations.
- E. Provided a presentation from PA Consulting (PAC) regarding activities related to 2040/2050 goal development process. Informed of the six energy industry disruptors identified by PAC that are likely to shape our future by 2050. Also, informed of the top eight uncertainties identified by PAC as a result of their executive interview and workshop process.
- F. Provided a procurement preview of new contracts. The new contracts were for substation and transmission engineering services, independent validation & verification (IV&V) for the Enterprise Resource Plan (ERP) project, and supply, delivery and commissioning of generator step-up and auxiliary power transformers.
- G. Provided a review of project count, audit plan coverage, audit universe coverage, and project feedback metrics. Received a review of the results of four completed audit projects.
- H. Provided an overview of the annual audit planning process and the proposed FY2025 audit projects. Approved proposed FY2025 audit projects.

The next meeting of the Audit & Finance Committee will be held in July 2024.



EMPLOYEE BENEFITS OVERSIGHT COMMITTEE (EBOC)

EXECUTIVE SUMMARY AND CHAIR REPORT FROM THE APRIL 15, 2024 MEETING PREPARED FOR COMMITTEE CHAIR JANIE GONZALEZ FOR REPORT AT THE MAY 20, 2024 BOARD OF TRUSTEES MEETING

The EBOC met on April 15, 2024. As part of the EBOC agenda, the Committee:

- A. Approved meeting minutes from the prior meeting held on January 22, 2024.
- B. Reviewed the Action Items list from the meeting held on January 22, 2024.

The Committee also received presentations regarding:

- C. A recommendation from the Administrative Committee to approve the Statement of Governance (SoG) with no proposed revisions. The EBOC approved the recommendation. The SoG was approved by the Board of Trustees during the April 22nd meeting.
- D. A Benefit Plans Administrative & Financial Update, which highlighted the following topics: governance overview and calendar review, CY2023 audit results with an unmodified ("clean") opinion by BDO USA, LLP for each plan (Pension, Health, Life, & Disability), and trusts investment performance for CY2023, since inception and YTD thru February.

The next meeting of the EBOC will be held in July 2024.

5/20/24

John Steen Comments

Vision 2027 Generation Plan Update
Agenda Item #7

I'll begin by expressing my appreciation to Chief Energy Supply Officer Benny Ethridge and Chief Strategy Officer Elaina Ball for their presentations today and for the exemplary way both handle their critical CPS Energy responsibilities.

With regard to today's Vision 2027 generation plan update, here's a snapshot of my overarching concern. As our CEO Rudy Garza has said repeatedly, there are only two fundamental ways to pay for all this additional Vision 2027 spending: by taking on more debt or by increasing the base rate on CPS Energy's customers. In both instances, there are storm warnings. Let's take our debt. At our March 23rd board meeting, CFO Cory Kuchinsky revealed that CPS Energy's debt has swelled to \$6.9 billion. As we all should know by now, our debt capitalization ratio, our "Big Three" leverage metric where lower is better, continues to exceed the 60% threshold historically set by our three credit rating agencies and disturbingly has been projected by Mr. Kuchinsky to increase to 67.8% in FY2029, notwithstanding every-two-year rate hikes baked in. No telling how much higher our debt-to-capitalization ratio will be driven by recent financial commitments such as the \$785 million Talen Energy acquisition not to mention the future acquisitions contemplated by today's presentation. I'm apprehensive that, unless all this spending can somehow be reined in, we're on a path to becoming overleveraged. And what about more base-rate increases piled onto our customers? Last fall Mr. Kuchinsky confirmed we're planning every-two-year rate increases including 5.5% in FY2027 and another 5.5% in FY2029. Yet for the last two years 20% or 1/5th of our residential customers have been in arrears. So how much more can CPS Energy ask these beleaguered customers to shoulder? In essence, what we're dealing with here is the financial shock – or more specifically utility-bill shock – to retail customers from climate change-related transition costs. Finally, I was concerned to read in a recent S&P Global Ratings report that, for FY 2022, of the 212 U.S. public power retail electric and gas utilities it follows, CPS Energy ranks No. 4 for most debt. Again fourth highest of 212, and it should be noted that this was for FY 2022 when CPS Energy's total debt was \$5.89 billion whereas today, according to recent financial information provided to the trustees, CPS Energy's total long-term debt now exceeds seven billion dollars. Further, according to S&P Global Ratings, focusing on the top ten U.S. municipal retail electric and gas utilities with the most debt, lamentably CPS also has the fourth highest debt-to-capitalization ratio.

In closing, Ms. Ramirez, I respectfully ask you to reflect in the minutes my ongoing concerns with the many costly acquisitions, projects, and programs CPS Energy is committing itself to, and my fear that we're on a slippery slope of borrowing too much and burdening our customers too much.

Thanks. That's all I have on this matter at this time.