CPS ENERGY
MINUTES OF THE REGULAR MEETING OF THE BOARD OF TRUSTEES
HELD ON DECEMBER 16, 2024

The Regular Meeting of the Board of Trustees of CPS Energy for the month of December was held on Monday, December 16, 2024, in the Board Room on the First Floor of the CPS Energy headquarters located at 500 McCullough, San Antonio, Texas.

I. CALL TO ORDER

Chair Gonzalez called the meeting to order at 1:00 p.m.

Present were Board members:
Ms. Janie Gonzalez, Chair
Dr. Francine Romero, Vice Chair
Dr. Willis Mackey
Mr. John Steen
Mayor Ron Nirenberg (arrived at 1:13 p.m.)

Also present were:
Mr. Rudy Garza, President & CEO
Ms. Shanna M. Ramirez, Chief Legal & Ethics Officer, General Counsel & Board Secretary
Ms. Elaina Ball, Chief Strategy Officer
Mr. Benny Ethridge, Chief Energy Supply Officer
Mr. Cory Kuchinsky, Chief Financial Officer & Treasurer
Ms. DeAnna Hardwick, Chief Customer Strategy Officer
Ms. Lisa Lewis, Chief Administrative Officer
Mr. Richard Medina, Chief Energy Delivery Officer
Mr. Evan O'Mahoney, Chief Information Officer
City of San Antonio officials
CPS Energy staff members
Interested Citizens

II. SAFETY MESSAGE, INVOCATION AND PLEDGE OF ALLEGIANCE

A safety message, invocation, and the Pledge of Allegiance were delivered by Mr. Jose Reyes, Interim Business Management Strategist.

III. PUBLIC COMMENT

Ms. Henrietta LaGrange, community member, stated she appreciated all of those that work at CPS Energy and support the team. She also expressed her appreciation for Mr. Garza and each member of the Board. She wished everyone a good new year.

IV. CHAIR'S REMARKS

Chair Gonzalez began by reminding the community about winter readiness, and she reviewed the actions CPS Energy has taken to prepare for cold weather. The Chair also provided helpful tips and tools for community members, such as installing/testing fire and carbon monoxide detectors. The Chair expressed her positive thoughts to all of those in the community, recognizing that many of us face challenges during the holidays, and she wished everyone a happy and safe holiday season.

V. APPROVAL OF CONSENT ITEMS

On a motion by Trustee Dr. Mackey, seconded by Vice Chair Dr. Romero, and upon affirmative vote by all members present (with Mayor Nirenberg being absent at the time of the vote), the following items on the Consent Agenda were unanimously approved:

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

The New Series Bond Ordinance that took effect February 1, 1997 provides for a total cash payment to the City of San Antonio (City) in an amount not to exceed 14% of gross revenue as calculated pursuant to such Ordinance, less the value of other services provided to the City, with the percentage (within the 14% limitation) to be determined by the governing body of the City. The cash transfer to the City for the month of November 2024 is based on actual gross revenue per the New Series Bond Ordinance of $254,302,992.34, less applicable exclusions. The revenue for the month of November 2024 is calculated as follows:

Gross revenue per CPS Energy financial statements	
Electric revenue	$221,607,100.10
Gas revenue	16,311,299.05
Interest and other income	7,058,587.86
Gross revenue per CPS Energy financial statements	244,976,987.01
Excluded revenue	
School and hospital revenue per City Ordinance 55022	(9,242,837.98)
LVG revenue per City Ordinance 100709	(11,744.38)
Fuel cost component of off-system nonfirm energy sales per City Ordinance 61794 and revenue for wholesale special contracts	(17,693,555.95)
Noncash and other income, GASB 31 investment market value change, miscellaneous interest income, gas billing adjustment and unbilled revenue	36,274,143.64
Total excluded revenue	9,326,005.33
Gross revenue per New Series Bond Ordinance subject to 14% payment to the City	$254,302,992.34
City payment per Bond Ordinance for November 2024 based upon November 2024 revenue	$35,602,418.93
City payment per memorandum of understanding (MOU)	

regarding wholesale special contracts	370,694.32	
City Payment reduction per gas customer billing adjustment MOU	(12,500.00)	
City payment per Bond Ordinance plus adjustments for memorandums of understanding	35,960,613.25	**A**
Utility services provided to the City for November 2024	(3,158,912.69)	
Net amount to be paid from November 2024 revenue to the City in December 2024	$32,801,700.56	

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 2024	Actual	Budget	Variance	
Current Month **A**	$35,961	$30,091	$5,870	19.5%
Year-to-Date*	$393,655	$360,901	$32,754	9.1%

***** 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 $32,801,700.56 representing 14% of applicable system gross revenues for the month of November 2024, such payment being net of City utility services ($3,158,912.69), is hereby approved."

B. Minutes from the October Regular Board Meeting held on October 28, 2024
C. Minutes from the November Regular Board Meeting held on November 18, 2024
D. Procurement Items: None.

VI. COMMITTEE REPORTS

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

A. Audit and Finance (A&F) Committee Meeting held on October 24, 2024. The report is attached as Attachment "A" to the meeting minutes.
B. Employees Benefits Oversight Committee (EBOC) Meeting held on October 24, 2024. The report is attached as Attachment "B" to the meeting minutes.[1]

Also, in the interest of time, Chair Gonzalez accepted the submission of the following report of the Community Input Committee:

A. Community Input Committee Meeting held on December 6, 2024. The report is attached as Attachment "C" to the meeting minutes.

[1] The acceptance of the report for the November 4, 2024 Operations Oversight Meeting was deferred to the following meeting.

VII. STATE PUBLIC POLICY AGENDA 2025-2026

Ms. Kathy Garcia, Vice President, Government Relations, Regulatory Affairs & Public Policy, presented on CPS Energy's State Public Policy Agenda. She explained the four pillars of the policy: customer affordability & impacts, municipally owned utility business model, reliability & resiliency, and safety & security. She then requested support.

Trustee Dr. Macey moved approval of a resolution, Vice Chair Dr. Romero seconded, and the following resolution was approved unanimously:

RESOLUTION SUPPORTING CPS ENERGY'S PUBLIC POLICY PRIORITIES

WHEREAS, the Regular Session of the 89th Texas Legislature will convene on January 14, 2025 and will adjourn on June 2, 2025; and

WHEREAS, CPS Energy has developed and presented to this Board of Trustees our priorities and anticipated engagement, which are captured in four main pillars: 1) customer affordability and impacts, 2) municipally owned utility business model, 3) reliability and resiliency, and 4) safety and security; and

WHEREAS, the customer affordability and impacts pillar will focus CPS Energy on supporting proposals that will assist and protect customers and mitigate potential impacts to energy bills; and

WHEREAS, the municipally owned utility business model pillar will focus CPS Energy on opposing proposals that will negatively impact local decision-making authority through our governance model; and

WHEREAS, the reliability and resiliency pillar will focus CPS Energy on proposals that enhance generation resources and transmission infrastructure, and align with our commitments to our community and major initiatives such as Vision 2027 and Horizon 2050; and

WHEREAS, the safety and security pillar will focus CPS Energy on proposals that protect our employees and assets while integrating new information technologies and addressing physical safety issues; and

NOW, THEREFORE, BE IT RESOLVED, this CPS Energy Board of Trustees supports CPS Energy's public policy priorities focused on four main pillars: 1) customer affordability and impacts, 2) municipally owned utility business model, 3) reliability and resiliency, and 4) safety and security.

VIII. PROPOSED BOARD PROCUREMENT POLICY REVISIONS

Mr. Rudy Garza, President & CEO, introduced the topic, noting CPS Energy has made progress in this space to develop suppliers in our community to provide services for CPS Energy. He then noted that it was time for us to review the policy and discuss those potential changes.

Ms. Lisa Lewis, Chief Administrative Officer, provided an overview of the policy, procurement organization, strategy, and process. She then presented the proposed revisions to the Board Procurement Policy and Board Procurement Procedures.

Vice Chair Dr. Romero moved to approve the revisions to the Board Procurement Policy and the Procurement Procedures, and Mayor Nirenberg then seconded the motion. Trustee Dr. Mackey introduced some potential amendments, and Vice Chair Dr. Romero seconded the motion with the agreement that each amendment to the motion would be voted upon separately and then a final vote on the base motion, as amended, would occur. The Board then discussed and asked several questions.[2]

The Board of Trustees then returned to Trustee Dr. Mackey, he moved forward with making the following amendments to the Procurement Policy:

1. Revert to the original language in Section I to read "CPS Energy President & CEO," and to not amend this language. The motion passed unanimously.
2. Revert to the original language in Section IV regarding the dollar thresholds required for Board approval, and not amend this language. The motion passed unanimously. The Board further directed the President & CEO to benchmark thresholds with other similar utilities and present the information to the Board.
3. Remove authority for CPS Energy to provide a one-time contract term extension. The motion was withdrawn by Trustee Dr. Mackey.
4. Revert to the original language in Section VI regarding Compelling Business Reasons. The motion was withdrawn by Trustee Dr. Mackey.
5. Utilize the name of the position, e.g. Chief Administrative Officer or Vice President, Supply Chain instead of using "senior executive leader." The motion passed unanimously.

Trustee Steen then made a motion to clarify the proposed language in Section 2.4.2(n) of the Procurement Procedures to state that it is for a product or service that is patented, proprietary, or otherwise unique to the provider. Vice Chair Dr. Romero accepted this clarification as a friendly amendment.

The Board of Trustees then voted on the final motion to approve the Board Procurement Policy and the Board Procurement Procedures, including all accepted amendments. The motion was approved with a 4-1 vote, with Chair Gonzalez voting against the motion.

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[2] Trustee Steen requested that his remarks be included in full in the minutes, and the written statement he provided is attached as Attachment "D" to the meeting minutes.

IX. ENGAGED CUSTOMER RELATIONSHIP UPDATE

Ms. DeAnna Hardwick, Chief Customer Strategy Officer, presented on the Engaged Customer Relationship (ECR) Survey which provides insights derived from customer research to improve our customers' experience and provides an ability to benchmark against other utilities.

The Board of Trustees discussed, asked questions, and provided feedback.

X. FY2025 THIRD QUARTER PERFORMANCE UPDATE

Mr. Cory Kuchinsky, Chief Financial Officer, presented the financial results through the end of the third quarter, which ended on October 31. He noted the overall trends and reviewed the flow of funds. Ms. Elaina Ball, Chief Strategy Officer, reviewed the enterprise metrics and milestones through the third quarter.

The Board of Trustees discussed, asked questions, and provided feedback.

XI. CEO RECOGNITION

Ms. Elaina Ball, Chief Strategy Officer, recognized the team that planned, coordinated, and hosted Grillsgiving. The team helped make it an unforgettable day of community camaraderie and great food. It was a tremendous success due to this small, but mighty team, and we raised over $400,000 with the net proceeds all going to the Residential Energy Assistance Partnership (REAP).

XII. REVIEW OF ACTION ITEMS

Ms. Ramirez reviewed the previous action items, and she noted the new action items arose during the meeting.

XIII. EXECUTIVE SESSION

At approximately 4:11 p.m., Vice Chair Dr. Romero[3] announced the Board would go into Executive Session, and 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:

- Real Property (§551.072)
- Attorney-Client Matters (§551.071) & Competitive Matters (§551.086)

The Board reconvened in open session at 4:35 p.m. The quorum was re-established, and four 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.

[3] Chair Gonzalez departed the meeting and Vice Chair Dr. Romero led the remainder of the meeting.

XIV. ADJOURNMENT

There being no further business to come before the Board, upon a motion duly made by Trustee Dr. Mackey, seconded by Mayor Nirenberg, and upon an affirmative vote by all members present, the meeting was unanimously adjourned at 4:36 p.m. by Vice Chair Dr. Romero.

Shanna M. Ramirez
Secretary of the Board

AUDIT & FINANCE COMMITTEE (A&F)

EXECUTIVE SUMMARY AND CHAIR REPORT FROM THE OCTOBER 24, 2024 MEETING

PREPARED FOR CHAIR JANIE GONZALEZ

FOR REPORT AT THE DECEMBER 16, 2024 BOARD OF TRUSTEES MEETING

The Audit & Finance Committee met on October 24, 2024. As part of the Audit & Finance Committee agenda, the Committee:

A. Approved meeting minutes from the prior meeting held on July 18, 2024.

B. Received an update on request to be provided to the Board for approval of a second depository bank.

C. Received a procurement preview of new/rebid contracts.

D. Received the Audit Services Quarterly Report, including a review of project count, audit plan coverage, audit universe coverage, project feedback metrics, and the results of three completed projects.

The next meeting of the Audit & Finance Committee will be held in January 2025.

EMPLOYEE BENEFITS OVERSIGHT COMMITTEE (EBOC)

EXECUTIVE SUMMARY AND CHAIR REPORT FROM THE OCTOBER 24, 2024 MEETING

PREPARED FOR COMMITTEE CHAIR JANIE GONZALEZ

FOR REPORT AT THE DECEMBER 16, 2024 BOARD OF TRUSTEES MEETING

The EBOC met on October 24, 2024. As part of the EBOC agenda, the Committee:

A. Approved meeting minutes from the prior meeting held on July 18, 2024.

The Committee also received presentations regarding:

B. A Benefit Plans Administrative & Financial Update, which highlighted the following topics: governance overview and calendar review, and investment performance for the year to date through August 2024.

C. A recommendation from the Administrative Committee on proposed revisions to the Investment Policy (IP). The EBOC approved the recommended revisions to the IP.

D. The Restatement of Benefit Plan Documents, which included a summary of Benefit Plans document restatements and a request for approval. The EBOC approved this recommendation.

The next meeting of the EBOC will be held in January 2025.

Community Input Committee (CIC)
Committee Report

EXECUTIVE SUMMARY AND CHAIR REPORT FROM THE DECEMBER 6, 2024, MEETING
PREPARED FOR COMMITTEE CHAIR, DIANA AGUIRRE MARTINEZ
FOR REPORT AT THE DECEMBER 16, 2024, BOARD OF TRUSTEES MEETING

The Community Input Committee met on December 6, 2024. As part of the agenda, the Committee:

A. Received a presentation on CPS Energy's Renewable Portfolio Product Offerings. This presentation highlighted changes made in direct response to feedback from previous committee meetings regarding this proposed voluntary program that allows CPS customers to purchase renewable energy. The committee noted that the language used to describe the product offerings has improved so that customers are likely to readily understand the programs and the value in participating. They expressed interest in how these offerings would be rolled out to our customers in the future.

B. Received a presentation on CPS Energy's Horizon 2050 strategic plan and outreach efforts. The briefing included the number of customers who participated in providing input on the plan, the various focus groups held, and the methods used to contact participants. Members showed interest in how CPS Energy employees conducted the interviews and emphasized the attention given to ensure the sample groups were diverse. The long-term strategic plan aims to provide comprehensive guidance to tackle future challenges while ensuring sustainable growth and delivering exceptional service and value to our customers.

C. The CIC nominated and elected a Chair and Vice Chair for the 2025 calendar year. Lawson Picasso (City Council District 2 Appointee) was elected Chair, and Steve Bonnette (CIC At-Large Appointee) was elected Vice Chair.

12/16/24

John Steen Comments

Proposed Board Procurement Policy

Agenda Item #8

Ms. Lewis, thanks for undertaking this revision of CPS Energy's procurement policy partly in response to concerns I've been publicly expressing. I also want to thank two very capable attorneys on our staff, Deputy General Counsel Devi Kumar-Nambiar and Senior Counsel Ashley Glotzer, and, of course, our impressive outside lawyers, Chantel Febus of the Washington D.C. office of the Dykema law firm and Lisa Tatum.

I have high regard for the resourcefulness and integrity of Lisa Lewis and Maria Stanton, both of whom I've worked with for many years, so please understand that any reservations I'm about to express have nothing to do with them professionally, but are directed only at the procurement system for the purpose of making sure it's aligned with the five key principles of public sector procurement: transparency and fairness, value for money, competition, non-discrimination, and, lastly, accountability and integrity.

Let me begin by stating that, while I applaud the efforts to improve CPS Energy's procurement policy, I do have concerns.

First, regarding exemptions, please put up slide 5 of 8 or page 83. I want to focus on Section 2.4.2, which sets forth the exceptions to the competitive procurement process that Ms. Lewis has been referring to. Surprisingly, there are currently 13 exceptions starting with, for example, "An emergency arising from a public calamity that necessitates an immediate purchase be made in order to protect the public safety or preserve public property." The first eight exceptions are to be found on this page. Now put up slide 6 of 8 or page 84 where we see the next five exceptions, and then, in red, the two that Ms. Lewis and her team are recommending this board add today. 15 are a lot of exceptions, but I think the two Ms. Lewis proposes to add today make sense. However, please put up slide 9 of 9 or page 65. Note the last paragraph entitled "Audits of Procurement Activities" provides: "All procurement activities of CPS are subject to audit by CPS Energy internal and/or external auditors at the discretion of the Chief Audit Services Officer or the Audit Committee of the Board." I'm focusing on this language because we already have auditor involvement built into the procurement policy. So here's my suggestion. Notwithstanding my high regard for the people currently working in procurement leadership positions, we need to make sure someone is not misusing one of these exemptions to avoid competitive bidding and public scrutiny. What I propose is that our internal auditor or perhaps a designee on his staff be required to provide his or her written confirmation that an exemption is justified. Auditor sign-off should be a prerequisite to an exemption being utilized.

Second, regarding specific limitations for approval, please put up slide 11 or page 44. I, for one, think it's healthy and beneficial for this board to review and approve large procurement items in a public setting – letting the sun shine on the process as they say. So I believe it's going in the wrong direction if, as a result of this examination and revision of our procurement policy, we authorize raising thresholds for board approval. I get your rationale Ms. Lewis, but we need more light on this subject, not less. Therefore, I oppose this proposed change.

Third, in my two meetings with Ms. Lewis and the attorneys, I suggested language be added to our procurement policy that addresses trustee involvement – or more precisely lack of involvement – in the procurement process. In essence, I believe a trustee code of conduct in regard to procurement is advisable. In a nutshell, the only duties of a trustee are to vote on procurement items at a board meeting following questions and discussion at that meeting as well as at any duly called committee meetings. Trustees are not supposed to be involved in or insert themselves into procurement activities otherwise.

Apart from the three concerns I just outlined, I want to note the following. Ms. Lewis and counsel, when we twice conferred, specifically explained derisking our procurement policy to include only references to local and small businesses in terms of preferences, and I see that, in line with legal guidance, this has been accomplished.

Finally, let me wrap up by saying I'd like to offer amendments regarding auditor oversight of exemptions, my opposition to raising thresholds for board approval, and the incorporation into the procurement policy of a trustee code of conduct, but I've learned to be realistic and accept I will not receive any support for my proposed amendments so I'm going to settle for what staff has proposed to us today. It's progress, keeps us legal, and I'll take it. I'm going to vote to approve the proposed amendments.

Ms. Ramirez, I respectfully ask that my remarks be memorialized by being included in toto in the minutes of today's meeting. Thank you, that's all I have at this time.