



**SPECIAL MEETING OF THE CPS ENERGY BOARD OF TRUSTEES
CONVENING AS THE RISK MANAGEMENT COMMITTEE
TO BE HELD ON JUNE 17, 2024, AT 10:30 A.M.**

LOCATION: CPS ENERGY TRAINING CENTER (4515 FRANK BRYANT LANE)

At any time during the Board Meeting, the Board may go into an executive session as permitted by the Texas Open Meetings Act, (Chapter 551 of the Texas Government Code) regarding any item on this agenda.

AGENDA

ITEM	TOPIC	ACTION	PRESENTER/ SPONSOR
1	CALL TO ORDER	Execute	Dr. Willis Mackey
2	SAFETY MESSAGE, INVOCATION, & PLEDGE OF ALLEGIANCE	Execute	Ms. Annamarie Rangel
3	PUBLIC COMMENT Pre-Registration on Wednesday, June 12, 2024, 5:00 PM – Friday, June 14, 2024, 1:00 PM. Dial (210) 353-4662 or email PublicCommentRegistration@CPSEnergy.com	Discuss	Dr. Willis Mackey
CONSENT AGENDA			
4	APPROVAL OF: • Minutes of the Risk Management Committee (RMC) meeting held on 12/11/2023	Vote	Dr. Willis Mackey
RISK MANAGEMENT COMMITTEE			
5	FY2025 ENTERPRISE & INDUSTRY RISKS	Discuss	Ms. Annamarie Rangel
6	ERP RISK MANAGEMENT	Discuss	Mr. Evan O’Mahoney
7	FINANCIAL RISK MANAGEMENT	Discuss	Mr. Cory Kuchinsky
8	GENERATION PLANNING RISK MANAGEMENT	Discuss	Mr. Benny Ethridge
CONVENE TO EXECUTIVE SESSION			
9	EXECUTIVE SESSION: A. Competitive Matters (§551.086) B. Security Audits & Devices (§551.089) & Confidential Information under the Texas Homeland Security Act (§418.182(f)) C. Attorney Client Matters (§551.071)	Discuss	Dr. Willis Mackey
10	REVIEW OF ACTION ITEMS	Discuss	Dr. Willis Mackey

11	ADJOURNMENT	Execute	Dr. Willis Mackey
<p>If the Board meeting has not adjourned by 1:30 PM, the presiding officer shall entertain a motion to continue the meeting, postpone the remaining items to the next Board meeting date, or recess and reconvene the meeting at a specified date and time.</p>			

Draft for review and approval
at the June 17, 2024 meeting

**CPS ENERGY
MINUTES OF THE SPECIAL MEETING OF THE BOARD OF TRUSTEES
HELD ON DECEMBER 11, 2023**

The Special Meeting of the CPS Energy Board of Trustees convening as the Risk Management Committee was held on Monday, December 11, 2023, in the Board Room on the First Floor of the CPS Energy headquarters located at 500 McCullough, San Antonio, Texas.

I. CALL TO ORDER

Trustee Dr. Mackey called the meeting to order at 9:00 a.m.

Present were Board members:

Dr. Willis Mackey, Chair
Ms. Janie Gonzalez
Dr. Francine Romero
Mr. John Steen
Mayor Ron Nirenberg

Also present were:

Mr. Rudy Garza, President & CEO
Ms. Shanna M. Ramirez, Chief Legal & Ethics Officer, General Counsel & Board Secretary
Ms. Elaina Ball, Chief Strategy Officer
Mr. Cory Kuchinsky, Chief Financial Officer & Treasurer
Ms. DeAnna Hardwick, Chief Customer Strategy Officer
Mr. Evan O'Mahoney, Chief Information Officer
Ms. Lisa Lewis, Chief Administrative Officer
CPS Energy staff members
Interested Citizens

SAFETY MESSAGE, INVOCATION, & PLEDGE OF ALLEGIANCE

A safety message, invocation, and the Pledge of Allegiance was delivered by Ms. Annamarie Rangel, Director Enterprise Risk Management & Solutions.

II. PUBLIC COMMENT

Ms. Henrietta LaGrange, community member, stated that she is glad the rate case was successful, even though rate increases are not fun. She also expressed her appreciation for Mr. Garza and others at CPS Energy for their work.

Draft for review and approval
at the June 17, 2024 meeting

III. APPROVAL OF CONSENT AGENDA

On a motion duly made by Trustee Dr. Romero, seconded by Trustee Gonzalez, and upon affirmative vote by all members present, the following items on the Consent Agenda were unanimously approved:

- A. Minutes of the Risk Management Committee Meeting held on August 28, 2023
- B. Minutes of the Risk Management Committee Meeting held on September 25, 2023

IV. ENTERPRISE RISK MANAGEMENT UPDATE

Ms. Annamarie Rangel, Director Enterprise Risk Management & Solutions, provided an update on Enterprise Risk Management & Solutions (ERMS). She noted that our current initiatives, annual risk register refresh, and path forward provide us with assurance that as an organization, we are having thoughtful and meaningful risk discussions. She further discussed new training programs to reach all levels of the organization, and that ERMS participates on various cross-functional committees and teams. She also noted that the group attended the Risk & Insurance Management Society (RIMS) conference for continuing education. Finally, she noted that to be successful, ERMS must continue to drive alignment of enterprise risks with strategy, goals, objectives, and budget planning.

The Committee discussed the presentation and asked questions.

V. LARGE CUSTOMER UPDATE

Mr. Benjamin Jordan, Director Business & Economic Development, provided an update on large-load customers, focusing on a five-to-ten-year view of the customer requests and impact to the system. He noted that as large load requests have increased, CPS Energy has aligned the appropriate resources to plan and manage risks. He also noted that we are taking action to integrate these types of large customers into our planning process. He also reviewed the number of load requests we have received, and discussed how it will impact our need to plan for system growth and support.

The Committee discussed the presentation and asked questions.

VI. EXECUTIVE SESSION

At approximately 9:49 a.m., Chair Dr. Mackey announced that the required notice had been posted, and Ms. Ramirez stated that the Board members, with only necessary parties in attendance, would convene into Executive Session, pursuant to the provisions of Chapter 551 of the Texas Government Code, for discussion of a number of posted items, including the following:

- Attorney-Client Matters (§551.071)
- Competitive Matters (§551.086)

The Committee reconvened in open session at 11:00 a.m. The quorum was re-established, and all members were present. Ms. Ramirez reported that only the matters cited above, and no others were discussed, and no votes were taken in Executive Session.

Draft for review and approval
at the June 17, 2024 meeting

VII. FUTURE AGENDA ITEMS

Chair Dr. Mackey noted that he is considering Robert's Rules of Order, risks for Enterprise Resource Planning (ERP), financial risks, AI framework, Audit & Finance issues, and generation planning for future agenda items.

VIII. REVIEW ACTION ITEMS

Ms. Ramirez noted that there are no open action items from the last Risk Management Committee meeting, and she reviewed the three action items from this meeting.

IX. ADJOURNMENT

There being no further business to come before the Committee, upon a motion duly made by Mayor Nirenberg and seconded by Trustee Gonzalez and upon an affirmative vote by all members present, the meeting was unanimously adjourned at 11:01 a.m. by Chair Dr. Mackey.

Shanna M. Ramirez
Secretary of the Board



FY2025 ENTERPRISE & INDUSTRY RISKS

PRESENTED BY:

Annamarie Rangel
Director Enterprise Risk Management & Solutions

June 17, 2024
Informational Update



AGENDA

- Utility Risk Landscape
- Current Utility Risk Surveys
- Enterprise Risk Management (ERM) Risk Refresh Summary
- Mitigation Planning
- Long-Term Utility Risk Survey
- Next Steps

We were thoughtful and engaged in identifying and assessing our FY2025 enterprise risks.

UTILITY RISK LANDSCAPE



Industry peers
are experiencing
similar
opportunities and
challenges.



GARTNER - EMERGING UTILITY RISKS

2024: 1ST QUARTER



Demographic Filter: Sector – Utilities

Rank	Risk	Risk Score
1	AI - Enhanced Malicious Attacks	3.92
2	Extreme Heat Consequences	3.58
3	Escalating Political Polarization	3.43
4	Market Effects from Higher Borrowing Costs	3.41
5	Overzealous Cost Cutting	3.25

Economic and Political Risks:

- Leadership continues to discuss political and economic risks that could impact financing and fuel strategies.

Artificial Intelligence (AI) Risks:

- The organization is implementing a governance structure to guide AI utilization and set expectations.
- Cyber security investments consider new and emerging exposure.

Source: 1Q24 Gartner Emerging Risk Report

2024 TOP UTILITY RISKS

NORTH CAROLINA STATE UNIVERSITY & PROTIVITI SURVEY



#	North Carolina State University & Protiviti Top 10 2024 Utility Risks (Summarized)	FY2024 ERM Risks	FY2025 ERM Risks
1	Cyber threats	X	X
2	Regulatory changes and scrutiny	X	X
3	Catastrophic natural disasters and weather phenomena	X	X
4	Talent and labor expectations	X	X
5	Supply chain ecosystem	X	X
6	Third-party challenges	X	X
7	Climate change and sustainability	X	X
8	Economic conditions, including inflationary pressures	X	X
9	Interest rate environment	X	X
10	Information Technology (IT) infrastructure	X	X

Leadership collaborated and identified similar risks reflected in the survey.

Although all entities will identify risks specific and unique to their business model, benchmarking against peers provides assurance that we are introspective, strategic, and diligent in identifying risks.

Source: Table excerpt from research conducted by North Carolina State University's Enterprise Risk Management Initiative and Protiviti.

MANAGING ENTERPRISE RISKS

RISK REGISTER REFRESH SUMMARY



Efforts to manage risks have improved the impact and/or probability of various risk themes.

- Strategic planning
- Talent retention
- Material availability
- Timely internal & external communication

We manage our risks with a focus on agility and reliability as a top priority.

North Carolina State University & Protiviti All Industry Survey

Six of last year's top risks looking out 12 months fell out of this year's top 10 list for 2024.

	From (2023)	To (2024)
✓ Resistance to change	4th	14th
✓ Managing uncertainty surrounding supply chain ecosystem	5th	19th
✓ Impact of changes in work environment on culture	6th	15th
✓ Culture not supporting timely escalation of risks	8th	17th
✓ Managing workforce expectations of hybrid work environment	9th	24th
✓ Not sufficiently resilient or agile responding to a crisis	10th	16th

Source: Table excerpt from research conducted by North Carolina State University's Enterprise Risk Management Initiative and Protiviti.



ENTERPRISE RISKS

RISK REGISTER REFRESH SUMMARY

- The FY2025 enterprise risks are representative of current internal and external risks.
- Leadership is aligned with risks.
- External risks continue to challenge organizational resiliency.
- Strategic risks were added to the risk register.
- We must continue to strengthen our skills in monitoring emerging risks and escalating when appropriate.

Enterprise Risk Register Refresh		
	FY24	FY25
High & Swan Risks	↓ 7%	↓ 5%
Total # of Risks	↓ 14%	↑ 20%

The risk landscape is dynamic and there is much uncertainty. The interdependencies of the top and strategic risks require collaborative and holistic mitigation plans.

STRATEGIC ENTERPRISE RISKS

RISK REGISTER UPDATE SUMMARY



Strategic risks are events or decisions that can threaten our ability to achieve established strategic objectives/initiatives as it relates to Vision 2027, causing us to alter our strategy.

We identified and assessed strategic risks that support our Vision 2027 strategic initiatives.

- Highlight strategic risks during integrated planning discussions and business plan reviews.
- Invest in mitigations plans.
- Consider risk interdependencies.
- Create Key Risk Indicators (KRIs) for high and swan strategic risks.





MITIGATION PLANNING

HIGH AND SWAN RISKS

- Mitigation plans will be updated to address the FY2025 high and swan risks.
- Major investments have helped to reduce risks:
 - Enterprise Resource Planning (ERP) Solution
 - Generation assets
- Mitigation strategies vary in complexity and can be interdependent.
- Managing risks and investing in mitigation plans now is important for the future.



Risks and mitigations are a critical component of the integrated planning process, driving budget and business planning.

2034 TOP TEN RISKS

NORTH CAROLINA STATE UNIVERSITY & PROTIVITI SURVEY



Research indicates that the current dynamic and disruptive risk landscape will remain in the long-term.

As we plan for 2040/2050, we must consider risks.

#	North Carolina State University & Protiviti Top 10 2034 Utility Risks (Summarized)
1	Regulatory changes and scrutiny
2	Catastrophic natural disasters and weather phenomena
3	Cyber threats
4	Climate change and sustainability
5	Talent and labor expectations
7	Digital technologies requiring new skills
8	Rapid speed of disruptive innovations
6	Substitute products and services impact viability of business
9	Supply chain ecosystem
10	Economic conditions, including inflationary pressures

Source: Table excerpt from research conducted by North Carolina State University's Enterprise Risk Management Initiative and Protiviti.

NEXT STEPS

- Continue to have on-going enterprise risk discussions.
- Create and/or update mitigation plans.
- Drive and support integrated planning.
- Wrap-up Audit Services and Deloitte enterprise risk management assessment.



We will continue to drive the enterprise risk management focus through collaborative discussions and actions.



APPENDIX

GLOSSARY / DEFINITIONS



ACRONYM OR WORD	DEFINITION	ACRONYM OR WORD	DEFINITION
AI	Artificial Intelligence		
ERM	Enterprise Risk Management		
ERP	Enterprise Resource Planning		
IT	Information Technology		
KRI	Key Risk Indicators		



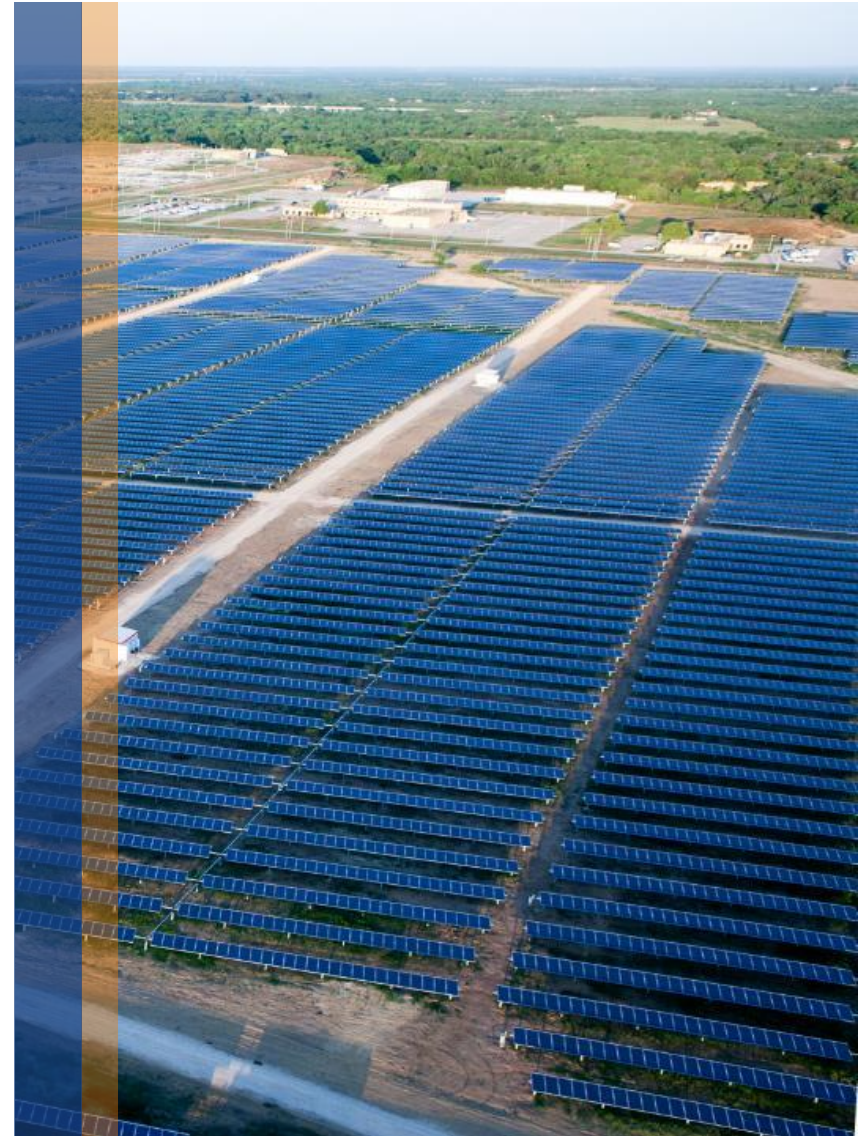
THANK YOU



ERP RISK MANAGEMENT

PRESENTED BY:
Evan O'Mahoney
Chief Information Officer

June 17, 2024
Informational Update





AGENDA

- ERP Program Risk Themes
- Role of ERP Governance
- Risk Mitigation Strategy
- Independent Verification & Validation (IV&V) Partner Selection Update

A comprehensive risk management approach will ensure program risks are identified and communicated to stakeholder groups early and often to drive successful program execution.



COMMON KEY RISK THEMES

LARGE-SCALE TRANSFORMATION PROGRAMS

	Risk Summary	Mitigation Strategy
1	Organizational fatigue by running too many large IT-enabled strategic initiatives in parallel	Hold a “start-pause-stop” exercise across the organization to evaluate and prioritize parallel programs on an ongoing basis
2	Over-customization of the ERP platform due to resistance to changing processes	Commit to redesign of existing processes to minimize customizations
3	Stakeholders fail to evolve their operating models and norms thus not capturing the full transformation value	Engage stakeholders in determining business outcomes, setting KPIs and targets to track value realization
4	Program has limited resources with enterprise ERP program experience at similar scale	Establish a program management approach that balances internal and external expertise, including advisors experienced in large-scale transformations
5	Governance structure is not in place to enable nimble decision-making	Define clear governance structure and roles and empower teams to make decisions that change business processes

We are actively mitigating the risk themes common across enterprise programs of similar size and scope.



COMPREHENSIVE GOVERNANCE MODEL SUPPORTS MITIGATION STRATEGIES

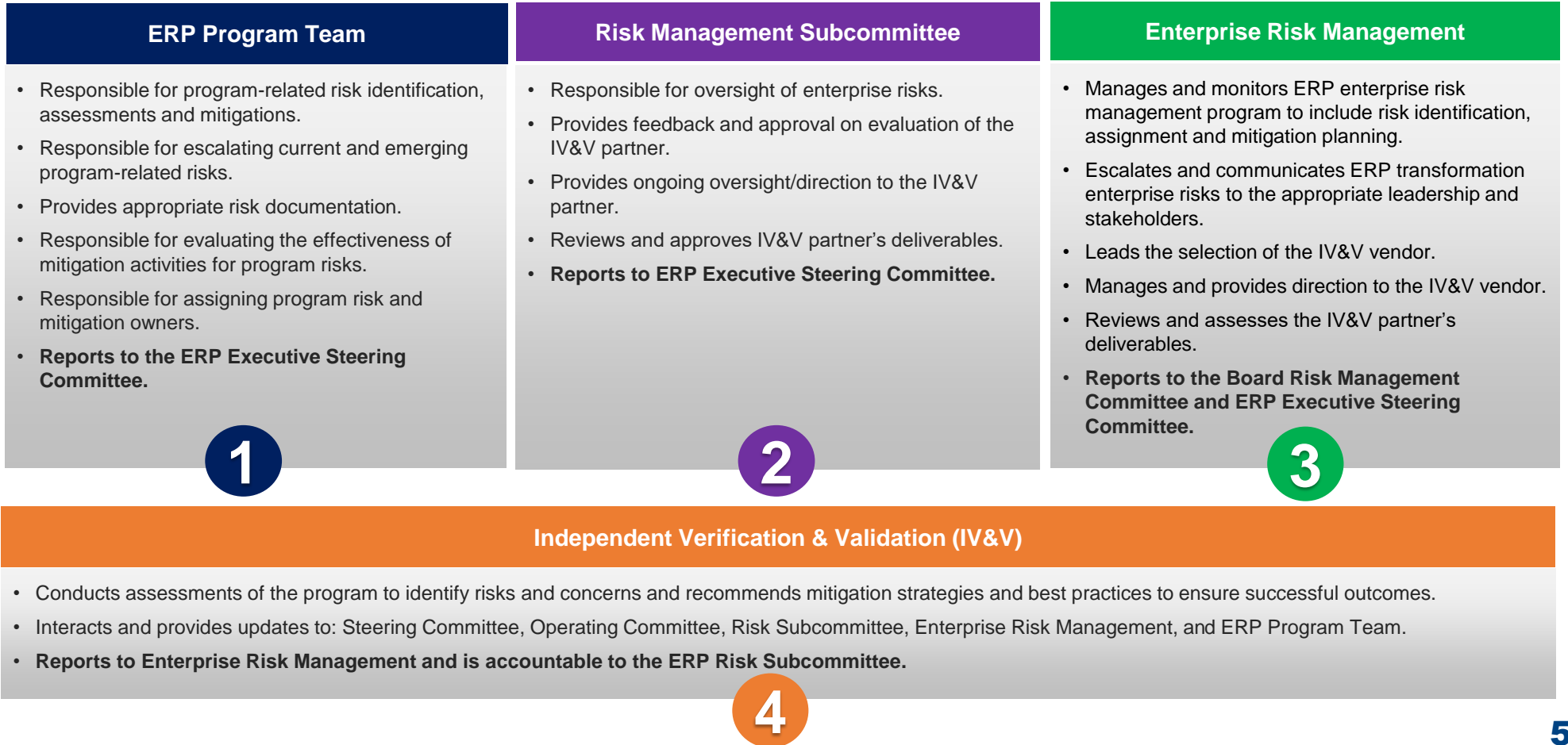


The Governance Structure will be leveraged to actively manage and monitor risks.



DEDICATED FOCUS ON ERP RISKS

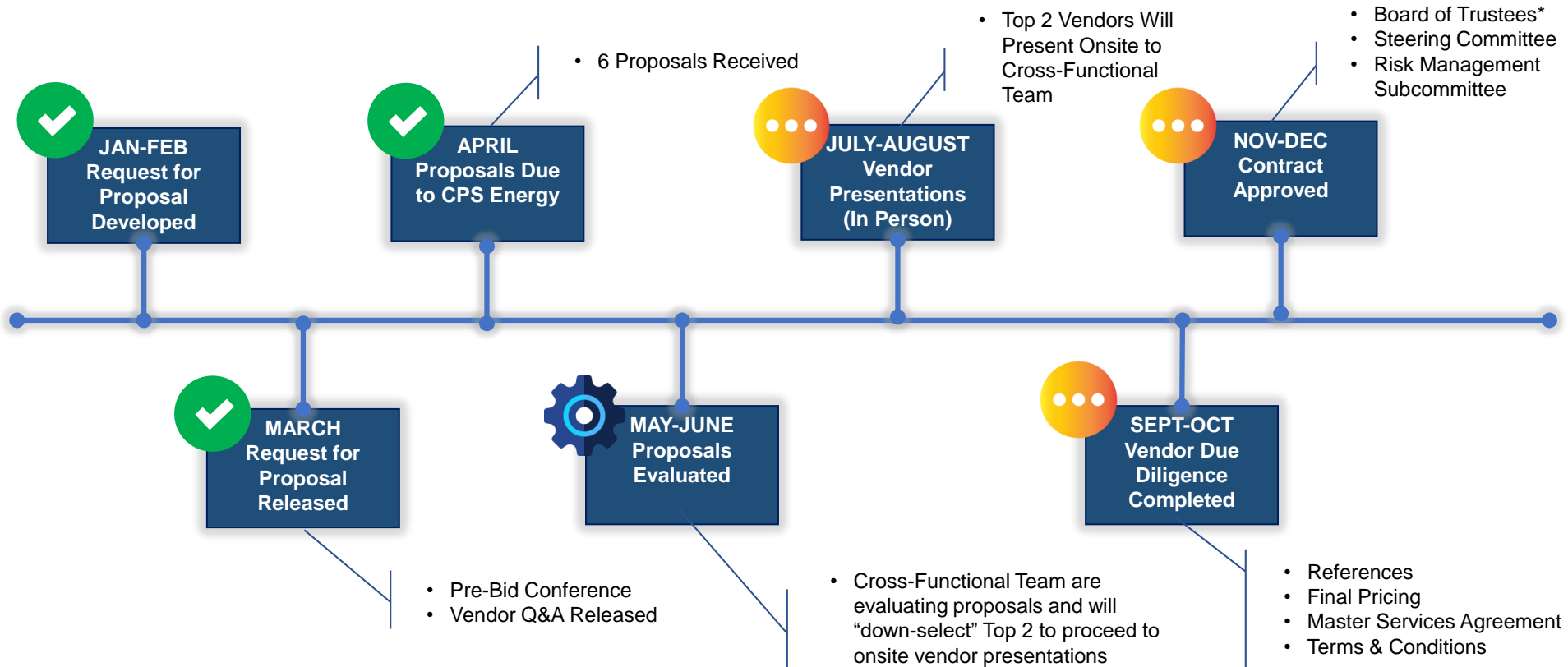
A MULTI-DISCIPLINARY APPROACH





IV&V PARTNER SELECTION

FY2025 KEY ACTIVITIES & TIMING



Legend: Complete In Progress Planned

* If required per procurement policy



THANK YOU



APPENDIX

GLOSSARY / DEFINITIONS



ACRONYM OR WORD	DEFINITION	ACRONYM OR WORD	DEFINITION
BoT	Board of Trustees		
ERMS	Enterprise Risk Management Services		
ERP	Enterprise Resource Planning System		
IV&V	Independent Verification & Validation		
KPI	Key Performance Indicators		
RFP	Request for Proposal		



FINANCIAL RISK MANAGEMENT

PRESENTED BY:
Cory Kuchinsky, CPA
Chief Financial Officer & Treasurer (CFO)

June 17, 2024
Informational Update



AGENDA

- How We Are Built
- Financial Risks
- Approved Budget & Q1 YTD Actuals
- Industry Benchmarking
- Perspective of Credit Rating Agencies

We factor risks into our financial operating model, which ultimately inform on the execution of our long-term plans.



HOW WE ARE BUILT

THE CPS ENERGY FINANCIAL OPERATING MODEL

- Fundamentally, we are a locally-regulated **cost recovery** business
- **Every dollar we spend** on behalf of the community **ends up in customers' bills**
- We generate “revenues”
- This model is a unique advantage of municipally owned utilities
- We are actively pursuing revenue diversity to reduce the cost burden on our customers



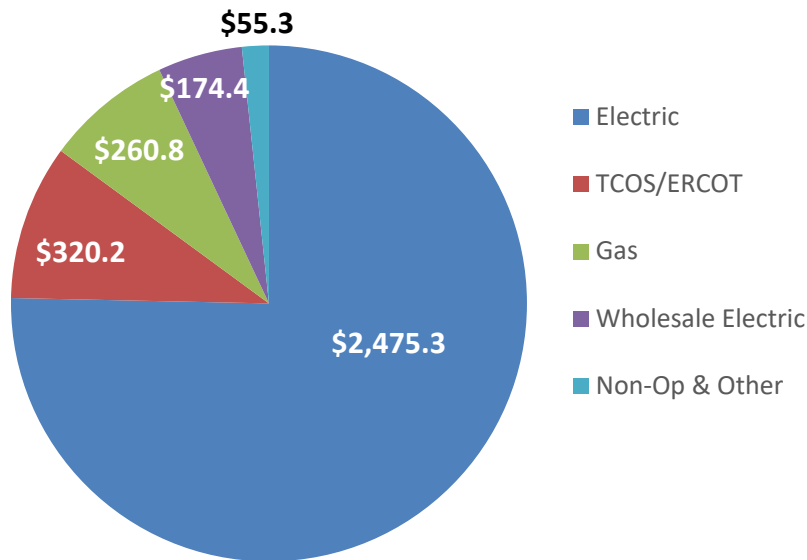
Our rates are designed to generate revenue that fully covers our operating expenses, capital investments, and payments to debt holders.



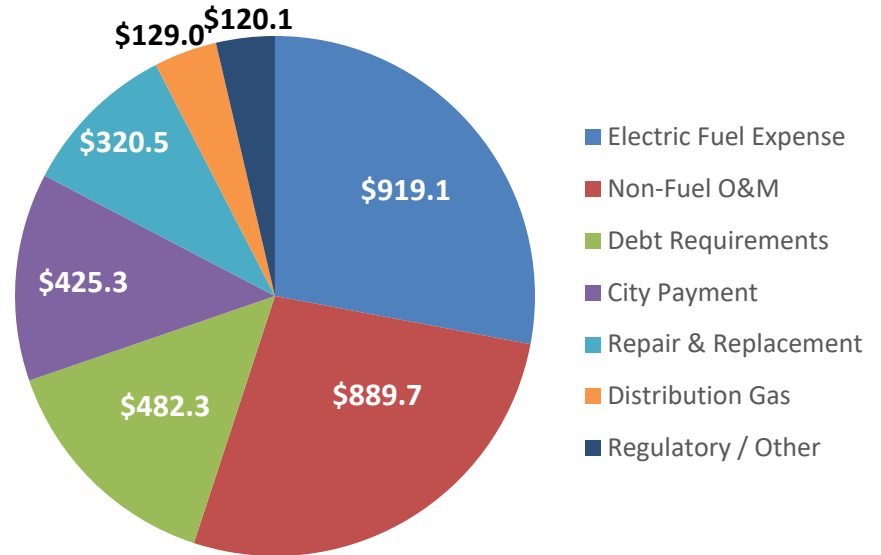
HOW OUR MONEY TRAVELS

SOURCES OF REVENUE = USES OF REVENUE

FY2025 Sources of Revenue, \$3,286M



FY2025 Uses of Revenue, \$3,286M



Every dollar has a dedicated purpose for the benefit of our customers and community.

HOW RISKS ARE FACTORED INTO FORECAST



Cyber Security



Digital Transformation



Extreme Weather



Outstanding Receivables



Decarbonization & Electrification



Growth



Regulatory and Market Changes



Aging Infrastructure



Inflation and Economic Pressures



Supply Chain Constraints

Part of the budget planning process includes factoring in costs to address current threats impacting the organization.

FY2025 BUDGETED NON-FUEL O&M

THE OUTCOME: FY2025 BUDGET OF \$890M



45% - \$398M	Labor Salaries and Wages, Benefits, Other Compensation
31% - \$280M	Power Sustainability and Resiliency Generation fleet overhauls and seasonal readiness maintenance to maximize plant availability and minimize downtime
11% - \$94M	Technology Maintain and assess enterprise technology systems and design future state of technology platforms
8% - \$75M	Electric and Gas Infrastructure Reliability Electric and Gas distribution and transmission infrastructure maintenance, work to minimize quantity and duration of customer outages
5% - \$43M	Customer and Community Engagement and Shared Services <ul style="list-style-type: none">• Investment in programs that promote engagement with customers and stakeholders• Key business areas critical to core operations, including Administration, Financial Services, Legal and Integrated Security

Our O&M budget supports key strategic initiatives including Customer Growth and Outreach, Technology Improvements and Reliability.



FY2025 NON-FUEL O&M

BUDGET VS Q1 ACTUALS BY BUSINESS UNIT

O&M Business Unit	Year to Date		Variance to Plan	LE 3		Variance to Plan
	Actual	Plan		Forecast	Plan	
Administrative Services	\$17.0	\$19.7	(\$2.7)	\$83.3	\$84.1	(\$0.8)
Customer Strategy	19.2	20.4	(1.2)	84.3	84.3	0.0
Energy Delivery Services	58.4	48.7	9.7	206.5	200.5	6.0
Energy Supply	46.9	50.0	(3.1)	176.4	176.4	0.0
Enterprise Information Tech	24.3	25.4	(1.1)	111.0	111.0	0.0
Financial Services	5.3	5.6	(0.3)	23.3	23.5	(0.2)
General Counsel	11.4	12.5	(1.1)	53.4	52.0	1.4
President & CEO	0.4	0.9	(0.5)	3.2	3.2	0.0
Strategy Office	3.0	3.6	(0.6)	14.0	13.9	0.1
Shared Costs	0.4	0.3	0.1	(37.0)	(34.5)	(2.5)
Total O&M w/o STP	\$186.3	\$187.1	(\$0.8)	\$718.4	\$714.4	\$4.0
STP	50.8	51.9	(1.1)	175.3	175.3	0.0
Total O&M	\$237.1	\$239.0	(\$1.9)	\$893.7	\$889.7	\$4.0
Additional REAP contribution funded by prior year WRnF	0.0	0.0	0.0	6.0	0.0	6.0
Total O&M including REAP	\$237.1	\$239.0	(\$1.9)	\$899.7	\$889.7	\$10.0
New Generation Assets*	\$0.0	\$0.0	\$0.0	\$32.9	\$32.9	\$0.0
New STP 2%*	\$0.0	\$0.0	\$0.0	\$8.8	\$8.8	\$0.0
Grand Total O&M	\$237.1	\$239.0	(\$1.9)	\$941.4	\$931.4	\$10.0

* New generation assets and STP 2% will be tracked separately for the remainder of FY2025.

Each business unit is delivering on meeting the operational needs of the business while investing in people, technology and security, and growth.



FY2025 BUDGETED CAPITAL

THE OUTCOME: FY2025 BUDGET OF \$937M

38% - \$355M	Electric and Gas Infrastructure Reliability Electric and Gas distribution and transmission infrastructure projects, work to minimize quantity and duration of customer outages.
34% - \$321M	System Growth Upgrading and extending service to new customers including new meters, subdivision and commercial services.
15% - \$138M	Power Sustainability and Reliability Generation fleet overhauls, planned upgrades and new generation projects to ensure generation capacity, maximize plan availability and minimize downtime.
8% - \$74M	Technology Projects to address physical security risk, computer system upgrades and computer based communication.
5% - \$49M	Customer and Community Engagement and Shared Services Key business areas critical to core operations, including Administration, Financial Services, Legal and Customer. Including Fleet vehicles and Real Estate Master Plan projects.

Our Capital budget addresses continued customer growth, while providing a reliable electric and gas system for our customers.



FY2025 CAPITAL

BUDGET VS Q1 ACTUALS BY BUSINESS UNIT

Capital Business Unit	Year to Date		Variance to Plan	LE 3		Variance to Plan
	Actual	Plan		Forecast	Plan	
Administrative Services	\$4.7	\$7.8	(\$3.1)	\$36.5	\$35.5	\$1.0
Customer Strategy	49.5	53.4	(3.9)	213.2	213.2	0.0
Energy Delivery Services	96.9	91.7	5.2	365.5	362.5	3.0
Energy Supply	19.7	16.7	3.0	111.9	113.2	(1.3)
Enterprise Information Tech	6.1	10.7	(4.6)	42.8	52.1	(9.3)
Financial Services	0.0	0.0	0.0	0.1	0.1	0.0
General Counsel	0.4	2.8	(2.4)	12.9	16.1	(3.2)
Strategy Office	0.0	0.1	(0.1)	0.5	0.5	0.0
STP	4.1	6.8	(2.7)	24.6	24.6	0.0
Shared Costs	0.0	0.0	0.0	17.6	18.6	(1.0)
Total Non-Transmission	\$181.4	\$190.0	(\$8.6)	\$825.6	\$836.4	(\$10.8)
Transmission (TCOS Recoverable)	44.0	22.5	21.5	160.8	101.0	59.8
Total Capital	\$225.4	\$212.5	\$12.9	\$986.4	\$937.4	\$49.0
New Generation Assets*	\$0.0	\$0.0	\$0.0	\$794.2	\$794.2	\$0.0
New STP 2%*	\$0.0	\$0.0	\$0.0	\$80.3	\$80.3	\$0.0
Grand Total Capital	\$0.0	\$0.0	\$0.0	\$1,860.9	\$1,811.9	\$49.0

* New generation assets and STP 2% will be tracked separately for the remainder of FY2025.

Each business unit is delivering on meeting the operational needs of the business while investing in infrastructure, resiliency, technology and security, and growth.



HOW WE COMPARE

INDUSTRY FINANCIAL BENCHMARKING

	Services	Size		Credit Ratings			Financial Profile ⁽¹⁾	Electric Sales Growth ⁽²⁾
	Electric/Gas/Water	# of Customers	Revenue (\$)	Moody's	Fitch	S&P	Operating Cost per kWh (¢/kWh)	Annual Growth % (2019-2022)
CPS Energy	Electric & Gas	930K	\$3.4B	Aa2	AA-	AA-	9.8¢	2.8%
Los Angeles Dept. of Water & Power (LADWP)	Electric & Water	1.54M	\$6.6B	Aa2	AA-	AA+	17.2¢	0.5%
Long Island Power Authority (LIPA)	Electric	1.2M	\$4.3B	A2	A	A	19.2¢	1.0%
Sacramento Municipal Utility District (SMUD)	Electric	653K	\$2.1B	Aa3	AA	AA	15.8¢	1.5%
Austin Energy	Electric	521K	\$1.3B	Aa3	AA-	AA-	12.7¢	1.4%
Jacksonville Electric Authority (JEA)	Electric & Water	520K	\$1.9B	A1	AA	A+	12.0¢	1.1%

CPS Energy has a unique financial profile relative to peers:

- **Strong credit ratings** in the industry
- A **low operating cost** per kWh
- Among the **highest rate of growth** as measured by electric sales

(1) Source: Fitch Ratings, U.S. Public Power – Peer Review, June 2023

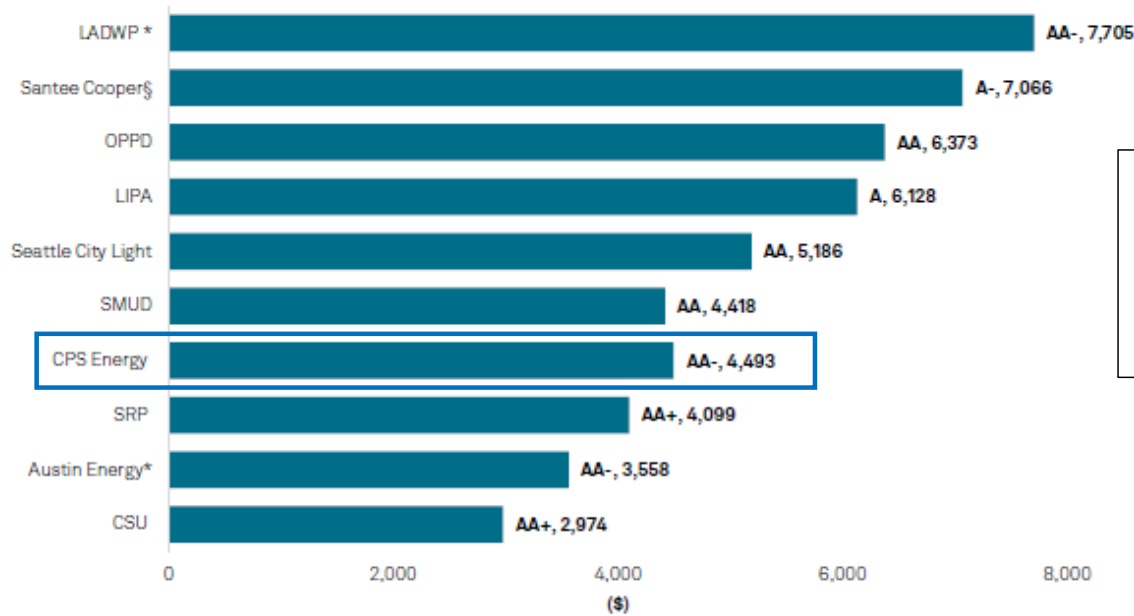
(2) Source: EIA Utility Retail Sales, 2019-2022



HOW WE COMPARE

S&P TOP 10 U.S. MUNI DEBT REPORT

Total debt per customer (FY 2022)



The average utility debt per customer from the leading 10 utilities is approximately \$5,200, which is below the roughly \$8,100 average across the 212 rated retail electric and gas utilities.

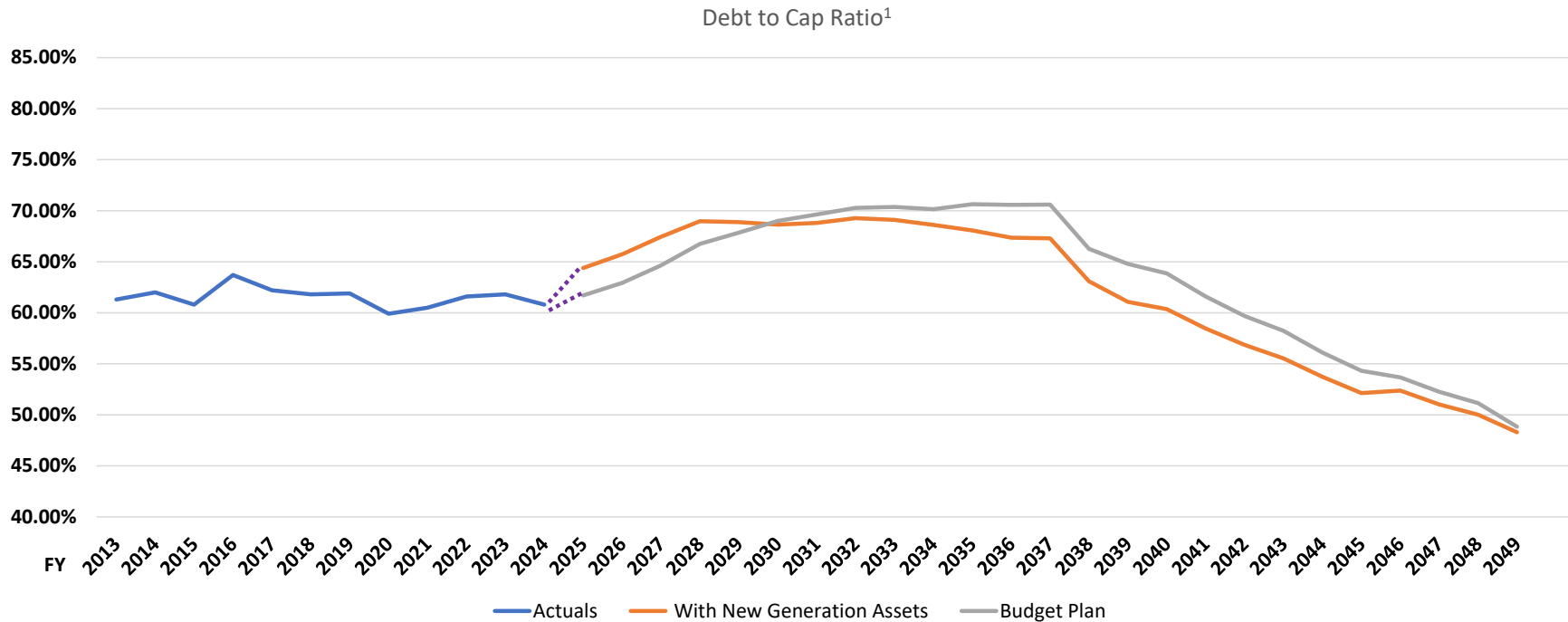
Data as of Nov. 17, 2023. *Electric lien only. FY—Fiscal year. §Santee Cooper's debt per customer includes both direct and indirect customers, and the indirect customers are via Central Electric Cooperative through a coordination agreement. Source: S&P Global Ratings.

S&P report highlights that utilities have effectively managed their debt through economies of scale, spreading capital costs across a large customer base, and maintaining stable leverage ratios.



STRATEGIC DEBT TO CAP OUTLOOK

CURRENT FLEXIBLE VIEW WITH ASSET ACQUISITION



Our debt cap ratio initially increases ~2.8% compared to our budget plan, as a result of pulling our generation plan forward. This helps mitigate future price uncertainty and helps improve our long-term leverage.

¹ Represents debt cap ratio forecast as of March 31, 2024

CREDIT RATING AGENCIES' PERSPECTIVE



Credit Rating Agencies view our recent acquisition as a positive and understand the long-term benefits.

Standard and Poor's (S&P):

“The outlook revision reflects our view of the electric and gas system’s improved risk management given recent large generation additions to its portfolio, including 1,710 megawatts (MW) of baseload gas fired generation, and other steps taken to reduce exposure to often high Electric Reliability Council of Texas (ERCOT) market prices, especially during peak from extreme weather.”

Moody's:

“1,710 MW acquisition bolsters dispatchable supply and is a credit positive change to the capital plan.”

VALIDATION OF OUR PLAN



Fitch and S&P revised out credit outlook from negative to a stable outlook, reflecting the continued execution of our plan.

Fitch and S&P reference the following takeaways that contributed to the revised credit outlook. Moody's maintained us at a stable outlook.

S&P:

- Improved risk management given recent larger generation additions to its portfolio.
- Revised outlook reflecting view of declining account receivable and doubtful account balances in fiscal year 2024, improved management of delinquent customer balances to \$154 million from a peak of \$208 million.
- Strengthened power supply position, steps taken to mitigate natural gas price risk, and improved liquidity provide sufficient cushion to withstand market price volatility.
- Ample liquidity sources which provide resiliency and flexibility to mitigate operating risks within ERCOT.

Fitch:

- Recent asset purchase providing valuable generation resource.
- Very strong financial profile.
- Improved view of the operating risk for public power systems located in ERCOT.

Rating Agency	Previous	Previous	New Results	
	Rating	Outlook	Rating	Outlook
Standard & Poor's	AA-	Negative	Affirmed	Raised to Stable
Fitch Ratings	AA-	Negative	Affirmed	Raised to Stable
Moody's	Aa2	Stable	Affirmed	Affirmed, Stable



THANK YOU



APPENDIX

GLOSSARY / DEFINITIONS



ACRONYM OR WORD	DEFINITION	ACRONYM OR WORD	DEFINITION
Debt Capitalization Ratio (“Debt to Cap”)	Measurement that shows the proportion of debt a company uses to finance its assets, relative to the amount of cash (equity) used for the same purpose	SCADA	Supervisory Control and Data Acquisition computer systems used for remote monitoring
ERCOT	Electric Reliability Council of Texas	STEP	Sustainable Tomorrow Energy Plan
LE	Latest Estimate	STP	South Texas Project
O&M	Normal costs incurred to keep business operations ongoing (Operating & Maintenance)	S&P	Standard and Poor Credit Rating Agency
REAP	Residential Energy Assistance Partnership	TCOS	Transmission Cost of Service
R&R	Repair and Replacement	WRnF	Wholesale Revenue net of Fuel

CREDIT RATING AGENCIES METHODOLOGY



Although methodologies differ between rating agencies, there are fundamental factors driving evaluation of credit quality.

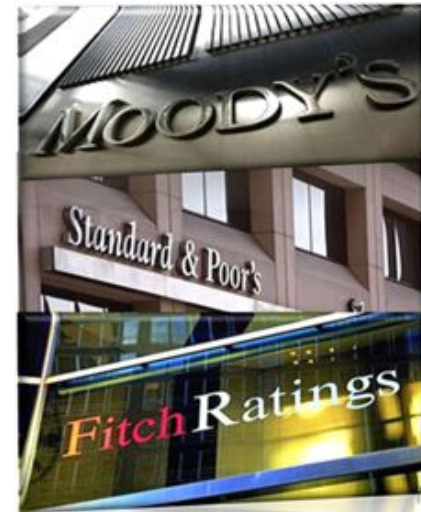
Operating Drivers:

- Ability to effectively collect revenues to cover costs incurred by operations
- Quality, diversity, reliability and adequacy of power supply
- Compliance with regulation, and strategy for complying with future regulation
- Management depth and experience
- Rate Setting practices that support full and timely cost recovery
- Financial policies and practices, including long-term strategic planning
- Demonstrated willingness and ability to adjust rates to support operations
- Structural items like market status as an ERCOT member

Financial Drivers:

Viewed from a multi-year performance perspective

- Debt Service Coverage: Sufficient net revenue to cover debt service payments.
- Liquidity: Resources to meet expenses, cope with emergencies, and navigate business interruptions
- Leverage: Level of debt used to finance assets





GENERATION PLANNING RISK MANAGEMENT

PRESENTED BY:
Benny Ethridge
Chief Energy Supply Officer

June 17, 2024
Informational Update

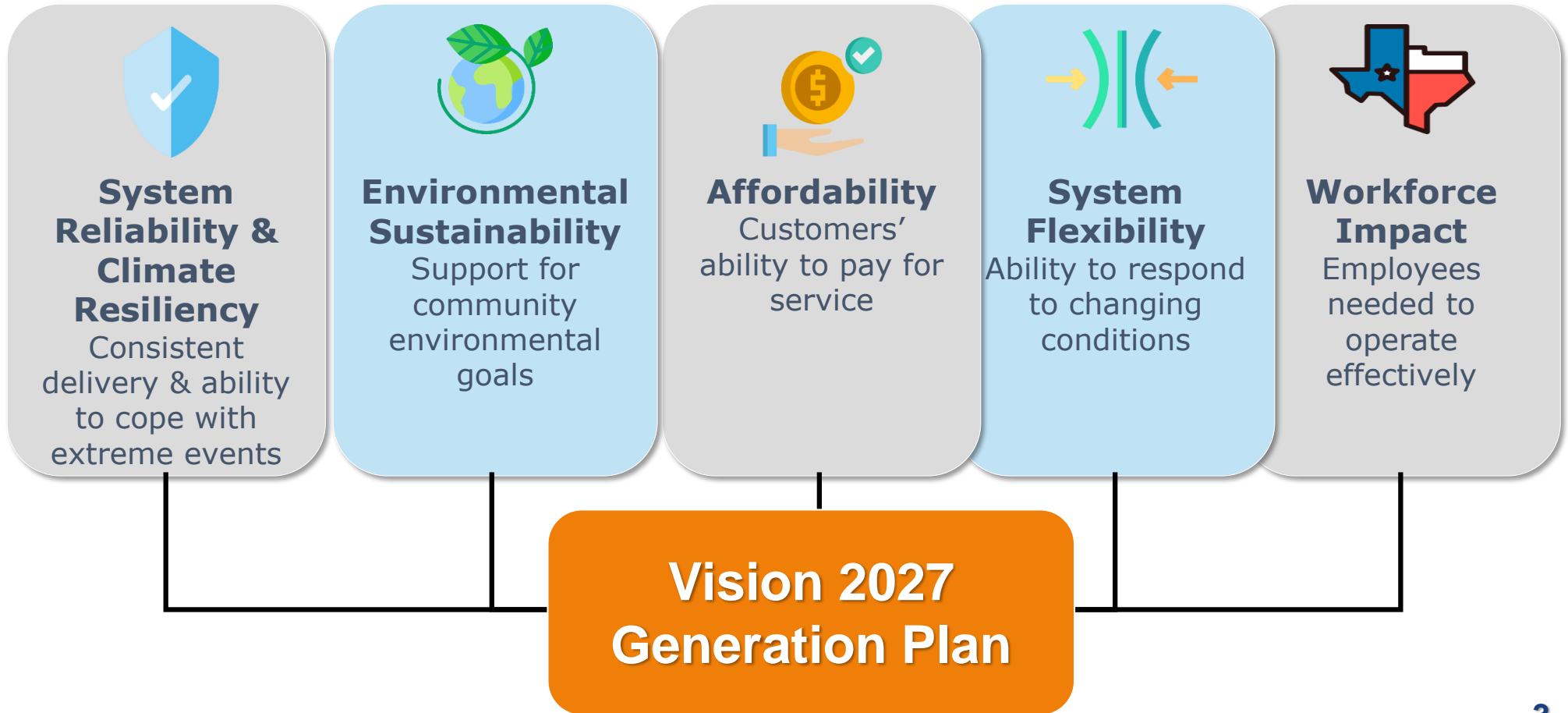


AGENDA

- Generation planning objectives
- Risk mitigation
- Vision 2027 generation plan overview
- ERCOT forward outlook

The Vision 2027 Generation Plan guides our actions to provide reliable, affordable, and environmentally responsible energy to power our community.

GENERATION PLANNING OBJECTIVES



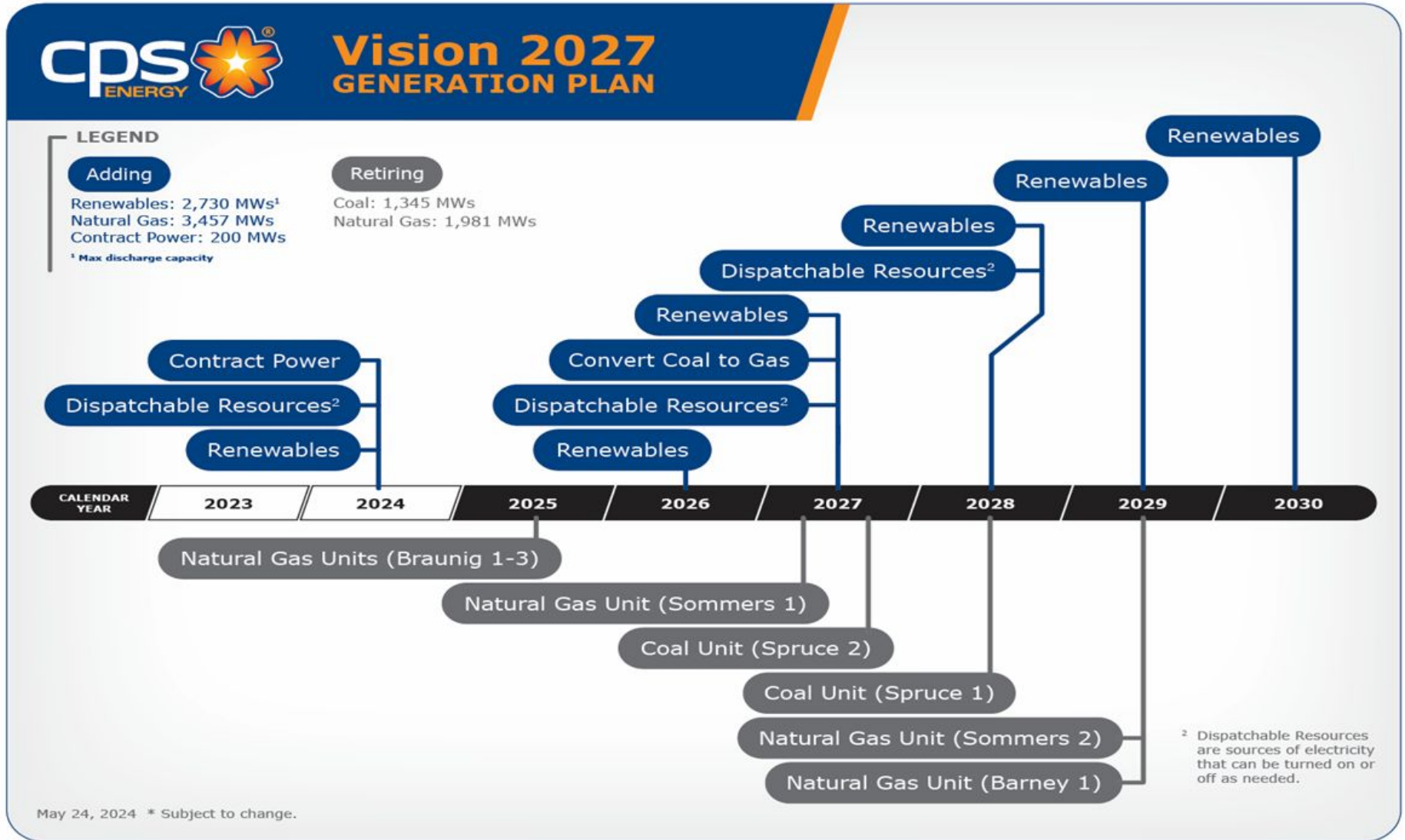


VISION 2027 GENERATION PLAN

RISK MITIGATION

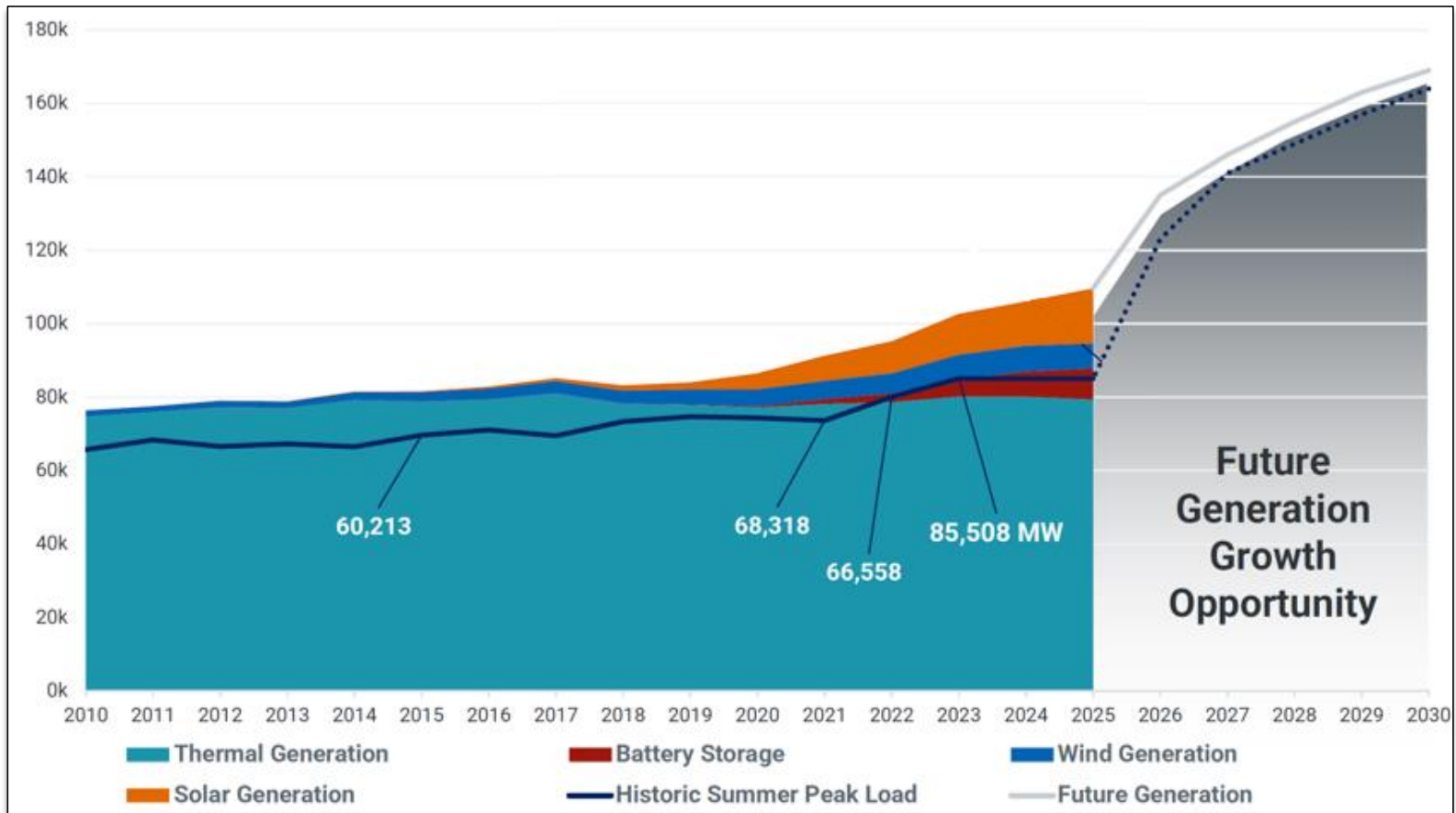


Actions	Benefits
<p>Contract Power (PPAs)</p>	<ul style="list-style-type: none"> • Manage technology risk • Fuel diversification • Geographic diversification • Allows use of emerging technology
<p>CPS Energy Gas Acquisition</p>	<ul style="list-style-type: none"> • Cost savings over new build • Avoids new build construction risk • Delivers new generation 4-6 years early • Future developmental opportunities
<p>Spruce Gas Conversion (Coal to Gas)</p>	<ul style="list-style-type: none"> • Reduces CO₂, PM, and SO₂ emissions • Retains majority of initial plant investment • Low conversion cost maintains reliable local generation
<p>New Peaking Generation</p>	<ul style="list-style-type: none"> • Greater efficiency- less fuel means lower emissions • Fast response capability • Flexible operating capability - scalable dispatch • Minimal plant site requirements



ERCOT FORWARD OUTLOOK

ERCOT launches new planning efforts as 2030 load growth projections soar 40 GW in a year



Source: "CEO Board Update"; ERCOT Board of Directors Meeting (April 23, 2024)



THANK YOU



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GLOSSARY / DEFINITIONS



ACRONYM OR WORD	DEFINITION
ERCOT	Electric Reliability Council of Texas - operates the electric grid and manages the deregulated market for 75 percent of the state of Texas.
PPA	Power Purchase Agreement - a contract between two parties, one which generates electricity (the seller) and one which is looking to purchase electricity (the buyer).
Portfolio	A combination of electric resource decisions taken by CPS Energy. A portfolio typically includes decisions on capacity retirements (when and how much) and new resource additions (what type, when, and how much).
Emissions: CO ₂ , PM, and SO ₂	Air emission sources: CO ₂ - Carbon Dioxide PM -Particulate Matter SO ₂ -Sulfur Dioxide