



April 25, 2022

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

Dear Board Members and Mr. Garza:

In response to your comments and feedback at our April 4, 2022 Board of Trustees Meeting, we are implementing a new monthly Enterprise Performance Update process to ensure that relevant performance information is provided to you in a timely manner on a consistent basis. Prior to our Board of Trustees meeting each month, we will send you a report that includes the following components:

- A letter summarizing performance highlights (i.e., this letter),
- Tier 1 metrics performance,
- Financial performance, and
- Status updates on community commitments included in our FY2023 budget.

We will present one of the above items at regular Board of Trustees Meeting, rotating through all three components on a quarterly basis. Each month, this report will be posted on our website for full public accessibility and transparency.

At our Board of Trustees meeting on April 25, 2022, we will present an update on our Tier 1 metrics performance. Highlights from all three areas are summarized in the remainder of this letter.

Tier 1 Metrics Performance

Currently 14 of our 15 Tier 1 metrics are on track to meet end-of-year targets. These metrics provide a balanced set of standardized industry measurements of our ability to serve our customers and validate our performance.

Customer Satisfaction - Residential is at-risk due to a downturn experienced from the recent rate increase and negative publicity last year. We believe our enhanced outreach within the community to share available bill assistance options for our customers will result in improved scores throughout the year.

Financial Performance

This month's financial update includes two months of actual year-to-date performance as of March 31, 2022. The latest forecast for the 12-month period ending January 31, 2023 remains at budget.

Actual performance for the 2-month year-to-date period ended with a net loss, which is expected early in the year during the shoulder months for customer energy demand. The net loss position was relatively flat to what was projected in the budget. As noted above, we are keeping our full 12-month forecast in line with budget, therefore, financial metric targets remain at budget and consistent with what was shared with you at the January 31, 2022 Board of Trustees meeting.

Financial highlights for the March update include:

- A net loss of \$25.4 million was recorded for the 2-month period ended through March (vs. a planned Net Loss of \$25.9 million),
- FY2023 (full year) Repair and Replacement additions remain at budget target of \$344.9 million, and
- Projected year-end Key Financial Metrics remain at budget: Adjusted Debt Service Coverage at 1.79, Days Cash on Hand at 170, and Debt Capitalization of 61.7%.

Collections Update for Accounts Receivables:

- 177,558 accounts are past due for a total of \$154M,
 - Nearly 5,500 accounts transitioned current from past due as of March 31, 2022, when compared to February 28, 2022, resulting in 80% of customer accounts being current,
 - Due to installment plan agreements or due date extensions, less than 43,000 accounts were eligible for disconnections as of March 31, 2022 (9,000 accounts less than as of February 28, 2022, or 18% less),
- We will continue on our path to connect customers with support and identify the best solutions for everyone, especially the most vulnerable population, and
- Our goal is to resume all standard collections processes, including disconnections, by the end of June 2022 for all customer accounts.

March Year-to-Date Financial Performance Drivers

On the demand side, colder than anticipated weather drove electric sales that were ~7.2% above budget and gas sales that were ~17.6% above budget.

Top line operating revenue favorability YTD was \$96.0 million above plan. However, this sales favorability was primarily driven by higher than planned fuel & regulatory costs which comprised \$75.7 million of the revenue favorability. As a reminder, fuel costs are a pass through, meaning the fuel revenue does not provide any financial benefit to CPS Energy. Further, non-operating revenue was unfavorable to the plan by \$16.6 million due to adjustments to the fair market value of our investment portfolio, primarily driven by the rising interest rate environment. This led total revenue available for non-fuel expenses to be \$17.4 million lower than plan.

For non-fuel expenses, YTD favorability compared to budget in Operations & Maintenance (O&M) expenses helped offset the revenue unfavorability. O&M expenses were \$12.7 million below budget, primarily due to lower spend on outside services. Along with favorability in 1) Interest & debt related, and 2) Depreciation, amortization, & decommissioning expenses, total nonfuel expenses were \$17.9 million favorable to plan. As a result, net loss was slightly favorable to plan.

As we move through the year, we will evaluate performance and assess upcoming challenges and risks. A review of these known financial challenges and risks will be evaluated to provide a reforecast for this fiscal year next month. We look forward to providing you with timely updates of our financial performance at forthcoming meetings.

Status Updates on Community Commitments

Currently we are on-track for 10 of our 11 commitments. These “key results” are major initiatives we committed to deliver to our community. They ensure we are delivering on our community’s most important initiatives and provide transparent progress updates throughout the year.

Partnering with the City of San Antonio

- Connect Customers with Support - We are making progress in signing up customers for assistance by enrolling an additional 6,000 accounts in the Affordability Discount Program. As of March 31, we have received approximately 13,000 ARPA applications. Between the ARPA applications that we’ve processed and in collaboration with the City of San Antonio’s Department of Human Services (DHS), \$2.1 million in credits have been applied to accounts.

- We are continuing our process to manually review the remainder of the applications. We have been able to review the applications to identify duplicates and we estimate that there are 12,000 unique accounts. Based on preliminary data, we believe that we have another \$9M in potential credits already received.
- For an account to be eligible for assistance, they must have service within the San Antonio-area and the past due balance must be from March 2020 through September 2021. Our legal team is working in partnership with the City of San Antonio's legal team to extend the date for qualifying balances.
- Additionally, we are working with City of San Antonio staff to identify other avenues to auto-qualify customers. For instance, DHS has a list of a few thousand applications for the Emergency Housing Assistance Program. If those customers are certified for rent support, we will review the list to see if we can qualify them for ARPA support.
- We will continue to find ways to automate our processing and partner with the City to identify customers that we can auto-enroll in ARPA to ensure we can use the full amount allocated to us.

At-risk commitments:

- Support Expanding Community - We are focusing on keeping up with our community's continued residential and commercial growth while maintaining high reliability. However, there continues to be significant global supply chain disruptions impacting our business. We have done our best to mitigate these delays as of now to prevent them from impacting projects, maintaining consistent updates to customers and working through alternative designs. This will be an area of continued monitoring.

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
Juan Valdez
Russell Huff

Copy CPS Energy: Rudy Garza, Interim President & CEO
CEO Direct Reports
Govt. & Reg. Affairs & Public Policy



MONTHLY PERFORMANCE UPDATE

PRESENTED BY:

Dr. John Soltau

Director, Enterprise Planning & Performance

April 25, 2022

Informational Update

- **METRIC PROGRAM OVERVIEW**
- **FY2023 TIER 1 METRIC PERFORMANCE - YTD 3/31/22**
 - **PEOPLE**
 - **OPERATIONAL**
 - **FINANCE**

THINGS TO KNOW

TIER 1 METRIC PROGRAM OVERVIEW



Provide standardized industry best practice measurements of our ability to serve our customers & validate our performance



Metric targets are designed to improve our performance based upon industry benchmarking information & strategic direction



We develop key results & business plans to measure progress on important initiatives & commitments that improve metric performance

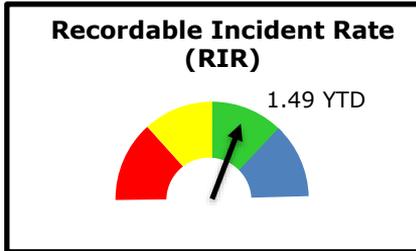


Plans are updated throughout the year based upon our performance

14 of our 15 Tier 1 Metrics are currently on track to achieve their year-end targets.

PEOPLE METRICS AS OF 3/31/22

SERVING OUR CUSTOMERS & BUILDING OUR CULTURE



Employee Engagement - Enterprise

This metric is measured on an annual basis



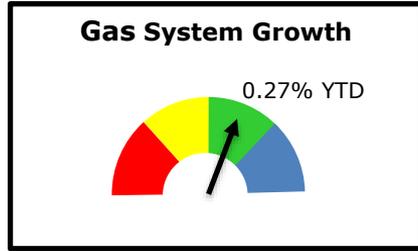
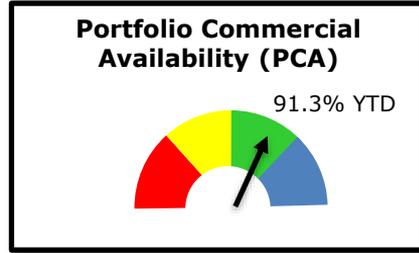
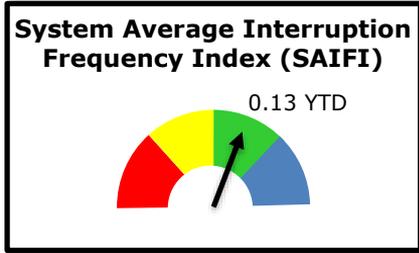
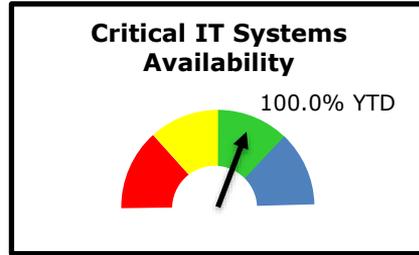
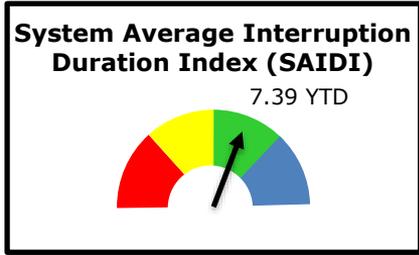
Enterprise Readiness - Executives

This metric is measured on an annual basis

- Things to Note**
- Residential customer satisfaction is lower than previous periods due to the recent rate increase & negative publicity late last year.
 - Business leaders are continuing outreach within the community to share available bill assistance options for our customers.
 - Expanded safety training & observations are being rolled out to enhance our safety culture.

OPERATIONAL METRICS AS OF 3/31/22

DELIVERING RELIABLE PERFORMANCE



Things to Note

- Additional budget for vegetation management has helped maintain proactive reliability.
- SAIDI & SAIFI are trending to meet year-end targets.
- Power Generation plant availability is trending to meet year-end target.

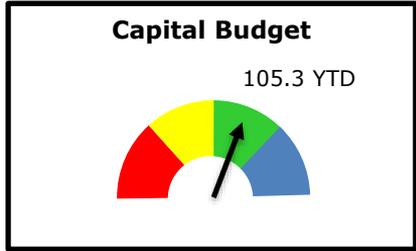
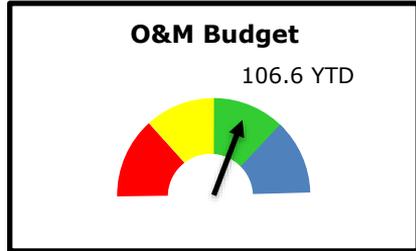
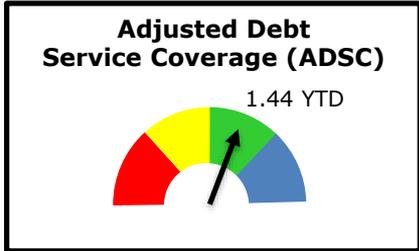
* Metric details in appendix

■ Achieved
 ■ On Track
 ■ At Risk
 ■ Unrecoverable/Not Achieved

↑ Indicates current performance

FINANCIAL METRICS AS OF 3/31/22

FISCAL RESPONSIBILITY & TRANSPARENCY



Things to Note

- Senior Lien Bond Rating metric target has been updated to reflect our current Credit Ratings (Fitch = AA-, Moody's = Aa2, Standard & Poor's = AA-).
- Revenue higher than forecast due to weather-driven sales growth & higher fuel costs.
- 5,500 accounts transitioned to current from past due over the last month (80% of customer accounts are current)

* Metric details in appendix

■ Achieved
 ■ On Track
 ■ At Risk
 ■ Unrecoverable/Not Achieved
 ↑ Indicates current performance



Thank You



Appendix



TIER 1 METRICS

ADDITIONAL INFORMATION

FY2023 TIER 1 METRIC SUMMARY

AS OF MARCH 31, 2022

Tier	Unrecoverable		At Risk		On Track		Achieved		Total Metrics
1	0	0%	1	6.7%	14	93.3%	0	0%	15

FY2023 OUTLIER SUMMARY

Tier 1	Unrecoverable	N/A
	At Risk	Customer Satisfaction - Residential

FY2023 TIER 1 METRIC REPORT

AS OF MARCH 31, 2022

Metric Name	Business Unit	Measure Frequency	Unit	Target Indicator	Historical Actuals		Current Year			Year-End Forecast	Latest Estimate
					FY 2021 CY 2020	FY 2022 CY 2021	YTD Target	YTD Actual	Year-End Target		
Customer Satisfaction – Residential ¹	Customer Strategy	quarterly	%	↑	83.2	78.9	79.0	76.7	79.0	At Risk	77.9
Employee Engagement – Enterprise	Administration	annually	#	↑	4.10	3.99	N/A	N/A	4.04	On Track	N/A
Enterprise Readiness – Executives	Administration	annually	%	↑	88	83	75	N/A	75	On Track	N/A
Enterprise Recordable Incident Rate - (RIR)	Administration	monthly	#	↓	1.31	1.68	1.41	1.49	1.41	On Track	1.50
Adjusted Debt Service Coverage	Financial Services	monthly	#	↑	1.59	1.66	1.35	1.44	1.79	On Track	1.79
Capital Budget ²	Financial Services	monthly	\$	↓	630.8	689.5	126.5	105.3	832.9	On Track	832.9
Days Cash on Hand	Financial Services	monthly	#	↑	209	182	176	169	170	On Track	170
Enterprise Senior Lien Bond Ratings ³	Financial Services	monthly	#	=	1	0	1	1	1	On Track	1
O&M Budget	Financial Services	monthly	\$	↓	654.9	618.5	119.3	106.6	729.7	On Track	727.7
Critical IT System Availability	Business & Technology Excellence (BTE)	monthly	%	↑	99.8	99.9	99.9	100.0	99.5	On Track	100.0
Gas System Growth	Gas Solutions	monthly	%	↑	2.33	1.97	0.31	0.27	1.85	On Track	1.85
Portfolio Commercial Availability ¹	Energy Supply	monthly	%	↑	93.9	77.1	88.9	91.3	88.9	On Track	90.5
System Average Interruption Duration Index (SAIDI) ¹	Energy Delivery Services	monthly	#	↓	56.85	67.68	10.74	7.39	63.70	On Track	60.35
System Average Interruption Frequency Index (SAIFI) ¹	Energy Delivery Services	monthly	#	↓	0.93	1.01	0.18	0.13	0.98	On Track	0.93
Environmental Compliance Issues - NOE & NOV (Category A & B) Enterprise	Legal & General Council	monthly	#	↓	1	0	0	0	0	On Track	0

¹ These Metrics are measured on a calendar year cycle for industry comparison purposes

² Gross of CIAC

³ A measure of the senior lien bond ratings as measured by Fitch, Moody's, and Standard & Poor's (Fitch = AA-, Moody's = Aa2, Standard & Poor's = AA-) such that "1" represents the maintenance of current ratings, a "2" (or "0") indicates an upgrade (or downgrade) in one or more ratings.



FINANCIAL UPDATE AS OF MARCH 31, 2022

Informational Update

ELECTRIC SALES

BY CUSTOMER SEGMENT- MARCH FY2023*

Customer Sector	Usage Growth	% of Total Load	% Impact on Total Usage
Residential	17.6%	40.9%	7.2%
Churches & Services	3.2%	7.2%	0.2%
Manufacturing	1.7%	2.5%	0.0%
Retail	3.2%	5.1%	0.2%
Educational Services	3.5%	4.7%	0.2%
Hotel & Food Services	4.0%	4.4%	0.2%
Other**	2.0%	35.2%	0.7%
Total System		100.0%	8.7%

*Billed March actual performance to budget.

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

ELECTRIC SALES

BY CUSTOMER SEGMENT- YTD FY2023*

Customer Sector	Usage Growth	% of Total Load	% Impact on Total Usage
Residential	15.7%	42.6%	6.7%
Churches & Services	8.9%	6.8%	0.6%
Manufacturing	45.2%	2.4%	1.1%
Retail	1.8%	5.0%	0.1%
Educational Services	1.7%	4.7%	0.1%
Hotel & Food Services	1.6%	4.3%	0.1%
Other**	-4.3%	34.2%	-1.5%
Total System		100.0%	7.2%

*Billed March actual YTD performance to budget.

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

NET INCOME

YEAR TO DATE ACTUAL VS. BUDGET

Description	FY2023		
	Budget	Actuals	Variance: Favorable (Unfavorable)
(\$ in millions)			
Revenue available for nonfuel expenses			
Electric	\$ 348.6	\$ 415.0	\$ 66.4
Gas	46.4	76.0	29.6
Total operating revenue	395.0	491.0	96.0
Less:			
Electric fuel, distribution gas & regulatory	156.7	232.4	(75.7)
Payments to the City of San Antonio	33.0	54.1	(21.1)
Net operating revenue	205.3	204.5	(0.8)
Nonoperating revenue	6.2	(10.4)	(16.6)
Total revenue available for nonfuel expenses	211.5	194.1	(17.4)
Nonfuel expenses			
Operation & maintenance	119.3	106.6	12.7
Depreciation, amortization & decommissioning	81.0	79.1	1.9
Interest & debt-related	37.1	33.8	3.3
Total nonfuel expenses	237.4	219.5	17.9
Net Income (Loss)	\$ (25.9)	\$ (25.4)	\$ 0.5

Highlights:

- **Operating Revenue**
 - Revenue higher due to weather-driven sales growth & higher fuel costs (which are reflected in higher fuel charges on the bill).
 - Revenue net of fuel costs & city payment is flat to plan YTD.
- **Non-Operating Revenue**
 - Primarily driven by lower fair market value of investment portfolios.
- **Operating & Maintenance**
 - Below plan due to savings driven by Business & Technology Excellence (ERP, Data Center, VxRail) & Power Generation projects.
- **Interest & debt-related**
 - Reflects favorable execution to plan as a result of borrowing less debt than budget.

**Net Income is on
par with budget
YTD.**

NET INCOME

2+10 LE FORECAST VS. BUDGET

(\$ in millions) Description	FY2023	
	Budget	Forecast
Revenue available for nonfuel expenses		
Electric	\$ 2,716.6	\$ 2,716.6
Gas	229.7	229.7
Total operating revenue	2,946.3	2,946.3
Less:		
Electric fuel, distribution gas & regulatory	1,069.9	1,069.9
Payments to the City of San Antonio	388.2	388.2
Net operating revenue	1,488.2	1,488.2
Nonoperating revenue	34.4	34.4
Total net revenue available for nonfuel expenses	1,522.6	1,522.6
Nonfuel expenses		
Operation & maintenance	729.7	729.7
Depreciation, amortization & decommissioning	484.2	484.2
Interest & debt-related	231.5	231.5
Total nonfuel expenses	1,445.4	1,445.4
Net Income (Loss)	\$ 77.2	\$ 77.2

- At this time, we are maintaining full year net income guidance in line with budget.
- Will continue to monitor variances for potential adjustments in subsequent months.

No change to full year guidance at this time.

FLOW OF FUNDS

2+10 LE FORECAST VS. BUDGET

Description	FY2023	
	Budget	Forecast
Revenues, net of unbilled	\$ 2,958.5	\$ 2,958.5
Less: city payment (CP) per flow of funds	388.2	388.2
Revenues, net of unbilled & CP	2,570.3	2,570.3
Less: fuel & regulatory expense	1,058.8	1,058.8
Revenues, net fuel & regulatory	1,511.5	1,511.5
Operation & maintenance	731.2	731.2
Debt service	435.4	435.4
Total expenses	1,166.6	1,166.6
6% Gross Revenue to R&R	177.5	177.5
Remaining to R&R	167.4	167.4
Total R&R fund additions	\$ 344.9	\$ 344.9
Total capital expenditures	\$ 762.1	\$ 762.1

- No change to forecast as only 2 months of actuals are available.
- Will evaluate potential forecast changes with a full quarter of results after next month.

No change to full year guidance at this time.

KEY FINANCIAL METRICS

2+10 LE FORECAST VS. BUDGET

	<u>Threshold</u>	<u>FY2023 Budget</u>	<u>FY2023 Forecast LE2</u>	<u>Variance</u>
Debt Service Coverage Ratio	1.50	1.79	1.79	-
Debt Capitalization Ratio	<60%	61.66%	61.66%	-
Days Cash On Hand	150	170	170	-
Net Income	>\$0	\$77.2M	\$77.2M	-

We are still on track to meet the metrics outlined in the approved budget.



***COMMUNITY COMMITMENTS
UPDATE
AS OF APRIL 15, 2022***

Informational Update

COMMUNITY COMMITMENTS MONTHLY UPDATE

HIGH LEVEL STATUS ON HOW WE ARE BETTER SERVING OUR CUSTOMERS

Legend

On-Track

At-Risk

Driver	Major Commitments	Status	Update
 Customers & Community	Energy Efficiency & Conservation Program Public Input		<ul style="list-style-type: none"> Engagement efforts continue to educate on the potential of future programs. Current authorization for programs end in July of 2022.
	Generation Resource Planning Public Input		<ul style="list-style-type: none"> Presented back cast simulation to Rate Advisory Committee (RAC), reviewing with subcommittee Developing RAC activity schedule
	Rate Design Public Input		<ul style="list-style-type: none"> Cost of Service study with outside vendor is underway (targeting late summer completion). Exhaustive internal data collection has begun to support this effort.
	Connecting Customers with Support		<ul style="list-style-type: none"> Added 6K customers to Affordability Discount Program; Currently 58k with target of 65K Received ~13k ARPA applications for accounts and allocated ~\$2.1M of \$20M ARPA target Manually processing ~500 ARPA apps/week; Adding resources Partnering with City of San Antonio on auto-qualifications & extending time frame covered
 People	Safety Culture Fundamentals		<ul style="list-style-type: none"> Operational Leaders preparing Learning Plans Observation Refresh Training is being finalized for delivery in April
	Retain & Attract Talent		<ul style="list-style-type: none"> Project exceeding front-line hiring goal for Q1, ability to compete on compensation for advanced technical roles remains at risk
 Infrastructure Resiliency	Strengthen Generation Capabilities to meet Extreme Conditions		<ul style="list-style-type: none"> Lee West fuel oil system design in progress Executing Request for Proposal (RFP) process for natural gas transportation & storage services Developing work packages for operating procedure updates & priority 2 equipment upgrades
	Enhance Communication & Grid Management in Major Events		<ul style="list-style-type: none"> Reclosures (field switches) installation & vegetation management proceeding as planned
 Reliable Growth	Support Expanding Community		<ul style="list-style-type: none"> Continued residential & commercial growth Supply chain delays are impacting projects, maintaining consistent updates to customers & working through alternative designs, where possible
 Technology	Digital ERP Plan to Mitigate System End-of-Life		<ul style="list-style-type: none"> Completed 180+ workshops to inform business case development & subsequent technology RFP development On track to kick off digital and data capabilities assessment & roadmap development in May 2022
	Data Center Transformation		<ul style="list-style-type: none"> Onboarded execution partners & internal team members, conducted orientation workshops for business area support & developed project plan for application migration.