



RATE ADVISORY COMMITTEE (RAC) BUDGET PROCESS DISCUSSION

PRESENTED BY:

CPS ENERGY

August 19, 2021

Informational Update



OBJECTIVES & TAKEAWAYS



- **RECAP KEY TAKEAWAYS FROM COST OF SERVICE PRESENTATION**
- **SUMMARIZE HOW MISALIGNED RATES IMPACT CUSTOMERS**
- **COMMUNICATE PROCESS FOR DEVELOPING A BUDGET (EXPECTED REVENUE VS. EXPECTED COSTS)**

AGENDA



- **HIGHLIGHTS FROM LAST PRESENTATION**
- **RATES & COST SHIFTING**
- **INTEGRATED PLANNING**
- **BUDGETING: REVENUE FORECASTING & REVENUE REQUIREMENTS**

TAKE-AWAYS FROM PRIOR RAC MEETING



- The Cost of Service study is backward looking & does not define our forward looking costs, known as Revenue Requirements
- Customers' usage patterns determine the cost of serving them
 - Inefficient customers disproportionately create fixed cost
 - Efficient customers make better use of fixed cost infrastructure
- Commercial customers pay more than their cost of service, while residential customers pay a little less than their cost of service
- Our current rate designs do not align with our cost structure
- "Effective Price," which is the sum of all fees on a bill divided by the number of units purchased, is a poor indicator of fairness
 - More efficient users will have a lower effective price, but are contributing more than their cost of service
 - A lower effective pricing does not mean there is no incentive to conserve; every rate we have includes a conservation price signal

COST OF SERVICE DEFINITION



A cost of service study ***is***...

- A snapshot of a utility's cost structure
- Backward looking
- A study of how customers create cost and contribute to cost recovery
- Used to inform rate design

A cost of service study ***is not***...

- Used to determine "revenue requirements" (i.e., funding needed to run the business)
- Forward looking
- An indicator of needing a rate increase
- A driver of the price charged to customers

EFFECTIVE PRICE BY CUSTOMER GROUP



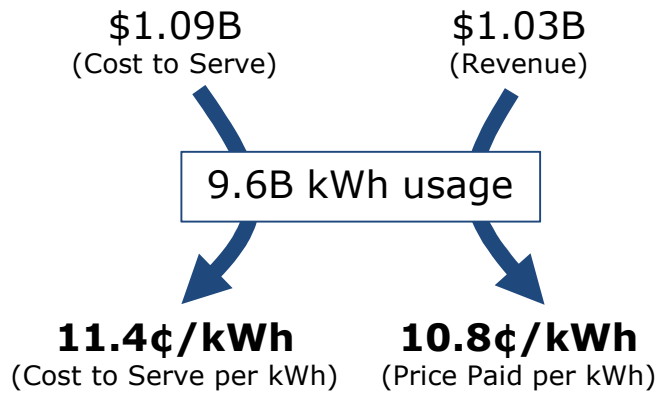
<u>Customer Group</u>	<u>Effective Price in ¢ per kWh</u>	<u>Utilization</u>	<u>Conservation Incentive</u>
Residential	10.8	40%	Yes
PL (Small & Med Business)	9.5	54%	Yes
LLP (Large Business)	8.4	60%	Yes
ELP (Extra Large Comm & Industrial)	7.6	71%	Yes
SLP (Super Large Comm & Industrial)	6.7	74%	Yes

Effective Price is the total of all fees divided by the number of units purchased. Commercial customers pay a lower effective price because they utilize our system much more efficiently than residential customers (i.e., their customer & demand charges are spread across more kWh). Rate structures for ALL customer groups include a seasonal incentive to conserve energy.

CUSTOMER PRICING

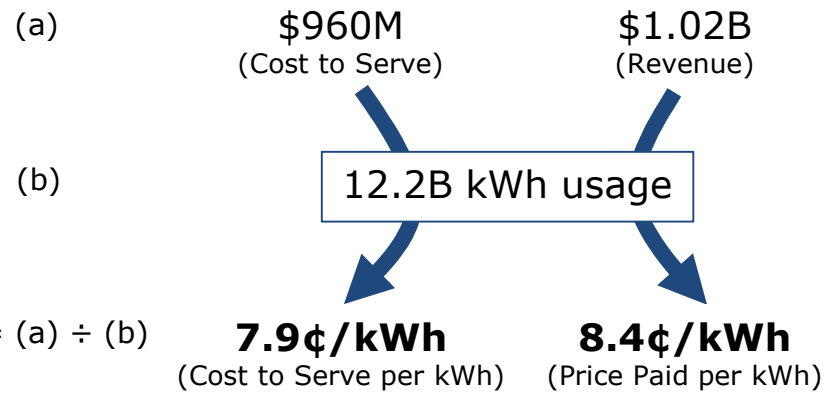


Residential



The price paid by residential customers is below the cost of service.

Commercial & Industrial



The price paid by commercial customers is above the cost of service.



QUESTIONS & DISCUSSION



RATES & COST SHIFTING



REVENUE VS. COST BY CUSTOMER GROUP



Revenues

\$ in thousands

		Residential		PL		LLP		ELP		SLP	
Fixed	Customer	\$ 69,207	7%	\$ 8,032	2%	\$ 4,149	2%	\$ 2,035	2%	\$ 448	0%
	Demand	136	0%	-	0%	66,547	25%	31,418	26%	50,991	30%
Variable	Energy	737,804	93%	361,858	98%	134,192	74%	55,188	72%	68,807	69%
	Energy (fuel adj)	121,237		62,344		40,485		19,594		31,374	
	Energy (reg adj)	103,917		36,071		23,680		10,326		16,111	
Total		\$ 1,032,301	100%	\$ 468,305	100%	\$ 269,052	100%	\$ 118,560	100%	\$ 167,731	100%

Cost to Serve

		Residential		PL		LLP		ELP		SLP	
Fixed	Customer	\$ 184,004	17%	\$ 37,503	9%	\$ 7,061	3%	\$ 1,817	2%	\$ 2,862	2%
	Demand	472,529	43%	185,514	43%	109,279	44%	45,246	41%	65,160	38%
Variable	Energy	209,734	40%	107,853	48%	70,024	54%	33,862	58%	53,953	60%
	Energy (fuel adj)	121,237		62,344		40,485		19,594		31,374	
	Energy (reg adj)	103,917		36,071		23,680		10,326		16,111	
Total		\$ 1,091,421	100%	\$ 429,285	100%	\$ 250,529	100%	\$ 110,845	100%	\$ 169,459	100%

% Cost to Serve

95%

109%

107%

107%

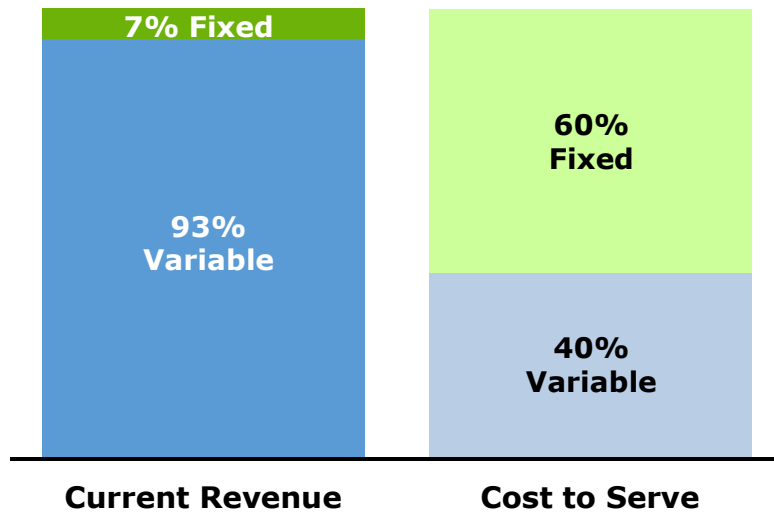
99%

Note: Based on normalized data (i.e., total revenue = total cost to serve).

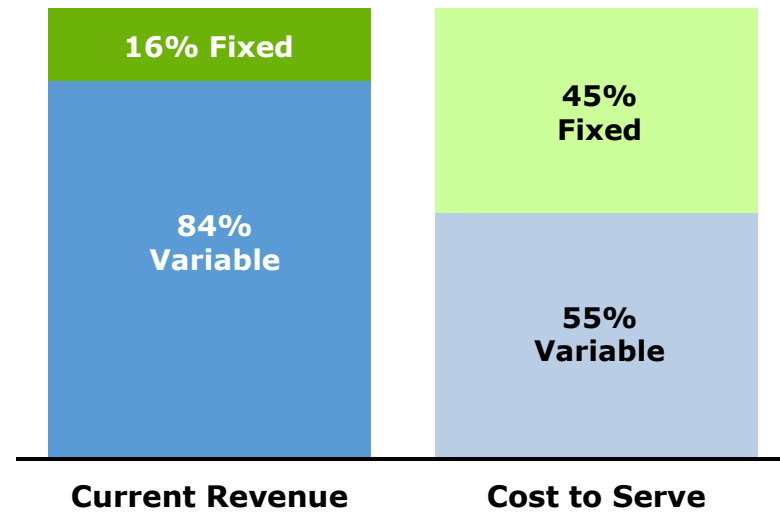
OUR RATES NEED BETTER COST-TO-BILL ALIGNMENT



Residential



Commercial & Industrial



The misalignment of our rate structures becomes a significant challenge if customer usage suddenly decreases.

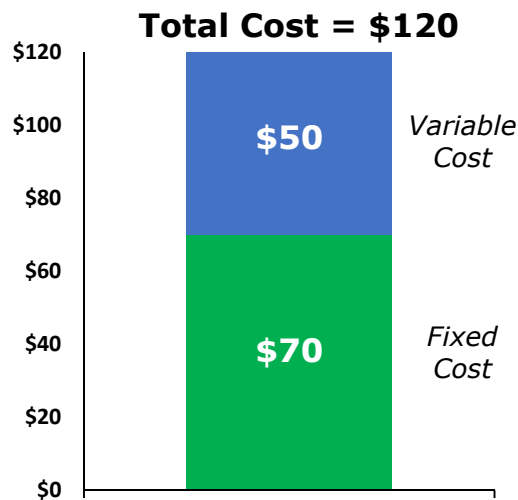
Note: Values based on FY2017 Cost of Service study

THE IMPORTANCE OF RATE DESIGN

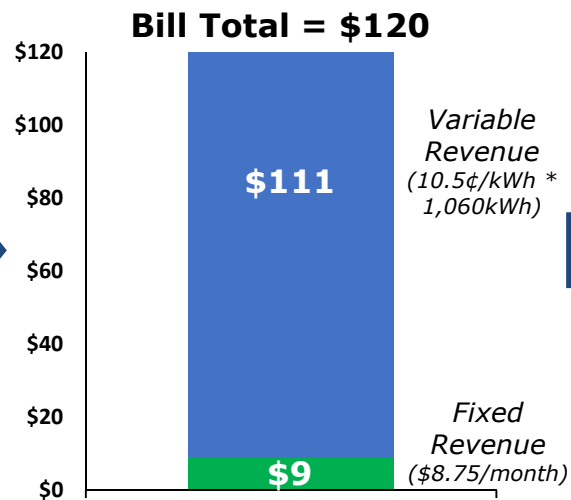
HYPOTHETICAL ELECTRIC BILL EXAMPLE



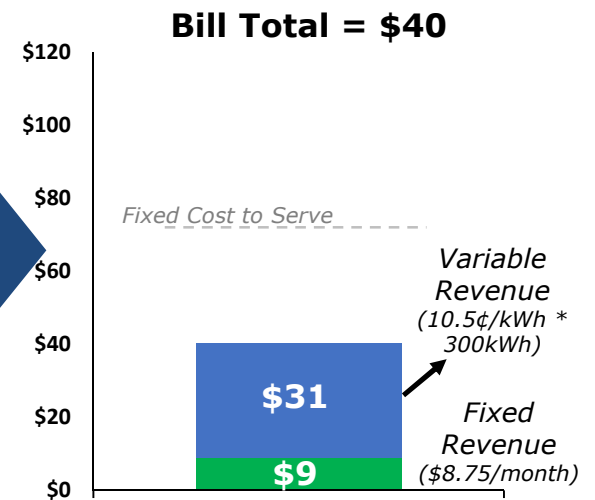
Cost to Serve a Residential Customer



Revenue with Current Rate Design



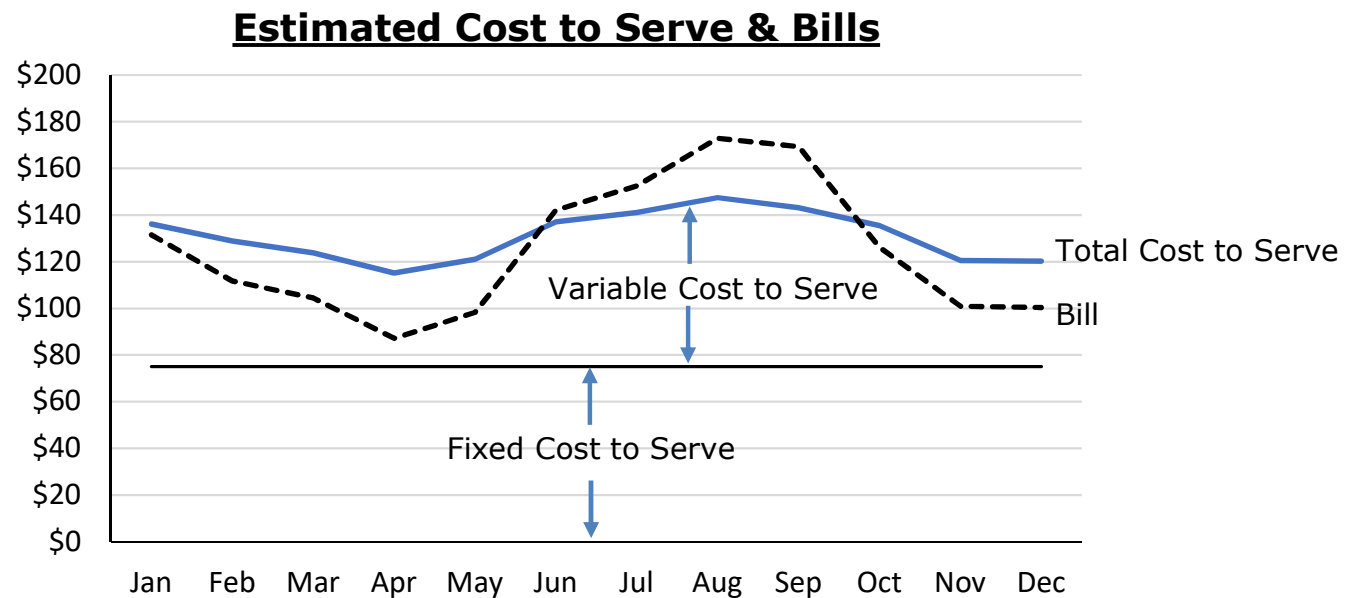
Impact of Decreased Usage



When fixed costs are recovered through variable charges, a reduction in volume delivers insufficient revenue.

RESIDENTIAL TYPICAL CUSTOMER

COST TO SERVE VS BILLS



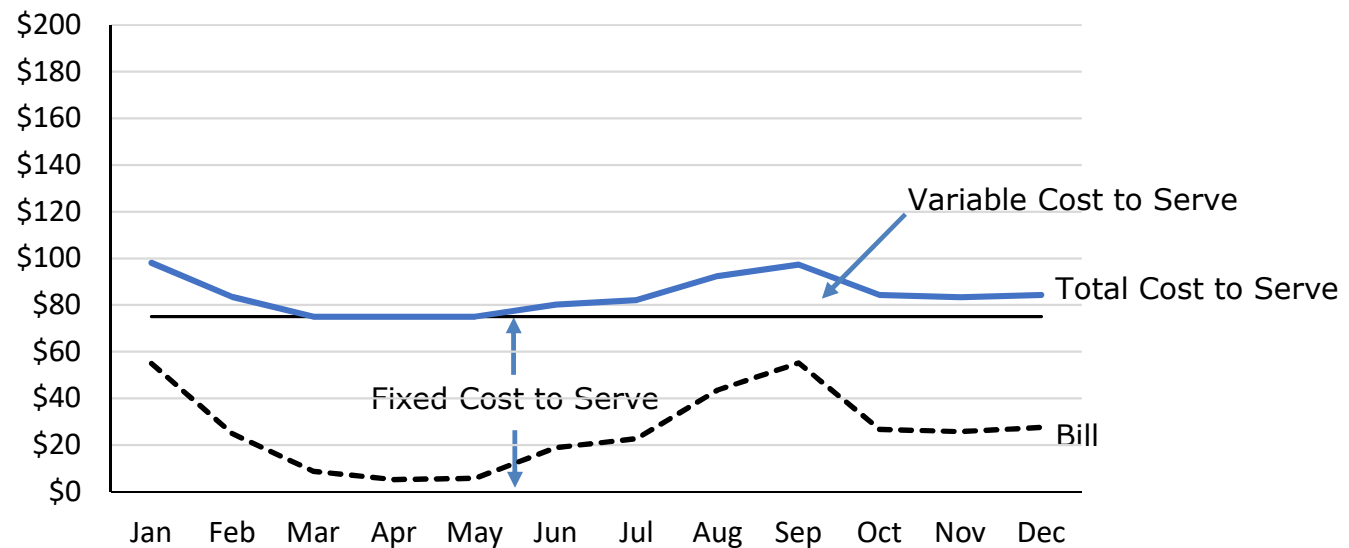
Over the course of a year, a typical customer with no rooftop solar will mostly cover their cost of service...

RESIDENTIAL SOLAR CUSTOMER

COST TO SERVE VS BILLS



Estimated Cost to Serve & Bills



... but customers with solar PV don't even cover their fixed cost of service.

QUESTIONS & DISCUSSION

BUDGETING PROCESS

FINANCIAL OBJECTIVE



- Fundamentally, we are a **cost recovery** business
- **Every dollar we spend** on behalf of the community **ends up in customers' bills**
- We do not generate "profit"
- This model is a unique advantage of municipally owned utilities



Our rates are designed to deliver revenue that fully covers our operating expenses, capital investments, payments to debt holders, and city payment.

BUDGETARY FOCUS



- A full budgeting process is conducted every single year
- First, we develop a **revenue forecast** (estimated units to be sold x price)
- Second, we develop a comprehensive, bottom's up **budget**
 - The budget is the sum of all the costs we expect to incur in the future
 - The budget represents the level of funding we need to receive as revenue (i.e., our revenue requirements)

If **A** < **B**

*Look for ways to cut cost
(i.e., decrease budget)*

- OR -

*Increase revenue by
raising rates*

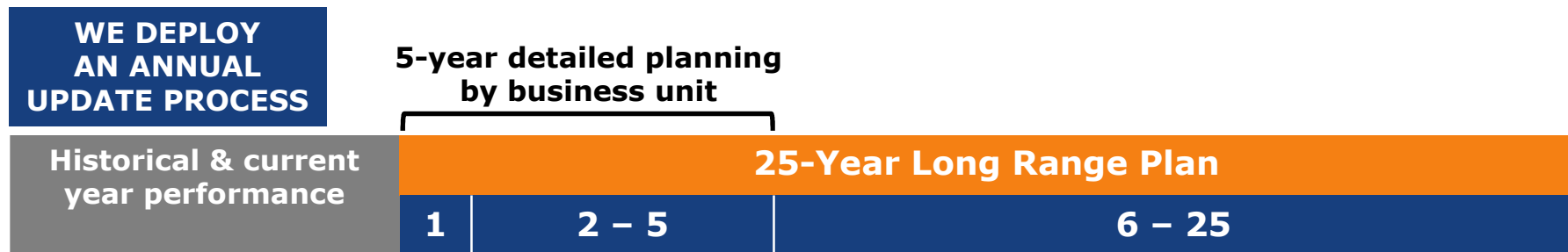
FORECASTING OVERVIEW



Generation Resource = Load (Demand) + Reserve Margin

FORECAST INPUTS

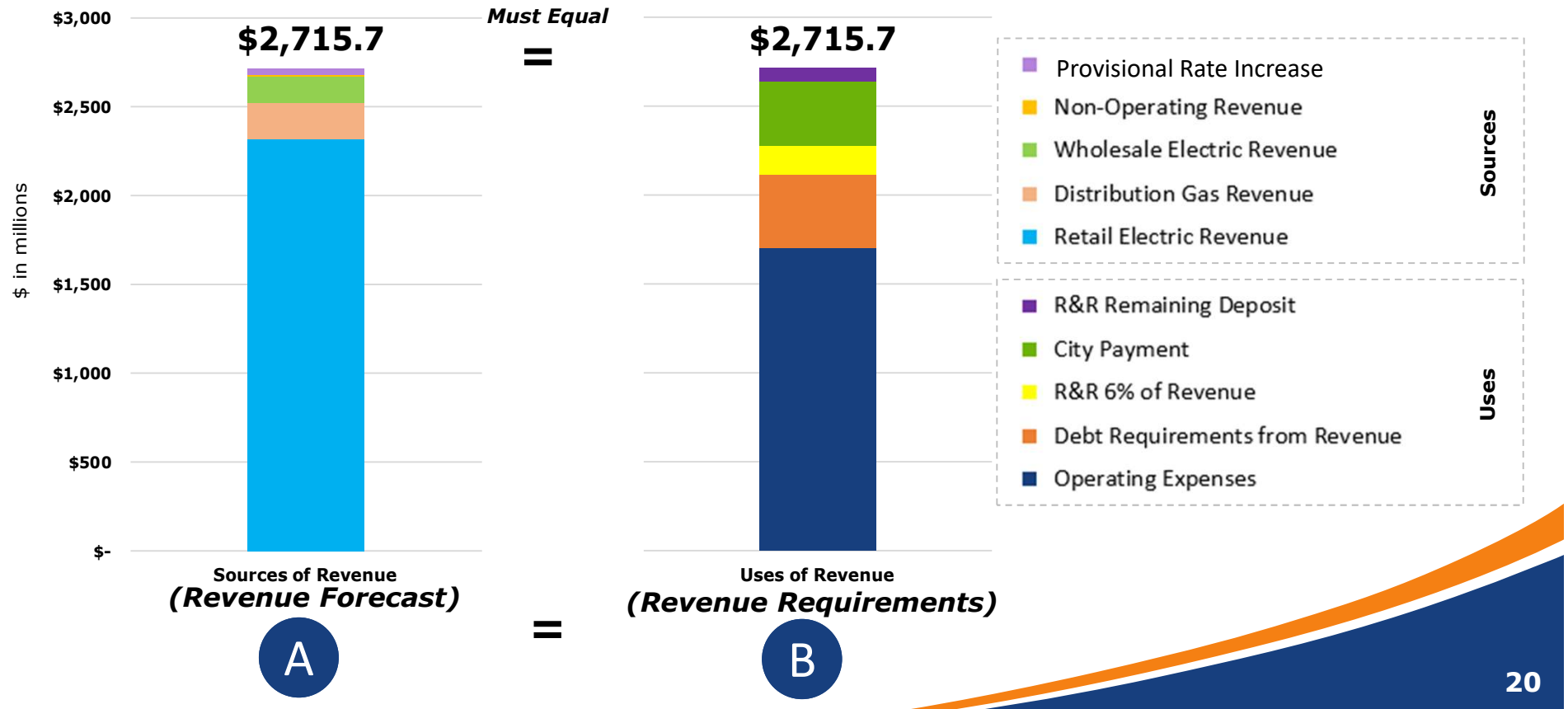
- Customer Growth (Electric & Gas Sales)
- Regulatory Costs (TCOS, ERCOT)
- Fuel Cost (gas, coal, nuclear, renewables)
- Generation Resource Plan
- Market Power Prices
- Wholesale price, revenue & margin
- Interest Rates



Year 1 will be presented to Board for approval (outer years are refreshed in subsequent planning cycles, so they are considered preliminary & subject to change)

A robust long range planning process is essential for long-term resource planning & yields budget targets, financial metric performance, & revenue support requirements.

IS OUR REVENUE SUFFICIENT?

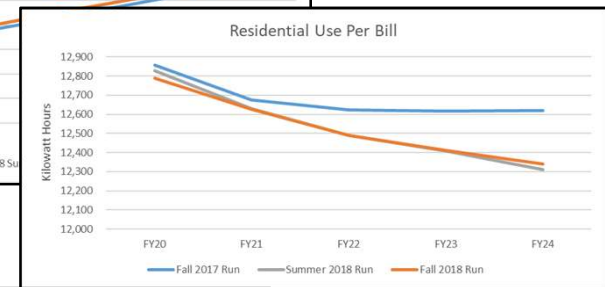
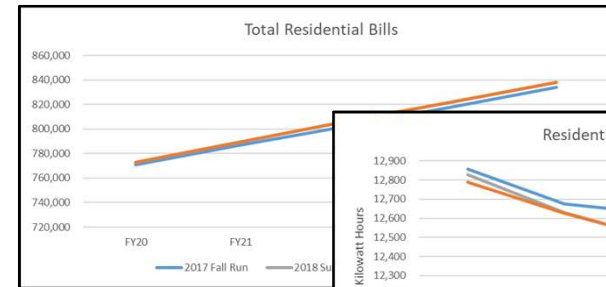


LOAD FORECAST

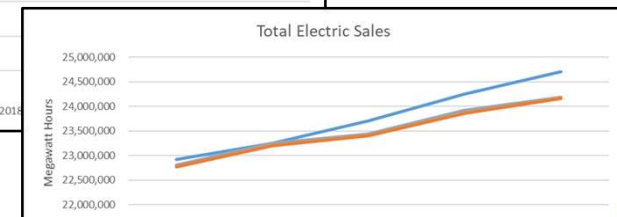


The load forecast is developed based on:

- Forecasted number of customers & bills for each customer segment
- Forecasted average consumption for each customer segment
- Guidance from large commercial account managers
- Weather



CHARTS ARE ILLUSTRATIVE



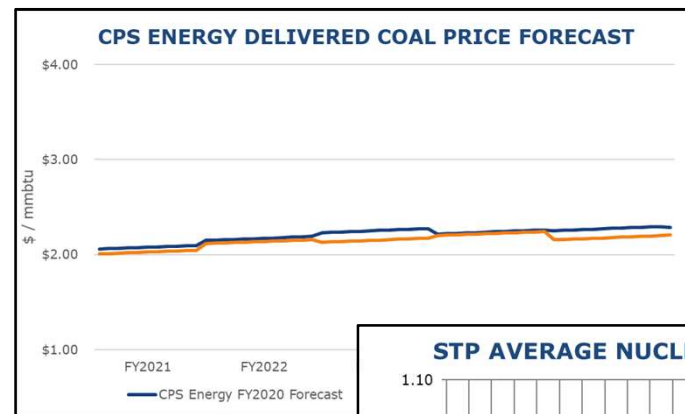
We examine every customer group to identify factors that will impact their usage.

FUEL FORECAST

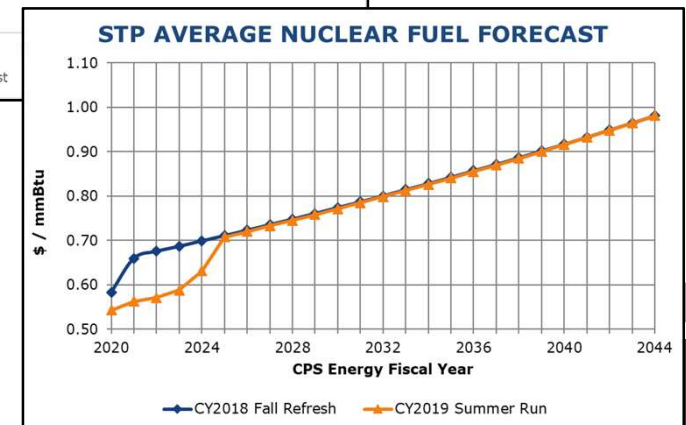


The fuel cost forecast is developed based on:

- Existing commodity fuel contracts (for natural gas or coal)
- Forecasted natural gas prices
- Forecasted ERCOT wholesale market power prices



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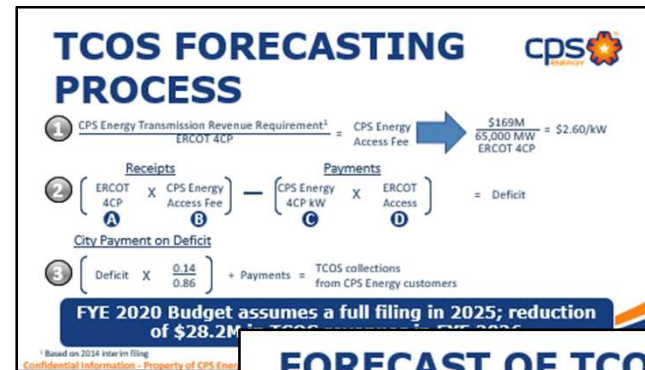


REGULATORY FORECAST



The regulatory cost forecast is developed based on:

- Forecasted ERCOT peak demand
- Forecasted CPS Energy peak demand
- Forecasted rate cases by other utilities
- CPS Energy's strategy for filing transmission cost recovery applications with the PUCT



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FORECAST OF TCOS VARIABLES

	Variable	Forecasting Process	Forecast-over-Forecast Change to FYE 2020 ¹	FYE 2020 ²	Impact
Receipts	ERCOT 4CP	ERCOT Load Forecast	+0.1%	69,369 MW	↓ Deficit
	CPS Energy Access Fee	TCOS Filing Strategy	+3.8%	\$2.60/kW	↓ Deficit
Payments	CPS Energy 4CP	CPS Energy Load Forecast	-5.0%	4,519 MW	↓ Deficit
	ERCOT Access Fee	Filing & Historical Trend	-0.9%	\$54.92/kW	↓ Deficit

1 FYE 2019 approved budget vs. FYE 2020 proposed budget
2 Values per the proposed FYE 2020 budget
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RETAIL REVENUE FORECAST



**CHARTS ARE
ILLUSTRATIVE**

The retail revenue forecast is developed based on:

- Load forecast
- Fuel cost forecast
- Regulatory cost forecast
- Current or proposed rates

Year	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN
1899 FY	51 819 161 75	47 095 971 76	45 334 671 06	54 004 495 56	84 796 807 91	96 052 772 20	97 170 837 21	97 706 572 32	98 333 682 16	92 381 096 19	49 724 613 47	62 3
1900	52 646 642 36	47 464 080 99	45 917 921 74	55 067 609 48	82 760 072 80	95 398 003 51	102 569 969 78	95 470 898 94	61 236 783 30	50 521 785 67	51 053 699 71	64 1
1901	58 602 422 68	52 604 161 27	53 750 987 31	58 514 497 47	87 143 479 19	107 374 274 82	108 613 694 69	99 813 594 87	68 165 799 07	54 935 286 19	56 896 027 50	69 2
1902	58 339 282 75	53 727 159 62	54 195 060 12	58 889 166 56	82 782 491 91	105 280 114 67	104 607 910 55	107 372 384 73	67 772 923 45	57 649 031 07	51 316 137 59	66 5
1903	62 986 956 43	57 867 635 13	56 491 567 84	65 561 940 11	99 913 177 12	112 344 081 97	113 468 864 04	114 587 473 10	70 640 304 06	64 084 331 35	59 995 147 24	75 3
1904	64 330 118 08	58 719 787 44	57 012 527 16	67 141 413 71	98 157 248 11	112 196 431 86	120 180 606 48	112 649 774 09	74 195 588 59	62 227 168 46	62 607 743 74	77 5
1905	68 950 988 53	62 111 541 69	63 623 294 90	68 318 287 86	102 741 908 12	126 601 376 74	128 150 865 32	117 986 992 35	80 447 035 59	64 824 775 09	66 975 356 26	81 6
1906	72 576 490 04	67 020 866 19	66 648 508 94	75 892 233 89	115 744 358 01	130 008 078 81	131 211 309 53	132 993 001 61	81 843 358 53	74 408 765 30	69 160 219 66	86 9
1907	74 120 263 06	68 664 988 38	66 201 718 77	77 755 417 48	113 714 569 35	129 945 824 44	139 219 734 12	130 048 180 78	86 145 941 30	72 274 958 01	72 315 761 99	84 0
1908	79 436 628 78	71 870 564 49	73 715 556 45	79 751 094 19	118 921 115 76	146 606 737 85	148 388 620 40	136 959 723 63	93 284 247 77	75 170 002 80	77 322 743 14	89 5
1909	79 186 228 88	73 713 095 68	74 697 627 30	80 501 390 26	127 175 208 60	144 140 094 92	142 743 948 89	147 999 216 41	93 071 165 36	79 279 927 35	76 025 835 43	92 9
1910	80 427 998 11	74 819 659 69	73 390 328 97	84 598 508 46	129 240 198 13	145 106 418 88	146 351 916 72	149 011 040 97	91 567 700 16	83 127 575 47	76 967 469 16	96 4
1911	82 212 648 81	75 914 675 51	74 035 321 00	86 605 224 80	127 115 433 74	145 373 121 64	155 659 317 44	146 734 520 40	96 522 159 10	80 871 465 90	80 633 086 52	99 7
1912	84 127 623 11	76 544 189 09	78 687 545 94	85 032 411 88	126 958 118 86	156 635 348 27	158 514 698 69	146 389 161 78	99 675 322 43	80 270 049 34	82 309 808 42	99 9
1913	84 286 856 71	78 600 817 13	79 598 410 93	85 975 281 82	135 965 030 06	154 081 322 24	152 688 579 28	158 337 620 28	99 528 230 47	84 740 687 94	83 497 880 59	99 3
1914	86 291 331 30	79 857 665 68	78 519 727 10	90 801 657 67	138 690 407 76	165 757 456 56	157 688 257 94	160 026 333 11	98 176 174 97	89 277 978 12	82 810 722 12	103 7
1915	88 572 926 17	81 529 015 32	79 829 873 28	93 402 727 31	136 784 910 45	166 346 551 52	167 403 260 76	157 912 762 09	103 648 143 94	87 076 026 23	86 933 908 89	107 4
1916	90 748 518 51	82 207 548 94	84 687 545 09	91 418 070 90	136 453 897 25	168 390 210 17	170 265 656 22	163 037 267 65	111 030 068 30	89 473 435 47	91 996 587 41	111 7
1917	94 061 872 54	87 383 353 32	88 516 863 37	95 308 095 81	151 717 346 05	171 859 173 84	170 235 191 21	176 438 588 51	111 030 909 45	94 540 786 72	93 052 790 41	110 9
1918	96 303 935 76	89 035 553 72	87 534 486 19	101 144 038 94	154 452 465 56	173 402 747 37	174 867 336 62	161 603 443 61	111 473 184 21	101 495 415 92	94 128 338 30	118 0
1919	100 809 401 58	92 586 383 51	90 234 450 15	106 113 414 43	155 279 803 41	177 311 559 05	180 010 785 13	179 061 102 30	117 586 524 84	98 837 307 05	98 973 411 29	121 7
1920	102 982 751 28	92 892 220 10	90 898 279 00	103 541 142 60	154 637 756 04	180 739 986 71	182 688 842 08	178 454 622 51	121 252 753 22	97 925 646 34	100 824 103 85	122 2
1921	102 965 945 04	95 473 615 92	97 163 868 13	104 671 619 42	162 793 386 76	187 869 703 24	186 871 684 79	183 129 987 42	121 233 078 04	103 272 399 58	102 080 054 92	121 4
1922	105 422 584 02	97 080 909 68	95 608 370 24	110 427 693 33	168 720 586 05	189 530 513 02	190 914 543 84	194 702 352 53	119 433 152 85	108 634 339 65	100 926 240 77	126 6
1923	107 879 149 27	98 690 664 30	96 609 231 72	113 493 182 86	166 233 028 43	189 779 067 45	203 315 975 92	191 399 795 32	125 793 915 01	105 622 163 81	105 671 626 04	130 5

The retail revenue forecast estimates revenue for the next 25 years.

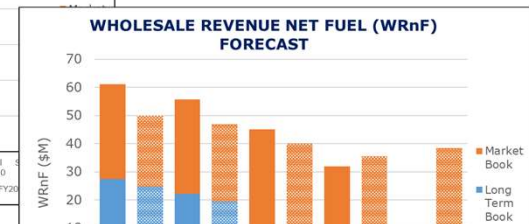
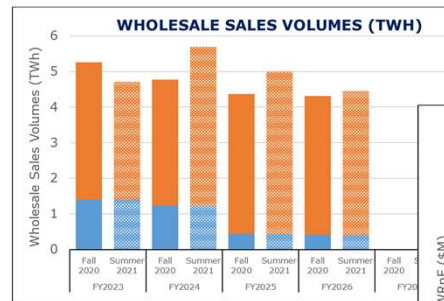
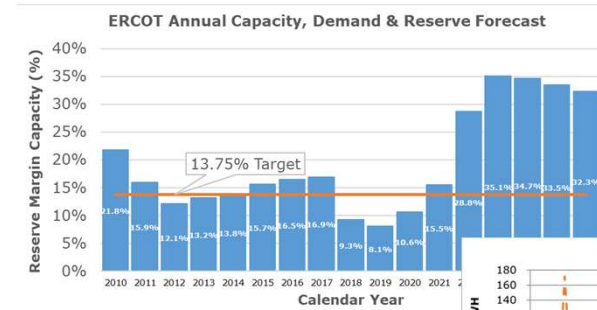
WHOLESALE REVENUE FORECAST

Wholesale revenue forecast is developed based on:

- Projected cost to operate generators
- Projected wholesale market power prices
- Known or expected long term contracts
- ERCOT market conditions
- Weather

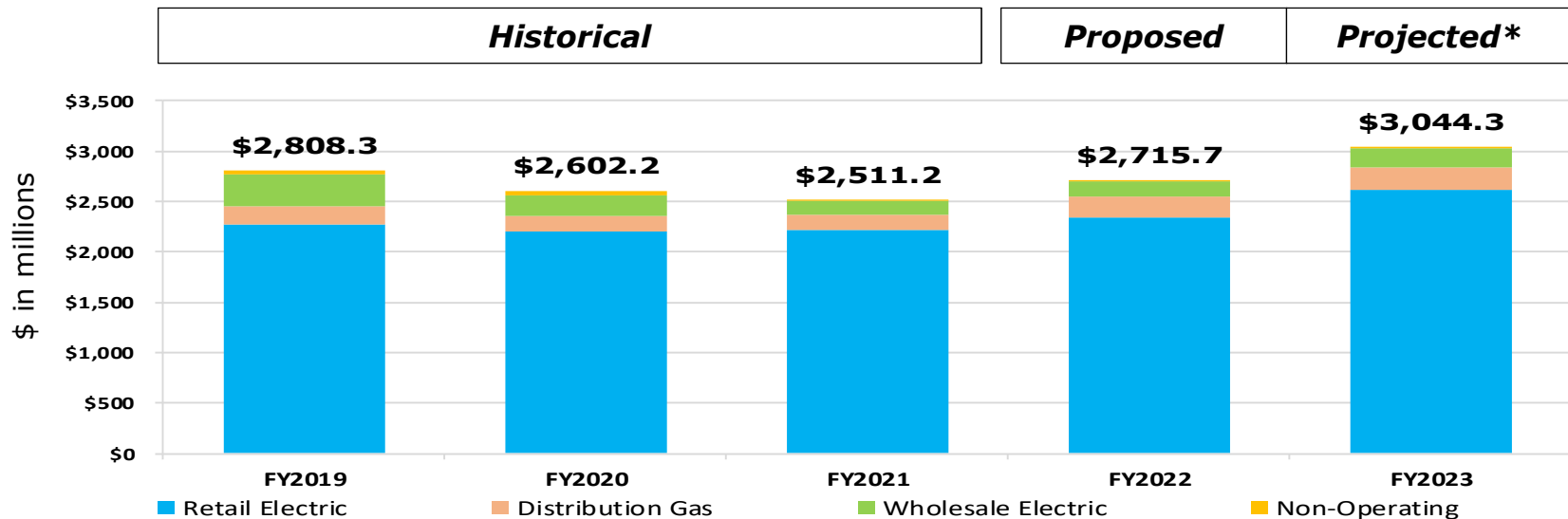


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Historically, wholesale revenue is very volatile.

REVENUE FORECAST (SOURCES OF REVENUE)



	FY2019	FY2020	FY2021	FY2022	FY2023
Retail Electric	\$ 2,276.9	\$ 2,208.6	\$ 2,216.0	\$ 2,347.8	\$ 2,611.0
Distribution Gas	170.7	142.9	153.6	206.3	223.7
Wholesale Electric	325.7	216.3	132.9	145.4	196.9
Non-Operating	35.0	34.4	8.7	16.2	12.7
Total Sources	\$ 2,808.3	\$ 2,602.2	\$ 2,511.2	\$ 2,715.7	\$ 3,044.3

* To be refreshed in subsequent planning cycles.

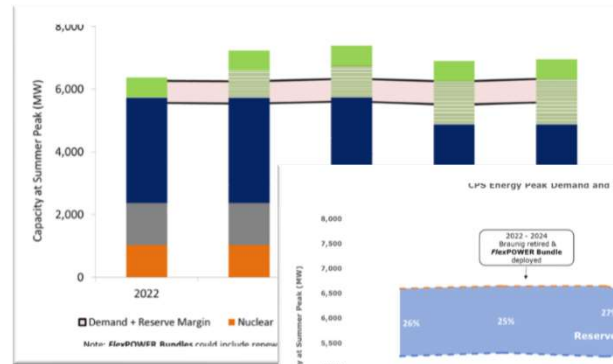
QUESTIONS & DISCUSSION

GENERATION PLANNING

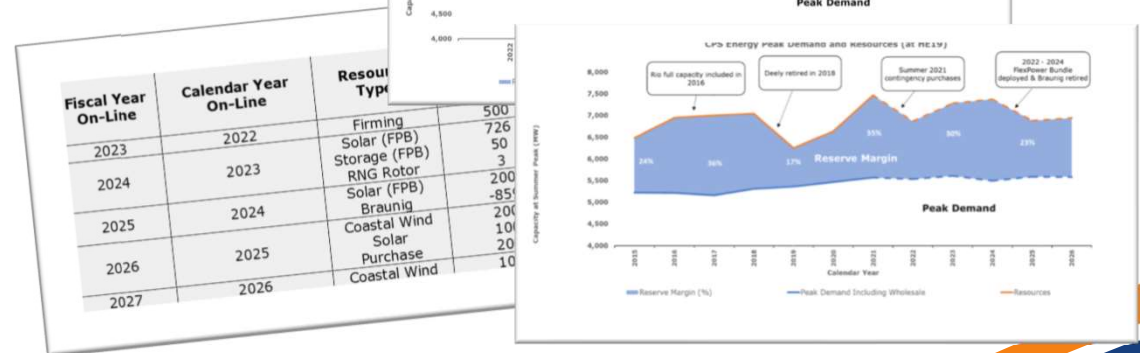


A generation forecast is developed based on:

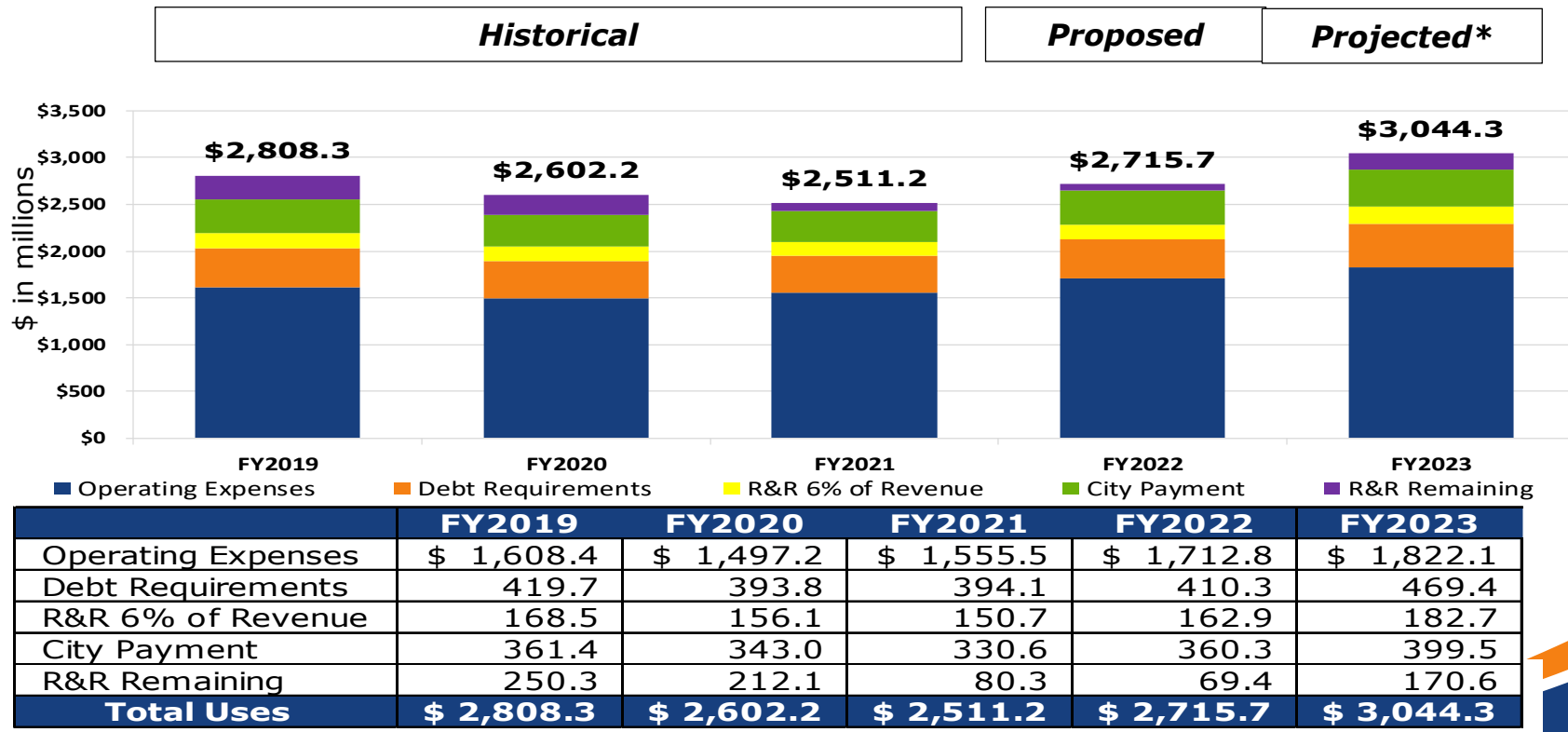
- Load forecast for the community
- Existing generation units & their capacity
- Forecasted wholesale market prices
- Weather
- Strategic initiatives



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REVENUE REQUIREMENTS (USES OF REVENUE)



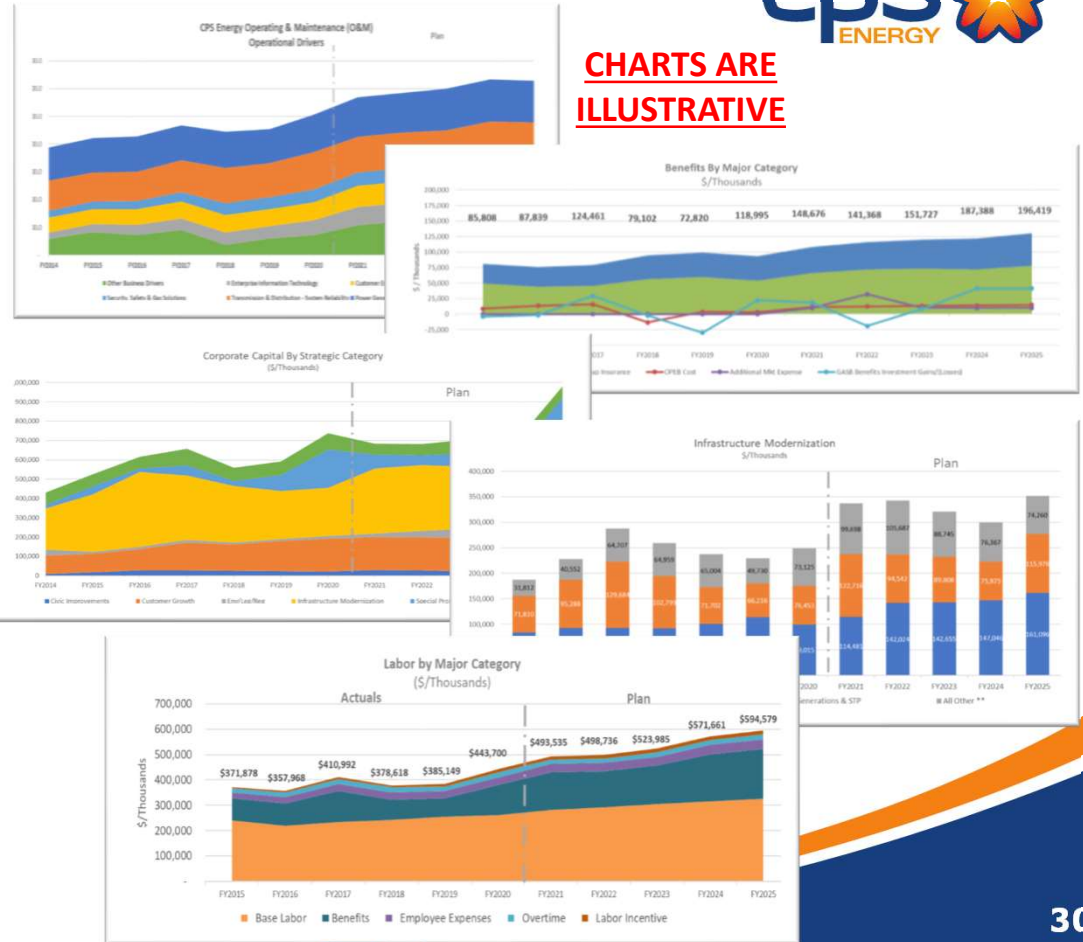
* To be refreshed in subsequent planning cycles.

O&M & CAPITAL PLANNING

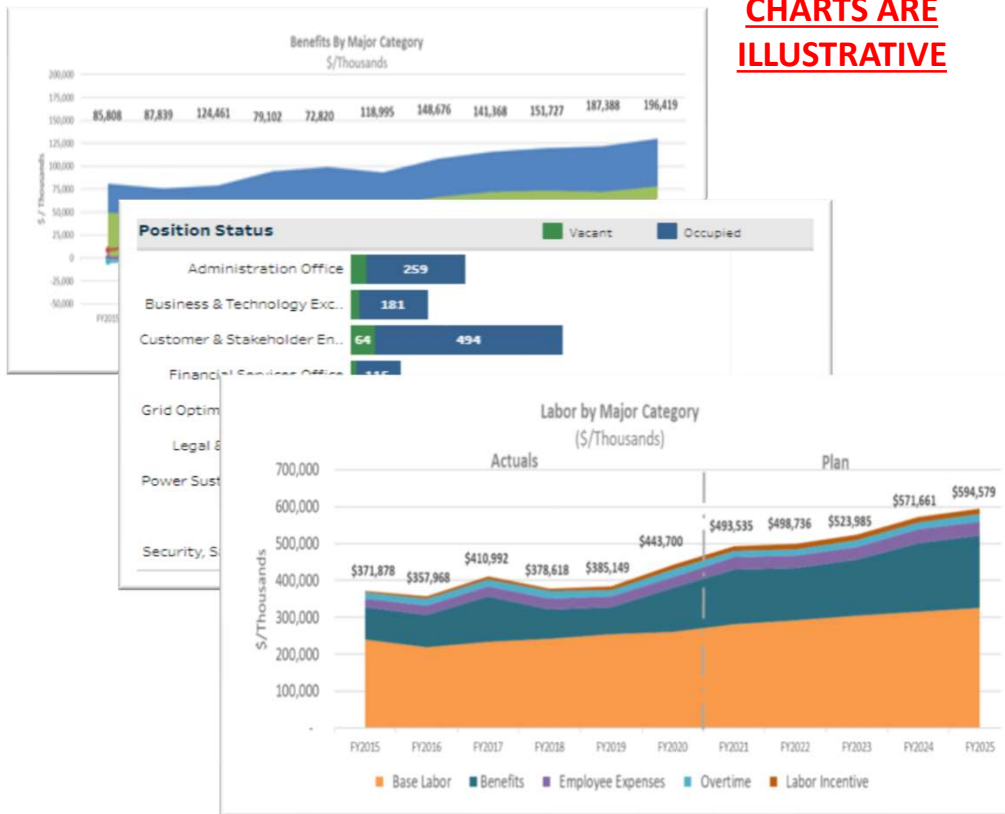


O&M and Capital Plans are developed based on:

- Forecasted number of employees, salaries & cost of benefits
- Expected transmission, distribution & generation projects
- Cost of energy efficient & demand response programs
- Expected technology projects



O&M DETAIL: LABOR PLANNING



Labor planning is developed based on:

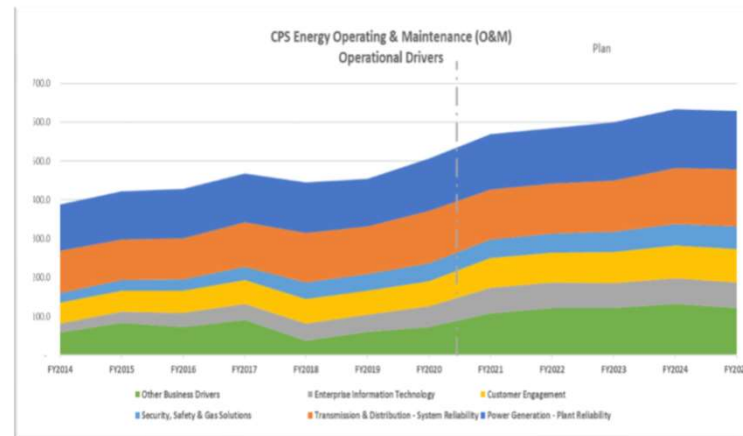
- Current employee headcount
- Current vacancies & timing of filling those positions
- Estimated overtime & employee expenses
- Estimated pension & benefits costs

O&M DETAIL: NON-LABOR O&M



Non-Labor O&M planning is developed based on:

- System reliability & asset management maintenance schedules
- Estimated resources & capacity needed from outside contractors
- Costs of materials & supplies
- Costs of tools, equipment & software
- Maintenance costs for facilities & vehicles



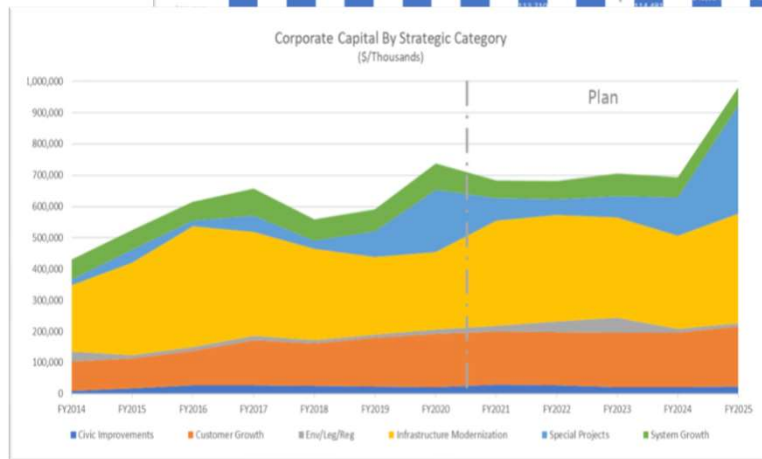
CHARTS ARE ILLUSTRATIVE

Major Task within Chevron	Sub-task within Major Task
July 29, 2019	July 29, 2019
July 19, 2019	July 23, 2019
Conduct Informational & Alignment Financial Target Sessions with Sr Chiefs	5 days July 26, 2019 July 30, 2019
Review Financial Targets with CEO	3 days August 2, 2019 August 4, 2019
Hevron 3: Collect Enterprise Integrated Planning Data (Purpose: Collect Data supporting BA Business Plans that Meet Ground Rules, Constraints, Assumptions, & targets)	55 days July 15, 2019 September 29, 2019
Refresh templates & train data collection participants (IP Team)	15 days July 15, 2019 August 5, 2019
Train BA data providers on data tool & templates	10 days July 22, 2019 August 5, 2019
Rollout Financial & Enterprise Data (FES)	70 days August 5, 2019 September 14, 2019

CAPITAL DETAIL: PROJECT PLANNING



CHARTS ARE ILLUSTRATIVE



Capital project planning is developed based on:

- Estimated customer requests (system growth)
- System reliability & asset management maintenance schedules
- Replacement timing for equipment (major & minor)
- Costs for facilities & vehicles

FINANCING PLAN

A financing plan is developed based on:

- Projected capital expenditures
- Projected cash balances & capital funding mix (i.e., funding debt vs. cash)
- Meeting financial metric targets:
 - Debt-to-capitalization
 - Adjusted Debt Service Coverage Ratios
- State of current capital markets



CHARTS ARE ILLUSTRATIVE

REQUEST

COUNCIL APPROVAL: Authorize, without the obligation, to execute the following transactions by delegating authority to the CEO or other designated Officials:

Proposed Potential Transactions: Executable before 9/9/2022	Authorization Amount	Reason	Estimated Net Present Value (NPV) Savings
Supports normal operations			
Jr. Lien 2014 Refunding ⁽¹⁾	\$ 3,600M	Substantial Savings	\$ 75.5M ⁽²⁾
Sr. Lien 2012 Refunding ⁽¹⁾			
Subtotal:			
Commercial Paper (CP) Refunding			
Total:			

¹ An additional bond to Council approval on these transactions is 750M and 500M.
² Savings are calculated as of 6/28/2021. It is subject to change later.

SAVINGS FOR OUR CUSTOMERS

PRUDENT DEBT MANAGEMENT

Year	Rate (%)
2016	4.87%
2017	4.76%
2018	4.58%
2019	4.48%
2020	4.32%
2021	4.81%
2022	3.82%

FINANCIAL RESPONSIBILITY

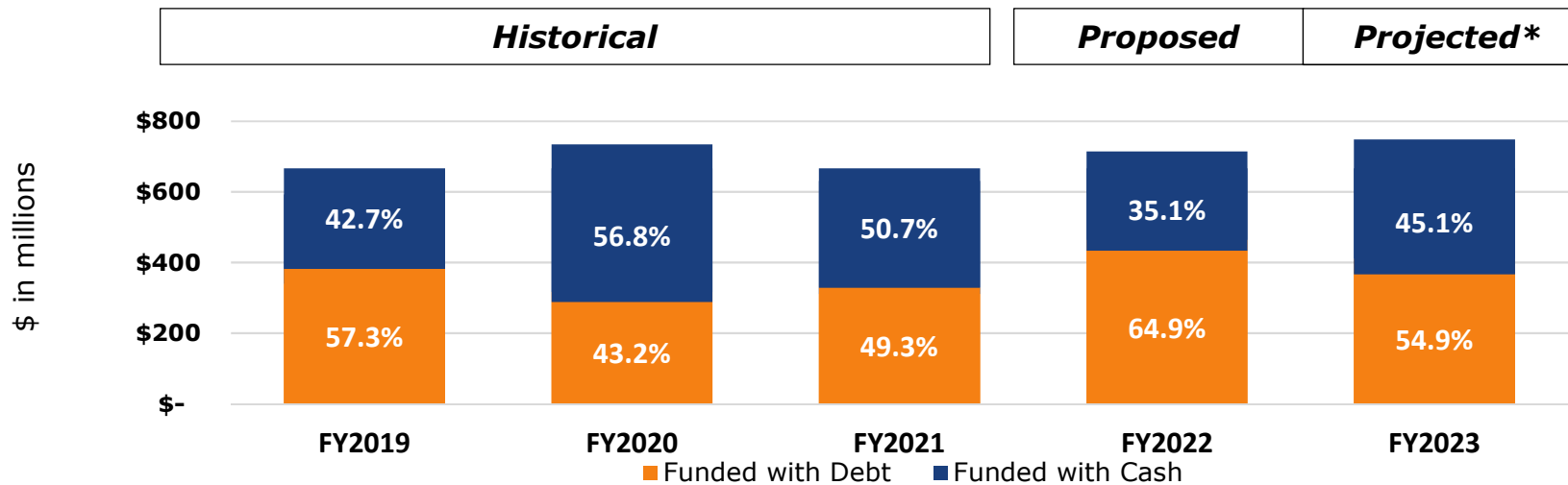
FINANCING TRANSACTION OBJECTIVES

- Savings opportunities
- Required remarketing of debt
- Ability to lock in low, long-term interest rates

Following our guiding pillars, we continuously evaluate opportunities in the capital markets to help save our customers' money.

FINANCING PLAN

FUNDING ALLOCATIONS



	FY2019	FY2020	FY2021	FY2022	FY2023
Funded with Debt	\$339.8	\$317.3	\$311.1	\$463.9	\$410.9
Funded with Cash	253.0	416.7	319.7	250.4	336.9
Gross Construction Total	\$592.8	\$734.0	\$630.8	\$714.3	\$747.8

The plan to fund capital is developed to provide for adequate cash balances & long-term debt / equity targets.

* To be refreshed in subsequent planning cycles.

WHAT'S IMPORTANT TO RATING AGENCIES? (UNDER MOODY'S METHODOLOGY)



FACTOR	WEIGHT
Management of Generation Risk, Cost , Reliability	10%
Rate Competitiveness	10%
Financial Strength & Liquidity	30%
Cost Recovery Framework	25%
Willingness & Ability to Recover Costs	25%



Our Moody's rating of Aa1 is based upon these factors, as well as an overall qualitative assessment of our Company.

FINANCIAL METRICS



Adjusted Debt Service Coverage:

The number of times our operating cash flow could cover our debt costs.

$$\frac{(\text{Gross Rev.} - \text{Oper. Expense} - \text{City Payment})}{\text{Debt Service}}$$

Days Cash on Hand:

The number of days of operating expenses that our current level of cash could cover.

$$\frac{(\text{R\&R Account} + \text{General Fund})}{(\text{Operating Expense} \div 365)}$$

Debt to Capitalization:

The proportion of our total capital structure that is comprised of issued debt.

$$\frac{(\text{Outstanding Debt})}{(\text{Outstanding Debt} + \text{Equity})}$$

We monitor these metrics to ensure financial strength and liquidity.

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	65%	< 60%
4. Net Income	> \$0M	> \$15M

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

The budget is developed to maintain key financial metrics at target levels. 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.

RATINGS AGENCIES

RECENT RATING ACTIONS



"The Negative Outlook also reflects the broader economic stress caused by the pandemic, coupled with community perceptions ... which could impact city council's willingness to approve, without delay, any proposed rate increases."



CPS Energy's various strengths include: "competitive retail rates despite a high General Fund transfer requirement, a competitive, reliable and diverse power supply ..."



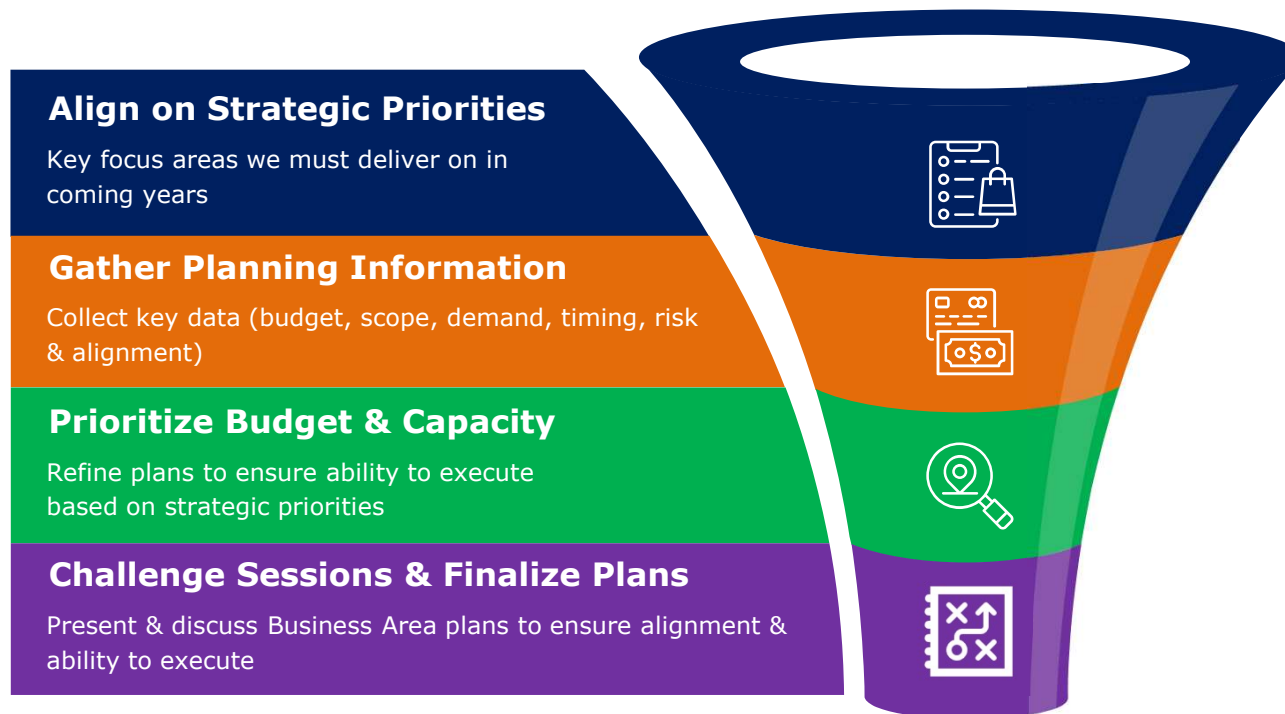
"In particular, we will consider whether the magnitude of any rate increases the utility may need to seek weakens our assessment of its market position or if fixed-charge coverage metrics come under pressure."

The ratings agencies recognized the need for us to seek rate increases to maintain financial stability and keep metrics healthy.

QUESTIONS & DISCUSSION

INTEGRATED PLANNING PROCESS

INTEGRATED PLANNING PROCESS



Integrated Planning results in a strategic business plan for each business unit.

INTEGRATED PLANNING & EXECUTION



- Strategic & Risk Landscape**
Align on key Risks & AES's through Guiding Pillars
- Financial & Budget Planning**
Forecast cost & revenues to inform budget allocation
- Enterprise Portfolio & Projects**
Prioritize & plan work to insure wisest investments
- Risk & Compliance Planning**
Assess & develop mitigations to tactical risks
- Business & Metrics Planning**
Incorporated plans with measurements of performance
- Benchmarking**
Assessment of performance compared to peers



BUSINESS PLANS



STRATEGIC CONT

- The utility industry is rapidly evolving. I & analysis are key to making sound decisions.
- Customer expectations continue to rise. To meet their needs, they will look to other options.
- Our team members are interested in growing in their careers. Engagement & development opportunities are paramount to retaining talent.
- Key stakeholders are looking at our decisions through an Environmental, Social & Governance (ESG) prism.
- New rules, regulations & our rapidly changing industry require our team to be continuous learners.
- We have to challenge ourselves as much about what could happen (risks) as we do about what we expect to happen.
- Our ability to embrace & optimize new technology will be critical in our success.
- Teaching our teams to make connections is "powerful".
- COVID-19 has likely forever changed the way we will function. Adapting to the "new normal" will determine success.

VISION

- Diverse, Dedicated Team Members**
We are focused on providing financial, accounting, planning, strategic pricing, cost management & enterprise risk services.
- "Service Providers, Service Provider"**
Success is measured on how well we make connections & communicate with operational & other support areas in executing business strategy & objectives.
- Continual Process Improvement**
Be bold while sharing with one another through an open-minded, self-critical learning environment. Our employees are foundational to our success.
- Highly-Valued Partner**
We listen to our customers, engage stakeholders, learn from past experiences & collaborate on business challenges & tell our story.

MISSION

To provide meaningful financial information & external customer experiences.

FINANCIAL SERVICES STRATEGIES

Develop our people to build financial & business acumen through continuous learning, preparing them to be tomorrow's leaders.

Protect our assets while maintaining premier customer focus on performance controls.

Improve our processes through continuous learning, preparing them to be tomorrow's leaders.

Engage our customers through continuous learning, preparing them to be tomorrow's leaders.

Support our customers through continuous learning, preparing them to be tomorrow's leaders.

FINANCIAL SERVICES – RISKS

RISK ENVIRONMENT & HIGHLIGHTED RISKS

Key Risks	Mitigating Actions
Enterprise Due Diligence	<ul style="list-style-type: none"> Evaluate & implement cost reduction / deferral initiatives Integrated organizational prioritization of projects Offer flexibility in payment plans & waiver of late fees to increase probability of collections Working with our internal customers to explore new or increasing cost reimbursement options Strategic Rate Design initiatives & new product offerings
Customer Retention	<ul style="list-style-type: none"> Implement cost reductions Look at prioritizing operationally critical projects Offer flexibility in payment plans & waive late fees Proactive outreach to customers to connect them to bill assistance programs Working with federal, state and local officials on additional funding for bill assistance Exploring new forms of revenue recovery options

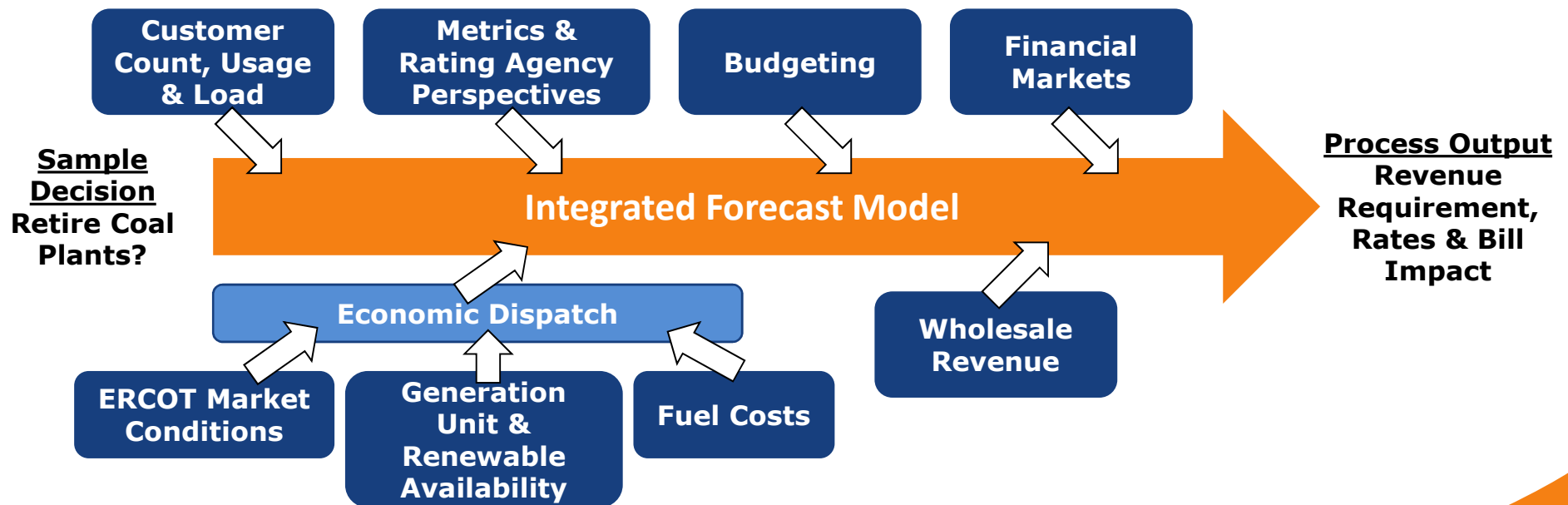
FINANCIAL SERVICES FY22-23 BUSINESS PLAN CEO/Sr. CHIEF CHALLENGE SESSION

Presented by:
Gary Gold
Interim Chief Financial Officer & Treasurer
&
FS Leadership Team

December 18, 2020

IMPACT OF STRATEGIC DECISIONS

OUR RATE MODELING PROCESS IS ALSO USED TO EVALUATE ALTERNATIVE STRATEGIES



Strategic decisions are viewed through the bill impact lens.

TOTAL TOTAL BILL

THE FULL IMPACT ON THE CUSTOMER MATTERS



CPS Energy			
PO Box 2678, San Antonio, Texas 78289-0001			
Customer Number:	70000760		
Previous Bill	\$187.58		
Payments & Adjustments			
Payment 07/16/21	-\$188.00		
Subtotal	-\$188.00		
Balance	-\$0.42		
Electric			
Residential Electric			
Service Availability Charge	\$8.75		
Energy Charge 2,235 kWh x \$0.0691	\$154.44		
Peak Capacity Charge 1,635 kWh x \$0.0198	\$32.37		
Fuel Adjustment 2,235 kWh x \$0.01751	\$39.13		
Regulatory Adj 2,235 kWh x \$0.01236	\$27.62		
Total Electric Bill (Non-Taxable)	\$262.31		
Meter Read Detail (Read=R) (Estimated=E)			
Electric Meter	Previous	Current	Consumption
#6692792 (R-07/28/2021)	73937	76172	2,235
Your next scheduled meter read date is Aug 26, 2021 or Aug 27, 2021			
Billing Period Jun 26, 2021 - Jul 28, 2021			

The "Total Total Bill" impact to customers includes:

- Current and future trend in usage
- Current and future fuel & regulatory costs
- The cost of the strategic initiative being considered

QUESTIONS & DISCUSSION



Thank You





Appendix

