March 30, 2022

Board of Trustees
Mr. Rudy Garza, Interim President & CEO

Dear Board Members and Mr. Garza:

At our January 31, 2022 Board of Trustees meeting, I provided a Monthly Financial Update for FY2022 that included financial performance from 11 months of actuals and 1 forecasted month. Now that FY2022 has ended, we are working with our auditor, KPMG, and we hope to have audited full-year results to share with you at the May 23, 2022 Board of Trustees meeting. In the interim, we have summarized *unaudited, preliminary FY2022 full-year results below*, and we have provided supplementary slides attached to this communication.

Key Highlights of FY2022 Unaudited Financial Results

We ended the year with a positive net income position, and we outperformed our budgeted financial metric targets. While our prior forecast communicated our expectation that full year results would outperform plan, January provided some additional tailwinds that further contributed to favorable FY2022 results.

Full-year FY2022 financial highlights include:

- Net Gain of $32.7 million (vs. a planned Net Loss of $34.4 million)
- Repair and Replacement additions of $262.8 million (vs. plan of $232.3 million)
- Adjusted Debt Service Coverage of 1.66, Days Cash on Hand of 182, and Debt Capitalization of 61.6% (all above plan)

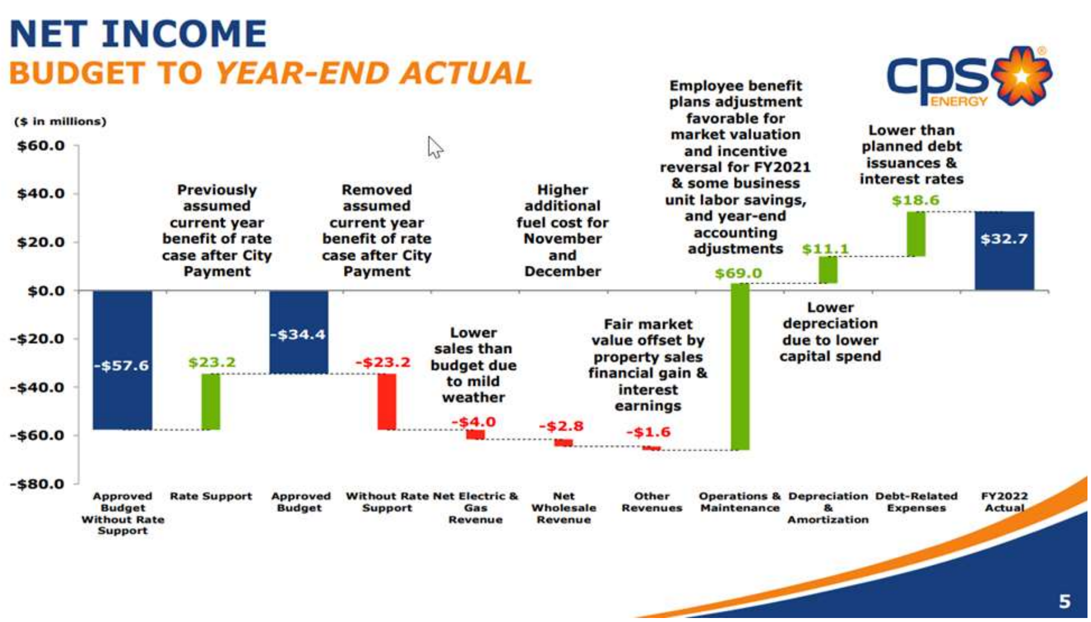
Summary of FY2022 Financial Performance Drivers

Mild weather drove electric sales that were ~1.6% below budget and gas sales that were ~5.7% below budget. This, coupled with lower than plan wholesale revenue, led to net operating revenue that was $30.0 million below plan. However, these revenue headwinds were more than offset by lower than budget non-fuel expenses.

Operations & Maintenance (O&M) expenses were $69.0 million below budget. There were many contributing factors to below budget O&M performance. Several primary drivers include reversal of the FY2021 EIP accrual ($14.4 million savings), savings from employee benefit plan adjustments due to favorable market valuation ($14.2 million savings), savings on various corporate provisions (e.g., building maintenance, pole attachment litigation – savings of $13.9M), labor savings due to strategic hiring decisions ($9.8 million savings), and reduced need for insurance reserves ($4.8M savings).

In addition, our Finance team found favorability in our financing plan by leveraging lower debt issuances and securing lower rates than what were budgeted, leading to lower debt-related expenses of approximately $18.6 million compared to budget. Depreciation, which is a non-cash item, was below budget by $11.1 million due to fewer assets being put in service and depreciated compared to the budget as a result of overall lower capital spend.

These drivers of financial performance are depicted in the net income waterfall chart below.



Path Forward

Overall, we are pleased with our financial performance in FY2022 and are currently looking ahead to FY2023. We thank you for your recent approval of our Budget. As we move through the year, we will evaluate performance and assess upcoming challenges and risks (such as continued decreases in sales volume). We look forward to providing you with timely updates of this financial performance at forthcoming meetings.

Thanks again for your leadership and support.

Sincerely,

Cory Kuchinsky, CPA
Chief Financial Officer (CFO) &
Treasurer

CPK

Attachments

Copy COSA: Erik Walsh, City Manager
Ben Gorzell, CFO
Zack Lyke
Michelle Lugalia-Hollon
Russell Huff

Copy CPS Energy: Rudy Garza, Interim President & CEO
CEO Direct Reports
Kathy Garcia, VP
Govt & Reg Affairs & Public Policy

FY2022 MONTHLY FINANCIAL UPDATE AS OF JANUARY 31, 2022

PRESENTED BY:

Cory Kuchinsky, CPA
Chief Financial Officer (CFO) & Treasurer

Informational Update

AGENDA

- ELECTRIC SALES
- NET INCOME
- FLOW OF FUNDS
- KEY FINANCIAL METRICS

ELECTRIC SALES
BY CUSTOMER SEGMENT- YTD FY2022*

Customer Sector	Usage	% of Total Load	% Impact on Total Usage
Residential	-2.2%	45.1%	-1.0%
Churches & Services	0.2%	7.6%	0.0%
Manufacturing	-0.9%	4.4%	0.0%
Retail	0.4%	5.2%	0.0%
Educational Services	0.6%	4.8%	0.0%
Hotel & Food Services	0.2%	4.5%	0.0%
Other**	-2.2%	28.4%	-0.6%
Total System		**100.0%**	**-1.6%**

*Billed January actual YTD performance to budget.

**Other sector includes other commercial sectors, food & wood product manufacturing, municipals, lighting, etc.

NET INCOME

FY2022 ACTUAL PERFORMANCE

Preliminary and Unaudited – through Period 12

($ in millions) Description	FY2022 Budget	FY2022 Actual	FY2022 Variance: Favorable (Unfavorable)
Revenue available for nonfuel expenses			
Electric	$ 2,493.2	$ 2,544.5	$ 51.3
Gas	206.3	218.1	11.8
Total operating revenue	2,699.5	2,762.6	63.1
Less:			
Electric fuel, distribution gas & regulatory	1,023.5	1,124.4	(100.9)
Payments to the City of San Antonio	360.3	352.5	7.8
Net operating revenue	1,315.7	1,285.7	(30.0)
Nonoperating revenue	35.9	34.3	(1.6)
Total revenue available for nonfuel expenses	1,351.6	1,320.0	(31.6)
Nonfuel expenses			
Operation & maintenance	687.5	618.5	69.0
Depreciation, amortization & decommissioning	476.0	464.9	11.1
Interest & debt-related	222.5	203.9	18.6
Total nonfuel expenses	1,386.0	1,287.3	98.7
Net Income (Loss)	$ (34.4)	$ 32.7	$ 67.1

Rate Increase:

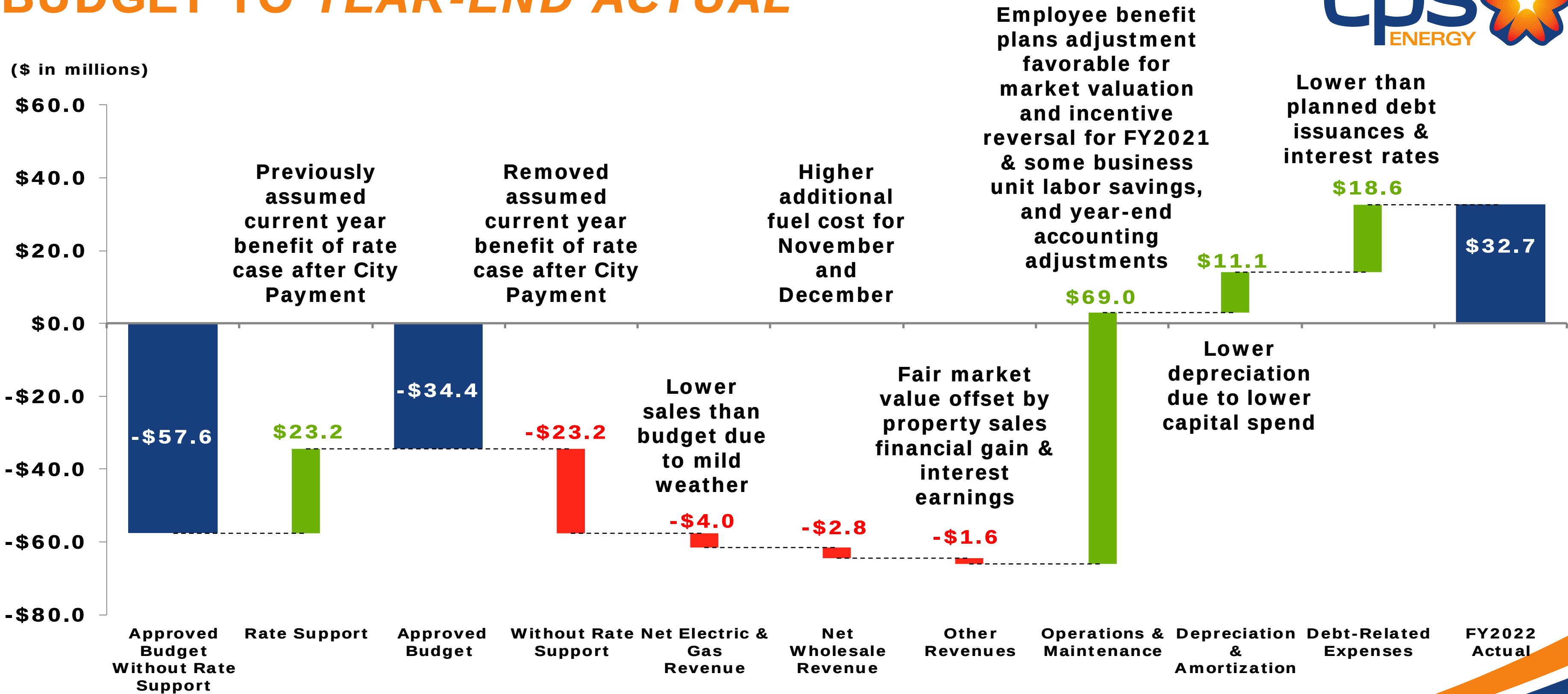
Assumes a rate increase effective next year, FY2023, no current year benefit assumed.

Highlights:

- **Operating Revenue**
  - Electric Billed Sales is 1.6% lower than budget.
  - Gas billed sales is 5.7% lower than budget.
  - Property Sales: Gains of $12.4M (Main Office & Tower Life Garage, Lot 2, and NSCSC).
  - Wholesale Revenue Net Fuel is $2.8M under budget driven by higher additional fuel cost in November & December.
- **Operating & Maintenance**
  - Employee benefit plans adjustment due to favorable market valuation.
  - Incentive reversal for FY2021 & some Business Unit labor savings, and year-end accounting adjustments.
- **Depreciation**
  - Due to lower capital spend.
- **Interest & debt-related**
  - Reflects lower than planned commercial paper issuances & interest rates.

NET INCOME

BUDGET TO *YEAR-END ACTUAL*



FLOW OF FUNDS
FY2022 ACTUAL PERFORMANCE

Preliminary and Unaudited – through Period 12

($ in millions)	FY2022		
Description	Budget	Actual	Variance: Favorable (Unfavorable)
Revenues, net of unbilled	$ 2,715.7	$ 2,755.0	$ 39.3
Less: city payment (CP) per flow of funds	360.3	352.5	7.8
Revenues, net of unbilled & CP	2,355.4	2,402.5	47.1
Less: fuel & regulatory expense	1,023.5	1,124.4	(100.9)
Revenues, net fuel & regulatory	1,331.9	1,278.1	(53.8)
Operation & maintenance	689.3	619.2	70.1
Debt service	410.3	396.1	14.2
Total expenses	1,099.6	1,015.3	84.3
6% Gross Revenue to R&R	162.9	165.3	2.4
Remaining to R&R	69.4	97.5	28.1
Total R&R fund additions	$ 232.3	$ 262.8	$ 30.5
Total capital expenditures	$ 638.9	$ 590.8	$ 48.1

Rate Increase:

Assumes a rate increase next year, effective FY2023, no current year benefit assumed.

Highlights:

- **Operating Revenue**
  - Electric Billed Sales is 1.6% lower than budget.
  - Gas billed sales is 5.7% lower than budget.
  - Wholesale Revenue Net Fuel is $2.8M under budget driven by higher additional fuel cost in November & December.
  - Property Sales: Gains of $12.4M (Main Office & Tower Life Garage, Lot 2, and NSCSC).
- **Interest & debt-related**
  - Lower than planned debt issuances & interest rates.
- **Operating & Maintenance**
  - Employee benefit plans adjustment due to favorable market valuation.
  - Incentive reversal for FY2021 & some Business Unit labor savings, and year-end accounting adjustments.
- **Capital**
  - Lower due to deferral of projects.

KEY FINANCIAL METRICS
FY2022 ACTUAL PERFORMANCE

Metric	FY2021 Actuals	FY2022 Budget	Accountability Plans Threshold	FY2022 Actuals
Adjusted Debt Service Coverage (ADSC)	1.59	1.57	1.50	1.66
Days Cash on Hand (DCOH)	209	181	150	182
Debt Capitalization (DC)	60.5%	65.1%	65.1%	61.6%

CPS ENERGY®

Thank You

Appendix

NET INCOME

PREVIOUS FORECAST TO YEAR-END ACTUAL