



# ***CEO'S REPORT***

## ***REGULAR BOARD MEETING***

***PRESENTED BY:***

**Paula Gold-Williams**

President & Chief Executive Officer (CEO)

December 14, 2020

***Informational Update***

# OBJECTIVES & TAKEAWAYS



- **EXPLAIN OUR COMMUNICATION LANDSCAPE**
- **ALIGN IT TO OUR *GUIDING VALUE PILLARS***
- **COVER TOPICS OF INTEREST TO THE PUBLIC**
- **REVIEW CUSTOMER SATISFACTION RESULTS**
- **EXPLAIN RE-COMMITMENT TO COMMUNICATE MORE**

# AGENDA



- **COMMUNICATION LANDSCAPE**
- **VALUE PILLARS**
- **TOPICS OF INTEREST TO THE PUBLIC**
- **CUSTOMER SATISFACTION RESULTS**
- **FUTURE PLANS**

# COMMUNICATION LANDSCAPE

## CURRENTLY



**Focusing on customer satisfaction gives us the ability to quantify sentiment & guide us on how we are doing over time.**

# CUSTOMER EXPECTATIONS

## COMMUNICATE MORE



### 2019 CUSTOMER INSIGHTS

“You’ve got to connect with us. Stay in touch with us. Even a quick commercial would help.”

“Maybe they should have more media...I came in the door uptight about our rate hike. But now that we’ve discussed everything and you see the innovations, it makes it a little more palatable.”

# FEEDBACK & COMMUNICATION

## REMAIN KEY



### Stakeholder Engagement

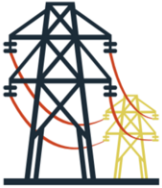
<https://www.cpsenergy.com/content/corporate/en/about-us/stakeholders.html>

- ✓ **Council Member**  
***People First* Community Fairs**
- ✓ **Military Officers**  
**Association of America,**  
**Alamo Chapter**
- ✓ **San Antonio Manufacturers**  
**Association (SAMA)**
- ✓ **Chambers of Commerce**
- ✓ **Executive Solar Advisory**  
**Committee**
- ✓ **Suburban Cities**
- **Environmental**  
**Stakeholders Group**  
**(ESG)**

# OUR GUIDING 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!

# OF INTEREST TO THE PUBLIC

## BILLS – MINIMAL HISTORICAL INCREASES



### *CONTROLLING COSTS, KEEPING BILLS LOW:*

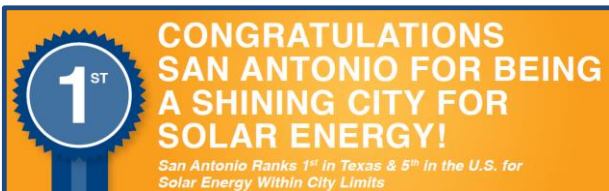
#### *CUSTOMER AFFORDABILITY:*

- 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**.



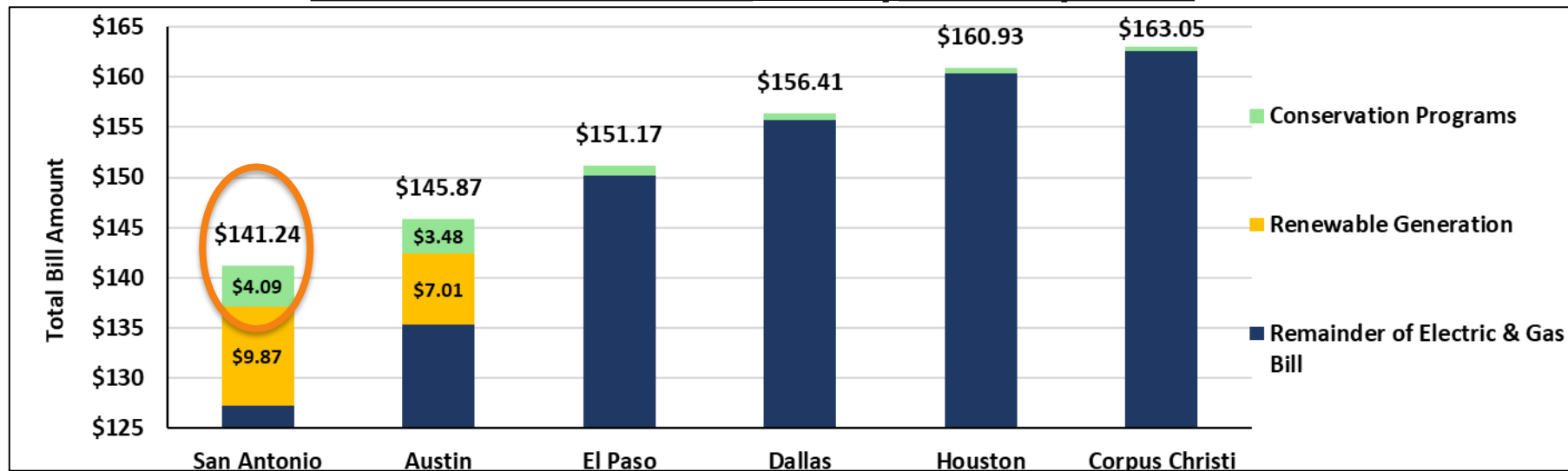
# OF INTEREST TO THE PUBLIC

## SA GETS MORE FOR THE MONEY - MONTHLY



**~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.

# OF INTEREST TO THE PUBLIC

## PRIORITIES AS SURVEYED



Customers tell us that their first priorities are:

### *Reliability*



We work to prevent  
**ROLLING BLACKOUTS!**

### *Customer Affordability*



We work to prevent  
**BILL SHOCK!**

# OF INTEREST TO THE PUBLIC

## ON-GOING EFFORTS TO 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!!!**

# OF INTEREST TO THE PUBLIC

## VIEWS OF THE CREDIT RATINGS



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

MOODY'S

S&P Global  
Ratings

Fitch Ratings

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."**

# OF INTEREST TO THE PUBLIC

## OUR MAJOR INITIATIVES



**We are currently receiving positive national & international attention!**



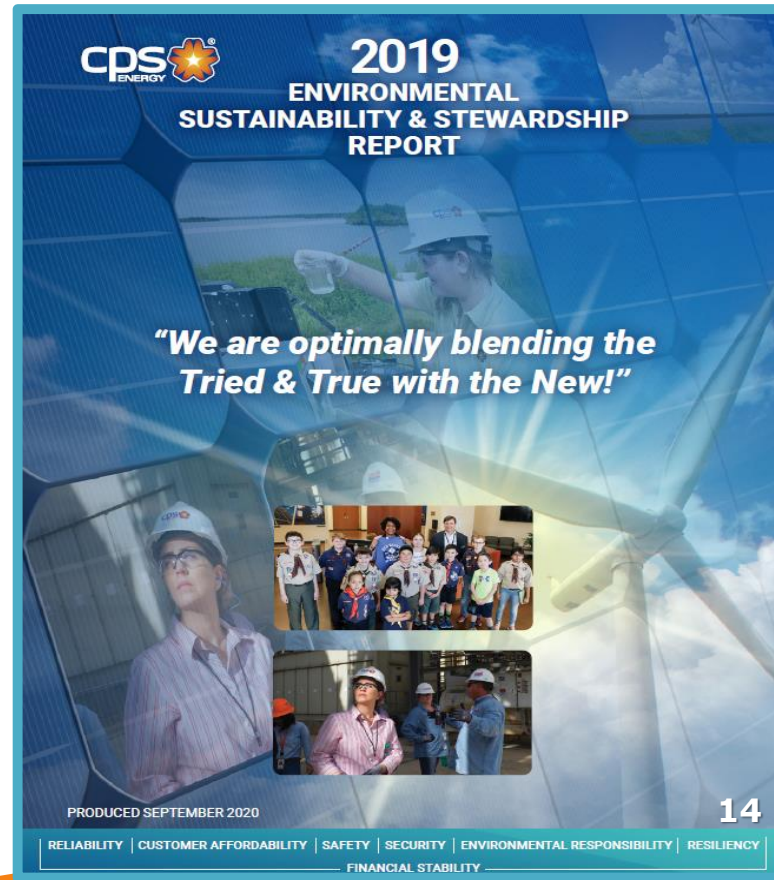
# OF INTEREST TO THE PUBLIC

## OUR ENVIRONMENTAL PROGRESS



### KEY SUCCESSFUL ENVIRONMENTAL COMMITMENTS TO DATE!

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

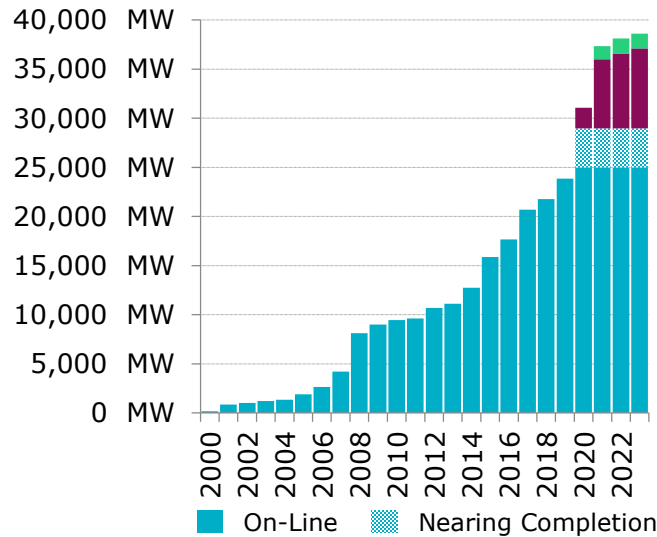


# OF INTEREST TO THE PUBLIC

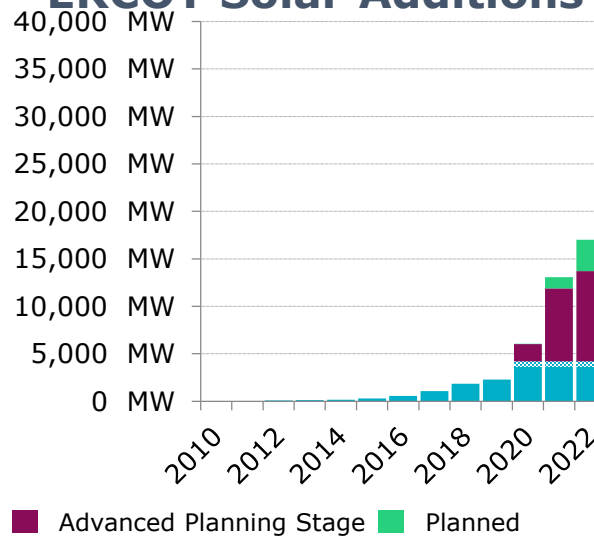
## TEXAS RENEWABLE & STORAGE CAPACITY



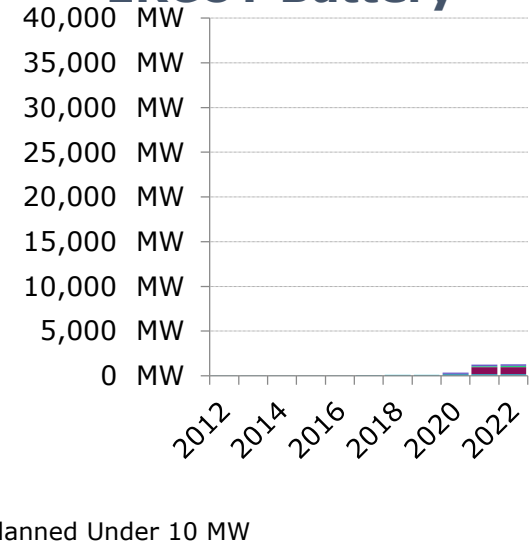
### ERCOT Wind Additions



### ERCOT Solar Additions



### ERCOT Battery



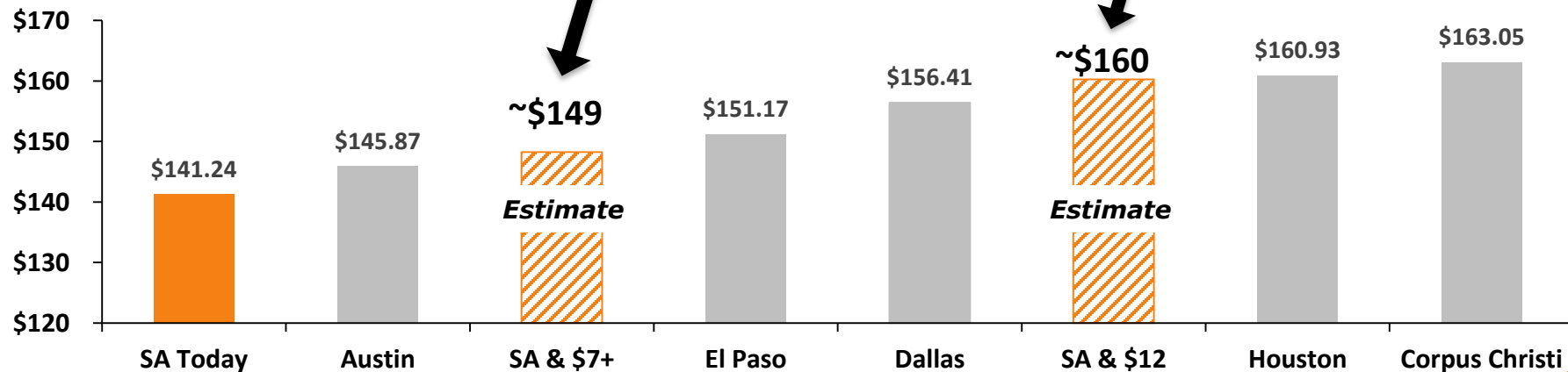
**Battery storage can compensate for solar & wind intermittency to some degree, but not for long enough time spans.**

# OF INTEREST TO THE PUBLIC

## BILLS - ESTIMATED IMPACTS OF POTENTIAL INITIATIVES



**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.



# OF INTEREST TO THE PUBLIC

## STEP



**KEY SURVEY RESULT:**  
**Most customers indicate that the bill impact remain <\$5.**

DESCRIPTION	CURRENT PROGRAM SIZE	INCREASED PROGRAM	BILL IMPACT
Budget	\$ 70,000,000	700,000,000	\$3.69
Increase	140,000,000	1,400,000,000	7.38
Adjusted	<u>\$ 210,000,000</u>	<u>2,100,000,000</u>	<u>\$11.07</u>

**We look forward to talking more about this program to consider the components & potential size options. We are also preparing for a new global RFP.**

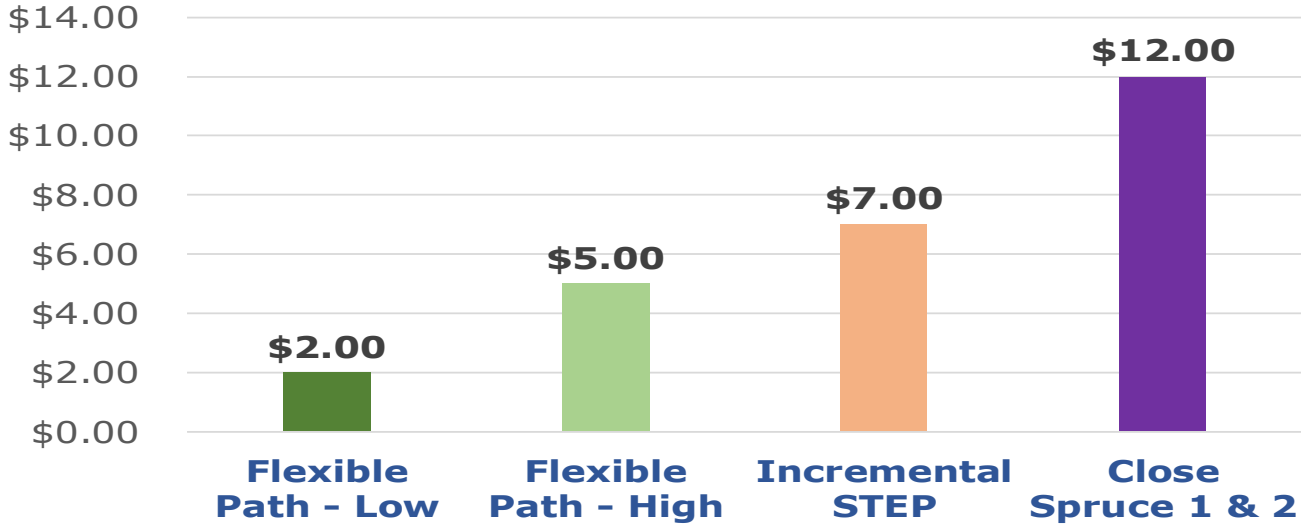
# OF INTEREST TO THE PUBLIC

## POTENTIAL BILL IMPACTS

### FUTURE COMMUNITY DECISIONS:

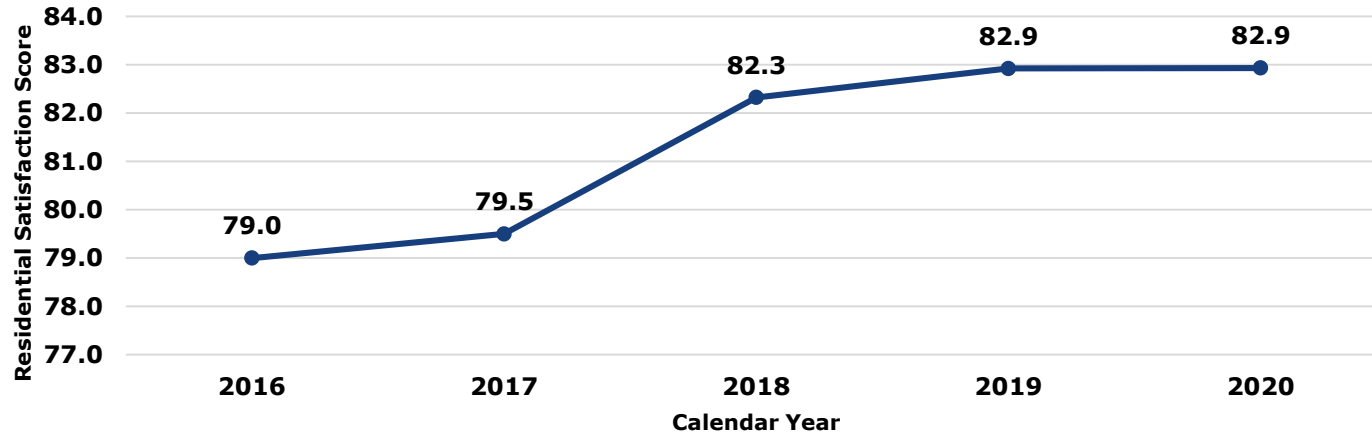
These are rough estimates that give good context & will help constructive community discussions.

**PRELIMINARY ESTIMATED  
BILL IMPACTS**



**Does not include any amount for maintaining operations or growth in S.A. & our region.**

# RESIDENTIAL SATISFACTION CONTINUES TO BE SOLID



*Source: Q3 Escalant Customer Satisfaction Research Survey Year-to-Date results*

**There has been solid customer satisfaction over the last 5 years. We believe that this is because of our balanced approach.**

# CONTINUED COMMUNICATIONS

## GREAT NEW INITIATIVES



CPS Energy Launches Global FlexPOWER Bundle Request For Proposal to Bring Cleaner, Greener Energy to San Antonio, Texas

*Project will nearly triple solar capacity and seeks to add new technologies to diversified generation mix*

SAN ANTONIO, Texas – (Dec. 1, 2020) — Today, CPS Energy, the largest municipally owned, fully-integrated electric and gas utility in the United States, has formally launched a Request for Proposal (RFP) seeking to add up to 900 MW of solar, 50 MW of energy storage and 500 MW of firming capacity as part of the utility's new **FlexPOWER Bundle<sup>SM</sup>** initiative.

The **FlexPOWER Bundle** is part of CPS Energy's **Flexible Path<sup>SM</sup>** and is designed to replace some aging generation capacity and introduce new technologies as firming capacity to provide around-the-clock energy reliability for our San Antonio community.

CPS Energy has been an environmental leader among utilities for decades. Every year, the company works with many community partners to make meaningful steps toward full carbon neutrality by 2050, which aligns directly to the City of San Antonio's Climate Action & Adaptation Plan (CAAP) and the Paris Climate Agreement. CPS Energy is a forward-thinking energy utility, and with support from Mayor Ron Nirenberg and the City Council, San Antonio has been designated a "**Shining City<sup>SM</sup> by Environment Texas**", ranking 1<sup>st</sup> in the state and 5<sup>th</sup> in the country for solar capacity. CPS Energy also



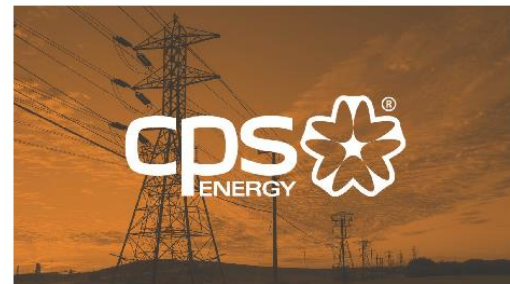
CPS ENERGY AND VIA ANNOUNCE RENEWABLE NATURAL GAS PARTNERSHIP

***Biomethane gas created by landfill decomposition would power local bus fleet***

CPS Energy and VIA Metropolitan Transit announce details about a new fuel supply partnership that will provide Renewable Natural Gas (RNG) created by landfill biogas to VIA's fleet of over 500 buses, beginning in 2021.

The announcement highlights CPS Energy's partnership with the region's mobility provider to supply renewable fuel for use in its compressed natural gas (CNG) fleet. VIA has a diversified active fleet portfolio consisting of 502 buses powered primarily by CNG fuel, with some diesel-electric hybrid, electric, diesel and propane vehicles in use. VIA's conversion to a CNG fleet began in 2017 and is designed to reduce NOx emissions by 97% from the diesel buses they replaced. This unique partnership supports VIA's efforts to be environmentally responsible by providing a negative- to low-carbon emission product to fuel its vehicles.

"CPS Energy thinks globally and acts locally to bring innovative solutions to our community. We are excited about this new venture with San Antonio's long-term public transportation company," said Paula Gold-Williams, President & CEO of CPS Energy. "VIA has been a great leader and partner in many of our community's endeavors. Now, both CPS Energy and VIA are taking this important step forward together to help improve



CPS ENERGY AND THE CITY OF SAN ANTONIO FORGE SMART CITY AGREEMENT WITH AT&T AND ITRON

CPS Energy, the nation's largest municipally owned electric and natural gas provider based in San Antonio, is announcing a new agreement it has entered with the City of San Antonio, AT&T, and Itron, to implement a pilot for Smart Streetlight Technology. This pilot will leverage CPS Energy's existing lighting infrastructure and is just one more example of how the utility continues to establish itself as a forward-thinking energy provider that is eager to test global ideas that create helpful local solutions. This joint effort aligns with **SmartSA** – which is a consortium of partners comprised of CPS Energy, the City of San Antonio, and other local entities with the goal of leveraging data and technology to build a connected, inclusive, and resilient community that supports high quality of life.

As part of their **Flexible Path<sup>SM</sup>**, CPS Energy has thoughtfully positioned itself as an integral partner in San Antonio's journey toward evolving its Smart City Strategy. To accomplish this, the utility has focused on securing relationships with global technology leaders that deliver new products, efficiencies, and solutions for their customers and community. The utility continually looks for new organizations to team with to bring innovative and technologically sound ideas that propel San Antonio further into the emerging and global Smart City era.

# CONTINUED COMMUNICATIONS

## UPCOMING



Please join us!



大成 DENTONS

**You're invited: Dentons  
and Keystone Policy Center —  
Decarbonization in the Biden Era**

**Tuesday, December  
15, 2020  
11 am - 1 pm CT**

**Via Webinar**

### Agenda

Opening Keynote: "Exciting New Developments For Carbon Reduction"



**Dr. Ernest Moniz**  
Former U.S. Secretary of Energy, President & CEO, EJM Associates, LLC and President & CEO, Energy Futures Initiative

Fireside Chat: "What is Needed to Meet Carbon Reduction Goals"



**Arshad Mansoor**  
President, Electric Power  
Research Institute, Inc.  
(EPRI)



**Ron Nirenberg**  
Mayor, City of San Antonio



**Paula Gold-Williams**  
President and CEO,  
CPS Energy



**Clint Vince**  
Chair of Dentons' US  
Energy Practice, Co-chair  
of Dentons' Global Energy  
Sector (moderator)

# CONTINUED COMMUNICATION REMAINS KEY



## Stakeholder Engagement

<https://www.cpsenergy.com/content/corporate/en/about-us/stakeholders.html>

- ✓ **Council Member *People First* Community Fairs**
- ✓ **Military Officers Association of America, Alamo Chapter**
- ✓ **San Antonio Manufacturers Association (SAMA)**
- ✓ **Chambers of Commerce**
- ✓ **Executive Solar Advisory Committee**
- ✓ **Suburban Cities**
- **Environmental Stakeholders Group (ESG)**

**WE ARE WORKING TO  
RESTART / REFRESH  
CONVERSATIONS!**



***Thank You***

# 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.