



***RATE ADVISORY COMMITTEE (RAC)
REVENUE SOURCES & USES –
HISTORICAL TRENDS & FUTURE
OUTLOOKS***

PRESENTED BY:

CPS ENERGY

September 9, 2021

Informational Update



OBJECTIVES & TAKEAWAYS

- REVIEW SOURCES OF REVENUE
- REVIEW USES OF REVENUE
- ADDRESS QUESTIONS & COMMENTS

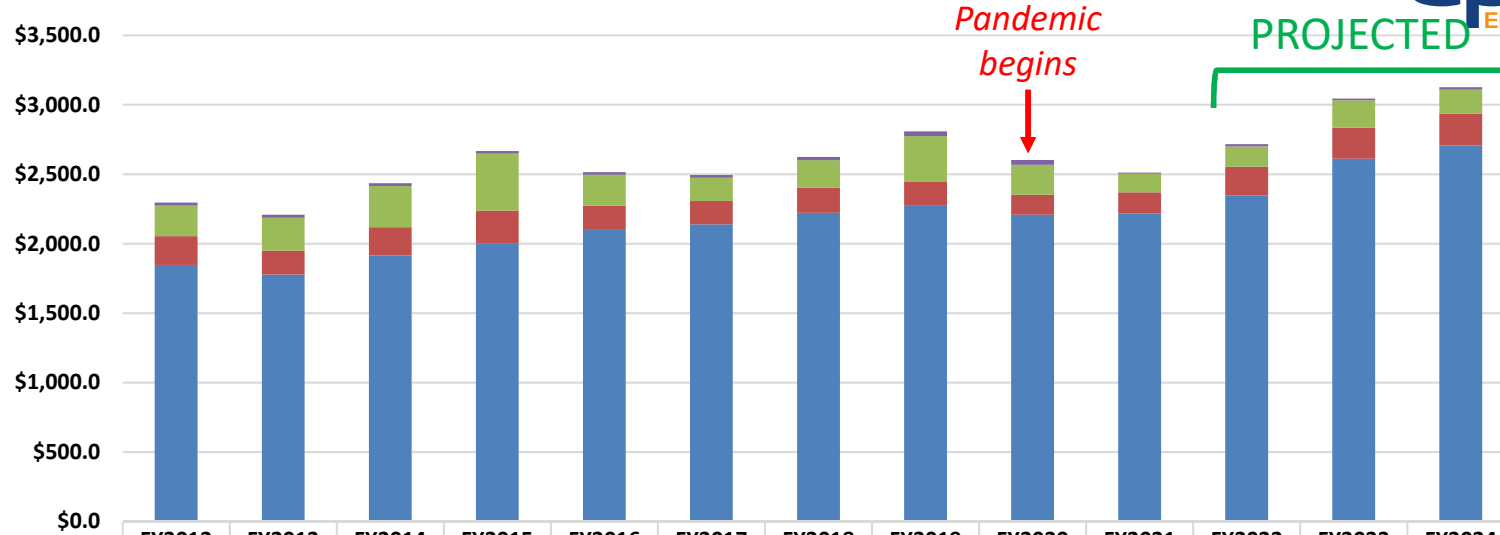
AGENDA



- REVIEW OF SOURCES OF REVENUE
- REVIEW OF USES OF REVENUE
- QUESTION & ANSWER

SOURCES OF REVENUE

\$ in millions

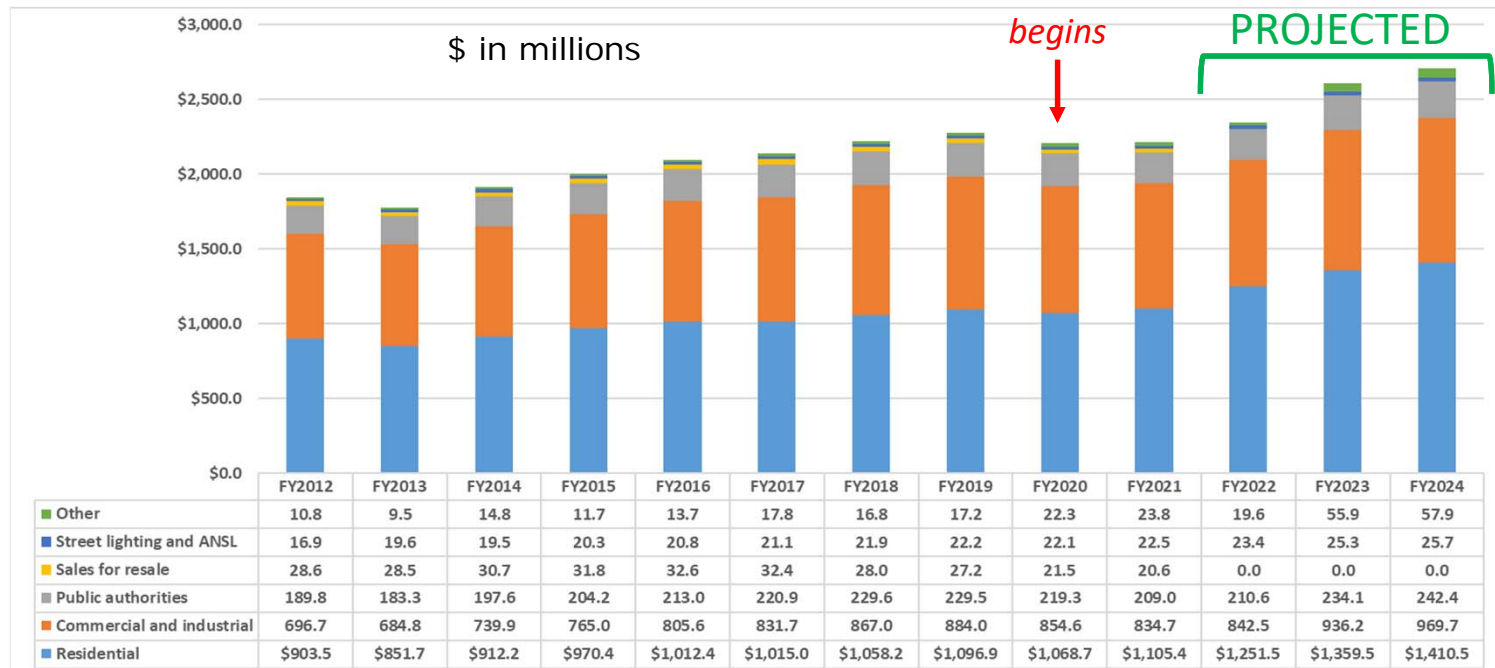


	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Non-Operating	22.6	21.7	21.0	18.4	18.7	19.9	24.1	34.9	34.4	8.7	16.2	12.7	17.2
Wholesale Electric	\$219.8	\$236.6	\$295.3	\$410.0	\$223.4	\$166.9	\$198.9	\$325.7	\$216.3	\$132.9	\$145.4	\$196.9	\$173.9
Distribution Gas	\$207.3	\$172.2	\$204.0	\$234.5	\$174.4	\$168.5	\$179.8	\$170.7	\$142.9	\$153.6	\$206.3	\$223.7	\$229.1
Total Retail Electric	\$1,846.4	\$1,777.3	\$1,914.7	\$2,003.5	\$2,098.1	\$2,138.8	\$2,221.6	\$2,276.9	\$2,208.6	\$2,216.0	\$2,347.8	\$2,611.0	\$2,706.3

Over the 10 year period, we experienced revenue growth through 2019. The pandemic impacted revenues while expenses continued to grow. FY2022-FY2024 include the provisional rate increase.

SOURCES OF REVENUE

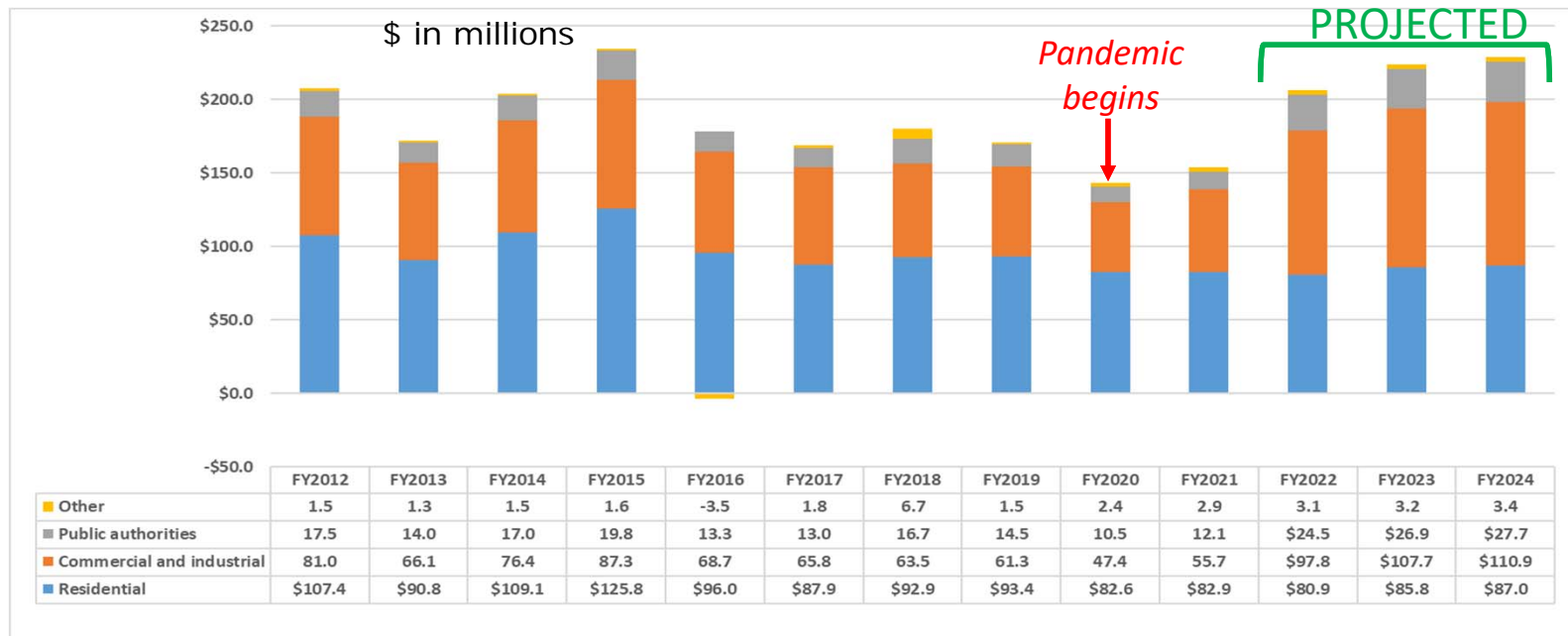
RETAIL ELECTRIC



Residential, Commercial & Industrial are the largest components of retail electric. Retail electric is impacted by several factors, including fuel costs and weather.

SOURCES OF REVENUE

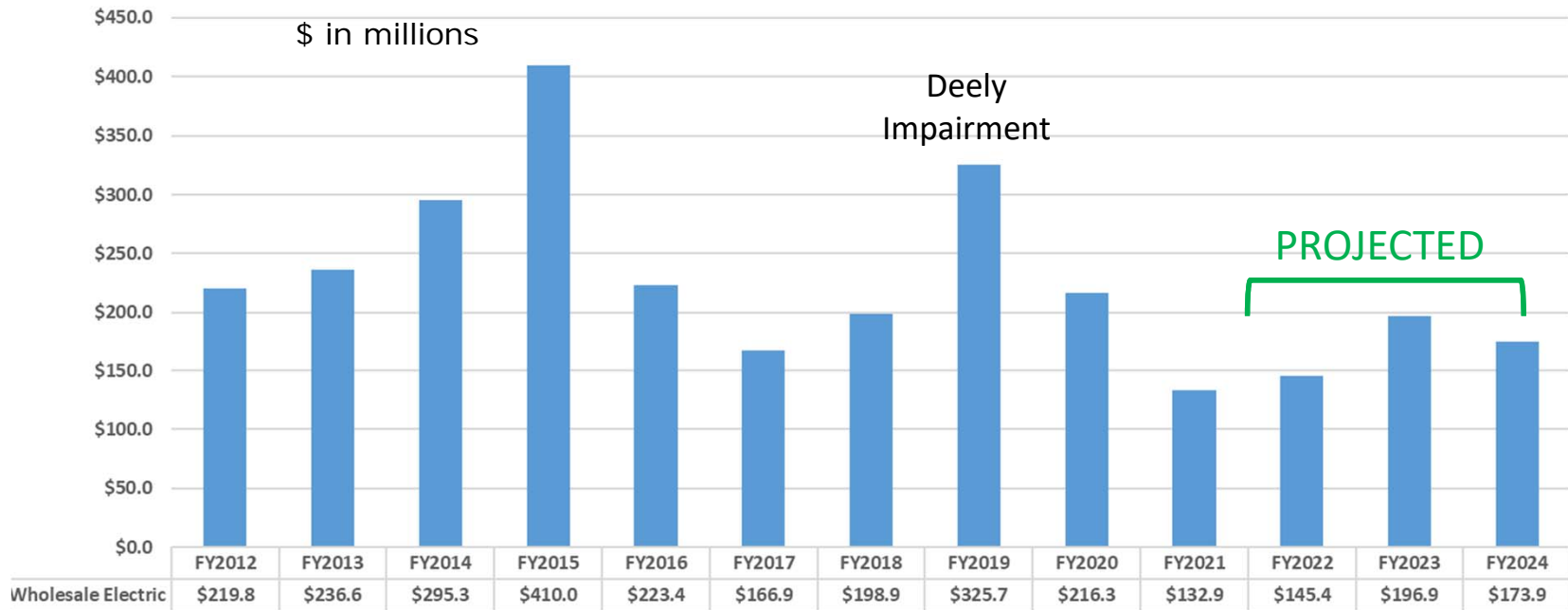
DISTRIBUTION GAS



Residential, Commercial & Industrial are the largest components of distribution gas. Distribution gas revenue is also impacted by several factors, including fuel costs & weather.

SOURCES OF REVENUE

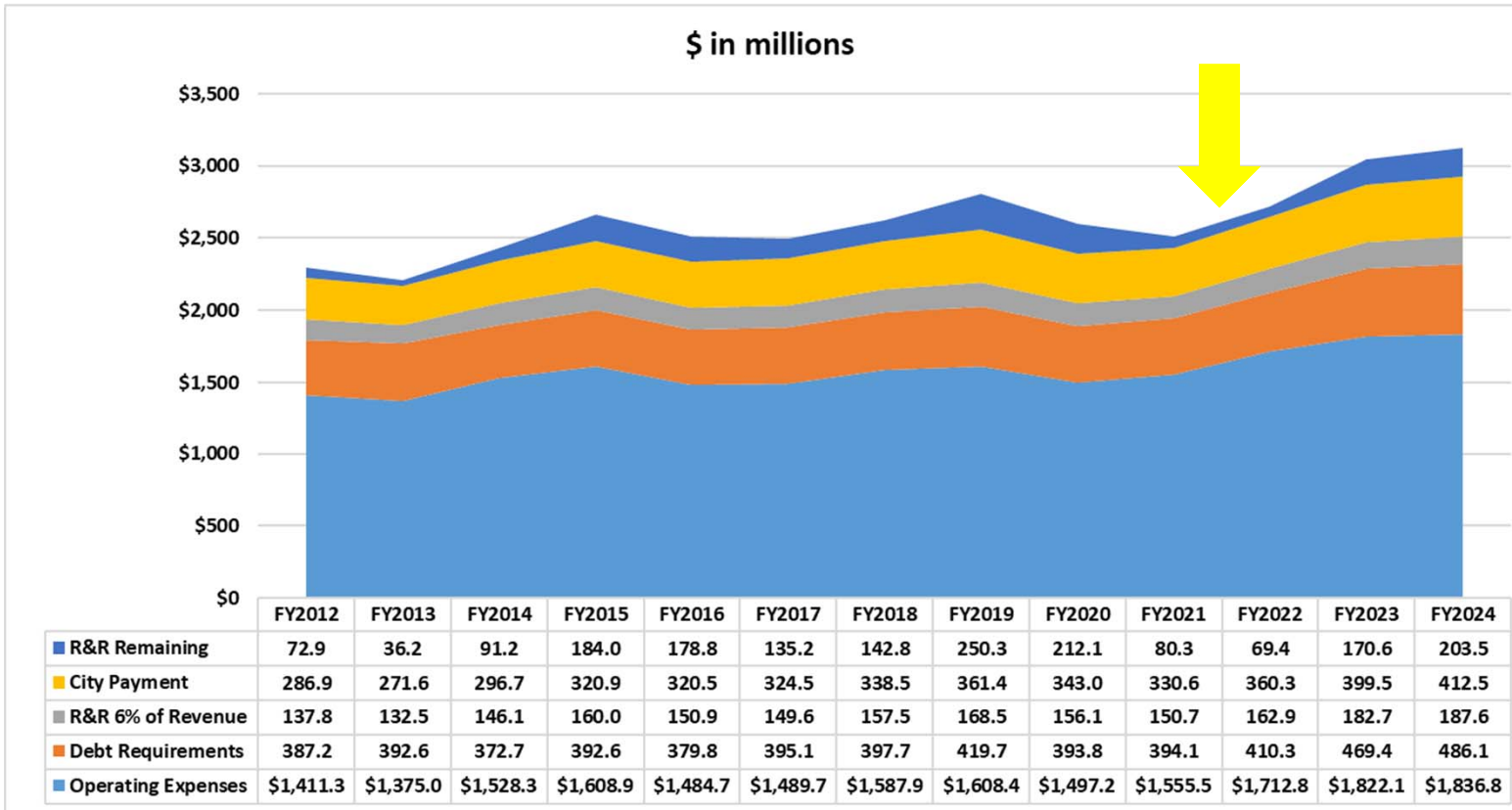
WHOLESALE ELECTRIC



While we have had several good years of wholesale revenue, we cannot be assured that same success every year.

QUESTIONS & DISCUSSION

USES OF REVENUE



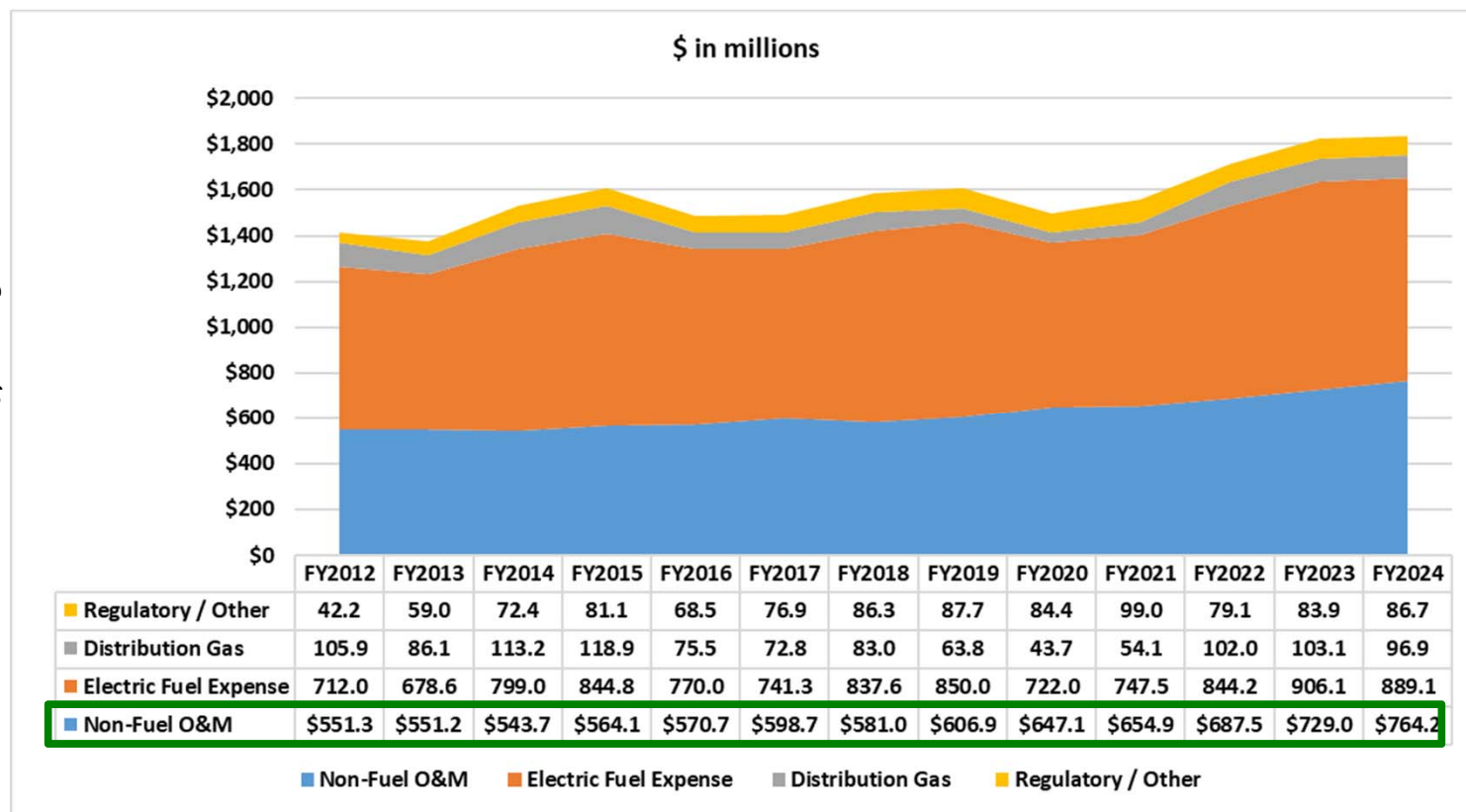
Note the decrease in the Repair & Replacement (R&R) Remaining. The R&R is our cash funding source for our Capital Program.

USES OF REVENUE

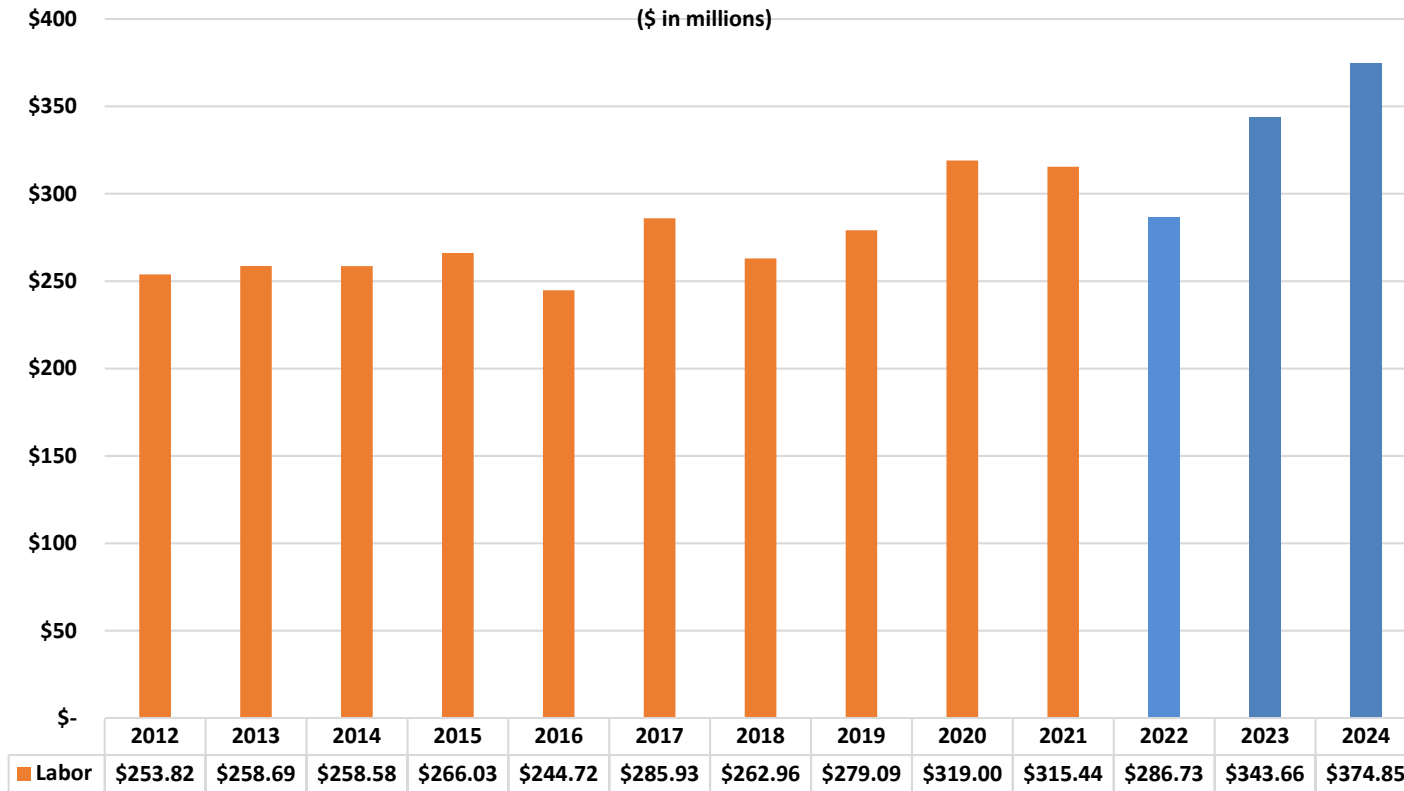
NON-FUEL O&M



Our focus will be on Non-Fuel O&M. The other 3 categories are pass-thrus to our customers through the fuel & regulatory adjustments.



NON-FUEL O&M LABOR



Authorized HC held at 3370 since FY20.

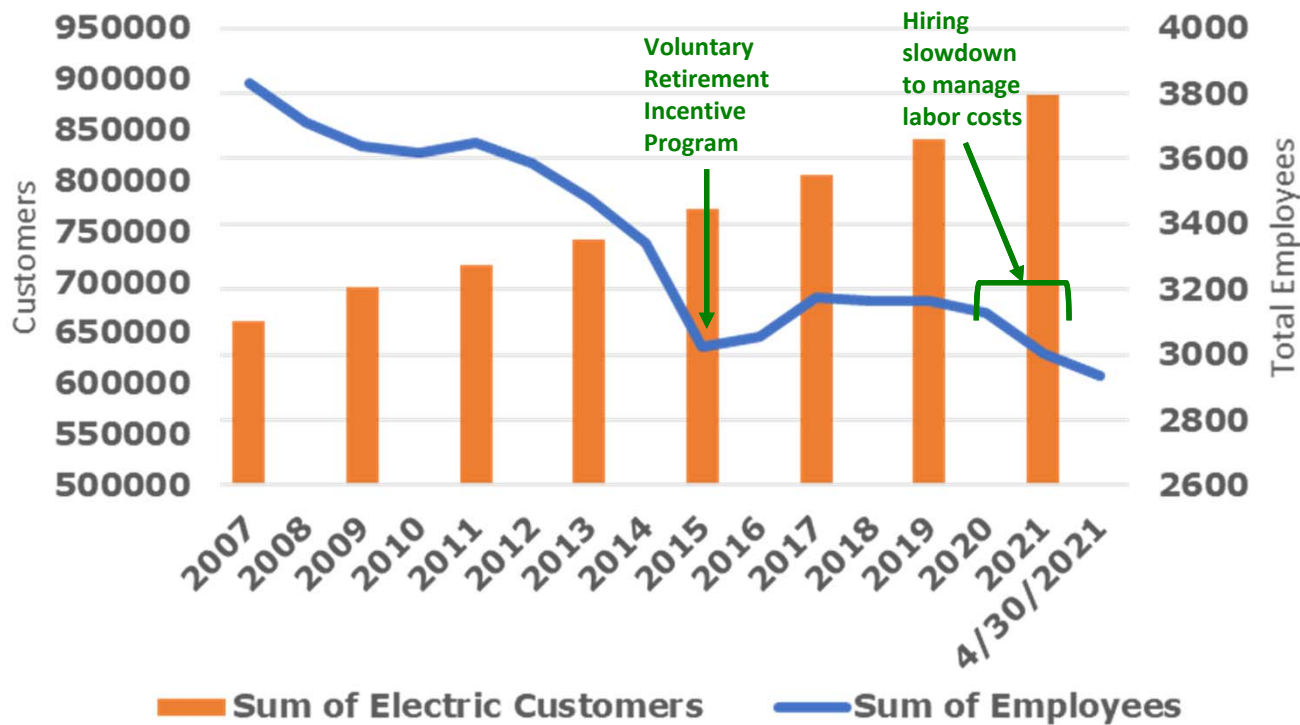
Over last 5 years we have saved \$100M in benefit costs.

Restored Merit in FY23 & FY24.

STAFFING LEVELS



TOTAL EMPLOYEES COMPARED TO CUSTOMERS

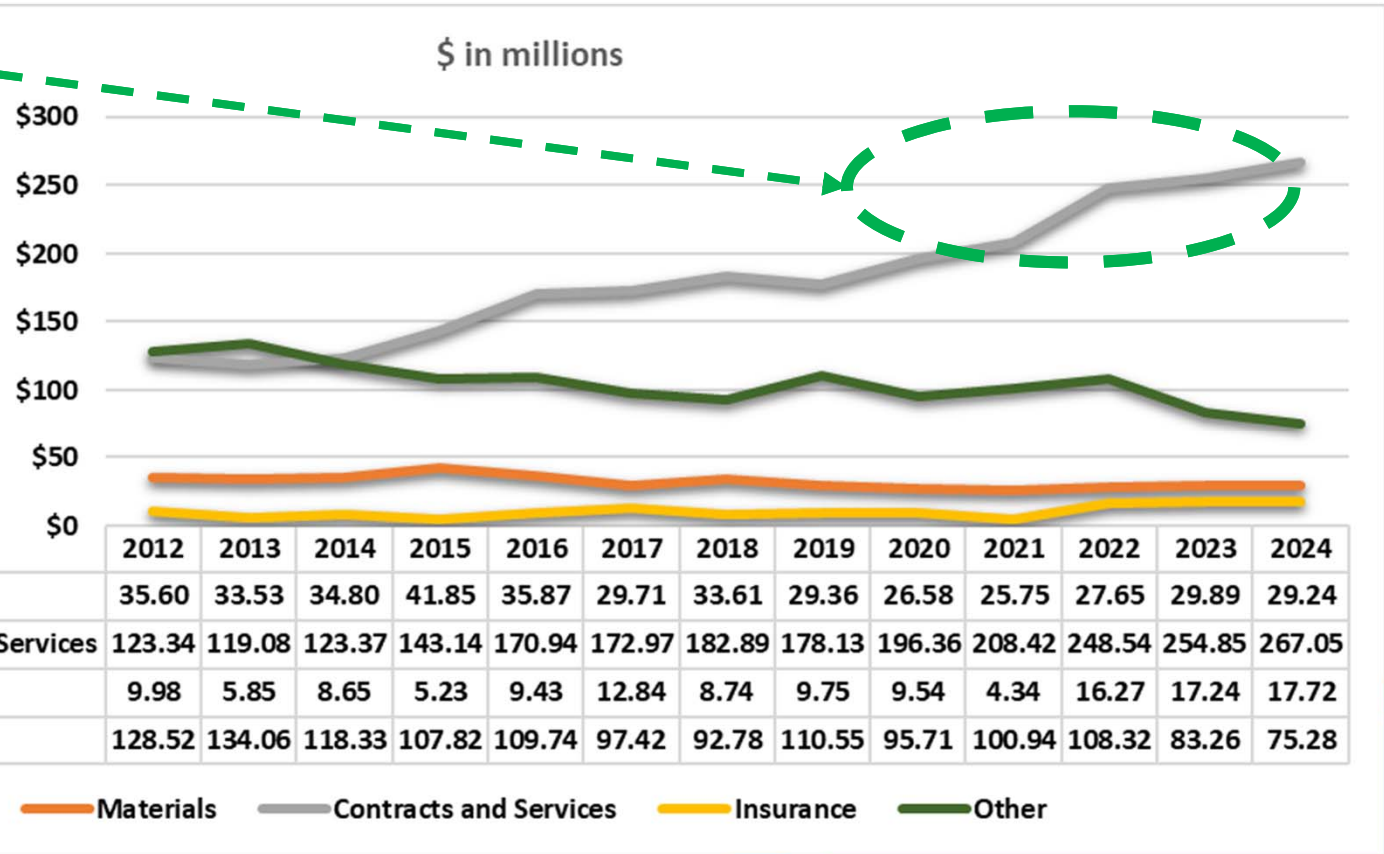


Serving 33% more customers since 2007, while employee headcount has decreased almost 25% in the same time period.

NON-FUEL O&M OTHER



Trend driven by increases in Plant Overhauls & Technology spend.



CHANGING CIRCUMSTANCES



Our operating environment has become significantly more challenging since the last time we increased rates.

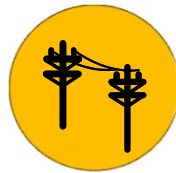


+125,000
Electric
Customers
(+17%)

+36,000
Gas
Customers
(+12%)



+222 MW
Peak
System
Demand



+ 1,500
Miles of
Lines



+ 1,250
Miles of
Gas
Lines



+ \$1 Billion
in
Assets



+280,000
Additional
Customers
Enrolled in
Manage My
Account



+8,000%
Increase in
Cyber Data
Breaches
Worldwide



Aging
Technology
Platforms



~300
Fewer
Employees



More than a Decade of Cost Savings Totaling
Over \$906M

FINANCIAL TARGETS



	Financial Metrics	
	Threshold	Target
1. Adjusted Debt Service Coverage	1.50X	> 1.60 X
2. Days Cash On Hand (DCOH)	150 Days	> 170 Days
3. Debt/Equity	< 60%	65%
4. Net Income	> \$0M	> \$15M

- Strategic Levers**
1. Financing Plan (new debt)
 2. Rate Plan
 3. Reduction of O&M / Capital

Meeting financial metrics is necessary to maintain strong credit ratings.

RATING ACTIONS

WINTER STORM URI



Rating Agency	Rating Changes		New Outlook / Watch
	Senior		
	Prior	New	
Fitch	AA+	AA-	Negative Outlook
Moody's	Aa1	No Change	Negative Outlook
Standard & Poor's (S&P)	AA	AA-	Credit Watch Negative

Strong credit keeps our borrowing costs low.

FINANCIAL HEALTH AT RISK



As our obligations to serve our growing community have grown over time, it has put our financial health under pressure.

Metric	Accountability Plan Thresholds	FY2023 Estimate Without Support	FY2023 Estimate With Rate Support
Adjusted Debt Service Coverage (ADSC)	1.50¹	1.42	1.87
Days Cash on Hand (DCOH)	150¹	129	173
Debt Capitalization (DC)	63.4%²	65.7%	64.3%
Net Income (in Millions \$)	N/A	(\$81.8)	\$132.9

- Outside of Credit Ratings Agency Guidance
- At Risk
- On Target with Credit Ratings Agency Guidance

¹ Aligned to Credit Ratings Agency Guidance.

² Credit Ratings Agency Guidance is to get down to 60%. Necessary for us to demonstrate trend towards 60%.



Thank You

