

CPS ENERGY
MINUTES OF REGULAR MEETING OF THE BOARD OF TRUSTEES
HELD ON MAY 24, 2021

The Regular Meeting of the Board of Trustees of CPS Energy for the month of May was held on Monday, May 24, 2021 in the Board Room located on the First Floor of the CPS Energy headquarters located at 500 McCullough, San Antonio, Texas. In order to protect the health of the public and limit the potential spread of the Coronavirus (COVID-19), limited in-person attendance was enforced. Chair Dr. Mackey called the meeting to order at 1:00 p.m.

Present were Board members:

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

Also present were:

Ms. Paula Gold-Williams, President & CEO
 Ms. Carolyn E. Shellman, Chief Legal Officer & General Counsel and Board Secretary
 Mr. Frank Almaraz, Chief Power, Sustainability, & Business Development Officer
 Mr. Paul Barham, Chief Grid Optimization & Resiliency Officer
 Mr. Fred Bonewell, Chief Security, Safety & Gas Solutions Officer
 Ms. Vivian Bouet, Chief Information Officer
 Mr. Cory P. Kuchinsky, Chief Financial Officer & Treasurer
 Mr. Rudy Garza, Chief Customer Engagement Officer
 Mr. Gary Gold, Chief Business Excellence Officer
 Ms. Lisa Lewis, Chief Administrative Officer
 CPS Energy Staff Members
 City of San Antonio officials
 Interested Citizens

I. INVOCATION AND PLEDGE OF ALLEGIANCE

An invocation and the Pledge of Allegiance were delivered by Mr. LeeRoy Perez, Senior Director, Substation & Transmission.

II. SAFETY MESSAGE

The Board meeting began with safety messages delivered by Mayor Nirenberg and Ms. Gold-Williams.

Ms. Gold-Williams highlighted changes to CPS Energy's COVID-19 protocols, emphasizing physical distancing but indicating that masks are now optional. She explained that CPS Energy has new procedures for interacting with customers in the field and at payment centers, and noted that if customers want CPS Energy employees to wear masks, best efforts will be made to accommodate. We will continue to encourage employees to be vaccinated.

Ms. Gold-Williams noted that over the weekend there were no new COVID-19 cases at CPS Energy and that CPS Energy continues to be diligent and is seeing great improvement.

Mayor Nirenberg provided an update on the City of San Antonio's (City's) COVID-19 activity and vaccination progress. Mayor Nirenberg noted that some guidelines have changed for City facilities. The City is reporting that vaccinations are available and is encouraging people to be vaccinated.

Ms. Loretta Kerner, Director of Board Relations, Chief of Staff, provided a review of CPS Energy's evacuation plan for the Board Room.

III. PUBLIC COMMENT

Chair Dr. Mackey announced that public comments would be taken, and Ms. Kerner outlined the guidelines for doing so. The following persons made comments:

1. Ms. Molly (no last name provided), a Bexar County resident, raised concerns that CPS Energy would be disconnecting people affected by the winter storm event who are experiencing financial hardship. She requested that CPS Energy not disconnect customers and work with City programs as customers seek assistance.
2. Ms. Isabella Briseno, Texas Rising, requested that CPS Energy pause disconnections for the remainder of 2021. She stressed safety concerns associated with disconnections during the summer season. She also mentioned that there is a need for a critical care program to ensure power supply to those who have medical conditions.
3. Ms. Lexy Garcia, Texas Rising, expressed dissatisfaction with CPS Energy's performance, communication and responsiveness. She objected to disconnections and rate increases. She was not in agreement with recent comments from Trustee Ed Kelley pertaining to CPS Energy ratepayers facing economic hardship.
4. Ms. Elizabeth Montgomery, a resident of the 78232 area code, asked the Board to not resume disconnections or increase rates for customers for the remainder of 2021.
5. Ms. DeeDee Belmares, Public Citizen, expressed appreciation to Vice Chair Gonzalez for nominating her to the Rate Advisory Committee (RAC). Ms. Belmares believes that the RAC's work comes at a critical time as CPS Energy considers resuming disconnections and a rate increase while customers are still trying to recover from the financial effects of the pandemic and the winter storm event.
6. Ms. Karen Muñoz, St. Mary's University law student, was critical of Trustee Kelley's comments concerning the ongoing pandemic and the consequences of the winter storm. Ms. Muñoz requested that CPS Energy not resume disconnects and not raise rates and urged other solutions.
7. Mr. Aaron Arguello, Move Texas, expressed his concern that the winter storm event and pandemic caused many to fall behind on bills, and urged no disconnects for the remainder of 2021. He also urged protection from disconnects for those who have critical-care medical conditions. He

requested that CPS Energy not pass the costs associated with Winter Storm Uri on to customers and called for no rate increases.

8. Mr. Terry Burns, Sierra Club, objected to challenges to the petition to remove CPS Energy's Board of Trustees (Board). He also objected to costs from the winter storm event, resuming disconnects and rate increases.
9. Dr. Meredith McGuire, Sierra Club, spoke against any rate increase for residential customers and was critical of the rate structure for commercial and residential customers.

IV. CEO'S REPORT

Ms. Gold-Williams provided an overview of her written report and noted that the report would be posted after the meeting.

Ms. Gold-Williams stated that there have been no disconnects since CPS Energy suspended disconnects in March 2020. She explained that some utilities in Texas have already resumed disconnects, but that CPS Energy understands the sensitivity of the situation and recognizes that there are many customers who need help. She noted that CPS Energy has payment plans and the Energy Angels Program, and that other forms of assistance are available. Ms. Gold-Williams stated that CPS Energy has not set a reinstatement date for disconnecting customers who do not pay their bills, but that management would be working with the Board to identify when that date will be. She stressed that CPS Energy is committed to helping its customers and stabilizing normal operations.

Ms. Gold-Williams explained that the Board would hear Part 3: The Sustainability Approach of the financial plan, a preview addressing the need for rate increases to sustain normal operations. She expressed pride that CPS Energy has only had one rate increase in the past eleven years—seven years ago. Ms. Gold-Williams emphasized the importance of operations as the city continues to experience increased development. She noted that delinquent accounts have increased over \$100 million, and that Winter Storm Uri itself created an additional \$1 billion in incremental costs.

Ms. Gold-Williams explained that CPS Energy is not requesting a rate increase at this time but would only be discussing general estimates for what a rate increase might be. She noted that a formal request for a rate increase would be a separate process to be conducted after CPS Energy evaluates its summer, after having provided updates to the Board throughout the summer, and after the opportunity to answer questions from the community and have conversations with the public. She identified a potential September/October timeframe for such a request to the Board.

Ms. Gold-Williams provided an update concerning CPS Energy's response to the Mayor's Committee on Emergency Preparedness (CEP). She reported that CPS Energy has worked with the committee for over a month on this effort and has answered all 35 of the committee's requests for information.

Ms. Gold-Williams explained that CPS Energy is in discussions with parties, including the Power Subcommittee of the San Antonio Economic Development Foundation (SAEDF), concerning ideas and projects to improve the overall stability of the grid. She also reported that CPS Energy is meeting with suburban cities to discuss ideas to improve **Resiliency**.

Ms. Gold-Williams discussed a preliminary version of the Resilience Landscape and Plan, which will be submitted to the Board's Technology and Resiliency Committee. She explained that the report emphasizes the ability of CPS Energy's systems to recover from an event and return to full operation, and addresses challenges associated with **Resiliency** such as weather events, cyber issues, and geomagnetic disturbances, and how to create more **Reliability** across Texas. She stressed that this first draft will continue to be updated.

Ms. Gold-Williams also explained that as part of its efforts to strengthen **Resiliency**, CPS Energy would be reviewing its emergency operation procedures, conducting training, and engaging in table top exercises. She mentioned that table top exercises are planned with the City under City Manager Erik Walsh's direction, and that CPS Energy is also working on table top exercises with utilities including the San Antonio Water System (SAWS). Vice Chair Gonzalez requested that the Board's review of all **Resiliency** options include an equity lens component.

After concluding her prepared remarks, Ms. Gold-Williams introduced Mr. Gary Gold, Chief Business Excellence Officer and former CFO. She, Chair Dr. Mackey and the Trustees recognized Mr. Gold's impending retirement and congratulated him on a career spanning almost sixteen years with CPS Energy. Ms. Gold-Williams also introduced Mr. Kuchinsky, whose appointment as Treasurer of the CPS Energy Board is being proposed, and noted that Mr. Kuchinsky was recently promoted to CFO. The Board members expressed their congratulations.

V. RESOLUTION FOR APPOINTMENT OF TREASURER TO THE CPS ENERGY BOARD OF TRUSTEES

On motion duly made by Trustee Steen, seconded by Trustee Kelley, and upon affirmative vote by all members present, the following resolution was approved:

WHEREAS, the CPS Energy Board of Trustees is required to designate and authorize specific officers and staff to conduct financial transactions on behalf of CPS Energy; and

WHEREAS, effective August 1, 2020, CPS Energy appointed Gary Gold to serve as the Interim Chief Financial Officer (CFO), to oversee all of CPS Energy's financial functions; and

WHEREAS, Mr. Gold announced that he will retire on June 30, 2021; and

WHEREAS, to effectuate a smooth transition, effective May 17, 2021, Mr. Gold was named Chief Business Excellence Officer and CPS Energy appointed Cory P. Kuchinsky to serve as the Chief Financial Officer (CFO), to oversee all of CPS Energy's financial functions; and

WHEREAS, in his new role as CFO, Mr. Kuchinsky will assume responsibility for managing and directing the financial transactions that require Board of Trustees approval and will be providing support to the Board related to these financial matters; and

WHEREAS, Mr. Kuchinsky was most recently and currently serves as an Assistant Treasurer, and

WHEREAS, the Board previously appointed Shannon R. Albert, who now serves as Vice President – Accounting, Julie Johnson, who now serves as Sr. Director, Treasury & Finance, and Maricela Benavides, who

now serves as Sr. Director, Financial Systems & Strategic Projects, to serve as Assistant Treasurers to the Board; and

WHEREAS, one Treasurer and three Assistant Treasurers will facilitate more effective and timely financial transaction coverage.

NOW, THEREFORE, BE IT RESOLVED that the CPS Energy Board of Trustees hereby approves the appointment of Cory P. Kuchinsky as Treasurer to the Board of Trustees, effective May 17, 2021.

VI. EXECUTIVE SESSION

At approximately 2:04 p.m., Ms. Shellman 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:

- Personnel Matters (§551.074)

The Board reconvened in open session at 4:23 p.m. The quorum was re-established. Ms. Shellman asked City Attorney Andy Segovia, who was present in the Executive Session, to confirm that only the matters cited above, and no others, were discussed and no votes were taken in Executive Session. Mr. Segovia confirmed the accuracy of that statement.

VII. BOARD'S INDEPENDENT REVIEW OF THE 2021 EXTREME WINTER WEATHER EVENT

The item was pulled from the agenda over Trustee Steen's objection. Mayor Nirenberg commented that the decision to delay action concerning the item, apart from time constraints, was made so that a report from a select committee of the City of San Antonio appointed by Mayor Nirenberg to address the extreme winter storm event, which is expected to be completed by June 15, 2021, can be considered as part of the Board's requested review.

VIII. APPROVAL OF CONSENT ITEMS

On motion duly made by Trustee Kelley, seconded by Trustee Gonzalez, and upon affirmative vote by all members present, the following items on the Consent Agenda were unanimously approved.

Approval of Minutes

Minutes of the Special Board Meeting held on April 22, 2021 were approved with amendments noted to item 1, section 2. It was noted by Ms. Gold-Williams in a response to a question from Trustee Steen that minutes for the April 26, 2021 Regular Board Meeting would be submitted for Board approval during the June 28, 2021 Board meeting to allow time for additional edits.

Approval of Payment to the City of San Antonio for April 2021

The April 2021 payment was approved by the Board. A correction to the report was made to include the correct amount of payment made year-to-date, to reflect \$73,130, at the request of Trustee Kelley.

The New Series Bond Ordinance that took effect February 1, 1997 provides for a total cash payment to the City of San Antonio (City) in an amount not to exceed 14% of gross revenue as calculated pursuant to such Ordinance, less the value of other services provided to the City, with the percentage (within the 14% limitation) to be determined by the governing body of the City. The cash transfer to the City for the month of April 2021 is based on actual gross revenue per the New Series Bond Ordinance of \$181,421,777.76, less applicable exclusions. In accordance with the New Series Bond Ordinance, current month revenue was insufficient to meet the City Payment by \$3,376,981.06. Under the previously approved agreement with the City, CPS Energy will advance to the City \$3,376,981.06 against future months' revenues for fiscal year 2022. The revenue for the month of April 2021 is calculated as follows:

Gross revenue per CPS Energy financial statements	
Electric revenue	\$177,224,654.03
Gas revenue	14,420,213.12
Interest and other income	2,047,406.09
Gross revenue per CPS Energy financial statements	<u>193,692,273.24</u>
Excluded revenue	
School and hospital revenue per City Ordinance 55022	(6,581,724.63)
LVG revenue per City Ordinance 100709	0.00
Fuel cost component of off-system nonfarm energy sales per City Ordinance 61794 and revenue for wholesale special contracts	(13,113,883.47)
Noncash and other income, GASB 31 investment market value change, miscellaneous interest income, gas billing adjustment and unbilled Revenue	<u>7,425,112.62</u>
Total excluded revenue	<u>(12,270,495.48)</u>
Gross revenue per New Series Bond Ordinance subject to 14% payment to the City	<u>\$181,421,777.76</u>
City payment per Bond Ordinance for April 2021 based upon April 2021 revenue	\$25,399,048.89
City payment per memorandum of understanding (MOU) regarding wholesale special contracts	1,019,402.57
Wholesale Special Contract Annual True Up	0.00
City Payment reduction per gas customer billing adjustment MOU	<u>(12,500.00)</u>
City payment per Bond Ordinance plus adjustments for memorandums of understanding	26,405,951.46 A
Utility services provided to the City for April 2021	<u>(2,652,861.57)</u>
Net amount to be paid from April 2021 revenue to the City in May 2021	<u>\$23,753,089.89</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)

April 2021	Actual	Budget	Variance	
Current Month* A	\$26,406	\$25,409	\$997	3.9%
Year-to-Date*	\$74,948	\$73,130**	\$1,818	2.4%

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

**This amount excludes an adjustment of \$1,233K to the March 2021 budgeted city payment amount. This adjustment was made after the issuance and approval of the April 26, 2021 City Payment Report. This adjustment to the budget amount will be reflected in the report that will be presented for approval on June 28, 2021.

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 \$23,753,089.89 representing 14% of applicable system gross revenues for the month of April 2021, such payment being net of City utility services (\$2,652,861.57), and including the current month deficiency, is hereby approved." The total amount to be recovered from future months' revenues for fiscal year 2022 is \$49,419,082.35.

IX. COMMITTEE REPORTS

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

Audit & Finance (A&F) Meeting held on April 15, 2021

A report of the A&F meeting, which took place on April 15, 2021, was posted with the public notice of this meeting and will be attached (as Attachment "A") to the meeting minutes.

Employee Benefits Oversight Committee (EBOC) Meeting held on April 15, 2021

A report of the EBOC meeting, which took place on April 15, 2021, was posted with the public notice of this meeting and will be attached (as Attachment "B") to the meeting minutes.

A&F & EBOC Aligned Risk Sub-Committee Meeting held on April 15, 2021

A report of the A&F & EBOC Aligned Risk Sub-Committee meeting, which took place on April 15, 2021, was posted with the public notice of this meeting and will be attached (as Attachment "C") to the meeting minutes.

Master Planning Oversight Committee (MPOC) Meeting held on April 26, 2021

A report of the MPOC meeting, which took place on April 26, 2021, was posted with the public notice of this meeting and will be attached (as Attachment "D") to the meeting minutes.

X. FY2022 FINANCIAL PLAN PART 3 – SUSTAINABILITY APPROACH

Mr. Kuchinsky provided a presentation on CPS Energy's financial sustainability efforts that included a review of CPS Energy's current financial landscape, an explanation of the drivers of a provisional rate increase, a discussion of the risks and consequences of removing the provisional rate increase, a review of **Customer Affordability**, and an outline on the path forward.

Mr. Kuchinsky explained that CPS Energy's Sustainability Approach has two elements, a cost control component and a potential provisional rate increase. He emphasized that managing affordability was CPS Energy's utmost priority.

The sustainability model presented by Mr. Kuchinsky addressed costs due to operations and growth, pandemic-related bad debt recovery, and fuel cost recovery associated with Winter Storm Uri. Mr. Kuchinsky set out the estimated bill impact for these matters and reported a combined projected provisional increase of between 6.5% and 9.5% for all of these cost recovery efforts.

Mr. Kuchinsky reminded the Board that CPS Energy's only rate increase during the last 11 years occurred seven years ago, in 2014. He described CPS Energy's ability to avoid rate increases in part through cost savings and maximizing efficiencies achieved during the last several years.

Trustee Kelley remarked favorably on CPS Energy's ability to avoid rate increases for such a long period of time. He noted that CPS Energy has the lowest energy costs in Texas and among the lowest in the country with the last rate increase of 4.5% occurring seven years ago. Mr. Kelley maintained these points prove that CPS Energy is very efficient and that they should be stressed.

Vice Chair Gonzalez inquired about the location of capital project improvements in the community, and added that she would like to see these from an equity lens.

Mayor Nirenberg requested more detail of the estimates on operations and future customer growth. He inquired whether the projected estimates factor accounts for the **FlexPOWER BundleSM**, and requested maintenance cost information.

Mayor Nirenberg also commented that final costs to CPS Energy from Winter Storm Uri are subject to challenge and litigation by CPS Energy and that CPS Energy will only pay for costs it actually owes, and those who suffered from the Winter Storm Uri event should not be saddled with unjustified bills.

Mr. Kuchinsky emphasized that these estimates in the presentation are subject to change and serve as a starting point for a conversation that will continue with the Board.

Vice Chair Gonzalez requested the percentage of customers who are senior citizens and who require the use of medical devices.

XI. FY2022 FINANCIAL PLAN PART 4 – UPDATED BUDGET PROPOSAL

Ms. Albert provided a preview of the FY2022 & FY2023 budget projections for capital and non-fuel operations and maintenance (O&M) costs. She emphasized that CPS Energy's business model is as a cost recovery business in that revenue sources should meet usage costs. Ms. Albert noted that these budget items

will be brought to the Board for a vote during the June 26, 2021 Board meeting. Ms. Albert presented the FY2022 budget estimate of \$2,715.7 billion. She also reported that CPS Energy's FY2022 budget projects a proposed loss of \$34.4 million, but a marked improvement in metrics during FY2023, with a net income estimate of \$71.9 million.

Ms. Albert noted that budget proposals are typically brought to the Board in February, but that the budget assumptions needed to be refreshed due to the impacts of COVID-19 and Winter Storm Uri on receivables and debt.

Ms. Albert indicated what the next steps would be for budget approval. She mentioned that CPS Energy would continue to monitor its financial performance and continue to give the Board updates on this matter. She anticipated bringing a proposal for a vote to the Board during the late fall.

Mayor Nirenberg questioned some of the growth assumptions but acknowledged being aware that some variability and changing of budget projections is expected going forward.

Vice Chair Gonzalez requested more detailed information on capital projects going forward, including capital investment by zip code and all projects put on hold during 2020.

Trustee Kelley noted that according to the budget estimates, 90% of revenue is coming from the retail electric business. He suggested CPS Energy would want to disaggregate that revenue number between residential, small business, and large business customers, and determine what the operating margins are in those three areas and what they are contributing to the cash flow of the company. Trustee Kelley also requested information on the marginal impact to customers.

Ms. Albert responded that data shows about 45 percent of revenue is generated from residential business and 47 percent of revenue from commercial/industrial revenue, with a small portion from other rate classes.

Trustee Kelley also cautioned that if CPS Energy is increasingly relying on financial markets to increase debt while the cash generating portion of revenue is declining, it should look at the capital expenditures critically to identify any capital projects that could be deferred.

XII. TEZEL SUBSTATION ROUTING & SITING

Mr. Perez presented a site recommendation for a substation located in the Tezel Road/Guilbeau Road area, inside San Antonio city limits. He explained that the project is in alignment with **Reliability** and is needed to increase capacity for residential and commercial growth in northwest San Antonio. Mr. Perez mentioned that the site choice minimizes proximity to residents, is adjacent to existing power lines and will not require resident displacement. He also explained that the site was among the lowest for projected costs and will not require any ordinances or impact federal species habitats.

Mr. Perez also reported on CPS Energy's outreach efforts to residents in the affected area, which date back to 2020. He noted that the majority of the residents who provided comments on the project were either in support or neutral on the site recommendation. He also reported that the Citizens Advisory Committee (CAC) is in support of the recommendation.

Mr. Perez mentioned that the site recommendation will be considered during the Board's Public Input Session scheduled for June 24, 2021 and will likely be submitted to the Board for approval on July 26, 2021. The project is expected to be completed by January 2024.

XIII. ADJOURNMENT

There being no further business to come before the Board, upon a motion duly made by Mayor Nirenberg, and seconded by Vice Chair Gonzalez, and upon an affirmative vote by all members present, the meeting was unanimously adjourned at 5:34 p.m. by Chair Dr. Mackey.



Shanna M. Ramirez
Secretary of the Board