



**CPS ENERGY BOARD OF TRUSTEES MEETING
TO BE HELD ON APRIL 24, 2023 AT 1:00 PM
LOCATION: CPS ENERGY BOARD ROOM (500 MCCULLOUGH AVE)**

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

AGENDA

ITEM	TOPIC	ACTION	PRESENTER/ SPONSOR
1	CALL TO ORDER	Execute	Ms. Janie Gonzalez
2	SAFETY MESSAGE, INVOCATION & PLEDGE OF ALLEGIANCE	Execute	Mr. David Ramirez
3	PUBLIC COMMENT <ul style="list-style-type: none"> • Pre-Registration is from Wednesday, April 19, 2023 5:00 PM – Friday, April 21, 2023 1:00 PM. Dial (210) 353-4662 or email PublicCommentRegistration@CPSEnergy.com • Summary of the Public Input Session held on April 4, 2023 (Ms. Melissa Sorola) 	Discuss	Ms. Janie Gonzalez
UPDATE ON CHAIR'S PRIORITIES			
4	CHAIR'S REMARKS	Discuss	Ms. Janie Gonzalez
5	RATE ADVISORY COMMITTEE (RAC) UPDATE	Discuss	Dr. Francine Romero
CONSENT AGENDA			
6	APPROVAL OF CONSENT ITEMS: A. Payment to the City of San Antonio for March 2023 B. Procurements Items: None	Vote	Ms. Janie Gonzalez
REGULAR AGENDA			
7	COMMITTEE REPORTS: A. Audit & Finance Committee meeting held on 3/2/23 (Ms. Janie Gonzalez) B. Employee Benefits Oversight Committee meeting held on 3/2/23 (Ms. Janie Gonzalez) C. Technology & Resilience Committee meeting held on 3/8/23 (Ms. Janie Gonzalez) D. Personnel Committee meeting held on 4/19/23 (Ms. Janie Gonzalez)	Discuss	Ms. Janie Gonzalez

CPS - CITY CLERK
2023 APR 20 PM 2:15:05

CPSA - CITY CLERK
2023 APR 20 AM 2:15:59

8	ANNUAL AUDITED FINANCIAL STATEMENTS (KPMG, Ms. Caroline Garcia)	Discuss	Mr. David Ramirez
9	FY2024 PERFORMANCE MEASURES DISCUSSION	Discuss	Dr. John Soltau
CONVENE TO EXECUTIVE SESSION			
10	EXECUTIVE SESSION: A. Personnel – Evaluation of President & CEO <i>(Section 551.074)</i> B. Consultation concerning attorney-client matters <i>(Section 551.071)</i> C. Consultation concerning attorney-client matters <i>(Section 551.071)</i>	Discuss	Ms. Janie Gonzalez
RECONVENE TO OPEN SESSION			
11	CEO PERFORMANCE REVIEW AND GOALS	Discuss	Ms. Janie Gonzalez
12	CEO RECOGNITION	Discuss	Mr. Rudy Garza
13	REVIEW OF ACTION ITEMS	Discuss	Ms. Shanna Ramirez
14	ADJOURNMENT	Execute	Ms. Janie Gonzalez
<p>If the Board meeting has not adjourned by 3:50 PM, the presiding officer may entertain a motion to continue the meeting, postpone the remaining items to the next Board meeting date, or recess and reconvene the meeting at a specified date and time.</p>			
<p>Known absences: None</p>			

CPS ENERGY BOARD OF TRUSTEES

NOTICE OF REGULAR MEETING

Notice is hereby given that the CPS Energy Board of Trustees will hold its **Regular Monthly Meeting on Monday, April 24, 2023 at 1:00 p.m.** in the Board Room located on the First Floor of the CPS Energy headquarters located at 500 McCullough, San Antonio, Texas. The Regular Board meeting will also be live-streamed.

The subject of this meeting is to act upon all matters pertaining to the current management and operation of the municipal electric and gas systems, including the acquisition of real property and interest therein by purchase and condemnation, the facilities, financing, the handling and administration of funds and accounts, consideration of matters relating to operations and administration and such other matters as may be brought before the meeting by the Trustees of the Board, and specifically those matters referred to in the attached agenda, which is incorporated herein.

The meeting will be streamed on cpsenergy.com.

Those wishing to speak on an agenda item during the Public Comment portion of the meeting must register between Wednesday, April 19, 2023 at 5:00 p.m. and Friday, April 21, 2023 at 1:00 p.m. CT. Registration may be made by email at publiccommentregistration@cpsenergy.com or by phone at (210) 353-4662. Those registering to speak should be prepared to provide the following information:

- First & last name
- City & state of residence
- Phone number
- Email address
- Group for which the individual is speaking, if applicable
- Agenda item # listed on the Agenda (any item other than #1, 2 or 3) about which they are speaking
- Any required translation services

Commenters will be called to speak in the order that each registers.

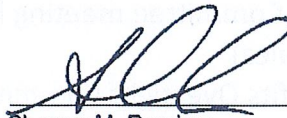
Written comments may be sent to publiccommentregistration@cpsenergy.com and will be shared with the Board prior to the start of the meeting.

The agenda packet is attached and can be found with other related informational material at:

<https://www.cpsenergy.com/en/about-us/who-we-are/trustees/board-meetings.html>

A recording of the meeting will be available to the public in accordance with the Open Meetings Act upon written request.

At any time during the Board Meeting, and pursuant to the provisions of Chapter 551 of the Texas Government Code, the Board may meet in executive session for consultation concerning attorney-client matters under Section 551.071; for deliberations and other authorized action on real property under Section 551.072; on prospective gifts or donations under Section 551.073; on personnel under Section 551.074; on security personnel or devices under Section 551.076; on economic development negotiations under Section 551.087; to deliberate, vote, or take final action on competitive matters under Section 551.086; to deliberate regarding security audits and devices under Section 551.089; or to deliberate under Texas Government Code Section 418.183(f) about confidential information under the Texas Homeland Security Act.


Shanna M. Ramirez
Secretary of the Board
April 20, 2023

CPSA - CITY CLERK
2023 APR 20 PM02:15:29

CPS Energy Board of Trustees Meeting April 24, 2023

Approval of Payment to the City of San Antonio for March 2023

The New Series Bond Ordinance that took effect February 1, 1997 provides for a total cash payment to the City of San Antonio (City) in an amount not to exceed 14% of gross revenue as calculated pursuant to such Ordinance, less the value of other services provided to the City, with the percentage (within the 14% limitation) to be determined by the governing body of the City. The cash transfer to the City for the month of March 2023 is based on actual gross revenue per the New Series Bond Ordinance of \$191,051,689.36, less applicable exclusions. In accordance with the New Series Bond Ordinance, current month revenue was insufficient to meet the City Payment by \$4,205,182.19. Under the previously approved agreement with the City, CPS Energy will advance to the City \$4,205,182.19 against future months' revenues for fiscal year 2024. The revenue for the month of March 2023 is calculated as follows:

Gross revenue per CPS Energy financial statements	
Electric revenue	\$197,003,576.23
Gas revenue	25,973,010.37
Interest and other income	12,468,566.18
Gross revenue per CPS Energy financial statements	235,445,152.78
Excluded revenue	
School and hospital revenue per City Ordinance 55022	(7,119,163.64)
LVG revenue per City Ordinance 100709	(47,043.81)
Fuel cost component of off-system nonfirm energy sales per City Ordinance 61794 and revenue for wholesale special contracts	(4,531,362.04)
Noncash and other income, GASB 31 investment market value change, miscellaneous interest income, gas billing adjustment and unbilled revenue	(32,695,893.93)
Total excluded revenue	(44,393,463.42)
Gross revenue per New Series Bond Ordinance subject to 14% payment to the City	\$191,051,689.36
City payment per Bond Ordinance for March 2023 based upon March 2023 revenue	\$26,747,236.51
City payment per memorandum of understanding (MOU) regarding wholesale special contracts	338,810.33
City Payment reduction per gas customer billing adjustment MOU	(12,500.00)
City payment per Bond Ordinance plus adjustments for memorandums of understanding	27,073,546.84 A
Utility services provided to the City for March 2023	(2,669,820.14)
Net amount to be paid from March 2023 revenue to the City in April 2023	\$24,403,726.70

CPS Energy Board of Trustees Meeting April 24, 2023

Comparison of City payment per Bond Ordinance (plus adjustments for memorandums of understanding) vs. Budget before deduction for utility services provided to the City:

(Dollars in thousands)

March 2023	Actual	Budget	Variance	
Current Month* A	\$27,073	\$32,032	(\$4,959)	-15.5%
Year-to-Date*	\$61,418	\$65,934	(\$4,516)	-6.8%

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

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 \$24,403,726.70 representing 14% of applicable system gross revenues for the month of March 2023, such payment being net of City utility services (\$2,669,820.14), and including the current month deficiency, is hereby approved." The total amount to be recovered from future months' revenues for fiscal year 2024 is \$4,205,182.19.



AUDIT & FINANCE COMMITTEE (A&F)

EXECUTIVE SUMMARY AND CHAIR REPORT FROM THE MARCH 2, 2023 MEETING PREPARED FOR CHAIR JANIE GONZALEZ FOR REPORT AT THE APRIL 24, 2023 BOARD OF TRUSTEES MEETING

The Audit & Finance Committee met on March 2, 2023. As part of the Audit & Finance Committee agenda, the Committee:

- A. Approved meeting minutes from the prior meeting held on November 17, 2022.
- B. Received an update on the Ethics Program, including a summary of cases that were opened and closed through January 31, 2023, and a trend analysis for FY2022 fourth Quarter versus FY2023 fourth Quarter.
- C. Received an overview of the history of NERC, ERCOT, Texas Reliability Entity (TxRE) and our NERC program and informed the TxRE conducts the NERC audits in the Texas region. Provided a summary of findings from prior NERC audit.
- D. Received a GASB update which included an overview of the current year implementation of GASB 94 – Public-Private & Public-Public Partnerships & Availability Arrangements (PPP & APAs), GASB 96 – Subscription-Based Information Technology Arrangements (SBITAs), and GASB 99 – Omnibus 2022. Provided with an overview of GASB statements that will be effective in the future.
- E. Provided an overview of the planned organizational structure for the Enterprise Risk Management & Solutions team and current internal controls projects. Provided an overview of the types of checks processed and the amount of time required to process different types of checks. Received an update that our cyber insurance coverage renewal supports a favorable assessment of our cyber program internal controls.
- F. Provided a review of project count, audit coverage, and project feedback metrics and informed Audit Services management is reviewing the metrics. Received status update on the FY2023 and FY2024 audit plans and provided an overview of the annual audit planning process which began in March 2023. Received a review of the results of twelve projects completed since the last Committee meeting. Provided an update on the FY203 budget to actual update and informed that the FY2023 actual was slightly more than \$125,000 under budget. Provided an overview of the FY2024 budget and informed a Request for Proposal (RFP) would be issued for an Audit Services partner firm or firms in 2023.
- G. Reviewed and approved proposed revisions to the Audit Services Charter.

The next meeting of the Audit & Finance Committee will be held in April 2023.



EMPLOYEE BENEFITS OVERSIGHT COMMITTEE (EBOC)

EXECUTIVE SUMMARY AND CHAIR REPORT FROM THE MARCH 2, 2023 MEETING PREPARED FOR COMMITTEE CHAIR JANIE GONZALEZ FOR REPORT AT THE APRIL 19, 2023 BOARD OF TRUSTEES MEETING

The EBOC met on March 2, 2023. As part of the EBOC agenda, the Committee:

- A. Approved meeting minutes from the prior meeting held on November 17, 2022.
- B. Approved the appointment of Ms. Annamarie Rangel, Director of Enterprise Risk Management & Solutions, as a member of the Administrative Committee.

The Committee also received a presentation regarding:

- C. A Benefit Plans Administrative & Financial Update, which highlighted the following topics: governance overview, annual calendar review, FY24 benefit plan funding, and the benefit plan trusts investment performance for 2022 and 2021.
- D. An Administrative Committee Membership Update, which included the request for approval of the appointment of Ms. Rangel.
- E. An update on the Investment Practices and Performance Report required by Texas Law, which is expected to be presented to the EBOC and Board of Trustees in July.

The next meeting of the EBOC will be held in April 2023.



TECHNOLOGY & RESILIENCE COMMITTEE (T&R) MEETING

EXECUTIVE SUMMARY AND CHAIR REPORT FROM THE MARCH 8, 2023 MEETING PREPARED FOR BOARD CHAIR JANIE GONZALEZ FOR REPORT AT THE APRIL 24, 2023 BOARD OF TRUSTEES MEETING

The Technology & Resilience Committee met on March 8, 2023. As part of the Technology & Resilience Committee Meeting agenda, the Committee:

- A. Approved meeting minutes from the prior meeting, held on September 28, 2022.
- B. Received a Distributech, Evolve, and ERP Transformation update.
- C. Three new action items were generated from this session.

The next meeting of the Technology & Resilience Committee will be held in the Summer of 2023.



PERSONNEL COMMITTEE

**EXECUTIVE SUMMARY AND CHAIR REPORT FROM THE APRIL 19, 2023 MEETING
PREPARED FOR COMMITTEE CHAIR JANIE GONZALEZ
FOR REPORT AT THE APRIL 24, 2023 BOARD OF TRUSTEES MEETING**

The Personnel Committee met on April 19, 2023. As part of the Personnel Committee agenda, the Committee:

- A. Evaluated CEO performance against Strategic Objectives identified by the Personnel Committee to be addressed within the year
- B. Evaluated company performance of the Tier 1 Metrics from February 1, 2022 through January 31, 2023
- C. Conducted the President & CEO's annual performance review discussion
- D. Reviewed potential measures to be considered for the FY24 CEO scorecard

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



CPS Energy Discussion with those charged with governance

Audit results and strategy for the year ending January 31, 2023

Prepared on: April 14, 2023
Presented on: April 24, 2023



Audit results: Overview

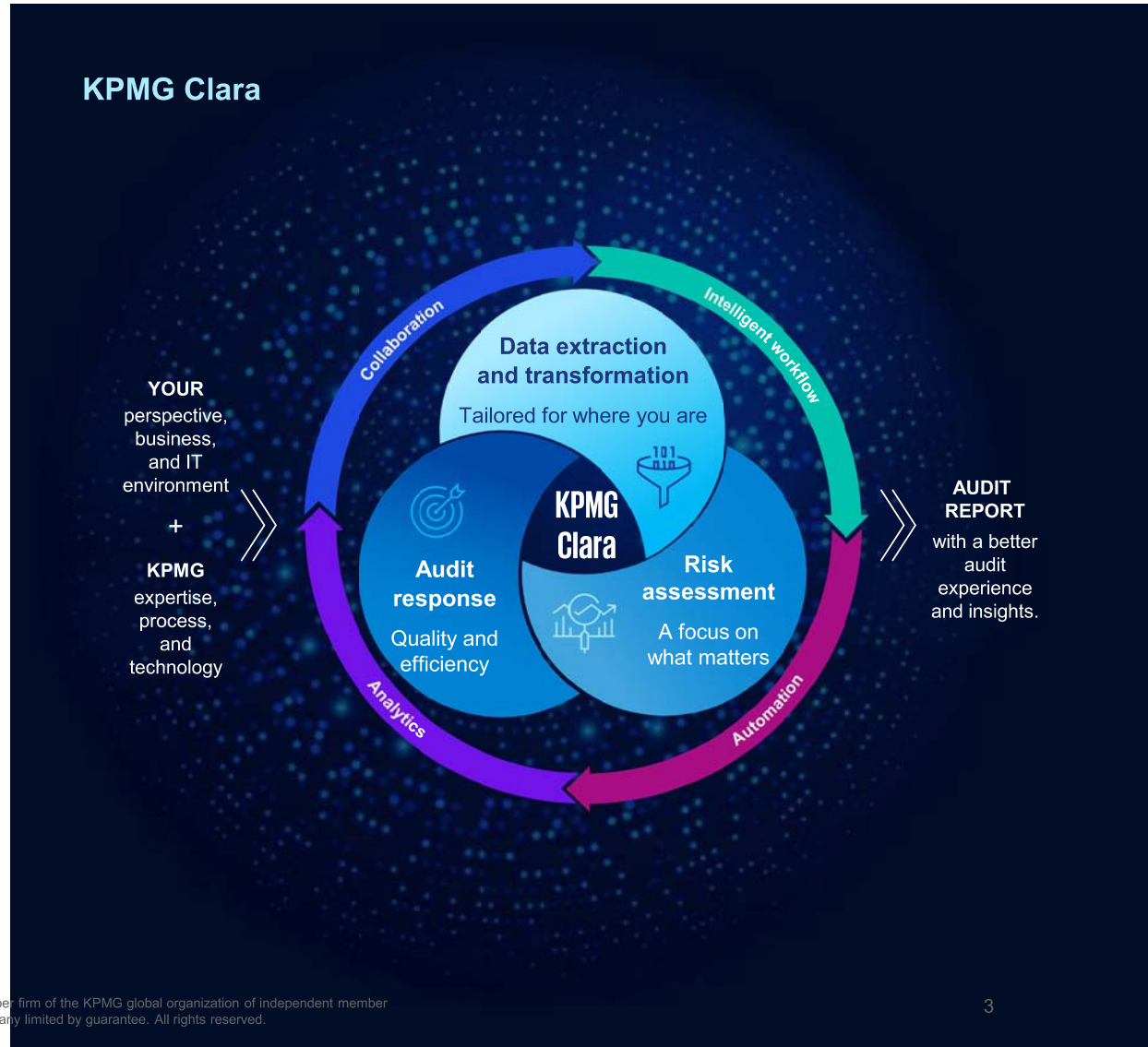
Outstanding matters None	Auditors' report Refer to slide 9	Uncorrected Misstatements None
Corrected Misstatements None	Deficiencies None	Other None



An audit aligned to you

Your business is unique. We begin by listening—helping us better understand you and your organization in order to align our efforts.

Powered by our [KPMG Clara](#) platform, we bring clarity to the audit through a modernized approach that effectively coordinates the audit, powers our process with automation and analytics, and supports clear and transparent communication through the cycle.



Continuous improvement powered by transformation

Our investment: \$5B

We are in the midst of a five-year investment to develop our people, digital capabilities, and advanced technology.

Responsive delivery model

Tailored to you to drive impactful outcomes around the quality and effectiveness of our audits.

Result: A better experience

Enhanced quality, reduced disruption, increased focus on areas of higher risk, and deeper insights into your business.



Cybersecurity considerations

Factors and forces elevating cybersecurity risks:

- Shifts to remote work, online customer engagement, digital finance – “remote everything”
- Acceleration of digital strategies/transformation
- Surge and sophistication of cyber attacks
- Risks, vulnerabilities posed by third-party vendors

Your considerations for robust oversight

- Focus on internal controls, access, and security protocols
- Increase diligence around third-party vendors
- Insist on a robust data governance framework
- Obtain cyber expertise at board or upper management level
- Provide ongoing cyber awareness training to leaders in the company
- Trust but verify the information reported by the Chief Information Officer function and by third-party cyber service providers

Our audit responsibilities

- Evaluate risks of material misstatement resulting from, among other things, unauthorized access to financial reporting systems (e.g., IT applications, databases, operating systems)
- Determine whether there is a related risk of fraud
- Develop audit approach based on risk assessment
- If a cybersecurity incident occurs, we understand and evaluate its effect on our audit approach, as well as evaluate management’s assessment of the effect on the financial statements and disclosures





Required communications to those charged with governance

Prepared on: April 14, 2023
Presented on: April 24, 2023



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Audit results required communications and other matters

Matters to communicate		Response
Significant unusual transactions	X	
Uncorrected audit misstatements	X	
Corrected audit misstatements	X	
Financial statement presentation and disclosure omissions	X	
Non-GAAP policies and practices	X	
Auditors' report	✓	Page 9
Changes to our risk assessment and planned audit strategy	X	
Significant accounting policies and practices	✓	Page 10
Significant accounting estimates	✓	Pages 11 to 14
Significant financial statement disclosures	X	
Group audit engagement considerations	✓	Page 15

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

✓ = Matters to report X = No matters to report



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Audit results required communications and other matters

Matters to communicate

Illegal acts or fraud	No actual or suspected fraud involving management, employees with significant roles in internal control, or where fraud results in a material misstatement in the financial statements were identified during the audit.
Written communications	Engagement letter and management representation letters to be distributed under separate covers.
Independence	See page 16
Inquiries	See page 19



Auditor's report

Matters affecting the form and content of the auditors' report

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



Significant accounting policies and practices

Description of significant accounting policies and practices	Audit findings
<ul style="list-style-type: none"> — Application of new accounting pronouncements. — GASB Statement No. 96. Effective for reporting periods after June 15, 2022. The Company adopted this standard utilizing the retroactive method of adoption. 	<p>Qualitative aspects</p> <ul style="list-style-type: none"> — Management bias. No matters to report. — Estimates. No matters to report. The application of the new accounting pronouncement did not create new accounting estimates or modify existing estimates made by the Company. — Effects on the financial statements or disclosures. The application of the new accounting pronouncement did not have a material effects on the Company’s financial statements. Additional disclosures were required (refer to Note 17). — We believe management’s assumptions and judgments are complete, accurate and appropriate.



Significant accounting estimates

Fair Value of Investments held by CPS and the Decommissioning Trusts

- The Company accounts for its investments based upon fair value measurement, which requires the fair value to be based upon the trading price as of measurement date (January 31, 2023).

Audit findings

Management's process used to develop the estimates

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

Significant assumptions used that have a high degree of subjectivity

- There is no significant judgment in determining inputs.

Indicators of possible management bias

- No indicators of possible management bias were identified.

Conclusions

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



Significant accounting estimates

Valuation of Net Pension Liability

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

Audit findings

Management's process used to develop the estimates

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

Significant assumptions used that have a high degree of subjectivity

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

Indicators of possible management bias

- No indicators of possible management bias were identified.

Conclusions

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



Significant accounting estimates

Valuation of Net OPEB Asset

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

Audit findings

Management's process used to develop the estimates

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

Significant assumptions used that have a high degree of subjectivity

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

Indicators of possible management bias

- No indicators of possible management bias were identified.

Conclusions

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



Significant accounting estimates

Accounting for contingencies

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

Audit findings

Management's process used to develop the estimates

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

Significant assumptions used that have a high degree of subjectivity

- There is no significant judgment in determining inputs.

Indicators of possible management bias

- No indicators of possible management bias were identified.

Conclusions

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



Group audit engagement considerations

Full-scope audit				
Components	Name/location of component auditor	Planned responsibilities	Total assets (FY23) (in 000's)	Revenue (FY23) (in 000's)
Group Audit	KPMG US LLP, Albuquerque, NM	Financial statement audit for CPS Energy for the period ended January 31, 2023	\$12,397,593	\$3,383,403
South Texas Project	KPMG US LLP, Houston, TX	Audit of South Texas Project special purpose financials for the period ended December 31, 2022	\$991,680	\$0
Total full-scope audits			100%	100%
Total Coverage: Full-scope audit			100%	100%
Excluded from direct testing			0%	0%
Total consolidated			100%	100%

Group audit considerations

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

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



Independence communications

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

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



Audit and professional services fees

We have summarized the fees paid or payable to our firm relating to the audit of the 2023 financial statements and the fees for all other professional services billed in 2023, with comparison to the prior year.

Service	2023 Estimated Fee	2022 Actual Fee
CPS Energy financial statement audit as of January 31, 2023 and January 31, 2022, report on the Company's Schedule of Gross Revenue and Required Payments to the City of San Antonio, and agreed upon procedures for the compliance with the Public Funds Investment Act and Energy Price Risk Management Policy	\$402,500	\$433,250
Decommissioning Master Trust financial statement audit as of December 31, 2022 and December 31, 2021 and agreed upon procedures for compliance with the Public Funds Investment Act	\$13,750	\$14,125
Decommissioning Master Trust (TCC Funded) financial statement audit as of December 31, 2022 and December 31, 2021 and agreed upon procedures for compliance with the Public Funds Investment Act	\$13,750	\$14,125
SA Energy PFC financial statement audit as of January 31, 2023 and January 31, 2022 and agreed upon procedures for the compliance with the Public Funds Investment Act	\$40,000	\$41,000
Single audit report over federal program compliance requirements for the fiscal year ended January 31, 2023	\$55,000	\$-0-
KPMG to provide CPS Energy with access to the Custom Learning Portal (fee waived of \$7,500 for up to 25 users) to begin immediately upon approval for the start of a one-year term	\$-0-	\$-0-
Total	\$525,000	\$502,500



Inquiries

Are those charged with governance aware of:

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

Do those charged with governance have knowledge of:

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

Additional inquiries:

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





Questions?

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

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The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

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FY2024 PERFORMANCE MEASURES DISCUSSION

PRESENTED BY:

Dr. John Soltau

Director Strategic Alignment, Performance & Planning

April 24, 2023

Informational Update



AGENDA

- **STRATEGIC ALIGNMENT**
- **DRIVERS TO CHANGE**
- **PROPOSED ENHANCEMENTS**
- **DISCUSSION**

To provide an overview of the proposed enhancements for the FY2024 Performance Measures prior to the June Special Board of Trustees Meeting.



STRATEGIC ALIGNMENT

DRIVING PROGRESS TOWARDS MEETING OUR MISSION





PERFORMANCE MEASURES OVERVIEW

DEMONSTRATE PROGRESS TO DELIVER OUR MISSION AND LIVE OUR VALUES



Focus on Transparency & Value

- Clear and meaningful language for customers
- Regular communication on progress



Drive Alignment & Excellence

- Supports our One Team approach to deliver excellence
- Aligned to community expectations



Enable Accountability

- Strategic performance targets
- Connected to individual performance

A successful program enables all three elements.



DRIVERS TO CHANGE

CHALLENGE OURSELVES TO PUSH FURTHER

**Customer expectations
have changed**



**The Industry is
transforming**



**Opportunities to review
Operational Efficiency**



We are building on our existing program to improve and meet the needs of our community.



PROPOSED ENHANCEMENTS

OPPORTUNITIES TO DRIVE IMPROVED PERFORMANCE

-
- 01 **Align measures to Strategic Objectives**
 - 02 **Continue to track and report Tier 1 and Select Tier 2 Metrics as Enterprise Measures**
 - 03 **Develop Board Measures focused on what our community values**
 - 04 **Set strategic targets in consideration of multiple factors and interdependencies**
 - 05 **Propose value added reporting cycle and update method of reporting**

Continuing our Tier 1 Metrics as the Board is considering enhancements.

✓ Aligned to Operational Review recommendations (Daymark and Gallup)

STRATEGIC OBJECTIVES ALIGNMENT



**OPERATIONAL
EVOLUTION**

We embrace innovation and balanced solutions to bring overall value and resiliency to our customers through improved efficiency, sustainability, and management of risk.



**FINANCIAL
STABILITY**

We focus on sound budget discipline and key financial metrics to leverage our strong brand in the financial markets.



**CUSTOMER
EXPERIENCE**

We strive to connect with our diverse customers equitably and in the way they prefer.



**TEAM
CULTURE**

We collaboratively build a culture focused on being safe and working together to serve our community.



**COMMUNITY
PARTNERSHIP &
GROWTH**

We are a community partner that works transparently and collaboratively to support key decisions, innovation, and economic growth.

We will group all Performance Measures to their strategic objective.



ENTERPRISE & BOARD MEASURES

PROVIDE PROGRESS TOWARDS STRATEGIC & OPERATIONAL GOALS

Enterprise Measures

- Industry Standards
- Tier 1 and Select Tier 2 Metrics
- Focused on Operational Effectiveness



Board "Community" Measures

- Meaningful to Customers
- New or Enhanced Measures
- Focused on Strategic Opportunities

- Strategically Set Targets
- Reported on Regular Cadence
- Important to Delivering on Mission

Both groups of measures are equally important and will work together to show our overall performance.



ENTERPRISE MEASURES

Strategic Objective	Enterprise Measures (Operational Focused)	
Operational Evolution	Portfolio Commercial Availability (PCA) ¹	Nuclear Performance Plan ²
	System Availability Interruption Frequency Index (SAIFI) ¹	System Availability Interruption Duration Index (SAIDI) ¹
	Response time to Order Complaints (under 1 hour) ^{2,3,4} ✓	Gas System Growth ¹
	Environmental Compliance Issues – NOE & NOV (Categories A & B) ¹	Critical IT Systems ¹
	Security Maturity ⁴	
Financial Stability	Debt Capitalization ¹	Adjusted Debt Service Coverage (ADSC) ¹
	Days Cash on Hand (DCOH) ¹	Adherence to O&M ¹ and Capital Budget ¹
	Enterprise Senior Lien Bond Ratings ¹	Rating Agency Outlook ²
	Wholesale Revenue Net Fuel ²	Native Load Supply Cost ²
	Accounts Receivables ^{3,4}	Financial Audit ²
Customer Experience	Customer Satisfaction ^{1,2}	Community Engagement Effectiveness ^{3,4} ✓
	Effective Outage Communication ²	Managerial Reputation ²
Team Culture	Employee Engagement Score ¹	Enterprise Readiness – Executives ¹
	Recordable Incident Rate ¹	Preventable Motor Vehicle Accident Rate ²
Community Partnership & Growth	Local and Diverse Spend ²	

Previously Tier 1 and select Tier 2 metrics.

Footnotes:
 1 - Tier 1 Metric in FY2023
 2 - Tier 2 Metric in FY2023

✓ 3 - Aligned to Operational Review recommendations (Daymark and Gallup)
 4 - New and may take a year to develop a process to report

PROPOSED BOARD MEASURES*



Strategic Objective Alignment	What Customers Value	Board Measure (Strategically Focused)
Operational Evolution	Be resilient and restore power quickly during major events	Storm CAIDI ✓ (Average duration of outage for customers during storms)
	Reliably generate power	Equivalent Availability Factor (EAF)
	Provide sustainable power sources	Progress Toward Net-Zero Carbon for all Operations by 2050 ✓
	Be reliable by decreasing the number of outages customers experience	% of Customers with 5+ Outages ✓
	Deliver safe and reliable gas to customers	Age of Leaks Index ✓
Financial Stability	Maintain stable financial performance	Investing in Repair & Restoration Fund at Planned Level
	Provide competitive value	Average Bill Compared to Major Texas Cities (Residential & Small Business)
Customer Experience	Improve perceived value of our service	Customer Value ✓
	Effectively and accurately communicate time to restore	Accuracy of Estimated Time to Restore
Team Culture	Build a team focused on serving the community	Living Mission and Value Score ✓
	Appropriate sized organization to serve our customers	Ratio of Customers to Employees ✓
Community Partnership & Growth	Assist responsible growth to support community	Construction Cost Recovery ✓
	Support customers in most need of assistance	Program Participation Focused on Customers with the Most Severe Energy Burden ✓

Develop suite of measures meaningful to our customers.

Footnotes:
 ✓ Aligned to Operational Review recommendations (Daymark and Gallup)
 * New and may take a year to develop a process to report





STRATEGIC PERFORMANCE TARGETS

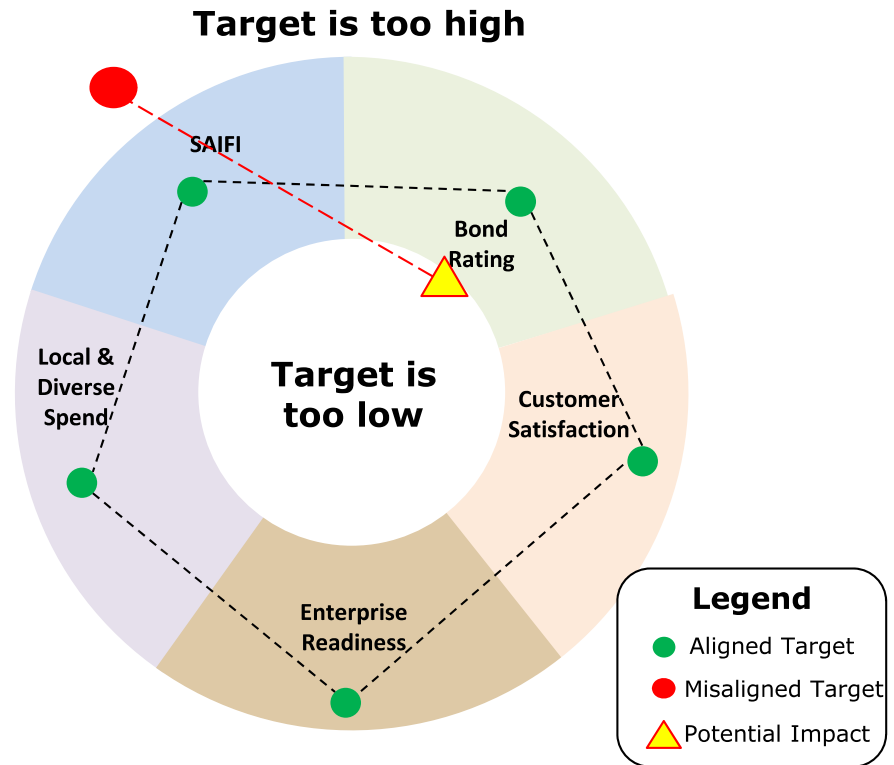
BALANCE TO DRIVE FOR OVERALL SUCCESS

Target Setting Considerations

- Benchmark and historical performance
- Value-added and cost of improvement
- Alignment to overall strategic goals
- Impact to other measures
- External or factors beyond our control
- Annual business and operational cycles

Example with Five Aligned Measures

- By setting strategic targets we can achieve overall performance
- In contrast, setting a target that is too high could limit our ability to meet other key measures with minimal benefit



Strategic targets based on cost/benefit.

REPORTING & UPDATING

TRANSPARENTLY PROVIDE VALUABLE INFORMATION

Considerations:

- Reporting cadence is different for some measures
- Balance of timely status with “seasonal noise”
- Manual work due to technology debt
- Value of status report compared with detailed update

Recommendation:

- Monthly report on Enterprise Measures with Financial and Accounts Receivables
- Quarterly presentation on Board Measures and overall performance

Note: Some Enterprise Measures are only calculated Quarterly or Annually



Intent is to ensure accountability, alignment and awareness.

ENHANCEMENT CONSIDERATIONS

POINTS FOR DISCUSSION AT THE JUNE SPECIAL BOARD OF TRUSTEES MEETING

- 
- 01 **Align measures to Strategic Objectives**
 - 02 **Continue Metrics as Enterprise Measures**
 - 03 **Develop Board Measures**
 - 04 **Set strategic targets**
 - 05 **Confirm reporting cycle and update method of reporting**

Look forward to input from Board on how we can challenge ourselves to improve in meaningful ways to our customers.

✓ Aligned to Operational Review recommendations (Daymark and Gallup)



Thank You





Appendix





MISSION & VALUES

Our Mission:

Serving our community through reliable, competitively priced, and sustainable energy services in an equitable way.

Our Values:

- **Safety & Wellbeing** - We take responsibility for our collective safety and wellbeing every day.
- **Transparency** - We compassionately engage with our community by listening, sharing, and acting with openness.
- **One-Team** - We work collaboratively as a community partner to achieve our mission together.
- **Accountability** - We are self-critical, open to feedback, and deliver on our commitments.
- **Integrity** - We act honestly, ethically, and respectfully.
- **Excellence** - We strive to improve every day in all we do, bringing value to our customers and community.



PERFORMANCE MEASURE LEVELS

ALL MEASURES ALIGN TO THE STRATEGIC OBJECTIVES



Board Measures \approx 10-12

- Focus of the Board to drive increased value to our customers and community
- Reported quarterly to the Board and shared with our community
- Meaningful to our customers in strategic areas

Enterprise Measures \approx 16-24

- Previously "Tier 1 Metrics" aligned to industry standards and best practices
- Tracked and reported on
- Basic run-the-business metrics, where possible benchmarkable

Business Area Measures \approx 100+

- Industry standards to ensure efficient and effective operations
- Monitored and managed by front-line leadership
- Key performance indicators of normal "run the business"



GLOSSARY (1 of 4)

Strategic Objective	Measure	Description
Operational Evolution	<i>Age of Gas Leaks Index</i>	<i>Number of known gas leaks over a set threshold based on classification.</i>
	Critical IT Systems	Measurement of the average uptime of key technology systems.
	Environmental Compliance Issues – NOE & NOV (Categories A & B)	The total number of environmental written notices of violation (NOVs) and Category A and B violations notices of enforcement (NOEs) issued.
	<i>Equivalent Availability Factor (EAF)</i>	<i>Calculation of how often our owned generation plants are available.</i>
	Gas System Growth	Growth rate of the gas system as measured by total customer growth. Focus is on making gas a product to meet customer demand.
	Nuclear Performance Plan	Composite index that provides a quantitative indication of South Texas Project’s (STP’s) business performance in key areas.
	<i>% of Customers with 5+ Outages</i>	<i>% of customers who experience 5 or more outages lasting longer than 5 minutes during the year.</i>
	Portfolio Commercial Availability (PCA)	Economic measure of generation unit’s value-weighted availability.
	Progress Toward Net-Zero Carbon for all Operations by 2050	Demonstrated action to hit Net-Zero targets by 2050.
	Response time to Order Complaints (under 1 hour)	Measures the % of odor complaints that were responded to in 60 minutes or less from the time the call is received to the time a gas troubleman is on-site.
	<i>Security Maturity</i>	<i>Improvement in hardening assets and systems.</i>
	<i>Storm CAIDI</i>	<i>Average duration of customer outages during a storm.</i>
	System Availability Interruption Duration Index (SAIDI)	The total number of customer interrupted minutes during a sustained interruption divided by the total number of customers served for the defined reporting period.
System Availability Interruption Frequency Index (SAIFI)	The total number of customers interrupted during a sustained interruption divided by the total number of customers served for the defined reporting period.	

Footnotes:
 - Detailed definitions of measures available
 - *Italics indicated measure in progress and not formally defined*

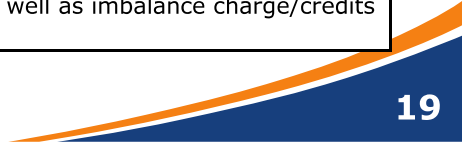




GLOSSARY (2 of 4)

Strategic Objective	Measure	Description
Financial Stability	Accounts Receivable	<i>Total amount of outstanding Accounts Receivable.</i>
	Adherence to O&M and Capital Budget	<i>Adhere to Board approved Capital and Operation & Maintenance budgets.</i>
	Adjusted Debt Service Coverage (ADSC)	The adjusted debt service coverage measures how many times debt service is covered from available revenues, net of operating expenses and city payment.
	Average Bill Compared to Major Texas Cities (Residential & Small Business)	<i>Ranking of average electric and gas bills.</i>
	Days Cash on Hand (DCOH)	Represents the number of days of operating expenses an organization can pay with its current cash available. It is a measure used in the financial community to measure liquidity.
	Debt Capitalization	Represents a measure of CPS Energy's total outstanding debt as a percentage of total capitalization. This ratio is a measure of CPS Energy's financial leverage.
	Enterprise Senior Lien Bond Ratings	A measure of the senior lien bond ratings as measured by Fitch, Moody's, and Standard & Poor's.
	Financial Audit	Successful completion of the annual financial audit with an unqualified opinion and no material weakness identified as issued by the external auditors.
	Investing in Repair & Restoration Fund at Planned Level	<i>Measure of adherence to flow of funds approved by Board.</i>
	Native Load Supply Cost	The average per MWh cost to serve native load customers.
	Rating Agency Outlook	A measure of the CPS Energy's bond Rating Outlooks as measured by Fitch, Moody's, and Standard & Poor's (Fitch = Negative, Moody's = Stable, Standard & Poor's = Negative).
	Wholesale Revenue Net Fuel (WRnF)	Total Off-System Electric Revenues less Fuel Cost where Fuel Cost includes delivered fuel, hedging gains and losses, ISO/CRR expenses, as well as imbalance charge/credits if applicable.

Footnotes:
 - Detailed definitions of measures available
 - *Italics indicated measure in progress and not formally defined*





GLOSSARY (3 of 4)

Strategic Objective	Measure	Description
Customer Experience	Accuracy of Estimated Time to Restore	<i>Measure of validity of estimates provided to customers to restore service in a non-storm event.</i>
	Community Engagement Effectiveness	<i>Evaluation of results of customer outreach.</i>
	Customer Satisfaction	<i>Measure of key performance drivers of customer perceptions of CPS Energy that lead to overall customer satisfaction.</i>
	Customer Value	<i>Measure of key performance drivers of customer perceptions of CPS Energy that lead to overall perception of value.</i>
	Effective Outage Communication	<i>Year-end results for Residential Customers will be calculated based on the arithmetic average of the 4 quarterly surveys and resultant satisfaction indices.</i>
	Managerial Reputation	<i>Measure of key performance drivers of residential customer perceptions of CPS Energy's Management Reputation, measured by five questions in the Escalent Residential Customer Satisfaction survey.</i>

Footnotes:
 - Detailed definitions of measures available
 - *Italics indicated measure in progress and not formally defined*



GLOSSARY (4 of 4)

Strategic Objective	Measure	Description
Team Culture	Employee Engagement Score	Measure of employees commitment and emotional connection to their roles as a result of meeting their performance related workplace requirements.
	Enterprise Readiness – Executives	Number of executive, non-CEO positions as of February 1st of each year with at least 2 ready-now and/or emergency fill candidates, as measured at fiscal-year end.
	Living Mission and Value Score	<i>Measure of employees perception of alignment to our Mission and Values.</i>
	Preventable Motor Vehicle Accident Rate	A measure of the number of vehicle accidents that occurred per million miles driven that were preventable.
	Ratio of Customers to Employees	<i>Correlation between total number of customers and employees.</i>
	Recordable Incident Rate	A measure of the number of recordable incidents per 100 full-time employees that have been involved in a recordable injury or illness.
Community Partnership & Growth	Construction Cost Recovery	<i>Calculation of payments from customers to fund specified service requests.</i>
	Local and Diverse Spend	This metric measures the percentage of eligible enterprise purchase order spend with businesses located within our service territory.
	Programs Focused on Customer with the Most Severe Energy Burden	<i>Total number of customers, meeting specific requirements, enrolled in any of our Assistance Development Programs, STEP or other programs.</i>

Footnotes:
 - Detailed definitions of measures available
 - *Italics indicated measure in progress and not formally defined*