CEO’S REPORT

PRESENTED BY:

Paula Gold-Williams
President & CEO

January 27, 2020
Special Meeting
THIS MONTH’S TOPICS

- CPS ENERGY BOARD AGENDA INSIGHTS
- FY 2020-2021 BUDGET
- STEP BRIDGE
ITEM 7 – REAL ESTATE: POSSIBLE VOTE

• ACTIVELY MARKETING MULTIPLE EXCESS PROPERTIES:

  ❑ CBRE is managing the process.

  ❑ With the Board’s oversight, properties will be sold as viable offers are assessed, accepted & negotiated.
ITEM 9 – COST SAVINGS:
FISCAL YEAR SUMMARY

• We have diligently focused on cutting costs all year long.

• We saved close to $20M this year alone!

• Savings continue into the out years.
ITEM 12 – FISCAL YEAR 2020-2021 BUDGET

• The budget is presented annually to the Board of Trustees.

• Additional context is provided later in this presentation.
ITEM 13 – **FLEXPOWER BUNDLE UPDATE**

- Discuss our sequencing for replacing aging plants.
- Describe the importance of firming power to meet reliability.
- Incorporate an all-source element into our approach.
ITEM 14 – FLEXIBLE PATH COMMUNITY ENGAGEMENT UPDATE

• Provide more context on how we receive customer feedback, learn & take action.

• Multiple Examples
NO ITEM – FINANCIAL UPDATE WILL BE SENT SEPARATELY

• STRONG PERFORMANCE CONTINUES:
  ❑ Continued Prudent Cost Control
  ❑ Optimized Wholesale Revenues
  ❑ Metrics – Generally are Strong
• KEY MEASURES THAT WE WILL FOCUS ON:

- **Net Income (Loss)** - is calculated as revenue minus cost of goods sold, operating expenses, general & administrative expenses, depreciation & amortization, interest and other expenses.
• **NET INCOME (LOSS):**

  - **FY 2019** – The balance peaked, in part due to being the last year of operation for the Deely units.

  - **FY 2020** – Expecting to be fairly healthy again next year because of plant performance, cost control & debt savings.

  - **FY 2021** – Same as the prior year, net of more plant maintenance.

  - **FY 2022** – Potentially more challenging.
• **REPAIR & REPLACEMENT ACCOUNT:**
  - The cumulative portion of fiscal year revenues that are restrictively reserved to repair & replace existing infrastructure & systems.
  - 2 Components (6% + the Remaining Component)
The order of uses of revenue is determined by Bond Ordinance in order to:

- Non Fuel Operating Expenses- Provides reliability to our customers.
- Fuel & Other Operating Expenses- Pass thrus for fuel & regulatory.
- Debt Requirements- Repayment of debt used to finance initiatives & infrastructure improvements.
- Repair & Replacement 6%- Cash for future system, customer growth & new strategic initiatives.
- City Payment- Transfer funds to the City of San Antonio’s General Fund that benefit our community.
- Repair & Replacement- Remaining cash for future system, customer growth & new strategic initiatives.

FY 2021 CPS Energy’s total Annual Funding Requirements = $2,758.2M

<table>
<thead>
<tr>
<th></th>
<th>Estimate ($ in millions)</th>
<th>Budget ($ in millions)</th>
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</thead>
<tbody>
<tr>
<td>Capital**</td>
<td>$760.1</td>
<td>$684.1</td>
</tr>
<tr>
<td>Non-Fuel O&amp;M</td>
<td>$662.0</td>
<td>$712.8</td>
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</tbody>
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* Latest Estimate includes 9 Months Actual & 3 Months Estimate. In addition, it includes financing plan to pay down debt.
** Excludes AFUDC – Capitalized Interest & gross of customer contributions.
FY 2020-2021 BUDGET – 5 of 5

- Remaining Repair & Replacement Account:
  - **FY 2019** – The balance peaked, in part due to being the last year of operation for the Deely units.
  - **FY 2021** – Still expect to be fairly healthy next year.
  - **FY 2022** – A positive, yet smaller contribution is expected the following year.

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>2018</th>
<th>2019</th>
<th>2020 *</th>
<th>2021</th>
<th>2022 **</th>
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</thead>
<tbody>
<tr>
<td>Operating Expenses</td>
<td>$1,587.9</td>
<td>$1,608.4</td>
<td>$1,526.7</td>
<td>$1,709.5</td>
<td>$1,752.2</td>
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<tr>
<td>Debt Requirements</td>
<td>397.7</td>
<td>419.7</td>
<td>396.0</td>
<td>425.9</td>
<td>438.6</td>
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<tr>
<td>R&amp;R 6% of Revenue</td>
<td>157.5</td>
<td>168.5</td>
<td>157.2</td>
<td>165.5</td>
<td>165.9</td>
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<tr>
<td>City Payment</td>
<td>338.5</td>
<td>361.4</td>
<td>346.4</td>
<td>365.3</td>
<td>367.5</td>
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<tr>
<td>R&amp;R Remaining</td>
<td>142.8</td>
<td>250.3</td>
<td>193.0</td>
<td>92.0</td>
<td>40.4</td>
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<tr>
<td><strong>Total Uses</strong></td>
<td>$2,624.4</td>
<td>$2,808.3</td>
<td>$2,619.3</td>
<td>$2,758.2</td>
<td>$2,764.6</td>
</tr>
</tbody>
</table>

* Latest Estimate includes 9 Months Actual & 3 Months Estimate.
** To be refreshed in subsequent planning cycles.
DIVERSITY OF APPROACH:
• Is one of our core competencies.
  - Generation
  - Fuel Sources

"The Fifth Fuel"

- Natural Gas
- Coal
- Nuclear
- Renewables
- Energy Efficiency/Conservation
ITEM 10 – STEP BRIDGE

Considering the success of the original STEP program, this week we are requesting that the Council also approve the continuance of STEP!
Thank You
GENERAL GLOSSARY / DEFINITIONS

- **CBRE**: CBRE Group, Inc., is an American commercial real estate services & investment firm
- **CEO**: Chief Executive Officer
- **EV**: Electric Vehicle
- **SA**: San Antonio
- **STEP**: Save for Tomorrow Energy Plan