

CPS ENERGY BOARD OF TRUSTEES
NOTICE OF REGULAR MEETING

Notice is hereby given that the CPS Energy Board of Trustees will hold its **Regular Monthly Meeting on Monday, January 30, 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.

The meeting will be streamed on cpsenergy.com.

Those wishing to speak on an agenda item during the Public Comment portion of the meeting must register between Wednesday, January 25, 2023 at 5:00 p.m. and Friday, January 27, 2023 at 1:00 p.m. CT. Registration may be made by email at 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
- 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
- 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 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 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
January 25, 2023

COSA - CITY CLERK
2023 JAN 25 PM04:07:28



**CPS ENERGY BOARD OF TRUSTEES MEETING
TO BE HELD ON JANUARY 30, 2023 AT 1:00 PM
LOCATION: CPS ENERGY BOARD ROOM (500 MCCULLOUGH AVE)**

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 concerning:

- attorney-client matters under Section 551.071;
- economic development negotiations under Section 551.087;
- deliberations and other authorized action on real property under Section 551.072;
- deliberations, voting or taking final action on competitive matters under Section 551.086;
- prospective gifts or donations under Section 551.073;
- deliberations regarding security audits and devices under Section 551.089; or
- personnel under Section 551.074;
- security personnel or devices under Section 551.076;
- deliberations under Texas Government Code Section 418.183(f) about confidential information under the Texas Homeland Security Act

AGENDA

ITEM	TOPIC	ACTION	PRESENTER/ SPONSOR
1	CALL TO ORDER	Execute	Dr. Willis Mackey
2	SAFETY MESSAGE, INVOCATION & PLEDGE OF ALLEGIANCE	Execute	Ms. Lindsey Fenderson
3	PUBLIC COMMENT Pre-Registration on Wednesday, January 25, 2023 5:00 PM – Friday, January 27, 2023 1:00 PM. Dial (210) 353-4662 or email PublicCommentRegistration@CPSEnergy.com	Discuss	Dr. Willis Mackey
UPDATE ON CHAIR'S PRIORITIES			
4	CHAIR'S REMARKS	Discuss	Dr. Willis Mackey
5	CEO'S REPORT	Discuss	Mr. Rudy Garza
6	ACCOUNTS RECEIVABLE – MONTHLY UPDATE	Discuss	Ms. DeAnna Hardwick
7	AMENDED RULES OF ORDER FOR THE CPS ENERGY BOARD OF TRUSTEES	Discuss & Possible Vote	Dr. Willis Mackey
CONVENE TO EXECUTIVE SESSION			
8	EXECUTIVE SESSION: Please see the narrative list at the top of this agenda for the potential discussion topics.	Discuss	Dr. Willis Mackey
RECONVENE TO OPEN SESSION			
CONSENT AGENDA			
9	APPROVAL OF CONSENT ITEMS: A. Minutes of the Regular Board meeting held on 10/31/2022 B. Minutes of the Regular Board meeting held on 11/29/2022 C. Minutes of the Regular Board meeting held on 12/19/2022 D. Payment to the City of San Antonio for December 2022 E. Resolution Approving the Strategic Purchase of Real Property F. Procurement Items: None	Vote	Dr. Willis Mackey
REGULAR AGENDA			
10	COMMITTEE REPORTS: A. Audit and Finance Committee (A&F) meeting held on 11/17/2022 (Mr. John Steen) B. Employee Benefit Oversight Committee (EBOC) meeting held on 11/17/2022 (Mr. John Steen)	Discuss	Dr. Willis Mackey

2023
 JANUARY 30
 1:00 PM
 CPS ENERGY BOARD ROOM
 500 MCCULLOUGH AVE
 SAN ANTONIO, TX 78201

JANUARY 30, 2023 BOARD MEETING - AGENDA & NOTICE

11	CPS ENERGY PUBLIC POLICY PRIORITIES A. RESOLUTION SUPPORTING CPS ENERGY'S PUBLIC POLICY PRIORITIES	Discuss & Possible Vote	Ms. Kathy Garcia Ms. Kari Meyer
12	FY2024 BUDGET	Vote	Mr. Cory Kuchinsky
13	ELECTION OF NEW BOARD OF TRUSTEES CHAIR AND VICE CHAIR	Vote	Dr. Willis Mackey (Nominations Committee)
14	ADJOURNMENT	Execute	Dr. Willis Mackey
If the Board meeting has not adjourned by 4:00 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.			

COSA - CITY CLERK
 2023 JAN 25 PM04:07:40



ACCOUNTS RECEIVABLE – MONTHLY UPDATE

PRESENTED BY:

DeAnna Hardwick

Executive Vice President, Customer Strategy

January 30, 2023

Informational Update

AGENDA



- **RECEIVABLES SNAPSHOT & TRENDS**
- **BREAKOUT VIEWS**
- **ENGAGEMENT & OUTREACH**
- **INSTALLMENT PLANS**
- **UPCOMING COMMUNITY OUTREACH**

We have seen positive trends in the past two months resulting in \$200M in past due accounts, with \$100M in installment plans.

RECEIVABLES SNAPSHOT



\$58M
2022 UTILITY ASSISTANCE

\$20M
2022 ARPA ASSISTANCE

1,754 events
HELD IN 2022



50 events
SCHEDULED IN JANUARY

213K Customer Accounts Past Due for \$200M

38K Inactive Accounts for \$39M

175K Active Accounts for \$161M

201K
\$183M
RESIDENTIAL

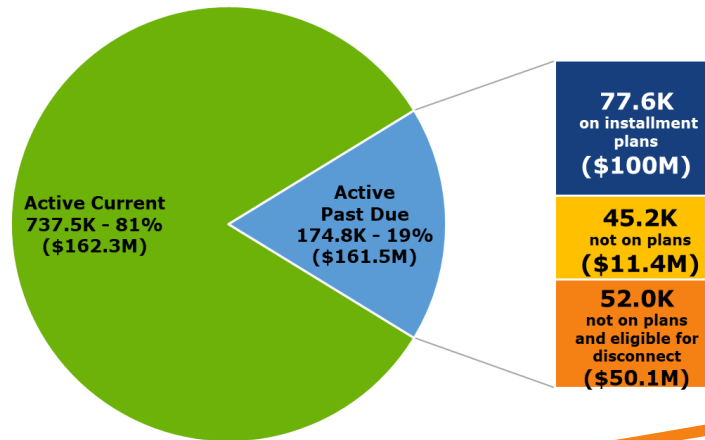
12K
\$17M
COMMERCIAL

\$8M
LATE FEES

23k
DISCONNECTS

2.2M
COLLECTION NOTIFICATIONS

OF ACTIVE CUSTOMER ACCOUNTS 912.3K

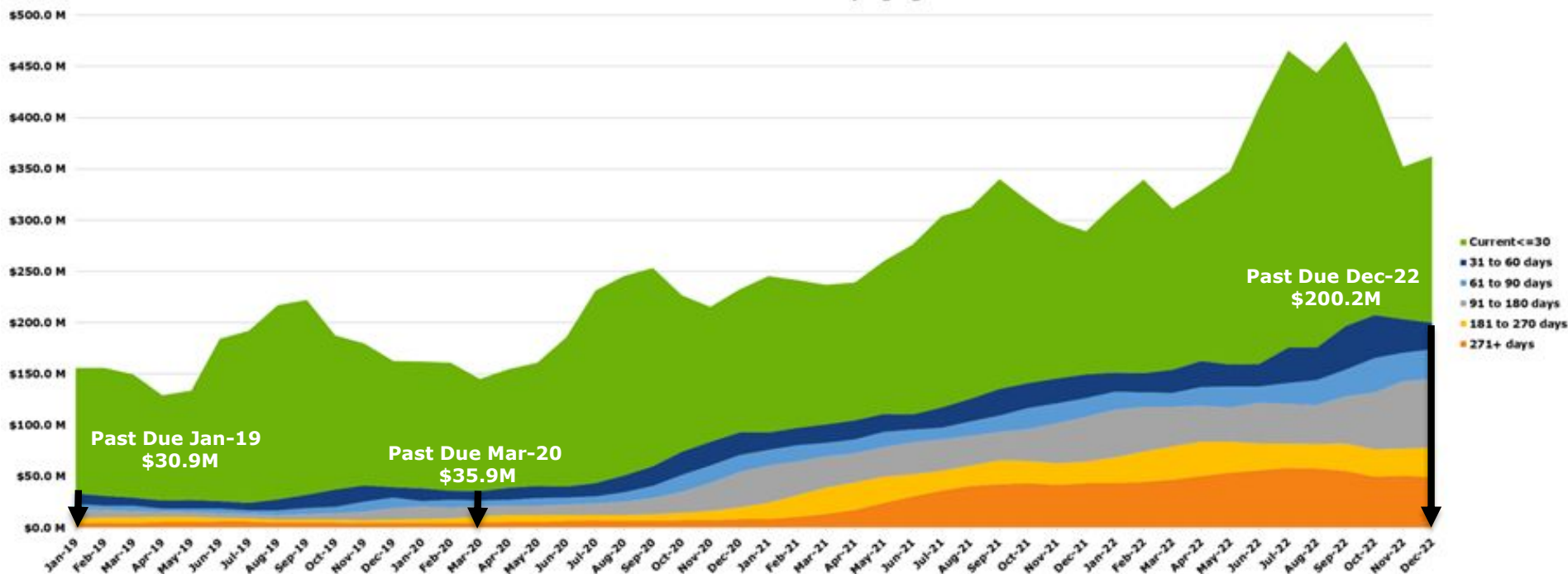


We have 3 months of full collection activities with 2 months of positive trends for past due accounts and amounts.

RECEIVABLES TREND



Account Receivable Trend by Aging Bucket



We are continuing our collection efforts with past due amounts trending positively for the second month in a row.

*Data as of December 31, 2022

CUSTOMER OUTREACH COMMUNITY EVENTS



Jefferson Heights



Hatchett Elementary



Mission County Park



Cambridge Elementary

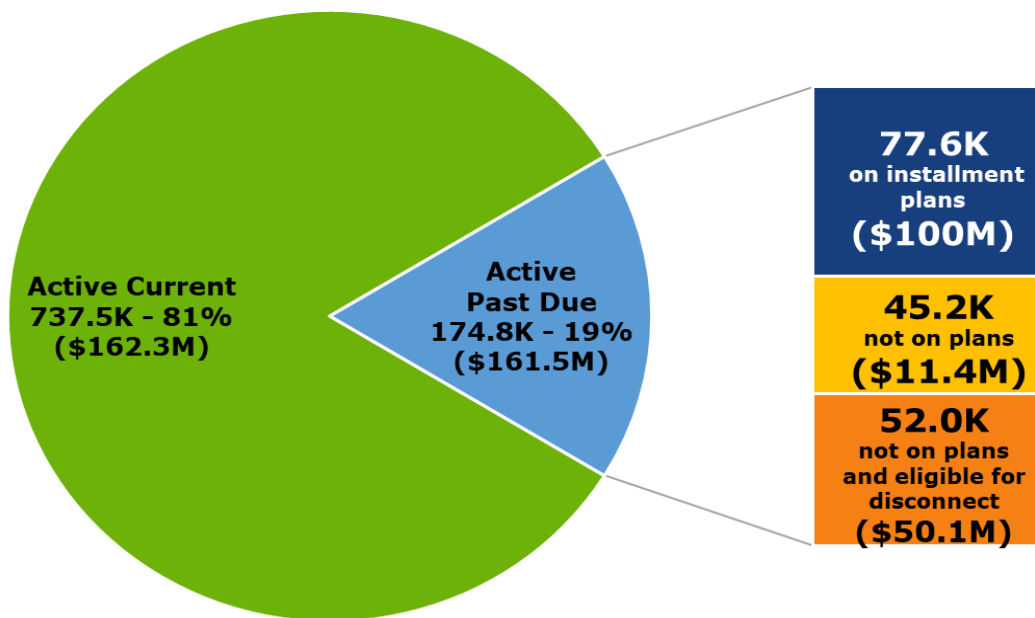


**Carnahan Elementary
School**

ACCOUNTS RECEIVABLE ALL CUSTOMERS



OF ACTIVE CUSTOMER ACCOUNTS 912.3K

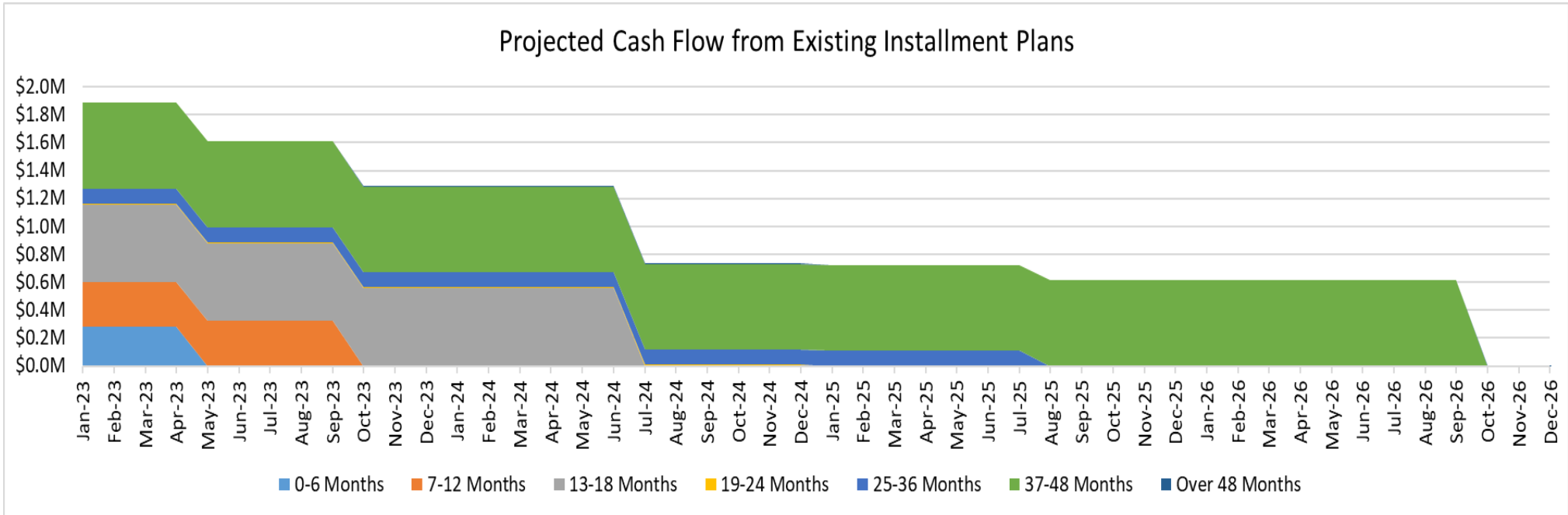


We are focused on the 97.2k accounts (over \$60M) not currently on a plan for outreach, assistance, and ultimately disconnection, if needed.

*Data as of December 31,2022



INSTALLMENT PLANS RATE OF RETURN



Customers are able to maintain a 50% success rate on installment plans, the remaining accounts will need to re-establish a new plan or we will ultimately disconnect the service.

*Data as of December 31,2022

UPCOMING ENGAGEMENTS

JANUARY 2023



Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
1	2	3	4	5	6	7
		D6 CP Havrda – Outreach				D1 CP Bravo – Outreach
8	9	10	11	12	13	14
	D6 CP Havrda – Outreach D5 CP Castillo – Outreach and PS&E	D10 CP Perry – CRU Outreach		D4 CP Rocha Garcia – PS&E D7 CP Sandoval – Outreach	D1 CP Bravo – CRU Resource Development	
15	16	17	18	19	20	21
		D6 CP Havrda – Outreach	D8 CP Pelaez – Outreach and PS&E	D3 CP Viagran – Outreach and PS&E		
22	23	24	25	26	27	28
	D6 CP Havrda – Outreach D9 CP Courage – Outreach and PS&E	D6 CP Havrda – Outreach		Outside District – Outreach D2 – Outreach and PS&E	D5 CP Castillo – PS&E D6 CP Havrda – Outreach and PS&E	
29	30	31				
	D10 CP Perry – Outreach D6 CP Havrda – Outreach	D6 CP Havrda – Outreach				

CP: Council Person
PS&E: Public Safety and Education



Thank You

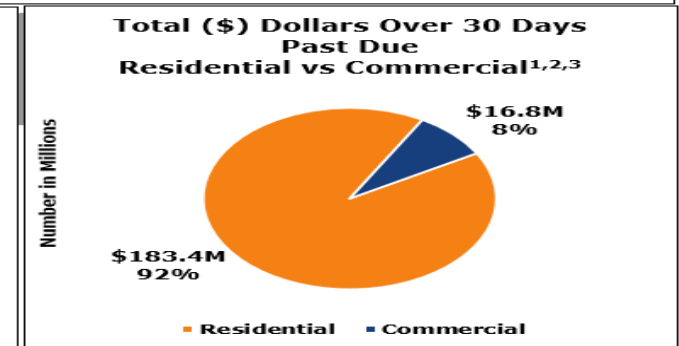
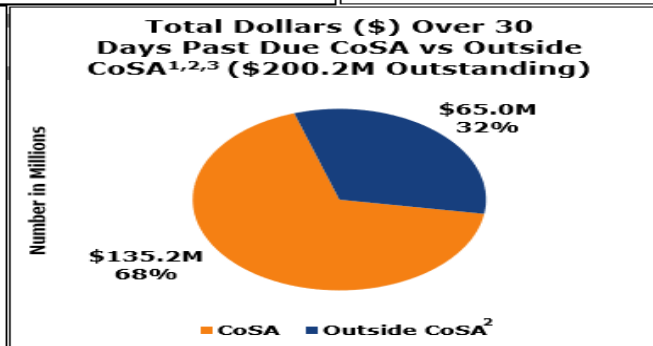
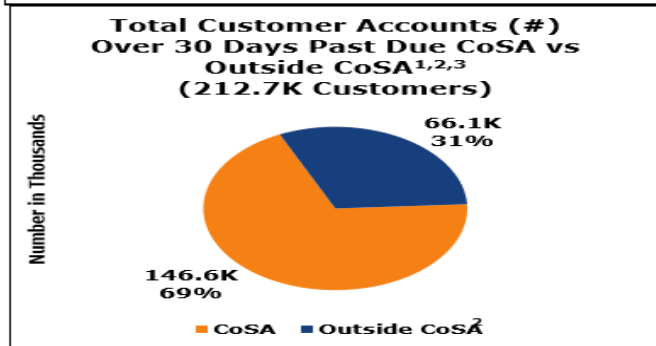
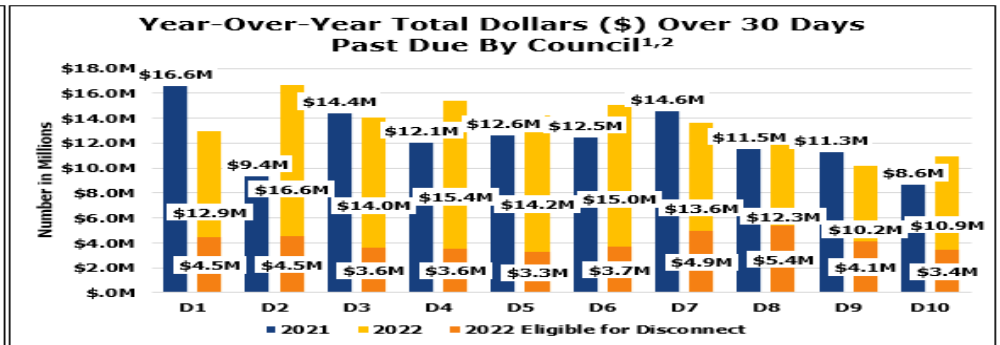
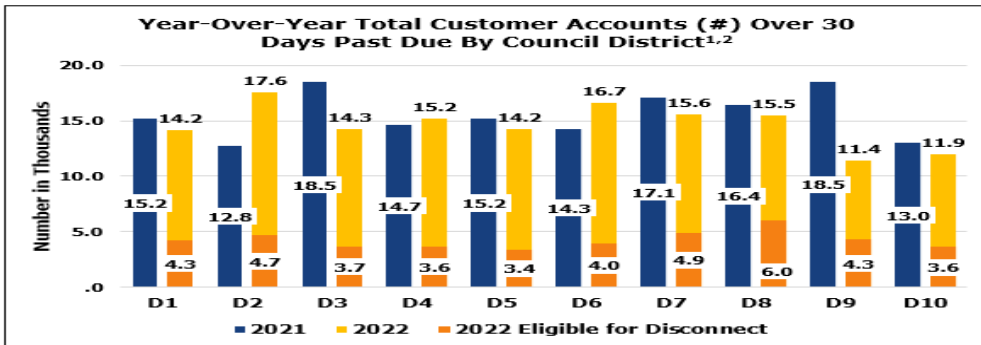




Appendix



TOTAL CUSTOMER ACCOUNTS OVER 30 DAYS PAST DUE



Of the 212,694 past due accounts, 24% are eligible for disconnection (2,947 commercial & 49,061 residential).

¹ Data as of 12/31/2022; including both active & inactive (customers who have moved out & the account still has an outstanding balance) customers with outstanding receivable balances greater than 30 days. This includes Residential, Commercial & Industrial, as well as Public Authority accounts.

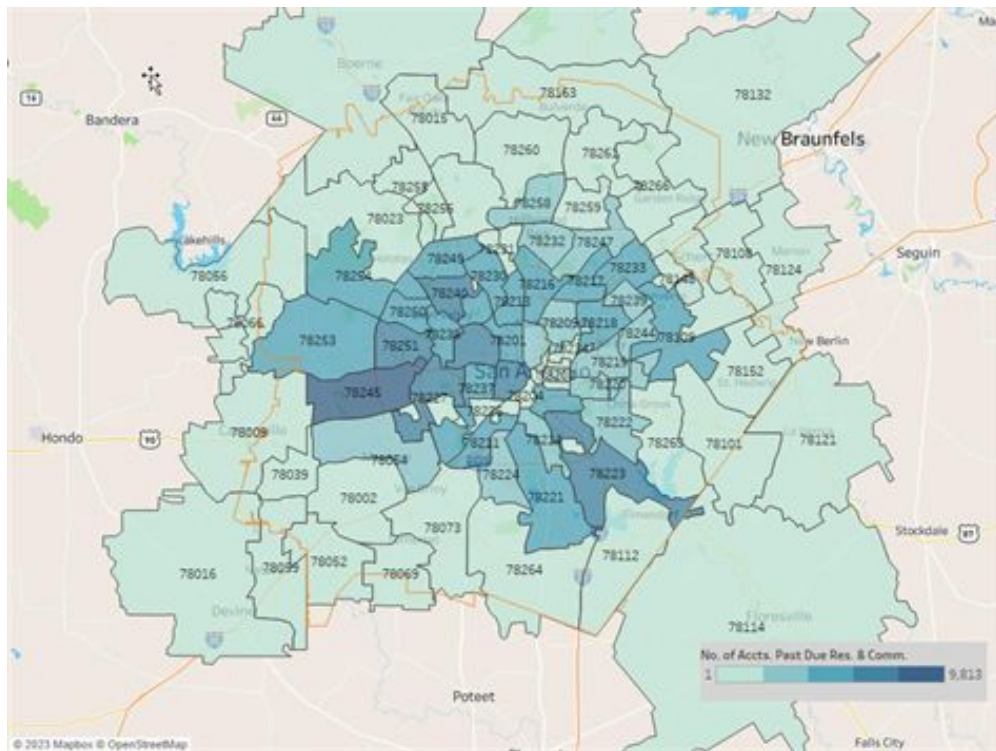
² Council Districts assigned utilizing GIS data within SAP

³ Outside CoSA defined as areas identified outside City Council boundaries

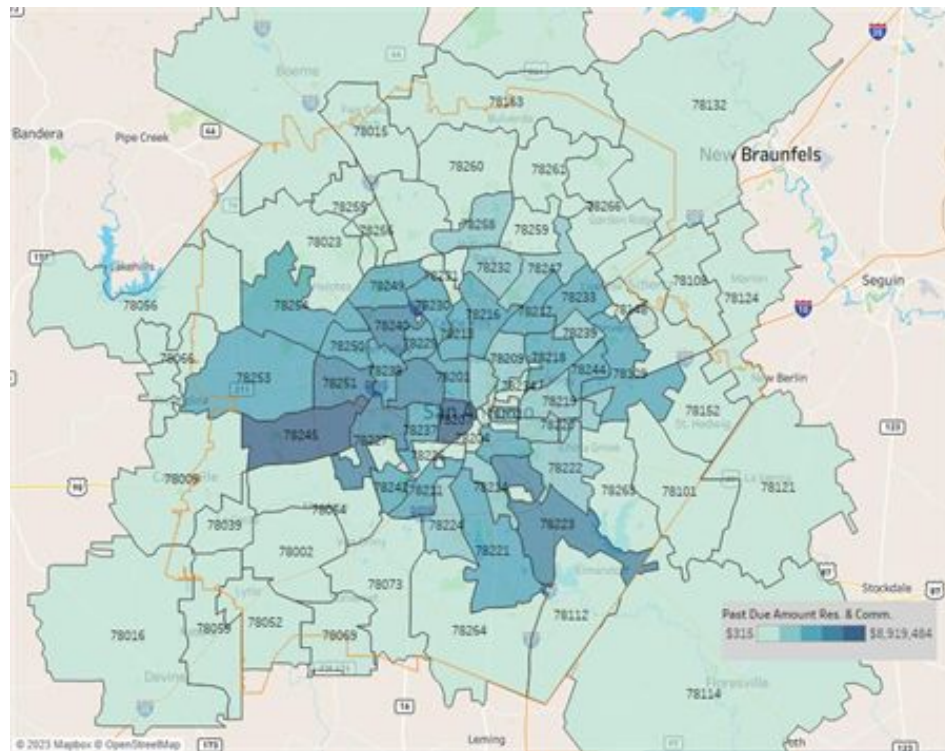
CUSTOMER ACCOUNTS PAST DUE BY ZIP CODE



Number of Accounts



Outstanding Dollars



*Data as of December 31, 2022

COMMUNITY ENGAGEMENTS BY COUNCIL DISTRICT



FY2023 Engagements	
District	Count
D1 - CP Bravo	236
D2 - CP McKee-Rodriguez	196
D3 - CP Viagran	149
D4 - CP Rocha Garcia	158
D5 - CP Castillo	193
D6 - CP Havrda	165
D7 - CP Sandoval	93
D8 - CP Pelaez	104
D9 - CP Courage	77
D10 - CP Perry	80
Other	303
Grand Total	1,754



Outreach - Tobin Wellness Fair

We have conducted 1,754 community engagements in FY2023 through December.

COMMUNITY EVENTS

UPCOMING EVENT TYPES



Upcoming Events	
Engagement Classification	Count
CRU Outreach	1
CRU Partnership Activities	1
CRU Resource Development	1
Outreach	13
Outreach and PS&E	24
PS&E	10
Grand Total	50



PS&E - Medio Creek Elementary School

We have 50 events scheduled in the next 90 days with more events scheduled daily.



RECEIVABLES ACTIONS



ARPA, REAP & Agencies

- ✓ **\$20M** for ~**30K** accounts
- ✓ **\$3M** pledged
- ✓ **\$58M** in assistance



Affordability Discount Program

- ✓ **65K** accounts enrolled



Special Billing Programs

- ✓ **>58K** enrolled in Senior Citizen
- ✓ **~3K** enrolled in Critical Care



Flexible Payment Options Plans

- ✓ **>80K** enrolled in installment plans
- ✓ **>16K** enrolled in due date extensions
- ✓ **>35K** enrolled in Budget Payment Plans



Collections

- ✓ **>1.1M** collection calls
- ✓ **~\$8M** in late fees charges
- ✓ **>1.1M** written & email notices
(including disconnection letters)
- ✓ **23K** disconnections completed



Communications & Support

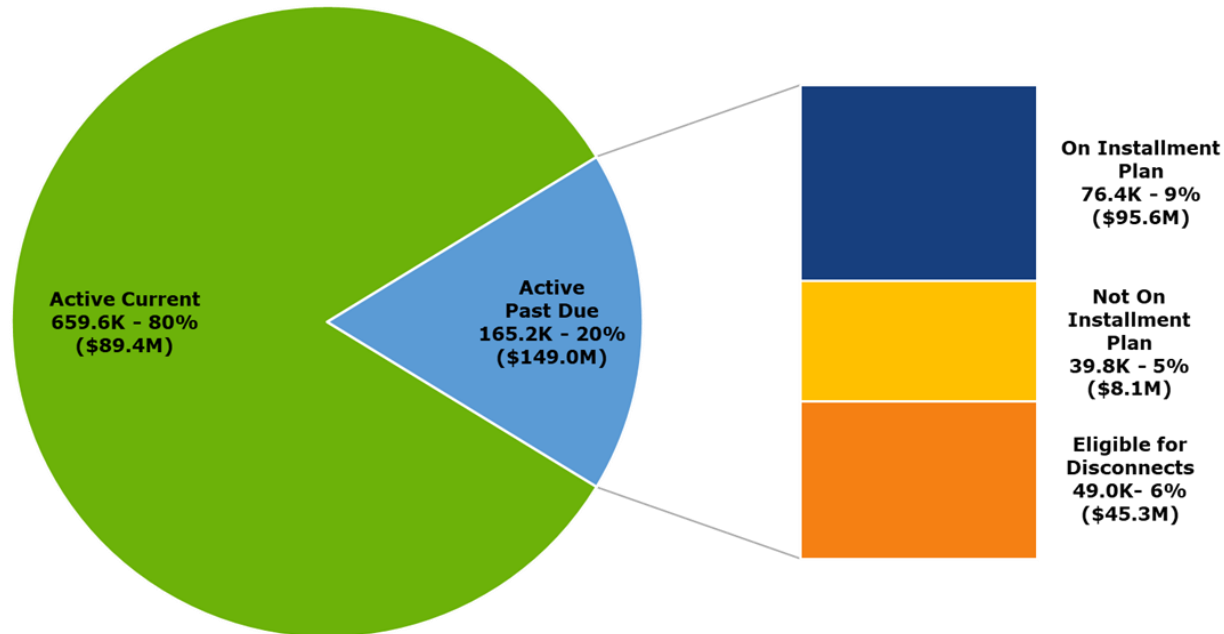
- ✓ **>1,700** community engagements
- ✓ **>1,080** community events
- ✓ **59K** community members connected with
- ✓ **>230** customer visits (*residential*)
- ✓ **>990** managed cases (*residential*)
- ✓ **>174** customer visits (*commercial*)
- ✓ **>300** managed cases (*commercial*)

We have implemented our communicated collections actions to address accounts receivables. As part of our efforts, we have \$100M in installment plans, with an average length of 27 months.

ACCOUNTS RECEIVABLE RESIDENTIAL ACCOUNTS



OF RESIDENTIAL ACTIVE CUSTOMERS 824.8K



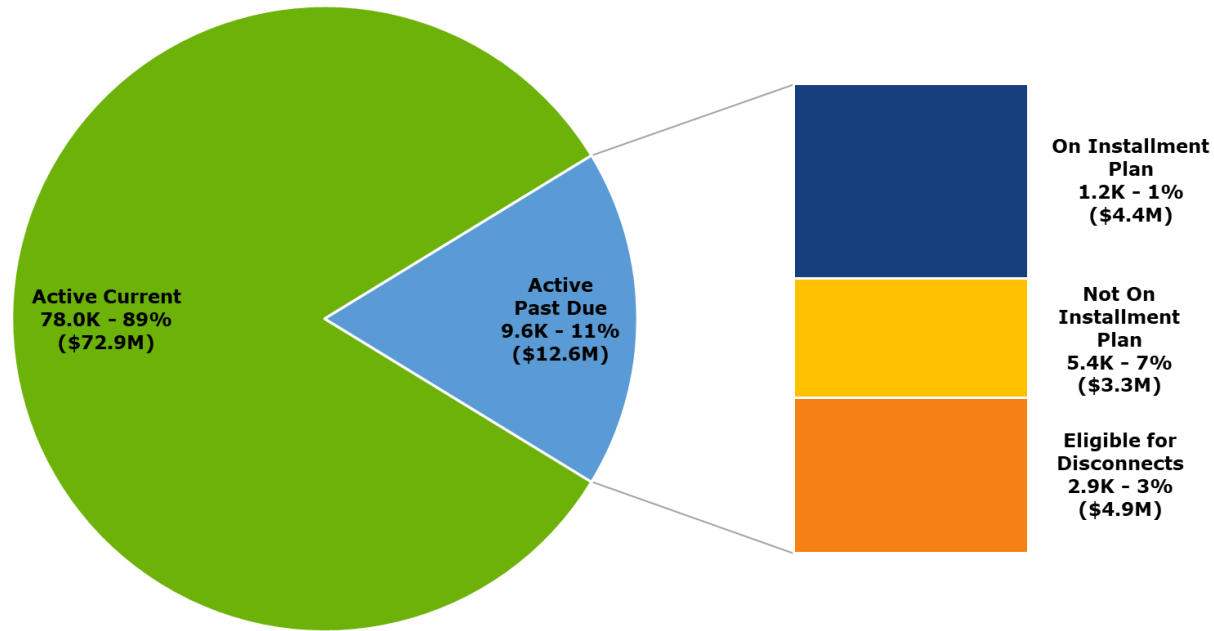
For our Residential accounts, the number of installment plans continues to increase while the number of accounts eligible for disconnect decreases!

*Data as of December 31,2022

ACCOUNTS RECEIVABLE COMMERCIAL ACCOUNTS



OF COMMERCIAL ACTIVE CUSTOMERS 87.6K



We are actively working with our past due Commercial customer accounts to put them on installment plans.

*Data as of December 31,2022

Draft for review and approval
at the January 30, 2023 meeting

**CPS ENERGY
MINUTES OF THE REGULAR MEETING OF THE BOARD OF TRUSTEES
HELD ON OCTOBER 31, 2022**

The Regular Meeting of the Board of Trustees of CPS Energy for the month of October was held on Monday, October 31, 2022 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 (arrive at 1:07 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
Ms. Vivian Bouet, Chief Information Officer
Ms. Lisa Lewis, Chief Administrative Officer
Mr. Benny Ethridge, EVP
CPS Energy staff members
City of San Antonio officials
Interested Citizens

II. SAFETY MESSAGE, INVOCATION AND PLEDGE OF ALLEGIANCE

A safety message, invocation, and the Pledge of Allegiance were delivered by Mr. Ricardo Renteria, Sr. Director Substation & Transmission.

III. PUBLIC COMMENT

Ms. Henrietta LaGrange, community member, stated Mr. Eli Munoz of CPS Energy assisted her friend with vision loss, and she is proud of CPS Energy and its employees.

Dr. Meredith Maguire, Emeritus Professor at Trinity University, urged that the Board of Directors critically evaluate resource plan using best practices and rework its rate structure.

Mr. Gou Li, community member, stated concern about use of fossil fuels, and urged the Board to continue increasing and improving efficiency of solar technology. He also urged collaboration with universities in solar efficiency.

Draft for review and approval
at the January 30, 2023 meeting

Mr. Alan Montemayor, Sierra Club, stated that electric vehicles have many benefits and should be incentivized. He appreciated CPS Energy's electric vehicle event. He also urged the Board of Trustees to use renewables and to cease using coal and natural gas, including eliminating use of gas appliances and incentivizing efficiency.

IV. CHAIR'S REMARKS.

Chair Dr. Mackey did not have any remarks at this meeting.

V. CEO'S REPORT

Mr. Rudy Garza informed the Board of Trustees about an executive strategy session held with CPS leadership. The session focused on 1) collaboration & corporate culture, 2) FY2024 planning, and 3) Beyond 2027, with the purpose of coming together. He noted that additional sessions are being planned for 2023.

He then updated the Board on generation planning engagement with customers, including holding an open house and online survey. He provided information on upcoming events.

Next, Mr. Garza informed the Board about the Lineman's Rodeo international competition in Kansas, and he congratulated them on their ability to compete.

Mr. Garza provided an overview on the Monthly Performance Update, noting the metrics that are at-risk and those that will not meet year-end target.

Finally, Mr. Garza recognized the Gas Solutions Safety Culture Team. The Safety Culture Program is focused on improving safety by recruiting the help of frontline leaders to drive change from the "grassroots" through culture-based projects.

The Board of Trustees asked follow-up questions.

VI. RATE ADVISORY COMMITTEE (RAC) UPDATE

Dr. Romero provided materials to other Board members and noted that the RAC is continuing to move forward in the generation planning process. The RAC has now received a lot of data and reviewing the various portfolios. The RAC is doing an amazing job of educating themselves and evaluating the data. This effort is a good way to evaluate policy.

VII. MONTHLY PERFORMANCE UPDATE

Ms. Lisa Lewis, Chief Administrative Officer, provided the Monthly Performance Update, and provided further information on the metrics that are at-risk or unrecoverable. She noted that 12 of 16 metrics remain on-track. The Board of Trustees discussed and asked questions of CPS Energy staff regarding metrics.

Draft for review and approval
at the January 30, 2023 meeting

VIII. EXECUTIVE SESSION

At approximately 1:57 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 2:46 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 July 25, 2022**
- B. Minutes of the Special Board meeting held on August 23, 2022**
- C. Minutes of the Regular Board meeting held on September 6, 2022**
- D. Approval of Payment to the City of San Antonio for September 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 September 2022 is based on actual gross revenue per the New Series Bond Ordinance of \$323,540,476.41, less applicable exclusions. The revenue for the month of September 2022 is calculated as follows:

Draft for review and approval
at the January 30, 2023 meeting

Gross revenue per CPS Energy financial statements	
Electric revenue	\$289,087,874.55
Gas revenue	17,236,192.75
Interest and other income	(5,301,775.62)
Gross revenue per CPS Energy financial statements	<u>301,022,291.68</u>
Excluded revenue	
School and hospital revenue per City Ordinance 55022	(12,546,076.16)
LVG revenue per City Ordinance 100709	(151,116.40)
Fuel cost component of off-system nonfirm energy sales per City Ordinance 61794 and revenue for wholesale special contracts	(31,800,831.49)
Noncash and other income, GASB 31 investment market value change, miscellaneous interest income, gas billing adjustment and unbilled revenue	<u>67,016,208.78</u>
Total excluded revenue	<u>22,518,184.73</u>
Gross revenue per New Series Bond Ordinance subject to 14% payment to the City	<u>\$323,540,476.41</u>
City payment per Bond Ordinance for September 2022 based upon September 2022 revenue	\$45,295,666.70
City payment per memorandum of understanding (MOU) regarding wholesale special contracts	1,165,842.22
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	46,449,008.92 A
Utility services provided to the City for September 2022	<u>(3,421,341.51)</u>
Net amount to be paid from September 2022 revenue to the City in October 2022	<u>\$43,027,667.41</u>

Comparison of City payment per Bond Ordinance (plus adjustments for memorandums of understanding) vs. Budget before deduction for utility services provided to the City:

(Dollars in thousands)

September 2022	Actual	Budget	Variance	
Current Month* A	\$46,449	\$40,445	\$6,004	14.8%
Year-to-Date	\$313,921	\$271,149	\$42,772	15.8%

* 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 \$43,027,667.41 representing 14% of applicable system gross revenues for the month of September 2022, such payment being net of City utility services (\$3,421,341.51), is hereby approved."

Draft for review and approval
at the January 30, 2023 meeting

E. Financial Policies Annual Renewal

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

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

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

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

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

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

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

NOW THEREFORE BE IT RESOLVED that the Board hereby approves and adopts the Policy, as attached hereto, effective January 31, 2023.

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

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

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

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

Draft for review and approval
at the January 30, 2023 meeting

WHEREAS, CPS Energy Management has no proposed changes to the NDT Investment Policy ("Policy"), other than the effective date.

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

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

NOW THEREFORE BE IT RESOLVED that the Board hereby approves and adopts the Policy as attached hereto, effective January 31, 2023.

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

WHEREAS, the Board of Trustees of the City Public Service Board of San Antonio, Texas, is required to designate and authorize specific CPS Energy Officers and staff to conduct financial transactions on behalf of CPS Energy, the City Public Service Restated Decommissioning Master Trust for the South Texas Project, the City Public Service Decommissioning Master Trust Agreement Related to the South Texas Project Interest Acquired from AEP Texas Central Company; and Hedge Instrument transactions on behalf of CPS Energy; and

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

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

NOW THEREFORE BE IT RESOLVED that the Board hereby approves the attached CPS Energy Financial Authorizations and Approvals Policy for Banking, Investing and Hedging, effective January 31, 2023.

The following resolution relating to the collateral activities of the City of San Antonio, Texas acting by and through City Public Service Board ("CPS Energy") was approved:

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

Draft for review and approval
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WHEREAS, CPS Energy Management has no proposed changes to the Collateral Policy other than the effective date.

NOW THEREFORE BE IT RESOLVED that the Board hereby approves the attached CPS Energy Collateral Policy, effective January 31, 2023.

The following resolution relating to interest rate management agreements and transactions of the City of San Antonio, Texas acting by and through City Public Service Board ("CPS Energy") was approved:

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

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

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

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

WHEREAS, CPS Energy Management has no proposed changes to the Master Interest Rate Management Policy, other than the effective date.

NOW THEREFORE BE IT RESOLVED that the Board hereby ratifies and approves the attached CPS Energy Master Interest Rate Management Policy, as revised, effective January 31, 2023.

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

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

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

Draft for review and approval
at the January 30, 2023 meeting

WHEREAS, the Texas Public Funds Investment Act (“PFIA”) requires that the governing body of a local government review its investment policies and investment strategies not less than annually; and **WHEREAS**, by policy, the Board shall review CPS Energy’s Energy Price Risk Management (“EPRM”) Policy on an annual basis and approve any changes thereto; and

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

- Documenting existing processes, and
- Updating the effective date;

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

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

NOW THEREFORE BE IT RESOLVED that the Board hereby approves and adopts the Policy, as attached hereto, effective January 31, 2023.

F. Approval of Procurement Item:

- 1. Item Description:** Turnkey Construction Services for the “Midtown” 123kV Gas Insulated Substation (GIS)
Purchase Category: General Services
Supplier: Beta Engineering, LLC
- 2. Item Description:** Wooden Poles – Additional Funding Request Commodity & Material Goods
Purchase Category: Commodity & Material Goods
Supplier: Stella-Jones Corporation
- 3. Item Description:** Wire and Cable – Additional Funding Request
Purchase Category: Commodity & Material Goods
Supplier: Techline, Inc.
KBS Electrical Distributors, Inc.

X. COMMITTEE REPORTS

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

- A. Operations and Oversight Committee (OOC) Meeting held on August 19, 2022**

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- B. Technology & Resilience (T&R) Committee meeting held on September 28, 2022
- C. Nominations Committee meeting held on October 10, 2022

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

Chair Dr. Mackey noted his appreciation for time served on the Board and stated his time on the Board has provided many opportunities to serve the organization, the community, and the Board in critical way. He further stated that he would be fortunate to serve another five years. He also noted his intention in assisting Vice Chair Gonzalez, and helping her succeed as Chair.

Vice Chair Gonzalez nominated Chair Dr. Mackey, recommended that he be reappointed for another five-year term, and requested approval the following resolution.

WHEREAS, Dr. Willis Mackey, a resident of the southeast quadrant of the CPS Energy service area, was first appointed to the CPS Energy Board to serve a 5-year term commencing on April 6, 2018 and expiring on January 31, 2023; and

WHEREAS, Dr. Mackey has expressed a willingness and desire to continue to serve on the Board; and **WHEREAS**, the Board appreciates Dr. Mackey's expertise, his contributions to the work of the Board and his willingness to continue service; and

WHEREAS, under the provisions of CPS Energy bond ordinances, Dr. Mackey is eligible to serve another 5-year term as a member of the Board of Trustees following the expiration of his current term of service in January 2023.

NOW, THEREFORE, BE IT RESOLVED by the Board of Trustees of CPS Energy that Dr. Willis Mackey is hereby elected, for City Council consideration and confirmation, to serve a second 5-year term on the CPS Energy Board of Trustees, beginning effective February 1, 2023 through January 31, 2028.

Trustee Dr. Romero moved approval of the reappointment and approval of the resolution, which was seconded by Mayor Nirenberg. The motion was approved on a 4-1 vote, with Chair Dr. Mackey abstaining.

XII. ENERGY DELIVERY SERVICES (EDS) & WINTER PREPARATION UPDATE

Mr. Richard Medina, Executive Vice President of Energy Delivery Services, introduced a presentation on Energy Delivery Services & Winter Preparation. Mr. LeeRoy Perez, Vice President of System Operations & Customer Reliability; Mr. Rick Maldonado, Vice President of Transmission & Distribution Engineering & Grid Transformation; and Mr. Darrel Clifton, Vice President of Construction & Maintenance Services, provided information on winter preparedness for 1) system operations & reliability, 2) transmission and distribution engineering & grid transformation, and 3) construction & maintenance.

The Board of Trustees discussed and asked questions of CPS Energy staff.

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XIII. FY2024 FINANCING PLAN

Mr. Cory Kuchinsky, Chief Financial Officer, presented on the FY2024 Financial Plan, and requested Board approval on five routine financial transactions: re-authorization of 2014 Jr. Lien Refunding, extend or replace provider agreement on \$100M flexible rate revolving note, extend provider agreements on \$500M flexible rate revolving note, extend or replace liquidity agreement on \$200M Commercial Paper Series B, refund outstanding \$600M FY2024 tax-exempt commercial paper. Mr. Kuchinsky also sought approval for a new financial transaction to increase the Commercial Paper Program to \$1B.

Vice Chair Gonzalez made a motion to approve the financing transaction, Trustee Dr. Romero seconded, and it was unanimously approved.

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 3:36 p.m. by Chair Dr. Mackey.

Shanna M. Ramirez
Secretary of the Board

Draft for review and approval
at the January 30, 2023 meeting

**CPS ENERGY
MINUTES OF THE REGULAR MEETING OF THE BOARD OF TRUSTEES
HELD ON NOVEMBER 29, 2022**

The Regular Meeting of the Board of Trustees of CPS Energy for the month of November was held on Tuesday, November 29, 2022 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 1:02 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. Vivian Bouet, Chief Information Officer
Ms. Lisa Lewis, Chief Administrative Officer
Mr. Benny Ethridge, EVP
CPS Energy staff members
City of San Antonio officials
Interested Citizens

II. SAFETY MESSAGE, INVOCATION AND PLEDGE OF ALLEGIANCE

A safety message, invocation, and the Pledge of Allegiance were delivered by Mr. Julius Moore, Director of Gas Growth & Operations Compliance.

III. PUBLIC COMMENT

Ms. Henrietta LaGrange, community member, presented a poster stating: "My heroes climb poles." She thanked Mr. Rudy Garza, Ms. DeAnna Hardwick, Mr. Richard Lujan, Mr. Richard Medina, Ms. Lilia Carpenter, and Ms. Alyssa Rae Ramos for their work at CPS Energy. She specifically thanked Mr. Eli Munoz, Community Relations Advocate, for his dedication and follow through.

Dr. Terry Burns, Sierra Club, stated he appreciated the Board of Trustees moving to close Spruce I and to get Spruce II off coal by 2030, but noted his concerns with natural gas. He further urged adoption of Portfolio 9, and that the Charles River & Associates studies were well done.

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Mr. Gou Li, community member, urged the Board of Trustees to move to solar efficiency and innovate in the area, and expressed his wish to collaborate with CPS Energy.

IV. CHAIR'S REMARKS.

Chair Dr. Mackey stated he hoped everyone had a wonderful Thanksgiving and that he enjoyed being with his family. He noted that CPS Energy is a family and is one team. Finally, he reminded everyone to prepare for a safe Christmas, especially with use of holiday lights.

V. CEO'S REPORT

Mr. Rudy Garza highlighted challenges with the unavailability of distribution transformers and other parts needed for residential growth. He noted that we conducted a virtual meeting this month to allow our developer customers to hear directly about issues with transformer vendors, and also noted that CPS Energy continues mitigation efforts. Finally, he noted that the Department of Energy is considering use of the Defense Protection Act to address supply chain issues.

He then informed the Board of Trustees on the 2018 remarketing results. Despite challenging economic conditions, our strong credit and underwriter performance generated good demand. The result is lower debt service cost for our customers.

Mr. Garza highlighted supplier diversity outreach events. The purpose is to create as many opportunities to local suppliers as possible.

He was pleased to note that Grillsgiving 2022 was a success and \$221,000 was raised. It was a time for fellowship with our community and an opportunity to raise funds for REAP and those in need.

Mr. Garza summarized a joint tabletop exercise on preparing for winter. It was a huge success overall, and it demonstrated the strides made to improve communication and agency interoperability during a severe weather event.

Mr. Garza recognized our cybersecurity team. October was Cybersecurity Awareness Month, and the team participated in several exercises and events to keep CPS Energy prepared.

Finally, Mr. Garza recognized Ms. Vivien Bouet, Chief Information Officer, on her work and accomplishments at CPS Energy as she prepares to leave for a new opportunity.

VI. RATE ADVISORY COMMITTEE (RAC) UPDATE

Dr. Romero commented that RAC is nearing the end of its work on generation planning. She noted that there has been an amazing choreography of multiple layers of information on each of the portfolios. She appreciated how CPS Energy staff and Charles River & Associates have been able to pull together the information in a way that makes sense, and as it all comes together it is clear that there are decisions to be made and trade-offs based on objectives. She also noted the tremendous amount of work RAC members have put into the effort.

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Ms. Kathy Garcia, Vice President of Governmental Affairs, provided some additional context on the work of the RAC. She reviewed the Power Generation Resource Planning approach, which focused on an open and transparent process to guide power generation planning decisions between now and 2030. She also explained next steps which includes presenting a final recommendation at the December Board Meeting.

VII. MONTHLY PERFORMANCE UPDATE

Mr. Cory Kuchinsky, Chief Financial Officer, provided the monthly performance update. He noted that past due receivables are our biggest challenge and we are placing significant focus on this issue. Nevertheless, we expect to maintain a net positive income for the fiscal year. He noted that we are optimizing debt funding of our capital plan in order to manage cash flow.

Ms. DeAnna Hardwick, Executive Vice President Customer Strategy, summarized actions we have taken related to accounts receivable. She noted we have returned to pre-pandemic levels for accounts receivable actions. She noted that it will take time for past due accounts to improve. She highlighted that utilities across the country are experiencing similar issues, and due to economic factors, customers are struggling to remain current. We are enhancing receivables efforts by: 1) leveraging outside experts, 2) expanding communication strategies, 3) improving self-service capabilities, 4) hiring call-center employees, and 5) increasing collections & disconnections.

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

VIII. EXECUTIVE SESSION

At approximately 2:16 p.m., Ms. Shanna 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 3:06 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.

¹ Trustee Steen requested his comments be included in the minutes. His comments are attached.

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IX. APPROVAL OF CONSENT ITEMS

On a motion duly made by Trustee Dr. Romero, seconded by Trustee Steen, and upon affirmative vote by all members present, Items A, B and C on the Consent Agenda were unanimously approved:

A. Minutes of the Special Board meeting held on September 21, 2022

B. Minutes of the Regular Board meeting held on September 26, 2022

C. Approval of Payment to the City of San Antonio for October 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 October 2022 is based on actual gross revenue per the New Series Bond Ordinance of \$239,951,915.19, less applicable exclusions. The revenue for the month of October 2022 is calculated as follows:

Gross revenue per CPS Energy financial statements	
Electric revenue	\$212,422,521.98
Gas revenue	20,211,189.14
Interest and other income	5,689,390.54
Gross revenue per CPS Energy financial statements	<u>238,323,101.66</u>
Excluded revenue	
School and hospital revenue per City Ordinance 55022	(9,370,290.83)
LVG revenue per City Ordinance 100709	(191,545.89)
Fuel cost component of off-system nonfirm energy sales per City Ordinance 61794 and revenue for wholesale special contracts	(20,350,836.96)
Noncash and other income, GASB 31 investment market value change, miscellaneous interest income, gas billing adjustment and unbilled Revenue	<u>31,541,487.21</u>
Total excluded revenue	<u>1,628,813.53</u>
Gross revenue per New Series Bond Ordinance subject to 14% payment to the City	<u>\$239,951,915.19</u>
City payment per Bond Ordinance for October 2022 based upon October 2022 revenue	\$33,593,268.13
City payment per memorandum of understanding (MOU) regarding wholesale special contracts	651,380.68
Wholesale Special Contract Annual True Up	182,408.54
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	34,414,557.35 A

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Utility services provided to the City for October 2022	<u>(2,928,589.20)</u>
Net amount to be paid from October 2022 revenue to the City in November 2022	<u>\$31,485,968.15</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)

October 2022	Actual	Budget	Variance	
Current Month* A	\$34,415	\$30,638	\$3,777	12.3%
Year-to-Date*	\$348,336	\$301,787	\$46,549	15.4%

* 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 \$31,485,968.15 representing 14% of applicable system gross revenues for the month of October 2022, such payment being net of City utility services (\$2,928,589.20), is hereby approved."

Trustee Steen moved approval for Items D and E on the Consent Agenda, and Trustee Dr. Romero seconded. The Board of Trustees asked questions. It was unanimously approved.

D. Employee Benefit Trust State of Governance

E. Approval of Procurement Item:

1. **Item Description:** 138 kV and 345 kV Overhead Transmission Line Construction Services
Purchase Category: General Services
Supplier: Axis Power, LLC
 Chain Electric Company
 Source Power, LLC
 Southeast Power Corporation
 The L.E. Myers Company
 Utility Construction Services, LLC

2. **Item Description:** Electric Meters – Additional Funding Request
Purchase Category: Commodity & Material Goods
Supplier: Landis+Gyr Technology, Inc.

X. WINTER PREPAREDNESS COMMUNICATIONS UPDATE

Ms. Melissa Sorola, Vice President of Corporate Communications and Marketing, presented on winter preparedness and efforts to support our community and keep them informed on upcoming weather

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conditions. She noted that CPS Energy's summer campaign was recognized by the APPA for excellence in public power communications. She reviewed communication strategies and noted that we will have a continued partnership with CoSA and others. The Board of Trustees asked questions and discussed.

XI. GAS SOLUTIONS WINTER PREPARATION UPDATE

Mr. Richard Lujan, Interim Vice President of Gas Solutions, presented on CPS Energy's gas system. Mr. Anthony Moy, Director of Gas Engineering & Planning, presented on engineering and planning efforts and highlighted how we are preparing for the upcoming winter. Mr. Mike Fuentes, Director of Gas Construction, spoke about how we prepare our distribution system for winter. Mr. Tom Narendorf, Director of Gas operations, presented on preparing the transmission and supply systems for winter. Finally, Mr. Julius Moore, Director of Gas Growth & Operations Compliance, presented on CPS Energy's efforts on public awareness.

XII. ADJOURNMENT

There being no further business to come before the Board, upon a motion duly made by Trustee Dr. Romero seconded by Vice Chair Gonzalez and upon an affirmative vote by all members present, the meeting was unanimously adjourned at 3:52 p.m. by Chair Dr. Mackey.

Shanna M. Ramirez
Secretary of the Board

11/29/22

STATEMENT OF JOHN STEEN

I'd like to make four points today:

First, consistent with what I've stated at virtually every board meeting this year, I continue to be alarmed by the worsening customer bad-debt situation. When we began this calendar year the figure was \$150 million. Since then we've been repeatedly assured that this amount would decrease as time passed. However, the figure has only increased, and today we've learned that as of 10/31/22 the bad debt balance is around *\$207 million* – an almost 40% increase since the beginning of the year. I understand that tens of thousands of customers roll off, while tens of thousands roll on, but, as of 10/31/22, we have 215,000 total customers who are at least 30 days past due on their CPS Energy payments and that represents about 18% of our residential customers. We've been assured again and again two things would mitigate this disconcerting development: ARPA funds and the resumption of disconnections. But obviously these haven't been the panaceas we were told they'd be. It's not my job as a trustee to develop a specific plan of action to ameliorate the situation. That's the job of management and specifically our CEO. But I'll repeat what I've said at board meetings earlier this year: The tentativeness in reinstating disconnections and charging late fees has been and is sending mixed signals to our customers. Sure we've got certain customers who are seriously struggling and we must be mindful of that, but I've heard repeatedly from our community that our messaging has also been telling our broad customer base that, in effect, you need not prioritize paying your CPS Energy bill.

Second, I continue to be concerned about the three key financial metrics our credit rating agencies stress. (Please display slide 7.) Three-quarters of the way through our fiscal year, we're still missing the mark in two out of three:

- Adjusted Debt Service Coverage The threshold is 1.5, and the higher, the better. The past two fiscal years we've been above the threshold: 1.59 for FY 2021 and 1.66 for FY 2022. As of 10/31/22, our ADSC number is 2.28. So we're good on this one metric.
- Debt Capitalization: The threshold is 60%, and, in this case, lower is better. The past two years we're above the threshold and out of kilter: 60.5% for FY 2021 and 61.6% for FY 2022. This year we *planned not to meet the threshold*. As of 10/31/22 that number is 60.8%, but the fiscal yearend target is 61.7%.
- Days Cash on Hand. The threshold is 150, and the higher the better. The past two fiscal years we've been well above the threshold: 209 for FY 2021 and 182 for FY 2022. As of 10/31/22 the number is 138.

Recently, in connection with the remarketing of CPS Energy's 2018 Jr. Lien Variable Bonds, management sought confirmation of our credit ratings. While I suppose it's positive that

we didn't receive another credit downgrade, it's definitely adverse that our outlooks remained the same, that is, "Negative" for both Fitch and S&P, and "Stable" for Moody's. As many of you know, outlooks are used to indicate a credit rating agency's view toward the likelihood of a rating change, and, in most cases, the probable direction of that change. A "Stable" outlook is assigned when the agency believes it's rating is not likely to be changed. A "Negative" outlook indicates a rating may be lowered. We need to set our sights on "Positive," which indicates a rating may be raised.

I've reviewed the correspondence from each of the three credit rating agencies. Fitch's November 1st letter was not very revealing. However, the other two expressed their concerns with the issues I've addressed above:

Here are some quotes from S&P's report:

- "We have maintained our negative outlook reflecting [CPS Energy's] rising delinquent account balances trend and the need for more regular base-rate increases as potentially limiting its financial flexibility."
- "In addition, management is in the process of a change in rate design and has identified the need for 5.5% base-rate increases in 2024 and 2026 which could affect its rate competitiveness in future years."

Here are some quotes from Moody's report:

- "The stable outlook reflects our expectation that CPS Energy will maintain solid liquidity and DSCRs averaging between 1.6x and 1.8x over the outlook period and that the near term base rate increases will be approved every other year."
- Under "FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATING" is this: "Unadjusted days cash on hand below management's target of 150 days..."

Now, put all this together, and I see storm clouds on the horizon. Customers are financially stressed: To repeat as of 10/31/22 we have 215,000 customers who are over 30 days past due on their CPS Energy's bills. And yet management has represented to the credit rating agencies, that CPS Energy is anticipating 5.5% base-rate increases in 2024 and 2026. As S&P warns: "...[CPS Energy's] rate affordability pressures could worsen, as evidenced by increased delinquent account balances that could frustrate its projected rate increase plans."

Third, in regard to our 16 Tier 1 metrics which we use to gauge our financial health, we've learned today that a total of three metrics have been deemed to be "unrecoverable" and one is "at risk." This means that overall we're headed toward a fair or average score of 75 at the end of our fiscal year on 1/31/23. CPS Energy's Tier 1 metrics are often referred to as our report card. And it looks like the company's going to get, at best, a "C." An overall grade of "C" on our report card – is that where we want to be?

Finally, I think there needs to be more input by the entire board in setting next year's 16 Tier 1 metrics to make sure they're driving improvements and helping CPS Energy focus its people and resources on what's important. To be effective our metrics must be appropriately challenging and tough. As Ed Kelley liked to put it: There should be no softballs. Hitting the targets should mean our company is operating at the highest level. Here are two examples where the standards need to be toughened. First example: The current metric for "Enterprise Senior Lien Bond Ratings" is attained if we merely maintain the current downgraded ratings as well as the

“Negative” outlook for two out of the three credit rating agencies. At the minimum, shouldn’t our target be to move the two “Negative” outlooks to “Stable?” Second example: As I mentioned earlier, in regard to the metric for “Debt Capitalization,” it should be the threshold set by our credit rating agencies, that is, 60%. That should be our goal. If we fall short, we fall short, but we shouldn’t plan not to meet the threshold.

Let me close by recalling that a few meetings ago, when I brought up these same financial challenges, my remarks were decried by someone sitting at this dais as “harping.” Let me respond by asserting that it’s one of the primary responsibilities of a trustee to ensure long-term financial stability. It’s arguably our major responsibility because everything else CPS Energy does depends on being on firm fiscal footing. We, the trustees, must protect the organization’s financial status so that it can meet its many obligations – economic and social – to its communities. So, with all due respect, I intend to keep harping on these matters.

I respectfully request that this statement be included in the minutes of today’s meeting.

Draft for review and approval at
the January 30, 2023 meeting

**CPS ENERGY
MINUTES OF THE REGULAR MEETING OF THE BOARD OF TRUSTEES
HELD ON DECEMBER 19, 2022**

The Regular Meeting of the Board of Trustees of CPS Energy for the month of December was held on Monday, December 19, 2022 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. 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. Melissa Carrillo Cox, Program/Project Manager.

III. PUBLIC COMMENT

Ms. Henrietta LaGrange, community member, thanked Mr. Rudy Garza and noted she believes the community thinks he does a great job. She also invited Trustee Steen and Chair Dr. Mackey to lunch. She stated that the gas produced by CPS energy is always blue and is “better than gold.” Finally, she thanked the female engineers at CPS Energy.

Ms. Anacua Garcia, Southwest Workers Union, requested that CPS Energy chart a clean energy future for our community. She stated that robust efforts are needed to move away from power generation that endangers our community and land, primarily natural gas and nuclear. She requested research and reports on the environmental health costs of these power sources. She requested that CPS Energy engage in generation planning every 2-3 years. Finally, she noted that energy conservation, energy efficiency and weatherization are important to the community, particularly low-income residents.

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Ms. Katie Harvey, Chair of the San Antonio Chamber of Commerce, recommended and requested that the Board of Trustees support the P2 blended portfolio. She noted that a rapid move to all renewable energy too soon could seriously jeopardize the reliability, affordability, and stability of our energy generation as well as negatively impact our local workforce and local economy. She stated that the P2 portfolio is the most balanced and supports CPS Energy's efforts to meet the growing needs of our city's energy infrastructure and institutes innovative solutions to meet growing demands.

Mr. Jon Allman, CEO of Endeavors, stated he appreciated the Rate Advisory Committee's (RAC) focus on affordability and impact to local workforce. He expects the number of households Endeavors assists with utility bills to grow after the rate increase. He stated that while he recognized the rate increase will support necessary infrastructure investments, the need for affordable and reliable energy is critical for our residential and commercial ratepayers. Finally, he noted that the P2 blend portfolio is the most balanced, and he urged the Board of Trustees' adoption.

Mr. Phillip Green, Chairman & CEO Frost Bank, stated he appreciated the efforts in making a complex analysis understandable for the community because this allows engagement. He stated that he supports the P2 blended portfolio as it produces the most affordable, reliable and stable energy, and that it's the best choice for our economy to grow. Finally, he stated that it is a less risky path, and allows for collaboration to get to a cleaner and more sustainable approach to energy.

Mr. Duane Wilson, San Antonio North Chamber of Commerce, stated that the Chamber continued to cautiously support the City of San Antonio's Climate Action and Adaptation Plan (CAAP). He noted the projected growth of the San Antonio metro area and stated that any rapid push to shut down gas and coal plants and move to all renewable energy too soon will jeopardize reliability and impact the workforce. He requested the Board of Trustees consider the P2 blended portfolio.

Dr. Cyrus Reed, Conservation Director, Lone Star Chapter, Sierra Club, agreed with the move away from coal, and urged the Board of Trustees to take their time and look at all the facts. He noted that he understood that moving too quickly to all renewables was not a good idea but urged a cautious review of the options. He stated that his organization supported portfolio options P3, P6, or P9. Regardless of the decision, he urged the Board to 1) look at federal opportunities that he believes were not fully analyzed in the analysis, and 2) expand energy efficiency.

Ms. Marina Gonzalez, President & CEO of San Antonio Hispanic Chamber Commerce, expressed her support for the RAC's recommendation of the P2 blended portfolio. She stated the P2 option struck the right balance between reliable and affordable energy with current technological advancements while also supporting the low-carbon emissions to meet our City of San Antonio's climate goals. She noted the two priorities for members of the Chamber are affordability and reliability. Finally, she stated that a rapid push to shut down gas and coal too quickly poses a risk to reliability and could result in increased costs for CPS Energy customers.

Mr. Richard Perez, President & CEO of the San Antonio Chamber of Commerce, stated the Chamber lends its members collective support for the P2 blended portfolio recommendation. He stated that the Chamber has historically supported CPS Energy policies that are well-balanced and that also maintain affordability, reliability, and flexibility to support the utility's efforts to address energy infrastructure needs and

Draft for review and approval at
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increased demands of our growing city and region. Finally, he asked for the Board of Trustee's full support of the RAC's recommendation of P2.

Reverend David Archibald, Rector of St. Andrew's Episcopal Church and part of a climate reality project chapter, spoke in favor of the P9 portfolio. He stated it will support the San Antonio CAAP goals and San Antonio Climate Ready Plan. He noted that the P2 blended portfolio makes 2030 CAAP goals but misses the 2040 goals enormous amount. He further noted that in looking far into the future, P2 is unsustainable. Finally, he stated his tradition says bears one another's burdens and you'll fulfill the law of love - whether it's consumers, energy producers, or fuel extractors - everyone shares the same burden together and we all have do it together in order to get to a sustainable future.

Ms. Emma Pabst, Sierra Club, read testimony on behalf of Sierra Club Intern, Cynthia Gonzalez. Ms. Gonzalez's remarks noted that she worked on a petition to close the Spruce coal plant. She stated climate change is the defining challenge of our time, and that there is no doubt that the Spruce coal plant needs to be permanently closed, not converted to natural gas. She stated that new evidence suggests that the rise in carbon dioxide emissions from gas has eclipsed the decline in emissions from coal and methane leaks have 86 times the warming power of carbon. Finally, she stated over 300 people have signed her petition urging the closure of Spruce and stopping it being converted to natural gas.

Ms. Isabella Briseno, ratepayer and teacher, noted that interested rate payers should have a better opportunity to engage with the Board of Trustees than weekday meetings. She stated that converting Spruce to fracked gas is will increase our reliance on gas. Fracked gas harms the plant because fracking for natural gas releases harmful pollutants into the air and hurts the pockets of ratepayers, especially our low-income neighbors and marginalized communities. She urged the Board to not tie our city to unreliable and expensive energy sources, such as fracked gas, and understand there is no time to waste in transitioning away from coal and towards a renewable future.

Ms. DeeDee Belmares, Climate Justice Organizer with Public Citizen, recognized how far they've come in this resource planning and, more importantly, that we are coming to an end for the Spruce coal plant. She recognized the public-facing resource planning process and noted that RAC members worked hard. As a RAC member, she voted for the P6 portfolio to chart a path without fossil fuels, and noted CPS Energy must make good on its commitment to CAAP. She stated that gas is driving up our utility bills, and the prices of gas remain very volatile. There is a tremendous opportunity for CPS Energy in the Inflation Reduction Act (IRA) and is encouraged that the City of San Antonio is focused on securing every dollar possible for a clean energy transition. She urged the Board to consider all the loan and grant opportunities in the IRA before moving forward on a resource plan.

Ms. Sarah Zimmerman, teacher and customer, advocated for clean energy. She stated that fracked gas cannot be our future. In the end what is sustainable will be affordable because in 20 years it will be 120 degrees outside, and we have to invest now to be safer later. She also urged use of the Inflation Reduction Act to make a transition that is good for our community. Finally, she stated that since she works from 7-5, this is the first meeting she was able to attend, and meetings should be accessible for all class of workers.

Mr. Leo Lopez, Environmental Justice Organizer for Southwest Workers Union, urged the Board to take the most equitable path forward because we have to take our most vulnerable members of the community into account. He also urged a more robust approach to customer assistance and try to avoid

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disconnections in the future given the approaching extreme cold weather. The coming colder weather will impact the most vulnerable customers due to lack of weatherization.

Mr. Alan Montemeyor, Chairman of the Alamo Group of the Sierra Club, noted that economics will drive decisions. He referenced a news article noting that fracked gas production has peaked. Therefore, gas will continue to get more expensive due to this and the world situation. He urged the Board of Trustees to not lock in CPS Energy, as it did with coal, because it resulted in the need to pay off the huge investment made into coal. He asked the if natural gas is to be used, ask for cleaner natural gas with less leakage. He asked to keep options open for increased renewables, energy conservation, and grid-scale energy storage. He urged the Board to revisit the generation choices periodically. Finally, he urged a move towards EVs, bringing in a renewable energy project at the H2Oaks Center, considering time of use rates, and ending rebates for natural gas.

Mr. Terry Burns, Sierra Club, stated he has been critical of the Board of Trustees and former CEO over the years, but at this time he wished to express his thanks to Mr. Garza and Chair Mackey for a real enormous change of leadership. He noted that things are better and much more transparent. He also thanked Mayor Nirenberg for helping to get the RAC established. He thanked Mr. Reed Williams for his leadership of the RAC. He stated that RAC has done a good job – he doesn't agree with their decision and that P9 is actually cheaper and more reliable. He urged the Board to make their own decision and appreciated that the coal plant is finally being closed. Finally, he urged that natural gas be purchased from a clean source and to look at STEP again because it is effective.

IV. CHAIR'S REMARKS.

Chair Dr. Mackey recalled that in March 2020, in partnership with the San Antonio City Council, CPS Energy issued a statement about our People First philosophy to be there for our customers by suspending disconnections. In April 2020, the Board of Trustees ratified a resolution to waive late fees for customers on payment plans, and the minutes reflect that the Board noted the disconnect suspension would be continued for a minimum of 30 days after the community reopened. In May 2020, the City Council passed a resolution approving the suspension of late fees.

Chair Dr. Mackey introduced the Resolution Supporting CPS Energy Plan to Mitigate Customer Debt and read the resolution. He noted that the resolution would be discussed as Item #7, but stated his objective is to note he believes the Board needs to take formal action, which it has not done since April 2020. The purpose is for the Board to discuss past due accounts and to determine what we need to do to rectify the situation and how to best move forward.

Chair Dr. Mackey then allowed Trustee Dr. Romero a moment to make comments on the CPS Home Energy Assessment. Dr. Romero stated she wished to comment on the program. She appreciated Ms. Ana Lozano and Mr. Nick Cooper from CPS Energy and Mr. Ace Sanchez and Mr. Damon Smith from CLEAResult. She stated it is a wonderful program and it is of no change. The program provides an in-depth look at your home. The group was able to locate a minor problem with HVAC system. They were the first to find to identify and fix the problem. She found the process to be educational.

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V. CEO'S REPORT

Mr. Rudy Garza started with a discussion on the Inflation Reduction Act (IRA). He recently visited Washington, DC along with San Antonio City Manager, Erik Walsh to learn about opportunities through the IRA. The opportunities will be focused on new technologies, climate transformation, ownership and grid transformation.

Then, Mr. Garza informed the Board that CPS Energy hosted a state delegation meeting for members and staff. Ten of fourteen delegation offices attended, and it was a great opportunity to discuss key initiatives and legislative priorities.

He provided a summary of touch points CPS Energy made in the generation planning engagement efforts. We reached and engaged customers through over 600,000 touch points focused on continuous awareness and dialogue with the community.

Mr. Garza recognized the Gas Solutions Rodeo Team engaged in the Utility Locate Rodeo in Springfield, Missouri. He congratulated them on their competition with 53 other teams from across the country and appreciated their representation of CPS Energy.

He also recognized the Supply Chain Safety Team for a full year of no-incident performance. The 65 warehouse partners accomplished one full year of performing their work with no recordable injuries and no preventable motor vehicle accidents.

Finally, Mr. Garza reassured our community and Board of Trustees, that we are prepared for the coming cold weather. He recognized ERCOT and the PUC for improving communications with the community. He invited Mr. Brian Alonso, Meteorologist, to the podium to discuss the forecast. Mr. Alonso noted an arctic front is expected to move through Thursday afternoon. There will be wind gusts and a significant drop in temperature, but we do not anticipate winter precipitation.

VI. RATE ADVISORY COMMITTEE (RAC) UPDATE

This item was deferred.

VII. MONTHLY PERFORMANCE UPDATE & RESOLUTION SUPPORTING CPS ENERGY PLAN TO MITIGATE CUSTOMER DEBT

Ms. DeAnna Hardwick, Executive Vice President for Customer Strategy, and Mr. Chad Hoopingarner, Vice President for Financial Planning, Pricing & Budgets, presented the Monthly Performance Update which focused on accounts receivable. Ms. Hardwick detailed CPS Energy's plan to mitigate customer debt and summarized all collection activities taken.

Chair Dr. Mackey re-introduced the Resolution Supporting CPS Energy's Plan to Mitigate Customer. The Board of Trustees discussed the resolution and asked questions of CPS Energy staff.¹

¹ Trustee Steen requested his comments be included in the minutes. His comments are attached.

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Mayor Nirenberg moved to approve the resolution as amended, which was seconded by Trustee Dr. Romero. The motion passed on a vote of 4-0-1, with Trustee Steen abstaining, and the following resolution was adopted:

RESOLUTION SUPPORTING CPS ENERGY PLAN TO MITIGATE CUSTOMER DEBT

WHEREAS, CPS Energy is a municipally owned utility and proud community partner to the City of San Antonio and surrounding communities; and

WHEREAS, a unique benefit of public power is the help and support CPS Energy provides to our community in its greatest times of need; and

WHEREAS, on March 11, 2020, CPS Energy temporarily suspended service disconnections for customers during the COVID-19 pandemic; and

WHEREAS, on April 27, 2020, this Board of Trustees unanimously passed a resolution, confirming and ratifying the waiver of late fees for customers who make timely payments as part of a payment plan established during the period of suspended disconnects; and

WHEREAS, on May 21, 2020, the San Antonio City Council unanimously passed an ordinance authorizing and ratifying the waiver of late fees for customers participating in deferred payment plans; and

WHEREAS, CPS Energy increased its efforts to connect customers to assistance, including to the Residential Energy Assistance Partnership (REAP), working with the City of San Antonio and other partners; and

WHEREAS, CPS Energy also began unprecedented efforts to connect with customers, including adjusting customer service center hours, increasing outreach efforts, and enrolling customers in eligible payment plans; and

WHEREAS, in July 2021, CPS Energy announced it would resume service disconnections, starting in September 2021 with large commercial customers and October 2021 with small commercial and residential customers; and

WHEREAS, in January 2022, late fees were reinstated for all customers, and

WHEREAS, although CPS Energy had resumed service disconnections and the application of late fees, the spring and summer months of 2022 saw record-breaking heat and increased natural gas prices due to global pressures, which increased the amount of past due receivables and limited the number of disconnections; and

WHEREAS, CPS Energy management and staff have continually kept this Board of Trustees informed of our evolving and increasing efforts to mitigate and address past due accounts, while still supporting our customers in need; and

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WHEREAS, as of October 31, 2022, the amount of past due receivables is \$207,600,000 and CPS Energy recognizes the need to further monitor and address past due balances; and

WHEREAS, CPS Energy and the Board of Trustees are committed to the welfare of the community and financial wellbeing of CPS Energy; and

WHEREAS, CPS Energy core values are accountability, safety & wellbeing, integrity, transparency, excellence, and achieving our mission as one team; and

WHEREAS, in keeping with our core values, CPS Energy management and staff provided this Board of Trustees with an updated comprehensive plan to address past due balances; and

NOW, THEREFORE, BE IT RESOLVED, CPS Energy Board of Trustees confirms and supports this comprehensive plan, and

BE IT FURTHER RESOLVED, CPS Energy Board of Trustees hereby directs CPS Energy to provide this Board of Trustees a monthly update on the effects of this comprehensive plan in addressing past due accounts.

VIII. GOVERNANCE – DUTIES OF THE BOARD REGARDING CPS ENERGY EMPLOYEE BENEFITS PLAN

Ms. Debra Wainscott, Vice President of People and Culture and Chair of Administrative Committee, presented on the duties of the board and governance structure of the CPS Energy employee benefit plans. The Board of Trustees discussed the resolution and asked questions of Ms. Wainscott.²

IX. EXECUTIVE SESSION

At approximately 3:16 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)

² Trustee Steen requested his comments be included in the minutes. His comments are attached.

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The Board reconvened in open session at 3:34 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.

X. APPROVAL OF CONSENT ITEMS

On a motion duly made by Vice Chair Gonzalez, seconded by Trustee Dr. Romero, and upon affirmative vote by all members present, the following items on the Consent Agenda were unanimously approved:

A. Approval of Payment to the City of San Antonio for November 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 November 2022 is based on actual gross revenue per the New Series Bond Ordinance of \$197,112,293.38, less applicable exclusions. The revenue for the month of November 2022 is calculated as follows:

Gross revenue per CPS Energy financial statements	
Electric revenue	\$196,116,895.27
Gas revenue	28,086,739.95
Interest and other income	8,548,602.80
Gross revenue per CPS Energy financial statements	<u>232,752,238.02</u>
Excluded revenue	
School and hospital revenue per City Ordinance 55022	(8,071,443.00)
LVG revenue per City Ordinance 100709	(246,875.60)
Fuel cost component of off-system nonfirm energy sales per City Ordinance 61794 and revenue for wholesale special contracts	(12,402,539.32)
Noncash and other income, GASB 31 investment market value change, miscellaneous interest income, gas billing adjustment and unbilled Revenue	<u>(14,919,086.72)</u>
Total excluded revenue	<u>(35,639,944.64)</u>
Gross revenue per New Series Bond Ordinance subject to 14% payment to the City	<u>\$197,112,293.38</u>
City payment per Bond Ordinance for November 2022 based upon November 2022 revenue	\$27,595,721.07
City payment per memorandum of understanding (MOU) regarding wholesale special contracts	363,303.49
Wholesale Special Contract Annual True Up	0.00
City Payment reduction per gas customer billing adjustment MOU	(12,500.00)

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City payment per Bond Ordinance plus adjustments for memorandums of understanding	27,946,524.56	A
Utility services provided to the City for November 2022	(2,802,291.87)	
Net amount to be paid from November 2022 revenue to the City in December 2022	<u>\$25,144,232.69</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)

November 2022	Actual	Budget	Variance	
Current Month* A	\$27,947	\$26,841	\$1,106	4.1%
Year-to-Date*	\$376,282 **	\$328,628	\$47,654 **	14.5%

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

** 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 \$25,144,232.69 representing 14% of applicable system gross revenues for the month of November 2022, such payment being net of City utility services (\$2,802,291.87), is hereby approved."

B. Approval of Procurement Item:

1. **Item Description:** **Electric Overhead and Underground Temporary and Permanent Electric Services**
Purchase Category: General Services
Supplier: Chain Electric Company
HJD Capital Electric, Inc
2. **Item Description:** **Competitively Sensitive Item**
3. **Item Description:** **Competitively Sensitive Item**

XI. COMMITTEE REPORTS

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

- A. Operations and Oversight Committee (OOC) Meeting held on November 10, 2022
- B. Nominations Committee meeting held on December 6, 2022

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XII. RATE ADVISORY COMMITTEE (RAC) GENERATION PLANNING RECOMMENDATION

Trustee Dr. Romero provided introductory remarks. She stated that the RAC efforts were the best planned and executed community advisory group that she has ever seen – from the participants to the entire support team. RAC members spent a lot of time learning, educating each other on their own perspectives, and, for the most part, were respectful of each other's views. She thanked several individuals for their efforts and dedication.

Mr. Reed Williams, Chair of the Rate Advisory Committee, provided the recommendation of the RAC to the Board of Trustees. He recapped the role of the RAC – making a recommendation on the next steps on generation planning to get through 2030. He discussed the process undertaken, challenges faced, and voting summary. Finally, he provided the RAC's recommendation – which is that we're out of the coal business in six years. The RAC ultimately selected the P2 blended portfolio by a supermajority vote. He discussed three portfolios that received votes – P2, P6, and P9. He noted that various members of the RAC have different risk profiles, which lead to different preferences in the portfolios.

The Board of Trustees made statements and asked questions.

XIII. GENERATION PLANNING

Ms. Kathy Garcia, Vice President of Governmental Affairs, presented an update on our generation planning process and discussed our potential options. The goal for this planning cycle is to ensure reliable, affordable, and sustainable energy resources through 2030. She reviewed the planning objectives and approach. She reviewed the portfolio metric results and detailed the benefits and risks of the four portfolios most aligned to the objectives. Finally, Ms. Garcia noted that P2 and P9 are the most viable as they retire coal and achieve the 2020 CAAP target.

The Board of Trustees discussed the presentation and asked questions.

XIV. ADJOURNMENT

There being no further business to come before the Board, upon a motion duly made by Trustee Dr. Romero, seconded by Vice Chair Gonzalez and upon an affirmative vote by all members present, the meeting was unanimously adjourned at 4:43 p.m. by Chair Dr. Mackey.

Shanna M. Ramirez
Secretary of the Board

12/19/22

STATEMENT OF JOHN STEEN

Re: Monthly Performance Update & Resolution Supporting CPS Plan to Mitigate Customer Debt
(Agenda Item #7)

Ms. Hardwick and Mr. Hoopingarner, thanks to both of you for your presentation and all the time and effort you're putting into this pressing matter. My remarks today are directed to our CEO. So, Mr. Garza, let me first state that it's well and good that you've developed and are presenting to the board a more comprehensive and detailed plan to address our customer bad debt situation. However, you're also asking me through this resolution to specifically endorse your plan, and that I'm not willing to do. I prefer to wait and see if it's actually effective. I believe that's my responsibility as a trustee. This plan contains a lot of elements of what you've been doing the last 12 months, and it's plain for all to see that's not been working so well.

Further, given the importance of this matter to CPS Energy's financial health, I question the part of the draft resolution that mandates a management report on the effects of this plan *every quarter*. I don't think it's unfair to say that this can be seen as an artful way to try to put this issue on the board's back burner when I'm endeavoring to keep it on the front burner – to hold management accountable until this situation is brought under control. I foresee what will happen should the proposed resolution be adopted. Pursuant to the proposed resolution, this matter will be agendized only every third meeting, and, if I try to bring it up for a status report and discussion at, say, our next meeting, I'll be admonished by counsel that I'm out of line. This can be viewed as an effort to make what we're doing here at CPS Energy *less* transparent.

This is not the time to direct the spotlight away from an issue that's vitally important to CPS Energy. Our customers and community want us to stay hyper-focused on it until it's resolved. Therefore, I will abstain. I can't vote for the resolution for the reasons given above, and, if I vote against it, detractors will try to say that I'm against trying to resolve the problem.

On a different but related matter, I want to focus on the three key financial metrics as shown on slide 6 of this presentation. (Please go to slide 6.) As can be seen, year-to-date days-cash-on-hand is 138 when our threshold level as determined by the three credit rating agencies is 150. I'm pulling for you to achieve 150 by January 31st, the end of our fiscal year, but with the holidays upon us and frigid weather imminent, I'm skeptical that CPS Energy is going to get there. However, you've continued to show unwavering confidence that we will. What I'm wondering is if what you're planning to do at the eleventh hour is draw on our lines of credit or issue commercial paper to build up cash in order to hit the 150 target. If so, I'd respectfully ask you to give the board a heads-up before you do so. I'm going to have to be convinced that this is an acceptable way to meet the days-cash-on-hand metric. At first blush, it seems contrived and not in keeping with CPS Energy's high standards. And it's not likely to persuade the three credit rating agencies that we're getting our financial house in order. By the way, if before January 31st you're *not* going to pull on

the company's lines of credit or issue commercial paper in order to fund spending and coincidentally meet the days-cash-on-hand metric, it'd be helpful if you'd go ahead and say so, and I'll scratch that item from my list of concerns and won't bring it up again.

I respectfully request that this statement be included in the minutes of today's meeting.

12/19/22

STATEMENT OF JOHN STEEN

Re: Governance – Duties of the Board regarding CPS Energy Employee Benefit Plans
(Agenda Item #8)

Thanks Ms. Wainscott for your presentation today. As always, your responsiveness and willingness to engage are much appreciated. Your remarks touch on an issue I’ve raised during recent meetings of the Employee Benefits Oversight Committee or EBOC for short. In particular, I’ve been focused on the single most important assumption made by any pension system. This assumption ensures there’s sufficient funding to pay for the benefits promised. In reality it’s an informed guess as to how much can be earned by investing contributions. This “guesstimate” is called the actuarial rate of return (ARoR). The higher the ARoR, the fewer contributions employers and employees must make. The lower the ARoR, the higher those contributions need to be in order to pay for promised benefits.

There’s been a trend since the 2008-2009 financial crisis toward lower investment assumptions for public plans. In regard to CPS Energy’s benefit plans, our ARoR was reduced:

- To 7.75% in 2010;
- To 7.50% in 2014;
- To 7.25% in 2017; and
- To 7% in 2020.

It remains at 7% today

At the EBOC, I’ve been advocating for a reduction from 7% to 6.75%. This is because of the dismal returns we’ve been getting lately -- they’re seriously in negative territory – and my concern about the economic headwinds we’ll be facing in the near future. Here are but two of many harbingers of rough sailing ahead:

- The Conference Board’s latest gauge of CEO confidence is at its lowest level since 2019, and 98% of surveyed CEOs anticipate a U.S. recession next year.
- Bloomberg News, which compiles Wall Street forecasts, notes that 2023 predictions for the stock market are negative for the first time this century.

Ms. Wainscott and the Administrative Committee maintain that the ARoR should remain at 7%, emphasizing that our benefit plans have a long horizon and that over the long-term – including inception to date – we’ve exceeded the ARoR. This is a critical debate to have because nationwide over the last twenty years, the largest single contributor to the growth of unfunded liabilities has been underperforming investments, or, put another way, assuming unrealistic returns on pension assets so that they end up not contributing enough to pay for promised benefits. So I believe 7% is overly optimistic. Again, I’d like us to take a more conservative approach and lower it to 6.75%. One guidepost: The nation’s *largest* pension fund CalPERS (California Public Employees

Retirement System) lowered its investment assumption to 6.8% in 2021, and there are reports that their internal advisors have opined that CalPERS should be aiming for 6%.

Here, at CPS Energy, our Administrative Committee approves the ARoR along with other actuarial assumptions during the summer of each year – this past year it was done in August – without formally soliciting the input of either the EBOC or this board. This surprises me in that this board, according to its ordinances, has “absolute and complete authority and power with reference to the control, management and operation of the Systems and the application of the revenues of the System ...” So my first request is that EBOC and this board be consulted *before* this annual decision on the ARoR is made.

My second point is that, given that the responsibility ultimately lies with the board, why aren't we deciding something as consequential as what our actuarial rate of return should be? If you'll put up slide 5, we can see that there are already major areas where the approval of the EBOC and the board are required. I think this ARoR approval authority could be specifically added if the board had the collective will to do so. In fact, look at the language where it says the board approves annual expense and cash-flow funding via the budget process. One might argue that we already have this approval power except we're ceding to the Administrative Committee the most important element in all this by allowing it to unilaterally set the ARoR.

I recently asked staff what would be the financial impact if the ARoR were to be lowered, from 7% to 6.75%. I was told that, although our employees would *not* have to contribute, it would mean CPS Energy would be on the hook for millions of dollars a year for the next six years. So it's not going to be inexpensive to take the action I'm recommending, but it is a step in the right direction to help ensure our benefit plans are financially healthy and able to pay the promised benefits to our esteemed and valued retirees.

Again, Ms. Wainscott, thanks for bringing this matter to the full board's attention. I respectfully ask that this statement in its entirety be included in the minutes of today's meeting.

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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
Gas revenue	45,009,912.16
Interest and other income	3,215,670.93
Gross revenue per CPS Energy financial statements	256,894,703.48
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	(42,953,013.81)
Total excluded revenue	(60,181,782.72)
Gross revenue per New Series Bond Ordinance subject to 14% payment to the City	\$196,712,920.76
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	(12,500.00)
City payment per Bond Ordinance plus adjustments for memorandums of understanding	26,792,820.60 A
Utility services provided to the City for December 2022	(2,777,352.25)
Net amount to be paid from December 2022 revenue to the City in January 2023	\$24,015,468.35

CPS Energy Board of Trustees Meeting January 30, 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)

December 2022	Actual	Budget	Variance	
Current Month* A	\$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.

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 \$24,015,468.35 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."



RESOLUTION APPROVING THE STRATEGIC PURCHASE OF REAL PROPERTY

WHEREAS, CPS Energy has periodic strategic needs to improve its electric and gas infrastructure to efficiently and reliably supply electric and gas services to its customers, and

WHEREAS, the acquisition of strategic property sites that have been identified by CPS Energy Staff ("Strategic Properties") will support CPS Energy's infrastructure to provide reliable services to its customers, and

WHEREAS, the proposed acquisition is consistent with the strategic plan for the development of our system's infrastructure.

NOW, THEREFORE BE IT RESOLVED:

1. The recitals to this Resolution are hereby incorporated by reference.
2. The CPS Energy Board finds that the acquisition of the Strategic Properties is in the best interest of the customers and community to provide them reliable services.
3. The CPS Energy Board hereby authorizes, but does not obligate the President and CEO, or his designees, to negotiate and execute agreements consistent with the direction of the CPS Energy Board, and to take such action as is deemed necessary and appropriate to carry out the purposes and intent of this resolution and complete the acquisition transaction regarding the Strategic Properties.



AUDIT & FINANCE COMMITTEE (A&F)

EXECUTIVE SUMMARY AND CHAIR REPORT FROM THE NOVEMBER 17, 2022 MEETING PREPARED FOR CHAIR JOHN STEEN FOR REPORT AT THE JANUARY 30, 2023 BOARD OF TRUSTEES MEETING

The Audit & Finance Committee met on November 17, 2022. As part of the Audit & Finance Committee agenda, the Committee:

- A. Approved meeting minutes from the prior meeting held on July 21, 2022.
- B. Received an update on the Ethics Program, including a summary of cases that were opened and closed through October 31, 2022, and a trend analysis for FY2022 third Quarter versus FY2023 third Quarter.
- C. Received an overview of the strategic planning for future service districts and the proposed path to construct the first new service facility in 60 years. By FY2024 second Quarter, the plan is to issue the RFP for design/construction of the prototype service district campus with an expected project completion date of FY2027.
- D. Received an overview of KPMG's proposed audit plan, audit approach, audit timeline, and fees. Provided required communications from KPMG and an overview of the responsibilities of management and KPMG related to the audit.
- E. Provided a review of the KPMG FY2023 audit and non-audit services. Approved the KPMG FY2023 audit and non-audit services.
- F. Provided an overview of major insurance coverage and renewals, as well as the competitive pricing achieved for the insurance policies. The three policies reviewed were property, cyber, and liability.
- G. Provided status of audit projects for FY2023 which included adding five unplanned projects and cancelling the GE vendor audit. Reviewed the results of eight projects completed since the last Committee meeting. Also, reviewed the Information Technology General Controls (ITGC) letter issued by KPMG as part of the financial statement external audit. Provided an overview of the quality assurance and improvement program. Informed the Committee that an external quality assessment was performed and Audit Services received the highest possible rating which is Generally Conforms "GC".

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



EMPLOYEE BENEFITS OVERSIGHT COMMITTEE (EBOC)

EXECUTIVE SUMMARY AND CHAIR REPORT FROM THE NOVEMBER 17, 2022 MEETING PREPARED FOR COMMITTEE CHAIR JOHN STEEN FOR REPORT AT THE JANUARY 30, 2023 BOARD OF TRUSTEES MEETING

The EBOC met on November 17, 2022. As part of the EBOC agenda, the Committee:

- A. Approved meeting minutes from the prior meeting held on July 21, 2022.
- B. Reviewed the Action Items list from the July 21, 2022.

The Committee also received presentations regarding:

- C. A Benefit Plans Administrative & Financial Update, which highlighted the following topics: governance overview and calendar review; investment performance for YTD 2022 thru September, as well as investment performance for CY2021 and FY2022; a discussion on the Actuarial Rate of Return (ARoR), and an update on the ongoing Administrative Committee (AC) Improvement Plan to address gaps and shortfalls in areas of people, performance (investment), and policies, practices, and controls.
- D. A recommendation from the AC on proposed revisions to the Investment Policy (IP) and Statement of Governance (SoG). The EBOC approved the proposed revisions. The SoG proposed revisions were also approved by the Board of Trustees during the November 29th meeting.

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



88th LEGISLATURE & CPS ENERGY PUBLIC POLICY PRIORITIES

PRESENTED BY:

Kathy Garcia

VP, Government Relations, Regulatory Affairs & Public Policy
&

Kari Meyer

Director, Federal & State Relations

January 30, 2023

Approval Requested

AGENDA



- **STATEWIDE PRIORITIES**
- **ANTICIPATED INDUSTRY ISSUES**
- **CPS ENERGY STATE LEGISLATIVE PRIORITIES**
- **INTERNAL ALIGNMENT**
- **EXTERNAL PARTNERSHIPS**
- **REQUEST FOR SUPPORT**

Our objective is to provide a preliminary outlook on the legislative session and seek approval of our policy priorities

STATEWIDE PRIORITIES



- **2024-2025 General Appropriations**
 - **Budget Surplus**
- **School & Public Safety**
- **Mental Health**
- **Border Security**
- **Property Tax Reduction/Appraisal Reform**



ANTICIPATED INDUSTRY PRIORITIES



- **SB 3 Implementation Activities & Additional Recommendations**
- **PUC & ERCOT Sunset Commission Reports**
- **PUC Agency Report to the Legislature**
- **Market Design Proposals**
- **Role of Renewable Generation Resources & Energy Efficiency**

STATE LEGISLATIVE PRIORITIES

OUR MAIN PILLARS



Our priorities and anticipated engagement during the 88th Legislature are captured in three main pillars:

**CUSTOMER
AFFORDABILITY
AND IMPACTS**

**UTILITY
GOVERNANCE**

**RELIABILITY
AND
RESILIENCY**

STATE LEGISLATIVE PRIORITIES

CUSTOMER AFFORDABILITY & IMPACTS



This Pillar focuses on proposals that would:

- Direct state or federal funds to Texans needing assistance with their utility bills
- Create or enhance customer-facing programs
- Increase costs to end-use utility customers

We will support directing any available funds to utility customers in need and seek to minimize other proposals' impact on customer bill.

STATE LEGISLATIVE PRIORITIES

UTILITY GOVERNANCE



This Pillar focuses on proposals that would:

- Negatively impact the MOU Business Model
- Remove or diminish our local decision-making authority
- Alter our relationship with our City Owner, or our ability to continue to function in a manner that is reflective of our community

Our top priority every legislative session is to protect the MOU Business Model and our local decision-making authority.

STATE LEGISLATIVE PRIORITIES

RELIABILITY & RESILIENCY



This Pillar focuses on proposals that seek to:

- Strengthen the reliability and resiliency of the electric grid
- Ensure natural gas supplies are available, reliable, and priced appropriately with end-use customers in mind
- Address supply chain constraints (e.g. distribution transformers) critical to providing electric and gas utility services

We will support proposals that achieve the above goals in a manner that appropriately balances the benefits with the associated costs to our utility and our customers.

INTERNAL ALIGNMENT



- **Alignment with key business initiatives**
- **Collaboration with subject matter experts**
- **Legislative review process and training**
- **Real-time updates and reports**
- **Ongoing alignment with senior leadership**
- **Execution of opportunities for employees to participate in the legislative process**

Success will be achieved through consistent, open communication with all business units.

EXTERNAL PARTNERSHIPS



- **We continually seek alignment with our community partners and industry counterparts to advocate on shared priorities.**
- **Collaboration on legislative agendas**
 - City of San Antonio
 - Bexar County
 - SAWS
 - Chambers of Commerce
 - Texas Public Power Association (TPPA)
 - Texas Electric Cooperatives (TEC)
 - Association of Electric Companies of Texas (AECT)
 - Additional city and industry entities

REQUEST FOR SUPPORT



The Federal & State Relations team is seeking your approval of the three main pillars.

**CUSTOMER
AFFORDABILITY
AND IMPACTS**

**UTILITY
GOVERNANCE**

**RELIABILITY
AND
RESILIENCY**



Thank You





Appendix



ELECTION RECAP



• State Legislative Election Results

• Texas Senate

- 18 Republicans
- 13 Democrats

• Texas House

- 86 Republicans
- 64 Democrats



• Speaker Dade Phelan reelected

Every two years, the election results provide both new opportunities and risks for CPS Energy.



BEXAR COUNTY SENATE DELEGATION



Roland Gutierrez
District 19



Judith Zaffirini
District 21



Donna Campbell
District 25



José Menéndez
District 26

BEXAR COUNTY HOUSE DELEGATION



Trey Martinez Fischer
District 116



Phillip Cortez
District 117



John Lujan
District 118



Liz Campos
District 119



Barbara Gervin-
Hawkins
District 120



Steve Allison
District 121



Mark Dorazio*
District 122



Diego Bernal
District 123



Josey Garcia*
District 124



Ray Lopez
District 125

*New Member 16

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.

Shanna M. Ramirez
Secretary of the Board



FY2024 BUDGET DISCUSSION

PRESENTED BY:

**Cory Kuchinsky, CPA
CFO & Treasurer**

January 30, 2023

Approval Requested



AGENDA



- **Investments In Our Community**
- **FY2024 O&M and Capital Plans**

We are continuing a period of high investment as we move into next fiscal year.

INVESTING IN OUR COMMUNITY



FY2023 Investments

- Rate increase provided additional funding
- O&M and Capital plans included investments in:
 - Community growth ✓
 - Infrastructure modernization ✓
 - Technology ✓
 - People ✓
- Expect to end the year on par with our O&M and Capital plans



FY2024 Investments

- Bridge to additional funding in FY2025
- O&M and Capital plans include investment in:
 - Community growth
 - Generation fleet and grid
 - Technology
 - People
- O&M plan in line with prior budget
- High investment period driving a ~4% increase to Capital plan

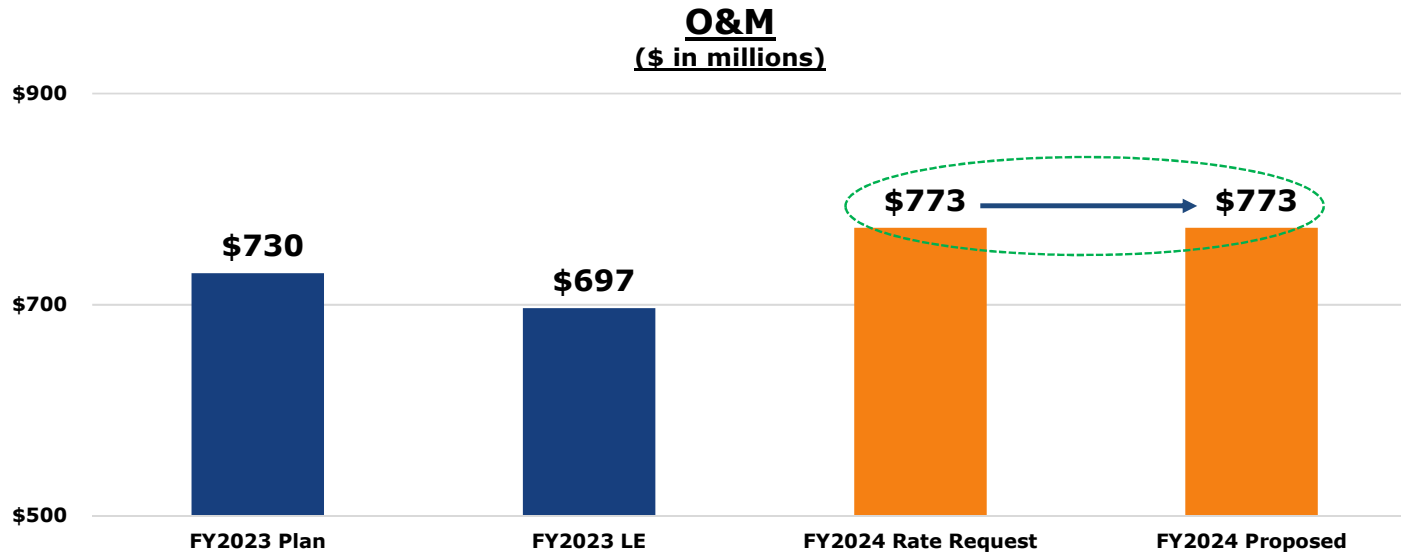
GOVERNANCE & BUDGET APPROVAL



BUDGET COMPONENT	GOVERNANCE	APPROVAL
RATE SUPPORT	Requests approved by you & Council	Approved Jan 13, 2022
FUEL PURCHASES	Governed by Procurement Policy with material fuel purchases approved by you	
DEBT ISSUANCE	Bond Issuance approved by you & Council	
R&R ADDITIONS	Governed by Bond Ordinance	
CITY PAYMENT	Approved Monthly by you	
NON-FUEL O&M	Approved Annually by you	Requested Today
CAPITAL	Approved Annually by you	Requested Today

To execute the FY2024 O&M & Capital Budget, your approval will be requested.

NON-FUEL O&M



FY2024 Non-Fuel O&M plan is in line with long range plan approved last year.

Note: FY2023 LE includes ~\$26M of O&M favorability resulting from Pension/OPEB credit.

NON-FUEL O&M EXPENSES

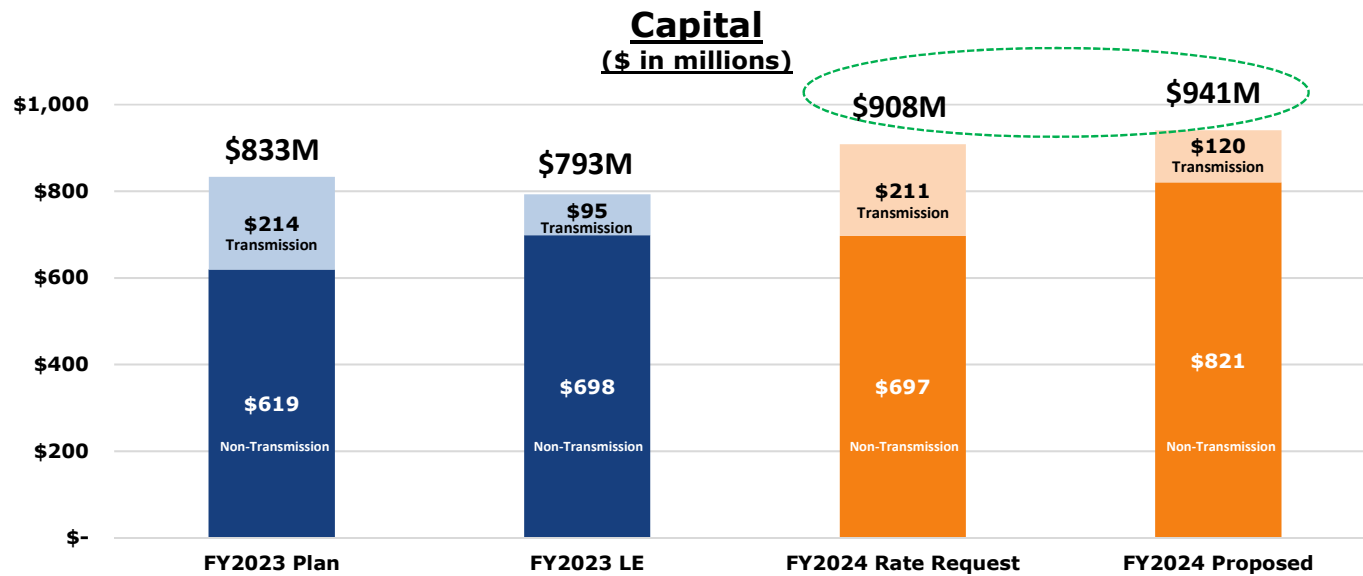
FY2024 BUDGET \$773M



\$353M	Labor Salaries & Wages, Benefits, Other Compensation
\$242M	Power Sustainability & Resiliency Generation fleet overhauls & seasonal readiness maintenance to maximize plant availability & minimize downtime
\$54M	Electric & Gas Infrastructure Reliability Electric & Gas distribution & transmission infrastructure maintenance, work to minimize quantity & duration of customer outages
\$58M	Technology Maintain & assess enterprise technology systems & design future state of technology platforms
\$66M	Customer & Community Engagement & Shared Services Investment in programs that promote engagement with customers & stakeholders - Key business areas critical to core operations, including Administration, Financial Services, Legal & Integrated Security

O&M budget supports key strategic initiatives including Customer Growth & Outreach, Technology Improvements & Reliability.

CAPITAL



In total, FY2024 Capital plan increases by \$33M vs. prior plan (transmission plan decreases, non-transmission plan increases).

CAPITAL EXPENSES

FY2024 BUDGET \$941M



\$357M	Infrastructure Modernization Includes upgrades at existing power plants, grid reliability enhancements & technological improvements.
\$314M	Customer Growth Primarily upgrading & extending service to new customers.
\$132M	System Growth Primarily gas & electric transmission and distribution system investments.
\$93M	Environmental/Legislative/Regulatory & Special Projects Primarily projects to address CEP recommendation & to comply with existing or new regulations.
\$45M	Civic Improvements Required infrastructure changes to support City, State & Federal capital projects.

The Capital budget addresses continued customer growth, while providing a reliable electric & gas system for the customer.

FY2024 PLAN

ADDITIONAL CONSIDERATIONS



<p>Accounts Receivable</p>	<p>We will continue our focus on past due accounts & tight management of our cash reserves.</p>
<p>Generation Planning</p>	<p>Recent decisions regarding the future of our generation resources will be incorporated into our FY2025 long range plan.</p>
<p>Rate Design</p>	<p>As we begin discussing the important topic of rate design with our community, impacts of any decisions will be built into the FY2025 long range plan.</p>
<p>Disputed Fuel Costs from Winter Storm Uri</p>	<p>A portion of Winter Storm Uri fuel costs remain in dispute. Once resolution occurs, we will communicate if there is any additional impact to customers.</p>

FY2024 PLAN SUMMARY



	<u>FY2023 Plan</u>	<u>FY2023 Forecast⁽¹⁾</u>	<u>FY2024 Rate Model</u>	<u>FY2024 Plan</u>
Adjusted Debt Service Coverage Ratio <i>(Threshold Value = 1.50)</i>	1.79	1.85	1.67	1.62
Debt Capitalization Ratio <i>(Threshold Value = <60%)</i>	61.7%	61.7%	62.3%	62.6%
Days Cash On Hand <i>(Threshold Value = 150)</i>	170	160	170	170
O&M	\$730M	\$697M⁽²⁾	\$773M	\$773M
Capital	\$833M	\$793M	\$908M	\$941M
R&R Fund Additions	\$345M	\$392M	\$314M	\$289M
Net Income	\$77M	\$51M	\$18M	(\$21M)

 Approval Requested

- (1) Latest estimate through December (i.e., 11+1)
- (2) Includes Pension/OPEB expense favorability

REQUEST FOR APPROVAL



Requesting Approval of Capital & Non-Fuel O&M Budget for FY2024

The FY2024 proposed budget will fund investments that will benefit our community & meet our commitments, including:

- Funding & plan expense for employee benefit obligations
- Meeting customer **Growth** of our community
- Investing in **Infrastructure Modernization & Reliability**
- Maintaining projects to promote environmental, legislative, & regulatory efforts
- Leading civic improvements



(\$ in millions)	Budget
	FY2024
Capital	\$941
Non-Fuel O&M	\$773



Thank You



Appendix

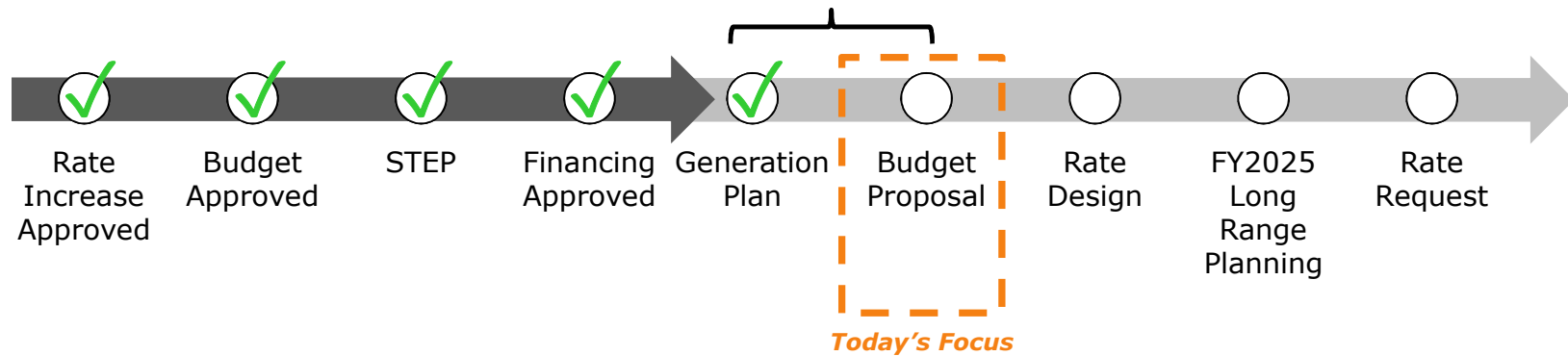


ROADMAP



Jan 2022

Jan 2023



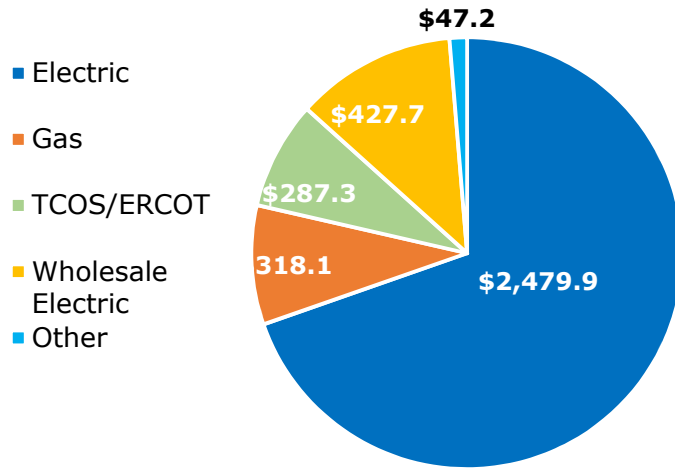
We are executing in line with the plan we communicated during the 2022 rate request.

FY2024 PROPOSED BUDGET

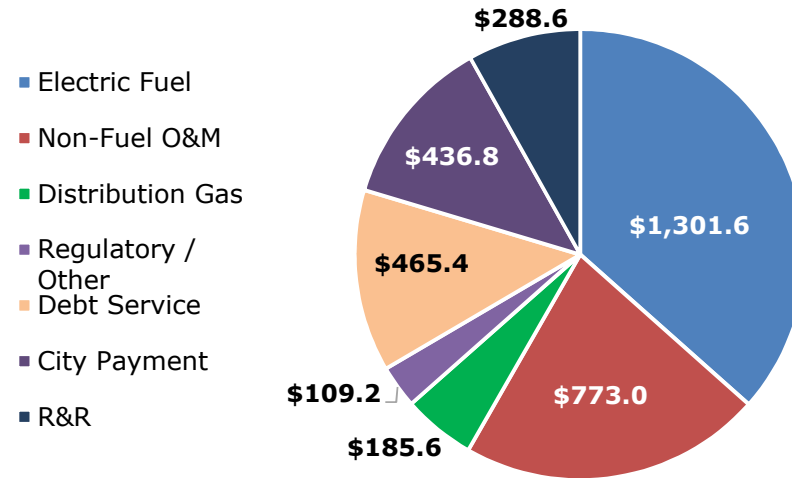
\$ IN MILLIONS



Sources of Funds \$3,560.2M

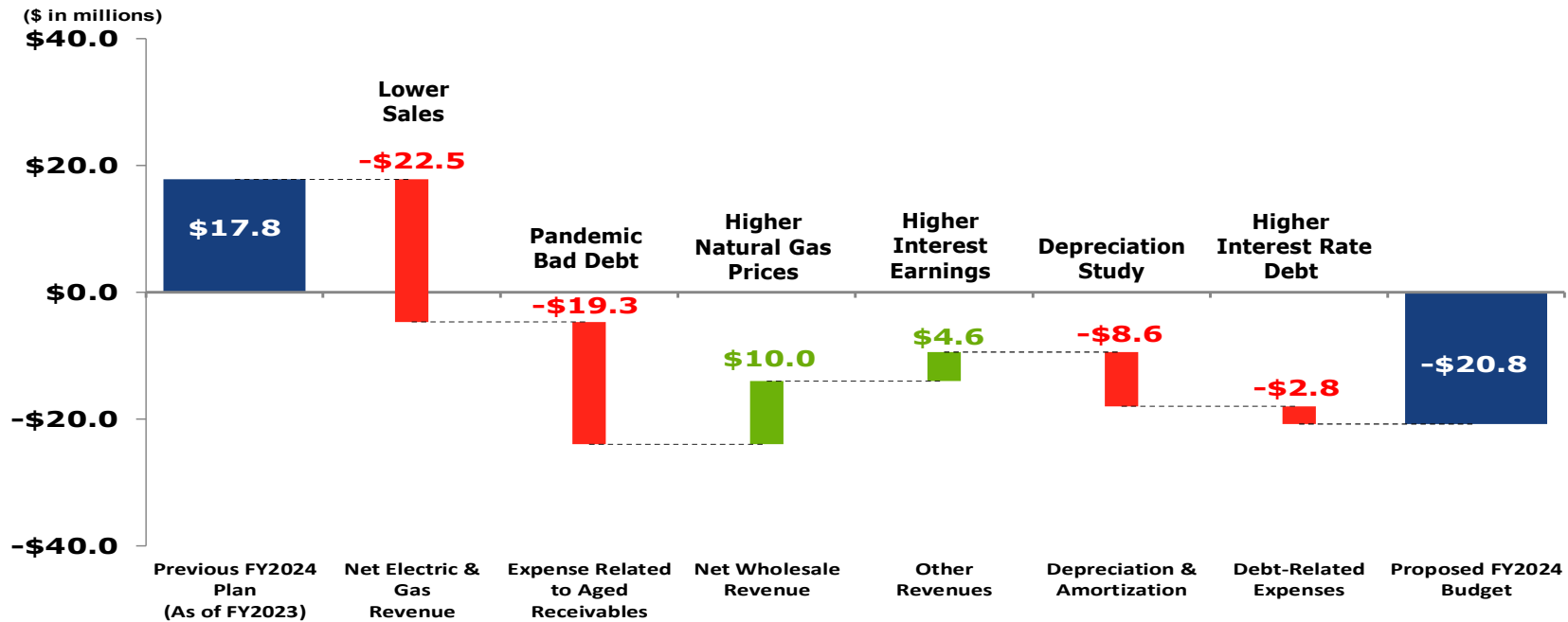


Uses of Funds \$3,560.2M



FY2024 NET INCOME BUDGET

PREVIOUS BUDGET TO CURRENT FY2024 BUDGET



FY2024 Net Income expected to be lower than prior plan due to lower sales volume & higher projected bad debt expense.

ELECTRIC SALES TREND



Annual Electric Sales Volume (MWh)

	<u>FY2023 Plan</u>	<u>FY2023 LE</u>	<u>Previous FY2024 Plan</u>	<u>Current FY2024 Plan</u>
Residential	10,633,353	11,352,100	10,714,565	10,739,842
Commercial	13,178,864	13,379,125	13,598,508	13,461,431
Total	23,812,217	24,731,225	24,313,073	24,201,273

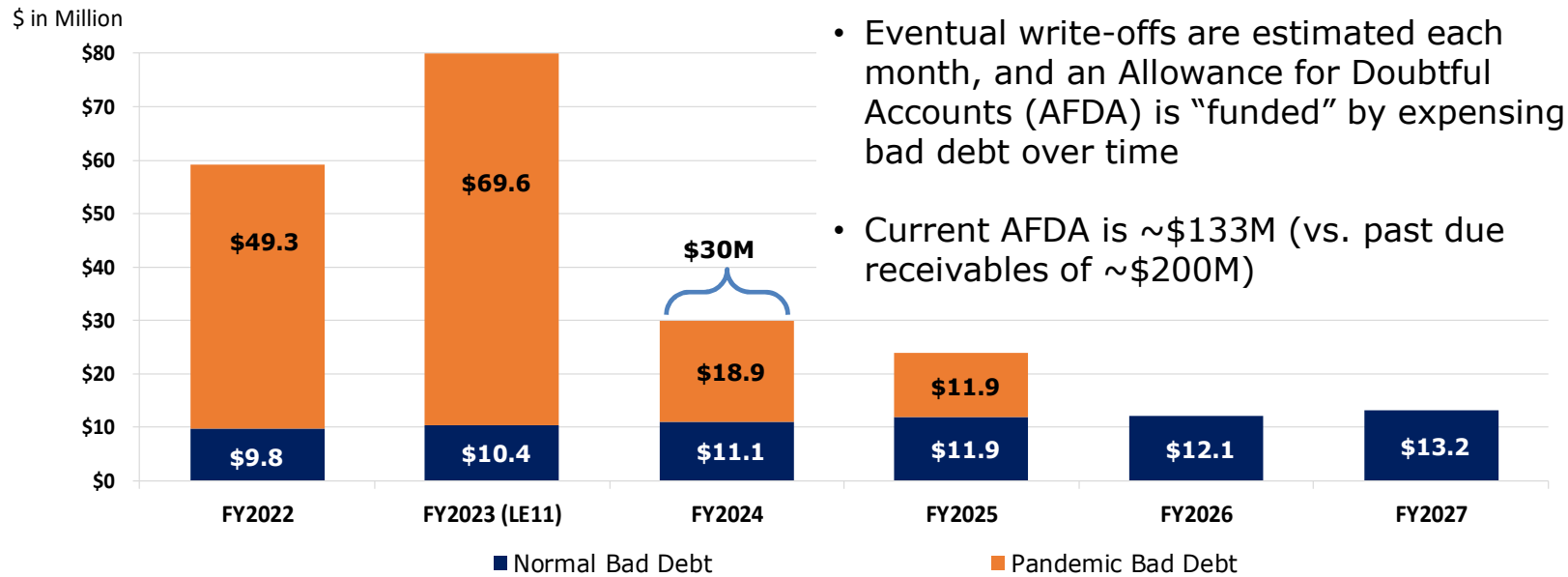


Projecting a small decrease in electric load relative to prior plan...

...but still an increasing trend overall (weather normalized).



BAD DEBT EXPENSE PROJECTION



As the growth of past due receivables has slowed, the funding of AFDA and associated bad debt expense will decrease from recent levels.