December 20, 2021

Board of Trustees
Mr. Rudy Garza, Interim President & CEO

Dear Board Members and Mr. Garza:

Thank you for the opportunity to provide our FY2022 Monthly Financial Update as of November 30, 2021.

Similar to last month, there was not a financial presentation at this month's Board of Trustees (Board) meeting due to the early timing of the December meeting. Accordingly, we are providing this written report. The monthly financial update materials reflect ten months of actual performance plus two months of forecast.

Key Highlights

A few **new one-time items** that have arisen and been discussed during our rate request process have been incorporated into this month's forecast. The incorporation of these one-time items has provided a significant lift to our financial position. As such, we are now projecting a positive net income as compared to the forecasted net loss we previously anticipated.

In summary,

1. The San Antonio City Council **approved $20 million** to assist our Company's customers, funded using the American Rescue Plan Act (ARPA). We have included those funds in our forecast, assuming it is recorded over five months starting in January 2022, the ARPA funds work to offset currently accrued bad debt and this results in a $4 million revenue increase for FY2022.
2. Discussions on labor items have been ongoing for months. Based on our evaluation of our overall performance and financial condition, we have decided to not payout the previously accrued incentive program amount for the FY2021 year. Thus, expenses previously accrued for the FY2021 incentive program have been reversed driving a significant $14.5 million reduction in Operating Expenses.
3. The completion of real estate transactions is always uncertain. This past month we gained clarity on the closing dates for our previous HQ Main

Office, Lot 2 parking lot and Tower Life Garage. Specifically, these properties are expected to close before the end of the fiscal year. Therefore, we have now included the expected financial gain of the property sales in this month's forecast. After the accounting treatment for sales price and net book value, the benefit of this one-time item is $10.9 million.

In consideration of the above items, we are forecasting to end the year with a net income of $10.2 million, trending above last month's $11.6 million net loss forecast.

Repair and Replacement additions are forecasted to be $32.4 million above budget; and improvements in Adjusted Debt Service Coverage, Debt Capitalization and Days Cash on Hand compared to the approved budget.

Any changes in these assumptions could impact our forecast.

Headwinds & Risks

In the section above, we listed a few one-time items that have driven significant impact to our financial position for this forecast.

Our teams continue to monitor expected electric and gas sales for the remaining months of the year. This year we have had mild weather and sales have been lower than expected, YTD electric sales are 1.6% below budget and YTD gas sales are at budget. Aside from weather, we are also looking diligently at our commercial/industrial electric and gas sales, YTD sales in this customer group are below budget.

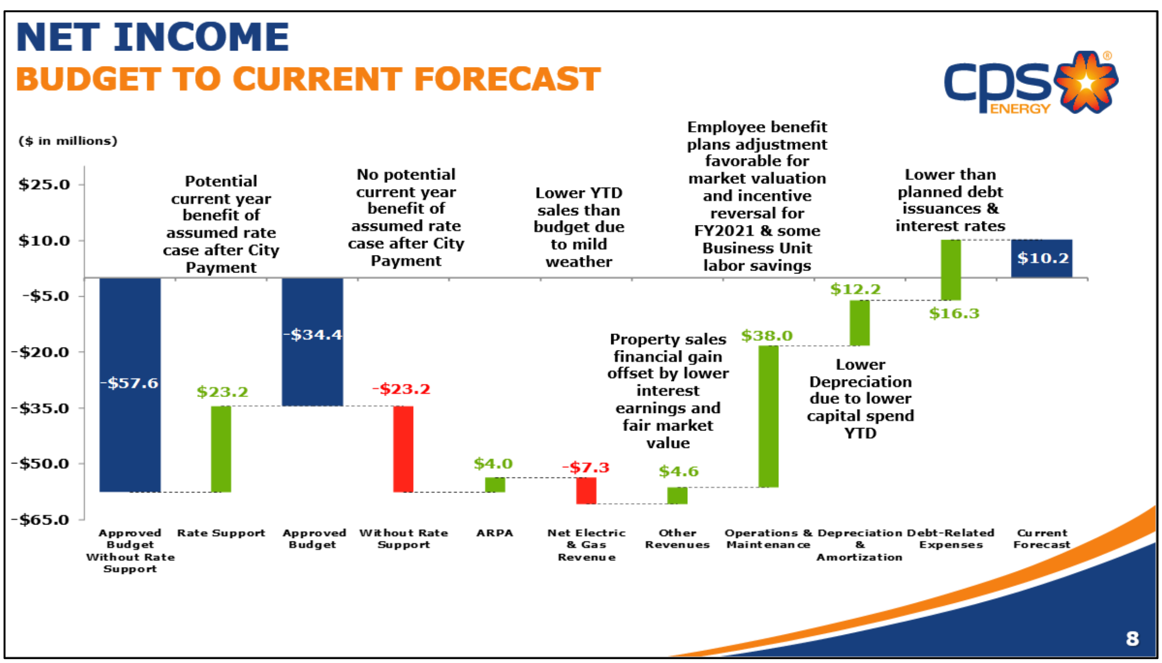
Lastly, the approval of the rate request and regulatory asset and shifts in several unknown items we are actively monitoring such as pandemic bad debt, inflation, and interest rates could negatively impact this year's forecast and impact us going into next fiscal year.

Summary of Budget to Current Forecast Drivers

A summary of the drivers of change from the budget to the current financial forecast is included on slide 8 (titled "Net Income – Budget to Current Forecast") of this month's financial update. Total electric non-fuel revenue is forecasted below budget. Net wholesale revenue performed below budget in November for the second consecutive month and is no longer forecasted to end the year above budget, instead forecasting to end the year at budget. Forecasted net electric and gas revenue is $30.5 million below budget. This reflects the removal of the current year benefit of an assumed rate increase and YTD total electric system sales 1.6% below budget due to mild weather and some lag in commercial sales.

Our forecast assumes similar below budget performance for the remaining months for total electric sales forecasting year-end sales at 1.3% below budget. Total gas sales for November came in below budget, YTD are performing .3% higher than budget and are forecasted to end the year at budget. However, providing positive lift is the $4 million from ARPA, which partially offsets the lower forecasted net electric and gas revenue performance.

On the expense side, the organization continues to drive down O&M costs to $38.0 million below budget. The main drivers continue to be $14 million primarily from an employee benefit plans adjustment due to favorable market valuation, $9.5 million from the business units reduced O&M forecasts and **new this month** is the reversal of FY2021 incentive program accrual which drove $14.5 million in operating costs reduction. In addition, our Finance team has found favorability in our financing plan by leveraging lower debt issuances and securing lower rates than were budgeted, leading to lower debt-related expenses of approximately $16 million compared to budget. Depreciation, which is a non-cash item, is below budget by just over $12 million due to fewer assets being put in service and depreciated compared to the budget as a result of overall lower capital spend.



Path Forward

We continue to thoughtfully pursue a path forward in this challenging year to ensure current and future financial sustainability. While we have several one-time items that provided financial benefit, these are not items that we will be able to count on next year. We look forward to providing you with timely updates of financial performance.

Thanks again for your leadership and support.

Sincerely,

Cory Kuchinsky, CPA
Chief Financial Officer (CFO) &
Treasurer

CPK

Attachments

Copy COSA: Erik Walsh, City Manager
Ben Gorzell, CFO
Zack Lyke
Michelle Lugalia-Hollon
Russell Huff

Copy CPS Energy: Rudy Garza, Interim President & CEO
Sr. Chiefs
Kathy Garcia, VP
Govt & Reg Affairs & Public Policy

FY2022 MONTHLY FINANCIAL UPDATE AS OF NOVEMBER 30, 2021

PRESENTED BY:

Cory Kuchinsky, CPA
Chief Financial Officer (CFO) & Treasurer

Informational Update

DISCLAIMER

We continue to work through the unprecedented global, national, state, and local implications of COVID-19 and Winter Storm Uri. Our current financial projections were prepared in-light of COVID-19 and Winter Storm Uri for preliminary informational discussion purposes only. Due to the changing COVID-19 environment and Winter Storm Uri, these financial projections are preliminary and subject to change at any time in the future. Please be assured that we worked hard to thoroughly think through our financial analysis. This said, since there is tremendous uncertainty across the current economic and financial landscapes, the actual results for this fiscal year could be lower, comparable, or higher than what we are projecting at this time.

OBJECTIVES & TAKEAWAYS

- **FINANCIAL RESULTS FORECAST**
- **HIGHLIGHT FINANCIAL PERFORMANCE & METRICS**

AGENDA

- NET INCOME YTD
- ELECTRIC SALES
- NET INCOME FORECAST
- FLOW OF FUNDS
- KEY FINANCIAL METRICS
- ACTIONS & NEXT STEPS

NET INCOME
NOVEMBER 2021 YTD ACTUAL PERFORMANCE

($ in millions)	FY2022		
Description	Budget	Actuals	Variance: Favorable (Unfavorable)
Revenue available for nonfuel expenses			
Electric	$ 2,120.7	$ 2,170.3	$ 49.6
Gas	139.9	149.8	9.9
Total operating revenue	2,260.6	2,320.1	59.5
Less:			
Electric fuel, distribution gas & regulatory	862.4	918.1	(55.7)
Payments to the City of San Antonio	302.3	298.2	4.1
Net operating revenue	1,095.9	1,103.8	7.9
Nonoperating revenue	31.9	23.1	(8.8)
Total revenue available for nonfuel expenses	1,127.8	1,126.9	(0.9)
Nonfuel expenses			
Operation & maintenance	560.0	542.0	18.0
Depreciation, amortization & decommissioning	398.1	385.2	12.9
Interest & debt-related	190.8	172.9	17.9
Total nonfuel expenses	1,148.9	1,100.1	48.8
Net Income (Loss)	$ (21.1)	$ 26.8	$ 47.9

Highlights:

- **Operating Revenue**
  - YTD Electric Billed Sales are 1.6% lower than budget.
  - YTD Gas Billed Sales are 0.3% higher than budget.
  - Wholesale Revenue Net Fuel is $0.4M under budget driven by higher additional fuel cost in November.
- **Non-Operating Revenue**
  - Primarily driven by change in fair market value and lower than planned interest income.
- **Operating & Maintenance**
  - Employee benefit plans adjustment due to favorable market valuation.
- **Depreciation**
  - Due to lower capital spend.
- **Interest & debt-related**
  - Reflects lower than planned commercial paper issuances & interest rates.

ELECTRIC SALES
BY CUSTOMER SEGMENT- YTD FY2022*

Customer Sector	Usage	% of Total Load	% Impact on Total Usage
Residential	-1.6%	45.2%	-0.7%
Churches & Services	0.0%	7.5%	0.0%
Manufacturing	-1.0%	4.6%	0.0%
Retail	0.3%	5.1%	0.0%
Educational Services	0.2%	4.8%	0.0%
Hotel & Food Services	-0.2%	4.5%	0.0%
Other**	-3.0%	28.3%	-0.9%
Total System		**100.0%**	**-1.6%**

*Billed November actual YTD performance to budget.

**Other sector includes other commercial sectors, food & wood product manufacturing, municipals, lighting, etc.

NET INCOME

LATEST ESTIMATE VS. BUDGET

(10 months actuals/2 forecast)

($ in millions)	FY2022		
Description	Budget	Forecast without Potential Rate Increase	Variance: Favorable (Unfavorable)
Revenue available for nonfuel expenses			
Electric	$ 2,493.2	$ 2,530.4	$ 37.2
Gas	206.3	226.5	20.2
Total operating revenue	2,699.5	2,756.9	57.4
Less:			
Electric fuel, distribution gas & regulatory	1,023.5	1,109.9	(86.4)
Payments to the City of San Antonio	360.3	357.8	2.5
Net operating revenue	1,315.7	1,289.2	(26.5)
Nonoperating revenue	35.9	40.5	4.6
Total net revenue available for nonfuel expenses	1,351.6	1,329.7	(21.9)
Nonfuel expenses			
Operation & maintenance	687.5	649.5	38.0
Depreciation, amortization & decommissioning	476.0	463.8	12.2
Interest & debt-related	222.5	206.2	16.3
Total nonfuel expenses	1,386.0	1,319.5	66.5
Net Income (Loss)	$ (34.4)	$ 10.2	$ 44.6

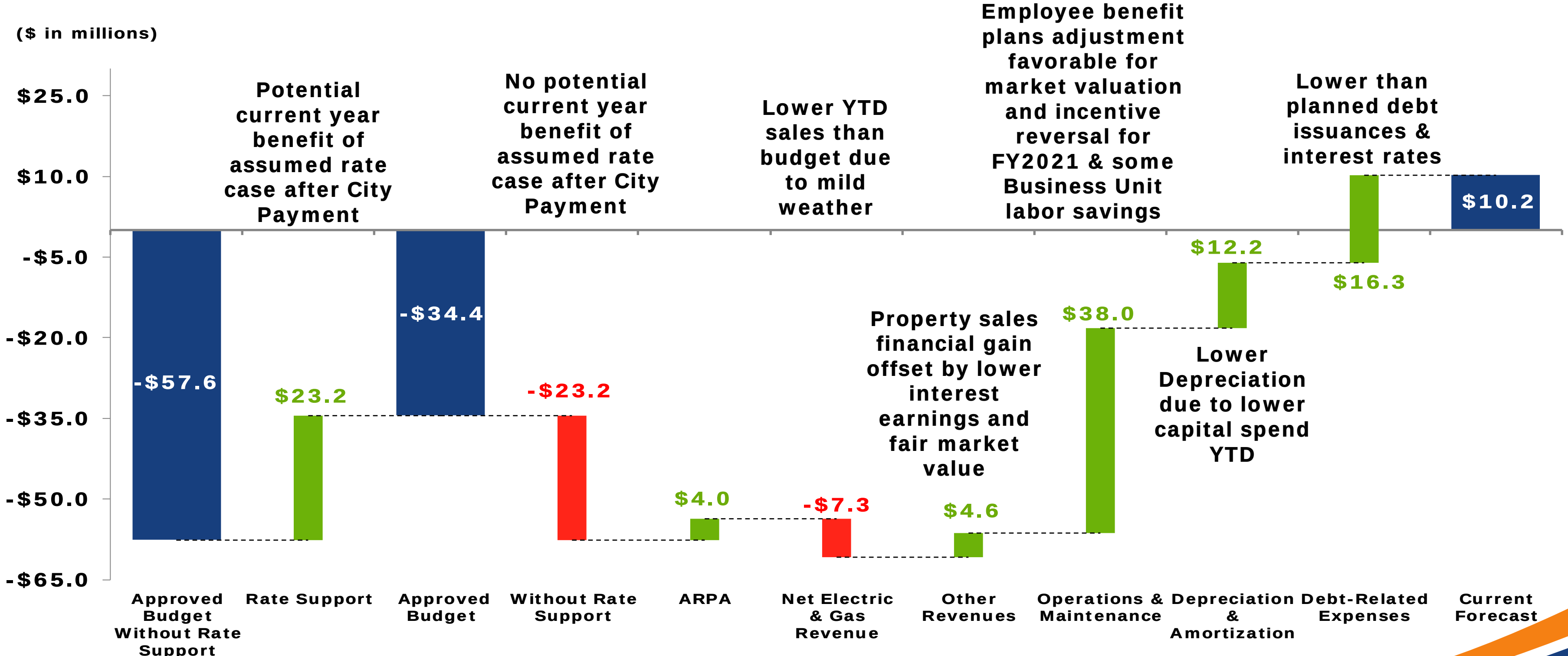
Potential Rate Increase:

Assumes a potential rate increase effective next year, FY2023, no current year benefit assumed.

Assumptions:

- **Operating Revenue**
  - Electric Billed Sales estimated to be 1.3% lower than budget.
  - Gas billed sales estimated to end the year at 0.1% lower than budget.
  - ARPA Funds of $4M.
  - Property Sales: Gains of $10.9M (Main Office, Lot 2 and Tower Life Garage).
  - Wholesale Revenue Net Fuel is at budget primarily driven by lower performance in November.
- **Interest & debt-related**
  - Lower than planned debt issuances & interest rates.
- **O&M**
  - Employee benefit plans adjustment due to favorable market valuation.
  - Incentive reversal for FY2021 & some Business Unit labor savings.
- **Depreciation**
  - Lower due to capital spend.

NET INCOME
BUDGET TO CURRENT FORECAST



FLOW OF FUNDS

LATEST ESTIMATE VS BUDGET

(10 months actuals / 2 forecast)

($ in millions)	FY2022		
Description	Budget	Forecast without Potential Rate Increase	Variance: Favorable (Unfavorable)
Revenues, net of unbilled	$ 2,715.7	$ 2,780.0	$ 64.3
Less: city payment (CP) per flow of funds	360.3	357.8	2.5
Revenues, net of unbilled & CP	2,355.4	2,422.2	66.8
Less: fuel & regulatory expense	1,023.5	1,109.9	(86.4)
Revenues, net fuel & regulatory	1,331.9	1,312.3	(19.6)
Operation & maintenance	689.3	650.4	38.9
Debt service	410.3	397.2	13.1
Total expenses	1,099.6	1,047.6	52.0
6% Gross Revenue to R&R	162.9	166.8	3.9
Remaining to R&R	69.4	97.9	28.5
Total R&R fund additions	$ 232.3	$ 264.7	$ 32.4
Total capital expenditures	$ 638.9	$ 592.3	$ 46.6

Potential Rate Increase:

Assumes a potential rate increase next year, effective FY2023, no current year benefit assumed.

Assumptions:

- **Operating Revenue**
  - Electric Billed Sales estimated to be 1.3% lower than budget.
  - Gas billed sales estimated to end the year at 0.1% lower than budget.
  - ARPA Funds of $4M.
  - Property Sales: Gains of $10.9M (Main Office, Lot 2 and Tower Life Garage).
  - Wholesale Revenue Net Fuel is at budget primarily driven by lower performance in November.
- **Interest & debt-related**
  - Lower than planned debt issuances & interest rates.
- **O&M**
  - Employee benefit plans adjustment due to favorable market valuation.
  - Incentive reversal for FY2021 & some Business Unit labor savings.
- **Capital**
  - Lower due to deferral of projects.

KEY FINANCIAL METRICS
LATEST ESTIMATES VS BUDGET

Metric	FY2021 Actuals	FY2022 Budget	Accountability Plans Threshold	Forecast without Potential Rate Increase
Adjusted Debt Service Coverage (ADSC)	1.59	1.57	1.50[1]	1.68
Days Cash on Hand (DCOH)	209	181	150[1]	182
Debt Capitalization (DC)	60.5%	65.1%	65.1%[2]	61.8%

Legend

- Red: Outside of Credit Ratings Agency Guidance
- Yellow: Above Credit Ratings Agency Guidance, but nearing thresholds

[1] *Aligned to Credit Ratings Agency Guidance*
[2] *Aligned to the Debt Capitalization approved by the Board of Trustees*

ONGOING ACTIONS

- Continue our efforts to:
  - Analyze actual sales results to better understand demand patterns
  - Monitor accounts receivable & bad debt, providing customers with information on assistance programs
  - Manage our metrics for alignment to credit ratings agency guidance
- Focus on cash flow to ensure liquidity
- Continue to provide monthly updates

Thank You

Appendix

NET INCOME
PRIOR FORECAST TO CURRENT FORECAST