June 27, 2022

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

Dear Trustees and Mr. Garza:

Attached is our monthly Enterprise Performance Update, which includes results through May 2022, as well as Key Results that will reflect Q1 (February – April 2022). Like last month, this report includes:

- Financial performance;
- Tier 1 metrics performance; and
- Q1(February - April 2022) updates on community commitments included in our FY2023 budget.

At the June 27, 2022 Board of Trustees meeting (based on our rotational approach), we will present the Q1 Key Results/Community Commitments and the full report will be posted on our website for full public accessibility and transparency.

Highlights from the Enterprise Performance Update this month include:

## Financial Performance

Our year to date (YTD) performance through May resulted in a net income position that was just over $1 million. During the first part of the year, our budget actually accounts for a net loss, but due to higher sales than expected from weather-related demand, we are outperforming our budget YTD by over $33 million. We expect the favorability in demand to continue throughout the summer, but do see some headwinds in the remainder of the year that may offset this revenue. Despite these potential headwinds, we are able to sufficiently cover our operational needs. To that end, we expect net income to be in line with our budget of $77 million. From a flow of funds perspective, we have modestly outperformed our projected Repair & Replacement contributions for the year compared to the budget and project that this trend will continue. Notably, our financial metrics remain on par with expectations and with some modest improvements to our coverage and debt / capitalization ratios.

YTD financial highlights include the following:

- Our top line revenue was $197.0 million above plan. This is primarily driven by fuel costs that were ~$157 million above plan. Weather also played a factor as electric sales were 6.2% above budget and gas sales were 8.6% above budget. As a reminder, fuel costs are a pass through, meaning the fuel revenue does not provide any financial benefit to CPS Energy.
- As mentioned in previous updates, rising interest rates remain a factor and continue to drive unfavorable "mark to market" adjustments on our long-term bond investments. In May, we had small gains in our portfolio which slightly lowered the YTD unfavorability in non-operating revenue to ~$20 million unfavorable to budget. Importantly, these fair market value adjustments do not impact cash flow performance.
- Total revenue available for non-fuel expenses was $13.6 million higher than plan.
- O&M expenses were $11.6 million below budget primarily due to lower technology and STP spend. Much of this spend is expected to occur later in the year. Other non-fuel favorability (e.g., lower interest and debt-related costs) contributed to total non-fuel expenses outperforming plan by $20 million.
- Net income of $1.1M was $33.6M above budget.
- On the Flow of Funds, our R&R additions are $59.3M YTD, modestly outperforming the budget by $9.3M.

Summary of our FY2023 financial projections:

- Adding May results to our full year projection, top line revenue is still forecast to be above budget for the year.
- The application of ARPA funding to past-due accounts is still building momentum, and we are seeing persistently high aged receivables. As a reminder, our full-year financial forecast includes a net revenue reduction of ~$10M to reflect the net impact of higher aged receivables and application of ARPA funds. We are closely monitoring our receivables to ensure our budget can absorb the variance to plan.
- We continue to watch the macro economic environment as the Federal Reserve continues their interest rate increases to mitigate inflation. Rising interest rates adversely impact net income but do not affect our cash position.
- Despite strong year-to-date O&M and interest and debt-related cost favorability, we expect non-fuel expenses to be on par with budget for the full year.
- Our projected net income for our latest full-year projection is on par with budget at $75.7 million (vs. budget of $77.2 million).

- Projected year-end Key Financial Metrics remain on par with some ratios, showing slight improvements to budget: Adjusted Debt Service Coverage increased modestly to 1.84x, and our Debt Capitalization ratio improved more than 60 basis points relative to budget to 61.02%. Days Cash on Hand remains on par with budget, at 169 days.

**Tier 1 Metrics Performance**

As of May 31, 2022, 14 of our 15 Tier 1 metrics remain on track to meet end of year targets. These metrics are a balanced set of standardized industry measurements of our ability to serve our customers and validate our performance.

Customer Satisfaction - Residential remains at risk. As noted last month, this is due mostly to a downturn experienced from the recent rate increase and negative media last year. We remain committed to supporting our customers and to connecting, listening, engaging and serving our community. We anticipate our numbers will reflect improvement in the Q2 report release.

Although the year-end Latest Estimate (LE) for Recordable Incident Rate continues to trend above our year-end target, we have seen a decrease in recordable incidents from April to May. If we maintain this downward trend in incidents, we can achieve the target. If recordable injuries increase again, the metric likely will be at-risk in the coming reports.

**Status Updates on Community Commitments**

We are at target for all of our 11 commitments through Q1 (February – April). Billed as "key results," these are the major initiatives to which we committed. We believe their completion will ensure we deliver on our community's most important initiatives. For transparency and clarity, qualitative updates will be reported at the end of every quarter.

Thank you, again, for your leadership and support.

Sincerely,

Lisa

Cory Kuchinsky, CPA
CFO & Treasurer

Lisa Lewis
CAO

PK

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:*

**Lisa Lewis**
Chief Administrative Officer, Administration, CAO

June 27, 2022

*Informational Update*

# AGENDA

- Review Strategic Objectives
- Overview of Key Results

# STRATEGIC OBJECTIVES OVERVIEW

*As a locally owned utility, we seek to be a valuable partner in enhancing the quality of life in our community.*

*<u>Vision 2027 - An Evolving Utility</u>, focuses on strategic objectives to meet our mission through the **lenses of equity and security, enabled by technology and innovation.***

### OPERATIONAL EVOLUTION

We embrace innovation and balanced solutions to bring overall value and resiliency to our customers through improved efficiency, sustainability, and management of risk.

### FINANCIAL STABILITY

We focus on sound budget discipline and key financial metrics to leverage our strong brand in the financial markets.

### CUSTOMER EXPERIENCE

We strive to connect with our diverse customers equitably and in the way they prefer.

### ENGAGED & SERVICE-ORIENTED CULTURE

We focus on talent management building a culture of empowerment and engagement in meeting our mission to serve.

### COMMUNITY PARTNERSHIP & GROWTH

We are a community partner that works transparently and collaboratively to support key decisions, innovation, and economic growth.

# KEY RESULTS AT A GLANCE
## TRANSPARENCY IN COMMUNITY COMMITMENTS

Key Results provide a transparent narrative and measurement of our commitments to the community

Key Results support our industry metrics and align with financials to create an actionable plan to execute

We measure progress quarterly and will provide transparent communication both internally and externally on achievements and challenges

**Aligning on our commitments to the community helps us better serve our customers**

# STRATEGIC OBJECTIVE DASHBOARD

## ALL KEY RESULT TARGETS MET IN Q1

*As of 4/30/2022*

| Strategic Objectives | Key Result | Progress |
|---|---|---|
| Customer Experience | Connecting Customers with Support | 32% |
| Engaged & Service – Oriented Culture | Safety Culture Fundamentals | 26% |
| | Retain & Attract Talent | 44% |
| Operational Evolution | Strengthen Generation Capabilities to meet Extreme Conditions | 34% |
| | Enhance Communication & Grid Management in Major Events | 27% |
| | Support Expanding Community | 24% |
| | Digital Enterprise Resource Planning | 23% |
| | IT Systems Modernization | 25% |

# RETAIN & ATTRACT TALENT
# BUILDING & SUSTAINING THE RIGHT TEAM

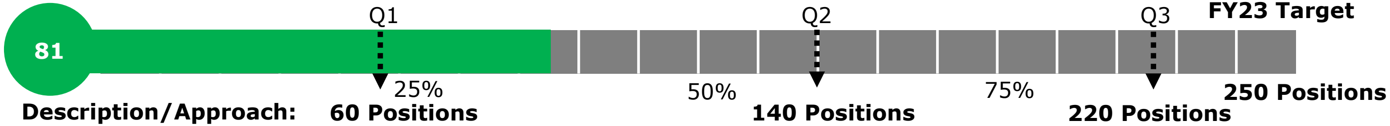
*As of 4/30/2022*

**APPROACH**
- Partner with work programs across city to develop and recruit
- Assess compensation and adjust to more closely align to market

**RISKS**
1. Competitive labor market limits candidates
2. Market matching exceeds budget target

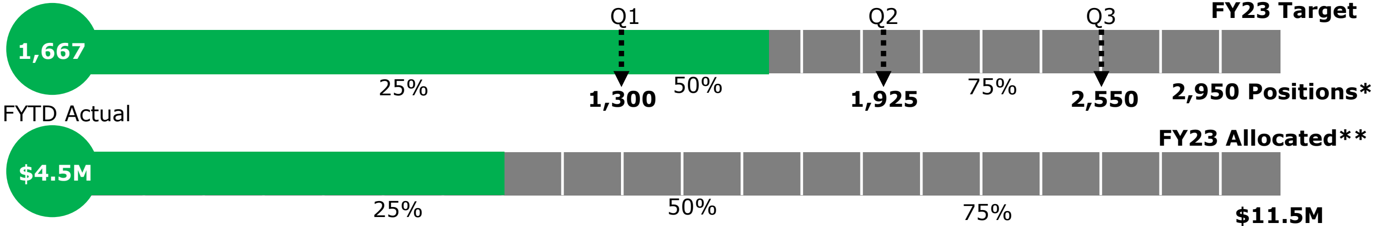
## PLAN & PROGRESS

**Number of Front-Line Positions Filled in FY23:** Goal Threshold = 238 Positions




**Description/Approach:**
- Focused on filling front-line positions that are essential to serving customers (Utility Workers, Trainees, Analysts, Engineers, Energy Advisors, etc.)
- Target to have 88% of hires by end of Q3

**Positions Market Matched & Allocated Funds Tracked for Awareness:** Goal Threshold = 2,800 positions




**Description/Approach:**
- Compensation analysis of all positions to assess market competitiveness and need for base salary adjustments

**Updates**

**Number of Front Line Positions Filled:**
- On track and exceeded front-line hiring goal for Q1
- Our recently initiated compensation market pricing efforts are helping to close the gap in competing for talent; however, our ability to compete on compensation for advanced level STEM roles remains at risk

**Positions Market Matched & Allocated Funds:**
- We are trying to close the gap with market matching and merit
- Considering small sign-on and retention incentives to help mitigate gaps
- Annualized turnover rate is projected to be 12% by year end

** Employee count as of Jan 31, 2022*

*** Represents $ budgeted & allocated, tracking for visibility but not a target*

# DIGITAL ENTERPRISE RESOURCE PLANNING (ERP)

## GAP ANALYSIS & ROADMAP TO MITIGATING CORE SYSTEM END OF LIFE

*As of 4/30/2022*

**APPROACH**

- Complete ERP assessment and Digital and Data strategy
- Develop plan and roadmap to deliver business requirements

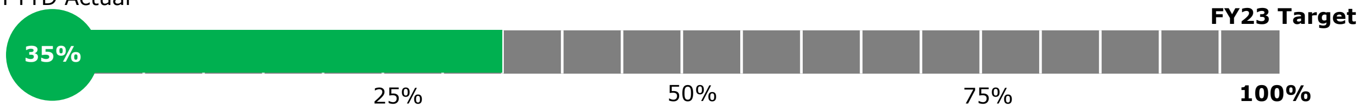
**RISKS**

1. Resource Constraints
2. Requirements Gathering
3. Organizational Alignment
4. Shared Services Support

**PLAN & PROGRESS**

**Assessment & Business Case:** Goal Threshold= Complete Assessment & Comprehensive Business Case

FYTD Actual

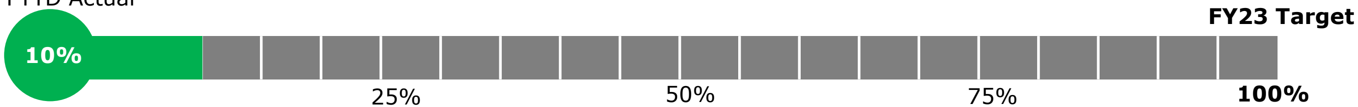



**Description/Approach:**

- Establish scope of transformation and document current state capabilities & processes for incorporation into ERP RFP
- Develop comprehensive business case with defined investment projections and projects ROI
- Finalize scope of digital outcome (security, employee productivity, customer engagement, and organizational agility)
- Prioritize initiatives focused on employee productivity and automation, data security and governance, and removing friction from customer experiences

**Technology Partner Selection:** Goal Threshold= 75%

FYTD Actual




**Description/Approach:**

- Develop future state technology RFP leveraging outputs from assessment & strategy activities
- Release RFP and evaluate suitable vendors leveraging a cross-functional enterprise team
- Negotiate agreement terms & established implementation strategy

**Updates**

**Assessment & Business Case:**

- Read out sessions are now complete w/ CEO Directs + Team
- Business case development in progress
- Digital Strategy Partner contract nearing finalization with pre-onboarding activities underway

**Technology Selection:**

- Planning discussion initiated with Supply Chain

# SUPPORT EXPANDING COMMUNITY

## ACCOMMODATING CUSTOMER GROWTH & IMPROVING RELIABILITY

***As of 4/30/2022***

**APPROACH**

- Survey new design & construction project owners to ensure we are meeting their needs
- Improve collaboration with community to better identify future growth
- Improve efficiencies in new design & construction processes to enable growth
- Install new and upgrade existing infrastructure to accommodate customer growth and provide for sustainable reliability

**RISKS**

1. Supply chain material shortages affecting construction timelines
2. Hyper-inflation of commodities
3. Potential delays in construction due to possible labor shortages
4. Dramatic shifts in pace of growth

**PLAN & PROGRESS**

**Households & Businesses :** Threshold = About 2% growth

Electric Actual: Residential-833,158; Business-96,465

**929,623** | 25% | 50% | 75% | **FY23 Forecast** **945,804**

Gas Actual: Residential-358,558; Business-20,287

**378,845** | 25% | 50% | 75% | **385,164**

**Description/Approach:** Support growth through designing and constructing new facilities

**System Miles:** Goal Threshold = 90% Threshold

Electric Actual

**14,769** | 25% | 50% | 75% | **FY23 Forecast** **14,837**

Gas Actual

**5,892** | 25% | 50% | 75% | **5,950**

**Description/Approach:** Support growth & reliability through new & improved system infrastructure

**Updates**

**New Electric:**

- 5,965 electric customers were added in Q1 of the 22,146 forecasted for the year. We have experienced 27% of our forecasted growth for the year

**New Gas:**

- 1,526 gas customers were added in Q1 of the 7,845 forecasted for the year. We have experienced 19% of our forecasted gas growth for the year

**Electric Miles:**

- 22 miles of electric system were added in Q1 of the 90 miles forecasted for the year, representing 24% of our planned electric system mile additions

**Gas Miles:**

- 20 miles of gas system were added in Q1 of the 78 miles forecasted for the year, representing 26% of our planned gas system mile additions

# *Thank You*

# APPENDIX

# KEY RESULTS

# ADDITIONAL INFORMATION

# CONNECT CUSTOMERS WITH SUPPORT
# MINIMIZE CUSTOMER ACCOUNT DISCONNECTIONS

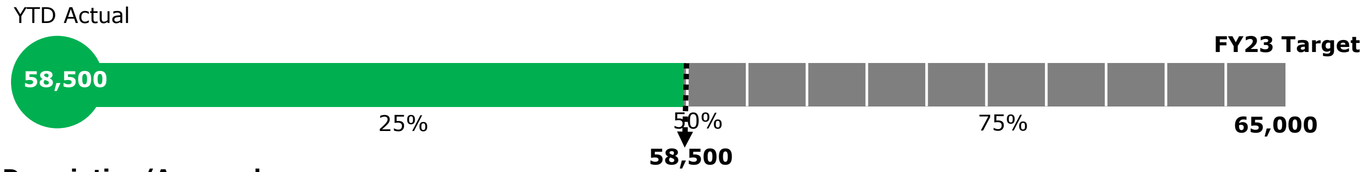
*As of 4/30/2022*

**APPROACH**
- Increase community outreach and customer communication
- Develop and implement enrollment and credit process
- Identify partners and opportunities for auto-enrollments

**RISKS**
1. Manual process to enroll customers, average turn around is 4-6 weeks
2. Eligible balances for American Rescue Plant Act includes past due amounts from March 2020 through March 2022

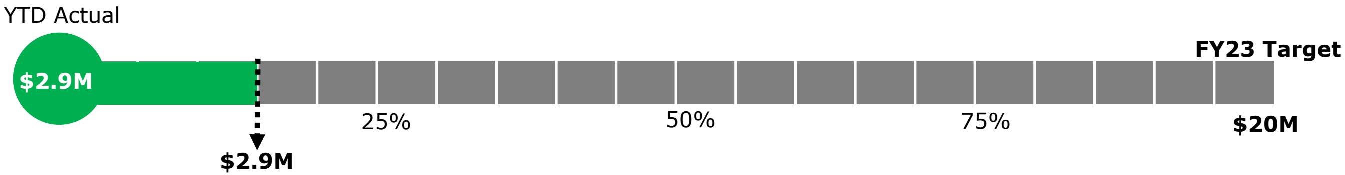
## PLAN & PROGRESS

**People on Affordability Discount Program:** Goal Threshold= 65,000




**Description/Approach:**
- Automated enrollment of customers has helped us connect 1,000 more customers than expected, starting at 52k

**ARPA Funds Applied to Customer Accounts:** Goal Threshold= TBD




**Description/Approach:**
- Application of credits began week of 2/14/2022

**Updates**

**Affordability Discount Program:**
- Starting point before rate increase: 52,000 Customers
- Q1: 58,500 Customers

**ARPA Funds:**
- Started applying credits in February
- Q1: $2.9M applied
- Effective May 18th ARPA agreement amended to extend the eligible balances to be from March 2020 to March 2022

# IT SYSTEMS MODERNIZATION

## ENSURE RELIABLE SERVICES FOR BUSINESS & OPERATIONAL TECHNOLOGIES

***As of 4/30/2022***

**APPROACH**

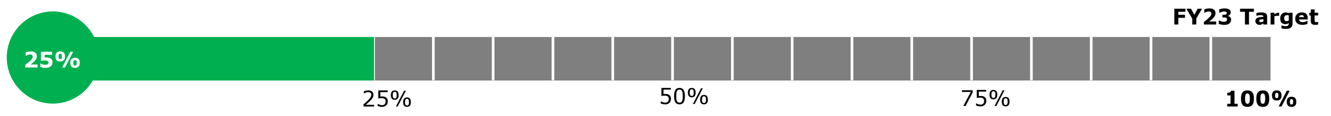
- Leverage secure cloud computing solutions for selected applications
- Update core data center infrastructure to provide security and resiliency
- Evaluate and select new technologies via RFP process to improve SCADA operations

**RISKS**

1. Resource Capacity
2. Multiple Vendor Management
3. Technical Infrastructure Gaps
4. Shared Services

**PLAN & PROGRESS**

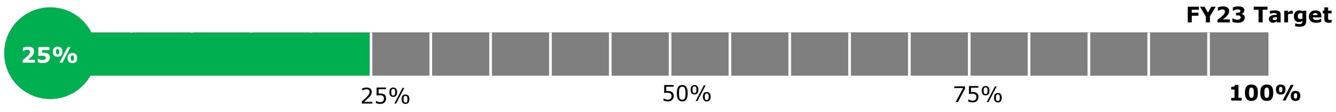
**Data Center Transformation:** Goal Threshold = 100% of Systems Migrated to Future State




**Description/Approach:**

- Inventory all applications running on legacy data center infrastructure and identify migration target
- Deploy new data center infrastructure and complete cloud foundation activities
- Migration of all workloads, partnering with business stakeholders, to new supporting platform
- Complete comprehensive testing plan to ensure production readiness

**SCADA Roadmap:** Goal Threshold = 75%




**Description/Approach:**

- Evaluate and select EMS & Advanced Distribution Management System (ADMS) via RFP process
- Negotiate vendor agreement(s) and finalize implementation strategy
- Transition to new platform(s)

**Updates**

**Data Center Transformation:**

- Cloud Migration wave planning in-progress with wave 1 expected to begin in July
- SAP migration kickoff planned for May 16th

**SCADA Roadmap:**

- RFP respondents down-selected with vendor presentation in-progress
- Evaluating resource plans to inform implementation approach

# ENHANCE COMMUNICATION & GRID MANAGEMENT IN MAJOR EVENTS

## IMPROVING OUR RESILIENCY TO SERVE OUR CUSTOMERS

*As of /4/30/2022*

**APPROACH**
- Enhance ability to communicate to customers through multiple channels
- Utilize Light Detection and Ranging (LiDAR) results to prioritize tree-trimming
- Deploy reclosers to improve grid reliability

**RISKS**
1. Supply chain and labor shortages

**PLAN & PROGRESS**

**Situational Awareness & Communication:** Goal Threshold = Establish a platform

FYTD Actual: **25%** | 25% | 50% | 75% | **100%** — **FY23 Target**

**Description/Approach:**
- Enable CPS Energy decision makers to access operational data and information that allows them to: a) effectively and efficiently manage an outage situation, b) provide relevant updates to internal and external stakeholders and customers

**Vegetation Management Spend:** Goal Threshold = $10.5M ~470 miles

FYTD Actual: **$3.057M** | Q1 25% | Q2 50% | Q3 75% | **FY23 Target** **$11.7M~525 Miles**

**Description/Approach:**
- Prioritize key areas of focus based on reliability and LiDAR technology

**Grid Resiliency (Reclosers):** Goal Threshold = $9M ~ approx. 137 units

FYTD Actual: **40 REs** | Q1 25% | Q2 50% | Q3 75% | **FY23 Target** **$10M~144 Reclosers (REs)**

**Description/Approach:**
- Adding additional field switches to better segment the grid and manage outages

**Updates**

**Situation Awareness:**
- Search for a digital solution to support Situation Awareness has begun. Team coalescing around initial use cases to be enabled on the situational awareness platform

**Vegetation Management:**
- Additional crews assisted with trimming (181 miles completed)
- LiDAR data for CPS Energy service territory processing to be completed by end of May

**Grid Resiliency:**
- FY23 YTD installed 40 reclosers (REs) to better manage outages. 28% of 144 goal completed

# SAFETY CULTURE FUNDAMENTALS

## ENHANCING SAFE WORK THROUGH TRAINING & ENGAGEMENT

*As of /4/30/2022*

**APPROACH**

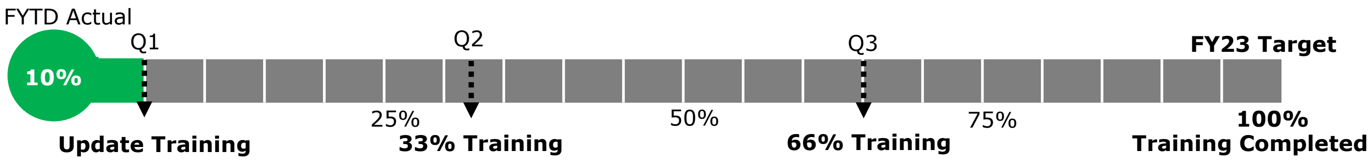
- Update operational and safety training requirements
- Complete operational foundation and safe work training
- Retrain on observation objectives and skills
- Formalize more interaction with crews
- Improve preparedness and hazard awareness dialogue

**RISKS**

1. Employee adoption
2. Consistent quality of observations

**PLAN & PROGRESS**

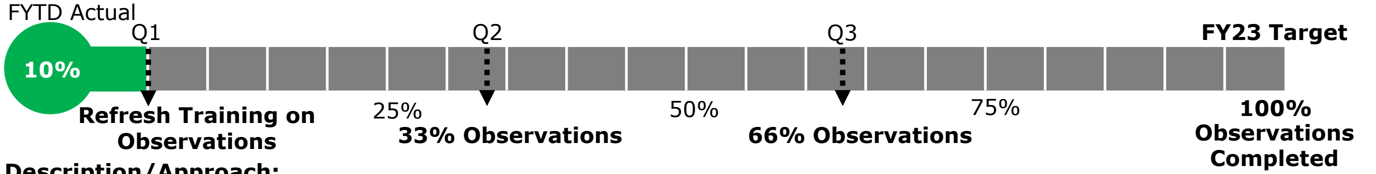
**Safety Training:** Goal Threshold= New employee, continuing education, and safety training




**Description/Approach:**

- Q1 Review and update operational and safety training requirements
- Complete FY23 Annual Safety and Operations training

**Behavior – Based Safety Field Observations:** Goal Threshold= Observations by Field Manager, Supervisors, Foreman, and Safety Professionals as of May 25, 2022.




**Description/Approach:**

- Refresh training on observations for all managers, supervisors, and foremen in Q1 FY22
- Managers, Supervisors, Foremen, and Safety Professionals conduct quality observations at defined rate by role

**Updates**

**Safety Training:**

- Partnered with company leaders to identify key safety training requirements for the year

**Behavior – Based Safety Field Observations:**

- Training has been provided for foremen, supervisors, and managers of employees in hazardous positions to reframe how observations are performed and used
- Safety Training and Behavior-Based Observations are two important leading indicators when measuring safety

# STRENGTHEN GENERATION CAPABILITIES TO MEET EXTREME CONDITIONS

## ENHANCING INFRASTRUCTURE TO SERVE IN EXTREME CONDITIONS

CPS ENERGY

*As of /4/30/2022*

**APPROACH**

- In anticipation of new Public Utility Commission (PUC) requirements, conducting plant weatherization design studies
- Develop alternative fuel capabilities and increase primary fuel capacity and flexibility
- Prioritize investment in plant systems and infrastructure to better withstand extreme weather events

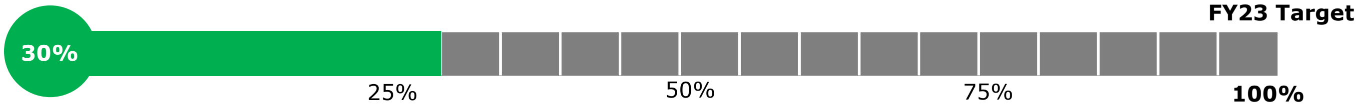
**RISKS**

1. Frequency and severity of extreme weather events are increasing
2. PUC regulatory requirements are still in development
3. Supply chain and labor shortages
4. Loss of skilled internal workforce due to retirements

### PLAN & PROGRESS

**Enhance Fuel Resiliency (%):** Goal Threshold= 95% Key Milestones

FYTD Actual

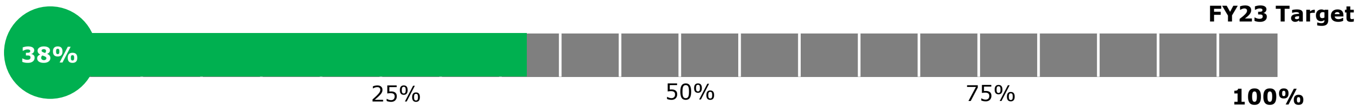



**Description/Approach:**

- Add fuel oil capability for Milton B Lee West (MBLW) Units gas turbines
- Expand natural gas transportation and storage capabilities
- Develop a resilient fuel strategy to support coal retirement and expanded renewable generation

**Strengthen Plant Weatherization (%):** Goal Threshold= 95% Key Milestones

FYTD Actual




**Description/Approach:**

- Implement updated operating procedures and increase plant equipment monitoring to improve readiness for extreme weather conditions
- Perform PUC Phase 2 plant system insulation upgrades
- Perform CPS Energy priority 2 plant equipment upgrades

**Updates**

**Enhance Fuel Resiliency:**

- Contract negotiations in progress for selected proposals from our Request for Proposal (RFP) on natural gas transportation and storage services
- Selected design engineer and completed design scope of work for MBLW Units fuel oil project

**Strengthen Plant Weatherization:**

- Updated weatherization procedures and started plant equipment monitoring projects
- Selected engineering consultant to begin design for anticipated PUC phase II weatherization requirements
- Plant teams started developing work packages and started work execution

# FINANCIAL SERVICES UPDATE AS OF MAY 31, 2022

# ELECTRIC SALES
## BY CUSTOMER SEGMENT- MAY FY2023*

| Customer Sector | Usage Growth | % of Total Load | % Impact on Total Usage |
|---|---|---|---|
| **Residential** | 18.6% | 41.3% | 7.7% |
| **Churches & Services** | 7.1% | 7.1% | 0.5% |
| **Manufacturing** | 6.7% | 2.4% | 0.2% |
| **Retail** | 8.6% | 5.5% | 0.5% |
| **Educational Services** | 7.4% | 5.4% | 0.4% |
| **Hotel & Food Services** | 7.8% | 4.6% | 0.4% |
| **Other**** | 6.9% | 33.7% | 2.2% |
| **Total System** | | **100.0%** | **11.9%** |

*Billed May 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** | 13.0% | 41.3% | 5.4% |
| **Churches & Services** | 5.0% | 7.0% | 0.4% |
| **Manufacturing** | 22.2% | 2.4% | 0.5% |
| **Retail** | 2.1% | 5.3% | 0.1% |
| **Educational Services** | 2.0% | 5.0% | 0.1% |
| **Hotel & Food Services** | 1.8% | 4.6% | 0.1% |
| **Other**** | -1.1% | 34.4% | -0.4% |
| **Total System** | | **100.0%** | **6.2%** |

*Billed May actual YTD performance to budget.

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

# KEY FINANCIAL METRICS
## REVISED FORECAST VS. BUDGET

| | Threshold | FY2023 Budget | FY2023 Forecast | Variance Favorable (Unfavorable) |
|---|---|---|---|---|
| Debt Service Coverage Ratio | 1.50 | 1.79 | 1.84 | 0.05 |
| Debt Capitalization Ratio | <60% | 61.66% | 61.02% | 0.64% |
| Days Cash On Hand | 150 | 170 | 169 | (1) |

**Our revised forecast shows modest improvement in our coverage and leverage metrics driven by stronger energy demand and favorable debt management. Our DCOH metric is tracking closely to the approved budget.**

# NET INCOME
# YEAR TO DATE ACTUAL VS. BUDGET

| ($ in millions) | FY2023 | | |
|---|---|---|---|
| Description | Budget | Actuals | Variance: Favorable (Unfavorable) |
| **Revenue available for nonfuel expenses** | | | |
| Electric | $ 761.2 | $ 921.5 | $ 160.3 |
| Gas | 76.5 | 113.2 | 36.7 |
| Total operating revenue | 837.7 | 1,034.7 | 197.0 |
| **Less:** | | | |
| Electric fuel, distribution gas & regulatory | 322.6 | 479.5 | (156.9) |
| Payments to the City of San Antonio | 90.5 | 97.3 | (6.8) |
| Net operating revenue | 424.6 | 457.9 | 33.3 |
| Nonoperating revenue | 12.1 | (7.6) | (19.7) |
| Total revenue available for nonfuel expenses | 436.7 | 450.3 | 13.6 |
| **Nonfuel expenses** | | | |
| Operation & maintenance | 232.3 | 220.7 | 11.6 |
| Depreciation, amortization & decommissioning | 162.1 | 158.6 | 3.5 |
| Interest & debt-related | 74.8 | 69.9 | 4.9 |
| Total nonfuel expenses | 469.2 | 449.2 | 20.0 |
| Net Income (Loss) | $ (32.5) | $ 1.1 | $ 33.6 |

## Highlights:

- **Operating Revenue**
  - Revenue higher due to weather-driven sales growth and higher fuel costs (which are reflected in higher fuel charges on the bill).
- **Non-Operating Revenue**
  - Primarily driven by lower fair market value of investment portfolios from rising interest rates.
- **Operating & Maintenance**
  - Favorable due to savings driven by Business & Technology Excellence (DERP, Data Center) and STP, partially offset by customer strategic initiatives, AVR overhauls and vegetation management.
- **Interest & debt-related**
  - Reflects favorable execution to plan

**Due to weather related demand, Net income is in a favorable position YTD.**

Non-cash items such as investment fair value adjustments impact total net income but does not impact financial metrics such as ADSC or DCOH. These items impact the equity portion in the debt / capitalization metric.

# NET INCOME
# 4+8 LE FORECAST VS. BUDGET

| ($ in millions) | FY2023 | | |
|---|---|---|---|
| Description | Budget | Forecast | Variance: Favorable (Unfavorable) |
| **Revenue available for nonfuel expenses** | | | |
| Electric | $ 2,716.6 | $ 3,037.8 | $ 321.2 |
| Gas | 229.7 | 363.6 | 133.9 |
| Total operating revenue | 2,946.3 | 3,401.4 | 455.1 |
| **Less:** | | | |
| Electric fuel, distribution gas & regulatory | 1,069.9 | 1,473.0 | (403.1) |
| Payments to the City of San Antonio | 388.2 | 443.6 | (55.4) |
| Net operating revenue | 1,488.2 | 1,484.8 | (3.4) |
| Nonoperating revenue | 36.4 | 33.1 | (3.3) |
| Total net revenue available for nonfuel expenses | 1,524.6 | 1,517.9 | (6.7) |
| **Nonfuel expenses** | | | |
| Operation & maintenance | 729.7 | 735.1 | (5.4) |
| Depreciation, amortization & decommissioning | 486.2 | 482.7 | 3.5 |
| Interest & debt-related | 231.5 | 224.4 | 7.1 |
| Total nonfuel expenses | 1,447.4 | 1,442.2 | 5.2 |
| Net Income (Loss) | $ 77.2 | $ 75.7 | $ (1.5) |

## Highlights:

- **Operating Revenue**
  - Revenue higher due to weather-driven sales growth and higher fuel costs (which are reflected in higher fuel charges on the bill)
  - ~$10M net reduction to revenue as past due accounts remain high
- **Non-Operating Revenue**
  - Primarily driven by lower fair market value of investment portfolios
- **Operating & Maintenance**
  - Primarily driven by leak repair work, customer strategic initiatives and AVR overhauls, offset by STP
- **Interest & debt-related**
  - Reflects favorable execution to plan

**Currently, we are projecting full year net income to be in line with budget.**

Non-cash items such as investment fair value adjustments impact total net income but does not impact financial metrics such as ADSC or DCOH. These items impact the equity portion in the debt / capitalization metric.

# FLOW OF FUNDS
# YEAR TO DATE ACTUAL VS. BUDGET

| ($ in millions) | FY2023 | | |
|---|---|---|---|
| Description | Budget | Actuals | Variance: Favorable (Unfavorable) |
| Revenues, net of unbilled | $ 833.2 | $ 987.9 | $ 154.7 |
| Less: city payment (CP) per flow of funds | 90.5 | 97.3 | (6.8) |
| Revenues, net of unbilled & CP | 742.7 | 890.6 | 147.9 |
| Less: fuel & regulatory expense | 318.9 | 477.3 | (158.4) |
| Revenues, net fuel & regulatory | 423.8 | 413.3 | (10.5) |
| Operation & maintenance | 232.9 | 221.1 | 11.8 |
| Debt service | 140.9 | 132.9 | 8.0 |
| Total expenses | 373.8 | 354.0 | 19.8 |
| 6% Gross Revenue to R&R | 50.0 | 59.3 | 9.3 |
| Remaining to R&R | - | - | - |
| Total R&R fund additions | $ 50.0 | $ 59.3 | $ 9.3 |
| Total gross non-transmission capital | $ 185.1 | $ 210.8 | $ (25.7) |

## Highlights:

- **Revenue (operating & non operating), net of unbilled:**
  - Revenue higher due to weather-driven sales growth and higher fuel costs (which are reflected in higher fuel charges on the bill).
- **Operating & Maintenance**
  - Favorable to plan due to savings driven by Business & Technology Excellence (DERP, Data Center) and STP, partially offset by customer strategic initiatives, AVR overhauls and vegetation management.
- **Debt Service**
  - Reflects favorable execution to plan.
- **Capital**
  - Higher primarily due to customer growth.

**R&R contributions are favorable to budget YTD.**

# FLOW OF FUNDS
# 4+8 LE FORECAST VS. BUDGET

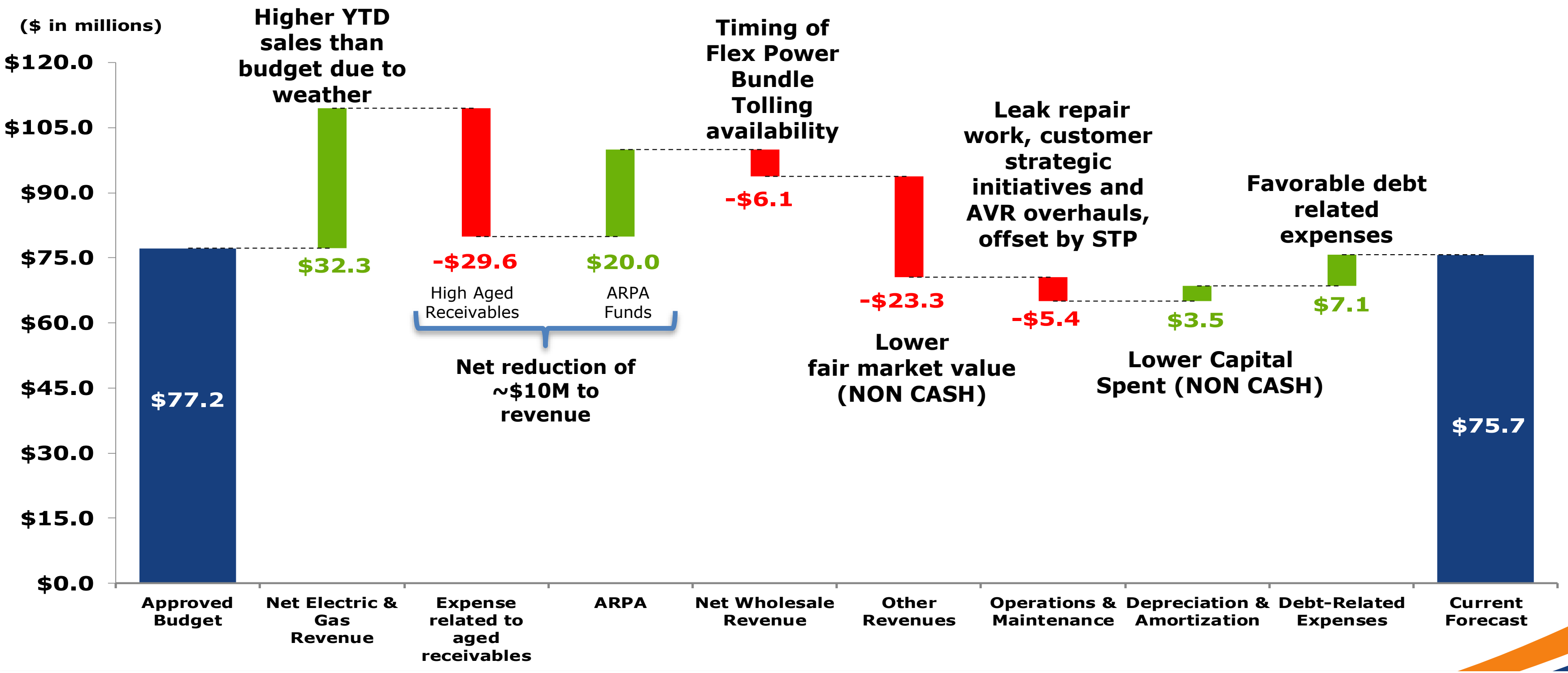
| ($ in millions) | FY2023 | | |
|---|---|---|---|
| Description | Budget | Forecast | Variance: Favorable (Unfavorable) |
| Revenues, net of unbilled | $ 2,958.5 | $ 3,432.5 | $ 474.0 |
| Less: city payment (CP) per flow of funds | 388.2 | 443.6 | (55.4) |
| Revenues, net of unbilled & CP | 2,570.3 | 2,988.9 | 418.6 |
| Less: fuel & regulatory expense | 1,058.8 | 1,463.3 | (404.5) |
| Revenues, net fuel & regulatory | 1,511.5 | 1,525.6 | 14.1 |
| Operation & maintenance | 731.2 | 736.7 | (5.5) |
| Debt service | 435.4 | 429.9 | 5.5 |
| Total expenses | 1,166.6 | 1,166.6 | - |
| 6% Gross Revenue to R&R | 177.5 | 206.0 | 28.5 |
| Remaining to R&R | 167.4 | 153.0 | (14.4) |
| Total R&R fund additions | $ 344.9 | $ 359.0 | $ 14.1 |
| Total gross non-transmission capital | $ 621.2 | $ 692.0 | $ (70.8) |

## Highlights:

- **Revenue (operating & non operating), net of unbilled**
  - Revenue higher due to weather-driven sales growth and higher fuel costs (which are reflected in higher fuel charges on the bill)
  - ~$10M net reduction to revenue as past due accounts remain high
- **Operating & Maintenance**
  - Primarily driven by leak repair work, customer strategic initiatives and AVR overhauls, offset by STP
- **Debt Service**
  - Reflects favorable execution to plan

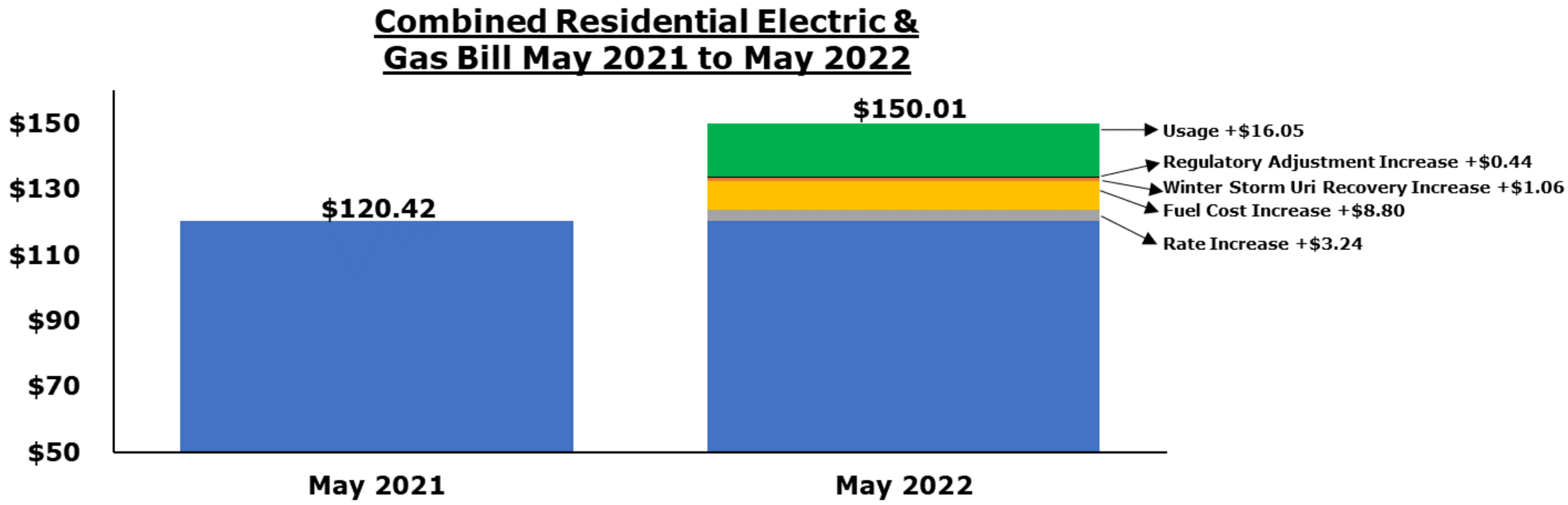
**Currently, we are projecting FY2023 R&R contributions to track favorably to budget.**

# FY2023 REVISED NET INCOME FORECAST
## BUDGET TO FORECAST WALK-FORWARD




**The net effect of these forecast changes were minimal, and they bring net income back in line with the budget for the full year.**

# RESIDENTIAL BILL IMPACT




**The rising cost of natural gas has resulted in an unavoidable impact on customers' bills.**

# TIER 1 METRICS UPDATE AS OF MAY 31, 2022

# FY2023 TIER 1 METRIC SUMMARY
## AS OF MAY 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 |

- **14 of 15 Tier 1 metrics remain on track to meet end of year target**
- **Customer Satisfaction - Residential continues at risk, mostly due to a downturn experienced from the recent rate increase and negative publicity last year. We remain committed to our customers by connecting, listening, engaging and serving our community and expect our numbers will reflect this in the 2nd quarter report release**

# FY2023 TIER 1 METRIC REPORT
## AS OF MAY 31, 2022

| Metric Name | Business Unit | Measure Frequency | Unit | Target Indicator | Historical Actuals FY 2021 CY 2020 | Historical Actuals FY 2022 CY 2021 | Current Year YTD Target | Current Year YTD Actual | Current Year Year-End Target | Year-End Forecast | Latest Estimate |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 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 | 1.61 | 1.41 | On Track | 1.55 |
| Employee Engagement – Enterprise | Administration | annually | # | ↑ | 4.1 | 3.99 | N/A | N/A | 4.04 | On Track | N/A |
| Critical IT System Availability | Business & Technology Excellence (BTE) | monthly | % | ↑ | 99.8 | 99.9 | 99.9 | 99.9 | 99.5 | On Track | 100.0 |
| Customer Satisfaction – Residential [1] | Customer Strategy | quarterly | # | ↑ | 83.2 | 78.9 | 79.0 | 76.7 | 79.0 | At Risk | 77.9 |
| System Average Interruption Duration Index (SAIDI) [1] | Energy Delivery Services | monthly | # | ↓ | 56.85 | 67.68 | 23.90 | 22.38 | 63.70 | On Track | 62.18 |
| System Average Interruption Frequency Index (SAIFI) [1] | Energy Delivery Services | monthly | # | ↓ | 0.93 | 1.01 | 0.37 | 0.35 | 0.98 | On Track | 0.96 |
| Portfolio Commercial Availability [1] | Energy Supply | monthly | % | ↑ | 93.9 | 77.1 | 88.9 | 84.7 | 88.9 | On Track | 89.5 |
| Adjusted Debt Service Coverage | Financial Services | monthly | # | ↑ | 1.59 | 1.66 | 1.35 | 1.45 | 1.79 | On Track | 1.84 |
| Capital Budget [2] | Financial Services | monthly | $ | ↓ | 630.8 | 689.5 | 251.2 | 231.1 | 832.9 | On Track | 795.1 |
| Days Cash on Hand | Financial Services | monthly | # | ↑ | 209 | 182 | 153 | 124 | 170 | On Track | 169 |
| 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 | 232.3 | 220.7 | 729.7 | On Track | 735.1 |
| Gas System Growth | Gas Solutions | monthly | % | ↑ | 2.33 | 1.97 | 0.63 | 0.61 | 1.85 | On Track | 1.85 |
| Environmental Compliance Issues - NOE & NOV (Category A & B) Enterprise | Legal & General Counsel | 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.