



***RATE ADVISORY COMMITTEE (RAC)
EDUCATIONAL LECTURE #1
BUSINESS MODEL & MARKET
STRUCTURE***

PRESENTED BY:

CPS Energy & The Brattle Group

June 10, 2021

Informational Update

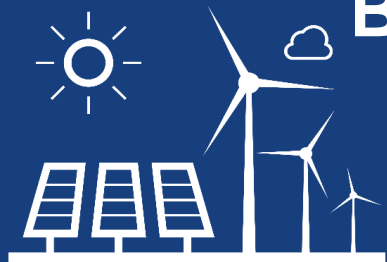
AGENDA



- **CPS ENERGY BUSINESS MODEL**
- **TEXAS OVERVIEW & COMPETITIVENESS**
- **ENERGY EFFICIENCY & DEMAND SIDE MANAGEMENT**
- **INDUSTRY TRENDS**
- **FUTURE OUTLOOK**

CPS ENERGY BUSINESS MODEL

WHO WE ARE BY THE NUMBERS¹



Largest Municipally Owned Electric and Gas Utility in the U.S.
Largest Solar Power Production in Texas; 5th in the Nation²
2nd Largest Wind Power Production in Texas

Senior Junior

S&P: AA- A+

Fitch: AA- AA-

Moody's: Aa1 Aa2

Credit Ratings³



885K Electric

367K Gas

Our Customers

161

Years of Serving
San Antonio



Most Trusted Brand
in the South Region
by Escalent



\$11.5B - Total Assets
\$ 2.5B - Annual Revenue



3,000
Employees

¹ As of 1/31/2021

² Environment Texas Research & Policy Center. "Shining Cities 2020: The Top US Cities for Solar Energy"

³ Ratings as of 3/23/2021

2020 HONORS & AWARDS

People First Champions Committed to Providing Excellence



SAN ANTONIO CITIES "A-LIST" FOR ENVIRONMENTAL ACTION



SHINING CITY: TOP US CITY FOR SOLAR ENERGY



BEST INNOVATIVE TEAM, FINALIST
BEST LEADER, FINALIST
UTILITY ANALYTICS AMBASSADOR



NORTH AMERICAN EXCELLENCE IN RESOURCEFULNESS - ENERGY BEST PRACTICE



S&P Global Platts Global Energy Awards
GRID EDGE, FINALIST
CEO OF THE YEAR, FINALIST



GREEN CROSS AWARD SEMI-FINALIST



ENVIRONMENTAL STEWARDSHIP



LINKING PEOPLE, IDEAS, INFORMATION
ENVIRONMENTAL EXCELLENCE - STEWARDSHIP



TEXAS PUBLIC POWER ASSOCIATION
SYSTEM ACHIEVEMENT



UTILITY INDUSTRY SPOTLIGHT - COMMUNITY CHAMPION



CULTURE TRANSFORMATION BEST PRACTICES



100 BEST FLEETS IN THE NORTH AMERICAS (#77)



100 BEST FLEETS IN THE NORTH AMERICAS (#12)



NOTABLE FLEET



THOUGHT LEADER FOR PUBLIC ENGAGEMENT



INSPIRING ENERGY AWARD



BEST OF TEXAS AWARD - EXCELLENCE IN PROJECT MANAGEMENT



American Public Gas Association

PUBLIC GAS SYSTEM ACHIEVEMENT

MARKETING & SALES

SOAR BRONZE



SUE KELLY COMMUNITY SERVICE SAFETY AWARD OF EXCELLENCE - SECOND PLACE

MERIT IN VIDEO - COMMUNITY ASSURANCE TV



SECURITY CS050



REWORKSSA GOLD CERTIFICATION



CUSTOMER CHAMPION

EASIEST UTILITIES TO DO BUSINESS WITH

MOST TRUSTED BRAND

2021 HONORS & AWARDS

PEOPLE FIRST CHAMPIONS COMMITTED TO PROVIDING EXCELLENCE



ENVIRONMENTAL CHAMPION
EASIEST UTILITIES TO DO BUSINESS WITH



100 BEST FLEETS IN THE AMERICAS (#82)



CUSTOMER SERVICE APPRECIATION – STORM URI CUSTOMER RESPONSE



ELECTRIC UTILITY SAFETY AWARD OF EXCELLENCE HONORABLE MENTION



EMPLOYEE COMMUNICATIONS – INTERNAL EVENT STRATEGY CATEGORY



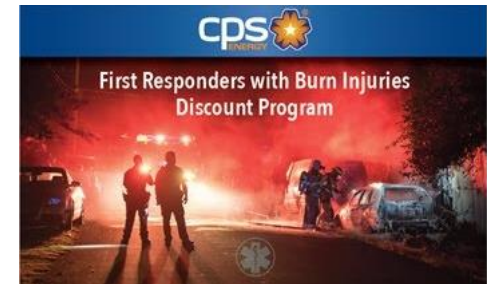
BUILDING SAN ANTONIO AWARDS BEST REUSE/REHAB CATEGORY

SOLUTIONS TO COMMUNITY NEEDS



Some of the ways we help our customers include:

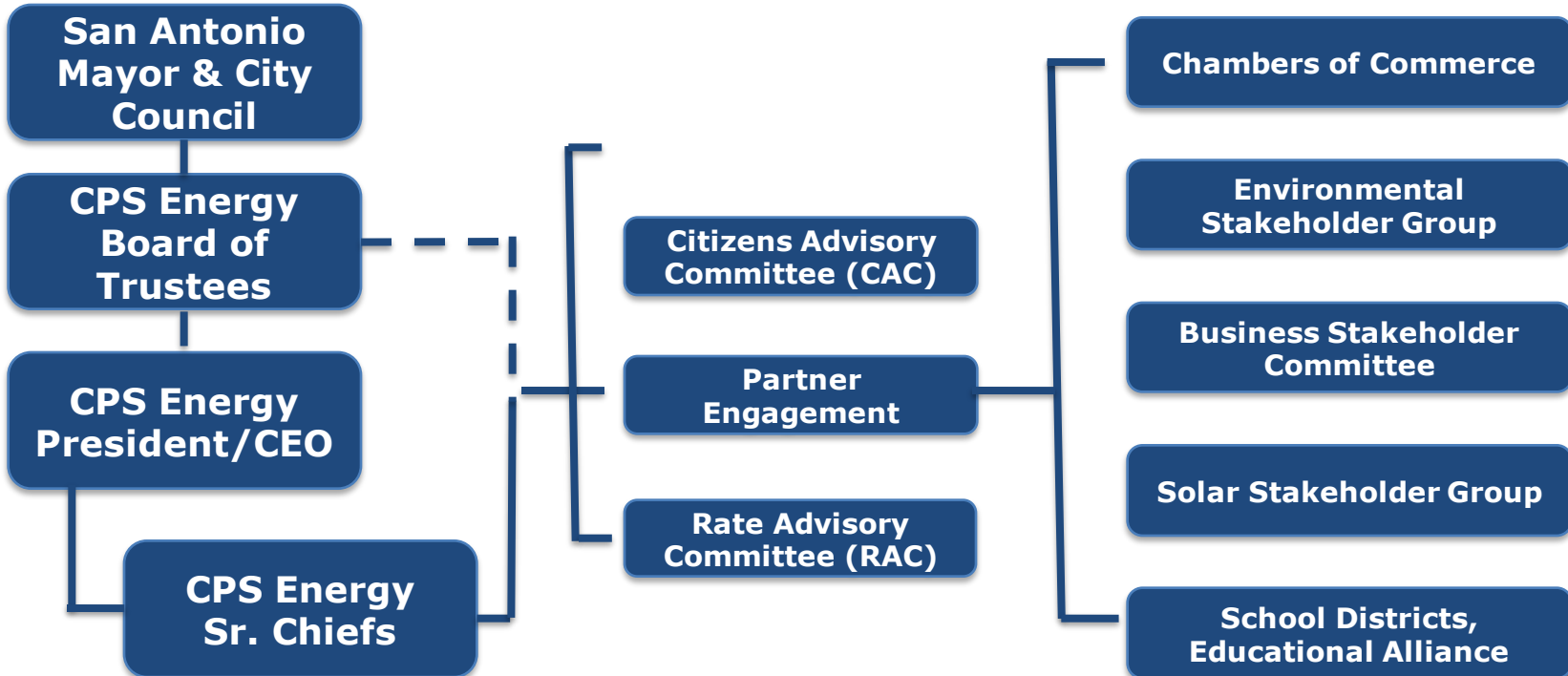
- Affordability Discount
- Casa Verde
- Budget Payment Plan
- Residential Energy Assistance Partnership (REAP)
- CPS Energy Angels
- Burned Veteran's Discount
- First Responders with Burn Injuries Discount
- Critical Care Customer Program
- Disable Citizen Billing Program
- Senior Citizen Billing Program
- Senior Citizen Late Payment Waiver
- Payment Arrangements



We are here to help our community! For our complete list of programs please see our website at cpsenergy.com/assistance.

RATE ADVISORY COMMITTEE

CPS ENERGY STRUCTURE



Reporting Flow
DOTTED LINE: recommendations
SOLID LINE: facilitated dialogue & input

COMMITTEE ON EMERGENCY PREPAREDNESS

STARTED 3/15/2021



REQUESTS	COUNT
Completed By 5/25/2021	35
Currently In Process	4
Total	39



COMMITTEE ON EMERGENCY PREPAREDNESS

- All responses can be accessed at:
<https://www.sanantonio.gov/emergency-preparedness/Question-Lists#CPSE>

GOVERNANCE

LONG-STANDING GOVERNANCE STRUCTURE



INDEPENDENT BOARD OF TRUSTEES

1



- New members are selected & ratified by existing members of the Board & approved by City Council
- Mayor serves as ex-officio 5th member
- To be appointed, Trustees must reside within the CPS Energy quadrant that they represent
- Trustees serve a 5-year term & are eligible to serve one additional term

PER CPS ENERGY'S BOND ORDINANCE, THE CITY COUNCIL MUST APPROVE:

2



- Issuance of Debt
- Exercise of Eminent Domain
- Retail Rates (set locally; no Public Utility Commission of Texas regulation)
- Ratification of Board Nominees, as applicable

3



CITIZENS ADVISORY COMMITTEE ESTABLISHED IN 1997

- 15 members, 1 from each San Antonio City Council district & 5 at-large
- Liaison between CPS Energy & its customers, providing input to CPS Energy Board & staff

GOVERNANCE

BUDGET COMPONENT



BUDGET COMPONENT	GOVERNANCE
RATE SUPPORT	Requests approved by CPS Energy Board & Council
FUEL PURCHASES	Governed by Procurement policy with material fuel purchases approved by CPS Energy Board
DEBT ISSUANCE	Bond Issuances approved by CPS Energy Board & Council
R&R ADDITIONS	Governed by Bond Ordinance
CITY PAYMENT	Approved Monthly by CPS Energy Board
NON-FUEL O&M	Approved Annually by CPS Energy Board
CAPITAL	Approved Annually by CPS Energy Board

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!

FINANCIAL OBJECTIVE

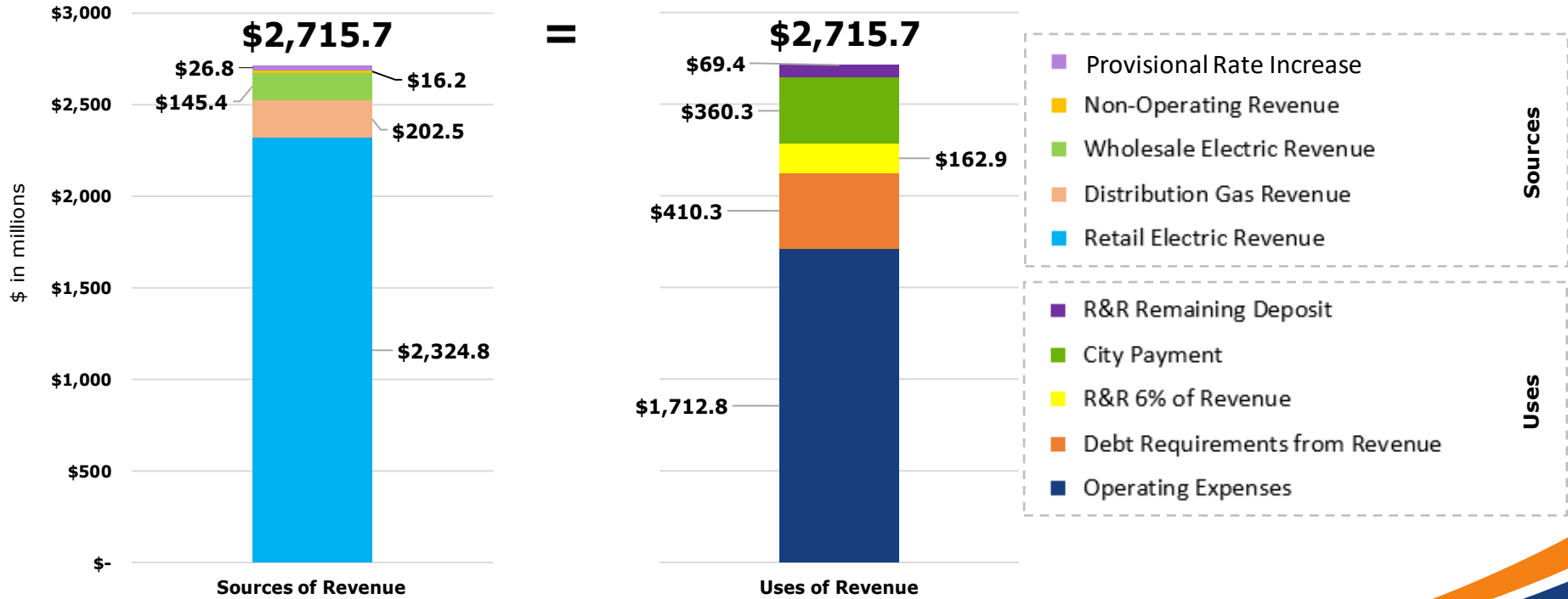


- Fundamentally, we are a **cost recovery** business
- **Every dollar we spend** on behalf of the community **ends up in customers' bills**
- We do not generate "profit"
- This model is a unique advantage of municipally owned utilities



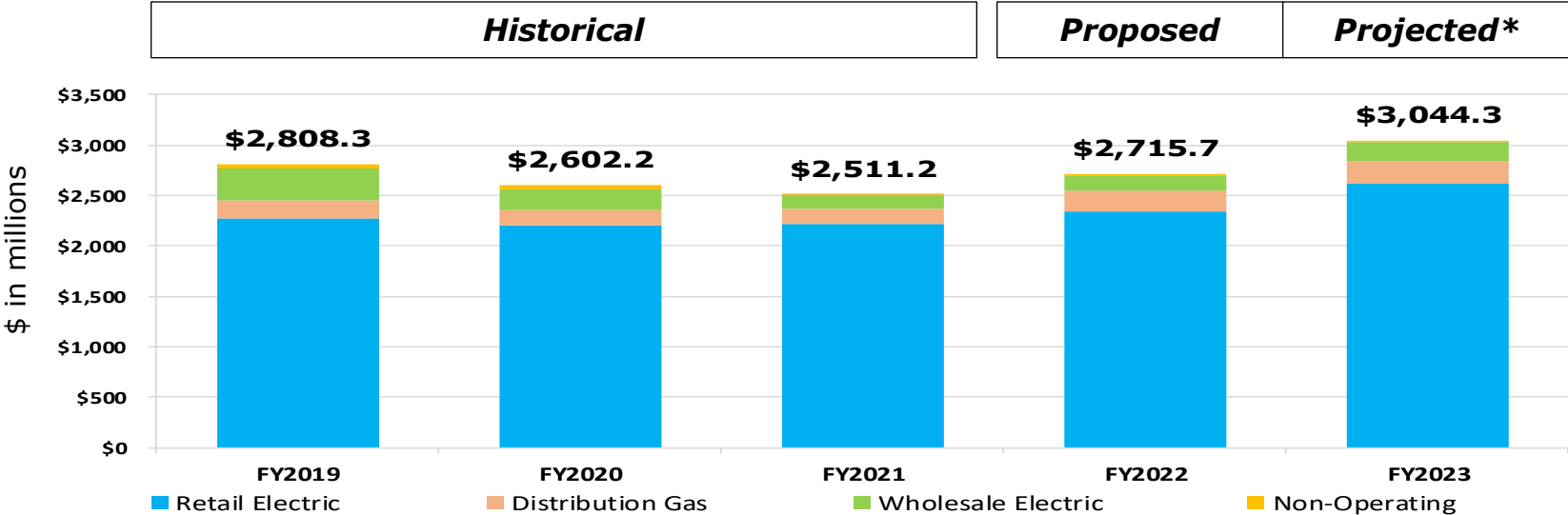
Our rates are designed to deliver revenue that fully covers our operating expenses, capital investments, payments to debt holders, and city payment – & not a penny more.

PROJECTED FY2022 REVENUE REQUIREMENTS



Per Flow of Funds, Uses of Revenue must equal Sources of Revenue.

SOURCES OF REVENUE



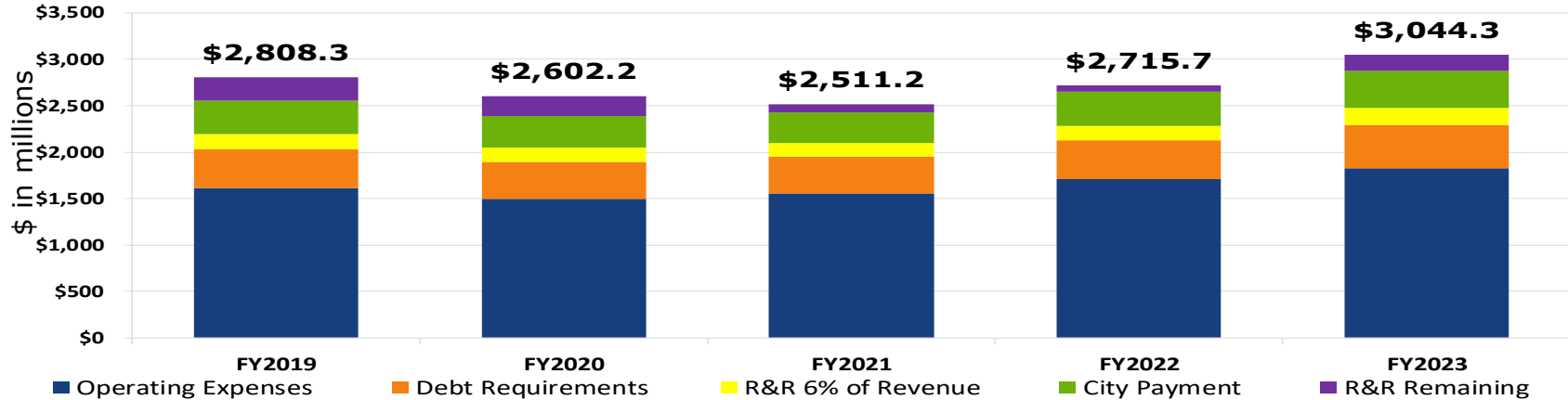
	FY2019	FY2020	FY2021	FY2022	FY2023
Retail Electric	\$ 2,276.9	\$ 2,208.6	\$ 2,216.0	\$ 2,347.8	\$ 2,611.0
Distribution Gas	170.7	142.9	153.6	206.3	223.7
Wholesale Electric	325.7	216.3	132.9	145.4	196.9
Non-Operating	35.0	34.4	8.7	16.2	12.7
Total Sources	\$ 2,808.3	\$ 2,602.2	\$ 2,511.2	\$ 2,715.7	\$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

* To be refreshed in subsequent planning cycles.

USES OF REVENUE



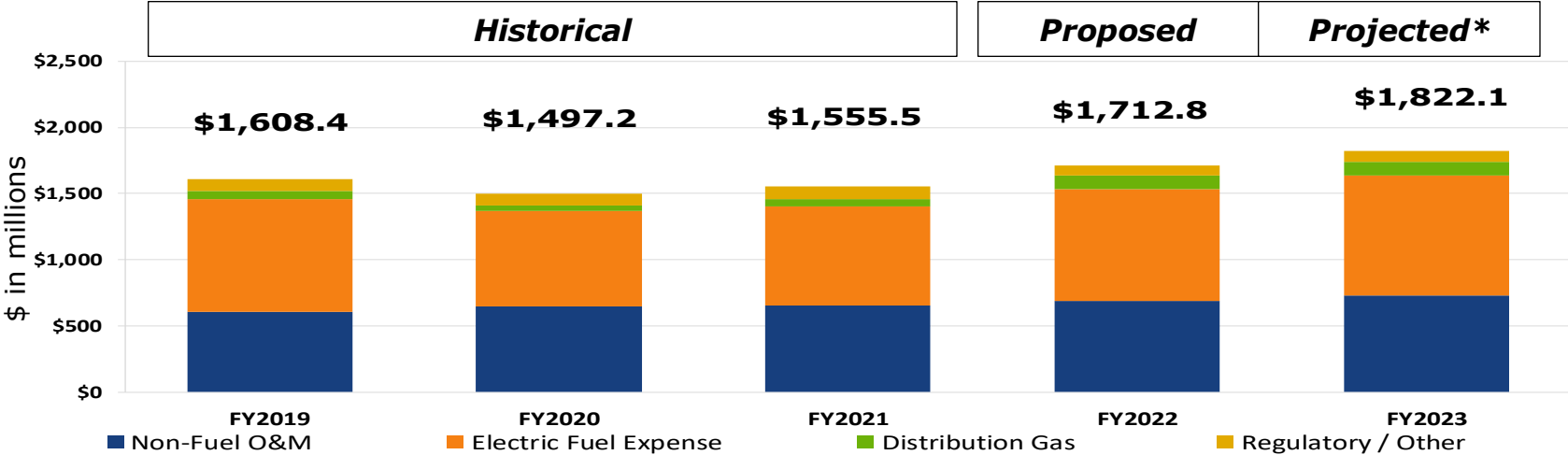
Historical
Proposed
*Projected**



	FY2019	FY2020	FY2021	FY2022	FY2023
Operating Expenses	\$ 1,608.4	\$ 1,497.2	\$ 1,555.5	\$ 1,712.8	\$ 1,822.1
Debt Requirements	419.7	393.8	394.1	410.3	469.4
R&R 6% of Revenue	168.5	156.1	150.7	162.9	182.7
City Payment	361.4	343.0	330.6	360.3	399.5
R&R Remaining	250.3	212.1	80.3	69.4	170.6
Total Uses	\$ 2,808.3	\$ 2,602.2	\$ 2,511.2	\$ 2,715.7	\$ 3,044.3

* To be refreshed in subsequent planning cycles.

OPERATING EXPENSES

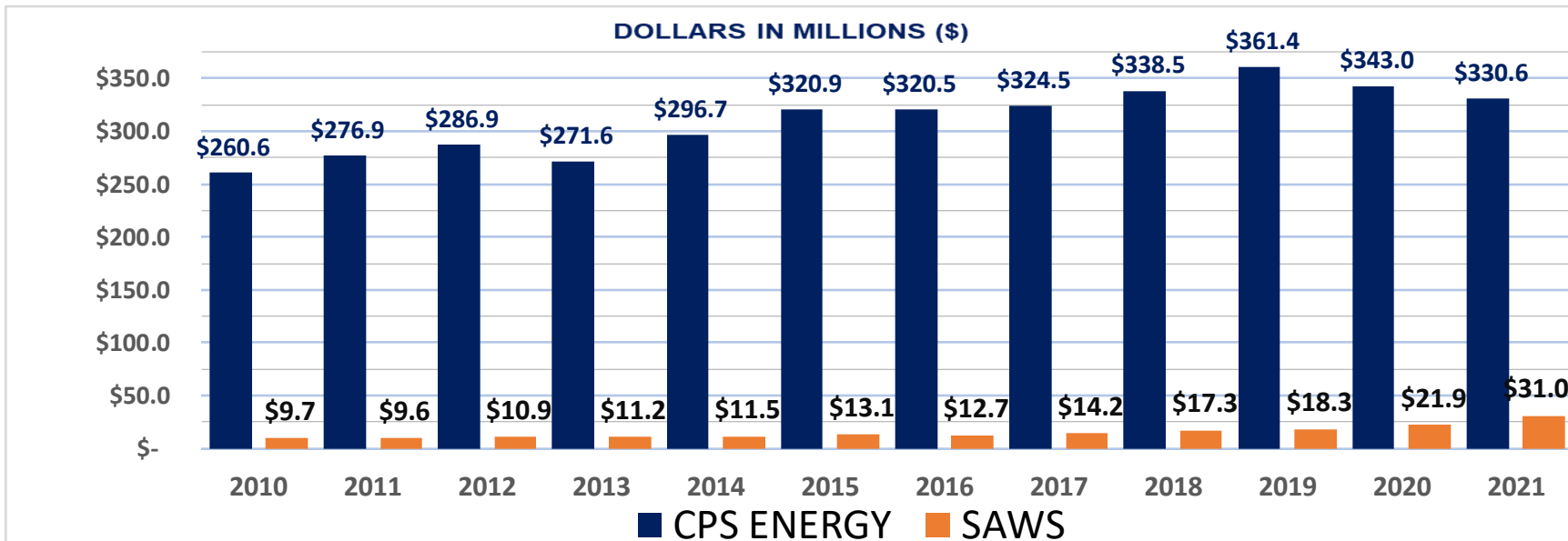


	FY2019	FY2020	FY2021	FY2022	FY2023
Non-Fuel O&M	\$606.9	\$647.1	\$654.9	\$687.5	\$729.0
Electric Fuel Expense	850.0	722.0	747.5	844.2	906.1
Distribution Gas	63.8	43.7	54.1	102.0	103.1
Regulatory / Other	87.7	84.4	99.0	79.1	83.9
Total	\$1,608.4	\$1,497.2	\$1,555.5	\$1,712.8	\$1,822.1

Management remains keenly focused on operating cost reductions & efficiencies as our system continues to grow.

* To be refreshed in subsequent planning cycles.

GENERAL FUND TRANSFER HISTORY*



SOURCE: Audited Financial Statements; Note that CPS Energy Fiscal Year Ends on Jan. 31 and SAWS Fiscal Year ends on Dec. 31
 EXAMPLE for FY2021: CPS Energy FY2021 ends Jan. 31, 2021 while SAWS FY2021 ends Dec. 31, 2020

*Updated 6/10/21

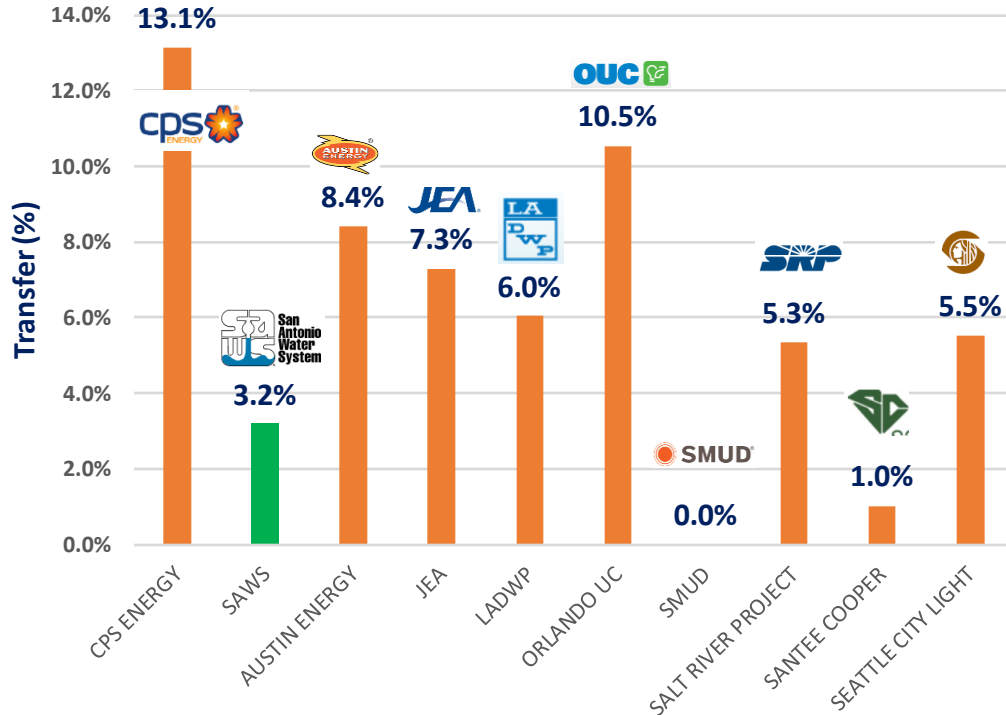
We reinvest your utility dollars & provide almost \$1 million every day to the City – weekends & holidays, too!!!

CITY PAYMENT BENCHMARKING

CITY PAYMENT PERCENT OF REVENUE



NET TRANSFER AS A % OF REVENUES (3-yr avg.)



While CPS Energy is amongst the highest in transfers (i.e. city payment), we are still able to maintain competitive rates to our customers.

Source: PFM Advisors from Moody's Investor Services (2018 – 2020 Data)

BENEFITS OF MUNICIPAL MODEL



Municipal Model

- Employees live in the community and are customers themselves
- Pricing is based on the cost of providing service and no more
- Revenue generated is directly re-invested in the community
- Infrastructure is actually owned by the city and builds value over time

Investor Owned Utility Model

- Employees not motivated to provide benefit to the community
- Pricing is based off of desired profit margins of investors that are not typically customers
- Profit goes to investors and doesn't benefit community
- Infrastructure owned by investors; increasing asset value doesn't benefit community

SUSTAINABILITY APPROACH



- **CONTINUE TO CONTROL COSTS**
- **PROVISIONAL RATE INCREASE**
 - It is only a placeholder
 - Included in the financial plan
 - Subject to approval by Board & Council
 - Estimated timing - fall 2021



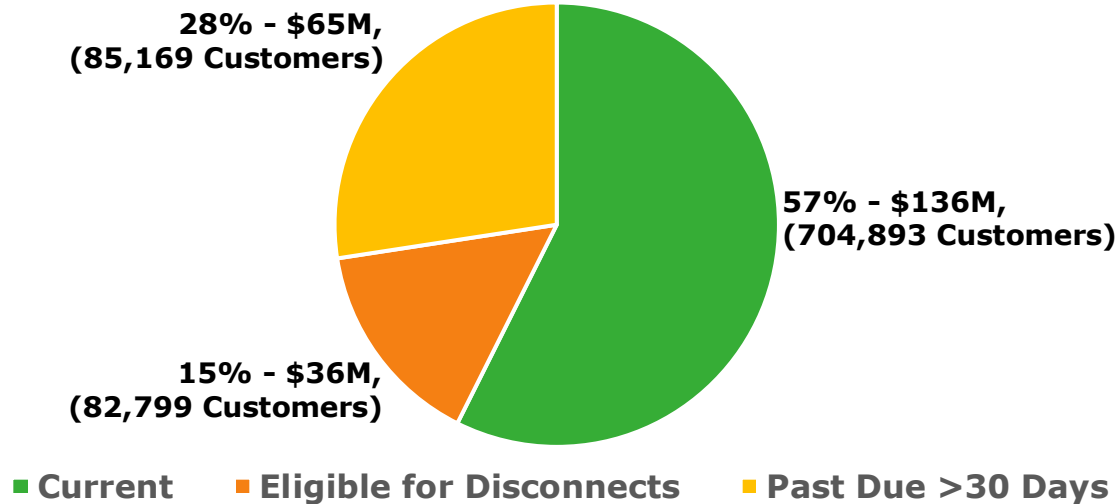
**The underlying drivers are increasing in velocity;
rate support in some form is inevitable.**

FINANCIAL IMPACTS

CUSTOMER ACCOUNT STATUS



ACCOUNT STATUS BY DOLLAR AMOUNT



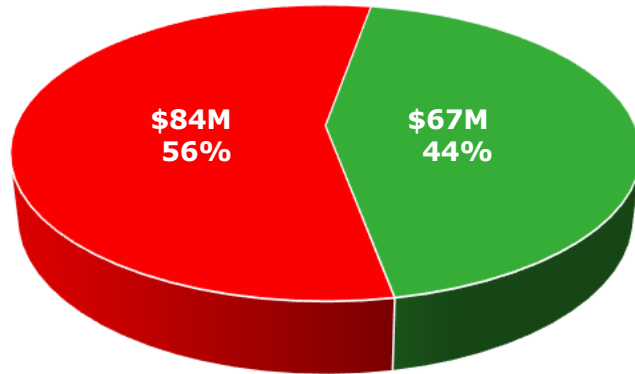
There are 82,799 customers who are eligible for disconnection.

FINANCIAL IMPACTS

CUSTOMER ACCOUNTS - CURRENT VS PAST DUE

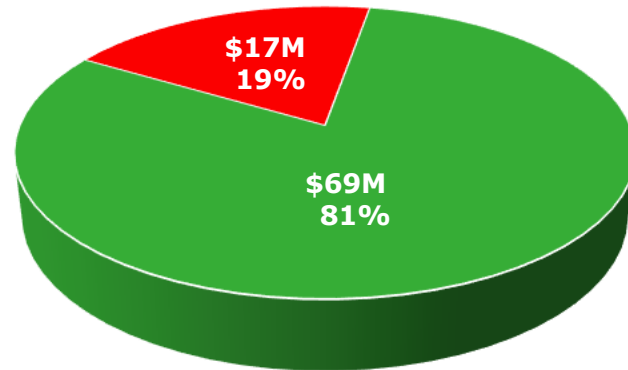


Total Residential \$151M



■ Current ■ Over 30 Days Past Due

Total Commercial \$86M



■ Current ■ Over 30 Days Past Due

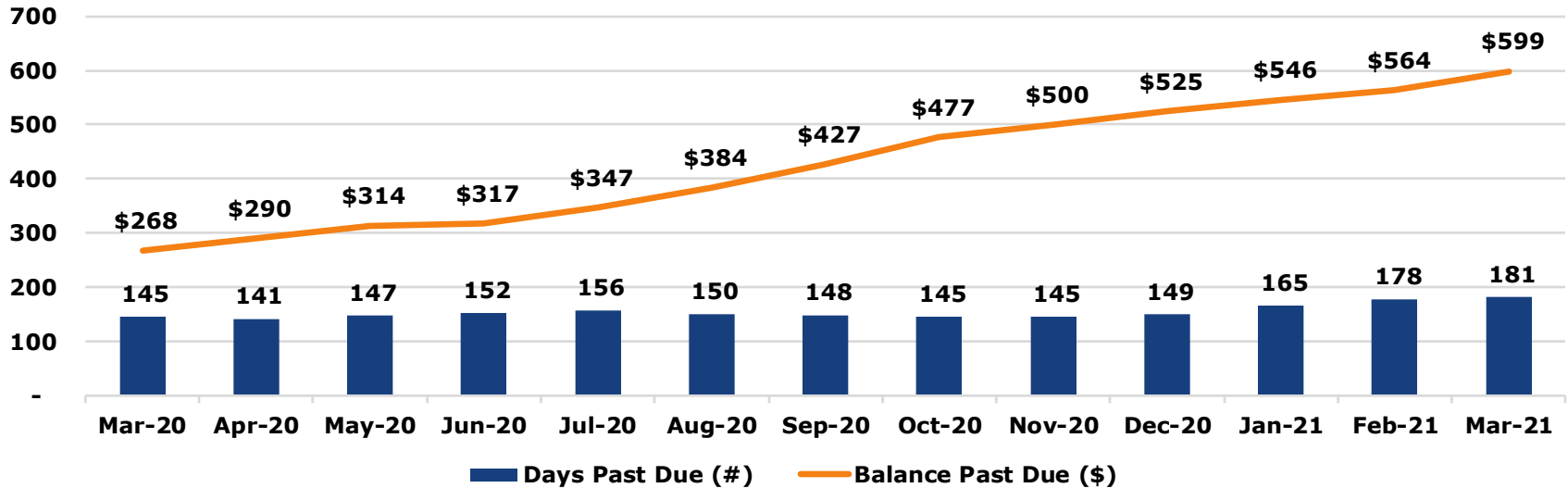
More than half of the Residential account balances owed are over 30 days past due as of March 2021.

FINANCIAL IMPACTS

AVERAGE PAST DUE BALANCE



**Residential & Commercial Average Balance Past Due (\$)
vs Average Days Past Due (#) Trend**



Over the last year, we have seen the average past due balance increase to \$599 & anticipate this trend will continue unless we change our approach.

PRELIMINARY VIEW

CUSTOMER AFFORDABILITY



Managing the Affordability impact over time is our utmost priority as we continue to evaluate these items on customer bills.

Driver	Avg. Est. * Customer Affordability		Duration	Description
	Low	High		
Operations & Growth	~4.0%	- 4.5%	Ongoing	Supports Reliability , customer service, infrastructure maintenance & growth.
Pandemic-Related Bad Debt Recovery	~1.0%	- 2.0%	Time Limited: up to 5 years	
Sub-total	~5.0%	- 6.5%		
	~\$7.40	- \$9.70		
Winter Storm Uri Fuel Usually recovered over 60-90 days. Recommend alternative	~1.5%	- 3.0%	Time Limited: up to 25 years	STILL UNDER DISPUTE: With customers in mind, we recommend spreading over time to minimize bill impact.
Total Est. Affordability Impact	~6.5%	- 9.5%	Avg Bill Impact:	
	~\$9.70	- \$14.60	FY '22 - FY '23	

* Percentages are rounded & are estimated based on currently known information. Subject to change.

RATINGS AGENCIES

RECENT RATING ACTIONS

The logo for Moody's Investors Service, consisting of the text "MOODY'S" in a large, white, serif font above "INVESTORS SERVICE" in a smaller, white, sans-serif font, all on a blue background.

MOODY'S
INVESTORS SERVICE

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



"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."

The logo for S&P Global Ratings, featuring the text "S&P Global" in red and "Ratings" in white, all in a sans-serif font.

S&P Global
Ratings

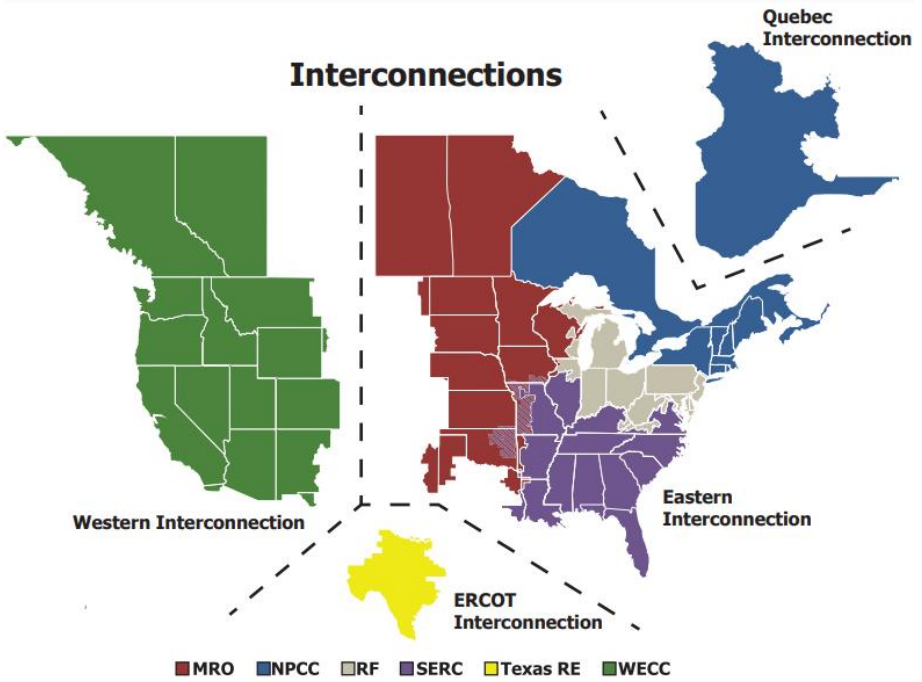
"In particular, we will consider whether the magnitude of any rate increases the utility may need to seek weakens our assessment of its market position or if fixed-charge coverage metrics come under pressure."

The ratings agencies recognized the need for us to seek rate increases to maintain financial stability and keep metrics healthy. 6

TEXAS OVERVIEW & COMPETITIVENESS

US INTERCONNECTIONS

MAP OF THE 3 US INTERCONNECTIONS



- The Electric Reliability Council of Texas (ERCOT) is one of three “interconnections” defined by the North American Electric Reliability Council (NERC)
- Each interconnection acts as an independent system, with limited power crossing between “seams”

ERCOT is regulated by the Public Utility Commission of Texas (PUCT) with little oversight at the federal level.

ERCOT MARKET STRUCTURE



Generation (Wholesale Electric Market)

- Deregulated: generators operate only when it is economically advantageous

Transmission & Distribution (Wires)

- Regulated: the prices charged by wires utilities must be approved by their regulator

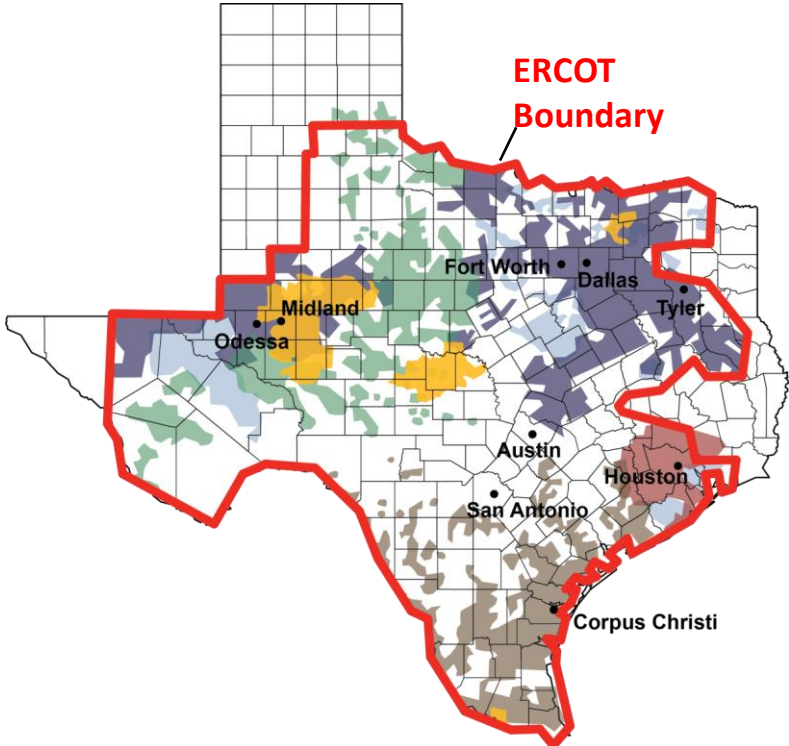
Retail Sale of Electricity

- Both (Deregulated & Regulated): in some areas of Texas, the price of electricity is not regulated (i.e., retail sale of electricity is competitive)


CPS Energy is vertically integrated. We generate, transmit & deliver power to our retail customers through a fully regulated framework.

ERCOT'S OPERATING MODELS





COMPETITIVE GENERATORS & RETAILERS, PUBLIC POWER AREAS



Public Power:

 Most whitespace within ERCOT is served by munis and co-ops (no retail competition)

Areas with Retail Competition (Customer Choice):

-  Oncor Area
-  CenterPoint Area
-  AEP North Area
-  TNMP Area
-  AEP Central Area
-  Sharyland Area

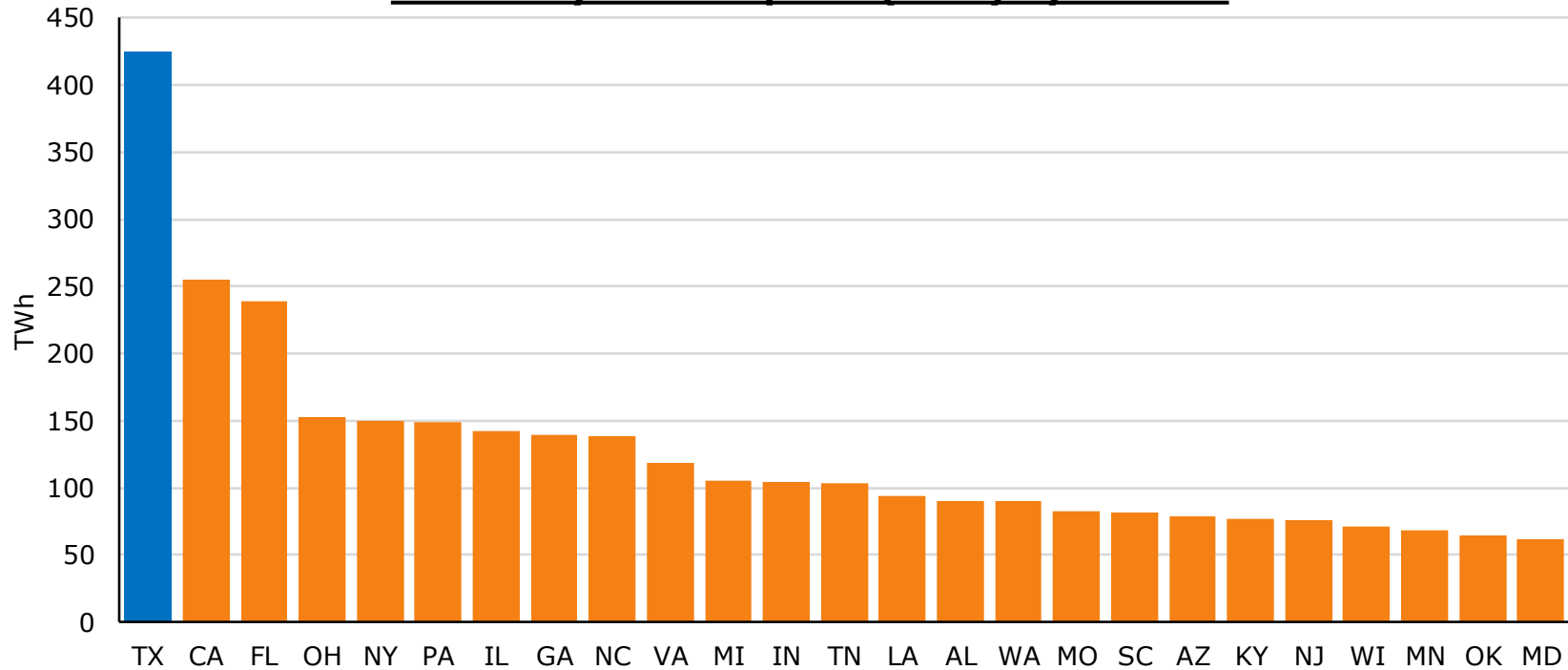
ERCOT FACTS

- 75% of Texas land
- 90% of Texas load
- 7.7 million total meters in competitive areas, across all customer segments (23 million people)
- More than 46,000 miles of transmission lines
- 710+ generation units
- 74,820 MW peak demand (August 2019)

TEXAS ELECTRICITY USAGE



Electricity Consumption (TWh) by State⁽¹⁾



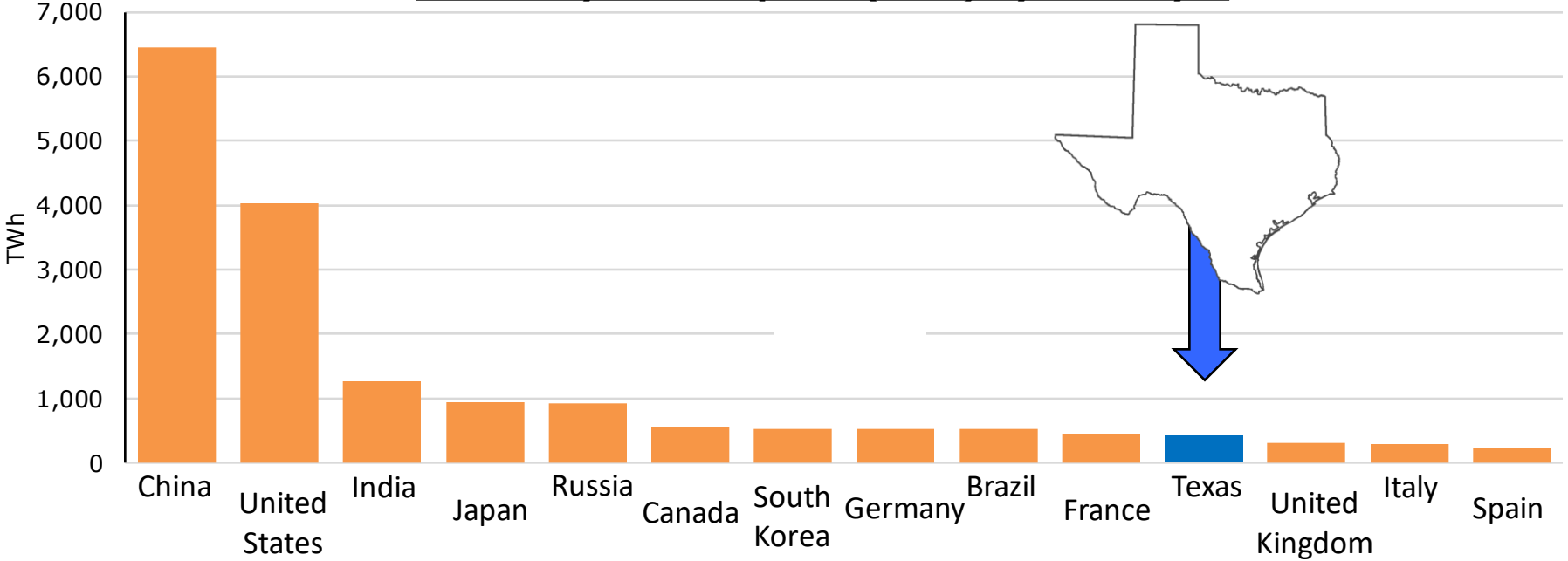
Texas has the largest electric usage of any state – more than Kansas, Colorado, New Mexico, Arkansas, Louisiana, Oklahoma, and Mississippi combined.

(1) Source: Electric Information Administration (EIA)

LARGEST ELECTRICITY MARKETS GLOBALLY



Electricity Consumption (TWh) by Country⁽¹⁾



Texas is the largest US power market and the 11th largest in the world.

(1) Source: Electric Information Administration (EIA)

AFFORDABILITY BENCHMARKING



- Dozens of public power utilities (munis and Co-Ops) operate in the regulated areas of ERCOT
- There are >50 Retail Electric Providers that operate in the deregulated market

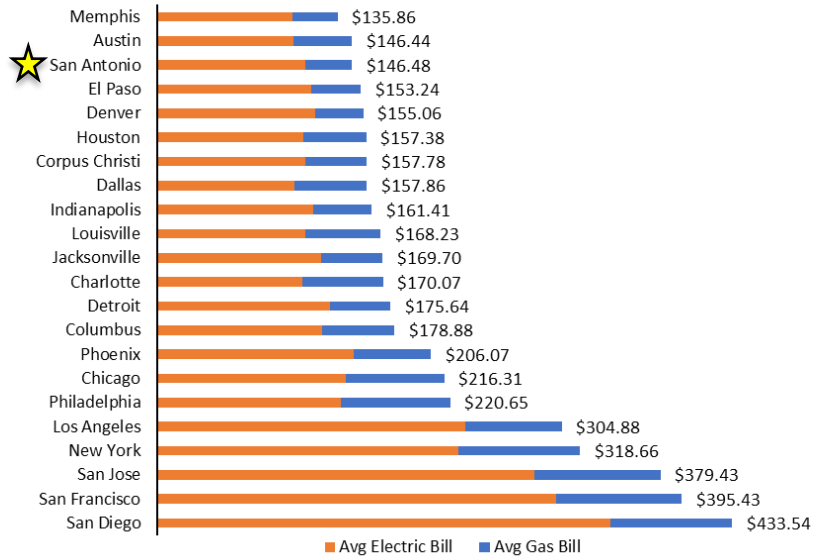
We continually benchmark affordability in other key areas of the country & state.

TOP 20 & TX CITIES RESIDENTIAL BILL COMPARISON



TRAILING TWELVE MONTHS ENDING JANUARY 2021

Based on 1,000 kWh and 50 CCF Usage



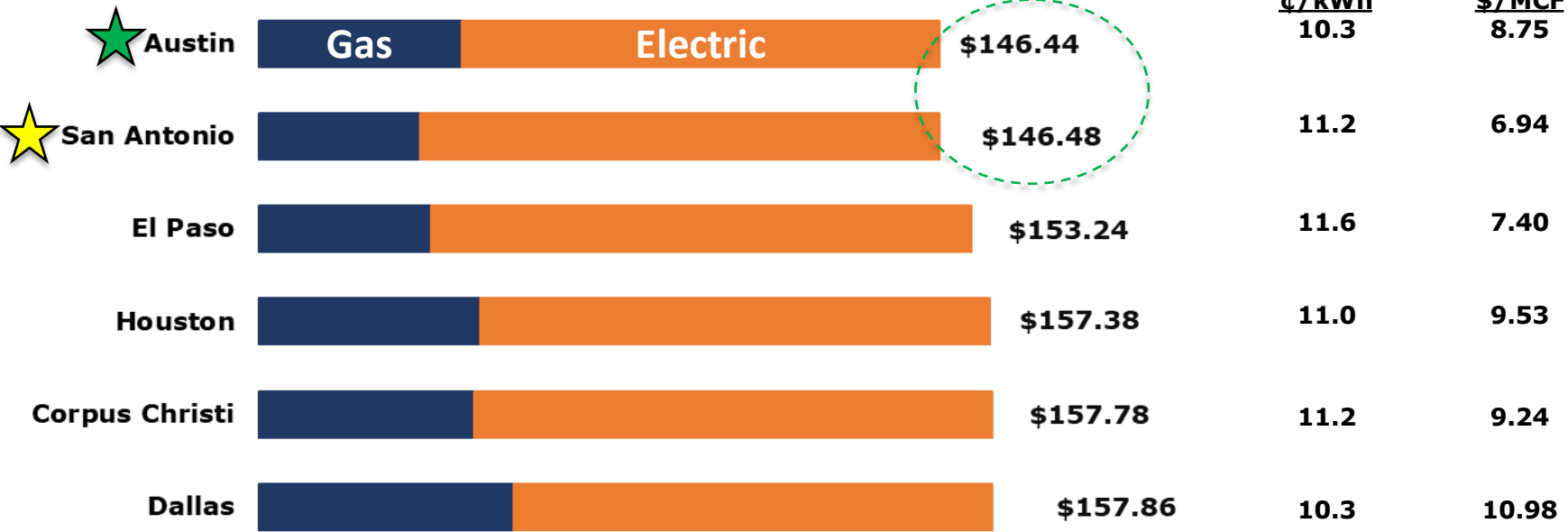
Largest Cities with Electric @1,000 kWh and Gas @ 50 CCF					
City	c/kWh	\$/MCF	Avg Electric Bill	Avg Gas Bill	Avg Total Bill
Memphis	10.1	6.89	\$ 101.41	\$ 34.45	\$ 135.86
Austin	10.3	8.75	\$ 102.67	\$ 43.77	\$ 146.44
San Antonio	11.2	6.94	\$ 111.76	\$ 34.72	\$ 146.48
El Paso	11.6	7.40	\$ 116.26	\$ 36.98	\$ 153.24
Denver	11.9	7.20	\$ 119.08	\$ 35.98	\$ 155.06
Houston	11.0	9.53	\$ 109.72	\$ 47.66	\$ 157.38
Corpus Christi	11.2	9.24	\$ 111.56	\$ 46.22	\$ 157.78
Dallas	10.3	10.98	\$ 102.97	\$ 54.89	\$ 157.86
Indianapolis	11.8	8.75	\$ 117.67	\$ 43.74	\$ 161.41
Louisville	11.1	11.38	\$ 111.34	\$ 56.89	\$ 168.23
Jacksonville	12.3	9.27	\$ 123.34	\$ 46.36	\$ 169.70
Charlotte	10.9	12.24	\$ 108.87	\$ 61.20	\$ 170.07
Detroit	13.0	9.08	\$ 130.26	\$ 45.38	\$ 175.64
Columbus	12.4	10.93	\$ 124.21	\$ 54.67	\$ 178.88
Phoenix	14.8	11.62	\$ 147.97	\$ 58.10	\$ 206.07
Chicago	14.2	14.88	\$ 141.93	\$ 74.38	\$ 216.31
Philadelphia	13.8	16.49	\$ 138.22	\$ 82.43	\$ 220.65
Los Angeles	23.2	14.51	\$ 232.33	\$ 72.55	\$ 304.88
New York	22.7	18.40	\$ 226.64	\$ 92.02	\$ 318.66
San Jose	28.5	18.98	\$ 284.52	\$ 94.91	\$ 379.43
San Francisco	30.1	18.94	\$ 300.74	\$ 94.69	\$ 395.43
San Diego	34.2	18.34	\$ 341.85	\$ 91.69	\$ 433.54

Our residential customers' bills are among the lowest in the country.

Note: Based on an average of 1,000 kWh/month & 5 MCF/month; Bills reflect 12-month average pricing from February 2020 through January 2021 in all markets

TEXAS COMBINED RESIDENTIAL BILL COMPARISON

1,000 kWh & 5 MCF



Our residential bills are on par with the lowest in the state.

Note: Trailing 12 months average as of January 2021

TEXAS COMBINED RESIDENTIAL BILL COMPARISON

2,000 kWh & 6 MCF



San Antonio



\$257.31

¢/kWh

10.9

\$/MCF

6.62

El Paso



\$265.50

11.2

6.76

Dallas



\$266.31

10.2

10.24

Houston



\$271.09

10.9

8.93

Corpus Christi



\$273.28

11.0

8.80



Austin



\$274.25

11.3

8.20

Rate design matters. At higher usage levels, our bills are by far the lowest. The city with the lowest bills at 1,000kWh has the highest bills at 2,000kWh.

Note: Trailing 12 months average as of January 2021

ENERGY EFFICIENCY & DEMAND SIDE MANAGEMENT

THE VISION OF STEP

SAVE FOR TOMORROW ENERGY PLAN (STEP)



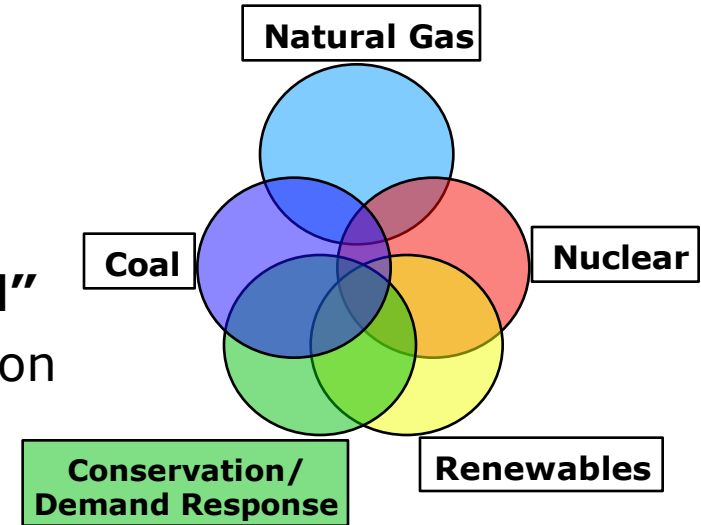
Aligned with City of San Antonio & Mayor Hardberger's Mission Verde Initiative

- Promoted a sustainability vision for San Antonio and placed us at forefront of New Energy Era
- Created green jobs locally with new skills

Embraced Conservation as the "Fifth Fuel"

- Created additional diversity to our generation mix and avoided need for a power plant
- Reduced dependence on fossil fuels

"The Fifth Fuel"

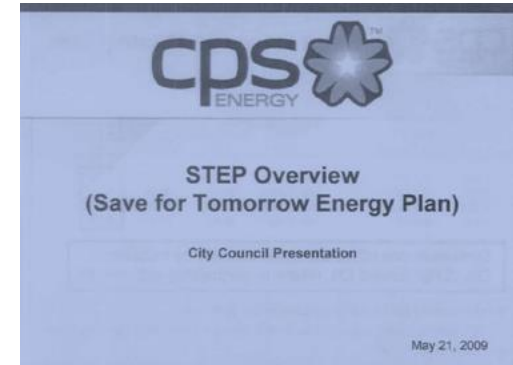


Responding to the community, we developed the STEP Program, a comprehensive energy efficiency & conservation portfolio of products & services

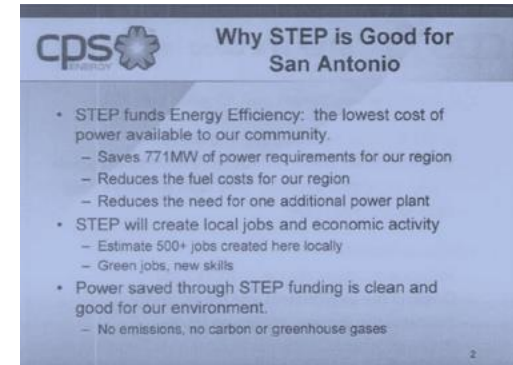
THE HISTORY OF STEP



- Approved by the Board & City Council in 2009
- Created an ordinance based on the program presented
- Designed to deliver benefits:
 - Delaying or avoiding the need for new generation capacity & transmission infrastructure
 - Leverage emerging technologies
 - Help customers manage their energy consumption
 - Support job creation & economic growth
 - Reduce carbon emission & air pollution



Original Presentation to City Council



PROGRAM COMPONENTS

FOCUSED ON SERVING OUR CUSTOMERS



To date, STEP Bridge has allowed us to continue delivering programs that help our customers save energy & money.

Weatherization/Casa Verde

Residential Energy Efficiency (EE)

- Home Efficiency
- New Home Construction
- Home Energy Assessments
- Schools 2 Home
- Cool Roof

Demand Response (DR)

- Commercial & Industrial DR
- Automated DR
- Smart Thermostat
- My Thermostat Rewards
- Power Players

Commercial Energy Efficiency

- Commercial & Industrial Solutions
- Schools & Institutions
- Small Business Solutions
- High Efficiency Tune-Ups
- Midstream

Solar

- Solar Rebates
- Big Sun Solar
- SolarHostSA



HIGHLIGHTS

STEP PROGRAM REVIEW



1.4 TWh of gross electricity savings in FY 2019 - **enough energy to power 104,000 Greater San Antonio Area households** for the year. Over the life of STEP so far, it has yielded 6.3 TWh of electricity savings.



680 estimated annual jobs and \$28 million in annual income from FY 2009 to FY 2019. In total, STEP generated 7,500 local job-years and \$312 million in labor income.



3.3 million (short) tons of CO₂ emissions reductions. Additionally, STEP has reduced SO₂ emissions by 6.6 million lbs. and NO_x emissions by 3.1 million lbs.

Source: ICF, STEP Program Review, November 2019

INDUSTRY AWARDS

THROUGH THE YEARS



2019	Alliance to Save Energy	<i>Chairman's Award (STEP Program)</i>
2019	American Public Power Association (APPA)	<i>Smart Energy Provider</i>
2018	APPA Demonstration of Energy & Efficiency Developments (DEED)	<i>Energy Innovator Award (SAVENOW Programs)</i>
2017	POWERGRID	<i>International Project of the Year (Demand Response)</i>
2016	APPA Demonstration of Energy & Efficiency Developments (DEED)	<i>Energy Innovator Award (Solar Programs)</i>
2016	Peak Load Management Alliance	<i>Thought Leadership Award (Demand Response)</i>

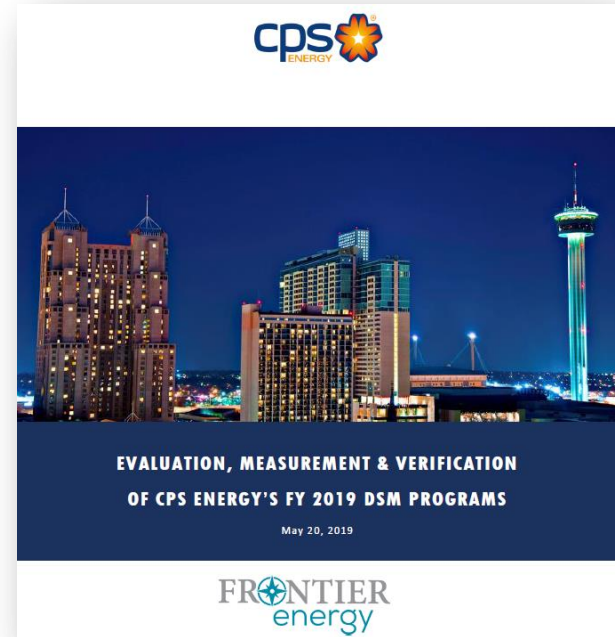


Our STEP programs have been recognized many times nationally for their thought leadership and innovation

STEP COST RECOVERY



- We are compensated for STEP program costs
- Expenses are recovered after 3rd party validation of energy savings
- Annual Reports evaluate performance relative to:
 - Estimated energy & demand savings
 - Cost effectiveness
 - Recommendations for program improvements



STEP Annual Reports can be found at:

<https://www.sanantonio.gov/sustainability/Environment/SaveForTomorrowReports>

STEP BRIDGE UPDATE



On January 14, 2021, City Council approved our request to further extend the **STEP Bridge** program through July 31, 2022, with \$70M in additional funding.

		<i>Original</i>		<i>Current</i>		<i>Next</i>	
		★		★			
		Achieved Early		Now			
		<u>CY09</u>	<u>Jan20</u>	<u>Jan21</u>	<u>Jan22</u>	<u>CY32</u>	
		STEP	STEP Bridge			FlexSTEP	
Time	11 Yrs.	1 Yr.	~1 Yr.*	Proposed 10 Yrs.			
MW	845 MW	75 MW	75 MW	<i>Recommendation pending</i>			
Total \$Ms	\$723M	\$70M	\$70M				
Avg \$Ms	\$66M	\$70M**	\$70M**				

* End date estimated based on expected rate of spending.

** Estimated spend. Table reflects approved amounts.

STEP BRIDGE

FY21 ACCOMPLISHMENTS

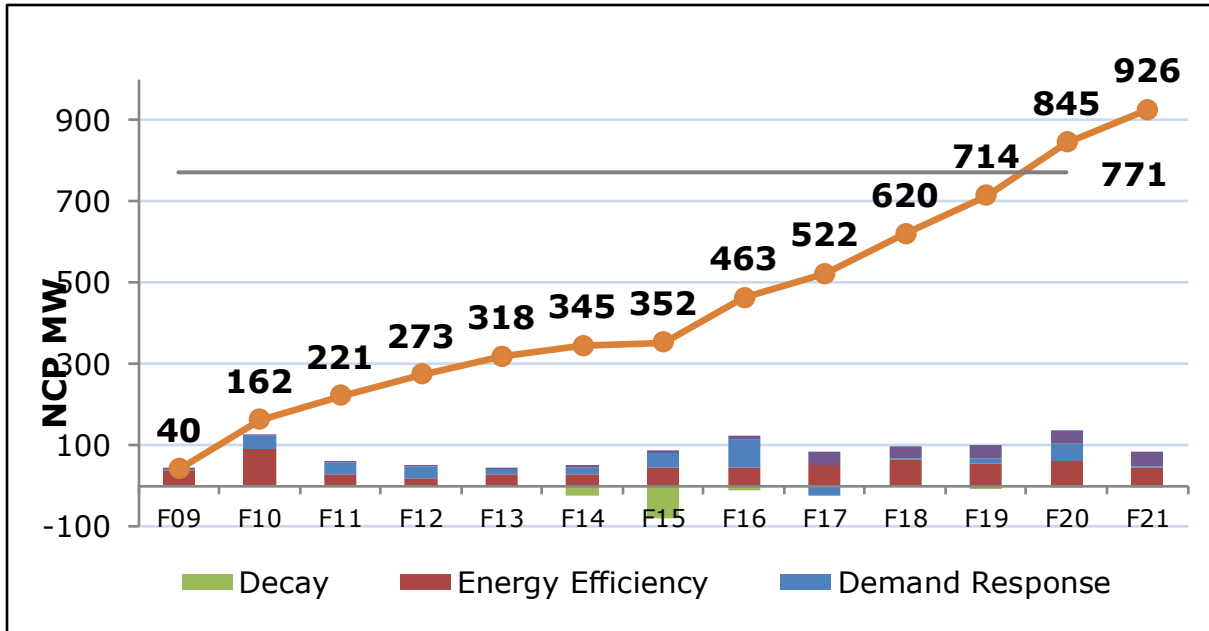


81 MW

Demand reduction, FY21

926 MW

Cumulative FY09 – FY21



In FY 2021, STEP reached more than 520,000 homes and 2,800 businesses, including:

- 1,726 homes weatherized
- 4,416 solar systems installed on homes & businesses
- 55,781 customers received an energy efficiency rebate

THANK YOU TO OUR COMMUNITY for your support of STEP Bridge!

BILL SAVINGS

ENERGY EFFICIENCY SAVINGS FOR CUSTOMERS



STEP benefits our customers by helping them save energy and money from making efficiency upgrades to their homes.

Program	Customer Savings (Year 1)			
	Net Energy Savings (kWh)	Electric Bill Savings	Direct to Customer Rebate	Total Benefit
Retail LED Discounts	115	\$ 12.27	\$ 9.41	\$ 21.68
Home Energy Assessment	267	\$ 28.45	\$ 42.45	\$ 70.89
Cool Roof Replacement	905	\$ 96.34	\$ 417.05	\$ 513.39
HVAC Replacement	3,025	\$ 322.17	\$ 557.68	\$ 879.86
New Home Construction	1,140	\$ 121.44	\$ 980.16	\$ 1,101.60

Customers can offset the cost of STEP by participating in one or more of our energy efficiency programs.

CUSTOMER AFFORDABILITY – 1 OF 3

PROGRAM SIZE MATTERS TO BILL IMPACT



Energy Efficiency & Conservation program funding must continue to be balanced with Customer Affordability!

Annual Bill Impact per 1,000 kWh

	Total Program Cost	Annual Program Cost	Annual Bill Impact	% Impact to Annual Bill
Current Proposed	\$700M	\$70M	\$44.28	2.6%
\$1 Billion	\$1.0B	\$100M	\$63.24	3.7%
Double STEP	\$1.4B	\$140M	\$88.56	5.2%
ESG Targets	\$1.5B	\$150M	\$94.92	5.6%
Triple STEP	\$2.1B	\$210M	\$132.84	7.8%

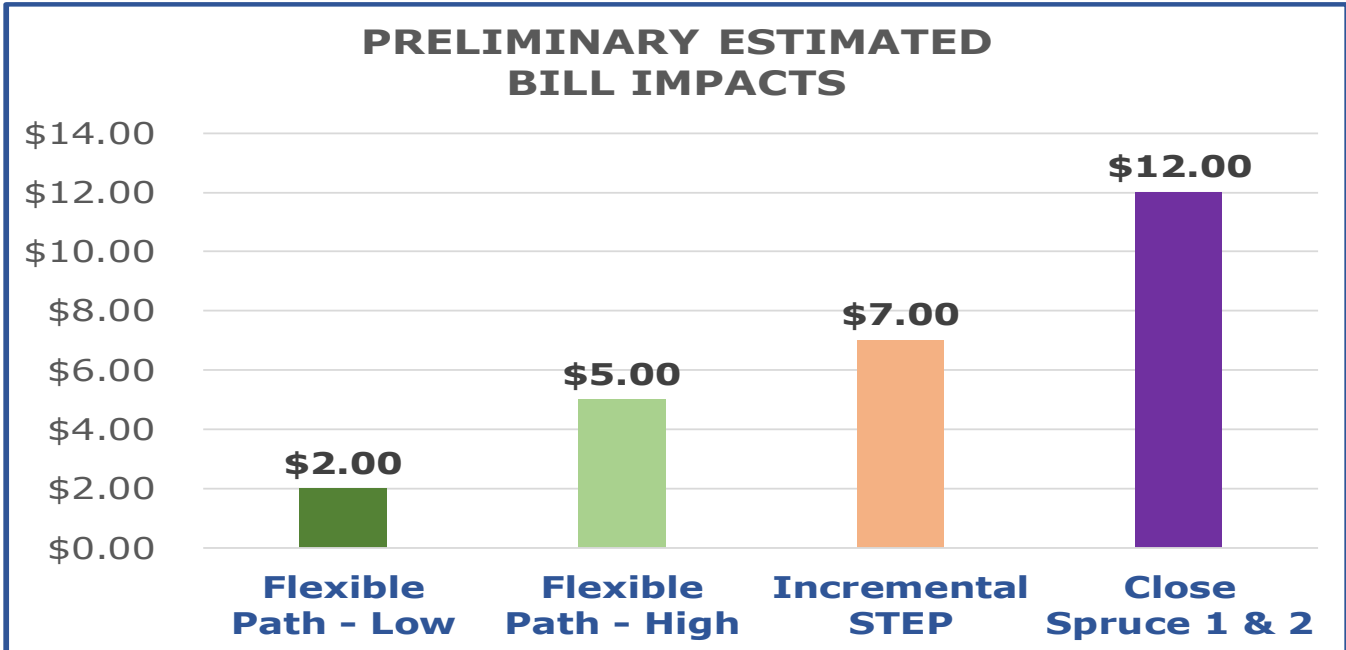
For every \$1B spent on energy efficiency & conservation, customers will pay ~\$63.24/year per 1,000 kWh bill.

CUSTOMER AFFORDABILITY – 2 OF 3

HIGH-LEVEL VIEW OF FUTURE PRIORITIZATIONS



FUTURE COMMUNITY DECISIONS:
These are rough estimates that give good context & will help constructive community discussions.



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

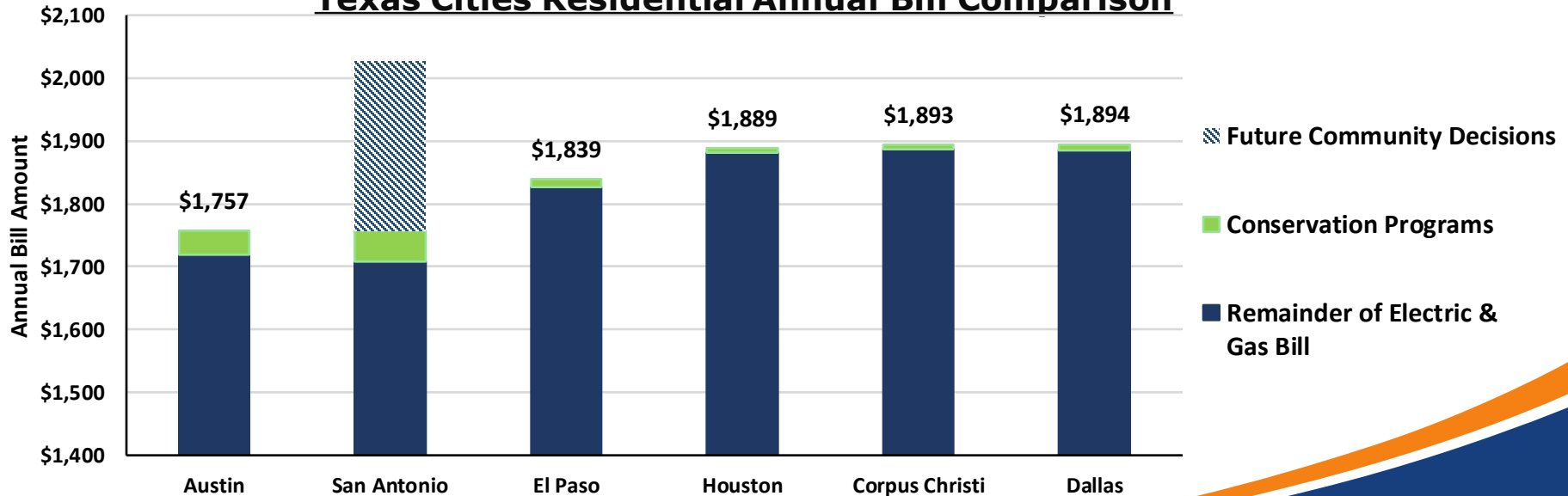
CUSTOMER AFFORDABILITY – 3 OF 3

WE NEED TO PROTECT ALL S.A. CUSTOMERS



TIMING / VELOCITY MATTERS:
While we all want progress, we must be careful not to become a very expensive energy market.

Texas Cities Residential Annual Bill Comparison



Note: Bills reflect results of accumulated 12-month average, standard, and non-promotional pricing through January 2021; based on average monthly usage of 1,000 electric kWh & 5 gas MCF.

FLEXSTEP RFP

INNOVATION FOR OUR COMMUNITY



In support of **FlexSTEP**, we issued a global RFP for the best ideas to deliver energy efficiency and conservations programs to our customers.



Part A: Tried & True programs that customers have grown to expect & value, & we will continue to deliver to customers in **FlexSTEP**.

Part B: Innovative & New programs that represent new offerings designed to help customers save electricity & that can be incorporated in **FlexSTEP**.

The **FlexSTEP** RFP was released in February 2021, and we received 51 bid responses. The team is now evaluating the proposals.



Thank You



Appendix

BILL COMPARISONS BY USAGE LEVEL (JANUARY 2021)



		Austin	San Antonio	El Paso	Houston	Corpus Christi	Dallas	Average
500 kWh 20 CCF	Renewable Generation	\$3.51	\$4.82	\$0.00	\$0.00	\$0.00	\$0.00	
	Conservation Programs	\$1.58	\$2.10	\$0.50	\$0.28	\$0.25	\$0.37	
	Electric	\$44.40	\$51.30	\$60.76	\$62.39	\$63.66	\$58.18	
	Total Electric	\$49.49	\$58.22	\$61.26	\$62.67	\$63.91	\$58.55	\$59.02
	Gas	\$27.55	\$19.67	\$26.24	\$29.86	\$23.95	\$35.32	\$27.10
	Total Bill	\$77.04	\$77.89	\$87.50	\$92.53	\$87.86	\$93.87	\$86.11
		①	②	③				
1,000 kWh 50 CCF	Renewable Generation	\$7.01	\$9.61	\$0.00	\$0.00	\$0.00	\$0.00	
	Conservation Programs	\$3.17	\$4.21	\$1.01	\$0.55	\$0.50	\$0.74	
	Electric	\$92.49	\$97.94	\$115.25	\$109.17	\$111.06	\$102.23	
	Total Electric	\$102.67	\$111.76	\$116.26	\$109.72	\$111.56	\$102.97	\$109.16
	Gas	\$43.77	\$34.72	\$36.98	\$47.66	\$46.22	\$54.89	\$44.04
	Total Bill	\$146.44	\$146.48	\$153.24	\$157.38	\$157.78	\$157.86	\$153.20
		①	②	③				
2,000 kWh 60 CCF	Renewable Generation	\$14.02	\$19.25	\$0.00	\$0.00	\$0.00	\$0.00	
	Conservation Programs	\$6.28	\$8.43	\$2.02	\$1.11	\$1.01	\$1.48	
	Electric	\$204.78	\$189.89	\$222.93	\$216.39	\$219.45	\$203.42	
	Total Electric	\$225.08	\$217.57	\$224.95	\$217.50	\$220.46	\$204.90	\$218.41
	Gas	\$49.17	\$39.74	\$40.55	\$53.59	\$52.82	\$61.41	\$49.55
	Total Bill	\$274.25	\$257.31	\$265.50	\$271.09	\$273.28	\$266.31	\$267.96
		①	②	③				

Note: Bills reflect 12-month average pricing through January 2021; Deregulated markets electric data from powertochoose.org (Terms 12; 4&5 star rated REPs), September's PTC data is based on October 5th offers; Renewable Generation data not available for all other markets