

STRATEGIC UPDATE

PRESENTED BY:
Paula Gold-Williams
President & CEO

February 18, 2019

Informational Update

AGENDA



- **GROWTH AND SAVINGS**
- **COMMUNITY ENGAGEMENT**
- **GHG BUILDING USAGE**
 - **MITIGATION STRATEGIES**
 - **NON LINEAR PATH**
 - **FLEXIBLE PATH**

WE ENABLE ECONOMIC GROWTH & PROSPERITY!



- We run CPS Energy like a business while always thinking about our customers who pay bills every month.
- We will continue to be SA's Energy Experts, keeping safety & security top priorities.
- We will make improvements every year to help ensure success. We understand our fiduciary role.
- We responsibly operate our community owned assets.



CITY OF SAN ANTONIO

GROWTH (1)



San Antonio continues to be a magnet for economic & population growth.

Texas cities that added the most people from 2016 to 2017

While big cities gained the most residents, multiple suburbs outpaced Houston's sluggish growth.

City	2017 pop.	Population increase
San Antonio	1.5 million	24,208
Dallas	1.3 million	18,935
Fort Worth	874,168	18,664
Frisco	177,286	13,470
Austin	950,715	12,515
McKinney	181,330	8,346
Houston	2.3 million	8,235
New Braunfels	79,152	5,833
Pflugerville	63,359	3,852
Georgetown	70,685	3,617

Source: U.S. Census Bureau

- **San Antonio's metro growth rate has climbed consistently for the last few years**
- **The 2017 increase of 24,208 represents an average of 66 people per day**
- **The San Antonio area is preparing for a 1.1 million population increase by the year 2040**

(1) Source – <https://www.texastribune.org/2018/05/24/texas-census-san-antonio-tops-national-list-population-houston-growth/>
dated May 24, 2018

WE HAVE ENABLED GROWTH WITHOUT COMPROMISING SERVICE



1	TO MAINTAIN SYSTEM RELIABILITY	TOP 10% IN THE COUNTRY 
2	TO CONTINUE NEW PRODUCTS & SERVICES	 52+ PRODUCTS & SERVICES & GROWING
3	TO KEEP UP WITH GROWTH & CIVIC PROJECTS	1.9m* ➔ 2.9m  CUSTOMER GROWTH (by 2040) *Bexar County Census Report, July 2017
4	TO KEEP OPERATIONAL SERVICE LEVELS STRONG	 CUSTOMER SERVICE LEVELS > 90%
5	TO MAINTAIN FINANCIAL STABILITY	AA+ Credit Rating  LOWER COSTS TO CUSTOMERS

We've managed growth and continue to meet our customers' needs. Our customers are more engaged & we offer more tools & resources at the best value

WE HAVE FOUND WAYS TO SAVE



OPERATIONAL IMPROVEMENTS @ THE SOUTH TEXAS PROJECT		\$73M
REFINANCING OF DEBT		\$53M
HEALTH CARE PLAN DESIGN CHANGES		\$19M
HEALTH CARE CONTRACT SAVINGS		\$5M
GRID MODERNIZATION		\$7M

We have not had a rate increase for 5 years by finding & implementing operational cost savings

LOOKING FORWARD TO THE FUTURE



ASPIRATIONAL GOALS

- POLICIES
- PRIORITIES



PATH AND STRATEGY TO GOALS

- AFFORDABILITY
- RELIABILITY
- STRATEGIC DIRECTION
- CUSTOMER SERVICE
- NEW PRODUCTS & SERVICES

WE SUPPLY THE ENERGY TO BUILDINGS



Office Buildings



Medical Clinics



Hospitality



Restaurants



K-12 Schools



Government



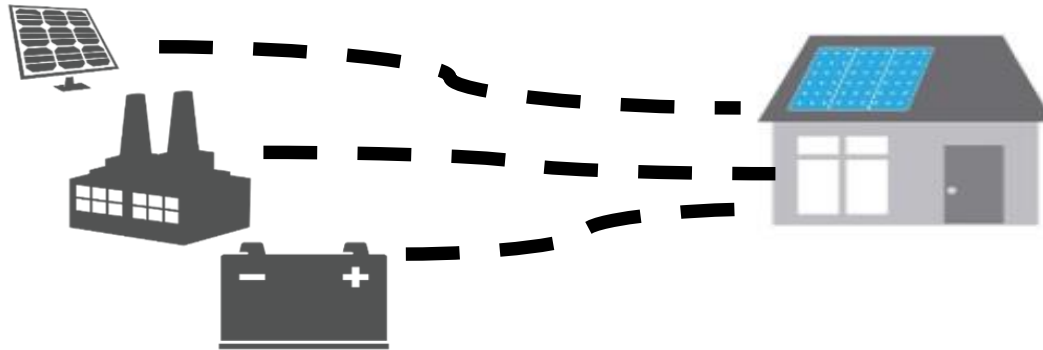
BUILDINGS & ENERGY USE



Generate Power

Uses Power

The CAAP inventory baseline report measures CPS Energy's GHG emissions at the consumption level



We can update portfolio to reduce emissions

The community can try more programs, etc.

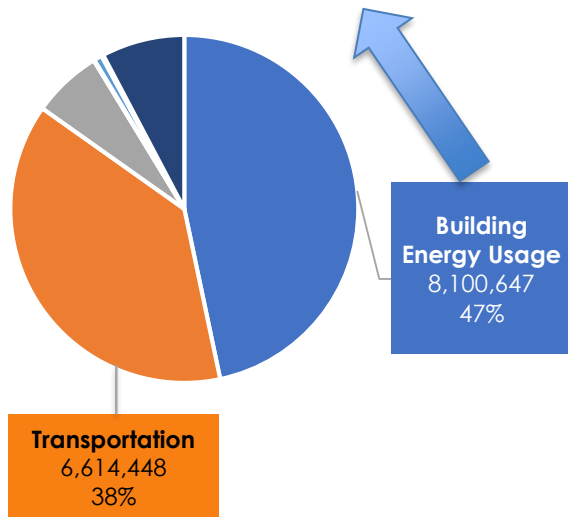
LEVERS

If emissions were measured at the generation source & at the point of usage, emissions would be double-counted!

LEVERS



GHG EMISSIONS



Potential Mitigation Strategies for CPS Energy:

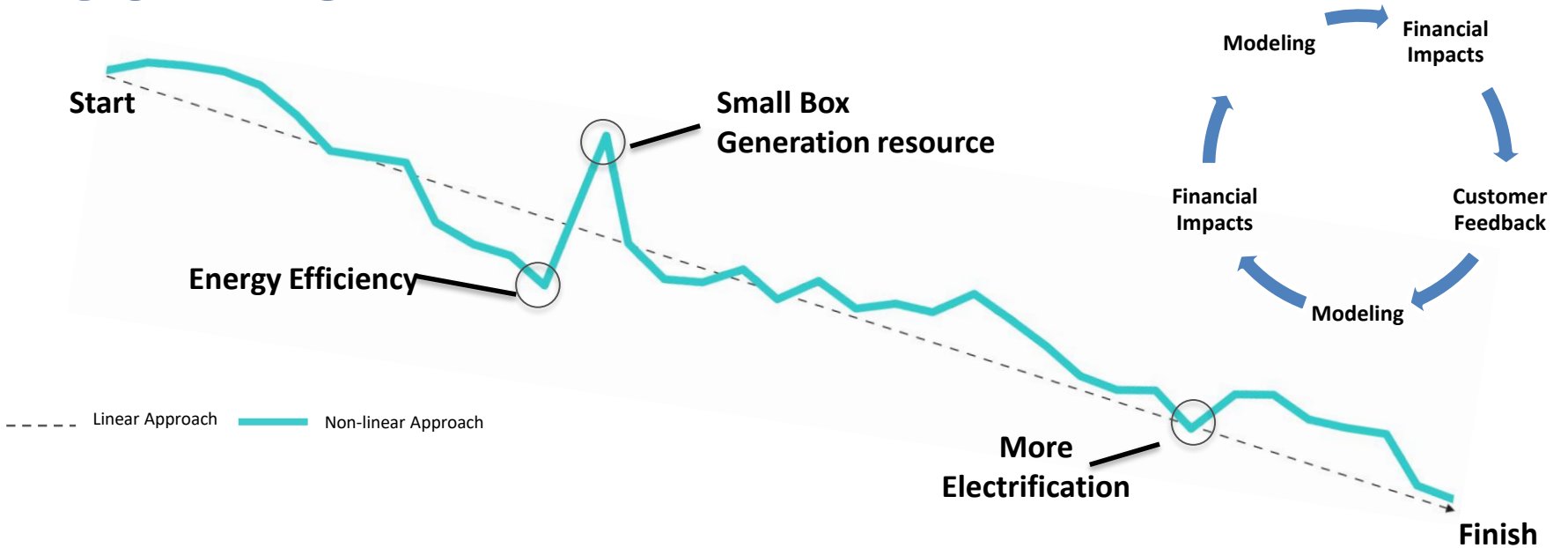
- Flexible Path
- Increasing Renewable Generation
- Energy Efficiency Programs
- Adding Solar (utility scale and consumer programs)

Potential Mitigation Strategies for end-use customers:

- Utilize Energy Efficiency Programs
- Adding Solar to Home or Business
- Building Codes
- White & Reflective Roofs

Our power plant emissions are included in the GHG inventory for building energy usage. We will work together & collaboratively with the business community to find ways to reduce emissions.

OPTIMIZE VALUE TO THE COMMUNITY

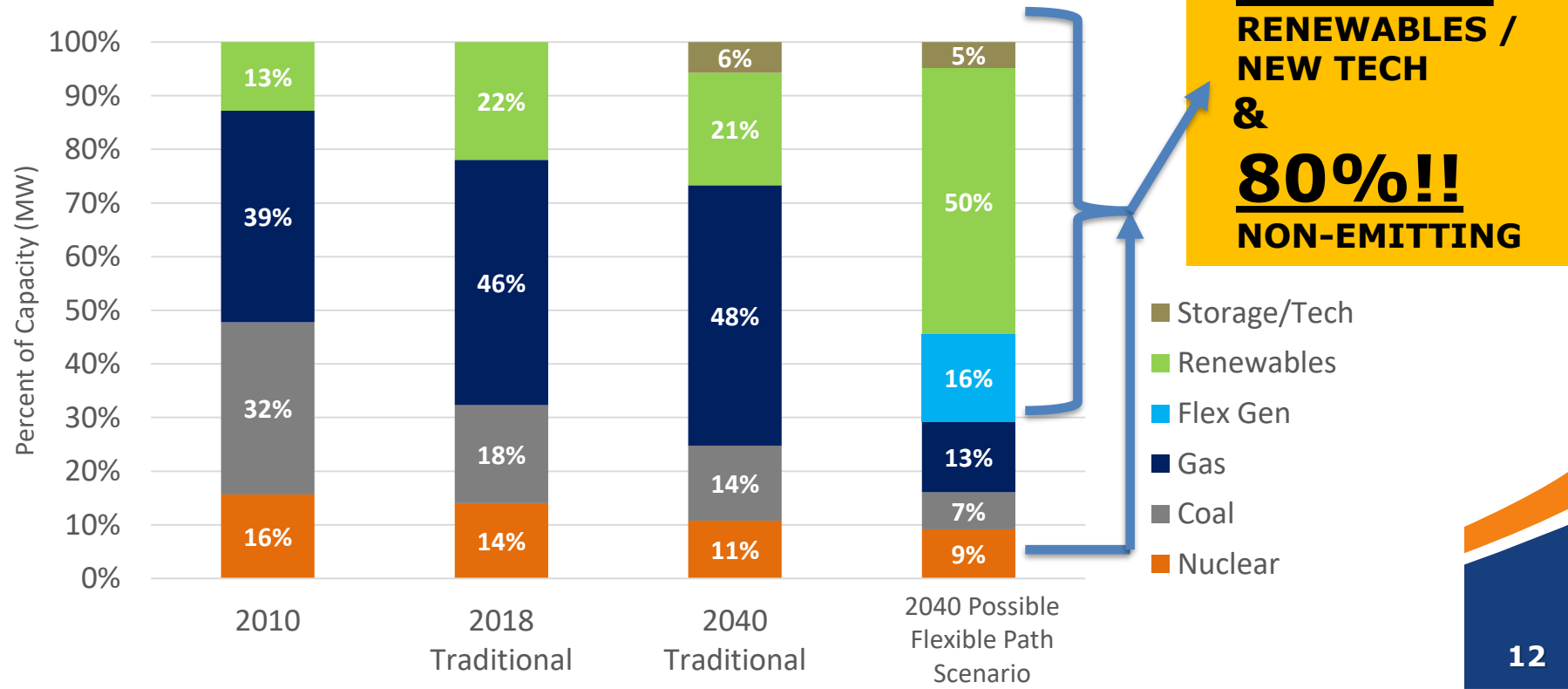


It's not a one size fits all. Working together, we will get to a good result.

FLEXIBLE PATH - CAPACITY MIX



We will adjust our plan as new competing technologies provide more benefits



IN ACTION!

Our Flexible Path

BALANCING THE TRIED & TRUE WITH THE NEW



www.cpsenergy.com/flexiblepath



Thank You

FINANCIAL IMPACT



- CAAP utilized 3rd party analysis on future impacts.
- Since the goals outlined in the CAAP may have very interesting and far-reaching impacts on our community and customers, in the spring of 2019, CPS Energy will review the draft report's information more extensively and will also develop additional information and context aligned to specific applicable energy scenarios.

2019 REPORT | SAN ANTONIO CLIMATE READY

LEGEND										
Initiation Phase			Investments			Co-Benefits				
NT Near-term (Initiated by 2021)			C City Investment			AQ Air quality				
LT Long-term			R Resident Investment			NC Natural Capital/ Ecosystem Services				
			B Business Investment			QJ Quality Jobs				
			\$\$\$ Greater than \$1 billion investment through 2030			H Health Outcomes				
			\$ \$\$ \$100 million to \$1 billion investment through 2030			A Affordability				
			\$ Less than \$100 million investment through 2030							

LEAD / PARTNER AGENCY	PHASE	GHG	C	R	B	AQ	NC	QJ	H	A
CPS ENERGY Office of Sustainability, Finance Department	NT	H	\$\$\$			✓		✓	✓	✓
CPS ENERGY Office of Sustainability, Economic Development Department, Development Services Department	LT	L-M	\$ \$	-	-	✓	✓	✓	✓	✓

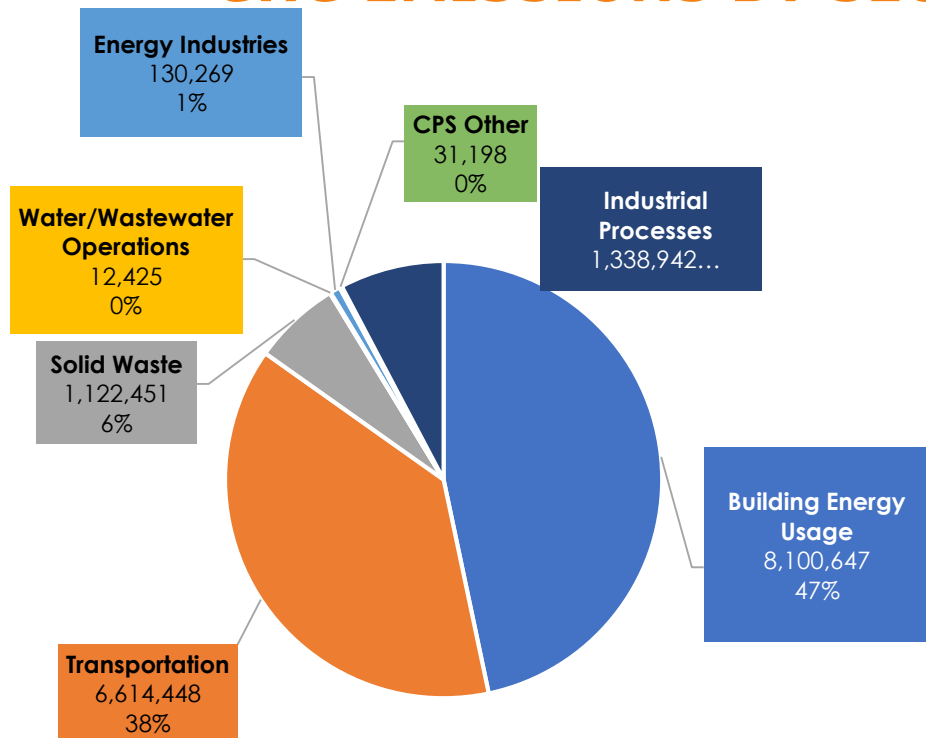
Modeling and Investment requirements are complicated. We have to make the best decisions for our community that maximize value.

Back up Slides

CITY'S BASELINE



2016 SAN ANTONIO TOTAL COMMUNITY GHG EMISSIONS BY SECTOR



Total
17,350,376 tCO2e

Building Energy Usage (47%) and **Transportation (38%)** are the two largest sectors, so Mitigation Strategies will focus on reductions in those sectors.

CITY'S TIMELINE



Phase One

Sept. - Dec. 2017



Best Practices Research



Methodology Documents



Kick-Off Public Event

Phase Two

Jan. - July 2018



Greenhouse Gas (GHG)
Inventory



Climate Projections



Mitigation Strategies



Identify Co-Benefits



Identify GHG Reduction



Vision & Priorities
Survey



Community &
Stakeholder Meetings

Phase Three

Aug. - Dec. 2018



Adaptation Strategies



Cost-Benefit/Cost
Avoidance Analysis



Mitigation & Adaptation
Survey



Community &
Stakeholder Meetings



Targeted Equity
Engagement



District Open Houses
Sept. - Oct.



Draft Climate Plan

Phase Four

Jan. - Apr. 2019



District Open Houses
Jan. - Feb.



Final Climate Plan

Key Meeting Dates 2019:

Jan. 25 Public Release DRAFT CAAP
30-day comment period opens

Feb. 27 Planning Commission #1

Mar. 13 Planning Commission #2

Mar. 26 Community Health &
Equity Committee Briefing

Apr. 3 City Council B-Session

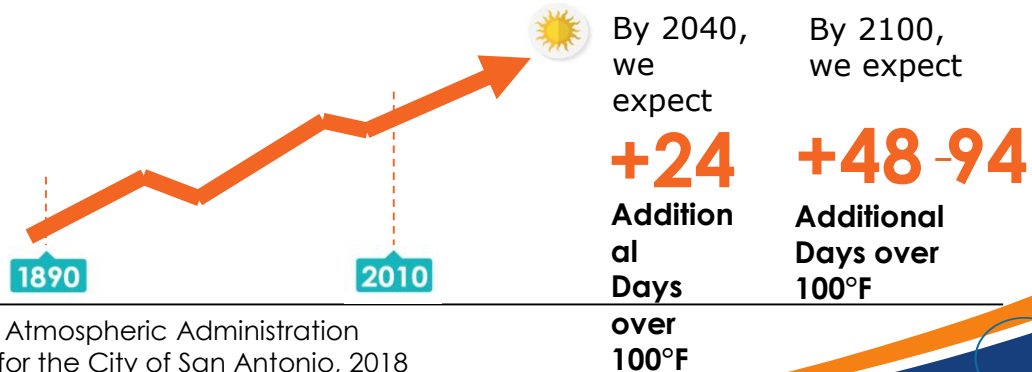
Apr. 11 City Council A-Session

CLIMATE PROJECTIONS



Number of days over 100°F is increasing

Very hot days (over 110 degrees F) will begin to occur in the future and will increase in frequency over time.



Source: Historic weather: National Oceanic and Atmospheric Administration

Source: Predicted weather: Climate Projections for the City of San Antonio, 2018

Photo credits, From left to right: Jerry Lara, San Antonio Express-News; SA Office of Sustainability; Shutterstock



HOW WE COMPARE



Per Capita GHG Emissions of U.S. Cities

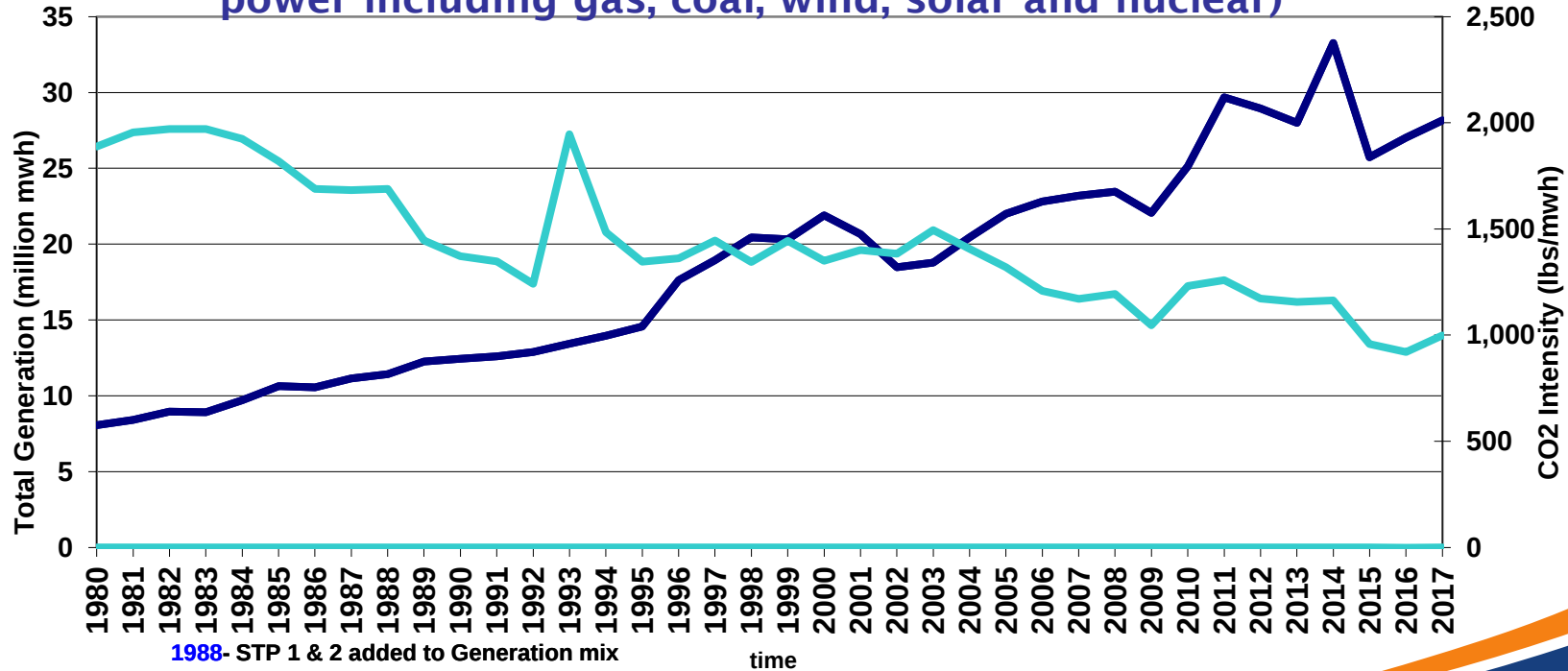
San Francisco, CA	5.4
New York, NY	5.8
San Jose, CA	7.4
Los Angeles, CA	8.3
New Orleans, LA	9.4
Seattle, WA	9.4
San Antonio, TX	11.6
Chicago, IL	12.3
Philadelphia, PA	12.4
Portland, OR	12.5
Cambridge, MA	13.8
Austin, TX	14.2
Dallas, TX	14.3
Houston, TX	15.2



CARBON INTENSITY



Historical CO₂ Intensity for CPS Energy (lbs of CO₂ emissions per net mwh of generation from all sources of power including gas, coal, wind, solar and nuclear)



1988- STP 1 & 2 added to Generation mix

1993- STP shutdown for year

2005- Increase STP from 28% to 40% ownership

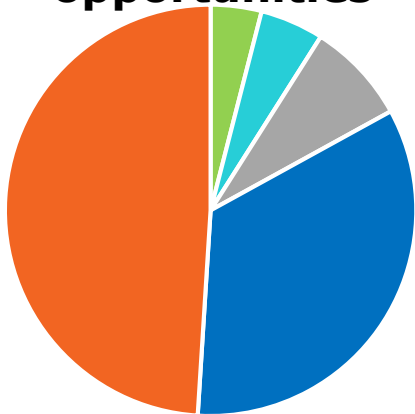
2009 - Increase due to Spruce 2

— Total Generation — CO2 Intensity

BUILDING ENERGY USE



GHG emissions reduction opportunities



Potential Mitigation Strategies

- Increasing Renewable Generation
- Energy Efficiency
- Adding Solar
- Building Codes
- White & Reflective Roofs



Residential Fuel



Industrial Electricity



Industrial Fuel



Residential Electricity

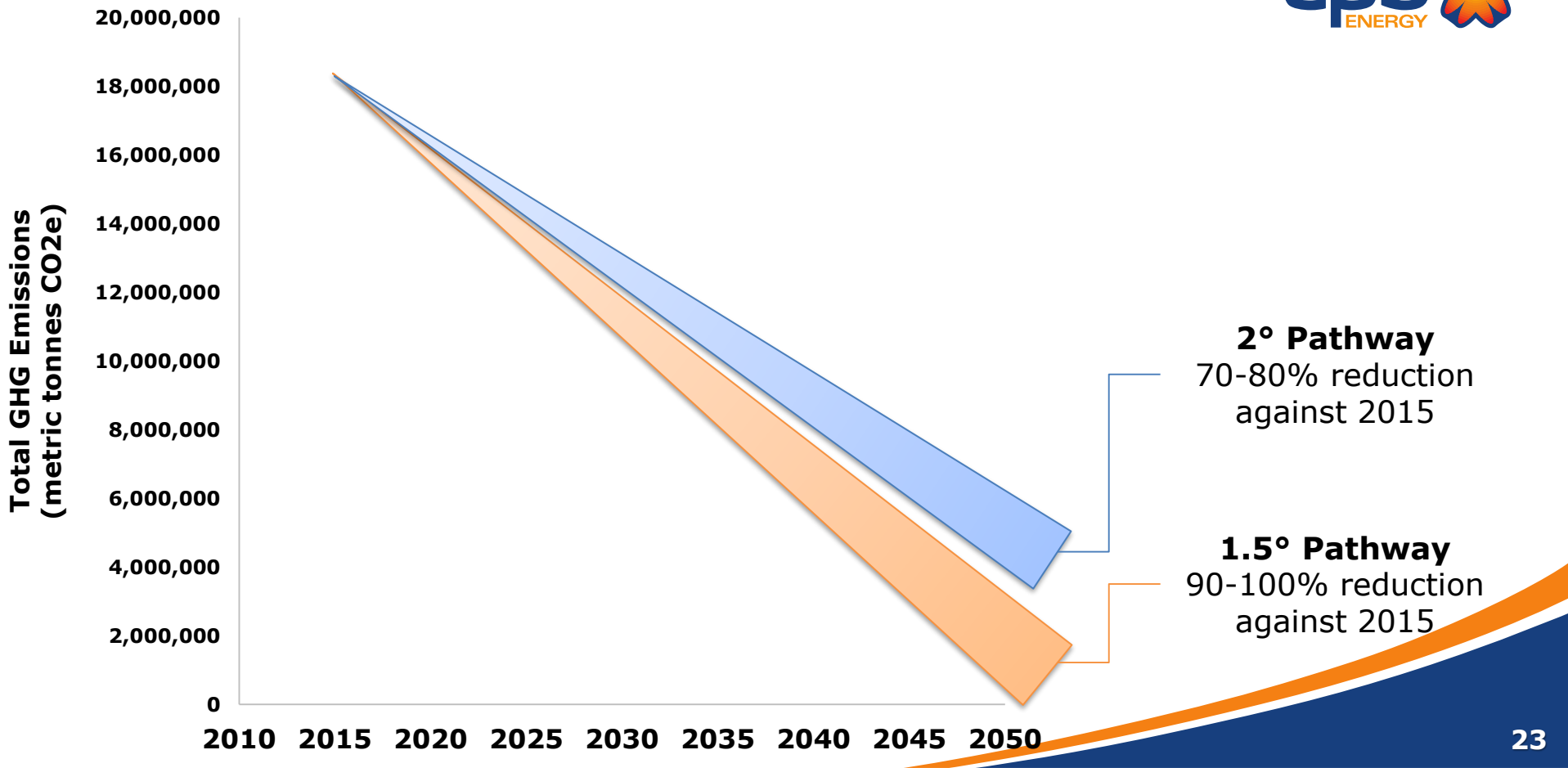


Commercial Fuel



Commercial Electricity

CITY'S GOAL



CITY'S DRAFT PLAN



Together, we are building solutions to prepare our city for climate change. Along with its partners and members of the community, the City of San Antonio is developing a Climate Action and Adaptation Plan (CAAP). The CAAP will lay a roadmap to reduce carbon emissions, adapt to a changing climate, and ensure San Antonio remains a healthy, vibrant place for generations to come.
Explore the site to track our progress, learn about upcoming events, and discover ways to take action.



RESIDENTS



BUSINESSES



FAMILIES



NEXT GEN SA

Key Dates:

Jan. 25

Public Release DRAFT CAAP
30-day comment period
opens

Apr. 11

City Council A-Session
Final Plan Approval



TAKE ACTION



VIEW OUR
PROGRESS



BECOME
A VOLUNTEER



TAKE OUR
SURVEY



CONNECT
AND SHARE

The community can visit www.saclimateready.org to submit feedback on the DRAFT CAAP for the City of San Antonio.

ACCOMMODATING GROWTH, PROMOTING EFFICIENCY & CUTTING COSTS



This is how we save our customers money & add value.

PARIS AGREEMENT

- In Paris, France on Dec. 12, 2015 the United Nations Framework Convention on Climate Change (UNFCCC) reached an agreement to combat climate change.
- That agreement is referred to as the Paris Agreement.
- The Paris Agreement central aim is to strengthen the global response to the threat of climate change by keeping a global temperature rise this century well below 2 degrees Celsius above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5 degrees.



PUBLIC OUTREACH



- Monthly Environmental Stakeholder Meetings
- Monthly Business Stakeholder Meetings
- Customer Care Fairs
- Open Houses
- Neighborhood Associations
- Chambers of Commerce
- Community Events
- Over 6,000 community members at about 150 meetings/events

CAAP Open House at John Igo Library October 29, 2018

CLIMATE ACTION & ADAPTATION PLAN (CAAP)



Mayor Nirenberg, CW Ana Sandoval, Doug Melnick CoSA, CAAP Open House, Young Women's Leadership Academy, October 13, 2018

Climate Action & Adaptation Plan (CAAP)

A strategy document that outlines the policies and steps to reduce Greenhouse Gas (GHG) emissions based on a reduction target that aligns with the Paris Climate Accord Agreement. In addition it will identify strategies to build resilience and adapt. San Antonio's plan has a focus on equity throughout.

CLIMATE ACTION & ADAPTATION PLAN (CAAP) PARTNERS



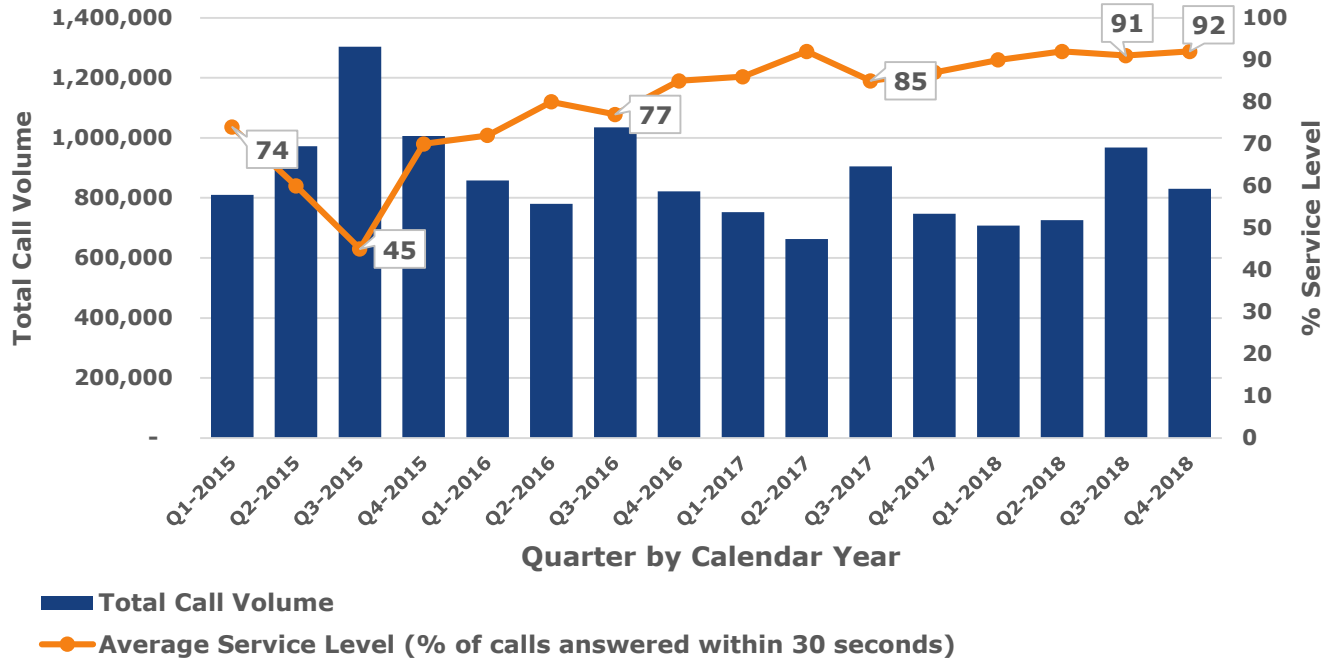
CAAP TEAMS



CAAP Steering Committee Meeting
July 11, 2018

- Steering Committee
- Climate Equity Technical Working Group (TWG)
- Energy & Buildings TWG
- Waste & Consumption TWG
- Transportation & Land Use TWG
- Water & Natural Resources TWG

CUSTOMER SERVICE IMPROVEMENTS



CY	SVC Level	Customer Sat
2015	61%	75
2016	78%	78
2017	87%	79
2018	91%	82

Res Customer Sat

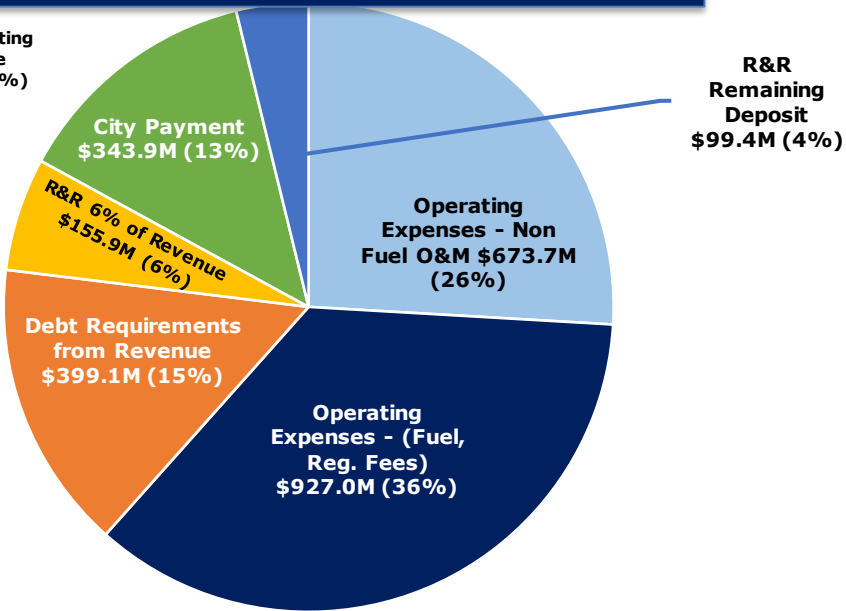
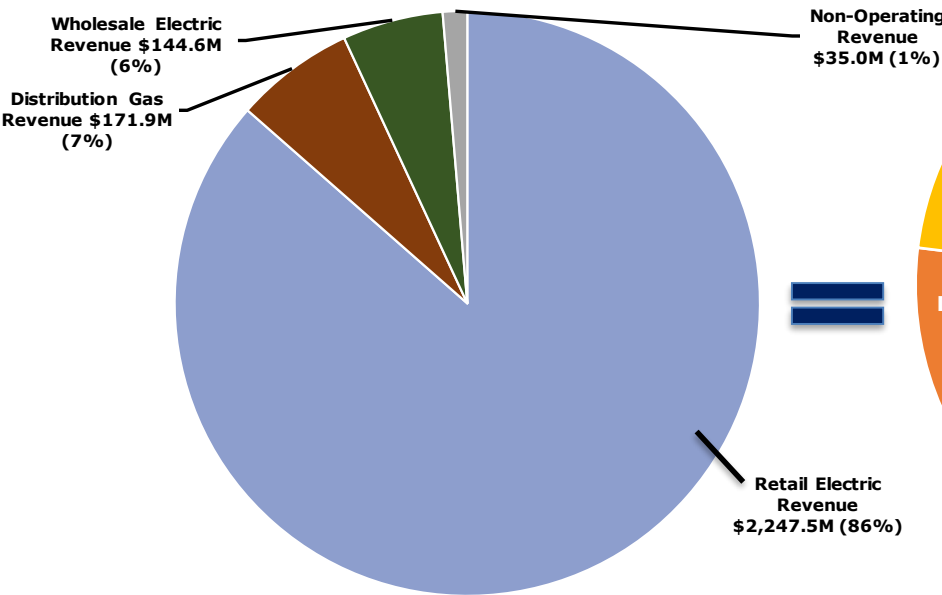
Via our *People First* focus, we have driven significant improvements for our customers in access, tools, programs, staffing, quality & service.

COST RECOVERY MODEL



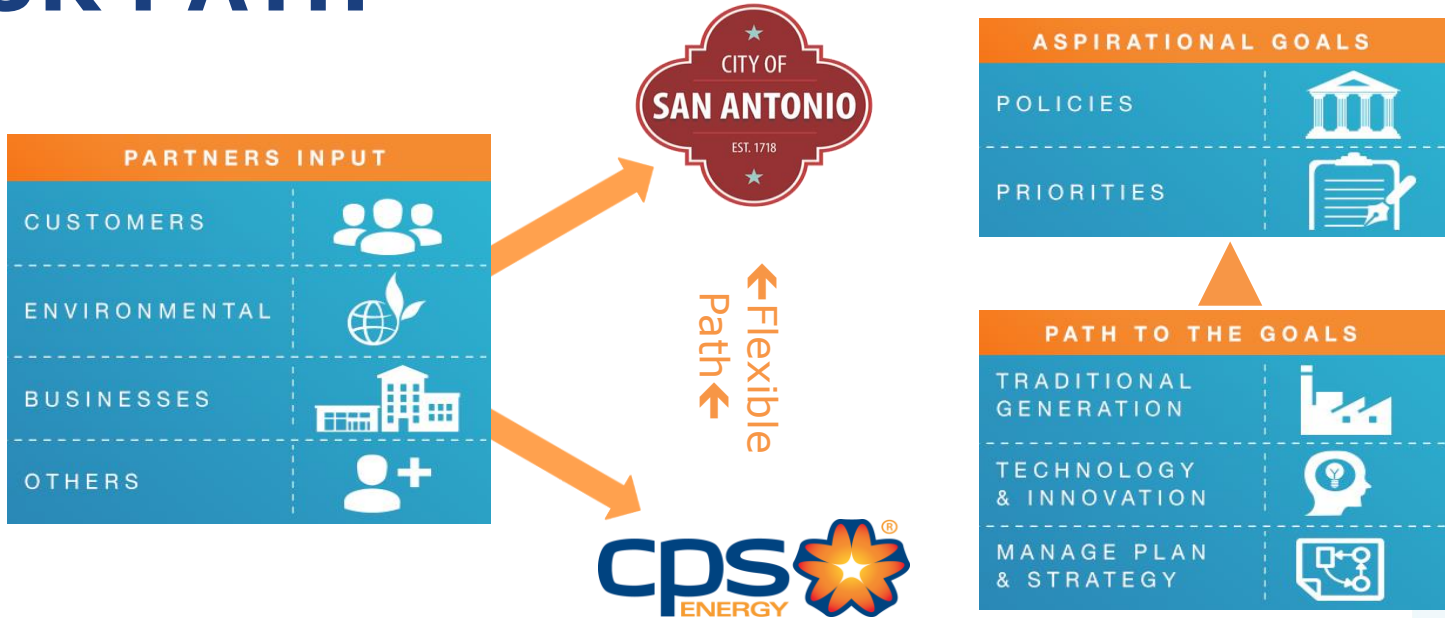
Where does the money come from?

Where does the money get spent?



Per Flow of Funds, Uses of Revenue must equal Sources of Revenue.

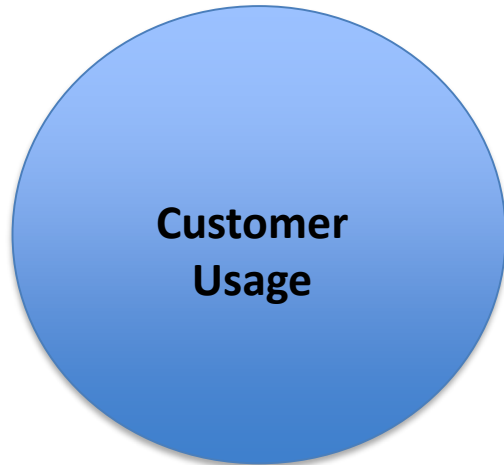
THE COMMUNITY WILL INFORM OUR PATH



THIS IS OUR BUSINESS MODEL: "COST RECOVERY"



PAID BY CUSTOMERS



\$2.6B

=

PAID FOR CUSTOMERS



\$2.6B

**Everything our community needs us to
do costs money!**