MARKET RATES UPDATE

INTRODUCTION BY:
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President & Chief Executive Officer (CEO)

PRESENTED BY:
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Interim Vice President, Financial Services

September 24, 2018

Informational Update
AGENDA

• OVERVIEW OF MARKET INTELLIGENCE PROGRAM
• DRIVERS & RECENT TRENDS
• RESIDENTIAL USAGE LEVELS
• TEXAS CITIES COMPARISON
MARKET INTELLIGENCE PROGRAM

CPS ENERGY COMPARES OUR RATES TO THOSE OF OTHER UTILITIES ON A MONTHLY BASIS

- Electric & gas utilities
- Texas cities comparison
- Top 20 cities in the country
- Publicly available information
  - Utility websites
  - Other industry recognized sources (e.g., PowertoChoose.org)

CPS Energy ensures value for our community by comparing rates to other prominent utilities
TRACKING THE DEREGULATED MARKET

THE PUCT OWNS & OPERATES POWERTOCHOOSE.ORG AS A COMPARISON RESOURCE FOR DEREGULATED MARKETS

- Historically, we have utilized a report published monthly by the PUC; report was discontinued in April 2018

- Our new approach is more comprehensive & informative
  - Data captured daily from PowerToChoose.org
  - Long-term plans offered by retailers w/ comparable customer service levels
  - Documented & consistently applied

Current tracking method is an industry standard approach
WHOLESALE MARKET TRENDS

Forward Price for August 2018 Power by Quote Day

Wholesale market has been influenced by available generation and weather

1 Forward price view from www.snl.com for ERCOT South Zone for the month of August 2018
RESIDENTIAL USAGE PATTERNS

Average Usage of CPS Energy Residential Customers By Month

While the annual average usage is approximately 1,000 kWh/month, peaks are experienced during extreme weather swings.

1 Average usage data from FYE 2018
Summer peaks are consistently experienced across our entire system.
## Texas Cities Combined Residential Bill Comparison

**Trailing Twelve Months Ending August 2018**

<table>
<thead>
<tr>
<th>City</th>
<th>Gas Bill</th>
<th>Electric Bill</th>
<th>Total Bill</th>
</tr>
</thead>
<tbody>
<tr>
<td>San Antonio</td>
<td></td>
<td></td>
<td>$150.41</td>
</tr>
<tr>
<td>Austin</td>
<td></td>
<td></td>
<td>$154.95</td>
</tr>
<tr>
<td>Dallas¹</td>
<td></td>
<td></td>
<td>$164.25</td>
</tr>
<tr>
<td>El Paso</td>
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<td>$166.07</td>
</tr>
<tr>
<td>Houston¹</td>
<td></td>
<td></td>
<td>$167.30</td>
</tr>
<tr>
<td>Corpus Christi¹</td>
<td></td>
<td></td>
<td>$168.62</td>
</tr>
</tbody>
</table>

1 Electric bill based on Power To Choose data for 12-month offers with a 4 and 5 Star rating for May-August 2018, all other months based on PUCT report.

2 Average monthly residential consumption for FYE 2018

1,000 kWh & 5 MCF

CPS Energy avg² is ~1,086 kWh
Gas Bill Electric Bill

San Antonio $262.96
Dallas¹ $275.18
Houston¹ $287.18
Corpus Christi¹ $287.50
El Paso $288.51
Austin $294.39

¹ Electric bill based on Power To Choose data for 12-month offers with a 4 and 5 Star rating for May-August 2018, all other months based on PUCT report.
INTERESTING CUSTOMER USAGE PATTERNS

Annual

Smooth

Summer

Peak Focus
Annually: Less than 10% of our residential customers use more than 2,000 kWh per month

1 Usage data from FYE 2018
Summer Only: 25% of our residential customers use more than 2,000 kWh per month during the summer months

1 Usage data from June – September of FYE 2018
CONCLUSIONS

Our benchmarking process is comprehensive, follows a standard industry approach & incorporates timely data from transparent sources.

Our rates continue to remain competitive while delivering great value and service to our customers and community.

Conservation activities continue to be important for our customers and community, especially in summer months.
Thank You