

**CPS ENERGY**  
**MINUTES OF THE REGULAR MEETING OF THE BOARD OF TRUSTEES**  
**HELD ON FEBRUARY 28, 2022**

The Regular Meeting of the Board of Trustees of CPS Energy for the month of February was held on Monday, February 28, 2022 in the Board Room on the First Floor of the CPS Energy headquarters located at 500 McCullough, San Antonio, Texas.

**I. CALL TO ORDER**

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

Present were Board members:

Dr. Willis Mackey, Chair

Ms. Janie Gonzalez, Vice Chair

Mr. John Steen

Dr. Francine Romero

Mayor Ron Nirenberg (arrived at 1:03 p.m.)

Also present were:

Mr. Rudy Garza, Interim President & CEO

Ms. Shanna M. Ramirez, Chief Legal & Ethics Officer, General Counsel & Board Secretary

Mr. Cory P. Kuchinsky, Chief Financial Officer & Treasurer

Ms. Vivian Bouet, Chief Information Officer

Ms. Lisa Lewis, Chief Administrative Officer

CPS Energy staff members

City of San Antonio officials

Interested Citizens

**II. SAFETY MESSAGE, INVOCATION AND PLEDGE OF ALLEGIANCE**

A safety message, invocation, and the Pledge of Allegiance were delivered by Mr. Andrew Higgins, Senior Director.

**III. PUBLIC COMMENT**

1. Henrietta Legrange expressed concerns about safety in the community, particularly in District 5. She stated there are not enough lights and repairs take too long. She would like to see more trimming of trees to prevent outages.
2. Anacua Garcia, Community Organizer, Southwest Workers Union, stated that the recent rate increase disproportionately impacts low income residents. She stated that there are families that received utility assistance, but still have utility debt and need additional assistance. She requested CPS Energy prioritize these working families.
3. DeeDee Belmares, Climate Justice Organizer for Public Citizen, urged CPS Energy to explore clean energy sources instead of lower emitting sources. She further requested the Board of

- Trustees act on the FlexPOWER Bundle. She requested an open and public process to the discuss closure of the Spruce Power Plants. She finally noted that the analysis of the STEP Program, shows that it is popular and effective, and requested that the Board make the solar program more effective.
4. Jake Tucker, resident of District 3, stated that he has assisted community members in obtaining utility assistance through EHAP, and that he believes utility rates are unaffordable when combined with other expenditures that are rising such as rental rates. He requested a more equitable rate structure, debt dismissal, and an end to household disconnections. He finally urged for the immediate closure of the Spruce Power Plant to address climate change.
  5. Isabel Nineto, Texas Rising and student at UTSA, stated that CPS Energy should close the Spruce Power Plant earlier than 2030 and replace it with clean energy because natural gas negatively impacts air and water quality.
  6. Christopher Majorca, resident of San Antonio and researcher at Rewiring America, stated that all utility companies need to transition away from coal and natural gas to cleaner sources. He stated CPS Energy should close the Spruce Power Plant not later than 2030 and replace it with a renewable energy source to combat environmental racism.
  7. Julian Villareal, resident of District 5, stated that CPS Energy has an urgent need to act on climate change as evidenced by the report from the Intergovernmental Panel on Climate Change (IPCC) released today. He also stated that the STEP program needs to be enhanced and expanded to low-income residents. Mr. Villareal also provided his comments in Spanish.
  8. Lexi Garcia, Texas Rising, expressed difficulties in signing-up for public comment. She stated that CPS Energy has an urgent need to act on climate change and must move to clean energy by closing the Spruce Power Plant by 2030 and replacing it with clean energy.
  9. Emma Pabst, Sierra Club, stated she opposed the \$50M investment for new drainage ponds at the Spruce Power Plant. She stated the community has not had time to review and analyze the proposal to determine if it is the right option.
  10. Terry Burns, former chair of Sierra Club, stated the expenditure for new drainage ponds at the Spruce Power Plant was not included in the previous budget discussion. He urged the Board to reject the approval and close the Spruce Power Plant.
  11. Russel Seal, Sierra Club member and member of many other environmental organizations, stated that natural gas is a problem. He stated that CPS Energy should immediately close Spruce I and convert Spruce II to an intermediate plant utilizing cleaner fuel.
  12. Dr. Meredith Maguire, Sierra Club, stated that distributed energy resources such as solar panels and battery storage are important to address climate change and would build micro grids to have greater demand management. She further stated that CPS Energy must develop rate incentives to reduce usage and develop an advanced rate design.

#### **IV. CEROMONIAL INSTALLATION OF DR. FRANCINE ROMERO**

Chair Dr. Mackey welcomed Trustee Dr. Romero to the Board of Trustees. He noted that Trustee Dr. Romero was previously sworn-in by the City Clerk, and due to COVID-19 precautions the regular ceremony activities would not occur. The Board of Trustees took some photographs with Trustee Dr. Romero and welcomed her to the Board.

#### **V. INTERIM CEO'S REPORT**

Mr. Rudy Garza began by congratulating Trustee Dr. Romero on her joining the Board.

Mr. Garza stated CPS Energy's refunding transaction was very successful. The high demand of CPS Energy's debt sold at a significant premium which reduced our debt by \$50M and achieved interest savings of nearly \$5M. This success signifies confidence in our credit.

Mr. Garza then gave an after-action report on Winter Storm Landon. He noted that outages were primarily from ice and trees. Longer outages were limited to four neighborhoods, and he noted that CPS Energy is increasing the Vegetation Management budget by 70% to address these harder to reach areas. He concluded by sharing information on efforts to inform the community on being prepared for winter weather.

Mr. Garza then stated that CPS Energy has ongoing supply chain constraints. He has sent a letter to PUC in response to their request to coordinate with them on supply chain challenges. CPS Energy is implementing medium and long-range actions to limit negative impacts, including refurbishing transformers.

Mr. Garza concluded with recognizing Ms. Teresa Green, Manager of Procurement for Commodities. Ms. Green stated that her team purchases all of the goods that CPS Energy crews and contractors use on a day-to-day basis, and that their hard work made this recognition possible.

Trustee Steen noted Trustee Kelley drafted his parting comments on his 11 years as a CPS Energy Trustee and his thoughts on the road ahead. Trustee Steen shared copies of Mr. Kelley's comments and asked that the comments be included in the minutes.<sup>1</sup>

#### **VI. RESOLUTION ON GENERATION PLANNING**

Chair Dr. Mackey asked Ms. Shanna Ramirez to read the proposed resolution aloud.

Chair Dr. Mackey introduced and read a potential amendment. In discussion, Mayor Nirenberg suggested a potential amendment to the amendment. The Board of Trustees discussed the resolution and potential amendment language. Chair Dr. Mackey made a motion to adopt the resolution as amended and read his proposed amendment. The motion was seconded by Vice Chair Gonzalez, and upon a 4-1 vote, the resolution was approved as amended. Trustee Steen voted against the adoption of the resolution stating his concerns regarding the protection of competitive information and absence of confidentiality agreements for all Rate Advisory Committee members.

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<sup>1</sup> The Statement of Ed Kelley, CPS Energy Board of Trustees is attached as Attachment A.

**RESOLUTION REGARDING CPS ENERGY'S REMAINING COAL  
UNITS AND GENERATION PORTFOLIO STRATEGY**

**WHEREAS**, CPS Energy continually strives to be financially responsible and a strong steward of the community's assets while effectively balancing Security, Safety, Reliability, Resilience, Customer Affordability and Environmental Responsibility; and

**WHEREAS**, CPS Energy and this Board of Trustees are constantly exploring new technologies, considering ways to innovate, and improving operations; and

**WHEREAS**, the Board of Trustees has charged CPS Energy to develop and execute its Flexible Path<sup>SM</sup> strategy, over the short, mid and long terms; and

**WHEREAS**, in early February 2021, CPS Energy issued its Flexible Path<sup>SM</sup> Resource Plan, and will continue to keep this Board of Trustees updated on its execution; and

**WHEREAS**, the impacts of the 2021 winter storm on CPS Energy and the entire ERCOT grid demonstrated the importance of reliability and resiliency through weatherization; and

**WHEREAS**, CPS Energy is committed to continually seeking public input about its generation strategy from all customer groups and stakeholders including the Rate Advisory Committee and Citizens Advisory Committee; and

**WHEREAS**, this generation strategy needs to consider a wide range of technologies, that creates a balanced generation portfolio to ensure high levels of Reliability and Resilience even during peak events; and

**WHEREAS**, this Board of Trustees directs CPS Energy management and our Rate Advisory Committee to consider the costs, timeline and generation alternatives necessary to transition from coal to lower emission cleaner alternatives by the 2030 timeframe; and

**WHEREAS**, the recommendations made after such considerations will be brought to the Board for oversight and consideration, and be shared publicly; and

**WHEREAS**, CPS Energy has over a team of over 3,000 talented and dedicated individuals whose mission it is to serve its customers with gas and electric utility service; and

**WHEREAS**, the generation planning shall consider retaining impacted employees, as well as hiring for the competencies and skills needed to operate, manage, and optimize new and evolving generation technologies.

**WHEREAS**, in 2019, the CPS Energy Board of Trustees adopted a resolution affirming its support for the City of San Antonio's Climate Action and Adaptation Plan, its goal to become carbon neutral by 2050, and its interim goals of reducing greenhouse gas emissions 41% from 2016 levels by 2030 and 71% by 2040;

**NOW, THEREFORE, BE IT RESOLVED**, CPS Energy Board of Trustees hereby directs CPS Energy to update and present its Flexible Path<sup>SM</sup> Resource Plan to this Board annually; and

**BE IT FURTHER RESOLVED**, CPS Energy Board of Trustees hereby directs CPS Energy to provide to the Rate Advisory Committee, to the extent allowed by law, contractual obligation, security and confidentiality limitations, the assumptions and information utilized in the generation planning model. This will allow the Rate Advisory Committee to evaluate and have informed discussions on costs, risks, timeline, and generation alternatives available to lower emission alternatives while maintaining reliability. As requested, the Rate Advisory Committee will report their findings and make its recommendation to this Board.

## **VII. PROCUREMENT PREVIEW**

### **A. General Services – Context for item 10 F1: Spruce Plant Drains Pond Project**

Mr. Rudy Garza introduced Mr. Benny Etheridge and noted that the item has been included in the CPS Energy budget since 2014 to ensure compliance with federal regulation as EPA went through its rulemaking process.

Mr. Benny Etheridge provided a presentation on the EPA's Coal Combustion Residual Rule, and the resulting requirement that CPS Energy construct new drainage ponds at the Spruce Power Plant. Mr. Etheridge also requested board approval for the construction contract.

## **VIII. COMMITTEE ASSIGNMENTS**

Chair Dr. Mackey stated the proposed committee assignments, and asked Mr. Rudy Garza about the discontinuation of the Master Planning Oversight Committee (MPOC). Mr. Garza responded that the work of the MPOC was largely complete, and that former Trustee Kelley suggested concluding the MPOC. On a motion duly made by Vice Chair Gonzalez, seconded by Mayor Nirenberg, and upon affirmative vote by all members present, the committee appointments were approved.

## **IX. EXECUTIVE SESSION**

At approximately 2:41 p.m., Ms. Shanna Ramirez announced that the required notice had been posted and that the Trustees, with only necessary parties in attendance, would convene into Executive Session, pursuant to the provisions of Chapter 551 of the Texas Government Code, for discussion of a number of posted items, including the following:

- Attorney-Client Matters (§551.071)
- Real Property (§551.072)
- Prospective Gifts (§551.073)
- Personnel Matters (§551.074)
- Security Personnel or Devices (§551.076)
- Security Audits and Devices (§551.089)
- Confidential Information Under the Texas Homeland Security Act (§418.183(f))
- Economic Development Negotiations (§551.076)
- Competitive Matters (§551.086)

The Board reconvened in open session at 3:55 p.m. The quorum was re-established, and all members were present. Ms. Ramirez reported that only the matters cited above, and no others were discussed, and no votes were taken in Executive Session.

## X. APPROVAL OF CONSENT ITEMS

On a motion duly made by Vice Chair Gonzalez, seconded by Mayor Nirenberg, 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 2022 & Additional Transfer to the City of San Antonio for FY2022

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 2022 is based on actual gross revenue per the New Series Bond Ordinance of \$200,143,984.93, less applicable exclusions. The revenue for the month of January 2022 is calculated as follows:

Gross revenue per CPS Energy financial statements	
Electric revenue	\$201,682,501.59
Gas revenue	45,111,627.77
Interest and other income	2,495,225.43
Gross revenue per CPS Energy financial statements	<u>249,289,354.79</u>
Excluded revenue	
School and hospital revenue per City Ordinance 55022	(6,087,562.61)
LVG revenue per City Ordinance 100709	(54,630.19)
Fuel cost component of off-system nonfirm energy sales per City Ordinance 61794 and revenue for wholesale special contracts	(25,511,771.85)
Noncash and other income, GASB 31 investment market value change, miscellaneous interest income, gas billing adjustment and unbilled Revenue	<u>(17,491,405.21)</u>
Total excluded revenue	<u>(49,145,369.86)</u>
Gross revenue per New Series Bond Ordinance subject to 14% payment to the City	<u>\$200,143,984.93</u>
City payment per Bond Ordinance for January 2022 based upon January 2022 revenue	\$28,020,157.89
City payment per memorandum of understanding (MOU) regarding wholesale special contracts	322,812.51
Wholesale Special Contract Annual True Up	583,156.67
City Payment reduction per gas customer billing adjustment MOU	(12,500.00)
Annual True Up/ (Down) per gas customer MOU	<u>(7,555.90)</u>
City payment per Bond Ordinance plus adjustments for	

memorandums of understanding	28,906,071.17	<b>A</b>
Utility services provided to the City for January 2022	<u>(2,657,634.81)</u>	
Net amount to be paid from January 2022 revenue to the City in February 2022	<u>\$26,248,436.36</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 2022	Actual	Budget	Variance	
Current Month* <b>A</b>	\$28,906	\$31,323	(\$2,417)	-7.7%
Year-to-Date**	\$352,460	\$360,277	(\$7,817)	-2.2%

\* 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 2022 – Additional Transfer per Bond Ordinance  
Total \$11,599,665.25 **B**

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 \$26,248,436.36 representing 14% of applicable system gross revenues for the month of January 2022, such payment being net of City utility services (\$2,657,634.81), 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 \$11,599,665.25, 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. Approval of Assistant Treasurer Appointee (Ms. Julie Johnson and Ms. San Juanita Loreda)**

The following resolution was approved:

**RESOLUTION APPROVING APPOINTMENT OF  
ASSISTANT TREASURER FOR THE CPS ENERGY BOARD**

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

**WHEREAS**, Cory Kuchinsky serves as Treasurer to the Board of Trustees; and,

**WHEREAS**, Shannon R. Albert, who serves as an Assistant Treasurer and as the VP Business Excellence will be leaving CPS Energy after more than 22 years of service; and,

**WHEREAS**, effective February 28, 2022, San Juanita Loredo, who currently serves as the Director of Operations Budgeting, will assume responsibilities for managing and directing certain financial transactions that require Board of Trustees approval and will be providing support to the Board related to these financial matters; and,

**WHEREAS**, Shannon R. Albert will continue to serve as an Assistant Treasurer to the Board of Trustees through March 15, 2022, in order to assist in the transition of San Juanita Loredo as an Assistant Treasurer; and,

**WHEREAS**, Julie Johnson and Maricela Benavides will continue to serve as Assistant Treasurers to the Board of Trustees; and,

**WHEREAS**, one Treasurer and three Assistant Treasurers will facilitate effective and timely financial transaction coverage;

**NOW, THEREFORE, BE IT RESOLVED** that the CPS Energy Board of Trustees hereby approves the appointment of San Juanita Loredo as an Assistant Treasurer to the Board of Trustees, effective February 28, 2022.

**C. Approval of Procurement Items:**

**1. General Services:** Spruce Plant Drains Pond Project  
**Purchase Category:** General Services  
**Supplier:** Wood Group USA, Inc.

\*The listed Procurement Item to be attached as Attachment "B".

**XI. COMMITTEE REPORTS**

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

**Master Planning & Oversight Committee (MPOC) Meeting held on January 31, 2022**

A report of the MPOC meeting, which took place on January 31, 2022, was posted with the public notice of this meeting and will be attached (as Attachment "C") to the meeting minutes.



Employee Benefits Oversight Committee (EBOC) and Audit & Finance (A&F) & Aligned Risk Sub-Committee Meetings held on January 20, 2022

A report of the EBOC, A&F and Aligned Risk Sub-Committee meetings, which took place on January 20, 2022, was posted with the public notice of this meeting and will be attached (as Attachment “D”) to the meeting minutes.

Employee Benefits Oversight Committee (EBOC) Meeting held on January 20, 2022

A report of the EBOC meeting, which took place on January 20, 2022, was posted with the public notice of this meeting and will be attached (as Attachment “E”) to the meeting minutes.

Audit & Finance (A&F) Meeting held on January 20, 2022

A report of the A&F meeting, which took place on January 20, 2022, was posted with the public notice of this meeting and will be attached (as Attachment “F”) to the meeting minutes.

## **XII. RATE ADVISORY COMMITTEE UPDATES**

### **A. Amendment of Bylaws**

Ms. Ann Kinnard, Director and Chief of Staff, Customer Service, presented the proposed amendment to the Rate Advisory Committee (RAC) Bylaws. The Board discussed the proposed amendment.

On a motion duly made by Mayor Nirenberg, seconded by Vice Chair Gonzalez, and on a 4-1 vote, the amendment to the bylaws was approved. Trustee Steen voted against the amendment to the RAC Bylaws. He noted that his opposition to the bylaws amendment is because the RAC is an advisory body to the Board of Trustees and its purpose is to provide thoughtful input and perspectives to CPS Energy management and the Board of Trustees on rate structure and rate design for proposed rate increases and generation planning issues, and to allow councilmembers to remove their appointees without cause would not be fair and would prevent thoughtful discussion at the RAC. He stated that RAC members put a tremendous amount of time and effort into learning about CPS Energy and its rate structure and should be able to complete their two-year term.

Chair Dr. Mackey requested that the bylaws be amended in the future to allow Trustees to remove appointees similar to this bylaw change for Councilmembers to ensure fairness.

### **B. New Appointees**

Ms. Ann Kinnard, Director and Chief of Staff, Customer Service, provided a presentation on the nominees to the Rate Advisory Committee (RAC) by Councilmembers to represent two council districts:

- District 3 Nominee: Phyllis Viagran  
On a motion duly made by Chair Dr. Mackey, seconded by Mayor Nirenberg, and on a 4-1 vote, the appointment of Councilmember Phyllis Viagran was approved. Trustee Steen voted

against the appointment. He stated that he respectfully believes the appointment of a councilmember to the RAC was not contemplated when the RAC was established and created potential for the RAC to no longer be advisory in nature, especially if other councilmembers appointed themselves to the RAC. He also added that he believed this was an example of politization of CPS Energy.

- District 7 Nominee: Dr. Adelita Cantu  
On a motion duly made by Trustee Steen, seconded by Trustee Dr. Romero, and on a 4-1 vote, the appointment of Dr. Adelita Cantu to the RAC was approved. Vice Chair Gonzalez voted against the appointment.

C. Nomination of Vice Chair - Chair Dr. Mackey tabled the nomination of the Vice Chair for the Rate Advisory Committee to allow more time for Trustee Dr. Romero to become more familiar with the Committee as its liaison.

### **XIII. WINTER STORM URI LONG-TERM DEBT APPROVAL**

Mr. Cory Kuchinsky, Chief Financial Officer & Treasurer, presented on the Winter Storm Uri Long Term Debt Approval and requested Board approval of the resolution. He noted that if the Board approved the long-term debt financing, CPS Energy would present it City Council for approval later in the week.

On a motion duly made by Vice Chair Gonzalez, seconded by Mayor Nirenberg, and upon affirmative vote by all members present, the following resolution was unanimously approved.

**A RESOLUTION BY THE CITY PUBLIC SERVICE BOARD OF SAN ANTONIO, TEXAS RELATING TO THE ISSUANCE AND SALE OF ONE OR MORE SERIES OF TAXABLE OBLIGATIONS DESIGNATED AS "CITY OF SAN ANTONIO, TEXAS ELECTRIC AND GAS SYSTEMS REVENUE REFUNDING BONDS" AS FURTHER DISTINGUISHED BY PURPOSE, SERIES, LIEN PRIORITY, TIME OF ISSUANCE, AND METHOD OF INTEREST RATE CALCULATION (WHETHER FIXED OR VARIABLE); THE APPROVAL OF AN OFFERING DOCUMENT RELATING TO EACH PUBLICLY SOLD SERIES OF OBLIGATIONS; AND AUTHORIZING OTHER MATTERS IN CONNECTION THEREWITH**

**WHEREAS**, pursuant to the authority contained in Chapter 1502, as amended, Texas Government Code, certain ordinances previously passed by the City Council (the City Council) of the City of San Antonio, Texas (the City), authorizing the issuance of the currently outstanding first lien revenue bonds and junior lien revenue bonds, respectively (the Senior Lien Obligations and the Junior Lien Obligations, respectively, and collectively, the Outstanding Obligations), the complete management and control of the electric and gas systems (the Systems) of the City is vested in a Board of Trustees known as the City Public Service Board of San Antonio, Texas (the Board), during the period of time any of the Outstanding Obligations are outstanding and unpaid; and

**WHEREAS**, the Board has determined that one or more taxable series of revenue refunding obligations designated as "City of San Antonio, Texas Electric and Gas Systems Revenue Refunding Bonds", as further distinguished by series, year of issuance, purpose of issuance, lien priority, time of issuance, and method of calculating interest rate (whether fixed or variable rate) for distinction in the event of multiple issuances (together, the Obligations), in the aggregate maximum principal amount of \$422,000,000 should

now be issued by the City to provide funds for the purposes, as applicable, of (i) refunding the Refunding Candidates (as such term is defined in the hereinafter-defined Ordinance) and (ii) paying costs of issuance of the Obligations; and

**WHEREAS**, by virtue of the authority and power vested in the Board with reference to the expenditure and application of the revenues of the Systems and to comply with the terms and conditions prescribed in the applicable ordinances of the City prescribing the terms and conditions upon which the issuance of additional obligations secured by and payable from a lien on and pledge of the net revenues of the Systems on a level of priority in accordance with the applicable provisions of the Ordinance and that will be on parity with or subordinate to certain of the heretofore issued Outstanding Obligations secured by and payable from, on a series by series basis, a lien on and pledge of net revenues of specified priority, it is necessary and proper for the Board to formally request the City Council to authorize and sell the Obligations, consent to the issuance of the same, approve the ordinance authorizing each series of the Obligations (the Ordinance), including the approval and distribution of the disclosure documents relating thereto, as applicable, and agree to comply with all the terms and provisions of the Ordinance, including, but not limited to, those relating to the operation of the Systems and the handling of the proceeds of the Obligations; and

**WHEREAS**, the Board hereby finds that adoption of this Resolution is in the best interests of the Systems and its ratepayers; and now, therefore,

**BE IT RESOLVED BY THE BOARD OF TRUSTEES OF THE CITY PUBLIC SERVICE BOARD OF SAN ANTONIO, TEXAS THAT:**

1. The City Council is hereby formally requested to authorize and sell taxable Obligations in one or more series, and as designated by series, purpose, lien priority, time of issuance, and method of interest calculation, in the manner hereinbefore described, in the aggregate maximum principal amount of \$422,000,000, and the Board by the adoption of this Resolution hereby evidences its consent to the issuance and sale of the Obligations and the payment thereof from a lien on and pledge of the Net Revenues of the Systems (such level of priority determined in accordance with the applicable provisions of the Ordinance) and its approval of the Ordinance authorizing the issuance of the Obligations (as further designated to distinguish among series in accordance with the Ordinance) if issued in one or more series, substantially in the form attached to this Resolution as Exhibit A, such Ordinance being incorporated herein by reference for all purposes.

2. The Board hereby agrees to comply with all of the terms and provisions of the Ordinance with relation to the administration and operation of the Systems and the disposition of the revenues therefrom. Any authority included in the Ordinance authorizing a Board representative to establish the final terms and conditions governing the sale of each series of Obligations shall expire not later than the date of expiration that is specified in the Ordinance.

3. Any Preliminary Official Statement relating to each series of Obligations in substantially the form or forms presented at this meeting is hereby approved and deemed final for the purpose of complying with the United States Securities and Exchange Commission's Rule 15c2-12 and the President and Chief Executive Officer, the Chief Financial Officer, and any Treasurer of the Board (whether serving in an interim or acting capacity) (each, an Authorized Official, and together, the Authorized Officials) is authorized to prepare or approve any changes or additions to these disclosure documents which shall be deemed

appropriate or necessary, and the Chair or Vice Chair of the Board or the President and Chief Executive Officer, or any of them, is authorized to execute each final Official Statement on behalf of the Board.

4. The contract pertaining to the sale of each series of Obligations (collectively, the Purchase Contract), dated as of the date of the sale of the applicable series of Obligations and among the underwriter or underwriters or direct placement purchaser or purchasers named therein, the City, and the Board in the form presented at this meeting is hereby approved, and any Authorized Official is hereby authorized to execute the Purchase Contract on behalf of the Board and to deliver it to the other parties thereto.

5. In lieu of a Purchase Contract for each respective series of Obligations, the Board reserves the right to alter the method of sale for any series of Obligations to a competitively bid sale for such series of Obligations. Such decision by the Board shall include execution of an official bid form (the Official Bid Form) relating to a particular series of Obligations, to be dated as of the date of the sale of the applicable series of Obligations and among the purchaser or purchasers named therein, the City, and the Board in the form presented at this meeting is hereby approved, and each Authorized Official is hereby authorized to execute the applicable Official Bid Form relating to a particular series of Obligations on behalf of the Board and to deliver it to the other parties thereto.

6. The Board recognizes that provisions of the Ordinance, completed with respect to a series of Obligations, contain representations, covenants, and obligations of the City relating to the Obligations. Since the proceeds of the applicable series of Obligations will be entirely within the control and disposition of the Board, the Board specifically adopts the representations, covenants, and obligations of the City or those to be made by the City Council in that section of the Ordinance.

7. The Board recognizes that provisions of the Ordinance relating to "Continuing Disclosure of Information", contains covenants of the City relating to the Obligations that are publicly sold in the capital markets. Since certain financial information, financial status, operating data, and annual audits of the Systems will be entirely within the control and disposition of the Board, the Board specifically adopts the covenants to be made by the City Council in those provisions of the Ordinance.

8. In order to comply with various provisions of Texas law, various certificates must be provided to co-bond counsel and to the Attorney General for the State of Texas; therefore, upon obtaining the advice and consent of legal counsel, each Authorized Official is authorized to execute any certificate or other documents, relating to the issuance, sale, and delivery of each series of Obligations.

9. The Board delegates to each Authorized Official, or the designee thereof, the authority to take any and all other actions consistent with the provisions of this Resolution and the Ordinance to effectuate the sale, issuance, and delivery of each series of Obligations and the funding, as applicable, of the escrow established in connection with the issuance of a series of refunding Obligations, a purpose of which is the refunding of any Refunding Candidates (including engagement of an escrow bidding agent to facilitate the acquisition of eligible securities to fund such escrow). This delegation shall last through the period of expiration as set forth in the Ordinance.

10. The Board hereby authorizes PPM Financial Advisors LLC and Estrada Hinojosa & Company, Inc., as its co-financial advisors, to coordinate these financial matters in consultation with CPS Energy staff, City staff, and McCall, Parkhurst & Horton L.L.P. and another qualified co-bond counsel. In addition, the

Board authorizes the payment of the professional fees and expenses associated with this transaction upon the approval of written invoices by any Authorized Official or their designated staff.

11. Capitalized terms used herein without definition shall have the respective meaning ascribed thereto in the Ordinance.

12. It is officially found, determined, and declared that the meeting at which this Resolution is adopted was open to the public and public notice of the time, place, and subject matter of the public business to be considered at such meeting, including this Resolution, was given, all as required by Chapter 551, as amended, Texas Government Code.

13. This Resolution shall be in force and effect from and after its final passage, and it is so resolved.

#### **XIV. REQUEST FOR PROPOSAL FOR AN INDEPENDENT OPERATIONAL EFFICIENCY REVIEW**

Chair Dr. Mackey stated that he met with Mr. Rudy Garza on what items should be included in the request for proposal (RFP), and requested that Vice Chair Gonzalez be the contact person on behalf of the Board in developing the RFP. He stated his purpose in adding it to the agenda today is to get additional comments from the Board on the RFP. Trustee Steen objected to the RFP process, stating that it was announced to the public without a Board vote, and that it was being issued just after the approval of the rate case by the City of San Antonio. The Board of Trustees discussed the background, timeline and process for releasing the RFP and contracting for an independent operation efficiency review.

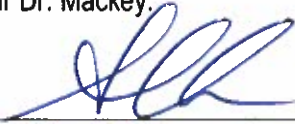
#### **XV. ENERGY EFFICIENCY & CONSERVATION PROGRAM UPDATE**

Mr. Rick Luna, Director, Technology & Product Innovation, stated the purpose in the program update was to be responsive to questions made by the Board in August 2021 and provide a timeline on the future of the energy efficiency & conservation program. Mr. Luna introduced Dr. Sanem Sergici of the Battle Group to present their assessment and recommendations for the STEP Program.

Trustee Steen expressed concern with utilizing the Brattle Group because they have an extensive working history with CPS Energy. He urged the approach previously advocated for by Ed Kelley, in which an independent, detailed review of the program was needed to determine if there was still a basis for the program. Trustee Steen encouraged that such an independent report be completed.

#### **XVI. ADJOURNMENT**

There being no further business to come before the Board, upon a motion duly made by Vice Chair Gonzalez, and seconded by Mayor Nirenberg, and upon an affirmative vote by all members present, the meeting was unanimously adjourned at 5:14 p.m. by Chair Dr. Mackey.

  
\_\_\_\_\_  
Shanna M. Ramirez  
Secretary of the Board

**Statement of Ed Kelley, CPS Energy Board of Trustees**

I am writing these remarks at the end of my term as a member of the CPS Energy Board of Trustees in order to provide my thoughts regarding the future of CPS Energy. CPS Energy, the City of San Antonio's municipally owned electric and gas utility, is a vital and extremely valuable component of our city; and its management and governance must be carefully handled in order to sustain San Antonio's economic health and growth, and the welfare of all of the City's energy consumers.

I was born and reared in San Antonio in a blue-collar family, and began working as a newspaper carrier at age 11. I have worked continuously since that time in various entities. I graduated from Harlandale High School and attended and graduated with an AA Degree from San Antonio College--the first member of my family to enter college. I completed an eight-year enlistment in the U.S. Coast Guard reserve and worked part-time for a mortgage investment company while pursuing my studies. Eventually, I earned a Finance/Economics degree at St. Mary's University in 1964 with the aid of a National Defense Student loan, which I repaid in full with interest. I then took a job at the Federal Reserve Bank in Dallas, and was able to complete an MBA degree in Finance at SMU by attending graduate school at night. Thereafter, I worked at Southwestern Life Insurance Company in the area of real estate investments and became head of their Mortgages and Real Estate division. I returned with my wife and family to San Antonio in 1980 and worked nine years as President of Barshop Enterprises in the real estate management and investment areas, including serving on the La Quinta board. In 1989, I was recruited to serve as President/CEO of the USAA Real Estate Company, and remained at USAA in that capacity until my retirement at the end of 2005. In 2006, I agreed to become a consultant in connection with the development of the Pearl Brewery by the equity investment firm Silver Ventures, Inc., and I remain on the boards of The Pearl and of the Hotel Emma. In addition to my commercial business experience, during my time in San Antonio I have served as a volunteer on a number of civic boards, including as Chairman of the Greater San Antonio Chamber of Commerce, Chair of the North Chamber and Chair of the San Antonio Economic Development Foundation ("EDF", now known as "Greater: SATX Regional Economic Partnership"). In these civic roles, I was deeply involved in seeking to foster economic development and the growth of business in our city.

CPS Energy, as a reliable and low-cost electric and natural gas energy provider for San Antonio, was invariably one of the most significant selling points put forth by those of us seeking to develop the city's commercial growth. We knew that the energy picture was a key focal point for businesses exploring the opportunity to locate in San Antonio. Energy reliability and cost factors were particularly important in the discussions that resulted in the location of the Toyota manufacturing facility in San Antonio in 2003. I was involved in those discussions when I chaired the EDF, as well as in connection with energy issues related to the plant's operation and development of its vendor park in the years thereafter. Early in my business career in San Antonio I became aware of two things regarding CPS Energy: First, the immense

value of CPS Energy's long track record of service dependability and its success in maintaining low rates for both its residential customers and its commercial and industrial patrons. And second, that CPS Energy's strengths as a community resource were the result of very competent management and wise policy guidance by its board.

When I was asked in 2010 by members of the business community to consider filling a vacancy on the five-member CPS Energy board, before accepting the position, I made it a point to discuss the Board's role with past members of the CPS Energy board; former general managers; local business and civic leaders; and others. Without exception, these leaders told me that the most important objective of a CPS trustee should be to ensure that the utility is managed and directed as a business rather than as a political entity. I accepted an appointment to the CPS Energy board in 2011 with this principle in mind. I believe all of those associated with guiding CPS Energy over the years are aware of the tension that necessarily arises from managing as a *business* an entity that was created by and continues to be owned by a *city*. Nevertheless, all of those who played roles in the successful operation of CPS Energy over the 80 years of its existence appear to have recognized that the best interests of both the city and the utility require that CPS Energy's key operating decisions must be based on sound business considerations. This is precisely the reason that the City Public Service Board, as it was created in 1942, was structured, pursuant to a Texas statute, as a board of four private citizens serving together with the elected mayor of San Antonio as an *ex officio* fifth member. The concept of having a governing board membership with significant private participation was intended to preserve the business character of operating a complex utility, and to insulate its operation to some degree from the governance of the city itself. The business-oriented private/public structure of the CPS Energy Board was further institutionalized in its bond indenture covenants—the debt instruments through which CPS Energy has funded its now multi-billion-dollar system of generation, transmission, and distribution assets over the years. CPS Energy's bondholders rely on the integrity of that governance structure and on their expectation of business-oriented decision making.

### **The Value of Operating CPS Energy on Sound Business Principles.**

Let me make clear my understanding of the concept of operating a municipally owned utility system like CPS Energy on the basis of "business" principles: this does not mean that the welfare and needs of utility ratepayers or of the community as a whole are sacrificed or subjugated to corporate and impersonal objectives. To the contrary, as I discuss below, the operation of CPS Energy as a "business" in fact safeguards the components of prudent utility operation so that the positive results of a well-run enterprise can directly benefit the entire community. CPS Energy is, in fact, a "for-profit" enterprise allowed by law to return a portion (approximately 14 percent) of its gross revenue to the City of San Antonio, and if it is operated well on the basis of business principles, those distributions will, and in fact *have for many years* directly benefited CPS ratepayers and the citizens of San Antonio.

Operation of CPS Energy with emphasis on business principles over the course of the utility's history has indeed paid rich dividends to the City of San Antonio which have benefited its citizens and ratepayers immeasurably: CPS Energy's initial assets were acquired in 1942 by the City from an investor-owned utility for \$34 million. In the 80 years since, CPS Energy has distributed over \$8 billion to the City of San Antonio. Currently, CPS Energy now returns an annual distribution of approximately \$360 million (as of 2021) to the general fund coffers of the City of San Antonio—virtually \$1 million per day, or almost 30 percent of the City's general budget. Without this revenue flow, city property taxes would have to double to sustain the City's cost of providing governmental services to its citizens, because the CPS Energy payments to the City are almost equal to the total real estate taxes paid to the City each year. If CPS Energy were owned by a wholly private investor-owned utility company, it would pay franchise fees and other charges, and its properties would be subject to ad valorem taxation, but the resulting revenue inflow to the City would be in the range of only 20 percent (plus or minus) of the revenue CPS Energy now returns to the City as a municipally owned utility.

The City of San Antonio has certain legally established functions as the owner of its electric and gas utility: Only the City of San Antonio can change CPS Energy's rates and charges. Only the City of San Antonio can approve issuance of the bonds which are the utility's virtually sole method of obtaining outside capital to fund its system improvements. Only the City of San Antonio can exercise the power of eminent domain when it is necessary for CPS Energy to use private property for its needs through condemnation. And finally, the City alone has significant power in determining the appointment of the private members of the CPS Energy board of trustees. These are significant powers, and their exercise should not infringe on the business policy decision-making that is the chief responsibility of the CPS Energy board.

One of my major concerns, and the focus of my comments here, is that in the last few years of my tenure as a CPS Energy board member, pressures and impulses which are political in nature rather than primarily business-related have had the effect of adversely affecting CPS Energy decisions. Let me be clear regarding my concerns: They do not relate to the two significant exogenous crises that have affected CPS Energy and the City generally in the last two years, i.e. the global pandemic, and the winter storm "Uri" which held the entire state in its grip early in 2021. CPS Energy's management and board have continued to deal with these two crises in a manner appropriate to the business-oriented mandate consistent with its structure, yielding generally acceptable results to date. Bifurcation of the work force to allow virtual versus in-person functions appropriate to business needs has largely met the requirements of the pandemic. The effects of Uri have been devastating for many utilities as well as other businesses, and the resolution of these economic consequences will necessarily be painful, but these issues are state-wide and are not limited to the effects on CPS Energy and its consumers.



## **Risks of Too-Rapid Transition to Renewable Generation.**

One of my most disturbing apprehensions regarding departure from business-centered concepts relates to CPS Energy's electric generation sources during what is clearly a transitional era. CPS Energy currently has a well-diversified generation fleet that includes: natural gas and coal-fired generating units which can be cycled up and down rapidly to meet changing energy needs in South Texas; a significant share in a base-load nuclear facility which operates at very low cost; and, not least, a renewable portfolio of wind generation resources and solar generating facilities. CPS Energy's initiative in the past fifteen years to diversify from exclusively fossil-fuel and nuclear base-load generation into renewable resources has been appropriate. This generation mix has also been completely consistent with the business decision-making emphasis which has produced significant benefits for the utility's consumers. And these decisions have sustained the confidence in CPS Energy's financial stability which ensures that its bond issuance efforts meet with success in financial markets and foster high marks from national bond rating agencies.

In the last few years, however, increased pressure has been applied to the CPS Energy board and management from various community groups and political sources to convert much more rapidly—in my opinion, too rapidly—to an all- or mostly- renewable generation portfolio. The impetus for such a change is, of course, the global climate crisis which has increasing impacts that are more and more evident to all. My resistance to a rapid and complete early conversion to renewable generation has caused me to be labeled Anti-Environmental and a Climate Change Denier. I am neither. My caution and concern are driven, not by resistance to the facts of environmental and climate science, but by rational business considerations informed by the limitations of technology. Yes, CPS Energy should continue its gradual transition to a generation portfolio of increasing renewable character. But that transition cannot be feasibly or prudently accomplished on an accelerated and non-economic basis.

Renewable generation has made great strides in increased capacity and efficiency, but solar and wind-powered resources do not, by their inherent nature, always have the same flexibility that allows CPS Energy's fossil-fueled units to come on line virtually instantaneously when energy demands arise, whether or not the wind blows or the sun is shining. CPS Energy's nuclear assets are largely carbon-free, but they are entering the last phase of their useful lifespan as safe and cost-efficient power sources. Other carbon-free generation substitutes that can fill the gap for wind and solar resource capability are limited. Battery technology at generation magnitude has made some progress in recent years, and its optimization remains the holy grail that will allow wind and solar resources to fully achieve their potential as dispatchable resources. But we are not yet at that point. Renewable resources alone, or even as a majority of generation capacity, cannot ensure the reliability of electric supply for a community of 1.5 million inhabitants. If CPS Energy shuts down its coal and natural gas generating units in the near future and before wholly reliable and dependable renewable resources can be deployed with the same efficiency and cost effectiveness, the consequences

for CPS Energy's consumers—residential, commercial, and industrial—and for the City of San Antonio, will be dire.

I have already commented on the reputation of CPS Energy as a reliable, financially strong, and well-managed utility borrower. Those characteristics have combined for decades to ensure that CPS Energy is able to borrow funds at the very lowest interest rates to pay for the improvements that are essential to operating its utility systems—generation, transmission, and distribution. These low interest rates result in enormous savings to San Antonio ratepayers, whose utility rates produce the revenue stream that repays the principal and interest on these bonds. As a municipal utility, CPS Energy is essentially limited to borrowing in this manner to fund its system needs. Unlike an investor-owned utility such as CenterPoint Energy or AEP Texas, CPS Energy does not have the authority to sell common stock to investors. The national bond rating agencies on which bond investors rely when bonds are marketed are constantly reviewing the operating characteristics of municipal bond issuers such as CPS Energy—they look carefully at the generation portfolio, the reliability records of the utility, the utility's investment in new resources, and the decisions of its managers and board members. All of this information is detailed not only in offering statements at the time of bond sales, but in periodic updates that are released to bondholders and the financial markets. As someone involved with the finances of businesses for more than a half-century, I am intimately familiar with rating agency practices. Utility decisions which are prompted by political considerations—no matter how compelling those considerations might seem—which do not take into account business and industry realities based on accepted technology, will have adverse effects on ratings. The result will be higher borrowing costs, and consequently higher utility rates for San Antonio rate payers. And the effects would not be limited to debt instruments of CPS Energy—or more accurately, instruments of, “the City of San Antonio Electric and Gas Systems”. The city itself, which issues general obligation bonds and borrows funds through the financial markets for its purely governmental activities, could expect that the ratings for its own financings would likewise be downgraded, because the City of San Antonio is the essential issuing entity in both cases, and depends heavily on revenues from CPS Energy.

My point is that there would be both adverse operating consequences in terms of system reliability, as well as financial detriment, if too-rapid deployment of renewables and the premature closing of key fossil generation resources occur at CPS Energy. Yes, a transition must occur, but it must be measured, deliberate, and based on appropriate technology that can guarantee dependability of generation response. A precipitous change in generation policy driven by considerations that do not take into account all of the relevant factors will ill-serve the utility, the city, and consumers who depend on CPS Energy.

## **Negative Effects of the Politicization of the CPS Energy Decision-making Function.**

Aside from my concerns relating to CPS Energy's future as a generating utility, I also have general fears about the adverse effects of politicization of the CPS Energy decision-making process. In keeping with the warnings of past CPS board members and managers whose judgment I trust, I have consistently opposed the sacrifice of business judgment principles to political impulses. Many political impulses are illusory, but even those that are worthwhile can be achieved by other means without jeopardizing common sense cost and policy concerns of CPS Energy. For example, over the last two decades or so, various initiatives have arisen to sell the CPS Energy system to private interests in order to fund other city programs. Fortunately, the realization that CPS Energy is worth far more as a continuing source of benefit for the city, as discussed above, has always won out.

Two other examples of competing political impulses that were adverse to CPS Energy's—and the City's—best interests, occurred during my tenure as a CPS Energy board member. During the mayoral administration of Julián Castro and his service on the CPS Energy board, CPS Energy analyzed the possible sale of its downtown real estate that was part of the utility system to help fund acquisition or construction of a new headquarters building. City leadership wished to limit the use of the property in the hands of any buyer to low-income housing or other restricted purposes, specifically excluding hotels. I advised, based on my real estate background, that such constraints would reduce the value of the property by ten to twenty-five percent. City leadership saw that this result would be contrary to the best interests of San Antonio and withdrew objections to unrestricted sale of the property. Later, CPS Energy was able to contract for the purchase of the former AT&T complex north of downtown for the relocation of its headquarters. Mayor Ivy Taylor, who by then had replaced Mayor Castro as *ex officio* member on the board, indicated that city leadership instead preferred the construction of a new headquarters building to be located on the East side of the city. The board duly investigated this alternative. Based on the results of the study, I counseled city leadership and the board that this initiative would cost far more than the renovation of the AT&T buildings to suit CPS Energy's needs, and would locate the building further from areas where most CPS Energy staff reside. City leadership understood the disadvantages of this position and subjugated their assessment of the political benefits they saw for an East-side location to the more concrete benefits of adapting the AT&T property.

In more recent years, unfortunately, in my opinion, purely political initiatives have been given precedence over rational policy decisions that are in the best interests of CPS Energy and the City as a whole. I will cite two examples: First, some years ago at the juncture of a change in Chief Executive Officer at CPS Energy, the CPS Energy board, with my full approval and input, put into place a compensation incentive program for the CEO (and other key executives) which would allow CPS Energy to compete, to a limited degree, for the most competent and talented utility executives in the industry. Running the largest combined municipal electric and gas utility in the U.S. is an immense and demanding task, and it requires the highest skill and experience. Investor-owned utilities far outpace even the largest municipal utilities in their financial ability to compete for top executive talent, not only with salaries, but with stock

option and other benefits. The program CPS Energy approved is a risk-based performance plan that provides only a fraction of these resources, but it has allowed San Antonio's electric and gas system to access a higher rank of utility talent than would otherwise have been available to us. To my dismay, CPS Energy has been pressured by the City of San Antonio to dismantle this incentive compensation program, on grounds that it provides potential compensation that exceeds amounts that the City can offer in hiring its city manager and other executives. I acknowledge that the job of city manager of a large city like San Antonio demands consummate and valuable skills, and that top talent is required. But the comparison here is of apples and oranges. The utility industry is a different game, and the range of talent for which utilities compete requires a different matrix of compensation than that which applies to city administrators. In my experience, executives in large corporations rarely transition to governmental management, and vice versa, because the two roles involve experience and a number of skills that are not parallel in the two worlds. In contrast, operating a publicly owned utility and a privately owned utility have very exact parallels because the utility systems in question involve the same core elements of generation, transmission, and distribution. In my opinion, without appropriate compensation standards in place, CPS Energy will be able to attract only mediocre talent to fill its crucial leadership roles, and its performance and national reputation will decline.

Another example of political expediency that detracts from the CPS Energy decision function greatly disturbs me. The Citizens' Advisory Committee ("CAC") was created by the CPS Energy board approximately twenty-five years ago to provide continuing input from the San Antonio community to its municipally owned utility. The Committee has 15 members, ten nominated by the City Council from the ten Council districts, and five at-large members nominated by the CAC itself. The CAC has functioned extremely well in providing information to the CPS Energy board and managers regarding community concerns within a broad range of utility energy issues. Notwithstanding the long-standing existence of this well-functioning citizen board, in early 2021 the CPS Energy board, swayed by pressure from activist groups, created a second community board, the CPS Energy Rate Advisory Committee, a panel made up of 21 board and City Council appointees. I opposed the creation of this second advisory group on a number of grounds, primarily that there was no need for a second group whose mission and objectives would largely duplicate those of the existing CAC entity. Proliferating the creation of community advisory boards in an effort to constrain the decision making of a statutory board of trustees whose job is to make policy decisions for a complex utility is not a good idea. Creating the CAC in the 1990s was an appropriate initiative and has been beneficial. Empaneling a second group with similar or competing objectives can only create confusion and mislead the public.

The main point I wish to make is that the CPS Energy board of trustees is and should be THE policy decision making body for the City's electric and gas utility. Complex energy policy decisions *cannot* be made by attendees at a town meeting of a city of one and one-half million citizens. Nor should citizens be given the false impression that they are themselves empowered

to decide key policy for the utility. The function of the CPS Energy board of trustees, with the goal of exercising strong leadership, is to set broad policy objectives and provide real leadership for the organization.

In my opinion, CPS Energy is NOT in a good place at present and will continue to deteriorate unless strong curative steps are taken very soon. As evidence of this, I have received notice that **Moody's Investor Service on January 21, 2022 lowered the credit rating on almost six billion dollars of CPS Energy's bonds.** This is a tragic event, in my opinion, and is a consequence I have warned the CPS Energy Board about for the last three years. I believe this action constitutes a dire warning to the San Antonio electric and gas utility system, and could be only the first of many negative consequences for CPS Energy unless the warnings I have stated above are heeded. CPS Energy is an entity with a sterling history and great potential, but I believe it is on a course toward mediocrity, or worse, which must be reversed. The alternative is that CPS Energy will be merely another "community asset" department of the City, and the enormous benefits, to both the City and its citizens, of electric and gas utility's historic first-class reputation will be lost.

To correct this decline, I believe that three very strong individuals, working together, and without regard to political pressures, will be needed to rectify this situation. We need a very strong Chair of the CPS Energy board who will publicly announce, with the full Board's backing, a new set of priorities. Second, we need a very strong CEO who will implement the new board priorities; and finally, we need a very strong Mayor, who will guide the political leadership of the City to support the Chair's priorities. I believe CPS Energy has drifted away from sound business principles, and has been unduly influenced by purely political considerations in the past three years; hence decisive action is required to reverse course.

Here is the plan I would prescribe: The CPS Energy chair needs to publicly announce that, based on the extensive engagement that CPS Energy has had with its customers and the community generally in the last few years—through public meetings, focus groups, community forums, input at CPS Energy board meetings, etc., the board now has a good grasp of what the community wants from its electric and gas utility. Based on this understanding, the board should establish and publicize five key policies that embody the public's desires:

- (1) Set and maintain appropriate electric and gas rates for customers that are among the lowest in CPS Energy's competitive class, but which are at a level that fosters financial integrity for the utility.
- (2) Enforce operating standards that will ensure top quartile reliability for the utility's electric and gas services.
- (3) Set and maintain top quartile customer service performance levels.
- (4) Establish reasonable generation initiatives, including measured transition to renewable energy.
- (5) Establish hiring and reasonable compensation packages to ensure that CPS Energy can attract and retain the best possible key executives. As part of this program,

ensure that executive compensation includes both a fixed and performance incentive mix with an approximately 50/50 split.

Once announced to the community, these policies should be adjusted only as conditions warrant.

Crucially, the implementation of these policies should be carefully monitored by independent consultants; and the CPS Energy board and its executive officers should be held accountable—through objective measurement of the utility’s performance under these standards by independent outside consultants. If the utility falls short, personnel changes for both the Board and/or CPS Energy management should be considered. If the CPS Energy board of trustees abdicates its responsibility by relinquishing its decision-making power in these key areas to others, and by operating the utility with constant deference to political goals, the enormous value of CPS Energy’s standing as a municipal utility of the first rank will sadly erode.

A final thought: I find it distressing that CPS Energy has been the target in recent years of much criticism from local sources, which I believe to be unwarranted and not factually based. CPS Energy has in fact been very successful in delivering what many surveys show its customers actually want—dependable, reasonably priced, and environmentally effective utility services. This success and CPS Energy’s outstanding record in achieving those goals to date is the message that deserves to be emphasized to the San Antonio community. Hence I strongly urge a call to action: that the CPS Energy board sponsor and implement a public information initiative that reminds and underlines to the San Antonio public the strong performance and highly regarded reputation that their electric and gas utility has earned for itself—and for the community—over the last half-century. This is a message that deserves to be publicized. CPS Energy’s stellar record and the worthwhile goals it has achieved in the past should be heralded and should be the template for CPS Energy’s path forward.

As a CPS Energy trustee, I am mindful of the legacy the board’s decisions will create, and I sincerely hope my fellow board members and officers of the City share my concerns.


Ed Kelley

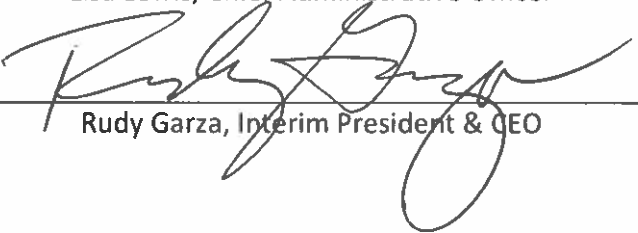
January 31, 2022



**CPS Energy Board of Trustees Meeting  
February 28, 2022  
APPROVAL of PROCUREMENT ITEMS  
Table of Contents**

<b>1. Item Description:</b>	<b>Spruce Plant Drains Project</b>
<b>Purchase Category:</b>	<b>General Services</b>
<b>Supplier:</b>	<b>Wood Group USA, Inc.</b>

**Approval:**   
Lisa Lewis, Chief Administrative Officer

**Approval:**   
Rudy Garza, Interim President & CEO



**CPS Energy Board of Trustees Meeting**  
**February 28, 2022**  
**Procurement Form 1**

<b>Item Description</b>	<b>Spruce Plant Drains Project</b>
<b>Purchase Order Value</b>	<b>\$50,000,000</b>
<b>Purchase Category</b>	<b>General Services</b>
<b>Department</b>	<b>Power Generation</b>
<b>Sr. Director, PG Central Support</b>	<b>Jeff Kruse</b>
<b>Executive Vice President, Energy Supply</b>	<b>Benny Ethridge</b>

**Detailed Description**

CPS Energy staff recommend that a contract be awarded to Wood Group USA, Inc., a local, non-diverse firm, as the respondent who will provide the goods and services at the best value for CPS Energy based on the evaluation criteria set forth below.

This contract is for the completion of procurement and construction activities for the new Spruce plant drains pond. Execution of this contract will ensure compliance with the Environmental Protection Agency's Coal Combustion Residuals rule and extend the reliable operation of Spruce Units 1 and 2 beyond the September 1<sup>st</sup>, 2023 compliance deadline. This contract will expire after the completion and successful operation of the new Spruce plant drains pond, which will meet the EPA's September 1, 2023 deadline.

**Subcontracting Opportunities**

Wood Group USA, Inc. has committed to subcontracting at least \$2.6M to diverse businesses.

The 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	Points
Experience and qualifications to perform the Services	37
The overall cost	20
Safety records and training program	20
Economic Development (local & diverse consideration)	10
The ability to meet CPS Energy's requirements	8
The financial soundness of the Respondent	5
<b>TOTAL</b>	<b>100</b>





**CPS Energy Board of Trustees Meeting  
February 28, 2022  
Procurement Form 1**

**Recommended Respondent(s) & Award**

Respondent Name	SBA Classification & Details	Score	PO Value	PO #	Comments
Wood Group USA, Inc.	Local/Non-Diverse	63.9	\$50,000,000	2200605	
<b>TOTAL</b>			<b>\$50,000,000</b>		

One (1) additional respondent was not recommended for award: (Summit Industrial Construction, LLC)

**Annual Funds Budgeted**

Corporate Annual Budget	Funding Method	Projected FY2023 PO Spend	% of FY2023 Annual Corp Budget	Projected FY2024 PO Spend	Projected FY2025 PO Spend	Projected FY2026 PO Spend
\$832,904,076	Capital	\$34,170,000	3.68%	\$15,830,000	\$0	\$0
\$729,676,030	Non-Fuel O&M	\$0	0	\$0	\$0	\$0

**Procurement Item: General Services**



- Local / Diverse
- Local / Non-Diverse
- Non-Local / Diverse
- Non-Local / Non-Diverse



## MASTER PLANNING & OVERSIGHT COMMITTEE (MPOC)

### EXECUTIVE SUMMARY AND CHAIR REPORT FROM THE JANUARY 31, 2022 MEETING PREPARED FOR COMMITTEE CHAIR ED KELLEY FOR REPORT AT THE FEBRUARY 28, 2022 BOARD OF TRUSTEES MEETING

The MPOC met on January 31, 2022. As part of the MPOC agenda, the Committee:

- A. Discussed the operation and activities in and around the McCullough Building.
- B. Reviewed the closings of the following properties:
  - 1. Main Office Building;
  - 2. Tower Garage;
  - 3. Surface Parking Lot #2; and
  - 4. Northside Customer Service Center.
- C. Discussed the status, potential buyers, and marketing strategies of the following properties:
  - 1. La Villita Assembly Building; and
  - 2. Mission Road Power Plant and Gugert Street.
- D. Discussed disposition of Jones North and Jones South and reviewed property features and information.
- E. Discussed strategic property purchase opportunities that support electric and gas system reliability, resiliency and customer growth, as well as potential property sale opportunities.

The next meeting of the MPOC is April 25, 2022.



## **AUDIT & FINANCE (A&F) & EMPLOYEE BENEFITS OVERSIGHT COMMITTEE (EBOC) ALIGNED RISK SUB-COMMITTEE MEETING**

### **EXECUTIVE SUMMARY AND CHAIR REPORT FROM THE JANUARY 20, 2022 MEETING PREPARED FOR COMMITTEE MEMBER, MR. JOHN STEEN FOR REPORT AT THE FEBRUARY 28, 2022 BOARD OF TRUSTEES MEETING**

The A&F & EBOC Aligned Risk Sub-Committee met on January 20, 2022. As part of the A&F & EBOC Aligned Risk Sub-Committee (Sub-Committee) agenda, the Sub-Committee:

- A. Approved meeting minutes from the previous meeting held on October 14, 2021
- B. Reviewed action items from the previous meeting
- C. Provide context on evolving risk landscape
- D. Heard from Mr. Dan Aschenbach, CEO of AGVP Advisory, about the Credit Rating Agencies' outlook on CPS Energy.

The next meeting of the Sub-Committee is to be determined.



## EMPLOYEE BENEFITS OVERSIGHT COMMITTEE (EBOC)

### EXECUTIVE SUMMARY AND CHAIR REPORT FROM THE JANUARY 20, 2022 MEETING PREPARED FOR COMMITTEE CHAIR JOHN STEEN FOR REPORT AT THE BOARD OF TRUSTEES MEETING

The EBOC met on January 20, 2022. As part of the EBOC agenda, the Committee:

- A. Approved meeting minutes from the prior meeting held on October 14, 2021.
- B. Reviewed the Action Item list from the October 14, 2021 Meeting.

The Committee also received presentations regarding:

- C. An Administrative Committee (AC) Membership Update to include the appointment of Ms. Debra Wainscott, VP People & Culture, to AC Chair and the appointment of Mr. Gautam Shringarpure, CFA, Director Debt Management, to AC Vice Chair. The Committee also approved the appointment of Mr. James Boston, Manager Strategic Research & Innovation, to AC membership to replace Ms. Shannon Albert, Past AC Chair, who will be retiring in March.
- D. A Benefits Plans Administrative & Financial Update, which highlighted plan investment performance and FY23 benefit plan funding and expenses. The EBOC approved the recommendation to include the benefit plan funding and expenses in the FY23 budget to be presented to the CPS Energy Board of Trustees for approval at the January 31 meeting.

The next meeting of the EBOC will be held in April 2022.



## AUDIT & FINANCE COMMITTEE (A&F)

### EXECUTIVE SUMMARY AND CHAIR REPORT FROM THE JANUARY 20, 2022 MEETING PREPARED FOR CHAIR JOHN STEEN FOR REPORT AT THE FEBRUARY 28, 2022 BOARD OF TRUSTEES MEETING

The Audit & Finance Committee met on January 20, 2022. As part of the Audit & Finance Committee agenda, the Committee:

- A. Approved meeting minutes from the prior meeting held on October 14, 2021.
- B. Received an update on the Ethics Program, including a summary of cases that were opened and closed through December 31, 2021, and a trend analysis for FY2021 third Quarter versus FY2022 third Quarter.
- C. Received an overview of the status of working being performed for the financial statement external audit and an introduction to the audit team members from KPMG and Schriver, Carmona & Co.
- D. Provided an overview from KPMG addressing:
  - a. Audit considerations related to cybersecurity & ESG (environmental, social, governance) reporting.
  - b. Review of required communications with the Committee.
  - c. Requirements, reports, and deadlines related to performing a single audit, and informed that based on discussion with our management a single audit will not need to be performed for FY2022, but a single audit is anticipated to be needed for FY2023.
- E. Received Audit Services Update:
  - a. Provided status of projects for FY2022 and reviewed the results of six projects completed since the last Committee meeting.
  - b. Reviewed the required communications that, per the Institute of Internal Auditing Standards, must be communicated annually to the Committee.
  - c. External quality assessment is scheduled for September 2022.
- F. Approved revisions to Audit Services Charter.

The next meeting of the Audit & Finance Committee will be held in April 2022.