



Dear CPS Energy Board of Trustees:

The Personnel Committee recommends the proposed new CEO scorecard for the President & CEO of our municipally owned utility. This recommendation is based on a thorough review of best practices from leading utilities, including, Austin Energy, Seattle City Light, Los Angeles Department of Water and Power, Nashville Electric Service, and industry associations, like the American Public Power Association (APPA).

Benefits of the New Scorecard

- **Strategic Alignment:** Aligns with CPS Energy's Vision 2027, focusing on operational evolution, financial stability, customer experience, community partnerships and growth, and innovation and modernization.
- **Comprehensive Evaluation:** Combines quantitative and qualitative measures for a balanced performance assessment, providing a nuanced understanding of the CEO's performance and its impact on employee morale, customer satisfaction, and community engagement.
- **Improved Transparency:** Demonstrates our commitment to transparency in leadership evaluation, offering stakeholders a clearer understanding of the CEO's performance and the organization's progress toward its goals.
- **Facilitation of Continuous Improvement:** Encourages continuous improvement by regularly updating scorecard metrics, ensuring the CEO's goals remain relevant and aligned with evolving challenges and opportunities in the energy sector.

The Personnel Committee believes this new scorecard will drive effective performance evaluation and strategic alignment, ultimately benefiting our utility and the community we serve.

Sincerely,



Janie Martinez Gonzalez
Chair, Personnel Committee
CPS Energy

CC: Dr. Willis Mackey
Vice Chair, Personnel Committee

CPS Energy CEO Scorecard for FY2025

The CEO's scorecard is designed to provide a comprehensive evaluation based on metric types, Vision 2027, FY2025 enterprise goals, and performance ratings. Below is a detailed breakdown of the scorecard:

Leadership Pillar: Operational Evolution (20%)

- **Power Plant Availability (10%)**
 - **Metric Type:** Critical Months Equivalent Availability Factor (EAF). The fraction of net maximum generation that could be provided after all the types of outages and de-ratings during the critical seasons (January through February and June through September) are taken into account. The calculation will include coal, large gas (steam), peaking, and combined cycle plants.
 - **FY2025 Goal:** Achieve 90.5% power plant availability.
 - **Rating Criteria:**
 - **Meets:** Achieves 90.5.% power plant availability.
- **Outage Duration - Reliability Metric (10%)**
 - **Metric Type:** System Average Interruption Duration Index (SAIDI). SAIDI represents the average outage duration per customer.
 - **FY2025 Goal:** Achieve SAIDI of 57.68 minutes per customer.
 - **Rating Criteria:**
 - **Meets:** Achieves SAIDI of 57.68 minutes per customer.

Leadership Pillar: Financial Stability (20%)

- **Financial Flexibility (5%)**
 - **Metric Type:** Adjusted debt service coverage. (2.5%)
 - **FY2025 Goal:** Achieve an adjusted debt service coverage ratio of $\geq 1.6X$.
 - **Rating Criteria:**
 - **Meets:** Achieves an adjusted debt service coverage ratio of $\geq 1.6X$.
- **Debt Capitalization (5%)**
 - **Metric Type:** Debt Capitalization Ratio. (2.5%)
 - **FY2025 Goal:** Achieve a debt capitalization ratio of $\leq 65\%$.
 - **Rating Criteria:**
 - **Meets:** Achieves a debt capitalization ratio of $\leq 65\%$.

- **Liquidity (5%)**

- **Metric Type:** Days cash on hand. (2.5%)
- **FY2025 Goal:** Maintain \geq 150 days cash on hand.
- **Rating Criteria:**
 - **Meets:** Maintains \geq 150 days cash on hand.
- **Metric Type:** Days liquidity on hand. (2.5%)
- **FY2025 Goal:** Maintain \geq 200 days liquidity on hand.
- **Rating Criteria:**
 - **Meets:** Maintains \geq 200 days liquidity on hand.

- **Financial Performance (5%)**

- **Metric Type:** Management of Capital budget. (2.5%)
- **FY2025 Goal:** Achieve +/- 2.01 – 10% variance on the Capital budget.
- **Rating Criteria:**
 - **Meets:** Achieves +/- 2.01 – 10% variance on the Capital budget.
- **Metric Type:** Management of the Operations & Maintenance (O&M) budget. (2.5%)
- **FY2025 Goal:** Achieve +/-2.01 – 5% variance on the O&M budget.
- **Rating Criteria:**
 - **Meets:** Achieves +/-2.01 – 5% variance on the O&M budget.

- **Bond Rating Stability (5%)**

- **Metric Type:** Bond Rating maintenance.
- **FY2025 Goal:** No downgrade in the Bond Rating from the start to the end of the evaluation period.
- **Rating Criteria:**
 - **Meets:** Maintains current Bond Rating.

Leadership Pillar: Customer Experience & Community Partnerships & Growth 20%

- **Customer Satisfaction (10%)**

- **Metric Type:** The Customer Perception measure uses Escalent's Residential Engaged Customer Relationship, or ECR to measure CPS Energy customers'

value perceptions. The ECR is composed of three subcomponents: Brand Trust, Product Experience, and Service Satisfaction.

- **FY2025 Goal:** Achieve a satisfaction score of 699.
- **Rating Criteria:**
 - **Meets:** Achieves a satisfaction score of 699.
- **Strategic Community Investment (10%)**
 - **Metric Type:** The percentage of eligible enterprise purchase order spend with businesses located within the San Antonio Metropolitan Statistical Area.
 - **FY2025 Goal:** 70% of eligible enterprise purchase order spend with businesses located within the San Antonio Metropolitan Statistical Area.
 - **Rating Criteria:**
 - **Meets:** 70% of eligible enterprise purchase orders are spent with businesses located within the San Antonio Metropolitan Statistical Area.

Leadership Pillar: Team Culture (15%)

- **Safety Performance (7.5%)**
 - **Metric Type:** Enterprise Recordable Incident Rate (RIR), a measure of the number of recordable incidents per 100 full-time employees that have been involved in a recordable injury or illness. Recordable is an injury that requires medical treatment other than first aid, as well as one that causes death, days away from work, restricted work, transfer to another job, or loss of consciousness.
 - **FY2025 Goal:** Achieve an RIR of 1.12.
 - **Rating Criteria:**
 - **Meets:** Achieves an RIR of 1.12.
- **Living Mission & Values (7.5%)**
 - **Metric Type:** Measure of organizational performance in four key areas that make up the demands of a changing workforce and reflect employees' perception of the corporate culture.
 - **FY2025 Goal:** Achieve a Gallup 12+ Index score of 4.15.
 - **Rating Criteria:**
 - **Meets:** Achieves a Gallup 12+ Index score of 4.15.

Leadership Pillar: Innovation & Modernization (10%)

- **Development of an AI Roadmap (3.33%)**
 - **Metric Type:** Create a comprehensive plan for AI initiatives that align with evolving business needs.
 - **FY2025 Goal:** Development of an AI Roadmap.
 - **Rating Criteria:**
 - **Meets:** Develops an AI Roadmap.
- **Additional Revenue / Grants (3.33%)**
 - **Metric Type:** Alternative funding sources.
 - **FY2025 Goal:** Pursuit of alternative funding sources, like State and Federal Grant opportunities or Congressional Budget inclusion.
 - **Rating Criteria:**
 - **Meets:** Pursues alternative funding sources.
- **Progress towards 2050 Strategy (3.33%)**
 - **Metric Type:** Development of a CPS Energy 2050 Strategy.
 - **FY2025 Goal:** Complete initial draft of 2050 Strategy.
 - **Rating Criteria:**
 - **Meets:** Completes initial draft of 2050 Strategy.

To advance Vision 2027 and achieve our strategic goals aligned with industry advancements, we have identified key initiatives for the CEO. These initiatives are crucial for the ongoing evolution of our organization and the utility sector.

Strategic Goals (15%):

- **Carbon Reduction / Progress Towards CAAP (3%):** Implementation of our Power Generation Plan with the goal of moving to more efficient, less emitting resources to reduce carbon intensity. In addition, we are committed to our City's Climate Action & Adaptation Plan (CAAP), which includes a resolution to become carbon neutral by 2050.
- **Past-Due Receivables (3%):** To outperform budget to write-offs.

- **Community Resiliency & Conservation (3%):** Continue to engage in public / private partnerships with our community to improve resiliency and conservation.
- **Workforce Development (3%):** Continue to engage in training and upskilling programs to attract and retain talent with expertise in evolving energy infrastructure and technology systems. In addition, we will continue to prioritize succession planning and workforce diversity.
- **Digital Business Transformation (3%):** Progress towards ERP implementation, on schedule, scope, and budget.

Summary

This scorecard provides a balanced and comprehensive assessment of the CEO's performance across our Leadership Pillars. By focusing on operational evolution, financial stability, customer experience, community partnerships and growth, team culture, and innovation and modernization, we are ensuring that the CEO's efforts align with the company's Strategic Vision 2027, Enterprise Scorecard, and community values. Each metric type has clearly defined FY2025 goals and performance is evaluated based on whether these goals are met.

Executive summary of scorecards and performance metrics for CEOs of municipally owned utilities:

1. CPS Energy:

The CEO's scorecard is designed to align with CPS Energy's Enterprise Scorecard, Vision 2027, and community values which evaluates performance by delivering today and preparing for tomorrow.

2. Austin Energy:

Austin Energy is led by General Manager Bob Kahn, whose metrics include day-to-day operations, strategic direction, customer experience, grid resilience, environmental leadership, financial health, employee experience, and health and safety.

3. Seattle City Light:

Former CEO Debra Smith's performance metrics focused on financial stability, operational reliability, customer satisfaction, environmental stewardship, and employee engagement. The utility's strategic plan includes targets for renewable energy integration, grid modernization, and community programs.

4. Los Angeles Department of Water and Power (LADWP):

Former CEO Martin Adams' metrics were related to infrastructure investments, water and power reliability, environmental initiatives, customer service, and regulatory

compliance. The utility's performance is measured against ambitious sustainability goals, including reducing greenhouse gas emissions and increasing renewable energy usage.

5. Nashville Electric Service (NES):

Former CEO Decosta Jenkins' scorecard included financial performance, system reliability, customer service, and employee safety. NES focuses on modernizing the grid, enhancing cybersecurity, and improving community outreach programs.

6. General Practices in Public Power Utilities:

The American Public Power Association (APPA) highlights metrics like financial performance, operational reliability, customer service, digital transformation, environmental impact, community engagement, and leadership effectiveness for public power utilities.

