

CPS ENERGY
MINUTES OF THE REGULAR MEETING OF THE BOARD OF TRUSTEES
HELD ON JUNE 24, 2024

The Regular Meeting of the Board of Trustees of CPS Energy for the month of June was held on Monday, June 24, 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 1:04 p.m.)

Also present were:

Mr. Rudy Garza, President & CEO
Ms. Shanna M. Ramirez, Chief Legal & Ethics Officer, General Counsel & Board Secretary
Mr. Cory Kuchinsky, Chief Financial Officer & Treasurer
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. Matthew Jones, Director, Local Government Relations.

III. PUBLIC COMMENT

Ms. Henrietta LaGrange, community member, thanked the Board for allowing her to be here and stated she feels CPS Energy employees are proud to work for CPS Energy. She stated that Mr. Rudy Garza is not just doing a great job - she could use all the adjectives that say he is doing an amazing job. She stated that when she stops at construction sites, she asks the employees, and they all say that Mr. Garza is great and that he puts safety first. Finally, she quoted Justice Ruth Bader Ginsburg and encouraged women to be in places where decisions are made. She encouraged all women to empower themselves, and she stated she would provide a pin to Chair Gonzalez.

IV. CHAIR'S REMARKS

Chair Gonzalez stated it is a great time to connect with CPS Energy. She encouraged customers to participate in community events, and she highlighted upcoming events where customers can learn about

assistance programs, energy conservation, and rebates. She noted that with higher summer bills, we want our customers to be prepared and informed. She encouraged customers to contact CPS Energy for assistance programs and information on conservation initiatives, rebate programs, and other programs.

She also introduced Cruz, the Chameleon, to be featured in CPS Energy's summer campaign. Cruz will provide energy-saving tips in English and Spanish to help customers manage their energy use more effectively. She also highlighted our Customer Response Unit, "CRU team," for their engagement with our customers.

Finally, she noted that CPS Energy is observing and supporting Pride Month as a time to honor and celebrate the LGBTQ+ community. She highlighted Mr. Michael Thurston, Project/Program Lead for Corporate Responsibility, who shared his story with the CPS Energy workforce. She expressed her love for her child who chose to live her true self. Finally, she thanked those who embrace and support Team Pride.

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 May 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 May 2024 is based on actual gross revenue per the New Series Bond Ordinance of \$252,269,489.02, 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 \$5,061,012.27. 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 \$5,061,012.27 against future months' revenues for fiscal year 2025. The revenue for the month of May 2024 is calculated as follows:

| | |
|--|-----------------------|
| Gross revenue per CPS Energy financial statements | |
| Electric revenue | \$305,032,829.43 |
| Gas revenue | 14,304,594.88 |
| Interest and other income | 9,961,255.65 |
| Gross revenue per CPS Energy financial statements | <u>329,298,679.96</u> |
| Excluded revenue | |
| School and hospital revenue per City Ordinance 55022 | (8,266,669.46) |
| Fuel cost component of off-system nonfirm energy sales per City Ordinance 61794 and revenue for wholesale special contracts | (20,259,232.68) |
| Noncash and other income, GASB 31 investment market value change, miscellaneous interest income, gas billing adjustment and unbilled | |

| | |
|---|-------------------------|
| revenue | (48,503,288.80) |
| Total excluded revenue | <u>(77,029,190.94)</u> |
| Gross revenue per New Series Bond Ordinance subject to 14% payment to the City | <u>\$252,269,489.02</u> |
| City payment per Bond Ordinance for May 2024 based upon May 2024 revenue | \$35,317,728.46 |
| City payment per memorandum of understanding (MOU) regarding wholesale special contracts | 295,556.06 |
| City Payment reduction per gas customer billing adjustment MOU | <u>(12,500.00)</u> |
| City payment per Bond Ordinance plus adjustments for memorandums of understanding | 35,600,784.52 A |
| Utility services provided to the City for May 2024 | <u>(2,797,419.24)</u> |
| Net amount to be paid from May 2024 revenue to the City in June 2024 | <u>\$32,803,365.28</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)

| May 2024 | Actual | Budget | Variance | |
|------------------------|-----------|-----------|-----------|-------|
| Current Month A | \$35,600 | \$32,450 | \$3,150 | 9.7% |
| Year-to-Date | \$124,479 | \$126,177 | (\$1,698) | -1.3% |

Approval of the following resolution is requested:

"BE IT RESOLVED by the CPS Energy Board of Trustees that payment to the City of San Antonio in the amount of \$32,803,365.28 representing 14% of applicable system gross revenues for the month of May 2024, such payment being net of City utility services (\$2,797,419.24), and including the current month shortage, is hereby approved." The total amount to be recovered from future months' revenues for fiscal year 2025 is \$36,098,934.05.

B. Minutes from the May Regular Board Meeting, held on May 20, 2024

C. Procurement Items: None

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. Operations Oversight Committee meeting held on May 6, 2024. The report is attached as Attachment "A" to the meeting minutes.
- B. Personnel Committee meeting held on May 29, 2024. The report is attached as Attachment "B" to the meeting minutes.

VII. EXECUTIVE SESSION

At approximately 1:13 p.m., Chair Gonzalez announced the Board would go into Executive Session, and Ms. Ramirez announced that the required notice had been posted and that the Trustees, with only necessary parties in attendance, would convene into Executive Session, pursuant to the provisions of Chapter 551 of the Texas Government Code, for discussion of a number of posted items, including the following:

- Personnel Matters (§551.074)

The Board reconvened in open session at 2:06 p.m. The quorum was re-established, and all members were present. Ms. Ramirez reported that only the matters cited above, and no others were discussed, and no votes were taken in Executive Session.

VIII. FY2024 CEO PERFORMANCE OVERVIEW & VOTE ON COMPENSATION ADJUSTMENT

Ms. Lisa Lewis, Chief Administrative Officer, summarized the process for annually reviewing the performance of the President & CEO. She noted that it aligns with the fiscal year, and recapped the steps taken to date for Mr. Garza's FY2024 review, including meetings of the Personnel Committee and input by the Board.

Trustee Dr. Mackey noted that the Board of Trustees met in Executive Session to discuss the performance of Mr. Garza, for the period ended January 31, 2024. The Board reviewed the CEO scorecard, which includes quantitative metrics for customer satisfaction, financial performance, and operational excellence. The metrics are challenging, and they help ensure that the company continues moving forward. He also noted the strategic objectives for the CEO, which included securing new generation, addressing reliability and resiliency for the long term, and ensuring robust strategic planning for the future. He also noted that under the leadership of Mr. Garza, CPS Energy has improved already-strong customer satisfaction ratings, improved the financial condition of the utility in relation to past-due accounts, and increased reliability through extensive focus on tree-trimming, infrastructure improvements, and securing current and future generation resources. Finally, he noted that the Board reviewed information prepared by Willis Towers Watson (WTW) regarding total compensation for CEOs in the energy utility sector. In looking at more than a dozen comparable companies across the industry, including for-profit and municipal utilities, Mr. Garza's salary is a fraction of the average for CEOs, even though Mr. Garza has the same accountabilities as his peers—and those accountabilities have increased as operations grow to include assets across Texas.

Based on this information, Trustee Dr. Mackey moved that the Board recognize Mr. Garza's FY2024 accomplishments by:

- Increasing Mr. Garza's base salary, effective May 26, 2024, by 13.2 percent, from \$655,000 per year to \$742,000 per year;
- Incorporating into his employment agreement an annual retention payment for years 2025 and 2026 of up to 10% base pay per year, payable at the conclusion of the initial term of the agreement provided he remains in good standing with the organization, to induce Mr. Garza to remain with the organization through the full contract period.
- Directing staff and outside counsel to prepare an update to the CEO Agreement to reflect the same.

Chair Gonzalez seconded the motion. The Board of Trustees discussed the motion, and it was unanimously approved.

IX. RESOLUTION SUPPORTING FY2025 CEO SCORECARD & METRICS

Trustee Dr. Mackey moved adoption of the resolution, and Mayor Nirenberg seconded the motion. Ms. Ramirez read the following resolution:

RESOLUTION SUPPORTING FY2025 CEO SCORECARD

WHEREAS, CPS Energy is a municipally-owned utility of the City of San Antonio;
and

WHEREAS, Section 1502.070 of the Texas Government Code provides that the powers and duties of the CPS Energy Board of Trustees is determined through the proceedings of the City of San Antonio in its bond ordinances; and

WHEREAS, these Bond Ordinances vest the management and control of CPS Energy with the Board of Trustees and provides that the Board may appoint a President & CEO; and

WHEREAS, the CPS Energy Board of Trustees has consistently appointed a President & CEO to develop the strategic direction and provide for the overall management of CPS Energy's operations; and

WHEREAS, the CPS Energy Board of Trustees has created a Personnel Committee which is charged with managing the performance of the President & CEO, as the Board of Trustees' sole employee; and

WHEREAS, the Personnel Committee Charter directs the Committee to report to the Board the "appropriate CEO performance metrics consistent with CPS Energy's long-term vision and strategic objectives"; and

WHEREAS, the Personnel Committee establishes a "CEO Scorecard" each year, which represents the CEO performance metrics that aligns with the CPS Energy enterprise measures and strategic objectives; and

WHEREAS, the enterprise measures have been developed in consultation with third party to identify considerations, challenge assumptions, and compare to benchmarks; and

WHEREAS, for this fiscal year, the Personnel Committee utilized the enterprise measures, validated by hbaileygroup, LLC, and the established Vision 2027 strategic plan to develop the FY2025 CEO Scorecard; and

WHEREAS, the Board of Trustees provides feedback to management in the development and establishment of these enterprise measures each year; and

WHEREAS, the FY2025 CEO Scorecard drives the Board of Trustees' expectations for the President & CEO which then translates to the organization's performance; and

WHEREAS, this year, the Personnel Committee has reported the appropriate CEO performance metrics for President & CEO, Mr. Rudy D. Garza, to this Board with the FY2025 CEO Scorecard, and has offered an opportunity for input and feedback from all Board Members.

NOW, THEREFORE, BE IT RESOLVED, CPS Energy Board of Trustees confirms and supports this process and affirms that the FY2025 CEO Scorecard is the means to measure the performance this fiscal year of the CPS Energy President & CEO, Mr. Rudy D. Garza.

The Board discussed the motion.¹ As a result of the discussion, Trustee Dr. Mackey withdrew his motion to approve the resolution. The Board of Trustees decided to defer the item until the next Board of Trustees meeting. Chair Gonzalez asked that Trustees provide any feedback within two weeks to ensure an updated version of the FY2025 CEO Scorecard could be timely prepared.

X. APPOINTMENTS TO THE COMMUNITY INPUT COMMITTEE (CIC)

Ms. Kathy Garcia, Vice President, Government and Regulatory Affairs & Public Policy, presented the appointments to the Community Input Committee (CIC). She reviewed the recent changes by the Board that led to the Citizens Advisory Committee (CAC) evolving into the CIC. She reviewed the current composition of the CIC, including the two vacancies. She then noted that four new members will be appointed. She provided an overview of the application process, and she then highlighted the four quadrant nominees: Christopher Fullerton, Dana McGinnis, Frank Dunn, and Peter Onofre; the at-large nominee: Maria Nelson; and the District 5 nominee: Julián Villarreal.

Trustee Dr. Mackey asked that we vote on each nominee, which was agreed to by Chair Gonzalez.

Trustee Dr. Mackey then moved approval of Chris Fullerton. Vice Chair Dr. Romero seconded. Dr. Romero thanked everyone who applied in her quadrant and noted she felt they were all really qualified. She also noted that Mr. Fullerton served on the Rate Advisory Committee (RAC). The Board approved Mr. Fullerton's appointment unanimously.

Trustee Steen moved approval of Dana McGinnis, and there was not a second. Chair Gonzalez asked that Trustee Steen have an opportunity to review the applications.

Trustee Dr. Mackey moved approval of Frank Dunn, and Chair Gonzalez seconded. Trustee Steen asked Mr. Dunn to share some of his experience in working for CPS Energy. Mr. Dunn noted that he worked

¹ Trustee Steen asked that his concerns be reflected in the minutes. He noted his ongoing concern that the changes to the CEO and enterprise metrics have resulted in a weakening of metrics which will result in a better scorecard result not by improved performance but by changing the methodology. He also expressed concerns with the draft FY2025 CEO Scorecard, noting that it appeared to be hastily put together and not well thought out. He noted concern with some of the proposed goals, specifically the liquidity cushion metric and bond rating metric. Finally, he expressed concern that there was not a metric related to past due accounts receivables.

at a power plant in his younger years, but that as he comes from a family of businesspeople, while he loved CPS Energy, he needed to change his career. The Board approved Mr. Dunn's appointment unanimously.

Chair Gonzalez moved approval of Peter Onofre, and Trustee Dr. Mackey seconded. She noted that Mr. Onofre is very active in the community, and it's important to have engaged people on the CIC. She noted his retirement from the City of San Antonio. The Board approved Mr. Onofre's appointment unanimously.

Trustee Dr. Mackey moved approval of Maria Nelson, and Vice Chair Dr. Romero seconded. Dr. Romero noted she took her class at UTSA and that it's not lost that she is the only woman being appointed. Chair Gonzalez stressed that women should apply to increase board diversity. The Board approved Ms. Nelson's appointment unanimously.

Trustee Dr. Mackey moved approval of Julián Villarreal, and Chair Gonzalez seconded. The Board approved Mr. Villarreal's appointment unanimously.

Trustee Steen asked Chair Gonzalez to review the applications for Quadrant 2 and bring forward a candidate. She agreed.

XI. CEO RECOGNITION

Mr. Rudy Garza, President & CEO, recognized the first quarter CEO Core Value Award Honorees. He noted that these employees are at the heart of everything we do and that they consistently go above and beyond.

XII. REVIEW OF ACTION ITEMS

Ms. Ramirez reviewed the previous action items, noting that there are two remaining open items from the Risk Management Committee. She reviewed the three action items from today.

XIII. ADJOURNMENT

There being no further business to come before the Board, upon a motion duly made by Trustee Dr. Mackey, seconded by Chair Gonzalez and upon an affirmative vote by all members present, the meeting was unanimously adjourned at 3:05 p.m. by Chair Janie Gonzalez.



Shanna M. Ramirez
Secretary of the Board



OPERATIONS OVERSIGHT COMMITTEE (OOC) MEETING

EXECUTIVE SUMMARY AND CHAIR REPORT FROM THE MAY 6, 2024 MEETING PREPARED FOR COMMITTEE CHAIR, DR. FRANCINE ROMERO FOR REPORT AT THE JUNE 24, 2024 BOARD OF TRUSTEES MEETING

The Operations Oversight Committee met on May 6, 2024. As part of the agenda, the Committee:

- A. Reviewed and approved meeting minutes from the prior meeting held on March 26, 2024.
- B. Reviewed proposed edits to the Operations Oversight Committee Charter.
- C. Received a Project and Procurement Preview that included:
 - a. A review of Substation and Transmission growth, which included:
 - i. Drivers for infrastructure growth
 - ii. And an overview of committed and probably projects
 - b. And a procurement preview, which included:
 - i. A new contract/rebid for civil sitework construction services
 - ii. A contract renewal for 138KV and 345KV steel monopoles
 - iii. A new contract/rebid for underground residential electric distribution and electric termination services
 - iv. A new contract/rebid for underground infrastructure installation services
 - v. A new contract for the supply, delivery, and commissioning of generator step-up and auxiliary power transformers
 - vi. A new contract/rebid for professional engineering services
 - vii. And a procurement summary for spring and summer 2024.
- D. Received a presentation on our 2040/2050 outlook that included:
 - a. A review of our strategic plan development approach
 - b. A discussion on how disruptions emerging today create uncertainty in the future and how collaborative strategic planning will set the framework for future goals and strategic actions
 - c. And a presentation by PA Consulting Group Inc. on industry disruptors and uncertainties.

The next meeting of the Operations Oversight Committee meeting is August 12, 2024.



PERSONNEL COMMITTEE

**EXECUTIVE SUMMARY AND CHAIR REPORT FROM THE MAY 29, 2024 MEETING
PREPARED FOR COMMITTEE CHAIR JANIE GONZALEZ
FOR REPORT AT THE JUNE 24, 2024 BOARD OF TRUSTEES MEETING**

The Personnel Committee met on May 29, 2024. As part of the Personnel Committee agenda, the Committee:

- A. Discussed compensation data prepared by Willis Towers Watson, John Rhew
- B. Conducted the President & CEO's annual performance review discussion

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