Rate Proposal Overview & Engagement Process Updates

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CFO & Treasurer

December 13, 2021
OBJECTIVES & TAKEAWAYS

• WE ARE TAKING ACTION POST-WINTER STORM URI

• CHANGING CIRCUMSTANCES SINCE OUR LAST RATE REQUEST 8 YEARS AGO

• KEY AREAS OF PROPOSED INVESTMENT

• CUSTOMER IMPACT

• ENGAGEMENT PROCESS
WE ARE TAKING ACTION
WINTER & EXTREME WEATHER PREPAREDNESS

Fighting for our Customers
Improving Grid Management
Hardening Critical Infrastructure

Collaborating with SAWS
Partnering with CoSA & CEP
Improving Communication

We will continue to work to improve our ability to be Resilient in the most extreme conditions.
There has been an increase of over $906M in cost savings since 2010.

- **Electric Customers** increased by +125,000 (+17%)
- **Gas Customers** increased by +36,000 (+12%)
- **Electric Lines** increased by +1,500 miles
- **Gas Lines** increased by +1,250 miles
- **Assets** increased by $1 Billion
- **Additional Customers Enrolled in Manage My Account** increased by +280,000
- **Cyber Data Breaches Worldwide** increased by +8,000%
- **Technology Platforms** have aged
- **Employees** have decreased by ~300
- **Peak System Demand** increased by +222 MW

Our customers’ needs & expectations have evolved over the last 8 years, increasing our obligations to serve them.
This Rate request is focused on emphasizing near-term investments & creating immediate financial stability.

Rate increase planned for March 1, 2022 effective date.

**Base Rate Increase**

3.85%

**Revenue Increase**

~$73M

(1) Applies only to base portion of bill & does not apply to fuel & regulatory charges. (2) Represents annualized amount. FY2023 actual revenue increase of ~$67M due to start in March (only 11 months).
## WHAT IS INCLUDED?

<table>
<thead>
<tr>
<th>Infrastructure Resiliency</th>
<th>• Generation &amp; distribution projects to support operations during extreme weather</th>
<th>$31M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technology</td>
<td>• Design the future state of our technology platform</td>
<td>$15M</td>
</tr>
<tr>
<td>Growth</td>
<td>• Support to keep up with our community’s continued strong growth</td>
<td>$14M</td>
</tr>
<tr>
<td>People</td>
<td>• Funding for stabilizing our staffing levels</td>
<td>$13M</td>
</tr>
<tr>
<td></td>
<td></td>
<td>~$73M</td>
</tr>
</tbody>
</table>

The rate request supports the incremental critical investments needed to continue serving our community.
We have paid $418M in reasonable, validated fuel costs for Winter Storm Uri. We propose recovering these costs over 25 years beginning on March 1, 2022 through the fuel adjustment on bills.

<table>
<thead>
<tr>
<th>Annual Cost</th>
<th>Residential Bill Impact&lt;sup&gt;(1)&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>~$24M</td>
<td>~$1.26/mo.</td>
</tr>
</tbody>
</table>

We are still disputing ~$587M in Winter Storm Uri fuel costs.

<sup>(1)</sup> Paid Winter Storm Uri costs will be recovered as a kWh/CCF adder; bill impact depends on usage.
## TOTAL AVERAGE RESIDENTIAL BILL IMPACT

<table>
<thead>
<tr>
<th>Base Rate Increase:</th>
<th>Avg. Bill Impact $</th>
<th>Total Bill Impact %&lt;sup&gt;(1)&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>~$3.84/mo.</td>
<td>2.5%</td>
</tr>
<tr>
<td>(3.85% base rate increase equivalent to ≈ $73M annually)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Winter Storm Uri Fuel Costs:</th>
<th>~$1.26/mo.</th>
<th>0.8%</th>
</tr>
</thead>
</table>

| Total Bill Impact<sup>(2)</sup>: | ~$5.10/mo. | 3.3% |

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(1) Includes base revenue + fuel & regulatory revenue.

(2) Represents system average bill impact to residential electric & gas customers.
AFFORDABILITY DISCOUNT PROGRAM (ADP)

Recommendation: Offset proposed base rate increase

- Increase enrollment funding by ~14,000 electric customers to 65,000
- Increase customer discount to $16.14 per month

Proposed Discount Statistics:

<table>
<thead>
<tr>
<th></th>
<th>Electric</th>
<th>Gas</th>
<th>Month</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Discount</td>
<td>$8.55</td>
<td>$3.75</td>
<td>$12.30</td>
<td>$147.60</td>
</tr>
<tr>
<td>Additional Proposed Discount</td>
<td>$3.12</td>
<td>$0.72</td>
<td>$3.84</td>
<td>$46.08</td>
</tr>
<tr>
<td>Total Proposed Discount</td>
<td>$11.67</td>
<td>$4.47</td>
<td>$16.14</td>
<td>$193.68</td>
</tr>
</tbody>
</table>

The ADP discount will be increased to mitigate the impact of the potential rate increase on ADP customers.

Note: Projected bill impact based on FY2023 average combined residential electric (RE, RA, RCE) and gas (Res G) bill.
## COMMERCIAL TOTAL BILL IMPACTS
### INCLUDING WINTER STORM URI RECOVERY

<table>
<thead>
<tr>
<th>Customer Group</th>
<th>Average Change/Month</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Electric</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Small Commercial</td>
<td>~3.6%</td>
<td>$20</td>
</tr>
<tr>
<td>Large Commercial</td>
<td>~3.7%</td>
<td>$412</td>
</tr>
<tr>
<td>Extra Large Commercial</td>
<td>~3.7%</td>
<td>$2,730</td>
</tr>
<tr>
<td>Super Large Commercial</td>
<td>~3.8%</td>
<td>$16,581</td>
</tr>
<tr>
<td><strong>Gas</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Base Commercial</td>
<td>~5.4%</td>
<td>$9</td>
</tr>
<tr>
<td>Class B</td>
<td>~5.7%</td>
<td>$60</td>
</tr>
<tr>
<td>Large Volume</td>
<td>~4.8%</td>
<td>$801</td>
</tr>
</tbody>
</table>

Note: New bills assume a 3.85% base rate increase; bill impacts include Winter Storm Uri regulatory asset recovery which is still pending approval.
TIMELINE

Rate Advisory Committee (RAC)
- 10/21
- 10/28
- 11/10
- 12/2 Rate Overview
- 12/9 Rate Overview
- 12/16 Committee Votes
- 1/10: Present Recommendation to BoT

Citizens Advisory Committee (CAC)
- 11/10
- 12/8 Rate Overview
- 1/5: Committee Votes
- 1/10: Present Recommendation to BoT

CPS Energy Board of Trustees (BoT)
- 9/27 Rate Increase Preview
- 10/25 Status Update
- 11/15 Status Update
- 12/13: Status Update & Public Input Session
- 1/10: Vote on Rate Increase & Regulatory Asset

City Council
- 12/1 CPS Energy
- 12/8 Supervisor of Public Utilities
- 12/15 CPS Energy
- 1/13: Vote on Rate Increase & Regulatory Asset

Legend
- Launch
- Meeting
- Recommendation
- Votes
STAY INVOLVED & CONNECTED

Special Board Meeting
• January 10, 2022 @ 3:30PM

Tele-Town Hall
• December 14, 2021 @ 6:30PM

Rate Advisory Committee
• cpsenergy.com/rac

Customer Assistance Programs
• cpsenergy.com/assistance

Utility Assistance Fairs, ARPA Events, Council Member Townhalls, & more
• cpsenergy.com/events

Social Media

Facebook CPSEnergy
Twitter @Cpsenergy
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LinkedIn CPS Energy