



**CPS ENERGY BOARD OF TRUSTEES MEETING
TO BE HELD ON APRIL 22, 2024, AT 10:00 AM
LOCATION: CPS ENERGY BOARD ROOM (500 MCCULLOUGH AVE)**

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

AGENDA

ITEM	TOPIC	ACTION	PRESENTER/ SPONSOR
1	CALL TO ORDER	Execute	Ms. Janie Gonzalez
2	SAFETY MESSAGE, INVOCATION & PLEDGE OF ALLEGIANCE	Execute	Mr. David Ramirez
3	PUBLIC COMMENT Pre-Registration is from Wednesday, April 17, 2024, 5:00 PM – Friday, April 19, 2024, 1:00 PM. Dial (210) 353-4662 or email PublicCommentRegistration@CPSEnergy.com	Discuss	Ms. Janie Gonzalez
UPDATE ON CHAIR’S PRIORITIES			
4	CHAIR’S REMARKS	Discuss	Ms. Janie Gonzalez
CONVENE TO EXECUTIVE SESSION			
5	EXECUTIVE SESSION: A. Real Property (§551.072) B. Competitive Matters (§551.086), Security Audits & Devices (§551.089), & Confidential Information Under the Texas Homeland Security Act (§418.182(f)) C. Competitive Matters (§551.086) & Attorney-Client Matters (§551.071) D. Attorney-Client Matters (§551.071) E. Attorney-Client Matters (§551.071)	Discuss	Ms. Janie Gonzalez
RECONVENE TO OPEN SESSION			
6	APPROVAL OF CONSENT ITEMS: A. Payment to the City of San Antonio for March 2024 B. Minutes from the February Regular Board Meeting, held on March 4, 2024	Vote	Ms. Janie Gonzalez

	<p>C. Minutes from the March Regular Board Meeting, held on March 25, 2024</p> <p>D. Resolution Approving Substation Purchase</p> <p>E. Employee Benefit Plans Statement of Governance</p> <p>F. Procurements Items: 1. Commodity & Material Goods: Metal-Clad Substation Switchgear (Mr. Richard Medina)</p>		
REGULAR AGENDA			
7	<p>COMMITTEE REPORTS</p> <p>A. Personnel Committee meeting held on March 19, 2024 (Ms. Janie Gonzalez)</p> <p>B. Operations Oversight Committee (OCC) meeting held on March 26, 2024 (Dr. Francine Romero)</p> <p>C. Personnel Committee meeting held on April 9, 2024 (Ms. Janie Gonzalez)</p>	Discuss	Ms. Janie Gonzalez
8	<p>ENTERPRISE RESOURCE PLANNING (ERP) TRANSFORMATION PROGRAM</p> <p>(Mr. Evan O’Mahoney)</p>	Discuss & Vote	Ms. Janie Gonzalez
9	<p>ANNUAL AUDITED FINANCIAL STATEMENTS</p> <p>(KPMG, Mr. Andy Crouch)</p>	Discuss	Mr. Cory Kuchinsky
10	<p>CEO RECOGNITION</p>	Discuss	Mr. Rudy Garza
11	<p>REVIEW OF ACTION ITEMS</p>	Discuss	Ms. Shanna Ramirez
12	<p>ADJOURNMENT</p>	Execute	Ms. Janie Gonzalez
<p>If the Board meeting has not adjourned by 12:35 PM, the presiding officer may entertain a motion to continue the meeting, postpone the remaining items to the next Board meeting date, or recess and reconvene the meeting at a specified date and time.</p>			

CPS Energy Board of Trustees Meeting April 22, 2024

Approval of Payment to the City of San Antonio for March 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 March 2024 is based on actual gross revenue per the New Series Bond Ordinance of \$206,907,648.19, less applicable exclusions. In accordance with the New Series Bond Ordinance Flow of Funds requirements, current month revenue did not meet the full obligation for City Payment by \$8,118,979.92. This situation is a common occurrence for CPS Energy in the spring months due to the seasonal billing patterns. Under the previously approved agreement with the City, CPS Energy will advance to the City \$8,118,979.92 against future months' revenues for fiscal year 2025. The revenue for the month of March 2024 is calculated as follows:

Gross revenue per CPS Energy financial statements	
Electric revenue	\$208,736,168.73
Gas revenue	17,677,290.97
Interest and other income	7,224,246.85
Gross revenue per CPS Energy financial statements	233,637,706.55
Excluded revenue	
School and hospital revenue per City Ordinance 55022	(4,346,591.32)
LVG revenue per City Ordinance 100709	(25,582.61)
Fuel cost component of off-system nonfirm energy sales per City Ordinance 61794 and revenue for wholesale special contracts	(8,547,662.97)
Noncash and other income, GASB 31 investment market value change, miscellaneous interest income, gas billing adjustment and unbilled revenue	(13,810,221.46)
Total excluded revenue	(26,730,058.36)
Gross revenue per New Series Bond Ordinance subject to 14% payment to the City	\$206,907,648.19
City payment per Bond Ordinance for March 2024 based upon March 2024 revenue	\$28,967,070.75
City payment per memorandum of understanding (MOU) regarding wholesale special contracts	639,644.87
City Payment reduction per gas customer billing adjustment MOU	(12,500.00)
City payment per Bond Ordinance plus adjustments for memorandums of understanding	29,594,215.62 A
Utility services provided to the City for March 2024	(2,849,785.78)
Net amount to be paid from March 2024 revenue to the City in April 2024	\$26,744,429.84

CPS Energy Board of Trustees Meeting April 22, 2024

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)

March 2024	Actual	Budget	Variance	
Current Month A	\$29,594	\$30,856	(\$1,262)	-4.1%
Year-to-Date	\$61,527	\$64,096	(\$2,569)	-4.0%

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 \$26,744,429.84 representing 14% of applicable system gross revenues for the month of March 2024, such payment being net of City utility services (\$2,849,785.78), and including the current month shortage, is hereby approved." The total amount to be recovered from future months' revenues for fiscal year 2025 is \$8,118,979.92.

Draft for review and approval
at the April 22, 2024 meeting

**CPS ENERGY
MINUTES OF THE REGULAR MEETING OF THE BOARD OF TRUSTEES
HELD ON MARCH 4, 2024**

The Regular Meeting of the Board of Trustees of CPS Energy for the month of February was held on Monday, March 4, 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 1:03 p.m.)

Also present were:

Mr. Rudy Garza, President & CEO
Ms. Elaina Ball, Chief Strategy Officer
Ms. Shanna M. Ramirez, Chief Legal & Ethics Officer, General Counsel & Board Secretary
Mr. Cory Kuchinsky, Chief Financial Officer & Treasurer
Ms. DeAnna Hardwick, Chief Customer Strategy Officer
Mr. Evan O'Mahoney, Chief Information Officer
Ms. Lisa Lewis, Chief Administrative Officer
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. James Massey, Senior Manager for Business Administration.

III. PUBLIC COMMENT

Ms. Henrietta LaGrange, community member, stated her appreciation for Trustee Dr. Mackey, especially during Black History Month. She states that they both had an understanding of each other's cultures, and although it was not easy to walk in these steps, they are here now and will do great. She further stated they would help Mr. Rudy Garza and Chairman Janie Gonzalez do great things at CPS Energy. She also thanked Mr. Garza for his hard work and dedication.

Mr. Yenter Tu, founder and CEO of the Deaf Association of San Antonio, stated he is grateful to have a partnership with SAWS, and stated his appreciation for CPS Energy working to have the same partnership. He stated that not all members of the deaf community are able to read text, and he encouraged CPS Energy to add accessibility through a sign language interpreter that individuals can watch instead of receiving notices

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in the mail. He also noted that sometimes there are miscommunications in captions, and it's easier to have an interpreter for public meetings or planned outages for the well-being of all customers.

Ms. DeeDee Belmares, Public Citizen, urged the Board to approve the bylaws changes to establish the Community Input Committee. She stated that CPS Energy has come a long way in engaging with the public and being transparent and that the work of the subcommittees will be important, especially the work on rates.

Mr. Alan Montemayor, Alamo Group of the Sierra Club, stated he believed there was a great opportunity for more cooperation between SAWS and CPS Energy to save energy and install solar arrays at SAWS facilities, which would be a win-win for San Antonio. He also noted that he hoped that the proposed changes to the bylaws for the Community Input Committee would create more input from citizens. Finally, he urged the Board to accelerate a process to move away from natural gas.

IV. CHAIR'S REMARKS

Chair Gonzalez highlighted upcoming community events that reflect CPS Energy's commitment to outreach. She noted that there is a focus on connecting customers with bill assistance and weatherization. She encouraged members of our community, including small and medium business customers, to visit our website for more information and encouraged attendance at the events. Next, she reminded individuals to call 811 before digging. As springtime approaches, it's important to be mindful of underground utility lines and prevent costly damage to our gas lines. She noted that March 18 is National Gas Utility Workers' Day, and stated appreciation for our workers. She then stated her appreciation for Trustee Dr. Mackey for being active in our community, representing the Board of Trustees, and serving as a role model for our employees during Black History Month. Finally, she stated Women's History Month is dear to her heart. She recognized the vital contributions of women at CPS Energy and within the energy sector and recognized accomplishments within the field.

V. APPROVAL OF CONSENT ITEMS

On a motion duly made by Trustee Dr. Mackey, seconded by Vice Chair 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 January 2024 & Additional Transfer to the City of San Antonio for FY2024

Approval of Payment to the City of San Antonio for January 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 January 2024 is based on actual gross revenue per the New Series Bond Ordinance of \$254,398,043.04, less applicable exclusions. The revenue for the month of January 2024 is calculated as follows:

Gross revenue per CPS Energy financial statements

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Electric revenue	\$269,079,906.38
Gas revenue	37,120,170.49
Interest and other income	8,186,359.47
Gross revenue per CPS Energy financial statements	<u>314,386,436.34</u>
Excluded revenue	
School and hospital revenue per City Ordinance 55022	(6,710,219.55)
LVG revenue per City Ordinance 100709	(46,798.14)
Fuel cost component of off-system nonfirm energy sales per City Ordinance 61794 and revenue for wholesale special contracts	(20,753,374.27)
Noncash and other income, GASB 31 investment market value change, miscellaneous interest income, gas billing adjustment and unbilled revenue	<u>(32,478,001.34)</u>
Total excluded revenue	<u>(59,988,393.30)</u>
Gross revenue per New Series Bond Ordinance subject to 14% payment to the City	<u>\$254,398,043.04</u>
City payment per Bond Ordinance for January 2024 based upon January 2024 revenue	\$35,615,726.03
City payment per memorandum of understanding (MOU) regarding wholesale special contracts	432,273.91
Wholesale Special Contract Annual True Up	3,268,335.83
City Payment reduction per gas customer billing adjustment MOU	(12,500.00)
Annual True up/ (down) per gas customer MOU	<u>(2,229.50)</u>
City payment per Bond Ordinance plus adjustments for memorandums of understanding	39,301,606.27 A
Utility services provided to the City for January 2024	<u>(3,043,434.30)</u>
Net amount to be paid from January 2024 revenue to the City in February 2024	<u>\$36,258,171.97</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)

January 2024	Actual	Budget	Variance	
Current Month* A	\$39,302	\$34,564	\$4,738	13.7%
Year-to-Date*	\$449,351**	\$436,846	\$12,505	2.9%

* 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.

ADDITIONAL FUNDING AND TRANSFERS

Accrued January 2024 – Additional Transfer per Bond Ordinance	
Total	<u>\$12,853,204.34</u> B

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Approval of the following resolution is requested:

- A **"BE IT RESOLVED** by the CPS Energy Board of Trustees that payment to the City of San Antonio in the amount of \$36,258,171.97 representing 14% of applicable system gross revenues for the month of January 2024, such payment being net of City utility services (\$3,043,434.30), is hereby approved."
- B **"BE IT RESOLVED** by the CPS Energy Board of Trustees that payment to the City of San Antonio in the amount of \$12,853,204.34, representing an additional transfer within the allowed 14% of applicable system gross revenues, is hereby approved."

CPS Energy's management team has verified that collectively all of the City Payments mentioned herein fit under the Bond ordinance maximum of 14% of applicable revenues, including the following:

- A. The amounts paid routinely during the year, net;
- B. The additional distribution paid once for the year.

B. Board Committee Assignments

C. Procurement Items: None

VI. COMMUNITY COMMITTEE BYLAWS AMENDMENT

Ms. Ashley Glotzer, Director, Senior Counsel, presented the proposed amendments to the Citizens Advisory Committee (CAC) bylaws establishing the Community Input Committee, and reviewed the process CPS Energy took in developing the bylaws.

Trustee Dr. Mackey made a motion to approve the amendments to the bylaws, which was seconded by Mayor Nirenberg. The Board of Trustees discussed the presentation and asked questions. The motion failed 2-3, with Chair Gonzalez, Vice Chair Dr. Romero, and Trustee Steen voting against the motion.¹

Mayor Nirenberg made a motion to reconsider the item at the next Board meeting on March 25, 2024, which was seconded by Vice Chair Dr. Romero. The motion was approved unanimously. The Board of Trustees provided direction to post the proposed bylaws on the CPS Energy website to allow the public to view the proposed bylaws and provide any feedback.

VII. PROCUREMENT UPDATE

Ms. Maria Stanton, Vice President of Procurement, presented the procurement process overview. She noted we are executing our Vision 2027 strategy, with procurement spending trending in a positive direction for diverse, small, and local businesses. She also provided an update on our outreach efforts to potential vendors and stakeholders to build partnerships within our community, noting that our supplier development events have increased 130% since FY2022. Finally, she summarized our improved contracting opportunities.

¹ Trustee Steen requested that his rationale for voting against the motion be included in the minutes. He stated the following concerns: (1) because the materials were drafts that constituted attorney work-product, they were not included in the public Board meeting materials, and he was not able to share the proposed bylaws and receive feedback, particularly from Mr. Reed Williams, the former chair of the Rate Advisory Committee (RAC); (2) the proposed changes may overload the unpaid volunteers with the changes to the meeting requirements; and (3) the quorum requirement may mean that the vote of six members could constitute a decision by the committee and the quorum requirements should be more like the RAC.

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The Board of Trustees discussed the presentation and asked questions.

VIII. COMMITTEE REPORTS

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

- A. Audit and Finance Committee (A&F) meeting held on January 22, 2024. The report is attached as Attachment "A" to the meeting minutes.
- B. Employee Benefits Oversight Committee (EBOC) meeting held on January 22, 2024. The report is attached as Attachment "B" to the meeting minutes.

IX. CEO RECOGNITION

Mr. Rudy Garza, President & CEO, recognized our Corporate Communications & Marketing Team for their extraordinary storytelling work in February.

Mr. Garza also recognized the Customer Strategy Team for their work with our customers, aiding, and helping them manage energy consumption. He shared a video that reflected our customers' appreciation for the Customer Strategy Team and their positive work.

X. REVIEW OF ACTION ITEMS

Ms. Ramirez reviewed the previous action items and reviewed two new action items.

XI. EXECUTIVE SESSION

At approximately 2:47 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)
- Competitive Matters (§551.086)
- Security Audits & Devices (§551.089), & Confidential Information Under the Texas Homeland Security Act (§418.182(f))

The Board reconvened in open session at 3:21 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.

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XII. ADJOURNMENT

There being no further business to come before the Board, upon a motion duly made by Mayor Nirenberg, seconded by Vice Chair Dr. Romero, and upon an affirmative vote by all members present, the meeting was unanimously adjourned at 3:21 p.m. by Chair Gonzalez.

Shanna M. Ramirez
Secretary of the Board

DRAFT

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**CPS ENERGY
MINUTES OF THE REGULAR MEETING OF THE BOARD OF TRUSTEES
HELD ON MARCH 25, 2024**

The Regular Meeting of the Board of Trustees of CPS Energy for the month of March was held on Monday, March 25, 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 1:09 p.m.)

Also present were:

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

II. SAFETY MESSAGE, INVOCATION AND PLEDGE OF ALLEGIANCE

A safety message, invocation, and the Pledge of Allegiance were delivered by Mr. Eugene Diaz, Managing Principal for Debt Management.

III. PUBLIC COMMENT

Ms. Henrietta LaGrange, community member, stated it is a great opportunity and blessing for her to be here today. She is proud of CPS Energy's participation in the Cesar Chavez Day March. She stated that Ms. Elaina Ball is an amazing worker who dedicates herself to the Affordability Discount Program, and she appreciates that Ms. Ball is leading the efforts on changes to the Program.

Mr. Yenter Tu, founder and CEO of the Deaf Association of San Antonio, stated he would like to thank the Board of Trustees for their services in the community to help customers be prepared for any emergencies. He noted that he will attend the April 4 community event. Finally, he noted that he signed up

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for weather alerts, but there are deaf people in the community who have difficulty reading, and he requested that there be recorded messages in American Sign Language (ASL).

Mr. Larry Leos, retiree from the U.S. Postal Service, stated he has been a longtime servant to the deaf community. He holds a meeting every Friday to assist members of the community, and he has often been alone in helping the deaf community. He stated there are several barriers for deaf individuals reading bills, and because of that some call 911 to receive help with utility matters. He stated he loves helping people in his community and hopes that CPS Energy can assist members of the deaf community by providing ASL. Finally, he thanked CPS Energy for providing translation/interpreter services at the meeting.

Ms. DeeDee Belmares, Public Citizen, urged the Board to expand enrollment into ADP by changing the requirement to 150% federal poverty level. She noted that a severe energy burden is prevalent in San Antonio and that many customers are struggling every day to stay afloat. She also would appreciate CPS Energy doing what they are able to help deaf individuals in these meetings.

Mr. Reed Williams, community member and former Chair of the Rate Advisory Committee (RAC), stated he agreed with the proposed move to change the Citizens Advisory Committee to the Community Input Committee. He stated he provided feedback, and his comments were about improving the process and being efficient. He stated the purpose of the committee is very important, and he feels that it's a contradiction for a community input committee to be bi-directional – the flow should be from the committee to the Board. He also noted: the confidentiality requirement is not necessary, the quorum requirements should be increased to obtain a fairly high percentage in the vote requirement, remote meetings should be allowed, and that there isn't a need for a chair, vice chair, and chair-elect in addition to the Executive Committee.

Ms. Diana Martinez, Chair of the Citizens Advisory Committee (CAC), thanked the Board of Trustees for the opportunity to speak. She noted that the members of the CAC were given an opportunity to offer suggestions and changes, and they spoke at length to CPS Energy staff. She stated the CAC is proud of the work they have done, and they look forward to the evolution of their work with the Board of Trustees, CPS Energy, and the community we all serve. She also noted that all three of the CAC officers are women, just as the Board's Chair and Vice Chair.

IV. CHAIR'S REMARKS

Chair Gonzalez provided a friendly reminder about the 5:30 p.m. public input session. She stated she introduced the sessions for those members of the community who are not able to attend the regular meetings. She stated that there has been little participation, but noted she will continue to seek constructive ways to meet in neighborhoods such as town halls, and she encouraged feedback through various channels of communication. She also noted that as the Chair, she is available for any direct feedback and input is very important to us.

Next, Chair Gonzalez thanked Congressman Castro for his work to secure grant funding benefiting Casa Verde Weatherization Program, which provides energy-saving weatherization for limited-income residents of San Antonio. She noted that this is a great example of when we do the right things, we get the right people behind us.

She noted CPS Energy is celebrating Women's History Month, and that it's about us being inclusive and collectively working together. She is happy to see more women involved. She congratulated CPS

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Energy on the C-Suite being 44% women and having women serve across the organization. She congratulated team members Lettie Ortiz, a foreman, and Miranda Menchaca, an operator, for competing in a first-of-its-kind competition hosted by Holt Caterpillar to showcase their skills in safely operating heavy construction equipment.

Finally, Chair Gonzalez stated it was a privilege to march alongside many CPS Energy employees for Cesar Chavez Day. She stated it was never about grapes but about being inclusive, and she is proud that this is something CPS Energy continues to work at for the community.

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, the following items on the Consent Agenda were unanimously approved:

A. Approval of Payment to the City of San Antonio for February 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 February 2024 is based on actual gross revenue per the New Series Bond Ordinance of \$228,548,892.54, less applicable exclusions. The revenue for the month of February 2024 is calculated as follows:

Gross revenue per CPS Energy financial statements	
Electric revenue	\$202,714,707.01
Gas revenue	26,279,276.59
Interest and other income	(432,103.93)
Gross revenue per CPS Energy financial statements	<u>228,561,879.67</u>
Excluded revenue	
School and hospital revenue per City Ordinance 55022	(7,740,831.94)
LVG revenue per City Ordinance 100709	(7,080.04)
Fuel cost component of off-system nonfirm energy sales per City Ordinance 61794 and revenue for wholesale special contracts	(7,292,135.58)
Noncash and other income, GASB 31 investment market value change, miscellaneous interest income, gas billing adjustment and unbilled Revenue	<u>15,027,060.43</u>
Total excluded revenue	<u>(12,987.13)</u>
Gross revenue per New Series Bond Ordinance subject to 14% payment to the City	<u>\$228,548,892.54</u>
City payment per Bond Ordinance for February 2024 based upon February 2024 revenue	\$31,996,844.96
City payment per memorandum of understanding (MOU)	

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regarding wholesale special contracts	68,223.71	
City Payment reduction per gas customer billing adjustment MOU	(12,500.00)	
Reversal of prior period accrual	(119,501.05)	
	<hr/>	
City payment per Bond Ordinance plus adjustments for memorandums of understanding	31,933,067.62	A
Utility services provided to the City for February 2024	(2,962,444.05)	
Additional payment due to prior year accounting restatement	169,159.71	
Adjustment for impact of reversal of prior period accrual	119,501.05	
	<hr/>	
Net amount to be paid from February 2024 revenue to the City in March 2024	<u>\$29,259,284.33</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)

February 2024	Actual	Budget	Variance	
Current Month A	\$31,933	\$33,240	(\$1,307)	-3.9%
Year-to-Date	\$31,933	\$33,240	(\$1,307)	-3.9%

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 \$29,259,284.33 representing 14% of applicable system gross revenues for the month of February 2024, such payment being net of City utility services (\$2,962,444.05), and a prior period adjustment for accounting restatement, is hereby approved."

B. Minutes of the January Regular Board Meeting, held on February 5, 2024

C. Procurement Items:

1. **Item Description:** Engineering Services for Electric Distribution Planning
Category: Professional Services
Supplier: Black & Veatch Management Consulting, LLC
 Burns & McDonnell Engineering Company, LLC
 ICF Resources, LLC
 KBS Electrical Distributors
 TRC Engineers, Inc.

*The procurement package is attached to the meeting minutes as Attachment "A".

VI. COMMITTEE REPORTS

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

- A. Technology & Resilience Committee held on February 19, 2024. The report is attached as Attachment "B" to the meeting minutes.

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VII. COMMUNITY COMMITTEE BYLAWS

Trustee Dr. Mackey made a motion to approve the committee bylaws, which was seconded by Mayor Nirenberg. Chair Gonzalez discussed the process for considering the proposed amendments. The Board clarified the motion by Trustee Dr. Mackey. Thereafter, the Board considered the following amendments:

	Section to be Amended	Amendment	Result
1	Article I, Section 1 Purpose	Section would read: "The CPS Energy Community Input Committee (CIC), formerly the Citizens Advisory Committee, was created by the CPS Energy Board of Trustees by resolution dated May 26, 1998. The CIC is intended to facilitate the bi-directional flow of ideas and concerns between from the community and to the CPS Energy Board of Trustees and Management. The CIC is intended to represent and communicate the views of the community, and to provide community input on strategic objectives, key initiatives, and other CPS Energy business activities to the CPS Energy Board of Trustees and Management."	Trustee Steen moved adoption of the amendment, and it was seconded by Mayor Nirenberg. The Board of Trustees discussed the amendment. It failed adoption on a 1-4 vote with Chair Gonzalez, Vice Chair Dr. Romero, Trustee Dr. Mackey, and Mayor Nirenberg voting against the motion.
2	Article II, Section 6 (c) Removal of a CIC Member	Section would read: (c) Each CIC member is required to sign a CPS—Energy—Confidentiality Agreement and Conflict of Interest Statement. Refusal to sign a CPS Energy—Confidentiality—Agreement and Conflict of Interest Statement will result in the termination of the person's candidacy for or participation on the CIC. Note: Confidential Information would no longer be distributed to the CIC.	Trustee Steen moved adoption of the amendment, but there was not a second.
3	Article II, Section 9 Voting	Section would read:	Trustee Steen moved adoption of the amendment, and it was seconded by

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		<p><u>“There shall be an effort extended to achieve a consensus of members present for all issues that require decision making. If a vote is required on a decision or recommendation to the Board, the decision shall be decided by 60% (12 members) of the CIC. For all other decisions, the act of a majority of the CIC present at a meeting at which a quorum is present shall be the act of the CIC.</u></p> <p>Each member of the CIC shall be entitled to one (1) vote.”</p>	<p>Mayor Nirenberg. The Board of Trustees discussed the amendment. It failed adoption on a 2-3 vote with Chair Gonzalez, Vice Chair Dr. Romero, and Trustee Dr. Mackey voting against the motion.</p>
4	Article II, Section 10 Proxies Prohibited	<p>Section would read:</p> <p>CIC members shall not be permitted to exercise his/her vote by proxy by vote at any meeting, unless otherwise noted by exemption by the CIC Chair or presiding Executive Committee member.</p>	<p>Trustee Steen moved adoption of the amendment, but there was not a second.</p>
5	Article II, Section 12 (d) Meeting Location and Frequency	<p>Section would read:</p> <p>“The meetings are held <u>in person</u> at the CPS Energy Headquarters or some other designated meeting space that shall be specified on the agenda.”</p>	<p>Vice Chair Dr. Romero moved adoption of the amendment, and it was seconded by Trustee Steen. The Board of Trustees discussed the amendment. It was adopted unanimously.</p>
6	Article II, Section 16 (b) CIC Members	<p>Subsection (b) would be eliminated.</p>	<p>Trustee Steen moved adoption of the amendment, but there was not a second.</p>
7	Article III, Section 4 CIC Chair-Elect	<p>Section would be eliminated, all references to Chair-Elect would be removed and all Chair-Elect duties would be consolidated into Vice Chair position.</p>	<p>Trustee Steen moved adoption of the amendment, and it was seconded by Mayor Nirenberg. The Board of Trustees discussed the amendment. It was adopted unanimously.</p>
8	Article IV, Section 1 Executive Committee	<p>Section would be eliminated and all references to Executive Committee would be removed.</p>	<p>Trustee Steen moved adoption of the amendment, but there was not a second.</p>

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9	Article IV, Section 2 Subcommittees	Last sentence of section would read: "Other subcommittees or special purpose groups of the CIC shall be appointed by the Chair from time to time, <u>and in consultation with the Board</u> , as may be needed to carry out the goals and objectives of the CIC."	Vice Chair Dr. Romero moved adoption of the amendment, and it was seconded by Chair Gonzalez. The Board of Trustees discussed the amendment. It was adopted unanimously.
10	Article IV, Section 2 Subcommittees	Insert additional language as new paragraph 4: "The purpose of a subcommittee is to become well informed on an issue or area of interest to facilitate the understanding of all CIC members. Any recommendations that are made must come from the CIC, not a subcommittee."	Vice Chair Dr. Romero moved adoption of the amendment, and it was seconded by Chair Gonzalez. The Board of Trustees discussed the amendment. It was adopted unanimously.

The Board of Trustees returned to the base motion to approve the bylaws as amended, and it was approved unanimously.

VIII. FY2024 YEAR-END PERFORMANCE RECAP

Mr. Cory Kuchinsky, Chief Financial Officer, presented on the FY2024 Year–End Performance. He noted we had a strong financial performance from higher wholesale revenues, higher electric sales, lower fuel prices, and higher investment income than planned. He further noted that the one-time lifts in revenue were strategically invested in reliability and resiliency, and our year-end financial metrics came in better than the FY2024 plan. Finally, Mr. Kuchinsky stated that past-due balances have continued to decline since January 2023.

Ms. Elaina Ball, Chief Strategy Officer, presented on the FY2024 Enterprise Scorecard. She noted that we achieved all five of our FY2024 Strategic Actions towards Vision 2027. She further stated that we achieved 13 of 16 Enterprise Measures, noting that SAIFI was exceeded by 0.03 due to higher than forecasted weather conditions and the O&M and Capital budgets were strategically exceeded to achieve operational goals.

The Board of Trustees discussed the presentation and asked questions.

IX. FY2025 FINANCING PLAN

Mr. Kuchinsky presented the FY2025 financing plans. He noted these plans are in support of the budget plan passed for the fiscal year. He reviewed each of the transactions and noted that they all require approval by the Board of Trustees followed by approval at City Council. Finally, Mr. Kuchinsky requested approval for the financial transactions that improve liquidity and generate savings for our customers.

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Trustee Dr. Mackey moved to approve authorization, without the obligation, to execute the transactions over the next twelve months. Vice Chair Dr. Romero seconded. The Board of Trustees discussed the motion. The motion passed on a 4-1 vote, with Trustee Steen voting against the motion.¹

X. AFFORDABILITY DISCOUNT PROGRAM UPDATE

Ms. Ball presented information and requested approval to expand the Affordability Discount Program (ADP). Trustee Dr. Mackey moved to approve, and then Vice Chair Romero seconded. The Board of Trustees discussed the motion and asked questions. The motion passed unanimously.

XI. CEO RECOGNITION

Mr. Rudy Garza, President & CEO, recognized our fourth quarter Core Values awardees. He noted that they consistently model their core values and were nominated by their peers for their contributions to CPS Energy.

XII. REVIEW OF ACTION ITEMS

Ms. Ramirez reviewed the previous action items, noting two action items remain open. She reviewed the one new action item.

XIII. EXECUTIVE SESSION

At approximately 3:37 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),
- Competitive Matters (§551.086),
- Security Audits & Devices (§551.089),
- Confidential Information Under the Texas Homeland Security Act (§418.182(f)), and
- Personnel Matters (§551.074)

The Board reconvened in open session at 4:25 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. She noted that the Board voted on the competitive matter listed on the agenda, but no other votes were taken in closed session.

¹ Trustee Steen requested that his rationale for voting against the motion be included in the minutes. He stated he could not support a comprehensive plan that could overleverage CPS Energy and lead to more borrowing and a coinciding downward financial spiral. Other Trustees asked for clarification from Eric Brown of PFM, a financial advisor to CPS Energy. Mr. Brown stated that they considered all aspects of the financial plan and were comfortable with the plan and a significant overleveraging is not occurring.

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XIV. ADJOURNMENT

There being no further business to come before the Board, upon a motion duly made by Trustee Dr. Mackey, seconded by Vice Chair Dr. Romero, and upon an affirmative vote by all members present, the meeting was unanimously adjourned at 4:26 p.m. by Chair Janie Gonzalez.

Shanna M. Ramirez
Secretary of the Board

DRAFT

A RESOLUTION

APPROVING AND AUTHORIZING THE EXPANSION AND CONSTRUCTION OF THE BROOKS FIELD SUBSTATION AND THE ACQUISITION OF FEE SIMPLE TITLE AND PROPERTY EXCHANGES WITH OUTSIDE ENTITIES FOR THE PROPERTY LOCATED AT 9011 OLD CORPUS CHRISTI ROAD IN SOUTHEAST SAN ANTONIO, BEXAR COUNTY, TEXAS, BY PURCHASE THROUGH NEGOTIATIONS, FOR EXPANSION AND OPERATION OF THE CITY OF SAN ANTONIO ELECTRIC SYSTEM, INCLUDING THE CONSTRUCTION, OPERATION, EXPANSION, AND MAINTENANCE OF A SUBSTATION, ELECTRIC TRANSMISSION LINES, DISTRIBUTION LINES, COMMUNICATION SYSTEMS, AND RELATED APPURTENANCES.

WHEREAS, CPS Energy staff identified the need for the expansion of the existing Brooks Field Substation to satisfy the power needs to support growth in this area and to enhance reliability of the CPS Energy electric system within southeast San Antonio, Bexar County, Texas (the "Brooks Field Substation Expansion Project");

WHEREAS, the Board agrees with the staff's determination that selected site for the expansion of the Brooks Field substation is the best option to provide the necessary support of the expanding area and its greater power needs;

WHEREAS, the Board finds necessary and desirable the construction and expansion of the Brooks Field Substation and the acquisition of easement rights, fee simple title, and property exchanges with outside entities for the property located at 9011 Old Corpus Christi Road in southeast San Antonio, Bexar County, Texas for the construction, operation, expansion, and maintenance of the City of San Antonio Electric System, including the construction, operation, expansion and maintenance of the Brooks Substation Expansion Project, by purchase through negotiation.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY PUBLIC SERVICE BOARD OF TRUSTEES that:

1. The recitals to this Resolution are hereby incorporated for all purposes.
2. The Board finds that the Brooks Field Substation Expansion Project is of great importance to the public, and that CPS Energy has taken into account appropriate environmental, health and safety concerns in designating the recommended site.
3. The Board hereby approves the CPS Energy Brooks Field Substation Expansion Project to be constructed on the recommended site as generally depicted on the Project Site Map attached to this Resolution as Exhibit "A" and hereby incorporated for all purposes, and directs CPS Energy staff and attorneys to proceed with the necessary steps to undertake and complete the Brooks Field Substation Expansion Project.

4. The Board authorizes the President and CEO of CPS Energy and/or his designee to take the necessary steps to complete the Brooks Field Substation Expansion Project as depicted generally on Exhibit A.

5. The Board finds that the acquisition of easement rights, fee simple title to properties, and property exchanges with outside entities at the recommended site is necessary and desirable for the important public purpose of the construction, operation, expansion and maintenance of the City of San Antonio's Electric System, including the CPS Energy Brooks Field Substation Expansion Project. The Board hereby authorizes acquisition of easement rights, fee simple title, and property exchanges with outside entities necessary for CPS Energy's Brooks Field Substation Expansion Project, by purchase through negotiation, and to survey, specify, define, and secure the necessary title and rights.



Summary of Changes to the CPS Energy Employee Benefit Plans Statement of Governance April 22, 2024, Board Consent Agenda Item

PURPOSE:

- Request Board approval of the CPS Energy Employee Benefit Plans Statement of Governance (SoG) with no changes.
- Should you have any questions or need any additional information, please contact
 - Debra Wainscott, Administrative Committee (AC) Chair, at 210-353-4740 or
 - Gautam Shringarpure, AC Vice Chair, at 210-353-2710.

BACKGROUND:

The following is a high-level summary of the extent of the changes that are being proposed herein:

Administrative	Organizational	Procedural	Substantive
None	None	None	None

The SoG primarily:

- Ensures that the accountability and authority for governance and management of the CPS Energy Benefit Plans are clearly stated, and
- Delegates certain activities and responsibilities regarding the Plans.

The SoG is reviewed annually by the AC, which recommends any changes to the EBOC. The EBOC reviews and recommends proposed changes, which are taken to the full Board of Trustees for final approval.

SUMMARY OF CHANGES: No updates were recommended for this document as it had been recently reviewed (on October 31, 2023). The document was reviewed and recommended by the AC (on March 19, 2024) and EBOC (on April 15, 2024). Approval of the SOG is requested at the April 22, 2024, Board meeting.

CONTENTS:

- Updated SoG (w/o Appendices) (Red-lined): CPS Energy’s Employee Benefit Plans Statement of Governance
- Updated SoG (w/o Appendices) (Clean): CPS Energy’s Employee Benefit Plans Statement of Governance

Statement of Governance – Redlined

CPS Energy Employee Benefit Plans Statement of Governance

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To ensure that the accountability and authority for governance and management of the CPS Energy Benefit Plans are clearly stated, the CPS Energy Board of Trustees (“Board”) sets forth herein governing principles to identify and distinguish between the roles of the Board, the Employee Benefits Oversight Committee (“EBOC”), the CPS Energy President and Chief Executive Officer (President / CEO), the Administrative Committee, and CPS Energy staff. The CPS Energy Employee Benefit Plans are the CPS Energy Pension, Group Health, Group Life Insurance, and Disability Income plans (collectively, “Plans”) and the associated Trusts (“Trusts”). In the event that any Plan or Trust provisions conflict or are inconsistent with the specified provisions of this Statement of Governance, the Plan or Trust document shall control.

I. Overall Philosophy of Governance

The Board, the EBOC, the President / CEO, and the Administrative Committee are responsible for creating and maintaining an atmosphere that encourages prudent governance at all levels. The Board strives to achieve a governing style that emphasizes:

1. strategic leadership, outward vision, focus on the future, and proactivity;
2. encouragement of collegiality, including the creation of an environment that supports CPS Energy’s values;
3. civility and courtesy, to all parties involved in the Plans’ and / or the Trusts’ governance;
4. respect for diversity in viewpoints, recognizing value in all input;
5. governance by consensus;
6. a “partnership” with CPS Energy management; and
7. ethical conduct of the Plans’ and / or the Trusts’ business.

The Board establishes and communicates Board policies and priorities and then monitors performance in light of its established policies and priorities. The Board recognizes that the achievement of its goals requires self-discipline by the Board as a whole, by the EBOC, by the President / CEO, and by the Administrative Committee to live by the policies articulated herein and to govern with excellence.

II. Authority

A. Source of Authority

The authority of the Board, the EBOC, the President / CEO, and the Administrative Committee in relation to the Plans and / or the Trusts is found in the Plan documents for each of the Plans and / or the Trusts and is reflected in this document.

B. Duties of the Board Regarding the Plans and Trusts

The Board has the legal and fiduciary responsibility for the Plans and / or Trusts, except as provided by law.

C. Delegation of Authority

The Board is authorized to delegate certain activities and responsibilities regarding the Plans and / or the Trusts to the EBOC, the President / CEO, the Administrative Committee, and CPS Energy staff. This legal and fiduciary responsibility requires that the Board: (a) select delegates with care, (b) define delegated responsibilities clearly, (c) monitor delegate performance, and (d) take corrective action when appropriate.

The Board may delegate certain activities and responsibilities regarding the Plans and / or the Trusts pursuant to the following principles:

1. Standard of Care: The Board shall make all delegation decisions related to Plan and Trust administration or other fiduciary functions with respect to the Plans and /or Trusts solely in the interest of, and for the exclusive purposes of providing benefits to, Plan participants and their beneficiaries, monitoring employer contributions to the Plans and / or the Trusts, and defraying reasonable expenses of administering the Plans and / or the Trusts, with the duty to participants and their beneficiaries taking precedence over all other duties. The Board shall delegate decisions regarding the Plans and / or Trusts as described above exercising the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.
2. Clarity and Specificity: The Board will clearly and specifically identify each action that includes, in whole or in part, a delegation of responsibility from the Board to another person or entity. The Board will also clearly and specifically describe in writing the scope of the responsibility that is being delegated, to whom responsibility is being delegated, and the extent to which the Board responsibility continues (including monitoring).
3. Formality: The Board specifically finds that, although clarity and specificity are essential to all parties understanding the scope of delegated authority, the Board need not in all cases execute a formal delegation resolution. The form in which the Board takes a delegation action may vary depending upon the circumstances. However, all Board action that includes delegation of authority to another must be memorialized in writing (*e.g.*, through minutes,

resolution, etc.).

D. Committee Relationship

The Board has delegated to the EBOC and President / CEO the responsibility for oversight of the actions of the Administrative Committee of the Plans and / or the Trusts.

Policy and direction set by the Board is implemented through the EBOC to ensure a strong relationship between the Board and EBOC is established and because a clear delineation of authority is critical to the accomplishment of the Board's objectives.

III. Governance, Roles and Responsibilities

A. The Board

The Board shall be responsible for the following regarding the Plans and / or Trusts:

- adopt and terminate Plans and / or Trusts;
- approve annual expense and cash flow funding (employer / employee contributions) related to the Plans through the budget process;
- provide input, as determined necessary, to the EBOC on changes and / or amendments to the Plans and / or the Trusts;
- approve this Statement of Governance and revisions made thereto;
- oversee the actions of the President / CEO and EBOC with respect to the Plans and / or the Trusts; and
- any other responsibility that may arise as a result of state or federal law.

Board members may request any information they need to make informed decisions related to the Benefit Plans.

B. The Employee Benefits Oversight Committee

1. Membership

- a. Number. The EBOC shall consist of no fewer than three (3) members and no more than four (4) members to include the President / CEO, the Chief Financial Officer ("CFO") and the two Board Audit & Finance Committee members.¹ EBOC members shall include persons duly authorized to hold the named role (*i.e.*, "Interim President / CEO" or "Acting CFO"). CPS Energy employees serving as members of the EBOC shall do so exercising fiduciary standards with respect to the Plans' participants and their beneficiaries, to the extent such employees are acting in a fiduciary capacity.
- b. Chair. The Chair of the Board Audit & Finance Committee shall be the Chair of the EBOC. The remaining Board member of the Board Audit & Finance Committee shall be the Vice Chair of the EBOC. Each person shall serve in the role as Chair or Vice Chair for a one (1) year term.

¹ The CPS Energy Board Audit & Finance Committee's membership is determined by the CPS Energy Board of Trustees Audit & Finance Committee Charter.

- c. Secretary. The President / CEO shall appoint a Secretary on an annual basis. The Secretary shall keep accurate minutes of all meetings of the EBOC. The Secretary shall perform such other duties and have such other powers as the Committee Chair may designate from time to time. The CPS Energy Chief Audit Officer shall have unrestricted access to EBOC meetings and documents.
- d. Training. All members of the EBOC shall be provided general training and continuing education related to the Committee members' general fiduciary role and standard of care for the Plans and Trusts.

2. Standard of Care

Members of the EBOC shall exercise a fiduciary standard of care as they exercise control or authority over administration and oversight of the Plans and Trusts.

3. Reporting

- a. The Audit & Finance Committee of the Board, as members of the EBOC, will be responsible for keeping the rest of the Board informed as to actions and proposed actions regarding material matters of the EBOC, so that the Board may, if it deems it to be appropriate, meet and give formal recommendations on the proposed actions.
- b. In particular, the Audit & Finance Committee will provide the Board members notice, either by mail, telephone call, e-mail, or in-person, in advance of any final decisions on the following matters:
 - i. Review / Approval of Plan Changes / Amendments, and / or
 - ii. Review of Annual Funding recommendations, which are ultimately approved by the Board through the budget process.
- c. Any input from the Board will need to be provided in a sufficiently timely manner as to meet time schedules of the members of the Administrative Committee. In the event the Board has not responded within the deadlines provided, the Audit & Finance Committee will represent the interests of the Board and provide a response to the Administrative Committee. To assist with this responsibility, the Secretary of the EBOC will ensure that approved minutes from all EBOC meetings are made available to all Board members.
- d. In addition, the Audit & Finance Committee will inform the Board of any decisions regarding the following: (i) Engagement of External Trust Plan Auditors, (ii) Review / Approval of Investment Policies and any legally required funding policies, and (iii) any other material matters which may be brought to the attention of the EBOC outside of formal meetings.

4. Meetings

- a. Number, Date and Place. The EBOC shall meet at least two (2) times per calendar year. Additional meetings shall be scheduled as considered necessary by the Committee or the Committee Chair.
- b. Notice. Notice of all meetings of the EBOC, stating the time and place of such meeting, shall be given by the Committee Chair or his / her designee to the EBOC members by mail or electronic mail. Notice of meetings shall be given at least two (2) calendar days prior to the date of the meeting, except that notice of a meeting to be held as a telephone meeting shall be given at least twenty-four (24) hours prior to the meeting.
- c. Action; Quorum. Except as provided herein, all action of the EBOC shall be taken (a) at a meeting at which a quorum of the members is present in person; and (b) by a simple majority (50.1%) of the members present at the meeting in person or by proxy. In the event of a tie vote, the Committee Chair shall be entitled to cast an additional vote to break the tie. A quorum of the EBOC shall be a simple majority (50.1%) of the committee members.
- d. Action without a Meeting. Any action which may or must be taken at a meeting of the EBOC may be taken without a meeting if a written consent, setting forth the action to be taken, is signed by all of the members of the EBOC. Such unanimous written consent shall have the same force and effect as a unanimous vote and may be stated as such in any articles or document.
- e. Telephone or Electronic Meeting. Members of the EBOC may participate in and hold a meeting of the members by means of one or more of the following: (1) conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other; (2) another suitable electronic communication system, including videoconferencing technology or the Internet, but only if each member entitled to participate in the meeting consents to the meeting being held by the electronic communication system and the system provides access to the meeting in a manner or method by which each member participating in the meeting can communicate concurrently with each other participant. Participation in a meeting pursuant to this section shall constitute 'presence in person' at such meeting, except for a person who participates in the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.
- f. Proxy. A member of the EBOC may send a proxy to satisfy a quorum and with the power to vote on his / her behalf at the meetings of the Committee or may give his / her proxy to another member to vote on his / her behalf.

5. Responsibilities and Duties

The EBOC shall be responsible and accountable to Plan members, beneficiaries, their representative organizations, and others with oversight interests in the Plans and / or the Trusts. This includes the following:

- provide input to and solicit information from the Board and the Administrative Committee on material matters;
- approve or reject the appointment and / or removal of members to the Administrative Committee (other than the Labor Representative²) with President / CEO input and Administrative Committee input;
- monitor, review, reject and / or approve changes and / or amendments to the Plans and / or the Trusts with Administrative Committee input;
- recommend revisions to this Statement of Governance with Administrative Committee input;
- review expense and cash flow funding (employer / employee contributions) related to the Plans after review of the Administrative Committee's recommendations and input from the President / CEO;
- approve Plan premiums, with Administrative Committee input;
- inform the Board of the recommended cash flow funding and projected expense related to the Plans;
- monitor and review Administrative Committee functions, as needed;
- engage external auditors to the Plans and / or the Trusts;
- approve / reject investment policies and funding policies with Administrative Committee input;
- provide an annual communication to the Board regarding the state of affairs of all Plans under the direction of the EBOC;
- ensure policies and guidelines are in place regarding proposed legislation (state and federal), corporate governance, and the adoption and / or amendment of administrative code rules and regulations regarding the Plans and / or the Trusts;
- set the Board agendas, by identifying, articulating, prioritizing and scheduling material matters the Board may need to address regarding the Plans and / or the Trusts and identifying information needs regarding the Plans and / or the Trusts and determining how, when and in what format information is to be delivered to the Board members so as to enable the Board to meet its responsibilities;
- ensure that operations of the Plans and / or the Trusts are consistent with CPS Energy policies and applicable laws;
- ensure Plan activities fall within the Board's policies regarding governance, prudence and ethics;
- with input from the Administrative Committee, determine the frequency, subjects and format of information to be provided to Board members and Board Committees;
- assess the Plans' and / or the Trusts' performance, process and organization, recognizing that continuing improvement will require periodic change to meet future needs and conditions;
- on at least an annual basis, monitor, review and compare the Plans' and / or the Trusts' performance and results to benchmark performance measures that include external and internal measures;
- on at least an annual basis, monitor and review financial statements and asset allocation to ensure timeliness of reporting;

² Defined as the President or his/her designee of the labor organization recognized by CPS Energy that comprises the largest membership (Labor Organization).

- on at least an annual basis, provide oversight of investment decisions and ensure conformance to Investment Policies; and
- any other responsibility that may arise as a result of applicable state or federal law.

C. The President / CEO

The President / CEO shall be responsible for the following regarding the Plans and / or Trusts:

- appoint and / or remove observers for Administrative Committee member succession planning;
- represent the Plans and / or the Trusts, or designate other CPS Energy staff representatives, to outside parties and organizations;
- contribute to the Board's agenda in conjunction with the EBOC, articulating, prioritizing and scheduling agenda items regarding the Plans and / or the Trusts as appropriate;
- act as liaison between any person and / or entity seeking to provide information regarding the Plans and / or the Trusts to the Board;
- act as the liaison for communication and information flow between the Board and a representative of the Plans and / or the Trusts;
- ensure the information flow to the Board regarding the Plans and / or the Trusts is sufficient, comprehensive and timely;
- provide input to the Administrative Committee and EBOC on CPS Energy's budgetary constraints related to cash flow funding (employer / employee contributions) and expense related to the Plans; and
- any other responsibility that may arise as a result of applicable state or federal law.

D. The Administrative Committee

1. Membership

- Number. The Administrative Committee shall consist of up to nine (9) members to include a minimum of one (1) retired employee and a minimum of one (1) Labor Representative. The remaining membership shall consist of current employees (excluding the President / CEO and the Ex Officio members noted below) to maintain the right balance of skills and experience, including financial expertise.
- Eligibility. Members of the Administrative Committee must (a) be participants in the Plans, and (b) have a minimum of ten (10) years either: (i) in participation of the Pension Plan or (ii) recent experience in finance or investments. A minimum of two (2) Administrative Committee members must have a minimum of ten (10) years of recent experience in finance or investments.
- Ex Officio, Non-Voting Members. The CPS Energy Vice President of People & Culture (or equivalent role or title or such individual's designee), the CFO, and the Vice President of Finance & Accounting (or equivalent role or title or such individual's designee) and the Administrative Committee Secretary (if not already an Administrative Committee member) shall be *ex officio*, non-voting members of the Administrative Committee. Ex Officio designation does not preclude the individuals noted above from serving as active Administrative Committee Members. In the event that an

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Revised: ~~10/31/23~~ 04/22/2024

individual holding one of the offices noted as Ex Officio is appointed to serve as an active Administrative Committee Member, their designee, if any, will serve in an Ex Officio status.

- d. Diversification of Members. It is important that the Administrative Committee members be adequately diversified so that the concerns of a diversified workforce are considered and represented, and also recognize the importance of financial / investment knowledge. The Administrative Committee structure and the establishment of eligibility requirements will provide diversification, appropriate skills, and will maintain the “vested interest” of Administrative Committee members that is currently valued by the workforce, to the greatest extent possible.
- e. Chair and Vice Chair. The Chair and Vice Chair of the Administrative Committee shall hold office for one (1) year and until their successors have qualified. Nothing in this Statement of Governance prohibits serving consecutive terms.
- f. Secretary. The Administrative Committee Chair shall appoint a Secretary on an annual basis. The Secretary is not required to be a member of the Administrative Committee. The Secretary shall keep accurate minutes of all meetings of the Administrative Committee. The Secretary shall perform such other duties and have such other powers as the Administrative Committee Chair may designate from time to time. Nothing in this Statement of Governance prohibits the same individual from serving consecutive terms as Secretary.
- g. Length of Service.
 - i. Recognizing and balancing the value of membership continuity and the long-term nature of benefit-related matters with new perspectives and active awareness of committee membership, with the exception of the Labor Representative, each Administrative Committee member shall be appointed for a term of five (5) years, adjusted as needed to allow for staggered terms. Administrative Committee members may be reappointed for one additional five (5) year term (maximum of 10 years total).
 - ii. The Labor Representative serves at the pleasure of the Labor Organization President and shall be appointed for a period of five (5) years, or until the election of a new Labor Organization President or the Labor Organization President appoints a new designee, whichever is shorter. Labor organization membership will be assessed at that time and the Labor Organization President shall serve or appoint a new or the same designee. The Labor Representative may be reappointed for one additional five (5) year term (maximum of 10 years total).
- h. Attendance and Participation. Attendance of the Administrative Committee members shall be recorded by the Secretary. Failure to attend and participate in meetings may result in a recommendation to the EBOC for removal of non-attending / non-participating Administrative Committee member(s). Attendance and / or participation concerns regarding the Labor Representative shall be addressed by Labor Organization leadership and the President / CEO, with input from other Administrative Committee members.

- i. Compensation. The Administrative Committee members shall perform their duties without compensation from the Trusts.
- j. Training. Members of the Administrative Committee, Ex Officio members and Observers shall receive all applicable and timely training and continuing education consistent with the Administrative Committee members' role and standard of care, including, but not limited to, Tex. Local Gov't Code section 172.007 risk pool training and Texas Pension Review Board fiduciary duty training, or as otherwise required by law or CPS Energy policy.
- k. Members Serve without Bonds. Members of the Administrative Committee shall serve without bond or security for the performance of their duties hereunder, unless applicable law requires the furnishing of such bond or security.
- l. Expenses. All usual and reasonable expenses of the Administrative Committee may be paid in whole or in part by CPS Energy, and any such expenses not paid by CPS Energy shall be paid by the Trusts out of principal or income of any of the Trusts.
- m. Subcommittees. The Administrative Committee may have Subcommittees as may be required for the effective conduct of the business of the Administrative Committee, *provided however*, that Subcommittees shall be created only in response to need and to serve a specific purpose. Members of each Subcommittee, which may include observers and CPS Energy staff, shall be appointed by the Administrative Committee Chair and each Subcommittee shall serve for no more than one (1) year from the date of its appointment and shall be considered discharged upon the expiration of said year, unless specifically authorized by the Administrative Committee at the time of its appointment.

2. Standard of Care

The Administrative Committee members shall exercise a fiduciary standard of care as they (a) exercise control over the investment of Plan assets, (b) perform discretionary functions with respect to the administration of Plan benefits, and (c) are responsible for analyzing and making recommendations related to the funding of the Trusts.³

With respect to all other obligations (including non-discretionary, routine administrative functions) under this Statement of Governance, the Administrative Committee members shall exercise no less than a reasonable standard of care.

³The members of the Administrative Committee are Trustees of the Plans that are designated Risk Pools under Texas statute (Group Health, Group Life and Disability Plans).

3. Meetings

- a. Number, Date and Place. The Administrative Committee will meet at least quarterly. All meetings of the Administrative Committee shall be held in San Antonio, Texas, at a place and time designated by the Administrative Committee Chair.
- b. Notice. Notice of all meetings of the Administrative Committee, stating the time and place of such meeting, shall be given by the Administrative Committee Chair or his / her designee to the Administrative Committee members by mail or electronic mail. Notice of meetings shall be given at least two (2) calendar days prior to the date of the meeting, except that notice of a meeting to be held as a telephone meeting shall be given at least twenty-four (24) hours prior to the meeting.
- c. Action; Quorum. Except as otherwise provided herein, all action of the Administrative Committee shall be taken (a) at a meeting at which a quorum of the members is present in person; and (b) by a simple majority (50.1%) of the members present at the meeting in person or by proxy. In the event of a tie vote, the Administrative Committee Chair shall be entitled to cast an additional vote to break the tie. A quorum of the Administrative Committee shall be a simple majority (50.1%) of the committee members.
- d. Action without a Meeting. Any action which may or must be taken at a meeting of the Administrative Committee may be taken without a meeting if a written consent, setting forth the action to be taken, is signed by all of the members of the Administrative Committee. Such unanimous written consent shall have the same force and effect as a unanimous vote and may be stated as such in any articles or document.
- e. Telephone or Electronic Meeting. Members of the Administrative Committee may participate in and hold a meeting of the members by means of one or more of the following: (1) conference telephone or similar communications equipment; or (2) another suitable electronic communication system, including videoconferencing technology or the Internet, provided that each member entitled to participate in the meeting consents to the meeting being held by the telephonic or electronic communication system and the system provides access to the meeting in a manner or method by which each member participating in the meeting can communicate concurrently with each other participant. Participation in a meeting pursuant to this section shall constitute 'presence in person' at such meeting, except for a person who participates in the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.
- f. Proxy. A member of the Administrative Committee may send a proxy with the power to vote on his / her behalf at the meetings of the Administrative Committee or may give his / her proxy to another member to vote on his / her behalf.

4. Responsibilities & Duties

The Administrative Committee shall be responsible for the following:

Plan Design and Funding Related Roles:

- review and provide input to the President / CEO on expenses related to the Plans;
- obtain input from the President / CEO, or his / her designee, on CPS Energy's budgetary constraints relative to the impact on Plan design considerations;
- analyze and recommend amendments to the Plans and / or the Trusts;
- analyze and recommend to the EBOC, Plan design changes necessary to control costs and keep benefits competitive;
- analyze and recommend to the Board, through the budget process, the amount of the cash flow funding (employer / employee contributions) and expenses related to the Plans;
- ensure the engagement of a Pension actuary who meets the professional requirements set forth in Section 802.101(d) of the Texas Government Code and who shall be responsible for the preparation of the valuation described in Section 802.101(a), together with his or her recommendations to ensure the actuarial soundness of the Plans and Trusts;
- order, receive, and review an actuarial valuation at least every year for each Plan;
- analyze and approve / reject actuarial assumptions and report actuarial assumptions to the EBOC;
- ensure the Pension actuarial valuations, studies and reports are audited at least every 5 years by an independent actuarial firm in accordance with Section 802.1012 of the Texas Government Code;
- select, monitor, and terminate the Plans' and / or Trusts' investment consultants, investment managers, custodial trustee(s), and other service providers;
- appoint or employ and manage, for the Plans, any agents it deems advisable, including, but not limited to, legal counsel, property management firms and Trust staff;

Financial Responsibilities and Reporting Roles:

- oversee all audits of the Plans and / or the Trusts;
- review and approve annual audited financial statements for the Plans and Trusts;
- ensure daily operation of funds (monitoring cash flow needs, cash transfers, etc.);
- prepare monthly, quarterly and annual reports;
- order, receive and review reports of the financial condition and of the receipts and disbursements of the Trusts from the Trustee;
- prepare communications to the EBOC, at least twice per year or as needed, in conjunction with meetings of the EBOC.
- select an administrator of the Plans and / or the Trusts;
- analyze and recommend to the EBOC any funding policy required by law;
- prepare annual reports to the EBOC and all Plan participants on changes in financial condition and investment performance;

Investment-Related Roles:

- recommend an investment policy;
- review the investment policy, including asset allocation, at least annually and recommend revisions as needed;
- invest assets in compliance with the investment policy;
- in accordance with Texas Government Code § 802.109, engage a qualified independent firm to evaluate Plan investment practices and performance and make recommendations for improvement;

Administrative Roles:

- elect Administrative Committee Chair and Vice Chair;
- appoint Administrative Committee Secretary;
- delegate to one or more of the members of the Administrative Committee the right to act in its behalf in all matters connected with the administration of the Trusts;
- complete annual declaration process related to Administrative Committee duties (mid-year for existing members and within three months of effective date for new members);
- monitor the Plans and / or the Trusts for legal compliance;
- monitor changes in state and federal law and make recommendations to the appropriate parties concerning compliance with changes;
- recommend revisions to this Statement of Governance to the EBOC;
- administer and interpret the Trusts' provisions;
- establish administrative procedures regarding the Administrative Committee roles under this Statement of Governance;
- monitor CPS Energy staff to ensure the Administrative Committee policies and procedures are implemented appropriately;
- ensure that summary descriptions for the Plans and / or the Trusts are prepared;
- timely file with the State Pension Review Board any information and documents required by law, including, but not limited to annual reports, the actuary's valuation and recommendations, and plan registrations;
- maintain for public review on a publicly available Internet website, at the Employer's main office and at such other locations as the Administrative Committee considers appropriate, copies of the most recent edition of each report required by law to be submitted to the State Pension Review Board;
- for the Pension Plan, make available to member or annuitant (i) a general summary of Plan benefits; (ii) a summary of procedures for claiming or electing benefits under the Plan; (iii) a summary of principal Plan provisions, including provisions relating to Employer and employee contributions, withdrawal of the Contribution Accumulation, and eligibility for benefits (including any right to terminate employment and retain eligibility); (iv) summaries of significant changes to the Plan affecting contributions, benefits, or eligibility; (v) an annual statement of the employee's Contribution Accumulation, Benefit Service, and in the case of retired employees, the amount of Pension payments received during the preceding year; (vi) and such other information as may be required from time to time by Section 802.106 of the Texas Government Code; and
- any other responsibility that may arise as a result of applicable state or federal law.

Demonstrative Chart of Responsibilities

Responsibilities	Board	EBOC	CEO	Administrative Committee
Adopt or reject Plans / Trust	X			
Approve changes to Plans / Trusts		X		
Approve benefit expenses related to the Plans via Budget Process	X			
Approve cash flow funding (Employer / Employee contributions) via Budget Process	X			
Approve Health Plan premiums		X		
Approve or reject Investment Policies		X		
Approve or reject Funding Policies		X		
Liaison to provide information re Plans / Trusts		X (Board)	X (external)	X (all others)
Appoint and remove Administrative Committee Members (other than the Labor Representative)		X		
Appoint Administrative Committee Observers			X	
Select Plans' Administrators				X
Administer Plans				X
Engage auditor(s)		X		
Engage actuary(s)				X
Engage a qualified firm to evaluate Pension Plan investment practices & performance				X
Engage consultant(s) (investment managers, Agents, attorneys)				X
Engage trustees / custodians to hold Plan assets	X			

Statement of Governance – Updated Copy

CPS Energy Employee Benefit Plans Statement of Governance

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To ensure that the accountability and authority for governance and management of the CPS Energy Benefit Plans are clearly stated, the CPS Energy Board of Trustees (“Board”) sets forth herein governing principles to identify and distinguish between the roles of the Board, the Employee Benefits Oversight Committee (“EBOC”), the CPS Energy President and Chief Executive Officer (President / CEO), the Administrative Committee, and CPS Energy staff. The CPS Energy Employee Benefit Plans are the CPS Energy Pension, Group Health, Group Life Insurance, and Disability Income plans (collectively, “Plans”) and the associated Trusts (“Trusts”). In the event that any Plan or Trust provisions conflict or are inconsistent with the specified provisions of this Statement of Governance, the Plan or Trust document shall control.

I. Overall Philosophy of Governance

The Board, the EBOC, the President / CEO, and the Administrative Committee are responsible for creating and maintaining an atmosphere that encourages prudent governance at all levels. The Board strives to achieve a governing style that emphasizes:

1. strategic leadership, outward vision, focus on the future, and proactivity;
2. encouragement of collegiality, including the creation of an environment that supports CPS Energy’s values;
3. civility and courtesy, to all parties involved in the Plans’ and / or the Trusts’ governance;
4. respect for diversity in viewpoints, recognizing value in all input;
5. governance by consensus;
6. a “partnership” with CPS Energy management; and
7. ethical conduct of the Plans’ and / or the Trusts’ business.

The Board establishes and communicates Board policies and priorities and then monitors performance in light of its established policies and priorities. The Board recognizes that the achievement of its goals requires self-discipline by the Board as a whole, by the EBOC, by the President / CEO, and by the Administrative Committee to live by the policies articulated herein and to govern with excellence.

II. Authority

A. Source of Authority

The authority of the Board, the EBOC, the President / CEO, and the Administrative Committee in relation to the Plans and / or the Trusts is found in the Plan documents for each of the Plans and / or the Trusts and is reflected in this document.

B. Duties of the Board Regarding the Plans and Trusts

The Board has the legal and fiduciary responsibility for the Plans and / or Trusts, except as provided by law.

C. Delegation of Authority

The Board is authorized to delegate certain activities and responsibilities regarding the Plans and / or the Trusts to the EBOC, the President / CEO, the Administrative Committee, and CPS Energy staff. This legal and fiduciary responsibility requires that the Board: (a) select delegates with care, (b) define delegated responsibilities clearly, (c) monitor delegate performance, and (d) take corrective action when appropriate.

The Board may delegate certain activities and responsibilities regarding the Plans and / or the Trusts pursuant to the following principles:

1. Standard of Care: The Board shall make all delegation decisions related to Plan and Trust administration or other fiduciary functions with respect to the Plans and /or Trusts solely in the interest of, and for the exclusive purposes of providing benefits to, Plan participants and their beneficiaries, monitoring employer contributions to the Plans and / or the Trusts, and defraying reasonable expenses of administering the Plans and / or the Trusts, with the duty to participants and their beneficiaries taking precedence over all other duties. The Board shall delegate decisions regarding the Plans and / or Trusts as described above exercising the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.
2. Clarity and Specificity: The Board will clearly and specifically identify each action that includes, in whole or in part, a delegation of responsibility from the Board to another person or entity. The Board will also clearly and specifically describe in writing the scope of the responsibility that is being delegated, to whom responsibility is being delegated, and the extent to which the Board responsibility continues (including monitoring).
3. Formality: The Board specifically finds that, although clarity and specificity are essential to all parties understanding the scope of delegated authority, the Board need not in all cases execute a formal delegation resolution. The form in which the Board takes a delegation action may vary depending upon the circumstances. However, all Board action that includes delegation of authority to another must be memorialized in writing (*e.g.*, through minutes,

resolution, etc.).

D. Committee Relationship

The Board has delegated to the EBOC and President / CEO the responsibility for oversight of the actions of the Administrative Committee of the Plans and / or the Trusts.

Policy and direction set by the Board is implemented through the EBOC to ensure a strong relationship between the Board and EBOC is established and because a clear delineation of authority is critical to the accomplishment of the Board's objectives.

III. Governance, Roles and Responsibilities

A. The Board

The Board shall be responsible for the following regarding the Plans and / or Trusts:

- adopt and terminate Plans and / or Trusts;
- approve annual expense and cash flow funding (employer / employee contributions) related to the Plans through the budget process;
- provide input, as determined necessary, to the EBOC on changes and / or amendments to the Plans and / or the Trusts;
- approve this Statement of Governance and revisions made thereto;
- oversee the actions of the President / CEO and EBOC with respect to the Plans and / or the Trusts; and
- any other responsibility that may arise as a result of state or federal law.

Board members may request any information they need to make informed decisions related to the Benefit Plans.

B. The Employee Benefits Oversight Committee

1. Membership

- a. Number. The EBOC shall consist of no fewer than three (3) members and no more than four (4) members to include the President / CEO, the Chief Financial Officer ("CFO") and the two Board Audit & Finance Committee members.¹ EBOC members shall include persons duly authorized to hold the named role (*i.e.*, "Interim President / CEO" or "Acting CFO"). CPS Energy employees serving as members of the EBOC shall do so exercising fiduciary standards with respect to the Plans' participants and their beneficiaries, to the extent such employees are acting in a fiduciary capacity.
- b. Chair. The Chair of the Board Audit & Finance Committee shall be the Chair of the EBOC. The remaining Board member of the Board Audit & Finance Committee shall be the Vice Chair of the EBOC. Each person shall serve in the role as Chair or Vice Chair for a one (1) year term.

¹ The CPS Energy Board Audit & Finance Committee's membership is determined by the CPS Energy Board of Trustees Audit & Finance Committee Charter.

- c. Secretary. The President / CEO shall appoint a Secretary on an annual basis. The Secretary shall keep accurate minutes of all meetings of the EBOC. The Secretary shall perform such other duties and have such other powers as the Committee Chair may designate from time to time. The CPS Energy Chief Audit Officer shall have unrestricted access to EBOC meetings and documents.
- d. Training. All members of the EBOC shall be provided general training and continuing education related to the Committee members' general fiduciary role and standard of care for the Plans and Trusts.

2. Standard of Care

Members of the EBOC shall exercise a fiduciary standard of care as they exercise control or authority over administration and oversight of the Plans and Trusts.

3. Reporting

- a. The Audit & Finance Committee of the Board, as members of the EBOC, will be responsible for keeping the rest of the Board informed as to actions and proposed actions regarding material matters of the EBOC, so that the Board may, if it deems it to be appropriate, meet and give formal recommendations on the proposed actions.
- b. In particular, the Audit & Finance Committee will provide the Board members notice, either by mail, telephone call, e-mail, or in-person, in advance of any final decisions on the following matters:
 - i. Review / Approval of Plan Changes / Amendments, and / or
 - ii. Review of Annual Funding recommendations, which are ultimately approved by the Board through the budget process.
- c. Any input from the Board will need to be provided in a sufficiently timely manner as to meet time schedules of the members of the Administrative Committee. In the event the Board has not responded within the deadlines provided, the Audit & Finance Committee will represent the interests of the Board and provide a response to the Administrative Committee. To assist with this responsibility, the Secretary of the EBOC will ensure that approved minutes from all EBOC meetings are made available to all Board members.
- d. In addition, the Audit & Finance Committee will inform the Board of any decisions regarding the following: (i) Engagement of External Trust Plan Auditors, (ii) Review / Approval of Investment Policies and any legally required funding policies, and (iii) any other material matters which may be brought to the attention of the EBOC outside of formal meetings.

4. Meetings

- a. Number, Date and Place. The EBOC shall meet at least two (2) times per calendar year. Additional meetings shall be scheduled as considered necessary by the Committee or the Committee Chair.
- b. Notice. Notice of all meetings of the EBOC, stating the time and place of such meeting, shall be given by the Committee Chair or his / her designee to the EBOC members by mail or electronic mail. Notice of meetings shall be given at least two (2) calendar days prior to the date of the meeting, except that notice of a meeting to be held as a telephone meeting shall be given at least twenty-four (24) hours prior to the meeting.
- c. Action; Quorum. Except as provided herein, all action of the EBOC shall be taken (a) at a meeting at which a quorum of the members is present in person; and (b) by a simple majority (50.1%) of the members present at the meeting in person or by proxy. In the event of a tie vote, the Committee Chair shall be entitled to cast an additional vote to break the tie. A quorum of the EBOC shall be a simple majority (50.1%) of the committee members.
- d. Action without a Meeting. Any action which may or must be taken at a meeting of the EBOC may be taken without a meeting if a written consent, setting forth the action to be taken, is signed by all of the members of the EBOC. Such unanimous written consent shall have the same force and effect as a unanimous vote and may be stated as such in any articles or document.
- e. Telephone or Electronic Meeting. Members of the EBOC may participate in and hold a meeting of the members by means of one or more of the following: (1) conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other; (2) another suitable electronic communication system, including videoconferencing technology or the Internet, but only if each member entitled to participate in the meeting consents to the meeting being held by the electronic communication system and the system provides access to the meeting in a manner or method by which each member participating in the meeting can communicate concurrently with each other participant. Participation in a meeting pursuant to this section shall constitute 'presence in person' at such meeting, except for a person who participates in the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.
- f. Proxy. A member of the EBOC may send a proxy to satisfy a quorum and with the power to vote on his / her behalf at the meetings of the Committee or may give his / her proxy to another member to vote on his / her behalf.

5. Responsibilities and Duties

The EBOC shall be responsible and accountable to Plan members, beneficiaries, their representative organizations, and others with oversight interests in the Plans and / or the Trusts. This includes the following:

- provide input to and solicit information from the Board and the Administrative Committee on material matters;
- approve or reject the appointment and / or removal of members to the Administrative Committee (other than the Labor Representative²) with President / CEO input and Administrative Committee input;
- monitor, review, reject and / or approve changes and / or amendments to the Plans and / or the Trusts with Administrative Committee input;
- recommend revisions to this Statement of Governance with Administrative Committee input;
- review expense and cash flow funding (employer / employee contributions) related to the Plans after review of the Administrative Committee's recommendations and input from the President / CEO;
- approve Plan premiums, with Administrative Committee input;
- inform the Board of the recommended cash flow funding and projected expense related to the Plans;
- monitor and review Administrative Committee functions, as needed;
- engage external auditors to the Plans and / or the Trusts;
- approve / reject investment policies and funding policies with Administrative Committee input;
- provide an annual communication to the Board regarding the state of affairs of all Plans under the direction of the EBOC;
- ensure policies and guidelines are in place regarding proposed legislation (state and federal), corporate governance, and the adoption and / or amendment of administrative code rules and regulations regarding the Plans and / or the Trusts;
- set the Board agendas, by identifying, articulating, prioritizing and scheduling material matters the Board may need to address regarding the Plans and / or the Trusts and identifying information needs regarding the Plans and / or the Trusts and determining how, when and in what format information is to be delivered to the Board members so as to enable the Board to meet its responsibilities;
- ensure that operations of the Plans and / or the Trusts are consistent with CPS Energy policies and applicable laws;
- ensure Plan activities fall within the Board's policies regarding governance, prudence and ethics;
- with input from the Administrative Committee, determine the frequency, subjects and format of information to be provided to Board members and Board Committees;
- assess the Plans' and / or the Trusts' performance, process and organization, recognizing that continuing improvement will require periodic change to meet future needs and conditions;
- on at least an annual basis, monitor, review and compare the Plans' and / or the Trusts' performance and results to benchmark performance measures that include external and internal measures;
- on at least an annual basis, monitor and review financial statements and asset allocation to ensure timeliness of reporting;

² Defined as the President or his/her designee of the labor organization recognized by CPS Energy that comprises the largest membership (Labor Organization).

- on at least an annual basis, provide oversight of investment decisions and ensure conformance to Investment Policies; and
- any other responsibility that may arise as a result of applicable state or federal law.

C. The President / CEO

The President / CEO shall be responsible for the following regarding the Plans and / or Trusts:

- appoint and / or remove observers for Administrative Committee member succession planning;
- represent the Plans and / or the Trusts, or designate other CPS Energy staff representatives, to outside parties and organizations;
- contribute to the Board’s agenda in conjunction with the EBOC, articulating, prioritizing and scheduling agenda items regarding the Plans and / or the Trusts as appropriate;
- act as liaison between any person and / or entity seeking to provide information regarding the Plans and / or the Trusts to the Board;
- act as the liaison for communication and information flow between the Board and a representative of the Plans and / or the Trusts;
- ensure the information flow to the Board regarding the Plans and / or the Trusts is sufficient, comprehensive and timely;
- provide input to the Administrative Committee and EBOC on CPS Energy’s budgetary constraints related to cash flow funding (employer / employee contributions) and expense related to the Plans; and
- any other responsibility that may arise as a result of applicable state or federal law.

D. The Administrative Committee

1. Membership

- a. Number. The Administrative Committee shall consist of up to nine (9) members to include a minimum of one (1) retired employee and a minimum of one (1) Labor Representative. The remaining membership shall consist of current employees (excluding the President / CEO and the Ex Officio members noted below) to maintain the right balance of skills and experience, including financial expertise.
- b. Eligibility. Members of the Administrative Committee must (a) be participants in the Plans, and (b) have a minimum of ten (10) years either: (i) in participation of the Pension Plan or (ii) recent experience in finance or investments. A minimum of two (2) Administrative Committee members must have a minimum of ten (10) years of recent experience in finance or investments.
- c. Ex Officio, Non-Voting Members. The CPS Energy Vice President of People & Culture (or equivalent role or title or such individual’s designee), the CFO, and the Vice President of Finance & Accounting (or equivalent role or title or such individual’s designee) and the Administrative Committee Secretary (if not already an Administrative Committee member) shall be *ex officio*, non-voting members of the Administrative Committee. Ex Officio designation does not preclude the individuals noted above from serving as active Administrative Committee Members. In the event that an

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individual holding one of the offices noted as Ex Officio is appointed to serve as an active Administrative Committee Member, their designee, if any, will serve in an Ex Officio status.

- d. Diversification of Members. It is important that the Administrative Committee members be adequately diversified so that the concerns of a diversified workforce are considered and represented, and also recognize the importance of financial / investment knowledge. The Administrative Committee structure and the establishment of eligibility requirements will provide diversification, appropriate skills, and will maintain the “vested interest” of Administrative Committee members that is currently valued by the workforce, to the greatest extent possible.
- e. Chair and Vice Chair. The Chair and Vice Chair of the Administrative Committee shall hold office for one (1) year and until their successors have qualified. Nothing in this Statement of Governance prohibits serving consecutive terms.
- f. Secretary. The Administrative Committee Chair shall appoint a Secretary on an annual basis. The Secretary is not required to be a member of the Administrative Committee. The Secretary shall keep accurate minutes of all meetings of the Administrative Committee. The Secretary shall perform such other duties and have such other powers as the Administrative Committee Chair may designate from time to time. Nothing in this Statement of Governance prohibits the same individual from serving consecutive terms as Secretary.
- g. Length of Service.
 - i. Recognizing and balancing the value of membership continuity and the long-term nature of benefit-related matters with new perspectives and active awareness of committee membership, with the exception of the Labor Representative, each Administrative Committee member shall be appointed for a term of five (5) years, adjusted as needed to allow for staggered terms. Administrative Committee members may be reappointed for one additional five (5) year term (maximum of 10 years total).
 - ii. The Labor Representative serves at the pleasure of the Labor Organization President and shall be appointed for a period of five (5) years, or until the election of a new Labor Organization President or the Labor Organization President appoints a new designee, whichever is shorter. Labor organization membership will be assessed at that time and the Labor Organization President shall serve or appoint a new or the same designee. The Labor Representative may be reappointed for one additional five (5) year term (maximum of 10 years total).
- h. Attendance and Participation. Attendance of the Administrative Committee members shall be recorded by the Secretary. Failure to attend and participate in meetings may result in a recommendation to the EBOC for removal of non-attending / non-participating Administrative Committee member(s). Attendance and / or participation concerns regarding the Labor Representative shall be addressed by Labor Organization leadership and the President / CEO, with input from other Administrative Committee members.

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- i. Compensation. The Administrative Committee members shall perform their duties without compensation from the Trusts.
- j. Training. Members of the Administrative Committee, Ex Officio members and Observers shall receive all applicable and timely training and continuing education consistent with the Administrative Committee members' role and standard of care, including, but not limited to, Tex. Local Gov't Code section 172.007 risk pool training and Texas Pension Review Board fiduciary duty training, or as otherwise required by law or CPS Energy policy.
- k. Members Serve without Bonds. Members of the Administrative Committee shall serve without bond or security for the performance of their duties hereunder, unless applicable law requires the furnishing of such bond or security.
- l. Expenses. All usual and reasonable expenses of the Administrative Committee may be paid in whole or in part by CPS Energy, and any such expenses not paid by CPS Energy shall be paid by the Trusts out of principal or income of any of the Trusts.
- m. Subcommittees. The Administrative Committee may have Subcommittees as may be required for the effective conduct of the business of the Administrative Committee, *provided however*, that Subcommittees shall be created only in response to need and to serve a specific purpose. Members of each Subcommittee, which may include observers and CPS Energy staff, shall be appointed by the Administrative Committee Chair and each Subcommittee shall serve for no more than one (1) year from the date of its appointment and shall be considered discharged upon the expiration of said year, unless specifically authorized by the Administrative Committee at the time of its appointment.

2. Standard of Care

The Administrative Committee members shall exercise a fiduciary standard of care as they (a) exercise control over the investment of Plan assets, (b) perform discretionary functions with respect to the administration of Plan benefits, and (c) are responsible for analyzing and making recommendations related to the funding of the Trusts.³

With respect to all other obligations (including non-discretionary, routine administrative functions) under this Statement of Governance, the Administrative Committee members shall exercise no less than a reasonable standard of care.

³ The members of the Administrative Committee are Trustees of the Plans that are designated Risk Pools under Texas statute (Group Health, Group Life and Disability Plans).

3. Meetings

- a. Number, Date and Place. The Administrative Committee will meet at least quarterly. All meetings of the Administrative Committee shall be held in San Antonio, Texas, at a place and time designated by the Administrative Committee Chair.
- b. Notice. Notice of all meetings of the Administrative Committee, stating the time and place of such meeting, shall be given by the Administrative Committee Chair or his / her designee to the Administrative Committee members by mail or electronic mail. Notice of meetings shall be given at least two (2) calendar days prior to the date of the meeting, except that notice of a meeting to be held as a telephone meeting shall be given at least twenty-four (24) hours prior to the meeting.
- c. Action; Quorum. Except as otherwise provided herein, all action of the Administrative Committee shall be taken (a) at a meeting at which a quorum of the members is present in person; and (b) by a simple majority (50.1%) of the members present at the meeting in person or by proxy. In the event of a tie vote, the Administrative Committee Chair shall be entitled to cast an additional vote to break the tie. A quorum of the Administrative Committee shall be a simple majority (50.1%) of the committee members.
- d. Action without a Meeting. Any action which may or must be taken at a meeting of the Administrative Committee may be taken without a meeting if a written consent, setting forth the action to be taken, is signed by all of the members of the Administrative Committee. Such unanimous written consent shall have the same force and effect as a unanimous vote and may be stated as such in any articles or document.
- e. Telephone or Electronic Meeting. Members of the Administrative Committee may participate in and hold a meeting of the members by means of one or more of the following: (1) conference telephone or similar communications equipment; or (2) another suitable electronic communication system, including videoconferencing technology or the Internet, provided that each member entitled to participate in the meeting consents to the meeting being held by the telephonic or electronic communication system and the system provides access to the meeting in a manner or method by which each member participating in the meeting can communicate concurrently with each other participant. Participation in a meeting pursuant to this section shall constitute 'presence in person' at such meeting, except for a person who participates in the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.
- f. Proxy. A member of the Administrative Committee may send a proxy with the power to vote on his / her behalf at the meetings of the Administrative Committee or may give his / her proxy to another member to vote on his / her behalf.

4. Responsibilities & Duties

The Administrative Committee shall be responsible for the following:

Plan Design and Funding Related Roles:

- review and provide input to the President / CEO on expenses related to the Plans;
- obtain input from the President / CEO, or his / her designee, on CPS Energy's budgetary constraints relative to the impact on Plan design considerations;
- analyze and recommend amendments to the Plans and / or the Trusts;
- analyze and recommend to the EBOC, Plan design changes necessary to control costs and keep benefits competitive;
- analyze and recommend to the Board, through the budget process, the amount of the cash flow funding (employer / employee contributions) and expenses related to the Plans;
- ensure the engagement of a Pension actuary who meets the professional requirements set forth in Section 802.101(d) of the Texas Government Code and who shall be responsible for the preparation of the valuation described in Section 802.101(a), together with his or her recommendations to ensure the actuarial soundness of the Plans and Trusts;
- order, receive, and review an actuarial valuation at least every year for each Plan;
- analyze and approve / reject actuarial assumptions and report actuarial assumptions to the EBOC;
- ensure the Pension actuarial valuations, studies and reports are audited at least every 5 years by an independent actuarial firm in accordance with Section 802.1012 of the Texas Government Code;
- select, monitor, and terminate the Plans' and / or Trusts' investment consultants, investment managers, custodial trustee(s), and other service providers;
- appoint or employ and manage, for the Plans, any agents it deems advisable, including, but not limited to, legal counsel, property management firms and Trust staff;

Financial Responsibilities and Reporting Roles:

- oversee all audits of the Plans and / or the Trusts;
- review and approve annual audited financial statements for the Plans and Trusts;
- ensure daily operation of funds (monitoring cash flow needs, cash transfers, etc.);
- prepare monthly, quarterly and annual reports;
- order, receive and review reports of the financial condition and of the receipts and disbursements of the Trusts from the Trustee;
- prepare communications to the EBOC, at least twice per year or as needed, in conjunction with meetings of the EBOC.
- select an administrator of the Plans and / or the Trusts;
- analyze and recommend to the EBOC any funding policy required by law;
- prepare annual reports to the EBOC and all Plan participants on changes in financial condition and investment performance;

Investment-Related Roles:

- recommend an investment policy;
- review the investment policy, including asset allocation, at least annually and recommend revisions as needed;
- invest assets in compliance with the investment policy;
- in accordance with Texas Government Code § 802.109, engage a qualified independent firm to evaluate Plan investment practices and performance and make recommendations for improvement;

Administrative Roles:

- elect Administrative Committee Chair and Vice Chair;
- appoint Administrative Committee Secretary;
- delegate to one or more of the members of the Administrative Committee the right to act in its behalf in all matters connected with the administration of the Trusts;
- complete annual declaration process related to Administrative Committee duties (mid-year for existing members and within three months of effective date for new members);
- monitor the Plans and / or the Trusts for legal compliance;
- monitor changes in state and federal law and make recommendations to the appropriate parties concerning compliance with changes;
- recommend revisions to this Statement of Governance to the EBOC;
- administer and interpret the Trusts' provisions;
- establish administrative procedures regarding the Administrative Committee roles under this Statement of Governance;
- monitor CPS Energy staff to ensure the Administrative Committee policies and procedures are implemented appropriately;
- ensure that summary descriptions for the Plans and / or the Trusts are prepared;
- timely file with the State Pension Review Board any information and documents required by law, including, but not limited to annual reports, the actuary's valuation and recommendations, and plan registrations;
- maintain for public review on a publicly available Internet website, at the Employer's main office and at such other locations as the Administrative Committee considers appropriate, copies of the most recent edition of each report required by law to be submitted to the State Pension Review Board;
- for the Pension Plan, make available to member or annuitant (i) a general summary of Plan benefits; (ii) a summary of procedures for claiming or electing benefits under the Plan; (iii) a summary of principal Plan provisions, including provisions relating to Employer and employee contributions, withdrawal of the Contribution Accumulation, and eligibility for benefits (including any right to terminate employment and retain eligibility); (iv) summaries of significant changes to the Plan affecting contributions, benefits, or eligibility; (v) an annual statement of the employee's Contribution Accumulation, Benefit Service, and in the case of retired employees, the amount of Pension payments received during the preceding year; (vi) and such other information as may be required from time to time by Section 802.106 of the Texas Government Code; and
- any other responsibility that may arise as a result of applicable state or federal law.

Demonstrative Chart of Responsibilities

Responsibilities	Board	EBOC	CEO	Administrative Committee
Adopt or reject Plans / Trust	X			
Approve changes to Plans / Trusts		X		
Approve benefit expenses related to the Plans via Budget Process	X			
Approve cash flow funding (Employer / Employee contributions) via Budget Process	X			
Approve Health Plan premiums		X		
Approve or reject Investment Policies		X		
Approve or reject Funding Policies		X		
Liaison to provide information re Plans / Trusts		X (Board)	X (external)	X (all others)
Appoint and remove Administrative Committee Members (other than the Labor Representative)		X		
Appoint Administrative Committee Observers			X	
Select Plans' Administrators				X
Administer Plans				X
Engage auditor(s)		X		
Engage actuary(s)				X
Engage a qualified firm to evaluate Pension Plan investment practices & performance				X
Engage consultant(s) (investment managers, Agents, attorneys)				X
Engage trustees / custodians to hold Plan assets	X			



**CPS Energy Board of Trustees Meeting
April 22, 2024
APPROVAL of PROCUREMENT ITEMS
Table of Contents**

1. Item Description:	Metal-Clad Substation Switchgear
	Commodity & Material Goods
	Powell Electrical Systems, Inc.
Purchase Category:	
Supplier:	
Committee	Operations Oversight Committee – December 5, 2023
Presentations:	Audit & Finance Committee – January 22, 2024

Approval:

Lisa Lewis, Chief Administrative Officer

Approval:

Rudy Garza, President & CEO



CPS Energy Board of Trustees Meeting
April 22, 2024
Procurement Form 1

Item Description	Metal-Clad Substation Switchgear
Purchase Order Value	\$30,000,000
Purchase Category	Commodity & Material Goods
Department	Energy Delivery Services
VP T&D Engineering & Grid Transformation	Ricardo Maldonado
Chief Energy Delivery Officer	Richard Medina

Detailed Description

CPS Energy staff recommend that a contract renewal be approved for substation metal-clad switchgear. This contract was previously awarded to Powell Electrical Systems, Inc. as the respondent to provide the goods at the best value for CPS Energy based on the evaluation criteria set forth below.

This renewal contract is for the procurement of substation metal-clad switchgear which supports CPS Energy system growth, infrastructure modernization and ensures efficiencies in engineering and construction response times to planned and unplanned system requirements. This contract will expire on June 30, 2029.

Subcontracting Opportunities

None at this time.

The original solicitation method for this procurement was a Request for Proposals. An evaluation team considered the following weighted evaluation criteria to determine the best value to CPS Energy.

Evaluation Criteria	Percentage
Baseline price and cost model	35%
Resolutions for customer specified situations	16%
Economic development (local & diverse consideration)	9%
Experience with CPS Energy in the past 5-year period	8%
Responsiveness to RFP and CPS Energy specifications	8%
Experience with other customers in the past 5-year period	7%
Organization and manufacturing capability	7%
Manufacturer performance in the past 10-year period	5%
Responsiveness to RFP and CPS Energy specifications	2%
Exceptions and clarifications	2%
Financial statements	1%
TOTAL	100%



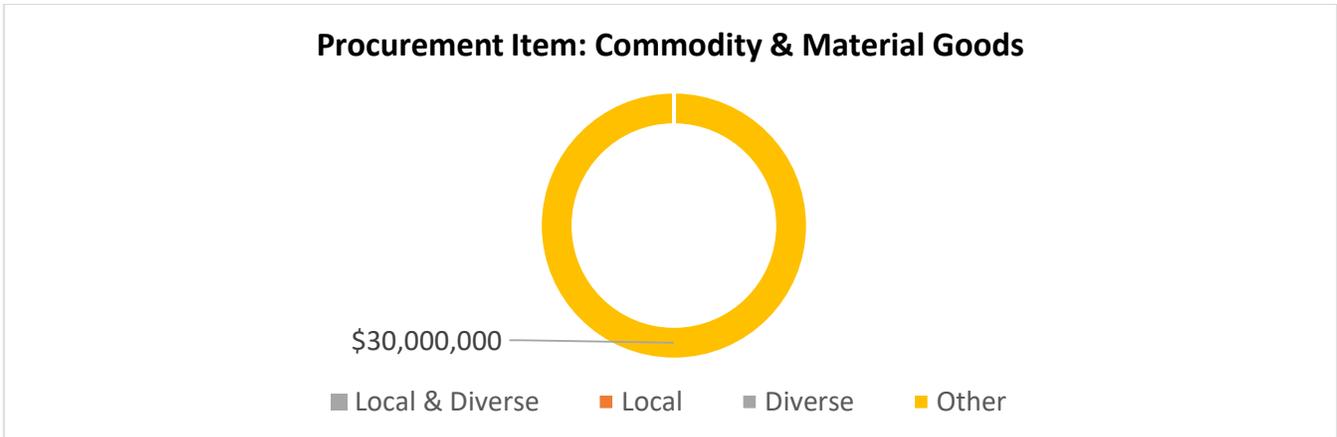
CPS Energy Board of Trustees Meeting
April 22, 2024
Procurement Form 1

Recommended Respondent(s) & Award					
Respondent Name	SBA Classification & Details	Score	PO Value	PO #	Comments
Powell Electrical Systems, Inc.		83%	\$30,000,000	3074968	
TOTAL			\$30,000,000		

Two (2) additional respondents were not recommended for award: KBS Electrical Distribution, Inc. and Techline, Inc.

Annual Funds Budgeted						
Corporate Annual Budget	Funding Method	Projected FY2025 PO Spend	% of FY2025 Annual Corp Budget	Projected FY2026 PO Spend	Projected FY2027 PO Spend	Projected FY2028 PO Spend
\$937,000,000	Capital	\$1,300,000	0.1%	\$1,100,000	\$8,100,000	\$2,600,000
\$890,000,000	Non-Fuel O&M	\$0	0%	\$0	\$0	\$0

Our current approved budget and latest estimates support this new purchase order.





PERSONNEL COMMITTEE

**EXECUTIVE SUMMARY AND CHAIR REPORT FROM THE MARCH 19, 2024 MEETING
PREPARED FOR COMMITTEE CHAIR JANIE GONZALEZ
FOR REPORT AT THE APRIL 22, 2024 BOARD OF TRUSTEES MEETING**

The Personnel Committee met on March 19, 2024. As part of the Personnel Committee agenda, the Committee:

- A. Discussed the process for obtaining feedback from all trustees to evaluate CEO performance against Strategic Objectives and Enterprise Measures identified by the Personnel Committee to be addressed within FY24.
- B. Reviewed the proposed Strategic Objectives and Enterprise Measures to be considered for the FY25 CEO scorecard.

The next meeting of the Personnel Committee was scheduled for April 9.



OPERATIONS OVERSIGHT COMMITTEE (OOC) MEETING

EXECUTIVE SUMMARY AND CHAIR REPORT FROM THE MARCH 26, 2024 MEETING PREPARED FOR COMMITTEE CHAIR, DR. FRANCINE ROMERO FOR REPORT AT THE APRIL 22, 2025 BOARD OF TRUSTEES MEETING

The Operations Oversight Committee met on March 26, 2024. As part of the agenda, the Committee:

- A. Reviewed and approved meeting minutes from the prior meeting held on December 5, 2023.
- B. Received a preview of Procurement items that included:
 - a. A new contract for Substation and Transmission Engineering Services
 - b. And a new contract for Independent Validation and Verification for the Enterprise Resource Plan transformation.
- C. Received a presentation on Customer Growth and Cost Recovery that included:
 - a. A review of growth trends
 - b. An overview of how costs are recovered, including Transmission Cost of Service
 - c. And examples of customer construction costs.
- D. Received a presentation on a current Routing and Siting Project that included:
 - a. A review of the purpose of routing and siting and a comparison of the process for both inside and outside the San Antonio city limits
 - b. And an overview and timeline of the Howard to San Miguel Project.
- E. Received a presentation on the Brooks Field Substation Expansion initiative that included:
 - a. A review of the purpose and need for the project
 - b. And a discussion on the proposed location for the substation expansion.
- F. Received a presentation on Gas Compliance Overview and Audit Results that included:
 - a. An overview of our Gas System
 - b. An overview of Gas Compliance and Regulatory Activities
 - c. And a review of the calendar year 2023 Railroad Commission Audits and our responses.
- G. And received a presentation on the FY2024 Safety Update that included:
 - a. A year-over-year comparison of safety performance showing a 40% improvement in Recordable Incident Rate (RIR) since FY2022
 - b. A discussion on the correlation between recordable incidents and first-aid injuries and how timely injury reporting has improved
 - c. A review of how field observations support injury prevention

- d. An introduction to Serious Injuries and Fatalities (SIF) reporting and a discussion on how SIF injuries impact people and performance
- e. A review of how the UIO Grassroots Team is making an impact on recordable incidents
- f. And an overview of the safety plan for FY2025.

The next meeting of the Operations Oversight Committee meeting is May 6, 2024.



PERSONNEL COMMITTEE

**EXECUTIVE SUMMARY AND CHAIR REPORT FROM THE APRIL 9, 2024 MEETING
PREPARED FOR COMMITTEE CHAIR JANIE GONZALEZ
FOR REPORT AT THE APRIL 22, 2024 BOARD OF TRUSTEES MEETING**

The Personnel Committee met on April 9, 2024. As part of the Personnel Committee agenda, the Committee:

- A. Discussed input and process for CEO performance evaluation for FY2024.
- B. Received relevant materials regarding utility industry CEO compensation.

The next meeting of the Personnel Committee is not yet scheduled.

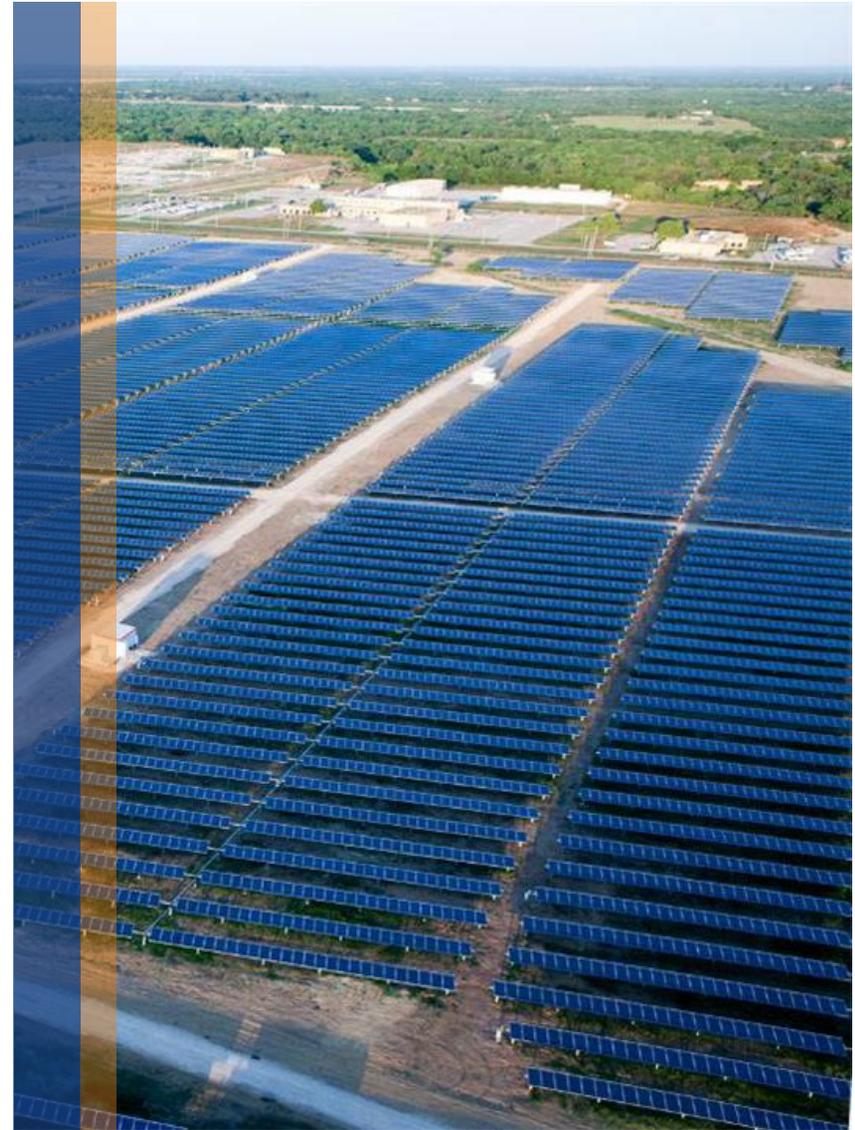


ENTERPRISE RESOURCE PLANNING (ERP) TRANSFORMATION PROGRAM

SELECTION OF TECHNOLOGY VENDOR

PRESENTED BY:
EVAN O'MAHONEY
Chief Information Officer

April 22, 2024
Approval Requested



AGENDA



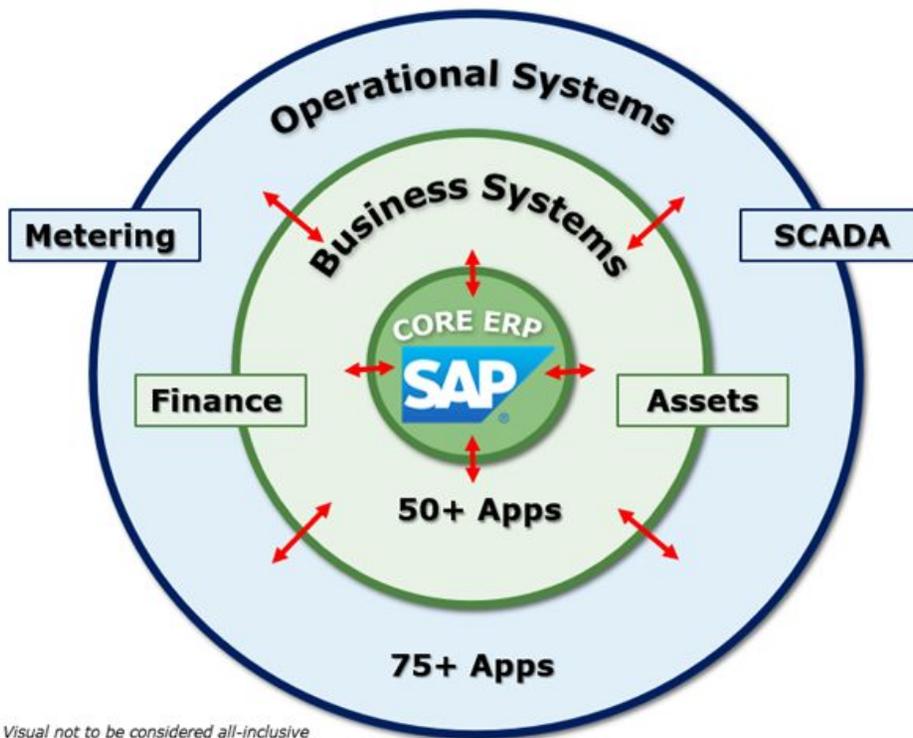
- ERP Program Background
- Transformation Approach & Benefits
- Recommended Solution Overview
- Request for Approval & Next Steps

We are requesting approval of the Enterprise Resource Planning (ERP) technology solution to support the digital transformation program.



BACKGROUND

LEGACY SYSTEMS CREATE COMPLEXITY



Visual not to be considered all-inclusive

- SAP ERP technology platform implemented in 2001
- Complex technology landscape with over 400 applications and data integrations
- Disparate data sources lack insights that drive decisions
- Legacy business processes and sub-optimal platform configurations
- Core system's end of standard support from vendor in 2027



ASSESSED THE CURRENT STATE

ENGAGING THE ENTERPRISE

SMEs Engaged



490

Workshops Held



187

Business Capabilities Reviewed



18



2193

Pain Points Captured



1199

Functional Requirements



750+

Workshop Hours

Two third-party vendor assessments were completed to inform implementation approach, business case development, and transition strategy.

ESTABLISHED STRATEGY & OUTCOMES

ANCHORED TO VISION 2027



Strategic Imperatives	
	Improved experiences for customers and employees
	Data driven insights that enable real-time decisions
	Continuous improvement to enhance & optimize systems
	Increased ability to meet community commitments for bill and rate redesign
	Enhanced technology reliability and resiliency
	Expanded customer self-service and payment options
	Better able to meet changing industry needs
	Improved operational processes and efficiencies

CPS VISION 2027
An Evolving Utility

We Deliver on Our Mission:
To serve our community through reliable, competitively priced, and sustainable energy services in an equitable manner.

Our Strategic Objectives:

OPERATIONAL EXCELLENCE

FINANCIAL STABILITY

CUSTOMER EXPERIENCE

TEAM CULTURE

COMMUNITY COMMITMENT & RESILIENCE

Living Our Core Values:

SAFETY & WELLBEING

TRANSPARENCY

ONE TEAM

ACCOUNTABILITY

INTEGRITY

EXCELLENCE

Measuring Performance Through Our Metrics:

OPERATIONAL EXCELLENCE

FINANCIAL PERFORMANCE

CUSTOMER EXPERIENCE

EMPLOYEE ENGAGEMENT & RECRUITMENT

Community Conversations and Key Results:

- Strengthen Generation Capabilities to Meet Extreme Conditions
- Enhance Communication & Grid Management in Major Events
- Support Community Growth
- Digital Enterprise Resource Planning (ERP)
- IT Systems Modernization

- Connecting Customers with Support
- Safety Culture Fundamentals
- Retain & Attract Talent
- Energy Efficiency & Conservation Program
- Generation Resource Planning (ERP) Decision
- Rate Design Public Input

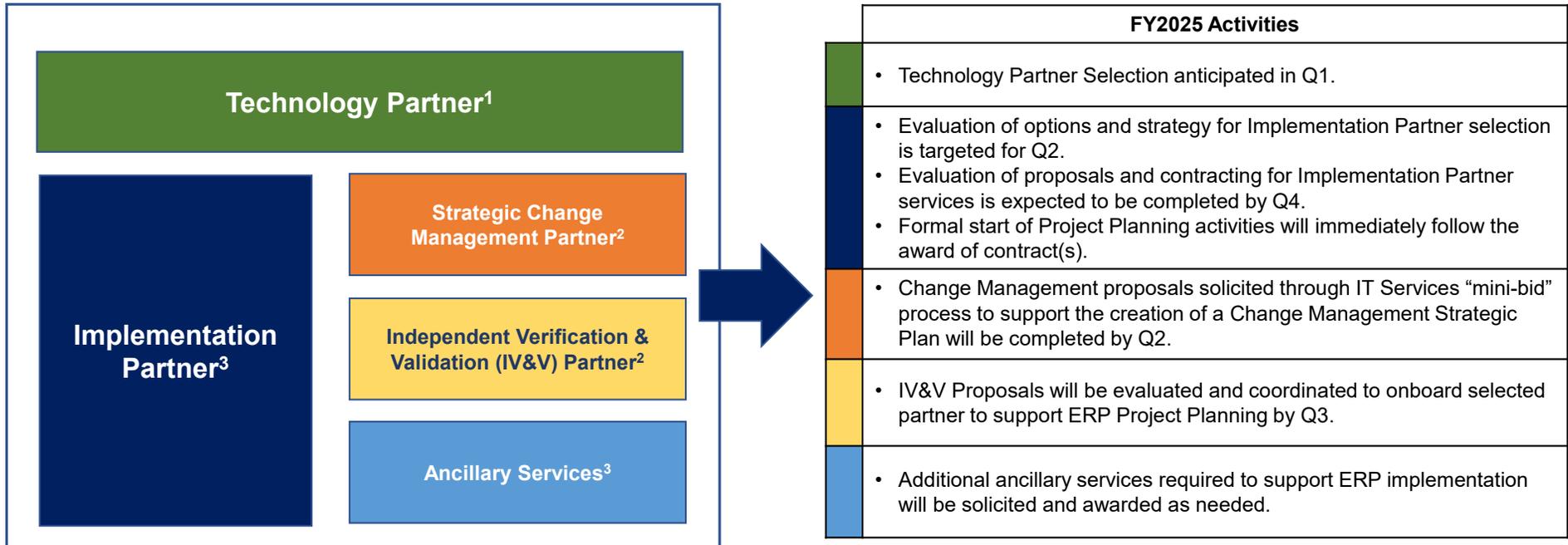
CONNECTING • LISTENING • ENGAGING • SERVING

Established business outcomes will measure improvements in software savings, process efficiencies, customer satisfaction, and other in-scope performance areas.



ERP TRANSFORMATION APPROACH

ESTABLISH A ROBUST PARTNER ECOSYSTEM



¹ Today's Request
² Active Solicitation
³ Ongoing; as needed

Our goal is to achieve 20% local, small, and/or diverse business participation for the remaining program scope.



EVALUATED THE FUTURE STATE

ENGAGING THE ENTERPRISE

Primary Evaluation Leads



17

 **300+**
Product Showcase Hours

Feedback Surveys Completed



516

 **1700+**
Employees Participated

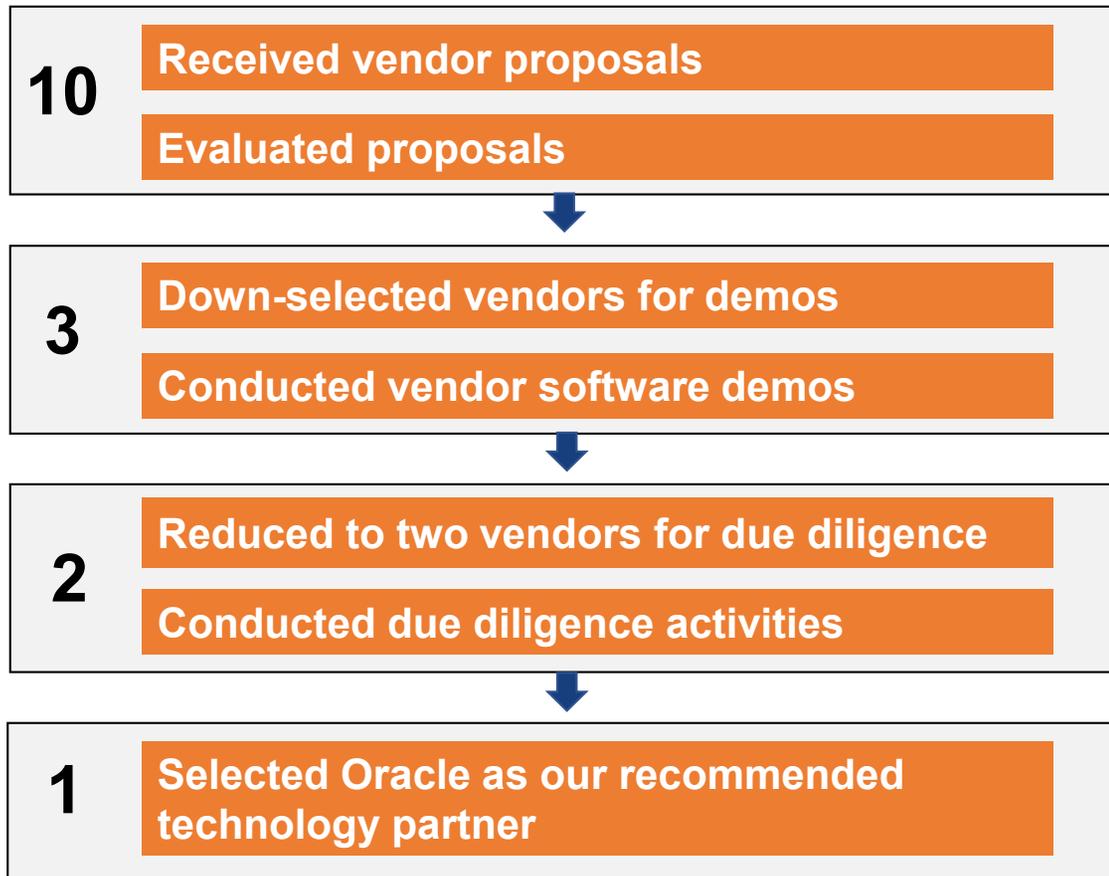
 **15**
Month Evaluation Process

The end-to-end selection process engaged team members from across the organization to ensure our evaluation was influenced by those using the selected solution.



PATH TO SELECT ERP TECHNOLOGY

DELIBERATE & THOUGHTFUL PROCESS



- **5 vendors** responded with a solution for 14+ business capabilities
- **13 functional & technical tracks** demonstrated over five days of demos for each of the three vendors
- Conducted **10+ vendor reference calls** with other organizations utilizing the proposed solutions
- Conducted **4 in-person vendor workshops** on product innovation and vendor commitment to CPS Energy



RECOMMENDED TECHNOLOGY PARTNER

The Oracle logo, consisting of the word "ORACLE" in white, sans-serif capital letters, centered within a solid red rectangular background.

ORACLE®



ABOUT ORACLE

QUICK FACTS



ACKNOWLEDGED LEADER IN CLOUD SOFTWARE SOLUTIONS

- Financials
- Financial Planning
- Supply Chain
- Human Resources
- Field Services
- Customer Billing



GLOBAL HEADQUARTERS IN AUSTIN

- \$50 Billion Annual Revenue
- 6,000+ Employees in Texas
- 164,000 Total Employees
- 100+ Agencies in the State of Texas use Oracle



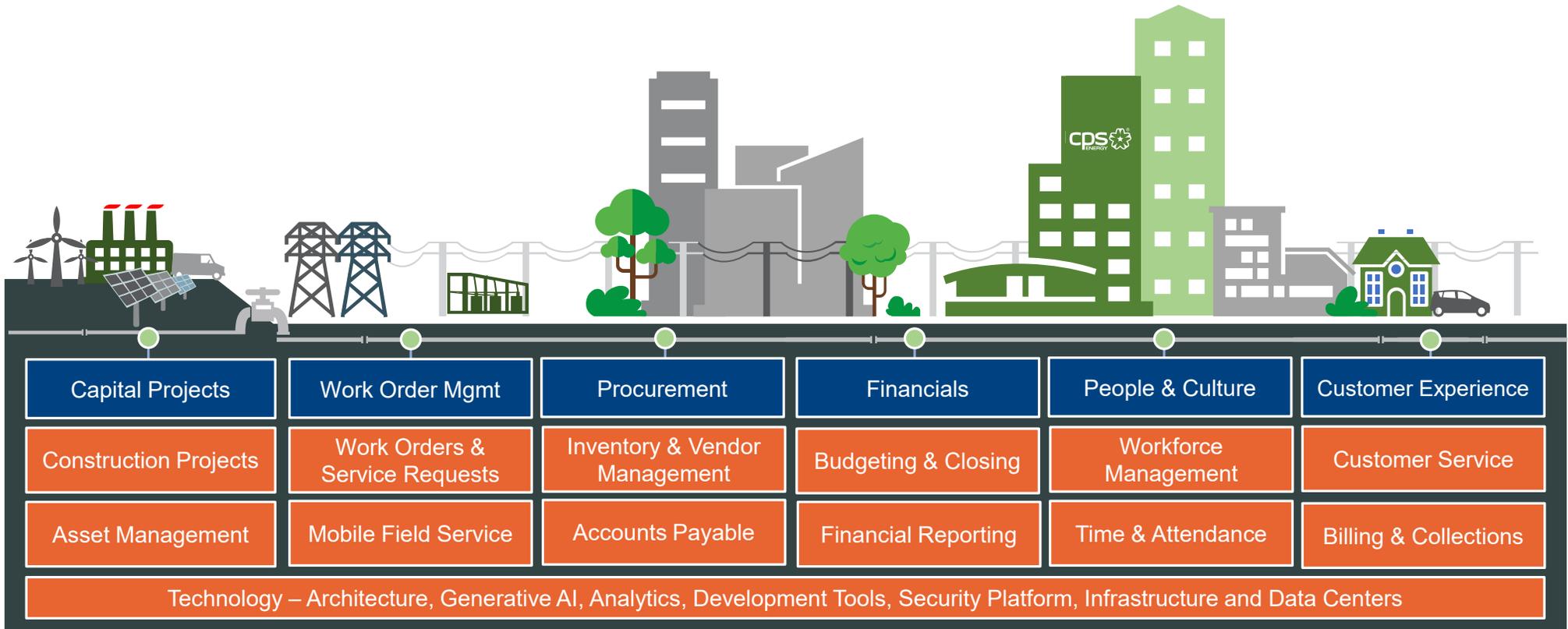
LOCAL COMMUNITY IMPACT

- Regional Office in San Antonio
- 2,000+ Employees are CPS Energy Customers
- Oracle Education Foundation supports technology education for UTSA & Alamo Colleges



OUR INTEGRATED SOLUTION

A MODERN UTILITIES PLATFORM





ABOUT ORACLE UTILITIES CUSTOMERS

Large & Mid-Sized Utilities

conEdison

ATCO

Portland General Electric

AMERICAN ELECTRIC POWER

AVISTA

MGE ENERGY

exelon™

ONCOR

evergy

Ameren

aps

Southern Company

GREEN MOUNTAIN POWER

IDAHO POWER.

Municipal Utilities

LA DWP Los Angeles Department of Water & Power

Seattle City Light

LGRA

AUSTIN ENERGY

El Paso Electric

LP Lubbock Power & Light

JEA Building Community®

NES

CITY OF BURBANK WATER AND POWER



CONTRACT OVERVIEW

ERP TECHNOLOGY PARTNER SELECTION

- New contract for the purchase of an Enterprise Resource Planning technology platform
- Contract Details:
 - Value: \$70M
 - Term: 10 years
 - 10 respondents
 - One Recommended Awardee:
 - Oracle America, Inc.
- Funding Details:
- Program budget of \$304M supports this technology contract request
- Funding requirements were secured through the rate increase effective February 2024
- Remainder of program budget will support implementation and ancillary services

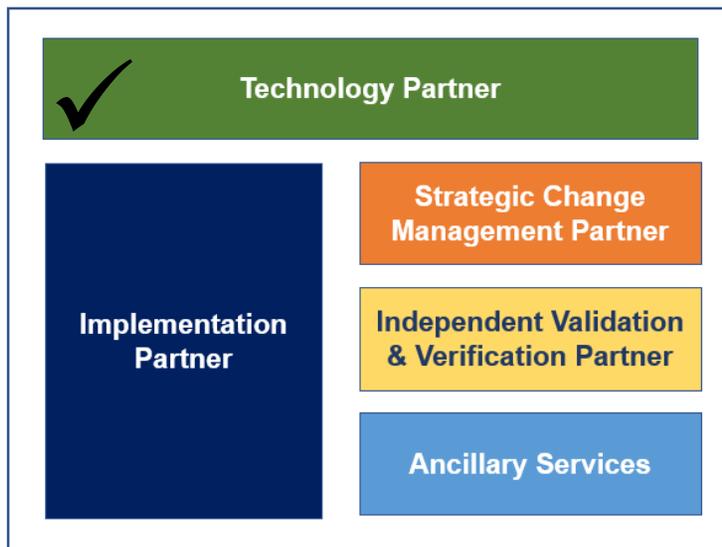
Fiscal Year(s)	Funding Source	Cost
FY2026 - FY2029	Program Budget	\$30.0M
FY2030 - FY2034	Operating Budget	\$40.0M
Total Contract Value		\$70.0M

All required funding to support this contract is included in our approved budget.



GROWING OUR ECOSYSTEM

ACTIVELY EVALUATING PARTNER OPTIONS



	Key Activities	Target Completion
	Evaluate options and finalize strategy for implementation partner selection	Q2 FY2025
	Evaluate proposals and select Change Management partner	Q2 FY2025
	Evaluate proposals and select Independent Validation & Verification partner	Q3 FY2025
	Engage third-party partners to support additional program needs, as applicable	On-Going

Ramp-up of program resources, including internal and external team members, is in progress and targeted for completion by Q4 FY2025.

REQUEST FOR APPROVAL

ERP TECHNOLOGY PARTNER SELECTION



- We respectfully request your approval to proceed with the purchase of ERP Cloud Software from Oracle America, Inc., in the amount of \$70M to support the ERP Transformation Program.



THANK YOU



APPENDIX

GLOSSARY / DEFINITIONS



ACRONYM OR WORD	DEFINITION	ACRONYM OR WORD	DEFINITION
AI	Artificial Intelligence	IV&V	Independent Verification & Validation
AR	Accounts Receivable	MSA	Master Service Agreement
BoT	Board of Trustees	PPA	Purchase Power Agreement
ERP	Enterprise Resource Planning System	RFP	Request for Proposal
FERC	Federal Energy Regulatory Commission	SAP	Brand name for existing ERP Software utilized by CPS Energy
HCM	Human Capital Management	SCADA	Supervisory Control & Data Acquisition
HR	Human Resources	SME	Subject Matter Expert



ADOPTED GOVERNANCE STRUCTURE

APPROVED BY PROGRAM STEERING COMMITTEE





DUE DILIGENCE ACTIVITIES

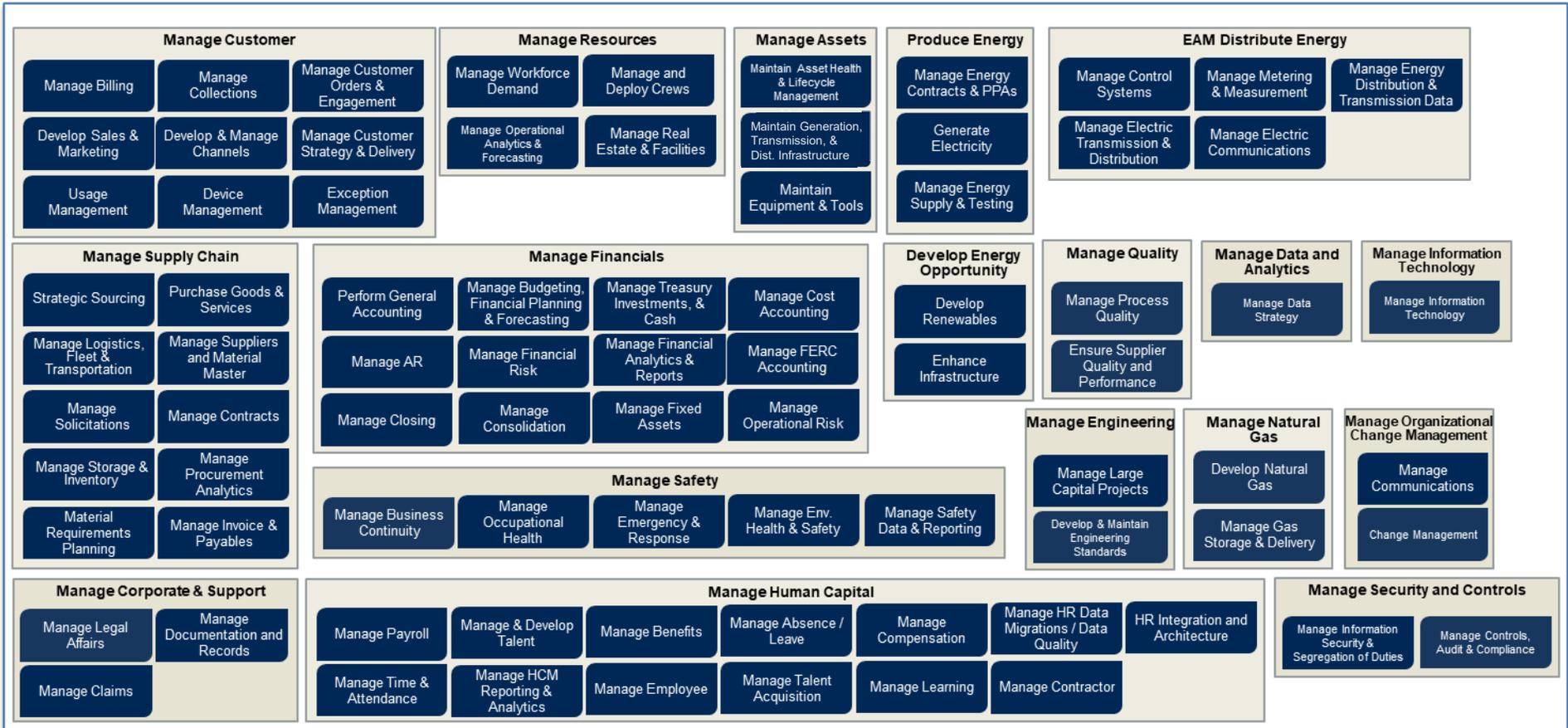
AN ENGAGED ENTERPRISE

-  System Security
-  System Architecture
-  Vendor Reference Calls
-  Vendor On-Site Workshops
-  Pricing
-  Contracting



- **Two vendors** in Due Diligence
- Evaluated both vendors' **System Security and Architecture**
- Conducted **multiple vendor reference calls** with other organizations utilizing solutions
- Conducted several **in-person vendor workshops** for capability leads and program Steering Committee
- Finalized negotiations for products and pricing
- Finalized terms and conditions

BUSINESS CAPABILITY MAP





CPS Energy Discussion with those charged with governance

Audit results and strategy for the year ending January 31, 2024

April 22, 2024





Delivering a better audit experience drives us

With KPMG, you can expect an experience that's better for your team, your organization, and the capital markets. An experience that's built for a world that demands agility and integrity.

We aim to deliver an exceptional client experience by focusing on:



Quality



Experience



Productivity



Insights

See how. 



Audit results: Overview

Outstanding matters <ul style="list-style-type: none">• Finalizing substantive procedures• Final reviews of financial statements• Receipt of management representation letter	Auditors' report <p>See slide 7</p>	Uncorrected Misstatements <p>None identified</p>
Corrected Misstatements <p>None identified</p>	Other <p>None</p>	





Required communications to those charged with governance

Prepared on: April 16, 2024

Presented on: April 22, 2024



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Audit results required communications and other matters

Matters to communicate		Response
Significant unusual transactions	X	
Uncorrected audit misstatements	X	
Corrected audit misstatements	X	
Financial statement presentation and disclosure omissions	X	
Non-GAAP policies and practices	X	
Auditors' report	✓	Page 7
Changes to our risk assessment and planned audit strategy	X	
Significant accounting policies and practices	X	
Significant accounting estimates	✓	Pages 8 to 11
Significant financial statement disclosures	X	
Group audit engagement considerations	✓	Page 12

Matters to communicate		Response
Related parties	X	
Going concern	X	
Other information	X	
Subsequent events	X	
Noncompliance with laws and regulations	X	
Significant difficulties encountered during the audit	X	
Significant findings or issues discussed, or the subject of correspondence with management	X	
Management's consultation with other accountants	X	
Disagreements with management	X	
Other significant matters	X	

✓ = Matters to report X = No matters to report



Audit results required communications and other matters

Matters to communicate

Consultations	There were no difficult or contentious matters for which the auditor consulted outside the engagement team that are relevant to the audit committee's oversight of the financial reporting process.
Illegal acts or fraud	No actual or suspected fraud involving management, employees with significant roles in internal control, or where fraud results in a material misstatement in the financial statements were identified during the audit.
Written communications	Engagement letter and management representation letters to be distributed under separate covers.
Independence	See page 13
Inquiries	See page 15



Auditors' report

Matters affecting the form and content of the auditors' report

- The auditors' report on the City Public Service of San Antonio, Texas will have a modification related to Required Supplementary Information
 - U.S. generally accepted accounting principles require that management's disclosure and analysis must be presented to supplement the basic financial statements. Such information is the responsibility of management and, is an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. KPMG does not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Significant accounting estimates

Fair Value of Investments held by CPS and the Decommissioning Trusts

- The Company accounts for its investments based upon fair value measurement, which requires the fair value to be based upon the trading price as of measurement date (January 31, 2024).

Audit findings

Management's process used to develop the estimates

- The entity measures investments at fair value. Securities are valued based on the trading price on the measurement date.

Significant assumptions used that have a high degree of subjectivity

- There is no significant judgment in determining inputs.

Indicators of possible management bias

- No indicators of possible management bias were identified.

Conclusions

- We believe management's assumptions used for fair value estimates are appropriately accounted for and material matters are disclosed.



Significant accounting estimates

Valuation of Net Pension Liability

- The Company accounts for its Net Pension Liability in accordance with GASB Statement No. 68, which is the difference between the total Pension Liability and Pension Plan Fiduciary net position as of measurement date.

Audit findings

Management's process used to develop the estimates

- The total Pension Liability used to calculate the Net Pension liability is determined by actuarial valuations. The total Pension Plan Fiduciary net position used to calculate the Net Pension liability is determined as the fair value of the plan assets at measurement date.

Significant assumptions used that have a high degree of subjectivity

- Significant assumptions include discount rate, rate of return on investment, projected annual base salary, participant mortality, and demographic assumptions.

Indicators of possible management bias

- No indicators of possible management bias were identified.

Conclusions

- We believe management's assumptions used for the valuation of the Net Pension Liability are appropriately accounted for and material matters are disclosed.



Significant accounting estimates

Valuation of Net OPEB Asset

- The Company accounts for its Net OPEB Asset in accordance with GASB Statement No.75, which is the difference between the total OPEB liability and the Employee Benefit Plans Fiduciary net position as of measurement date. The valuation of the Net OPEB asset includes the following i) CPS Energy Group Health Plan, ii) CPS Energy Group Life Plan, and iii) CPS Energy Long Term Disability Income plan.

Audit findings

Management's process used to develop the estimates

- The total OPEB liability used to calculate the Net OPEB (asset) liability is determined by actuarial valuations. The total Employee Benefit Plans Fiduciary net position used to calculate the Net OPEB (asset) liability is determined as the fair value of the plan assets at measurement date.

Significant assumptions used that have a high degree of subjectivity

- Significant assumptions include discount rate, rate of return on investment, participant mortality, demographic assumptions, per capita claim costs, and healthcare cost trend rates.

Indicators of possible management bias

- No indicators of possible management bias were identified.

Conclusions

- We believe management's assumptions used for the valuation of the Net OPEB Asset are appropriately accounted for and material matters are disclosed.



Significant accounting estimates

Accounting for contingencies

- The financial results of CPS Energy may be affected by judgments and estimates related to loss contingencies. Contingencies related to litigation and claims, as well as environmental and regulatory matters, also require the use of significant judgment and estimate.

Audit findings

Management's process used to develop the estimates

- The estimate of commitments and contingencies is accrued and disclosed in the financial statements if it can be reasonably estimated. Reasonable estimates may require judgement based on similar uncertainties and situations and require assistance from experts such as attorneys.

Significant assumptions used that have a high degree of subjectivity

- There is no significant judgment in determining inputs.

Indicators of possible management bias

- No indicators of possible management bias were identified.

Conclusions

- We believe management's assumptions used in determining the estimates related to Commitments and Contingencies are appropriately accounted for and material matters are disclosed.



Group audit engagement considerations

Full-scope audit				
Components	Name/location of component auditor	Planned responsibilities	Total assets (FY24) (in 000's)	Revenue (FY24) (in 000's)
Group Audit	KPMG US LLP, San Antonio, TX	Financial statement audit for CPS Energy for the period ended January 31, 2024	\$13,127,850	\$3,359,249
South Texas Project	KPMG US LLP, Houston, TX	Audit of South Texas Project special purpose financials for the period ended December 31, 2023	\$935,172	\$0
Total full-scope audits			100%	100%
Total Coverage: Full-scope audit			100%	100%
Excluded from direct testing			0%	0%
Total consolidated			100%	100%

Group audit considerations

There were no matters identified by our component auditors during the audit of the South Texas Project.

The financial statements of the CPS Energy fiduciary activities are audited by other auditors (BDO USA LLP) whose reports will be furnished to us.



Independence communications

The following are circumstances or relationships that, in our professional judgment, may reasonably be thought to bear on independence, and to which we gave significant consideration, in reaching the conclusion that independence has not been impaired.

Relationship	Description of relationship and relevant safeguards, if applicable	Fees (for services)
Access to KPMG’s online professional library, Accounting Research Online (ARO)	Complimentary KPMG Accounting Research Online subscriptions which is web-based financial reporting research tool.	\$-0-
Access to KPMG’s Custom Learning Portal	Complimentary access to KPMG’s Custom Learning Portal, which gives access to public training events, such as KPMG conferences, and self-study web-based training’s.	\$-0-

Affirmation of independence

We hereby affirm that as of April 15, 2024, the engagement team and others in the firm as appropriate, the firm and its affiliated firms, have complied with relevant ethical requirements regarding independence.



Audit and other professional services fees

We have summarized the fees billed and those expected to be billed by our firm relating to the audit of the 2024 financial statements and the fees billed for all other professional services in 2024, with comparison to the prior year.

Service	2024 Estimated Fee	2023 Actual Fee
CPS Energy financial statement audit as of January 31, 2024 and January 31, 2023, report on the Company's Schedule of Gross Revenue and Required Payments to the City of San Antonio, and agreed upon procedures for the compliance with the Public Funds Investment Act and Energy Price Risk Management Policy	\$399,000	\$402,500
Decommissioning Master Trust financial statement audit as of December 31, 2023 and December 31, 2022 and agreed upon procedures for compliance with the Public Funds Investment Act	\$13,250	\$13,750
Decommissioning Master Trust (TCC Funded) financial statement audit as of December 31, 2023 and December 31, 2022 and agreed upon procedures for compliance with the Public Funds Investment Act	\$13,250	\$13,750
SA Energy PFC financial statement audit as of January 31, 2024 and January 31, 2023 and agreed upon procedures for the compliance with the Public Funds Investment Act	\$39,500	\$40,000
Single audit report over federal program compliance requirements for the fiscal year ended January 31, 2024	\$55,000	\$55,000
KPMG to provide CPS Energy with access to the Custom Learning Portal and ARO (fee waived of \$7,500 for up to 25 users) to begin immediately upon approval for the start of a one-year term	\$-0-	\$-0-
Total	\$520,000	\$525,000



Inquiries

Are those charged with governance aware of:

- Matters relevant to the audit, including, but not limited to, violations or possible violations of laws or regulations?
- Any significant communications with regulators?
- Any developments in financial reporting, laws, accounting standards, corporate governance, and other related matters, and the effect of such developments on, for example, the overall presentation, structure, and content of the financial statements, including the following:
 - The relevance, reliability, comparability, and understandability of the information presented in the financial statements
 - Whether all required information has been included in the financial statements, and whether such information has been appropriately classified, aggregated or disaggregated, and presented?

Do those charged with governance have knowledge of:

- Fraud, alleged fraud, or suspected fraud affecting the Company?
 - If so, have the instances been appropriately addressed and how have they been addressed?

Additional inquiries:

- What are those charged with governance's views about fraud risks in the Company?
- Who is the appropriate person in the governance structure for communication of audit matters during the audit?
- How are responsibilities allocated between management and those charged with governance?
- What are the Company's objectives and strategies and related business risks that may result in material misstatements?
- Are there any areas that warrant particular attention during the audit and additional procedures to be undertaken?
- What are those charged with governance's attitudes, awareness, and actions concerning (a) the Company's internal controls and their importance in the entity, including oversight of effectiveness of internal controls, and (b) detection of or possibility of fraud?
- Have there been any actions taken based on previous communications with the auditor?
- Has the Company entered into any significant unusual transactions?
- Whether the entity is in compliance with other laws and regulations that have a material effect on the financial statements?
- What are the other document(s) that comprise the annual report, and what is the planned manner and timing of issuance of such documents?
- Have any subsequent events occurred that might affect the financial statements?





Questions?

For additional information and audit committee resources, including National Audit Committee Peer Exchange series, a Quarterly webcast, and suggested publications, visit the KPMG Audit Committee Institute (ACI) at www.kpmg.com/ACI

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