



CEO'S REPORT

REGULAR BOARD MEETING

PRESENTED BY:

Paula Gold-Williams

President & Chief Executive Officer (CEO)

November 16, 2020

Informational Update

Please note the disclaimer at the end of this presentation.

OBJECTIVES & TAKEAWAYS



- **EXPLAIN HOW OUR VALUE PILLARS GUIDE US**
- **HIGHLIGHT AFFORDABILITY & RELIABILITY**
- **COVER SUSTAINABILITY SUCCESSES**
- **SHOW HOW OUR RESIDENTIAL RATES COMPARE WELL TO COMPETITIVE TEXAS MARKETS**
- **COVER COMPLEXITIES, INCLUDING:**
 - ❑ **WHOLESALES SALES, RENEWABLES, ETC.**
- **SHOW HOW BUSINESSES HELP RESIDENTS**
- **AGAIN DEMONSTRATE HOW VELOCITY MATTERS**

- **VALUE PILLARS – AFFORDABILITY & RELIABILITY**
- **OUR MANY ENVIRONMENTAL RESPONSIBILITY COMMITMENTS**
- **S.A. RESIDENTIAL BILL FAVORABILITY**
- **UTILITY ENERGY BUSINESS COMPLEXITIES**
 - ❑ **WHOLESALE SALES & RELIABILITY**
- **VELOCITY MATTERS**

GUIDED BY OUR VALUE PILLARS & FOUNDATION



Reliability *Customer Affordability*



Security



Safety



Environmental Responsibility



Resiliency



***FINANCIALLY
RESPONSIBLE***

**All business decisions are based on our commitment
to being one of the best-managed & most
financially responsible utilities in the nation!**

GUIDED BY OUR VALUE PILLARS



We listen to our customers TO AVOID RISKS

Per frequent surveys, customers tell us that their first priorities are:

Reliability



**We work to prevent
ROLLING BLACKOUTS!**

Customer Affordability



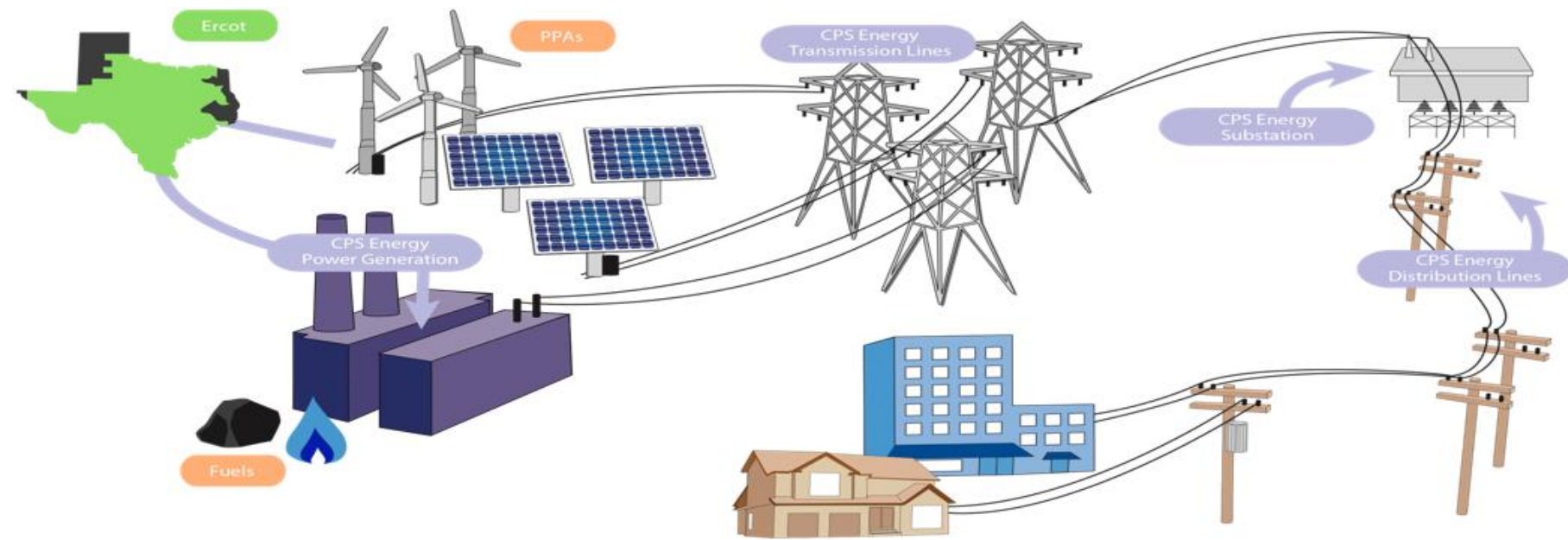
**We work to prevent
BILL SHOCK!**

UTILITY ENERGY

MAKE IMPORTANT INVESTMENTS



TO SUPPORT RELIABILITY & AFFORDABILITY, we fulfill our obligation to serve by building & maintaining infrastructure. This is a significant part of our overall cost structure.



GUIDED BY OUR VALUE PILLARS

OUR APPROACH IS SUCCESSFUL



RELIABILITY:

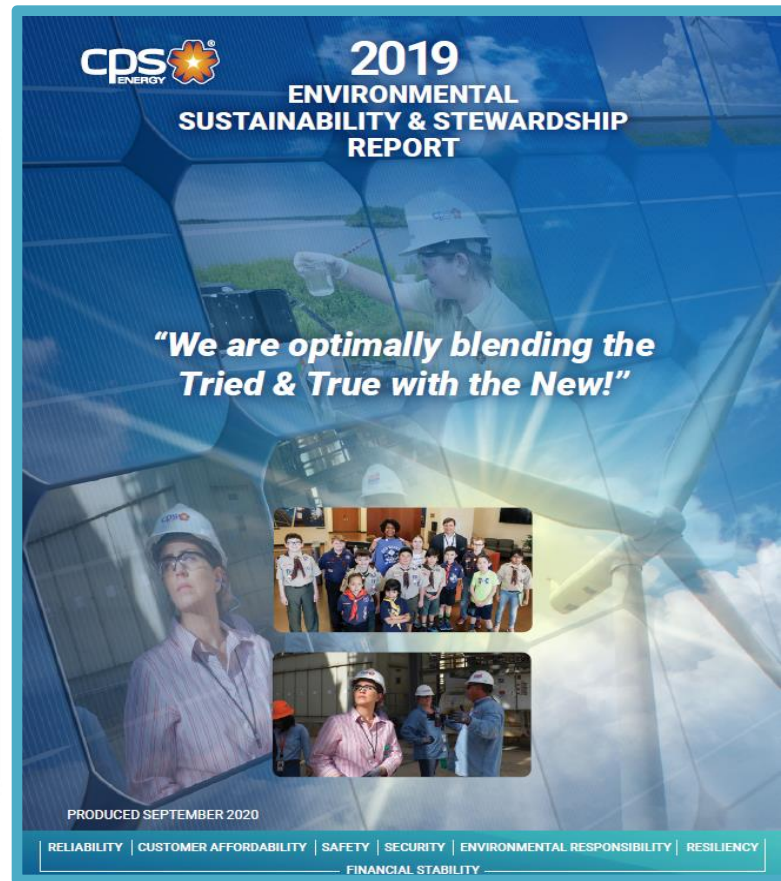
- We developed our innovative Flexible PathSM strategy to ensure we incorporate clean energy proactively & carefully.

CUSTOMER AFFORDABILITY:

- We have had ONLY 1 Rate Increase in almost 10 years.
- That 1 Rate Increase was 6 Years ago.
- Our generation portfolio has protected S.A. from energy market PRICE SPIKES.

KEY SUCCESSFUL ENVIRONMENTAL COMMITMENTS TO DATE!

- 2000 → We started investing in wind.
- 2012 → We started investing in solar.
- 2017 → I created the *Flexible Path* SM.
- 2018 → We closed OLDER Coal units.
- 2019 → Via our *Flexible Path* SM, we are focused on 80% reductions in carbon emissions by 2040.
- 2019 → Board of Trustees endorsed the CAAP & we are now working toward full carbon neutrality by 2050.
- 2019 → STEP successfully completed.



DRIVING VALUE FOR CUSTOMERS

GET MORE FOR THEIR MONEY – ANNUALLY



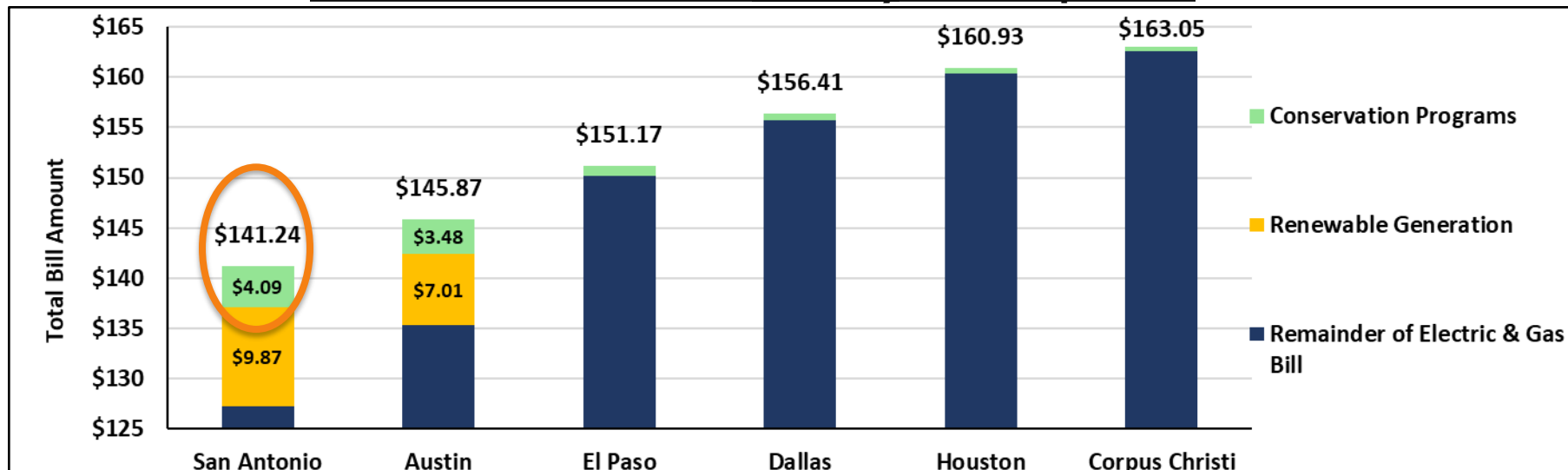
1ST

CONGRATULATIONS
SAN ANTONIO FOR BEING
A SHINING CITY FOR
SOLAR ENERGY!

San Antonio Ranks 1st in Texas & 5th in the U.S. for
Solar Energy Within City Limits

~10% of customers' bills goes to funding
our commitment to sustainability
(vs. <1% in some Texas cities).

Texas Cities Residential Monthly Bill Comparison



Note: Bills reflect 12-month average pricing through August 2020; shown at average monthly usage of 1,000kWh & 5MCF. This data represents standard, non-promotional rates.

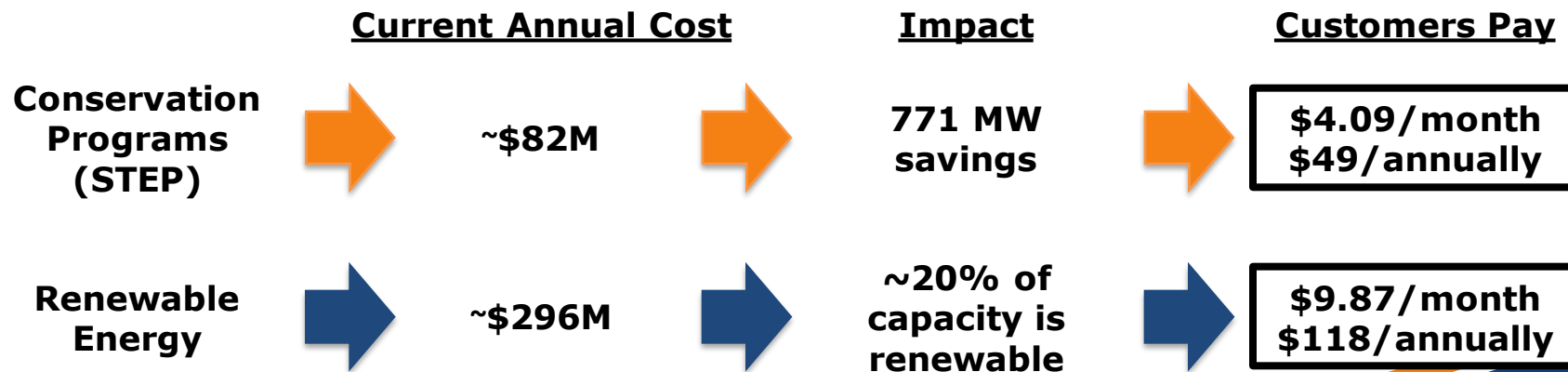
DRIVING VALUE FOR CUSTOMERS

HOW WE SPEND MATTERS



EVERYTHING COSTS MONEY:

- ~10% of customers' bills goes to funding our commitment to sustainability (vs. <1% in some Texas cities).
- We are engaging our community to design the future of these programs.



UTILITY ENERGY

COMPLEX – COST PLUS / RECOVERY BUSINESS



TYPE →

SYSTEMS →

ELECTRIC

↑
**We work to
give the
benefits of
Competition!**

RETAIL

GAS

WHOLESALE

Competitive

- Our sources of revenues come from our customers -
 - ❑ **WE DON'T PRINT MONEY.**
- We do not get tax credits or Federal Funds like CARES¹.
- Statutorily, we must charge "rates sufficient."
- Our competitive businesses help offset costs / add value to retail electric customers!

WE ACTIVELY MANAGE RISKS



**We work to prevent
ROLLING BLACKOUTS!**

Reliability



PROBLEM:

- **No SOLAR energy when the sun doesn't shine!**
- **No WIND energy when the air doesn't blow strongly!**

**We work to prevent
BILL SHOCK!**

*Customer
Affordability*



EVERYTHING COSTS MONEY!

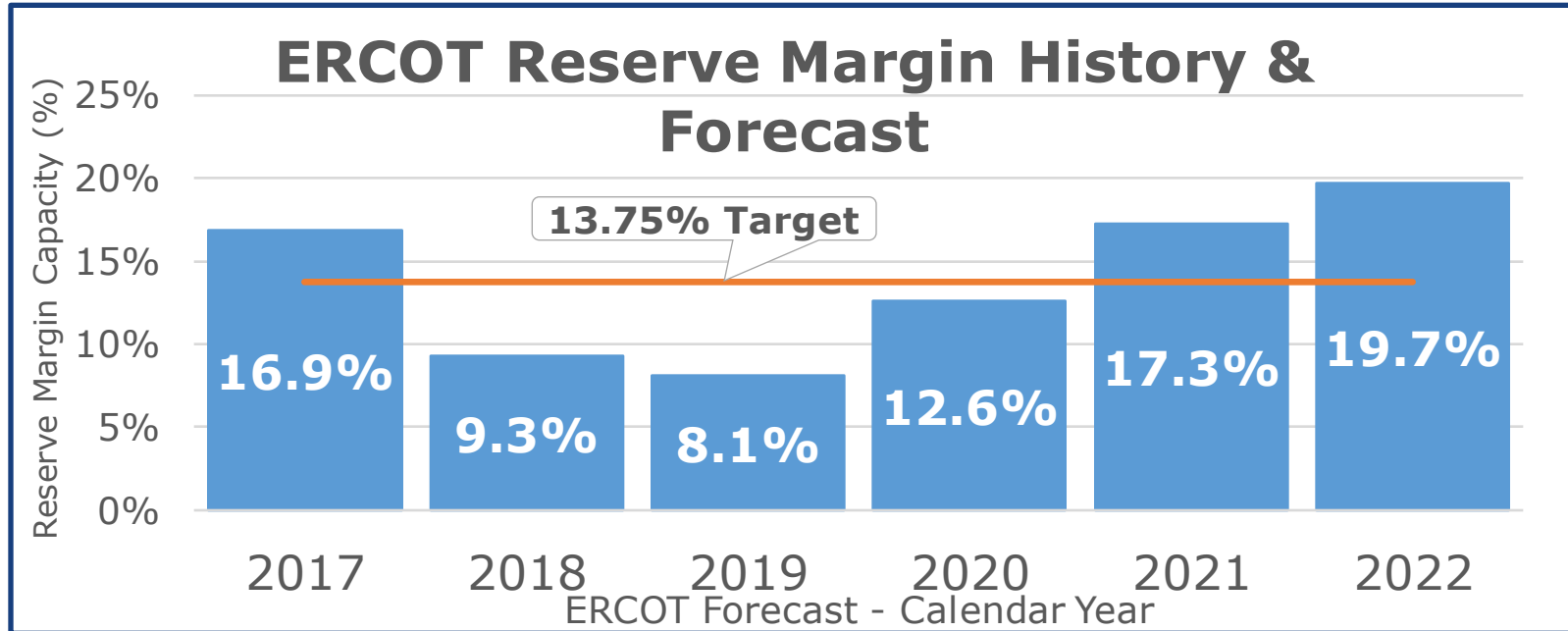
- **COLLABORATION OVER CONFLICT!!**
- **CHOICES must be made!!!**

ERCOT WHOLESALE PRICES

RENEWABLES IMPACTING RM



- ERCOT's Generation Capacity = 25.5% Renewable & 2X the 2020 Reserve Margin (RM).
- While the RM is higher, Renewables are more intermittent.

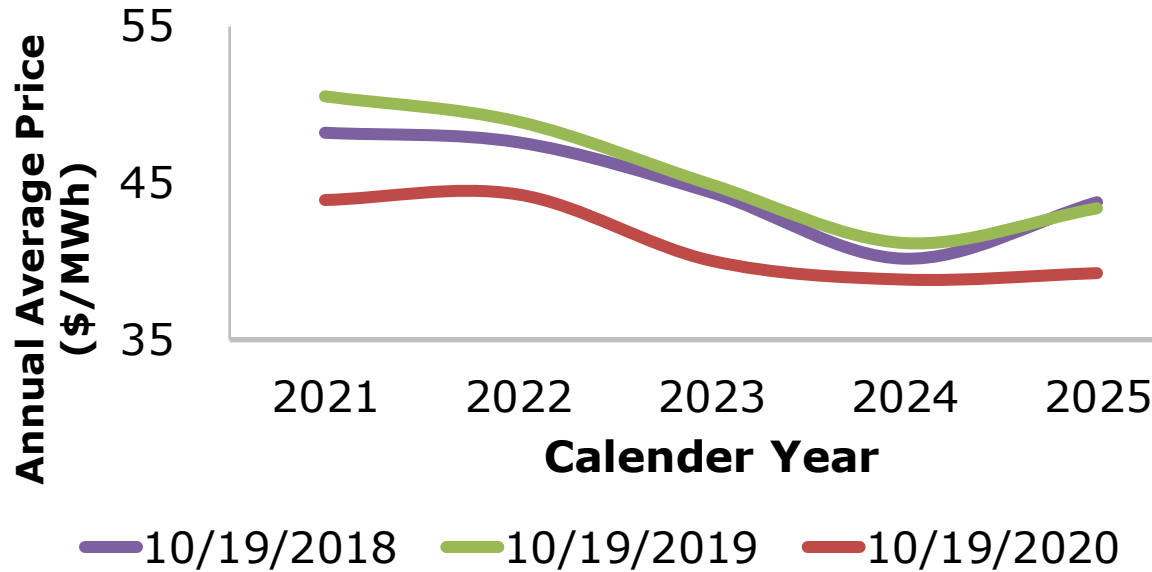


WHOLESALE PRICING

PRICE TRENDS



Forward Market Price Forecast



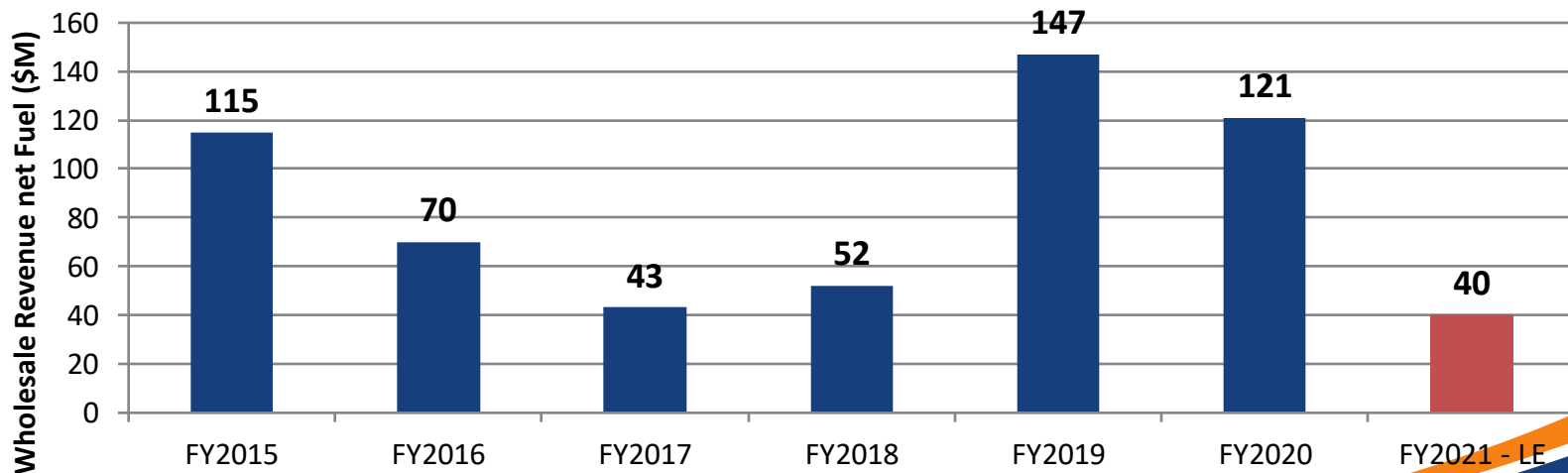
2020 has lower wholesale revenue, driven by an abundance of natural gas, wind & solar.

WHOLESALE REVENUE NET FUEL



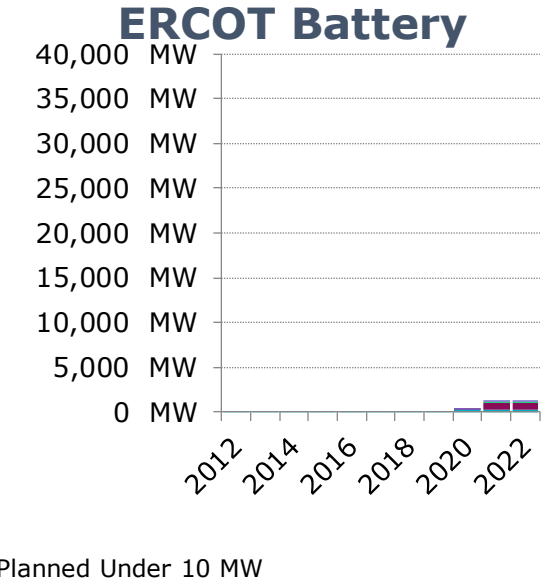
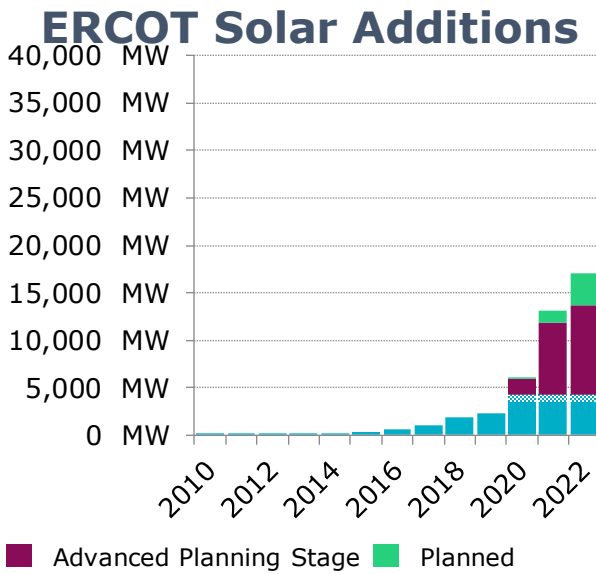
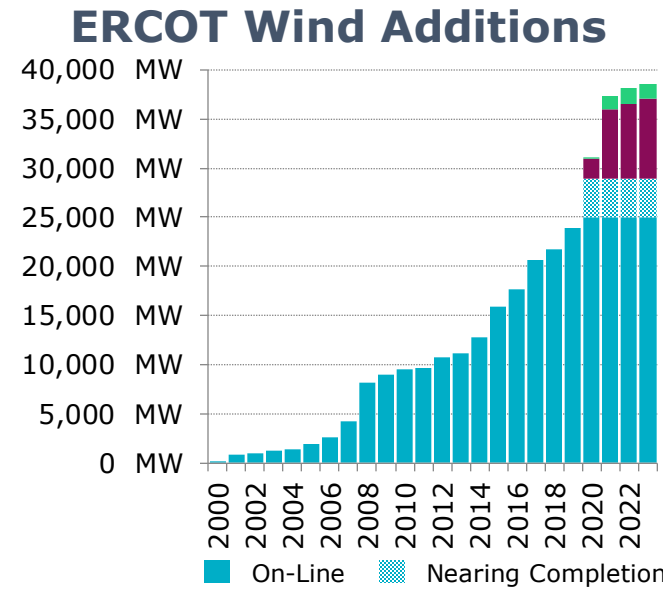
While we have had several good years of wholesale revenue, we can't assure that same success every year. The current year's decline is driven by high volumes of renewables & natural gas.

Wholesale Revenue net Fuel (\$M)



ERCOT CAPACITY ADDITIONS

RENEWABLES & STORAGE



Battery storage can compensate for solar & wind intermittency to some degree, but not for long enough time spans.

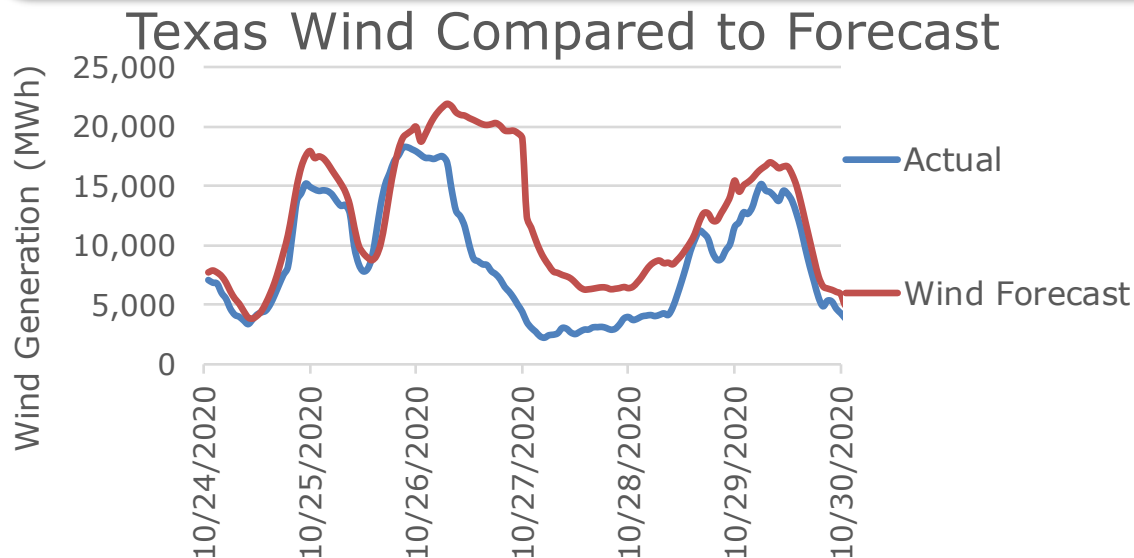
RELIABILITY CHALLENGE

WIND



Icing conditions in October impacted West Texas/Panhandle wind production:

- We can't expect an all-renewable fleet to maintain reliability.
- Conventional generation fills in the gaps to maintain reliability.
- Renewable intermittency can lead to price spikes.



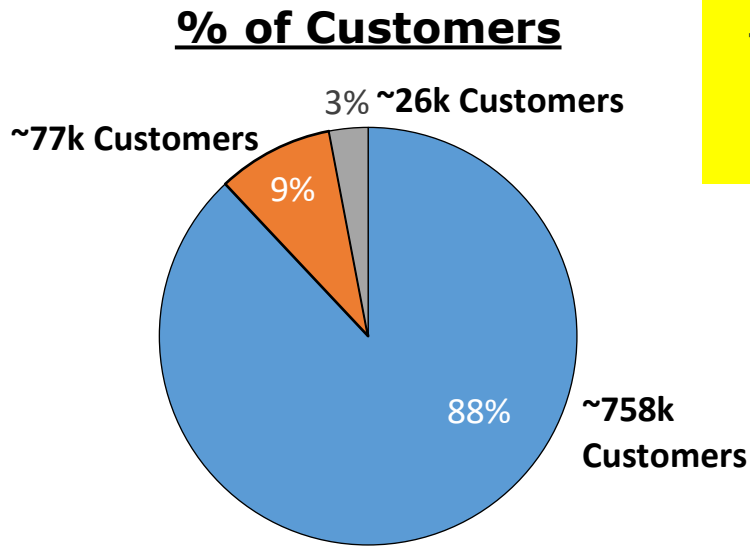
At peak load hours, wind output was 40% to 60% below forecast due to icing conditions.

ERCOT Wind Performance

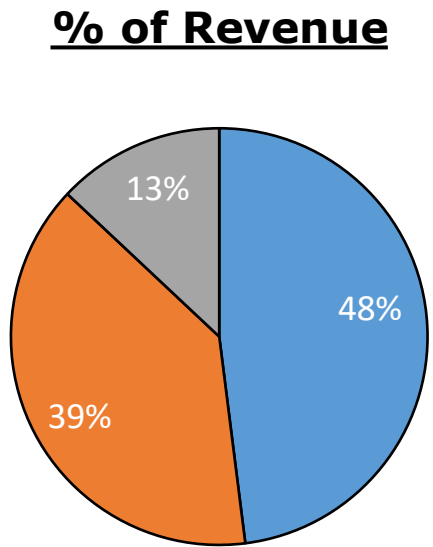
	26-Oct	27-Oct	28-Oct
ERCOT Peak Hour	17	20	10
ERCOT Wind Forecast	20,070	6,045	8,126
ERCOT Wind Actual	7,839	2,910	4,780
ERCOT Wind Variance	(12,231)	(3,135)	(3,346)
% Variance	-61%	-52%	-41%

OUR CUSTOMERS

RETAIL REVENUE CHARACTERISTICS



**Excludes our
Competitive
Wholesale
business**



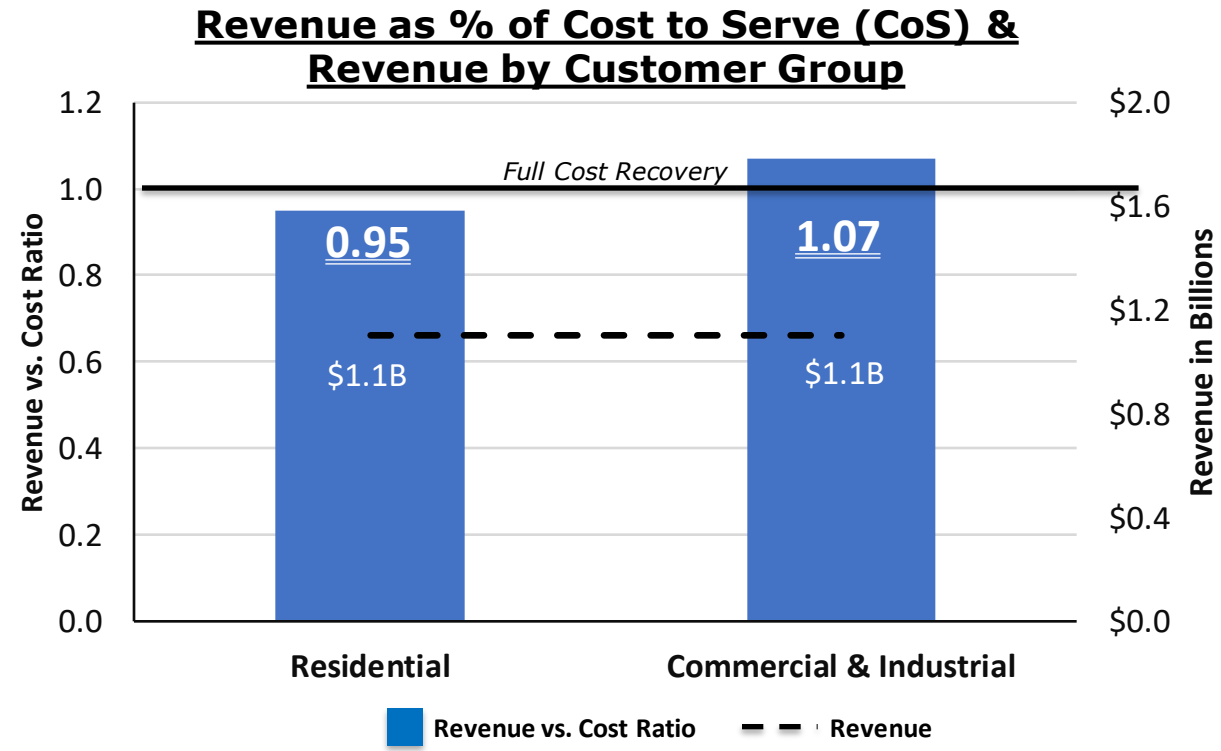
Residential Commercial & Industrial Other

Residential customers make up nearly ~90% of our customers, but contribute less than 50% of all revenue.

Other – Includes Streetlights & Public Authorities, such as the Military

BUSINESSES HELP RESIDENTS

HISTORICAL & CURRENT STATE



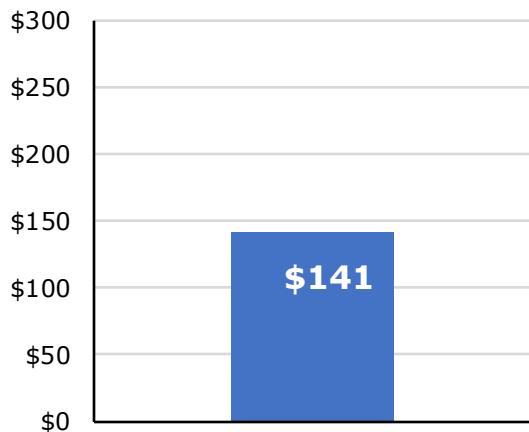
- While Business (e.g., C&I) customers pay a lower effective price per unit, they are actually contributing more than their CoS, **107%**.
- As a regulatory standard, no Customer Group should pay more than **110%** of their CoS.

Note: Based on FY2017 Cost of Service Model; Residential includes RE, RA, & RCE; Commercial & Industrial (C&I) includes PL, LLP, ELP, LPT & SLP (including Public Authorities); Excludes all lighting groups

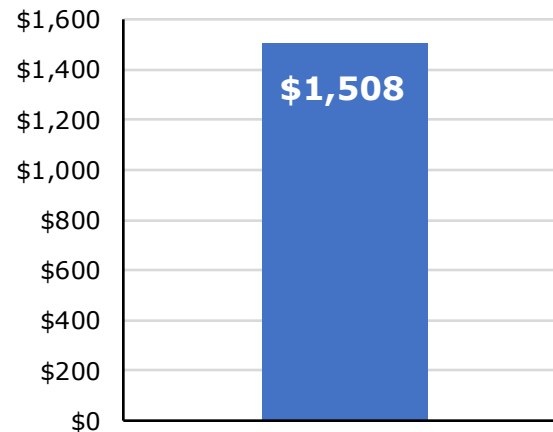
C&I BILLS > 10+ TIMES HIGHER THAN RESIDENTIAL BILLS



Average Monthly Bill by Customer Group



Residential



Commercial & Industrial

On average, businesses pay a much higher monthly bill (10 times more) than Residential customers.

Note: Combined residential electric & gas bill represents trailing 12 month averages ending August 2020, calculated at average monthly usage of 1,000kWh & 5MCF; C&I average bill from FY2017 COS

BUSINESS PRESSURE

SA'S IMPORTANT CREDIT RATINGS



Ratings Agencies are watching our financial performance & local issues that could impact our governance.



CPS Energy Rating:

Aa1
Outlook: Stable



AA
Outlook: Stable



AA+
Outlook: Negative



"The Negative Outlook reflects Fitch's concern that rate increases required to maintain a financial profile consistent with the current rating may not materialize..."

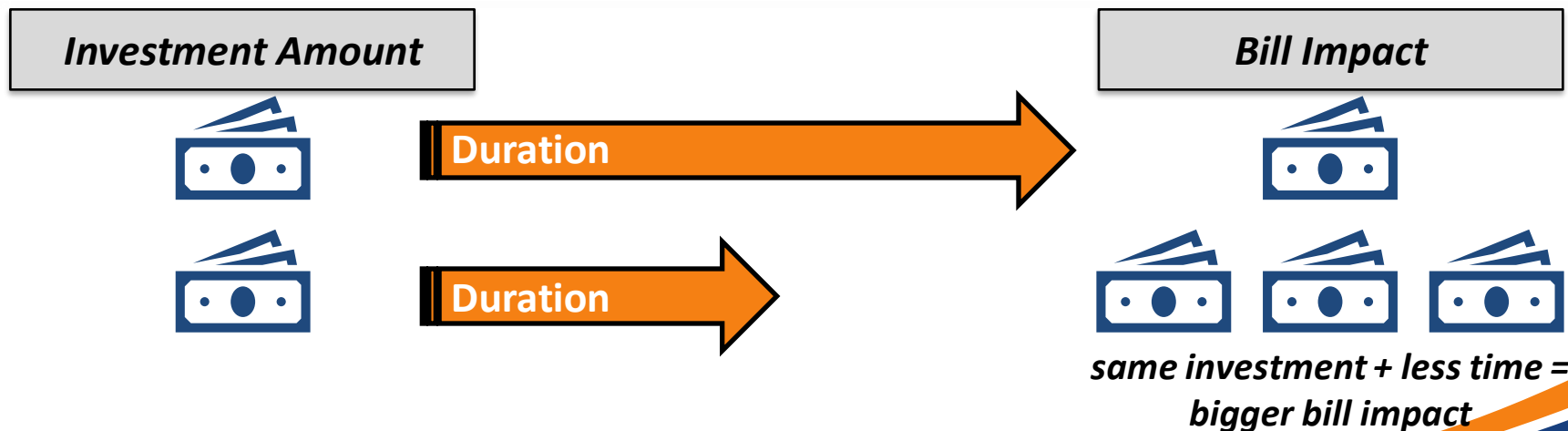
A recent petition was proposed... ..that would revise the governance & management structure of the utility, as well as institute certain carbon reduction & rate policies. Fitch views the proposed governance change as a potential asymmetric additive risk consideration."

OUR CUSTOMERS

THE VELOCITY OF CHANGE MATTERS

TODAY & TOMORROW:

As we design the future of our conservation & renewable energy programs, balancing the sequence & timing of investment is important to ensure bills remain *Affordable*.

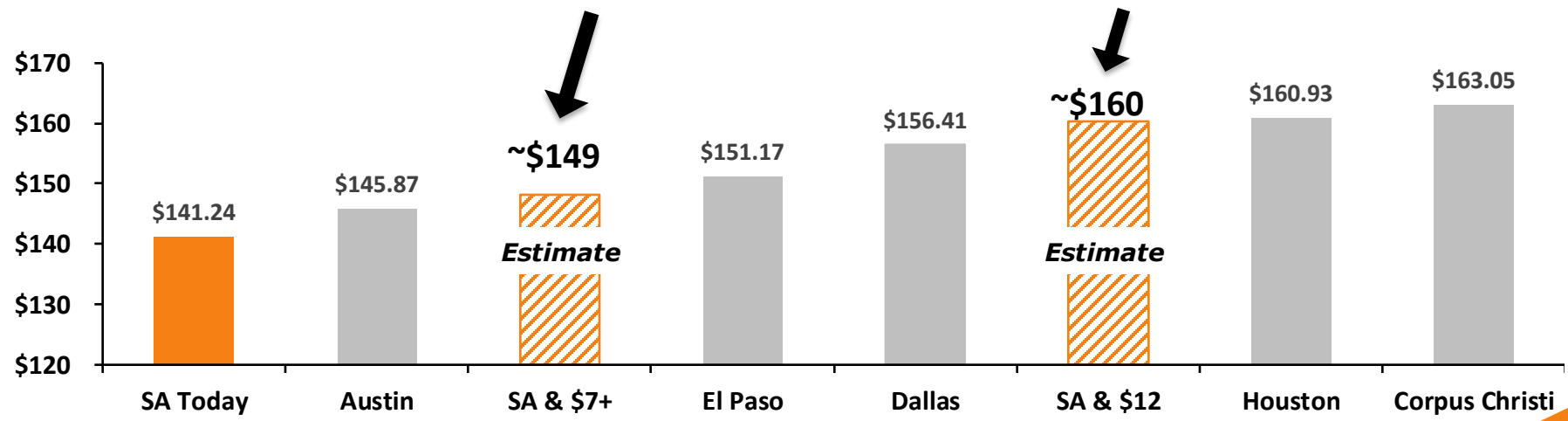


VELOCITY IMPACTS AFFORDABILITY

PRELIMINARY ESTIMATE VIEW



Bill Impact of... *...triple spending on conservation.* *...plus accelerating coal unit retirements.*



Note: Data represents trailing 12 month averages ending August 2020; deregulated markets electric data from powertochoose.org (Terms 12; 4&5 star rated REPs); bills calculated at average monthly usage of 1,000kWh & 5MCF. This data represents standard, non-promotional rates.

VELOCITY IMPACTS AFFORDABILITY AGAIN, EVERYTHING COSTS MONEY



THERE WILL BE MORE DISCUSSIONS ABOUT THE IMPACTS OF:

- Energy Efficiency,
- Renewables,
- Storage Technologies,
- Fossil Fuels,
- Customer Assistance Programs, etc.

MORE TO COME...

DISCLAIMER



Please be assured that while the CPS Energy team has been thoughtful in the development of the information herein, this presentation includes financial projections & forward-looking statements that are informational & provided for discussion purposes only. As such, these written materials & associated commentary are preliminary & subject to change at any time in the future.



Thank You



Appendix

GLOSSARY / DEFINITIONS

(1 OF 2)

Acronym or Word	Definition	Acronym or Word	Definition
Residential	Revenues billed on RE, RA, & RCE Rates	SB	Small Business
RE	Residential Service Electric Rate	PL	Power & Light Electric Rate
RA	Residential All Electric Service Electric Rate	LCI	Large Commercial & Industrial
RCE	Large Use Residential Capacity Energy Electric Rate	LLP	Large Lighting & Power Service Electric Rate

GLOSSARY / DEFINITIONS

(2 OF 2)

Acronym or Word	Definition	Acronym or Word	Definition
ELP	Extra Large Power Service Electric Rate	TS & STLT	Revenues billed on Traffic Signal, Streetlight, & ANSL Rates
LPT	Large Power Time of Use Electric Rate	TS	Traffic Signal Service Electric Rate
SLP	Super Large Power Service Electric Rate	STLT	Streetlight & ANSL Rates
Resi + SB	Combined Residential & Small Business	ANSL	All Night Security Light Electric Rate