



AD HOC COMMITTEE MEETING #3

PRESENTED BY:

Cory Kuchinsky

Chief Financial Officer & Treasurer

&

DeAnna Hardwick

Chief Customer Strategy Officer

November 1, 2023

Informational Update

AGENDA



- Preliminary Rate Request & Drivers
- Customer Bill Impacts
- Assistance Programs
- Community Outreach
- Preliminary Rate Request Communications

Today, we will be sharing our preliminary rate request amount, the investments it will support and protect, and the associated impacts to customer bills.

PRELIMINARY FY2024 RESULTS



ADDITIONAL CUSTOMER AND SYSTEM BENEFITS



RATE REQUEST



**Prior
Forecast**

5.50%

**Proposed Base
Rate Increase⁽¹⁾**

4.25%

**Estimated
Revenue Increase**

~\$85M

This rate request is still subject to a public process, community input, and ongoing assessment of current fiscal year financial performance.

(1) Applies only to base portion of bill & does not apply to fuel & regulatory charges. Preliminary value, subject to public process & community input.

WHAT IS INCLUDED IN THE \$85M?



PRELIMINARY FY2025 RATE REQUEST



**Infrastructure
Reliability & Resiliency** +
\$26M

- Power Generation plan to include new generation technologies
 - Coal plant retirement
 - Gas plant conversions
- Limit the impact of outages
 - Increased Plant Maintenance
 - Tree Trimming
 - Aging infrastructure that needs to be upgraded
 - Technology to isolate outages
- Normal increases in the cost of material



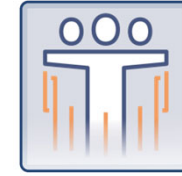
**Technology &
Security** +
\$25M

- Continued funding to replace our 20 yr. old operating system and other digital initiatives
- Enhanced cyber & physical security
- IT Software, cloud computing and hardware maintenance
- Improvements to communications platforms and equipment



Growth +
\$13M

- Supporting customers & businesses
 - Transformers & equipment
 - Upgrade/replace aging service districts
 - More people needed to support additional customers
- Grid Upgrades: Feeder Circuits, voltage conversions & conductors
- Customer service process improvements & support



People =
\$21M **Total \$85M**

- Succession Planning for 30% of team members retiring
- Training for the 30% of team members w/ <2 yrs. in their role
- Base labor increase to retain and attract employees
- Normal increases in payroll taxes, health insurance, & pension costs

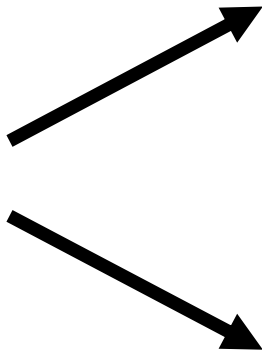
CUSTOMER BILL IMPACTS

PRELIMINARY FY2025 RATE REQUEST



Base Rate
Increase

4.25%



Residential:
(Electric + Gas)

~\$4.45
(per month)

~2.7%
(total bill)

Small Commercial:
(Electric)

~\$17.80
(per month)

~2.9%
(total bill)

COMMERCIAL BILL IMPACTS

PRELIMINARY FY2025 RATE REQUEST



Customer Group		Average Change/Month	
Electric		%	\$
Small Commercial		~2.9%	\$18
Large Commercial		~3.0%	\$364
Extra Large Commercial		~3.0%	\$2,970
Super Large Commercial		~3.0%	\$17,127
Gas		%	\$
Small Commercial		~3.1%	\$7
Large Commercial		~2.8%	\$824



CUSTOMER ASSISTANCE & COMMUNITY OUTREACH

PRESENTED BY:
DeAnna Hardwick
Chief Customer Strategy Officer

November 1, 2023
Informational Update

AFFORDABILITY DISCOUNT PROGRAM



ADDING ENERGY BURDEN AS A QUALIFYING FACTOR

Increases funding to offset 50% of proposed base rate increase

- Active outreach to **customers experiencing a severe Energy Burden**
- Increase customer discount to **\$18.36 per month**

Note: Residential electric & gas customers pay **~83¢ per month** to fund the program

Proposed Discount Statistics:

	Electric	Gas	Combined	
			Month	Year
Current Discount	\$11.67	\$4.47	\$16.14	\$193.68
Additional Proposed Discount	<u>\$1.81</u>	<u>\$0.41</u>	<u>\$2.22</u>	<u>\$26.64</u>
Total Proposed Discount	\$13.48	\$4.88	\$18.36	\$220.32

Expands eligibility to include those with severe energy burden (cost of energy is more than 10% of income).

CUSTOMER OUTREACH



OUR GOAL IS TO REACH ALL CUSTOMERS

COMMITTEES & WORKING GROUPS

Oct 11	CAC
Oct 12	Community Working Group
Oct 19	Community Working Group
Oct 26	Community Working Group
Nov 16	CAC

COMMUNITY FAIRS

Oct 12	Q3, D2
Oct 18	Q4, D7
Oct 25	Q2, D9
Nov 2	Q2, D10
Nov 8	Q4, D5
Nov 14	Q4, D4
Nov 16	Q4, D1
Nov 28	Q1, D8
Nov 30	Q4, D6
Dec 2	Q3, D3

BLOCK WALKING

Oct 10	Q3, D2
Oct 17	Q4, D7
Oct 24	Q2, D9
Nov 1	Q2, D10
Nov 7	Q4, D5
Nov 13	Q4, D4
Nov 15	Q4, D1
Nov 27	Q1, D8
Nov 29	Q4, D6
Dec 1	Q3, D3

★ ONLINE BILL ESTIMATORS

English Spanish

Residential & Small Commercial Bill Estimators will be available on Nov 8

OTHER EVENTS

Oct 2 TBD	CEO Community Breakfast – Nonprofits
Nov 3	North Chamber Economic Development Symposium
Nov 15	Webinar for Large Commercial Customers
Nov 30	Virtual Tele-Town Hall

We are seeking every opportunity to reach all of our customers. We also have online bill estimators to help customers understand the magnitude of the rate increase on their monthly bills.

RATE REQUEST COMMUNICATION



Rate Request Webpage

PROTECTING OUR COMMUNITY'S INVESTMENTS

Why does CPS Energy need to raise rates?

INFRASTRUCTURE RESILIENCY: Aging infrastructure needs to be upgraded to protect our customers from outages. Inflation is also increasing the cost of existing materials like poles, power lines and transformers.

GROWTH: The population of San Antonio and its surrounding counties is expected to increase by 30% by 2030. With growth comes additional investments to maintain and improve reliability.

TECHNOLOGY & SECURITY: Our core business operating system is 20 years old and must be fully replaced. Similarly, we need to invest in security systems for onsite safety and cybersecurity.

PEOPLE: We are preparing for 30% of our team members to retire over the next 5 years. Another 30% of our team have less than 2 years in their role, so we need to invest in succession planning.

How do CPS Energy rates compare with other Texas utilities?

Texas Cities Combined Residential Bill Comparison
Trailing Twelve Months Ending September 2023

City	Electric Bill	Gas Bill	Total
San Antonio	\$181.30	\$195.01	\$376.31
Austin	\$195.01	\$200.92	\$395.93
El Paso	\$200.92	\$203.37	\$404.29
Corpus Christi	\$203.37	\$213.94	\$417.31
Houston	\$213.94	\$224.60	\$438.54
Dallas	\$224.60	-	\$224.60

Protecting our Community's Investments **DRAFT**

Why does CPS Energy need to raise rates? We need to make continued investments to meet the objectives of our Vision 2027 strategic plan.

Infrastructure Resiliency
Aging infrastructure needs to be upgraded to protect our customers from outages. Inflation is also increasing the cost of existing materials like poles, power lines and transformers.

Growth
The population of San Antonio and its surrounding counties is expected to increase by 30% by 2030. With growth comes additional investments to maintain and improve reliability.

Technology & Security
Our core business operating system is 20 years old and must be fully replaced. Similarly, we need to invest in security systems for onsite safety and cybersecurity.

People
We are preparing for 30% of our team members to retire over the next 5 years. Another 30% of our team have less than 2 years in their role, so we need to invest in succession planning.

Learn more about the work we need to do to serve our community at cpsenergy.com/vision2027.

How much will the rate increase be?
We recognize the obligation to provide the community with accurate and transparent information, and we anticipate sharing details about our funding needs by the fall.

What is CPS Energy doing to help its customers?

We understand that many in our community struggle to pay their bills. In alignment with our Vision 2027 and our core values of safety and wellbeing, since 2021 we have:

- Enrolled 14,000 new customers into our Affordability Discount Program (ADP)
- Connected our customers with over \$20M in American Rescue Plan Act (ARPA) funds and another \$39M in other utility assistance.

How has CPS Energy improved reliability since the last rate increase?

- Increased energy capacity by 23%, which is enough to power approximately 260,000 homes.
- Enhanced our power plants to be more resilient in extreme weather.
- Completed over 1,300 miles of tree trimming, which helps prevent power outages.

Compares average combined residential electric and gas bill for 12 months ending September 2023. Assumes usage of 1,000 kWh for electric and 5 MCF for gas.

For additional information visit cpsenergy.com/raterquest.

We're Here to Help!
You can contact Customer Service at 210-353-2222 for energy bill assistance, payment plans and additional information on our customer programs.

Rate Request One Pager

Rate Proposal Overview & Engagement Process Updates

PRESENTED BY
Cory Kuchinsky, CPA
Chief Financial Officer & Treasurer

September 25, 2023
Informational Update

Draft

PHASED INVESTMENT

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 San Antonio's growth
- 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.

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Rate Request Community Presentation


FINAL SURVEY



YOUR OPPORTUNITY TO TELL THE BOARD OF TRUSTEES WHAT YOU THINK

- We plan to share your feedback with our Board of Trustees
- 100% participation is critical to ensure community input is represented
- Check your e-mail inbox
 - Survey will be sent Friday morning (11/3)
 - Responses due by EOD Tuesday (11/7)

A screenshot of a survey form. At the top center is the CPS ENERGY logo. Below the logo, the text reads: "Please help us understand **what resonated the most with you** from Thursday's discussion about the **rate setting process and cost of service study**." Below this text is a large, empty rectangular box for entering a response.


Please help us understand **what resonated the most with you** from Thursday's discussion about the **rate setting process and cost of service study**.