



AD HOC COMMITTEE MEETING #1

October 12, 2023
Informational Update

AGENDA

- Current State
- Historical Perspective
- Rate Evaluation

We are a regulated, non-profit, cost recovery business. All rates are approved by our Board of Trustees & City Council and we seek stakeholder/public input on all proposals.



CURRENT STATE

MISSION & VISION 2027

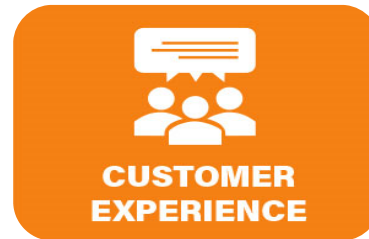
STRATEGICALLY ALIGNED ACTIONS



- Grid and Generation Resiliency
- ERP Transformation
- Operational Efficiency Review



- Maintain our Credit Ratings
- Strategic Financial Transactions
- Grants and Partnerships



- Situational Communication
- Community Engagement
- Small Business Partnerships



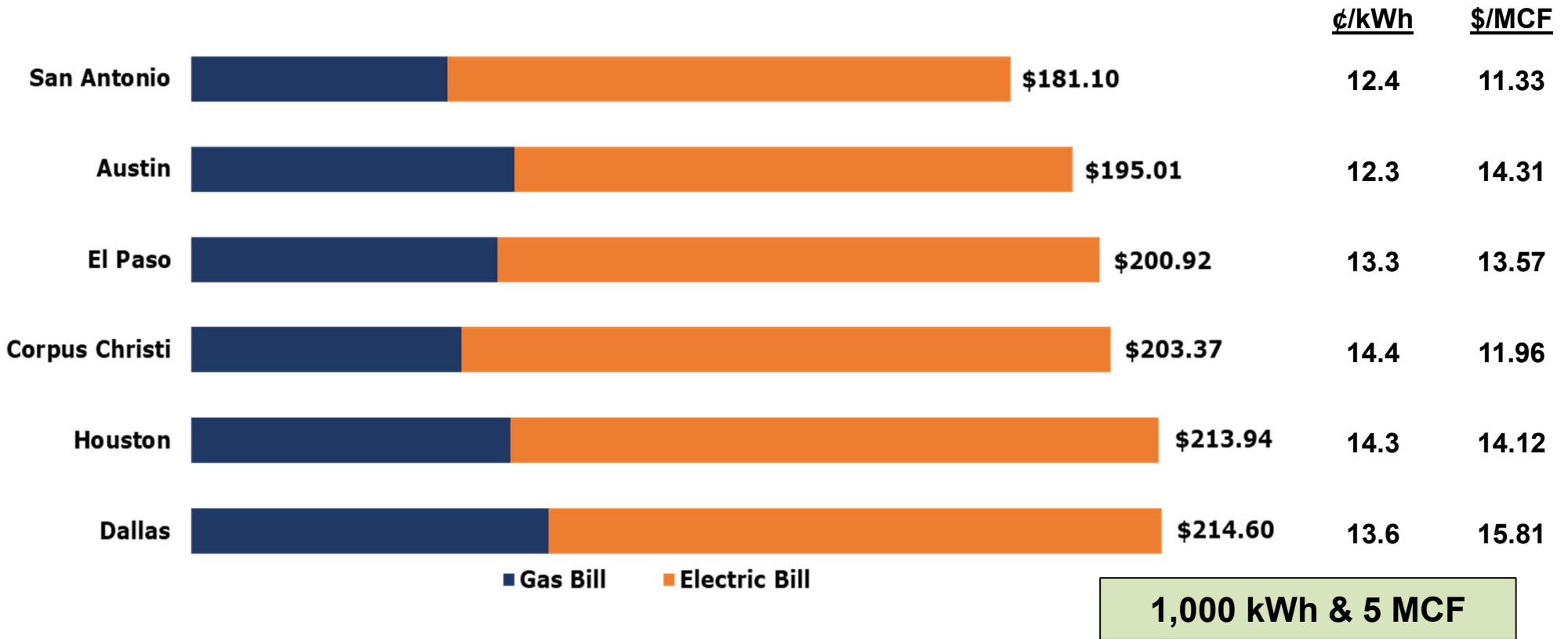
- Attract and Retain Talent
- Safety Observations and Training
- One Team



- Community Informed Power Generation Plan
- Rate Design Discussions Begun with our Community
- Increased Local Spend

We are delivering on our mission by executing on our Vision 2027 Strategic Plan.

TEXAS CITIES COMBINED RESIDENTIAL BILL COMPARISON TRAILING TWELVE MONTHS ENDING SEPTEMBER 2023



Note: Deregulated markets electric data from powertochoose.org (Terms 12; 4&5 star rated REPs). San Antonio is the only city that has a single electric & gas provider.

EVOLVING TECHNOLOGY LANDSCAPE

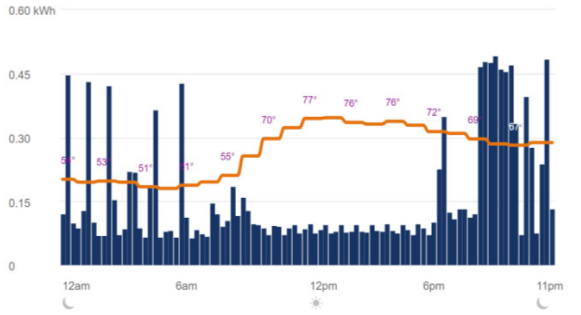
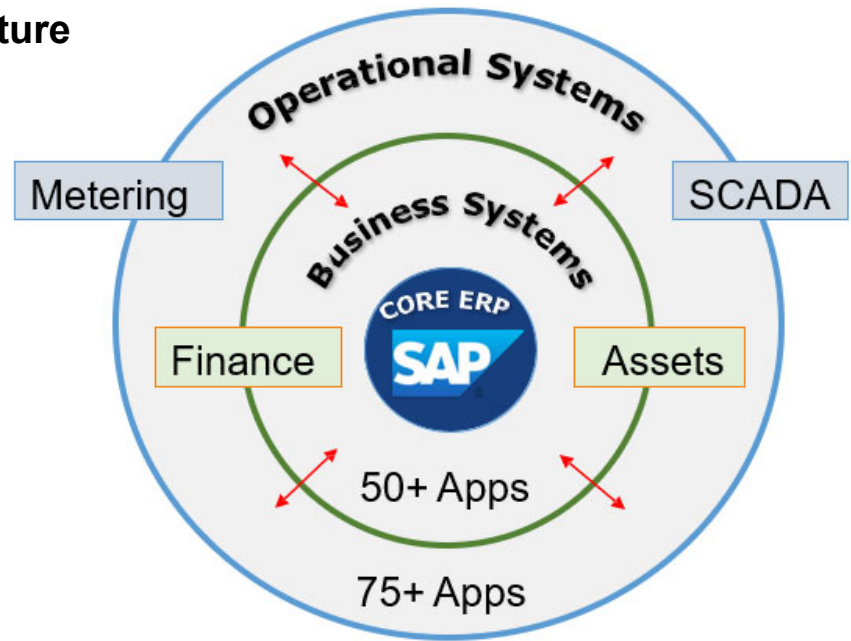


Technology Landscape

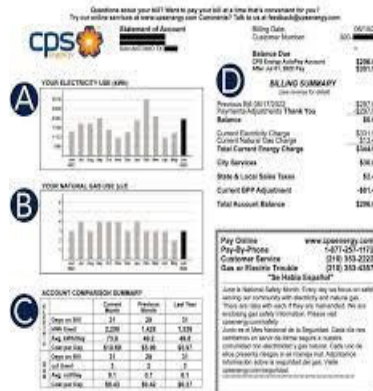


Advanced Meter Infrastructure

Current State Ecosystem*



Customer Usage Data Presentment



Bill Layout & Design

Various factors contributing to our rate design and billing processes should be considered as we evaluate changes to existing rates or the development of a new structure. Simplifying our business & optimizing our technology ecosystem is a multi-year transformation effort.

*Visual not all-inclusive of capabilities

ILLUSTRATIVE SCENARIOS

6-12 Months to Deliver

- Rate Increase
- Variable vs Fixed Rates
- Affordability Discount Programs
- Minor bill format changes

24-36 Months to Deliver

- Residential Time of Use Billing
- Enhanced Customer Usage Visibility
- Prepaid Billing

48-60 Months to Deliver

- Tiered Rates
- Detailed/Tailored Bill Presentment
- Commercial Time of Use Billing

Considering our current technology environment and enterprise transformation efforts, we are limited to smaller changes in the near-term as we transition to enhanced billing & information systems.



Increasing Level of Effort

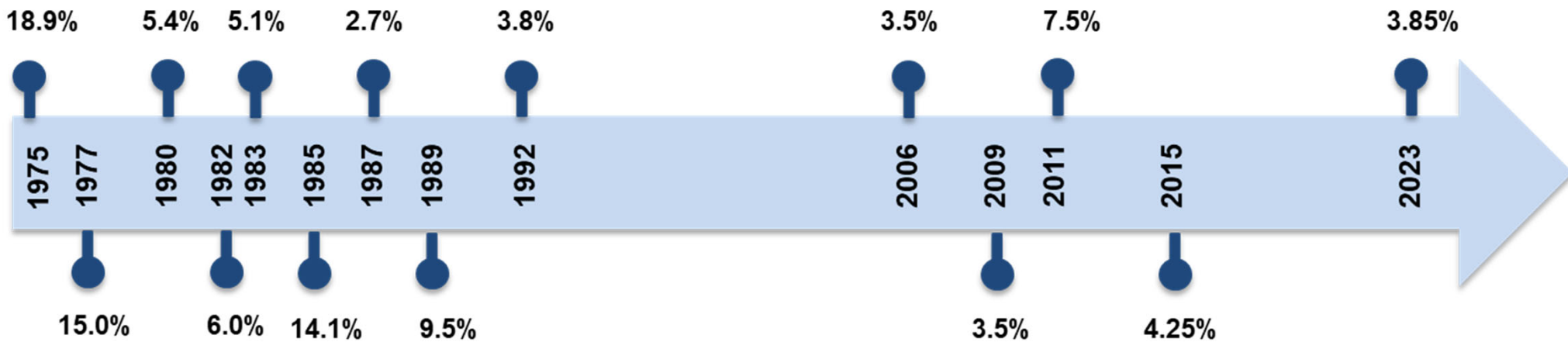


HISTORICAL PERSPECTIVE

HISTORY OF RATE INCREASES



FISCAL YEARS*



We only raise rates when our forecasted costs exceed our forecasted revenue; our last rate increase was 3.85% effective March 1, 2022.

*Fiscal Years run from February 1 – January 31

FY2023 RATE INCREASE OVERVIEW



**Rate
Increase**

3.85%

**Bill
Impact***

2.5%
(\$3.80/mo.)

**Revenue
Increase**

~\$73M

This rate increase was approved in January 2022 with an effective date of March 1, 2022 (FY2023).

*Bill Impact includes other varying costs such as fuel costs and regulatory fees.

FY2023 KEY INVESTMENTS



Reliability & Resiliency

- ✓ 166 reclosers installed
- ✓ 1,158 poles replaced
- ✓ 689 miles of vegetation management
- ✓ 12 major storm events
- ✓ 2,044 gas leaks repaired
- ✓ ~246K electric/gas locates
- ✓ ~1,600 miles of gas pipelines surveyed



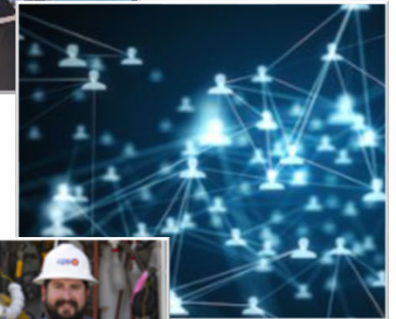
Community & Customer Growth

- ✓ ~29K new gas and electric meter sets
- ✓ 3,692 transformers installed
- ✓ 3 million customer calls



Technology & Security

- ✓ Enterprise Resource Plan internal requirements gathering completed & RFP issued
- ✓ Datacenter transformation
- ✓ Upgraded critical security measures & key environmental systems
- ✓ 21 incident response exercises



People

- ✓ 540 New Hires
- ✓ 828 position evaluations resulting in market-based adjustments to 1,784 non-executive employees



WHAT WAS INCLUDED IN THE \$73M

FY2023 RATE INCREASE



Reliability & Resiliency \$31M

- Enhanced customer communications
- Improved experience during controlled outages
- Upgraded freeze protection at power plants
- Alternative fuel sources for generation



Technology & Security \$15M

- Assessed current state of software system & define business requirements to meet customer needs
- Designed plan to deliver required technology to support future operations



Community & Customer Growth \$14M

- Substation additions & expansions
- Re-routed electric lines to accommodate new construction
- Additional poles, wires & meters



People \$13M

- Filled ~400 vacant positions & resume normal staffing
- Raised minimum wage to \$18/hr.
- Market adjustments to attract & retain talent
- Reinstated annual merit-based salary adjustments

**Total
\$73M**

MULTI-YEAR RATE PLAN

ENABLES VISION 2027



FY2023	FY2024	FY2025	FY2026	FY2027
✓	-	In line with original estimate	-	TBD

We are refreshing our plan and budget.



Anticipated need is an estimated \$100M-\$120M in additional annual funding.

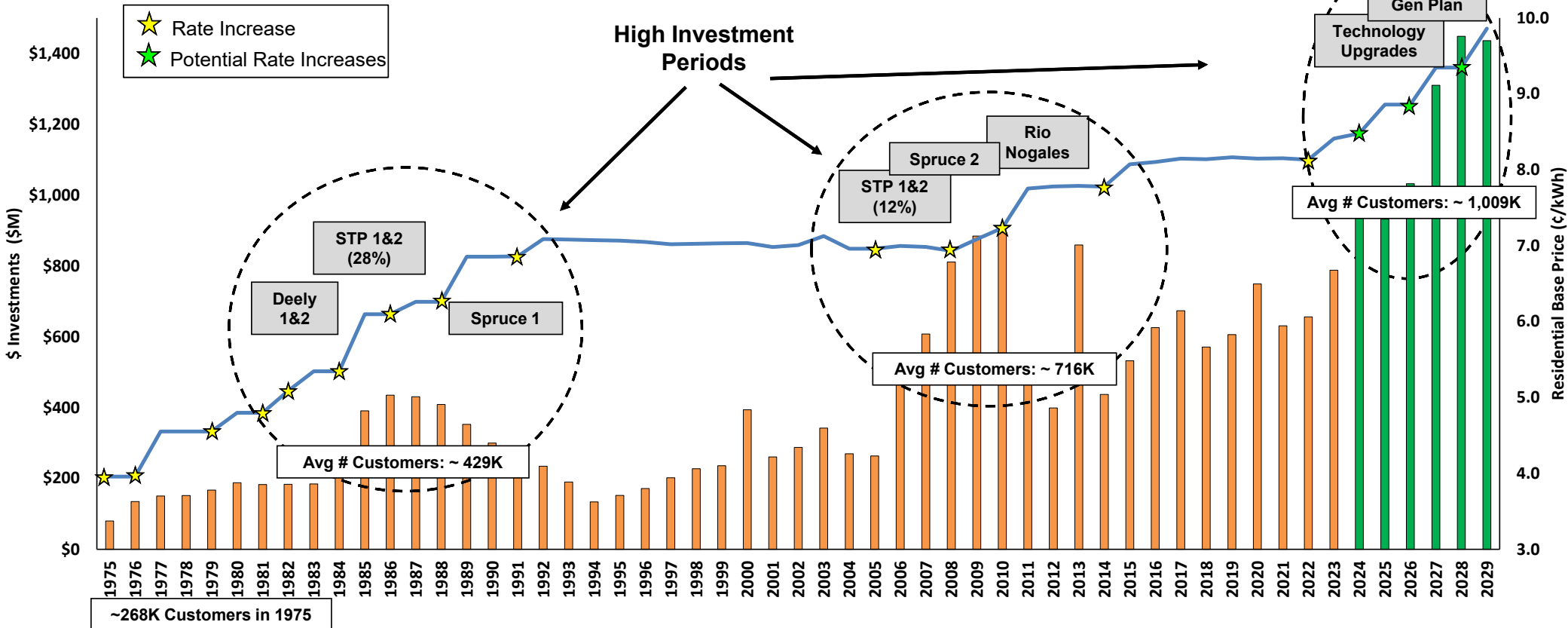


This enables Vision 2027 and maintains our financial health.

We are currently validating the details of our multi-year rate plan. We will provide a preliminary recommendation at the October 31 Board of Trustees meeting.

HISTORICAL OVERVIEW

CYCLES OF GROWTH AND INVESTMENT



Meeting the needs of our community requires periods of high investment and corresponding revenue support.

Note: historical and planned investments in our capital budget



RATE EVALUATION

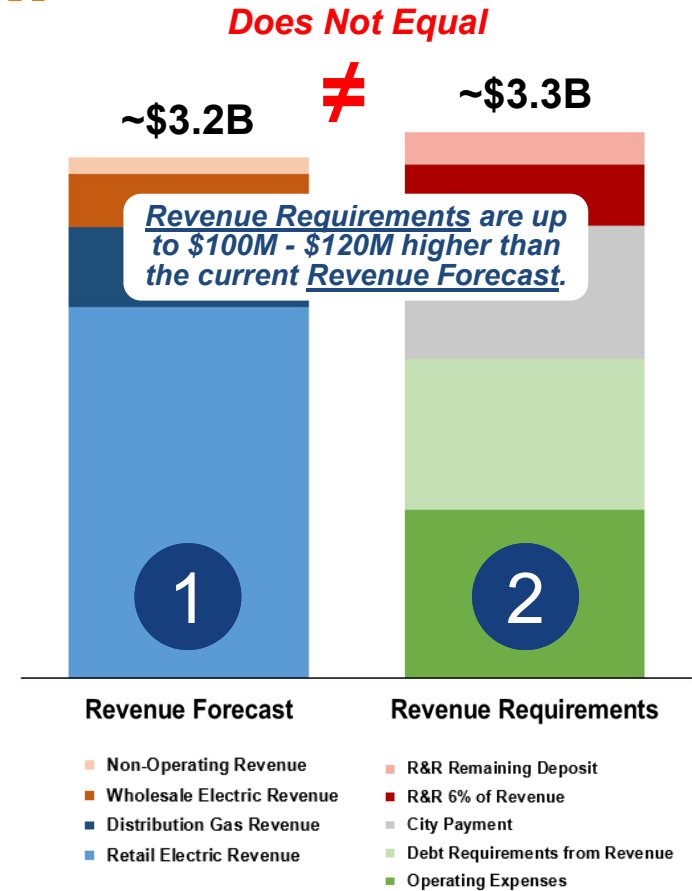
REVENUE REQUIREMENT

RATE EVALUATION PROCESS IS UNDERWAY

- 1 Develop a revenue forecast (How much money is coming in)
- 2 Develop our revenue requirements (How much money is going out)

If *Revenue Forecast* < *Revenue Requirements* ...**seek additional funding.**

- 3 Align with Board of Trustees and regulator (City of San Antonio)
- 4 Seek stakeholder input (including Public and Working Group) ★ *We are here.*
- 5 Board and City Council approval



The revenue required to serve our customers is increasing.

PHASED INVESTMENT



Vision 2027 Dimensions



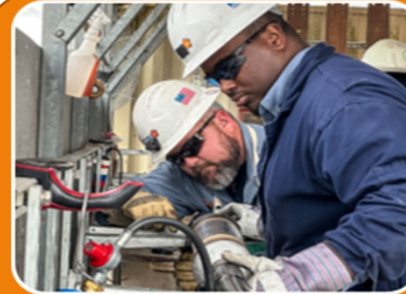
Infrastructure Resiliency

- Maintain distribution systems
- Investments in plants to address age, extreme weather and transition to new generation plan
- Address supply chain and inflation impacts



Technology & Security

- Aging technology
- Increase efficiency for partners and employees
- Modernize our customer offerings and level of service
- Increase physical and cyber security posture



People

- Retain and attract employees
- Reinforce our front line to prepare for retirements
- Build our bench for key functions and positions
- Prepare for the implementation of our key community investments



Growth

- Keep pace with growth throughout our service territory
- New installations, infrastructure and resources to support expanding customer base
- Address supply chain and inflation impacts



Although partially funded, continued support is needed for these investments.

CURRENT THREATS



Security



Digital Transformation



Extreme Weather



Outstanding Receivables



Decarbonization and
Electrification



Customer Expectations



Regulatory and Market Changes



Aging Infrastructure



Inflation and Economic Pressures

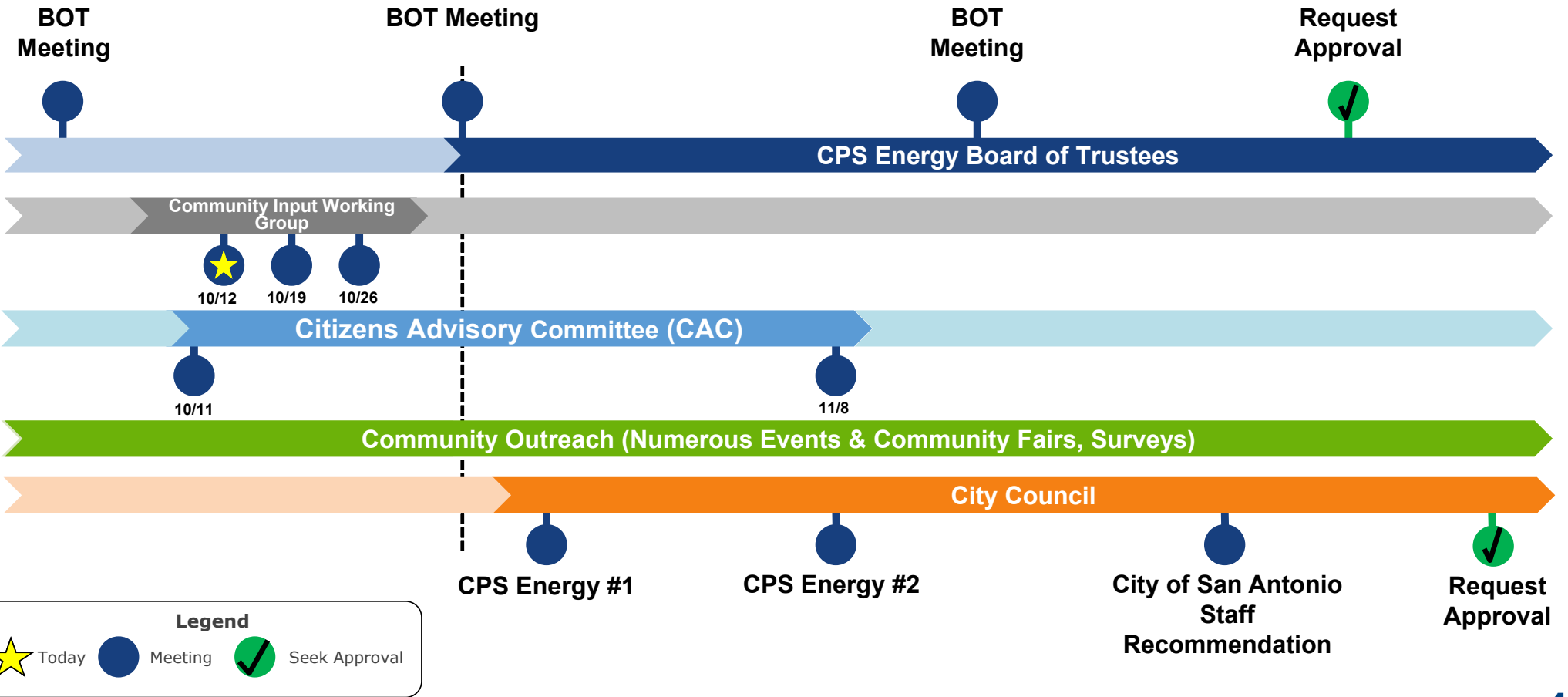


Supply Chain Constraints

Global risks to business impact our operating environment.

ANTICIPATED TIMELINE

CONTINUED COMMUNITY DIALOGUE





THANK YOU



APPENDIX

GLOSSARY / DEFINITIONS

ACRONYM OR WORD	DEFINITION	ACRONYM OR WORD	DEFINITION
Seasonal Pricing	Higher prices during the summer; used to help encourage customers to conserve during the summer when demand is higher and power is more costly.	Inclining Block Rates	Progressively increasing rates for incremental electricity consumption. Utilized to encourage lower consumption.
Demand Rates	Currently used for commercial customers. Encourages customers to lower their peak consumption and level out their load by charging a fee for their highest 15 minute period of demand.	Time of Use	Customers are charged a different price depending on the time of day. Higher prices typically occur in the afternoon and early evening & lower prices occur over night when demand is low.
Peak Capacity Charge	Applies during the months of June through September on Residential bills to recover the higher costs for electricity CPS Energy incurs during summer months when the demand for electricity is at its highest.	Resiliency Rate	Commercial rate to increase reliability of electric retail service at any business location. Resiliency unit can be a natural gas generator, energy storage, or any other energy tech unit capable of providing energy in resiliency mode.
Wheeling Rate	For wholesale distribution customers, this rate allows customer access to the transmission grid.	STEP	The Sustainable Tomorrow Energy Plan (STEP) is a program that incentivizes energy efficiency. STEP has helped our customers save over 6.3 TWhs of electricity.

FY2023 FINANCIAL SUCCESSES



- Obtained an unmodified audit opinion for our FY2022 financial statements
- Overcame inflation & other rising costs
- Launched next generation of STEP program
- Received Board approval of future generation plan following robust stakeholder dialogue
- Developed resiliency plan with San Antonio Water System (SAWS)
- Proactively managed relationships with Credit Rating Agencies
- Executed multiple financing transactions with favorable terms
- Boosted liquidity by increasing commercial paper capacity by \$300M
- Completed Cost of Service study to inform rate design conversations
- Continued to improve transparency and collaboration with all stakeholders

Our results in FY2023 positioned us for success in FY2024.

EXISTING CPS ENERGY PRICE SIGNALS



Most prevalent



Least prevalent

SEASONAL PRICING

Higher prices during the summer; used to help encourage customers to conserve during the summer when demand is higher and power is more costly.

INCLINING BLOCK RATES

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DEMAND RATES

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