

**CPS ENERGY BOARD OF TRUSTEES**  
**NOTICE OF REGULAR MEETING AND PUBLIC INPUT SESSION**

Notice is hereby given that the CPS Energy Board of Trustees will hold its **Regular Monthly Meeting on Monday, April 3, 2023 at 1:00 p.m.** in the Board Room located on the First Floor of the CPS Energy headquarters located at 500 McCullough, San Antonio, Texas. The Regular Board meeting will also be live-streamed.

The subject of this meeting is to act upon all matters pertaining to the current management and operation of the municipal electric and gas systems, including the acquisition of real property and interest therein by purchase and condemnation, the facilities, financing, the handling and administration of funds and accounts, consideration of matters relating to operations and administration and such other matters as may be brought before the meeting by the Trustees of the Board, and specifically those matters referred to in the attached agenda, which is incorporated herein.

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Additionally, notice is hereby given that the CPS Energy Board of Trustees will participate in a **Public Input Session on Monday, April 3, 2023 between 5:30 – 6:30 p.m.** in the Board Room located on the First Floor of the CPS Energy headquarters located at 500 McCullough, San Antonio, Texas.

The subject of the Public Input Session is to provide the Public an opportunity to address the Board on any matters related to CPS Energy. No Board action or voting will take place at the Public Input Session.

**Both meetings will be streamed on [cpsenergy.com](http://cpsenergy.com).**

Those wishing to speak on an agenda item during the Public Comment portion of the **Regular Monthly Meeting** must register between Wednesday, March 29, 2023 at 5:00 p.m. and Friday, March 31, 2023 at 1:00 p.m. CT.

Those wishing to speak during the **Public Input Session** are encouraged to register between Wednesday, March 29, 2023 at 5:00 p.m. and Friday, March 31, 2023 at 1:00 p.m. CT.

Registration may be made by email at [publiccommentregistration@cpsenergy.com](mailto:publiccommentregistration@cpsenergy.com) or by phone at (210) 353-4662. Those registering to speak should be prepared to provide the following information:

- First & last name
- City & state of residence
- Phone number
- Email address
- Designate whether public comment will be provided at the Regular Monthly Meeting, the Public Input Session, or both.
- Group for which the individual is speaking, if applicable
- Agenda item # listed on the Agenda (any item other than #1, 2 or 3) about which they are speaking for Regular Monthly Meeting
- Any required translation services

Commenters will be called to speak in the order that each registers.

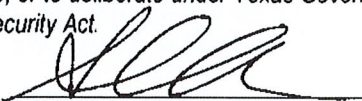
Written comments may be sent to [publiccommentregistration@cpsenergy.com](mailto:publiccommentregistration@cpsenergy.com) and will be shared with the Board prior to the start of the meeting.

The agenda packet is attached and can be found with other related informational material at:

<https://www.cpsenergy.com/en/about-us/who-we-are/trustees/board-meetings.html>

A recording of the meeting will be made and will be available to the public in accordance with the Open Meetings Act upon written request.

*At any time during the Board Meeting, and pursuant to the provisions of Chapter 551 of the Texas Government Code, the Board may meet in executive session for consultation concerning attorney-client matters under Section 551.071; for deliberations and other authorized action on real property under Section 551.072; on prospective gifts or donations under Section 551.073; on personnel under Section 551.074; on security personnel or devices under Section 551.076; on economic development negotiations under Section 551.087; to deliberate, vote, or take final action on competitive matters under Section 551.086; to deliberate regarding security audits and devices under Section 551.089; or to deliberate under Texas Government Code Section 418.183(f) about confidential information under the Texas Homeland Security Act.*



Shanna M. Ramirez  
Secretary of the Board  
March 29, 2023

CPSA - CITY CLERK  
2023 MAR 29 PM 04:39:55



**CPS ENERGY BOARD OF TRUSTEES MEETING  
TO BE HELD ON APRIL 3, 2023 AT 1:00 PM  
LOCATION: CPS ENERGY BOARD ROOM (500 MCCULLOUGH AVE)**

*At any time during the Board Meeting, the Board may go into an executive session as permitted by the Texas Open Meetings Act, (Chapter 551 of the Texas Government Code) regarding any item on this agenda.*

AGENDA

ITEM	TOPIC	ACTION	PRESENTER/ SPONSOR
1	CALL TO ORDER	Execute	Ms. Janie Gonzalez
2	SAFETY MESSAGE, INVOCATION & PLEDGE OF ALLEGIANCE	Execute	Ms. Julie Johnson
3	<b>PUBLIC COMMENT</b> Pre-Registration is from Wednesday, March 29, 2023 5:00 PM – Friday, March 31, 2023 1:00 PM. Dial (210) 353-4662 or email <a href="mailto:PublicCommentRegistration@CPSEnergy.com">PublicCommentRegistration@CPSEnergy.com</a>	Discuss	Ms. Janie Gonzalez
<b>UPDATE ON CHAIR'S PRIORITIES</b>			
4	CHAIR'S REMARKS	Discuss	Ms. Janie Gonzalez
5	<b>RATE ADVISORY COMMITTEE (RAC) UPDATE</b> A. Amendment of Bylaws (Ms. Shanna Ramirez) B. Member Nomination (Ms. Ann Kinnard)	Discuss & Vote	Dr. Francine Romero
<b>CONVENE TO EXECUTIVE SESSION</b>			
6	<b>EXECUTIVE SESSION:</b> A. Discuss real estate matters related to real property and improvements ( <i>Section 551.072</i> ) B. Discuss competitive matters related to CPS Energy's generation planning and/or resources ( <i>Section 551.086</i> )	Discuss	Ms. Janie Gonzalez
<b>RECONVENE TO OPEN SESSION</b>			
<b>CONSENT AGENDA</b>			
7	<b>APPROVAL OF CONSENT ITEMS:</b> A. Minutes of the Special Board meeting held on 01/23/2023 B. Minutes of the Regular Board meeting held on 01/30/2023 C. Payment to the City of San Antonio for February 2023 D. Resolution For the Sale of Surplus Property E. Procurements Items: None	Vote	Ms. Janie Gonzalez
<b>REGULAR AGENDA</b>			
8	FY2024 ADDITIONAL FINANCING OPPORTUNITIES	Discuss & Vote	Mr. Cory Kuchinsky
9	FY2023 END OF YEAR PERFORMANCE REVIEW	Discuss	Mr. John Soltau
10	<b>CEO'S CLOSING COMMENTS:</b> Review Action Items from this meeting (Ms. Shanna Ramirez)	Discuss	Mr. Rudy Garza
11	ADJOURNMENT	Execute	Ms. Janie Gonzalez

If the Board meeting has not adjourned by 3:35 PM, the presiding officer may entertain a motion to continue the meeting, postpone the remaining items to the next Board meeting date, or recess and reconvene the meeting at a specified date and time.

**THE REGULAR MEETING OF THE CPS ENERGY BOARD OF TRUSTEES WILL BE FOLLOWED BY A  
PUBLIC INPUT SESSION FROM 5:30 PM – 6:30 PM.**

2023 APR 3 10:59 AM

**BYLAWS OF THE CPS ENERGY RATE ADVISORY COMMITTEE**

ARTICLE I — NAME AND PURPOSE

Section 1 — Name: The name of the committee is the CPS Energy Rate Advisory Committee (RAC). The RAC is a special purpose advisory group to provide input to the CPS Energy Management and the CPS Energy Board of Trustees. The RAC is purely advisory in nature, not a policy making, or decision-making body.

Section 2 — Purpose: Members of the RAC will devote the necessary time and energy to learn about the utility business and the rate design function in order to understand and provide thoughtful input and perspectives to CPS Energy Management and Board of Trustees on rate structure, rate design, proposed rate increases and generation planning issues.

ARTICLE II – MEMBERSHIP

Section 1 — Membership and role: Members of the RAC shall be appointed by the CPS Energy Board of Trustees. RAC members shall represent a broad constituency of the community, shall facilitate the flow of ideas and concerns from the community to CPS Energy Management and the Board of Trustees, and shall assist with communicating the flow of information from CPS Energy Management and Board of Trustees to the community. Members will be expected to attend meetings, be respectful of the comments and views of others, and provide thoughtful input on issues, representing, to the extent possible, community, not partisan, values and concerns.

Section 2 – Eligibility for membership: Membership of the RAC shall be open to the following individuals in good standing<sup>1</sup> through an application and appointment process:

- Any ratepayer, resident, property owner, or business owner who is a customer of CPS Energy and resides in or is located within the CPS Energy service territory, including

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representatives of business and civic associations that represent businesses or citizens operating or living within the CPS Energy service area.

- Individuals may be nominated by a member of the City Council or the Board of Trustees or may self-nominate through the application process.

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<sup>1</sup> “Good standing” means being current on bill payments with CPS Energy and having good payment history.

DRAFT

Section 3 — Composition: Membership of the RAC will consist of twenty-one

(21) members all of whom must reside within the CPS Energy service area. Ten (10) members will be nominated by the San Antonio City Council, with each Council member nominating one (1) member who must reside in the Council member's district. Eleven (11) members will be nominated by the CPS Energy Board of Trustees. The overall membership of the RAC should reflect a diverse and balanced cross-section of customers from the CPS Energy service area. As an example, members may include representatives of the following:

- San Antonio city council districts
- Areas outside the San Antonio city limits, but within the CPS Energy service area
- CPS Energy rate classes
- Neighborhood associations
- Multi-family residential customers
- Major manufacturers, large and small businesses, the education community, the medical community, the construction and development community
- Professional planning, economic development, environmental, conservation and community advocate groups

Section 4 — Terms: Subject to Section 6 of this Article, RAC members will be appointed to serve a two (2) year term and RAC members will be eligible to serve no more than three (3) consecutive terms. The CPS Energy Board of Trustees may reconsider a member who serves a total of three consecutive terms for an additional term after leaving the RAC for at least one term. [A RAC member whose term has expired continues to serve in a hold-over capacity and perform the duties of a RAC member until the earlier of the date a successor is appointed to fill the position or the RAC is dissolved.](#)

[For any RAC member appointed or re-appointed after April 22, 2023, the member will serve until the RAC submits its recommendation to the Board of Trustees on rate structure and design \(anticipated to be not later than July 31, 2023\).](#) Section 5

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— Nomination procedures: Each City Council member may nominate one person from the Council member's district to serve as a RAC member. CPS Energy Management will also request nominations from community groups to ensure as much as possible that nominees are identified who meet the composition goals outlined in Section 3 of this Article. CPS Energy Board members may also identify nominees for consideration. CPS Energy Management shall be responsible for recommending an official slate of prospective RAC members to the Board of Trustees for consideration. The Board of Trustees will review nominees from the City Council and those recommended by Management and by Board members and will select members of the RAC who meet the requirements of this Article with the goal of honoring Council member nominations, if possible, while selecting a balanced group of members representing different customer segments. The Board may choose to select some, all, or none of the nominees.

Section 6 — Resignation and removal: Resignation from the RAC must be in writing and provided to the RAC Chair. A RAC member may be removed by written notice from the Chair due to three total absences from meetings in a year. A RAC member may also be removed for other reasons by a majority vote of the remaining RAC members. At any time, a City Council Member or CPS Energy Trustee may remove his or her RAC appointee and nominate a replacement in accordance with Section 7 of this Article.

Section 7 — Vacancies: If a vacancy occurs within the RAC, the City Council member, or the CPS Energy Board member who previously nominated that position may nominate a replacement. The Board will consider nominated replacements and may approve the individual to serve out the term of the member creating the vacancy. An individual appointed to serve out the remaining term of a vacating member may be re-appointed to serve three additional terms. However, after the third full term, that individual will need to be off the RAC for at least one term before being considered again for appointment, as required in ARTICLE II, Section 4.

ARTICLE III — SELECTION OF CHAIR AND VICE-CHAIR

Section 1 — Selection and term of Chair and Vice Chair: The RAC will have a Chair and a Vice Chair selected by the CPS Energy Board of Trustees. The Chair and Vice Chair will each serve one term and may be reappointed by the Board.

Section 2 — Chair and Vice Chair Duties: Responsibilities of the Chair include, but are not limited to, presiding over all RAC meetings; encouraging members to participate in discussions and to arrive at decisions in a timely and democratic manner; undertaking certain administrative duties, such as approving RAC agendas, draft minutes, proposed meeting dates and venues, etc. The Vice Chair shall assist the Chair in these functions, as needed, and shall preside over RAC meetings when the Chair is absent. The Chair and Vice Chair shall also serve as the primary spokespersons for the RAC, maintain communication with CPS Energy Management, and report on the RAC's progress to the Board of Trustees.

ARTICLE IV — MEETINGS OF MEMBERS

Section 1 — Regular meetings: A regular meeting will be held at least once a quarter during the CPS Energy fiscal year, or as otherwise directed by the CPS Energy Board. The date, time and location of the meeting will be identified in the notice.

Section 2 — Special meetings: Special meetings of the RAC shall be called at the request of the Chair, or a majority of the RAC.

Section 3 — Notice of meetings: Notice of each meeting shall be given to each voting member, by written notice, delivered personally, electronically, or by mail, not less than one week prior to the meeting. Meeting notices and agendas will be posted on CPS Energy's website, not less than one week prior to the meeting.

Section 4 – Meeting Agenda: CPS Energy Management shall draft meeting agendas for review and approval by the Chair. Any three members can request an item to be added to the agenda for a meeting.

Section 5 — Quorum: Eleven members must be present to constitute a quorum. In the absence of a quorum, no meeting can be held and if a quorum is lost during a meeting, the meeting must conclude.

Section 6 – Decision Making: There shall be an effort extended to achieve a consensus of members present for all issues that require decision making. It is particularly desirable for an issue to be resolved through consensus, but the Chair may decide to proceed with resolution of a given issue through a vote. If the Chair deems that a vote is necessary, issues to be voted on shall be decided by a 60% super majority (13) of the RAC.

#### ARTICLE V — SUBCOMMITTEES

Section 1 — Subcommittee formation: The RAC may create and charge subcommittees (functioning as working groups), as needed, to further study matters in more detail. Subcommittees may seek assistance from CPS Energy Management consistent with, and no greater than, the scope of their charges. Any issues resulting from request for assistance will be resolved by consulting with the RAC Chair. If so charged by the RAC, subcommittees shall make recommendations to the RAC, which will in turn make decisions regarding the recommendations of the subcommittee.

#### ARTICLE VI — AMENDMENTS

Section 1 — Amendments: These bylaws may be amended at any time by the Board of Trustees.

#### CERTIFICATION

These bylaws were approved by the CPS Energy Board of Trustees on April 22, 2021 and are effective as of that date, as amended February 28, 2022 [and on April 3, 2023](#).





# ***RATE ADVISORY COMMITTEE (RAC) MEMBER NOMINATION***

*PRESENTED BY:*

**Ann Kinnard**

Director, Customer Experience

April 3, 2023

***Approval Requested***

# AGENDA



- **REVIEW MEMBER NOMINATION BY MAYOR RON NIRENBERG**
- **BOARD VOTE**

**Seeking approval for a new RAC member nominated by Ex-Officio Board Member Mayor Nirenberg.**

# CITY COUNCIL MEMBER APPOINTEES



District	Nominee	Zip Code	Quadrant	Profession
1	John Agather	78212	2	Musician
2	Anacua Garcia	78220	3	Community Organizer
3	Phyllis Viagran	78214	3	City Councilwoman
4	Peter Onofre	78245	4	Operations Administrator
5	Andy Castillo	78211	4	Designer
6	Alvaro Rodriguez	78250	1	Sales
7	<b>Dr. Adelita Cantu, Vice-Chair</b>	78228	1	Associate Professor
8	Michael Kennick	78203	1	Electric Engineer
9	Ann Marie Nikolich	78230	1	Executive Assistant
10	Jack Hebdon	78209	2	Developer Partner

# BOARD APPOINTEES



Trustee	Nominee	Zip Code	Quadrant	Profession
Chair Gonzalez	Michael Sanchez	78249	1	Real Estate Investor
	DeeDee Belmares	78109	3	Community Organizer
Vice Chair Dr. Romero	Curtis Anastasio	78230	1	Public Board Service
	Christopher T. Fullerton	78230	1	Researcher Attorney
Trustee Dr. Mackey	Wayne Eddington	78148	3	Civil Engineer
	Anthony Edwards	78258	2	VP Community Prgm
Trustee Steen	Dana McGinnis	78212	2	Investment Advisor
	Jim Berg	78209	3	Business Owner
Mayor Nirenberg	<b>Reed Williams, Chair</b>	78209	2	Retired
	Dr. Olufemi Osidele	78253	4	Consultant
	Miriam Juckett	78258	1	Sr. Prog Mgr Environmental Science
All	Anita Ledbetter	78223	3	Executive Director

# REQUEST FOR APPROVAL



**Miriam Juckett**

- Member - City of San Antonio's Climate Action & Adaptation Plan (CAAP) Technical & Advisory Committee
- Regular volunteer for Science, Technology, Engineering, and Mathematics (STEM) events
- 20 years of professional experience in environmental science and public outreach for energy projects
- Employed with Southwest Research Institute over 20 years

# REQUEST FOR APPROVAL



- **Request approval for new RAC member**



***Thank You***



Draft for review and approval  
at the April 3, 2023 meeting

**CPS ENERGY  
MINUTES OF THE SPECIAL MEETING OF THE BOARD OF TRUSTEES  
HELD ON JANUARY 23, 2023**

The Special Meeting of the CPS Energy Board of Trustees was held on Monday, January 23, 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 Dr. Mackey called the meeting to order at 1 p.m.

Present were Board members:

Dr. Willis Mackey, Chair  
Ms. Janie Gonzalez, Vice Chair  
Mr. John Steen  
Dr. Francine Romero  
Mayor Ron Nirenberg

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  
Ms. Evan O'Mahoney, Acting 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. Nathalia A. Lopez, Legal Program Manager.

**III. PUBLIC COMMENT**

Several members of the public that provided comment on Item #4, generation planning.

Mr. Terry Burns (Sierra Club), Dr. Cyrus Reed (Sierra Club), Mr. Alexander Papanastassiou (Texas Physicians for Social Responsibility), Ms. Emma Pabst (Sierra Club), Ms. Selene Garcia (Southwest Workers Union), Ms. Jordan Iglesias (Sierra Club), Ms. Isabella Nieto (Citizen), Mr. Ryan Weber (Citizen), Mr. Alan Montemayor (Sierra Club), Ms. Lexy Garcia (Citizen), Mr. Leo Lopez (Southwest Workers Union), Mr. Jimmy Perkins (Citizen), Dr. Meredith Maguire (Sierra Club), Mr. Scott Kanski (Citizen), Dr. Neil Debagge (Assistant Professor, UTSA), Mr. Russell Seal (Citizen), Ms. DeeDee Balmores (Public Citizen), Mr. Aaron Arguello



Draft for review and approval  
at the April 3, 2023 meeting

(MOVE Texas Action Fund), Rev. David Archibald (Citizen), Mr. Hera Marin (Citizen), and Ms. Diana Lopez (Citizen) spoke and overall stated the following:

- Appreciated the Board's anticipated decision to end power generation using coal.
- Requested the Board to consider expanding energy efficiency, distributed energy, and demand response programs.
- Requested the Board consider alternate rate structures, such as time of use.
- Requested that CPS Energy Convert Spruce to natural gas ahead of schedule, if possible.
- Requested the Board, to the extent natural gas is used, to use the best quality natural gas and ensure leak detection is used.
- Requested the Board review generation planning every 2-3 years to ensure current technologies and costs are appropriately modeled.
- Requested the Board take advantage of federal funding opportunities.
- Requested the Board to take steps to meet CAAP goals and expressed concern that blended portfolio P2 does not meet extended CAAP goals.
- Requested that the Board continue to evaluate options and move away from fossil fuels as soon as possible to address the urgency of climate change. Some of the speakers requested that the Board not select any generation plan that includes the use of natural gas due to health risks and the urgency of climate change.
- Some of the speakers urged the Board to adopt portfolio option P9 or another option that utilizes more renewable fuels.

Mr. Patrick Garcia, incoming Chair of the San Antonio Manufacturers Association (SAMA), stated CPS Energy's power generation should be safe, reliable, environmentally responsible, and affordable to all its customers. He stated SAMA is especially concerned about the balance between environmental responsibility and affordability, but if CPS Energy follows the same priorities as SAMA, he believes that the CPS Energy Board, management, staff, and advisory groups will make sound decisions.

Dave Peterson, Interim President & CEO of the San Antonio Chamber of Commerce, provided the Chamber's collective support for the P2 blended portfolio. He stated it is thoughtfully well-balanced and eliminates coal by 2028, which upholds the utility's emphasis on sustainability without accepting undue risk on reliability.

Mr. Jeff Webster, Vice President of People & Places Solutions and member of the San Antonio Chamber of Commerce, echoed Mr. Peterson's comments. He stated that we cannot grow our community without CPS Energy – we need a well-balanced source of power that is affordable and supports of growth. He stated that the P2 blended portfolio provides the best option at this time. Finally, he stated that he wished for CPS Energy to always be looking for the next level of opportunity to be even more effective and better for our environment.

Ms. Patty Gibbons, Greater Harmony Hills Neighborhood Association, expressed her concern about lack of outreach to neighborhood associations. She stated that affordability will be the primary focus for neighborhoods.

Draft for review and approval  
at the April 3, 2023 meeting

Ms. Sandra Crocker, citizen, believes that moving away from coal will hurt low-income and minorities communities due to increases in utility bills. She stated that “green energy” is not clean from mining and impacts to rights of laborers and use of native lands.

Ms. Denise Gutierrez Homer, citizen, stated that low-income residents in the urban area rely on natural gas, which helped keep them warm. She expressed concern about narrowing generation options and relying on fewer power plants. Finally, she stated that the P2 blended portfolio is a wise, equitable choice.

**IV. GENERATION PLANNING**

A. Generation Planning Recommendation & Resolution to Approve the Generation Planning Portfolio

Chair Dr. Mackey made a recommendation to approve the P2 blended portfolio option, Mayor Nirenberg seconded. The Board of Trustees asked questions and discussed the motion.

Ms. Shanna Ramirez read the following resolution:

**RESOLUTION APPROVING GENERATION PLANNING PORTFOLIO**

**WHEREAS**, CPS Energy plans to retire 2,249 MWs of dispatchable generation capacity before 2030 as follows; and

<u>Unit</u>	<u>Capacity</u>	<u>Planned Retirement Date</u>
Braunig 1	217 MWs	March 2025
Braunig 2	230 MWs	March 2025
Braunig 3	412 MWs	March 2025
Sommers 1	420 MWs	March 2027
Spruce 1	560 MWs	December 2028
Sommers 2	410 MWs	March 2029
	2,249 MWs	

**WHEREAS**, in recognition of the need for thoughtful generation planning to replace these retiring megawatts, this Board of Trustees, by resolution at its February 2022 Regular Meeting, directed CPS Energy management and the Rate Advisory Committee to “consider the costs, timeline and generation alternatives necessary to transition from coal to lower emission cleaner alternatives by the 2030 timeframe”; and

**WHEREAS**, CPS Energy, working with Charles River & Associates, a recognized industry expert in generation planning, and the Rate Advisory Committee, identified nine diverse generation portfolios using various combinations of generation resources - dispatchable, renewable, and storage; and

Draft for review and approval  
at the April 3, 2023 meeting

**WHEREAS**, these nine portfolios were analyzed under four market scenarios; four sensitivities were also analyzed, resulting in 50 data sets, providing a range of projected outcomes that included items such as extreme weather and conservation; and

**WHEREAS**, scenario analysis results for these portfolios were then evaluated relative to planning objectives - system reliability & climate resiliency, customer affordability, environmental sustainability, system flexibility, and workforce impact; and

**WHEREAS**, the Rate Advisory Committee selected Burns & McDonnell to provide it with an independent peer review of the generation planning work; and

**WHEREAS**, CPS Energy also engaged the community for feedback through open houses, town halls, media and social media outreach, a survey, and many other types of engagement; and

**WHEREAS**, after analyzing the benefits and risks, the Rate Advisory Committee recommended to this Board of Trustees, the Blended Portfolio (P2), which includes gas, solar, wind, and storage generation resources; and

**WHEREAS**, the Rate Advisory Committee found that the P2 option increases reliability, reduces system risk, continues progress to San Antonio Climate Action and Adaption Plan (CAAP), and facilitates new technologies; and

**WHEREAS**, CPS Energy management, in alignment with the Rate Advisory Committee, also recommended the Blended Portfolio (P2) to this Board of Trustees, noting that it:

- balances reliability with affordability
- continues transition to a lower carbon future
- retains experienced workforce to support transition
- retains a greater degree of fuel diversity to manage cost risk
- supports expansion of renewables while providing greater protection from extreme weather risks,
- aligns with community survey results; and

**NOW, THEREFORE, BE IT RESOLVED**, the CPS Energy Board of Trustees directs CPS Energy staff to take steps to:

1. Complete preparations to retire generation units listed above as planned.
2. Implement the Blended Portfolio (P2) generation improvements to support planned unit conversions and/or retirements.
3. Discontinue coal use for generation before 2030.

**BE IT FURTHER RESOLVED**, the CPS Energy Board of Trustees directs CPS Energy staff to provide this Board of Trustees an annual update on the status of these generation planning efforts; and

Draft for review and approval  
at the April 3, 2023 meeting

**BE IT FURTHER RESOLVED**, the CPS Energy Board of Trustees directs CPS Energy staff to thoroughly review its generation plan periodically, and continue to explore new technologies and consider ways to innovate and improve operations.

On a vote of 4-1, the resolution was approved. Trustee Steen voted against approving the resolution and his statement is attached.

**V. ADJOURNMENT**

There being no further business to come before the Board, upon a motion duly made by Vice Chair Gonzalez, seconded by Trustee Dr. Romero and upon an affirmative vote by all members present, the meeting was unanimously adjourned at 3:13 p.m. by Chair Dr. Mackey.

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Shanna M. Ramirez  
Secretary of the Board

DRAFT

1/23/23

**STATEMENT OF JOHN STEEN**

Re: Generation Planning Recommendation and Portfolio Resolution

(Agenda Item #5)

I'll begin by complimenting our CEO Rudy Garza for keeping the electricity on and the gas flowing during the Arctic blast that occurred right before Christmas. That front brought strong north winds and plunged temperatures into the upper teens. Because of the commendable preparatory work of Executive Vice President Benny Ethridge and his team, we were ready and the problems that arose were relatively few and manageable. So, Mr. Garza, kudos to you on that score.

Let me pivot to the purpose of today's meeting, which is for this board, following up on the presentation we received at our last board meeting, to consider our Rate Advisory Committee's advice and our CEO's recommendation on generation planning. Again, I want to lead with something positive, which is that I certainly appreciate all the time and energy our volunteer RAC members have put into this effort. I especially want to acknowledge former city councilman Reed Williams for the outstanding job he's done chairing the RAC. Anybody who's interacted with Mr. Williams knows that he has all the qualities of an ideal RAC chair: Ethical and civic-minded, he's a subject-matter expert who elicits from his fellow committee members strategic thinking, innovation and action. So, Mr. Williams, thanks so much for all your hard work to date.

My remarks today focus on *affordability*, that is, our customers' ability to pay for service, which has purportedly been one of the major considerations of the RAC and its outside consultants as they've grappled with generation planning.

It should come as no surprise when I tell this board that I consider the financial health of CPS Energy to be alarming. To touch on some points I've been raising at meeting after meeting over the past year:

- As of November 31, 2022, our past due receivables continue to exceed \$200 million, and this despite our CEO's assurances that they'd be under control by the Spring of last year. 20% of our residential customers are at least 30 days past due on their CPS Energy payments. There's no sign that this intractable problem is close to being resolved, and our CEO's remedial efforts don't seem to be working all that well.
- Looking at our FY2023 Tier 1 Metrics, management has now declared that four out of the sixteen metrics are "unrecoverable" – meaning that overall we're headed toward a fair or average score at the end of our fiscal year on January 31<sup>st</sup>. CPS Energy's Tier 1 Metrics are often referred to as our report card, and it's looking like the company's going to get, at best, a "C." But what I want to draw particular attention to is the fact that one of our four unrecoverable metrics specifically gauges residential customer satisfaction. This metric is based on quarterly surveys by Escalent, a national survey research firm. Quarterly scores are averaged to come up with our annual performance metric. In FY 2021 our score was 83.2. In FY 2022 that score dropped to 78.9. I'm not sure who determined our target for

FY 2023, but it was set at 79. To repeat, our goal was to get to 79 – an improvement of 1/10 of 1%! Even with this extremely modest and frankly uninspirational goal, we’re on track for this number to be 73.4 by the end of this month.

- I’m citing these numbers to demonstrate with data that we’re currently experiencing a significant affordability issue with our customers. Put simply, our customers are financially stressed, and many have reached their limits. Could the signs be any clearer?

And yet:

- In the first quarter of last calendar year, a base-rate increase of 3.85% was implemented.
- In May of last year CPS Energy had the opportunity to ease the pressure on its customers by pausing the STEP program, which was a 10-year program that staff announced had reached its goals two years before. Because this STEP charge – or what some have dubbed the STEP *tax* – represents an average of 3 to 4.5% of a customer’s bill, suspending the program would have for many customers essentially negated the 3.85% increase implemented March 1<sup>st</sup>. (Granted, there’d have been a lag, but this would have happened.) Nevertheless, it was decided to plow ahead with it notwithstanding that I, a plurality of the RAC members, and three city council members favored a pause.
- I’ve confirmed by reading the most recent reports of our credit rating agencies that management has been representing to them that CPS Energy is anticipating 5.5% base-rate increases early in calendar years 2024 and 2026. I understand that these two additional rate increases are also imbedded in all the financial projections management has been presenting to this board. Furthermore, I’ve heard management refer to what’s being called the “every two-year plan” meaning that they’re anticipating additional rate increases in early 2028, 2030 and so on. Please note that before last year’s rate increase, we had gone eight years without one. A major reason for this, I believe, was aggressive cost-cutting.

Before I move directly to the issue at hand, generation planning, let me detail some extraordinary expenses CPS Energy faces in the coming years.

- First, CPS Energy is still dealing with the ongoing impact of the aftermath of Winter Storm Uri. For this, I direct you to a recent [San Antonio Express-News](#) article written by Diego Mendoza-Moyers wherein he discusses the nearly \$17 million we’ve paid to eight law firms and a consultant for fighting bills for natural gas and electricity bought during the storm, accusing the vendors of price gouging. CPS Energy spent about \$850 million purchasing abnormally high-priced natural gas and electricity during Uri, roughly the amount typically spent for these items in a year. Per Mr. Mendoza-Moyers, 16 of these lawsuits have been confidentially settled while litigation continues with Energy Transfer and Enterprise Products over \$357 million in natural gas bills.
- Second, CPS Energy is grappling with an Enterprise Resource Planning (ERP) issue that’s reaching a perilous point. ERP refers to a type of software that organizations use to manage day-to-day activities such as accounting, procurement, project management, risk

management and compliance, supply chain operations, etc. Unbelievably our current complex ERP ecosystem is *over 22 years old* – think about that for a second – and our vendors have told us they’ll cease supporting it in 2027. So we must complete this transition in the next four years, and it will cost hundreds of millions of dollars – perhaps more than \$300 million before it’s all done. We have only to look at the recent meltdown of Southwest Airlines to appreciate where complacency in this area might take us. Southwest had been slow to adopt new technology over the decades and look at what resulted. We have no choice here.

- Third, as I mentioned at our last meeting, in regard to our pensions, because of the dismal returns we’ve been getting lately and my concern about the economic headwinds we’re facing in the years ahead, we should lower our actuarial rate of return (ARoR) from 7% to 6.75% and then be poised to reduce it further. I was told by staff that just the initial reduction would cost CPS Energy \$11 million a year for the next six years. Thus, to ensure that our benefit plans are financially healthy and able to pay the promised benefits to our esteemed and valued retirees, we need to get ready to expend tens of millions of dollars in the coming years.

I mention the above as but three examples of expenditures we can hardly sidestep, and the sums are eye-opening.

Now, in the midst of all this financial stress, for reasons related to deadlines set forth in the Paris Climate Accords and the City of San Antonio’s 2019 Climate Action and Adaptation Plan (CAAP), we’re aiming to close/convert our last two coal-fired plants. It appears that this board is going to follow the advice of the RAC and the recommendation of our CEO to embrace Portfolio 2. The community must realize that, by doing this, we’re committing CPS Energy to spending hundreds of millions of dollars in the next decade.

Let me summarize. While we’ve been busy coming up with ways to expend massive amounts of money on these generation issues, our focus is straying from highly expensive bread-and-butter obligations, including resolving Uri-related expenses, replacing our seriously antiquated software systems, and buttressing our pension plans. By approving today’s resolution, this board is committing CPS Energy to enormous expenditures without, I believe, sufficient thought as to how our already beleaguered customers are going to be able to shoulder the additional rate increases required to support them. For our customers’ sake, I’m reluctant at this time to commit to any more major discretionary expenditures of funds. We profess to be a customer-centric organization. If CPS Energy has an overarching dynamic, it’s that we should place our customers at the center. They should be our North Star. But, we’re not listening our customers. We’re not heeding our customers.

For the above reasons, I’m going to vote against this resolution.

*I respectfully ask that these remarks be included in toto in the minutes of today’s meeting.*

Draft for review and approval  
at the April 3, 2023 meeting

**CPS ENERGY  
MINUTES OF THE REGULAR MEETING OF THE BOARD OF TRUSTEES  
HELD ON JANUARY 30, 2023**

The Regular Meeting of the Board of Trustees of CPS Energy for the month of January was held on Monday, January 30, 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 Dr. Mackey called the meeting to order at 1 p.m.

Present were Board members:

Dr. Willis Mackey, Chair  
Ms. Janie Gonzalez, Vice Chair  
Mr. John Steen  
Dr. Francine Romero  
Mayor Ron Nirenberg (arrived at 1:09 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. Lindsey Fenderson, Sr. Manager Property Accounting & External Reporting.

**III. PUBLIC COMMENT**

Mr. Raymond Zavala, citizen, expressed his concerns about further investment in renewable energy. He stated that the nuclear fuel rods for the South Texas Power Plant are being buried in west Texas and present danger. He expressed concern that renewables will have similar unexpected impacts for his children and grandchildren.

Mr. Mike O'Donnell, citizen, expressed concern about prematurely eliminating all coal generation at Spruce, and recommended that Spruce 1 be mothballed. He noted that due to conflict in Ukraine, European nations are using mothballed power plants. He finally stated that it is unwise for CPS Energy to not plan for similar contingencies such as attacks or natural disasters.



Draft for review and approval  
at the April 3, 2023 meeting

Mr. Jack Finger, citizen, expressed concern about there being only three days notice of the special called meeting. He further requested that ratepayers receive more notice and get more than two minutes to speak. Finally, he stated that he disagreed with closing the coal power plants.

Mr. Paul James, chemical and natural gas engineer, stated the P2 blended portfolio is a rational decision, but expressed concern about the amount of increase in wind energy. He urged further consideration on the use of natural gas due to its availability near San Antonio.

Ms. Denise Gutierrez Homer, citizen, believes there is a failure to communicate between CPS Energy and residents, and noted that over 1,000 people participated in the survey when there are over 900,000 ratepayers. She also expressed concern about how residents were made aware of the survey on generation planning.

Ms. Teresa Bolin and Mr. David Horton yielded their time to Ms. Sandra Crocker.

Ms. Sandra Crocker, Republican Party Precinct Chair 3022, stated she was appreciative that the Board chose the more conservative of two options for generation planning. However, she urged the Board to reconsider their generation planning decision on ending the use of coal. She stated that she was not aware the Board was considering this option, and she urged CPS Energy to provide more information for ratepayers to understand the issue. She believes that residential customers are paying much more than business customers, and there could be further financial consequences from this decision. She provided an article from the Texas Tribune which she believes states that coal ash is the concern, not air emissions.

Mr. Cesario Garcia, citizen, District 8, stated that closure of coal plants may lead to another situation like Winter Storm Uri. He expressed concern about minimizing the ability to generate energy when we are a growing city. He asked to understand the purpose for this decision.

Mr. Calvin Bolin, resident of Precinct 1082, urged the Board to not close coal plants. He expressed concern about potential price increases to bills with the elimination of coal. He stated the coal plant could be updated to be efficient. In the 1970s and 1980s in Ankara, Turkey, there was very bad pollution, but it was resolved with cleaner coal.

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

Chair Dr. Mackey did not have any remarks.

#### **V. CEO'S REPORT**

Mr. Rudy Garza began by updating the Board on visits with credit rating agencies. He stated the meetings went well. He referenced a handout with CPS Energy's credit rating in comparison to other utilities, noting that CPS Energy is the second highest in the State of Texas. Finally, he noted that Fitch reaffirmed our Credit Rating.

He then noted that the Request for Proposals for the Enterprise Resource Plan was released. He stated that our digital transformation is an integral part of our Vision 2027, and our future technology platforms will enable enhanced experiences for our customers and employees.

Draft for review and approval  
at the April 3, 2023 meeting

Mr. Garza provided an update on potential changes to the ERCOT wholesale energy market. He noted that the Public Utility Commission of Texas has recommended the Performance Credit Mechanism, which is an incentive based on generators' reliability during times of high risk for the ERCOT grid. He noted that CPS Energy will be a part of the discussions occurring at the Texas Legislature.

The Dr. Martin Luther King, Jr. March included 105 participants, including Vice Chair Gonzalez, and included 33 students from community partner Students of Service.

Mr. Garza provided a weather update. He stated we do expect winter precipitation, especially in the northern part of the service area. He stated our power plants are ready, and we have capacity and are ready to respond.

Mr. Garza informed the Board that CPS Energy was recognized by the San Antonio Business Journal as a Business of the Year Nominee.

Finally, he recognized the Corporate Communication & Marketing Team, and noted the volume of internal and external communications. He stated that this team works hard, and their work is important.

Trustee Steen asked follow-up questions of Mr. Garza.

#### **VI. ACCOUNTS RECEIVABLE – MONTHLY UPDATE**

Ms. DeAnna Hardwick provided an update on accounts receivable. She stated that we have seen a positive trend - \$200M down from \$207M, and a \$100M on installment plans. The Board of Trustees asked questions and discussed the information presented.

#### **VII. AMENDED RULES OF ORDER FOR THE CPS ENERGY BOARD OF TRUSTEES**

Chair Dr. Mackey introduced the Amended Rules of Order, and asked Ms. Shanna Ramirez to read and explain the amended rules. Ms. Ramirez noted that in addition to non-substantive changes, the amendment added a new Article 10, which states:

##### **ARTICLE 10 - Relations with Management**

The President & CEO is responsible for developing the strategic direction and overall management of CPS Energy's operations. Therefore, it is imperative that the relationship between the Board and the President & CEO (including CPS Energy staff) be supportive, cooperative, and respectful of each other's roles, duties, and responsibilities. Accordingly, the Board shall maintain appropriate lines of communication, and an understanding of the separate roles of the Board and staff. The Board, as a body, or any member of the Board shall not direct the President & CEO on any operational activity. Directives to the President & CEO shall only come through Board resolutions and policy decisions. This Article does not prohibit a Trustee from communicating directly with the Office of General Counsel or the Internal Auditor for CPS Energy. It is the responsibility of the Chairman and Vice-Chairman to ensure that the roles of both Trustees and management are protected in the event of any breach of this understanding.

Draft for review and approval  
at the April 3, 2023 meeting

Chair Dr. Mackey made a motion to adopt the amendment, and Trustee Dr. Romero seconded the motion as amended. The motion was approved unanimously.

**VIII. EXECUTIVE SESSION**

At approximately 2:01 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.

**IX. APPROVAL OF CONSENT ITEMS**

On a motion duly made by Trustee Dr. Romero, seconded by Vice Chair Gonzalez, 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 October 31, 2022**
- B. Minutes of the Regular Board meeting held on November 29, 2022**
- C. Minutes of the Regular Board meeting held on December 19, 2022**
- D. Approval of Payment to the City of San Antonio for December 2022**

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 December 2022 is based on actual gross revenue per the New Series Bond Ordinance of \$196,712,920.76, less applicable exclusions. The revenue for the month of December 2022 is calculated as follows:

Gross revenue per CPS Energy financial statements	
Electric revenue	\$208,669,120.39

Draft for review and approval  
at the April 3, 2023 meeting

Gas revenue	45,009,912.16
Interest and other income	3,215,670.93
Gross revenue per CPS Energy financial statements	<u>256,894,703.48</u>
Excluded revenue	
School and hospital revenue per City Ordinance 55022	(7,084,962.93)
LVG revenue per City Ordinance 100709	(232,603.07)
Fuel cost component of off-system nonfirm energy sales per City Ordinance 61794 and revenue for wholesale special contracts	(9,911,202.91)
Noncash and other income, GASB 31 investment market value change, miscellaneous interest income, gas billing adjustment and unbilled Revenue	<u>(42,953,013.81)</u>
Total excluded revenue	<u>(60,181,782.72)</u>
Gross revenue per New Series Bond Ordinance subject to 14% payment to the City	<u>\$196,712,920.76</u>
City payment per Bond Ordinance for December 2022 based upon December 2022 revenue	\$27,539,808.91
City payment per memorandum of understanding (MOU) regarding wholesale special contracts	(734,488.31)
Wholesale Special Contract Annual True Up	0.00
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	26,792,820.60 <b>A</b>
Utility services provided to the City for December 2022	<u>(2,777,352.25)</u>
Net amount to be paid from December 2022 revenue to the City in January 2023	<u>\$24,015,468.35</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)

December 2022	Actual	Budget	Variance	
Current Month* <b>A</b>	\$26,793	\$28,020	(\$1,227)	-4.4%
Year-to-Date*	\$403,075	\$356,648	\$46,427	13.0%

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

The following resolution was approved:

**"BE IT RESOLVED** by the CPS Energy Board of Trustees that payment to the City of San Antonio in the amount of \$24,015,468.35 representing 14% of applicable system gross revenues for the month of December 2022, such payment being net of City utility services (\$2,777,352.25), is hereby approved."

Draft for review and approval  
at the April 3, 2023 meeting

- E. Resolution Approving the Strategic Purchase of Real Property
- F. Procurement Items: None

**X. COMMITTEE REPORTS**

Chair Dr. Mackey 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 November 17, 2022
- B. Employee Benefit Oversight Committee (EBOC) meeting held on November 17, 2022

**XI. CPS ENERGY PUBLIC POLICY PRIORITIES**

Ms. Kathy Garcia and Ms. Kari Meyer did not present due to inclement weather and travel hazards. Mr. Garza provided the Board an update on public policy priorities. He explained that the objective is to provide a preliminary outlook on the legislative session, and he requested the support of the Board of Trustees for CPS Energy's public priorities. Ms. Ramirez read the following resolution:

**RESOLUTION SUPPORTING CPS ENERGY'S PUBLIC POLICY PRIORITIES**

**WHEREAS**, the Regular Session of the 88th Texas Legislature convened on January 10, 2023 and will adjourn on May 29, 2023; and

**WHEREAS**, CPS Energy has developed and presented to this Board of Trustees our priorities and anticipated engagement, which are captured in three main pillars: 1) customer affordability and impacts, 2) utility governance, and 3) reliability and resiliency.; and

**WHEREAS**, the customer affordability and impacts pillar will focus CPS Energy on proposals that will support directing any available funds to utility customers in need and seek to minimize other proposals' impacts on utility costs and customer bills; and

**WHEREAS**, the utility governance pillar will focus CPS Energy on proposals that will protect the municipally-owned utility business model and local decision-making authority; and

**WHEREAS**, the reliability and resiliency pillar will focus CPS Energy on proposals that strengthen the reliability and resiliency of the electric grid and natural gas systems, including addressing supply chain challenges, in a manner that appropriately balances the benefits with the associated costs to our utility and our customers; and

**NOW, THEREFORE, BE IT RESOLVED**, this CPS Energy Board of Trustees supports CPS Energy's public policy priorities focused on three main pillars: 1) customer affordability and impacts, 2) utility governance, and 3) reliability and resiliency.

Draft for review and approval  
at the April 3, 2023 meeting

Vice Chair Gonzalez made a motion to approve the resolution, which was seconded by Trustee Dr. Romero. The Board discussed the motion, and the motion was unanimously approved.

## **XII. FY2024 BUDGET**

Mr. Cory Kuchinsky, CFO & Treasurer, presented the FY2024 budget. Mr. Kuchinsky requested approved on the Capital & Non-Fuel O&M Budget for FY2024.

Motion to approve by Vice Chair Gonzalez and seconded by Trustee Dr. Romero. The board discussed. On a vote of 4-1, the FY2024 budget was approved. Trustee Steen expressed concern about budgeting for a net loss and inquired about significant non-cash depreciation expenses not broken out in Mr. Kuchinsky's presentation. Focusing on slide 10 of Mr. Kuchinsky's presentation, Trustee Steen expressed concern about budgeting for a net loss and inquired about significant non-cash depreciation expenses not broken out in Mr. Kuchinsky's presentation. Trustee Steen indicated he would vote against the proposed budget because it was taking CPS Energy in the wrong direction, particularly in regard to the Debt Capitalization Ratio metric.

## **XIII. ELECTION OF NEW BOARD OF TRUSTEES CHAIR AND VICE CHAIR**

Chair Dr. Mackey, as the representative of Nominations and Personnel, made a motion to elect Vice Chair Gonzalez as the Chair of the Board, and Trustee Dr. Romero as the Vice Chair of the Board. Mayor Nirenberg seconded the motion. The Board discussed the nomination and stated their appreciation for Chair Dr. Mackey's service.

The election of Vice Chair Gonzalez as Chair and Trustee Dr. Romero as Vice Chair was approved unanimously. Mr. Garza noted the reception honoring the incoming chair and outgoing chair to be held on February 27 immediately following the board meeting.

## **XIV. ADJOURNMENT**

There being no further business to come before the Board, upon a motion duly made by Vice Chair Gonzalez, seconded by Trustee Dr. Romero and upon an affirmative vote by all members present, the meeting was unanimously adjourned at 4:05 p.m. by Chair Dr. Mackey.

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Shanna M. Ramirez  
Secretary of the Board

## CPS Energy Board of Trustees Meeting April 3, 2023

Approval of Payment to the City of San Antonio for February 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 February 2023 is based on actual gross revenue per the New Series Bond Ordinance of \$242,842,791.42, less applicable exclusions. The revenue for the month of February 2023 is calculated as follows:

Gross revenue per CPS Energy financial statements	
Electric revenue	\$184,949,619.87
Gas revenue	35,441,227.62
Interest and other income	(838,906.11)
Gross revenue per CPS Energy financial statements	219,551,941.38
Excluded revenue	
School and hospital revenue per City Ordinance 55022	(11,351,104.63)
LVG revenue per City Ordinance 100709	(368,122.92)
Fuel cost component of off-system nonfirm energy sales per City Ordinance 61794 and revenue for wholesale special contracts	(5,629,573.02)
Noncash and other income, GASB 31 investment market value change, miscellaneous interest income, gas billing adjustment and unbilled revenue	40,639,650.61
Total excluded revenue	23,290,850.04
Gross revenue per New Series Bond Ordinance subject to 14% payment to the City	\$242,842,791.42
City payment per Bond Ordinance for February 2023 based upon February 2023 revenue	\$33,997,990.80
City payment per memorandum of understanding (MOU) regarding wholesale special contracts	371,511.79
City Payment reduction per gas customer billing adjustment MOU	(25,000.00)
City payment per Bond Ordinance plus adjustments for memorandums of understanding	34,344,502.59 <b>A</b>
Utility services provided to the City for February 2023	(3,164,075.81)
Net amount to be paid from February 2023 revenue to the City in March 2023	\$31,180,426.78

## CPS Energy Board of Trustees Meeting April 3, 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)

February 2023	Actual	Budget	Variance	
Current Month* <b>A</b>	\$34,345	\$33,902	\$443	1.3%
Year-to-Date*	\$34,345	\$33,902	\$443	1.3%

\* 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 \$31,180,426.78 representing 14% of applicable system gross revenues for the month of February 2023, such payment being net of City utility services (\$3,164,075.81), is hereby approved."





**RESOLUTION FOR THE SALE OF SURPLUS PROPERTY**

WHEREAS, CPS Energy owns an approximately 14.03 acre property located at 3330 Cherry Ridge St. and 7720 Briaridge Drive, San Antonio, Texas 78230, which is further described in Exhibit A and attached hereto (the "Property"); and

WHEREAS, the Property is no longer needed for the use, operation or development of the CPS Energy's Gas and Electric Systems (the "Systems"); and

WHEREAS, Chapter 272 of the Local Government Code, which governs the sale or exchange of land by a municipality, provides in Section 272.001 (k) that notice and bidding requirements do not apply to sales of land owned by a municipality operating a municipally owned electric or gas utility if the land is held by the municipal utility, provided that the governing body of the municipal utility adopts a resolution stating the conditions and circumstances of the sale and the public purpose that will be achieved by the sale; and

WHEREAS, the proceeds from the sale of the Property will generate revenue that can be applied to the operation and development of the Systems;

NOW, THEREFORE BE IT RESOLVED:

1. The recitals to this Resolution are hereby incorporated by reference.
2. The CPS Energy Board finds that the Property described above is surplus property and is no longer needed for the operation of the Systems.
3. The CPS Energy Board finds that a "public purpose," generating revenue for the operation and development of the Systems, will be achieved by the sale of the Property and, as such, the transaction is exempt from the notice and bidding requirements of Chapter 272 of the Local Government Code.
4. The CPS Energy Board of Trustees hereby authorizes, but does not obligate, the President and CEO, or his designee(s), to determine a final sales price and to take such action as is deemed necessary and appropriate to carry out the purposes and intent of this Resolution and complete the sale of the Property.

## Exhibit A



3330 Cherry Ridge Street & 7720 Briaridge Drive  
Approximately 14.03 Acres



**FY2024**

***ADDITIONAL FINANCING  
OPPORTUNITIES***

*PRESENTED BY:*

**Cory Kuchinsky, CPA**

Chief Financial Officer & Treasurer

April 3, 2023

*Approval Requested*

# AGENDA



- **FY2024 ADDITIONAL FINANCING OPPORTUNITY**
  - **BOND TENDERS**
- **ADMINISTRATIVE ITEM**
  - **COMMERCIAL PAPER COMPANION PROGRAM**
- **REQUEST FOR APPROVAL**

**Our objective today is to request approval for additional financing tools that will allow us to generate savings for our customers.**

# FINANCING PLAN RELATED APPROVALS



## TODAY'S APPROVAL REQUEST

We are seeking approval for the following:

1. Bond Tenders – offer to buy back certain bonds from investors
2. Commercial Paper Companion Program

# BOND TENDERS

## OVERVIEW



- Market conditions have changed, providing an opportunity to tender outstanding bonds (an offer to buy back bonds from investors at a discount)
- Taxable bonds that can now be converted to tax-exempt bonds provide the best opportunity for tendering
- Tender success rates vary, typically between 10% to 50%

**Bond Tenders on our Taxable bonds can generate debt service savings up to \$58M depending on market conditions and investor participation.**

# BOND TENDERS

## CURRENT POTENTIAL CANDIDATES



Bond Type	In millions	Issuance Purpose
Taxable Series 2012	\$404.2	Rio Nogales purchase – <i>providing review under federal tax law; some or all may be ineligible</i>
Taxable Series 2020	\$418.3	Advance refunding of Jr Lien Series 2013 for debt service savings – <i>all eligible for tender</i>
Taxable Series 2022	\$405.4	Winter Storm Uri, phase 1 – <i>all eligible for tender based on successful private letter ruling from IRS</i>
Tendering Total	\$1,227.9	

# COMMERCIAL PAPER (CP) COMPANION PROGRAM



- The companion program is an administrative tool that will allow us to add the previously approved incremental liquidity without affecting our existing, favorable agreements under the primary CP program
- Our current liquidity agreements are locked in at costs that are slightly lower than other programs across the nation
- The new companion program will house the new liquidity and dealer agreements
- Together, the new and existing program will continue to be limited to the current authorized total of \$1B

**Obtaining approval to establish a companion CP program will provide us additional liquidity without jeopardizing the current agreements that provide savings to our customers.**



# FINANCING PLAN RELATED APPROVALS

## APPROVAL SUMMARY



Proposed Actions: Executable before 4/3/2024	Reason	Required Approval	
		Board	Council
1. Bond Tenders	Lower cost of debt and generate debt service savings	Y	Y
2. Commercial Paper Companion Program	Enable ability to secure liquidity	Y	Y

# REQUESTS FOR APPROVAL



**Authorization, without the obligation, to execute the following transactions by delegating authority to the Chief Executive Officer or Chief Financial Officer over the next 12 months:**

- Vote #1: Bond Tenders
- Vote #2: Commercial Paper Companion Program

**These financing transactions will help provide potential savings to our customers through the retirement of taxable debt & maintain low cost of liquidity.**



***Thank You***





# ***FY2023 END OF YEAR PERFORMANCE REVIEW***

*PRESENTED BY:*

**Dr. John Soltau**

**Dir, Ent Portfolio Business Planning & Metrics Program**

April 3, 2023

*Informational Update*

# AGENDA



- **EXECUTIVE SUMMARY**
- **ACCOMPLISHMENTS**
- **KEY RESULTS REVIEW**
- **TIER 1 METRICS REVIEW**

**Review final FY2023 Enterprise Performance.**

# EXECUTIVE SUMMARY



- Annually set performance goals with targets to drive excellence in serving our customers and community
- Measures are both industry best practices and actions important to our community to demonstrate the value we deliver
- Targets are set at a stretch-level based on benchmarked information where possible
- Guidance from the Operations & Oversight Committee (OOC) to update and refine measures for FY2024 based on feedback from Board and the community

	Achieved	Not Achieved
Key Results	7 (88%)	1 (12%)
Tier 1 Metrics	10 (62.5%)	6 (37.5%)

# FY2023 ACCOMPLISHMENTS



## Reliability & Resiliency

- 166 reclosers installed
- 1,158 poles replaced
- 689 miles of vegetation management
- 12 major storm events
- 2,044 leaks repaired
- ~246K locates
- ~1,600 miles of gas pipelines surveyed



## Community & Customer Growth

- ~29K new gas and electric meter sets
- 3,692 transformers installed
- 3 million customer calls



## Technology & Security

- Employee Resource Plan internal requirements gathering completed and RFP issued
- Datacenter transformation
- Upgraded critical security measures and key environmental systems
- 21 incident response exercises



## People

- 540 New Hires
- 828 position evaluations resulting in market-based adjustments to 1,784 non-executive employees

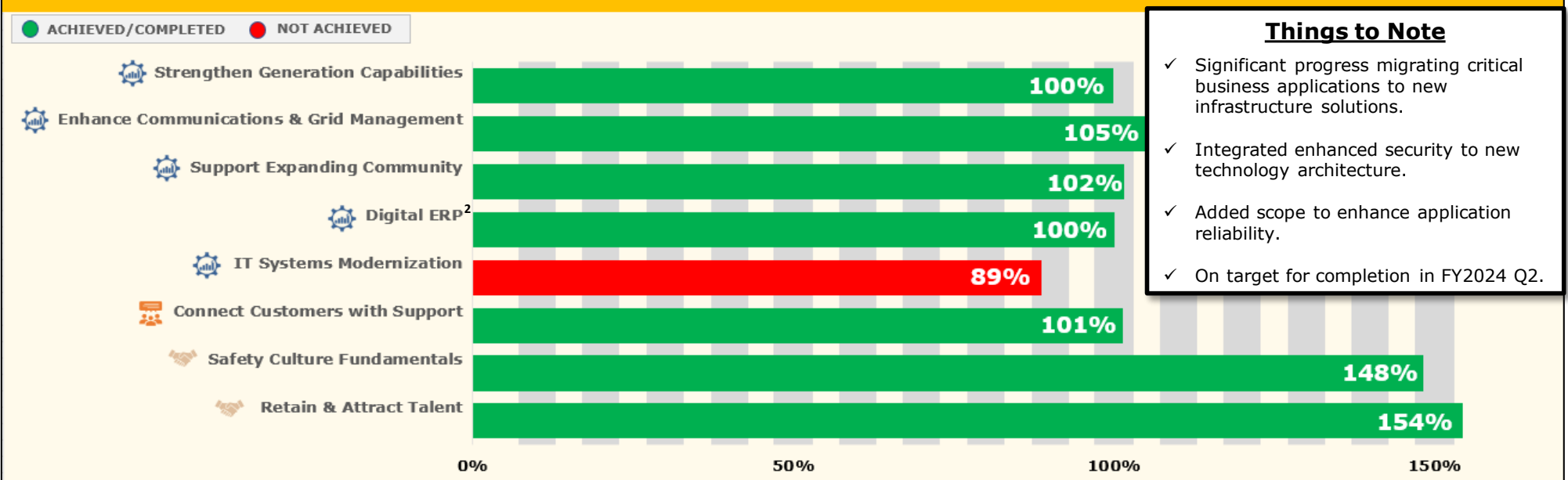


**Additionally, we received your approval on our future generation resource plan developed with input from community partners.**

# KEY RESULTS DASHBOARD



## KEY RESULTS<sup>1</sup> SUMMARY (Feb 2022 - Jan 2023)



**Things to Note**

- ✓ Significant progress migrating critical business applications to new infrastructure solutions.
- ✓ Integrated enhanced security to new technology architecture.
- ✓ Added scope to enhance application reliability.
- ✓ On target for completion in FY2024 Q2.

<sup>1</sup>Community conversations are all on-track (Rate Design) or completed (STEP Decision and Resource Planning)

<sup>2</sup>Enterprise Resource Planning (ERP)

**Our Key Results performance highlights the success we had in focusing on what is important to our community.**



# FY2023 TIER 1 METRIC SUMMARY



Result	Metrics	Notes:
Achieved	Employee Engagement Enterprise	Increased due to application of One Team culture
Achieved	Environmental Compliance Issues	Continued focus on avoiding incidents through training and preparation
Achieved	System Average Interruption Duration Index	Achieved through increased vegetation management and investment in reclosures
Achieved	System Average Interruption Frequency Index	
Achieved	Critical IT Systems Availability	Continued high reliability of key technologies to support operations
Achieved	Gas System Growth	Achieved target while managing supply chain
Achieved	Adjusted Debt Service Coverage	Strong leadership in maintaining fiscal discipline
Achieved	Capital Budget	Strategic investments to deliver operational and customer needs
Achieved	O&M Budget	Active management to come in on budget while meeting goals
Achieved	Senior Lien Bond Ratings	Financial stability validated by bond rating
Not Achieved	Portfolio Commercial Availability	Impacted by higher usage, extreme weather and impact of aging units
Not Achieved	Customer Satisfaction – Residential	Not achieved due to 2022 rate increase, higher bills from high fuel prices and extended 100-degree temperatures
Not Achieved	Days Cash on Hand	Impacted by higher fuel costs
Not Achieved	Debt Capitalization	Not achieved due to slightly higher debt issuances in support of our capital plan
Not Achieved	Enterprise Recordable Incident Rate	Higher than expected soft tissue injuries
Not Achieved	Enterprise Readiness – Executives	Impacted by high turnover in early 2022, and promotions

**Metrics reflect solid performance in the face of significant headwinds.**

# SUMMARY



- Overall solid performance focused on connecting with our customers and community to deliver on our mission of service
- Continuing to focus on:
  - Engaging our customers
  - Building a reliable, affordable and sustainable generation portfolio
  - Growing one team culture
  - Responsibly managing our financial position to serve our community
- We will work with the OOC to finalize updates for our FY2024 measures and transparently communicate their progress throughout the year

**We strive to continue our legacy of driving ourselves to be the best energy utility we can be for our community and customers.**



***Thank You***

