



RATE REQUEST DISCUSSION

PRESENTED BY:

Rudy Garza

Interim President & CEO

Cory Kuchinsky, CPA

CFO & Treasurer

December 1, 2021

Informational Update

AGENDA



- **MOVING FORWARD**
- **ENGAGEMENT UPDATE**
- **SUMMARY OF RATE REQUEST PROPOSAL**
- **BILL IMPACT**
- **FINANCIAL HEALTH**
- **ENGAGEMENT PROCESS**

MOVING FORWARD



Working collaboratively for positive changes for our community



Rate request focused on emphasizing near-term investments & creating immediate financial stability



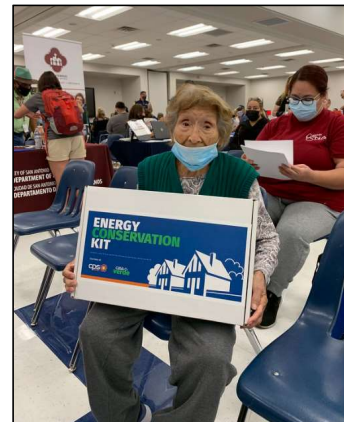
Allow time for community dialogue on future critical investments such as generation resources

We recognize the importance of transparency, public engagement & partnering with you.

ENGAGEMENT UPDATE



- Already in FY2022* we have held almost **1,000 engagement events** & served nearly **72,000 people**
- We partner with City Council members to host Utility Assistance Fairs with Bexar County, City of San Antonio & other agencies to enroll customers in assistance programs on the spot
- Additionally, we have Utility Assistance Pop-Ups which bring the CPS Energy team to the communities that need the most help
- We will continue to work with City Council members & our partner agencies to support our community; we have 33 additional pop-up events scheduled through the end of January 2022



Multiple Community Assistance Events

*2/1/21 – 11/11/21

ADVISORY COMMITTEE INPUT



Rate Advisory Committee (RAC)



- June – August → Intensive educational sessions
- September – November → Full committee working sessions
- December → Evaluate rate request & vote

Citizens Advisory Committee (CAC)



- Reviewed drivers at multiple monthly meetings
- Members participating in community engagement
- December/January → Evaluate rate request & vote

The RAC & CAC will *both* provide feedback to our Board of Trustees.

RATE REQUEST: PROPOSAL



**Base Rate
Increase⁽¹⁾**

3.85%

**Revenue
Increase⁽²⁾**

~\$73M

Rate increase planned for March 1, 2022 effective date.

After listening to feedback & input, we have revised our rate request to meet our immediate financial needs.

(1) Applies only to base portion of bill & does not apply to fuel & regulatory charges.

(2) Represents annualized amount. FY2023 actual revenue increase of ~\$67M due to start in March (only 11 months).

WHAT'S INCLUDED?



Infrastructure Resiliency	<ul style="list-style-type: none">• Generation & distribution projects to support operations during extreme weather	\$31M
Technology	<ul style="list-style-type: none">• Design the future state of our technology platform	\$15M
Growth	<ul style="list-style-type: none">• Support to keep up with the community's continued strong growth	\$14M
People	<ul style="list-style-type: none">• Funding for stabilizing staffing levels	\$13M
		<hr/> ~\$73M

The rate request supports the incremental critical investments needed to continue serving our community.

WHAT'S NOT INCLUDED IN THE RATE INCREASE?



Early Collection of Pandemic Bad Debt	CoSA to contribute \$20M in American Rescue Plan Act (ARPA) funding to help our customers. Resuming disconnection process will likely drive additional revenue.
Disputed Fuel Costs from Winter Storm Uri	\$587M in Uri fuel costs remain in dispute. Once resolution occurs, we will communicate if there is any additional impact to customers.
Future Generation Decisions	Shoring up our financials now will allow the Board, RAC, CAC & broader community to engage in thoughtful discussion & analysis on future generation decisions.
Other Assumed Costs	Future large expenditures will not be included in our budget until their costs are known.
Rate Design Changes	No rate design changes are included, allowing additional time to work with the RAC to evaluate optimal rate designs.

INFRASTRUCTURE RESILIENCY



Phase I: Improvement of Existing Infrastructure

- Invested \$20M+ at multiple plants since 2011
- Performed plant weatherization to meet Public Utility Commission (PUC) Part-1 requirements in 2021
- Completed third-party unit-specific weatherization assessment
- Circuit reconfiguration to significantly improve load shed capabilities

Complete by end of FY2022.

Phase II: Investment in Enhanced Infrastructure

- Enhanced plant weatherization & upgrades based on PUC Part-2 requirements
- Expand alternative fuel capabilities
- Improve communication capabilities
- Additional grid functionality to manage load shed

Supported by rate request.

WINTER STORM URI FUEL COSTS



We have paid \$418M in reasonable, validated fuel costs for winter storm Uri. We propose recovering these costs over 25 years beginning on March 1, 2022 through the fuel adjustment on bills.

**Annual
Cost**

~\$24M

**Residential
Bill Impact⁽¹⁾**

~\$1.26/mo.

(1) Paid Uri costs will be recovered as a kWh adder; bill impact depends on usage.

RECOVERY OF HIGH FUEL COSTS



- In Texas & 14 other states, more than 65 proposed or effective winter storm recovery plans have been identified
- Recovery periods range from 1 month to 28 years
- Monthly bill impacts range from ~\$1-\$58 & average ~\$11

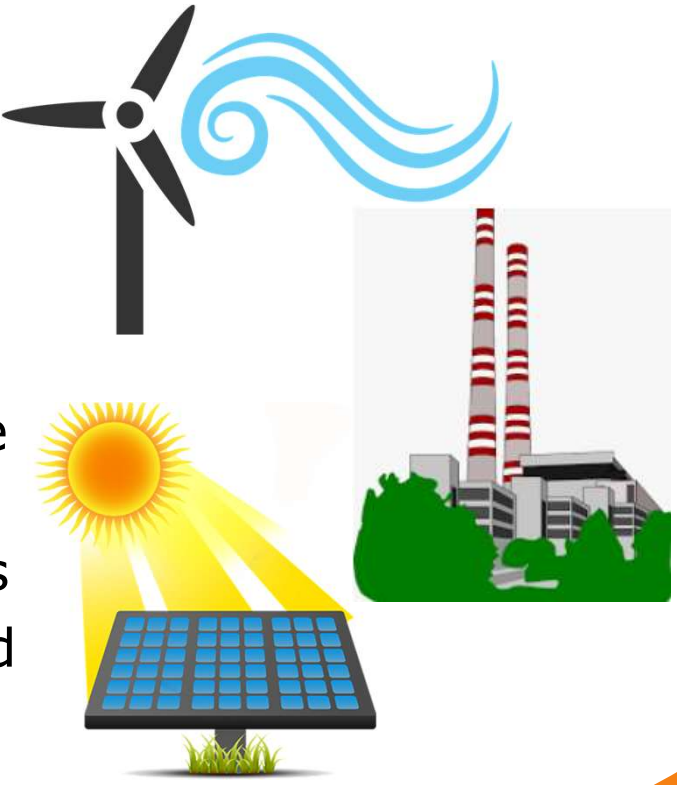


Other utilities are also spreading storm cost recovery over multiple years to minimize the impact to customers.

COMPONENTS OF FUEL ADJUSTMENT

Cost recovered by the Fuel Adjustment include:

- **Generated Power Costs** – fuel cost associated with nuclear, coal & natural gas units
- **Renewable Power Costs** – renewable energy purchases of wind, solar & landfill gas
- **Market Power Purchases** – purchases from the ERCOT open market
- **STEP⁽¹⁾** – recovery of energy efficiency programs
- **Storm Fuel Costs** – reasonable, validated & paid fuel costs from winter storm Uri



The electric fuel adjustment includes costs to procure and produce energy & fund our energy efficiency program.

(1) STEP = Save for Tomorrow Energy Plan

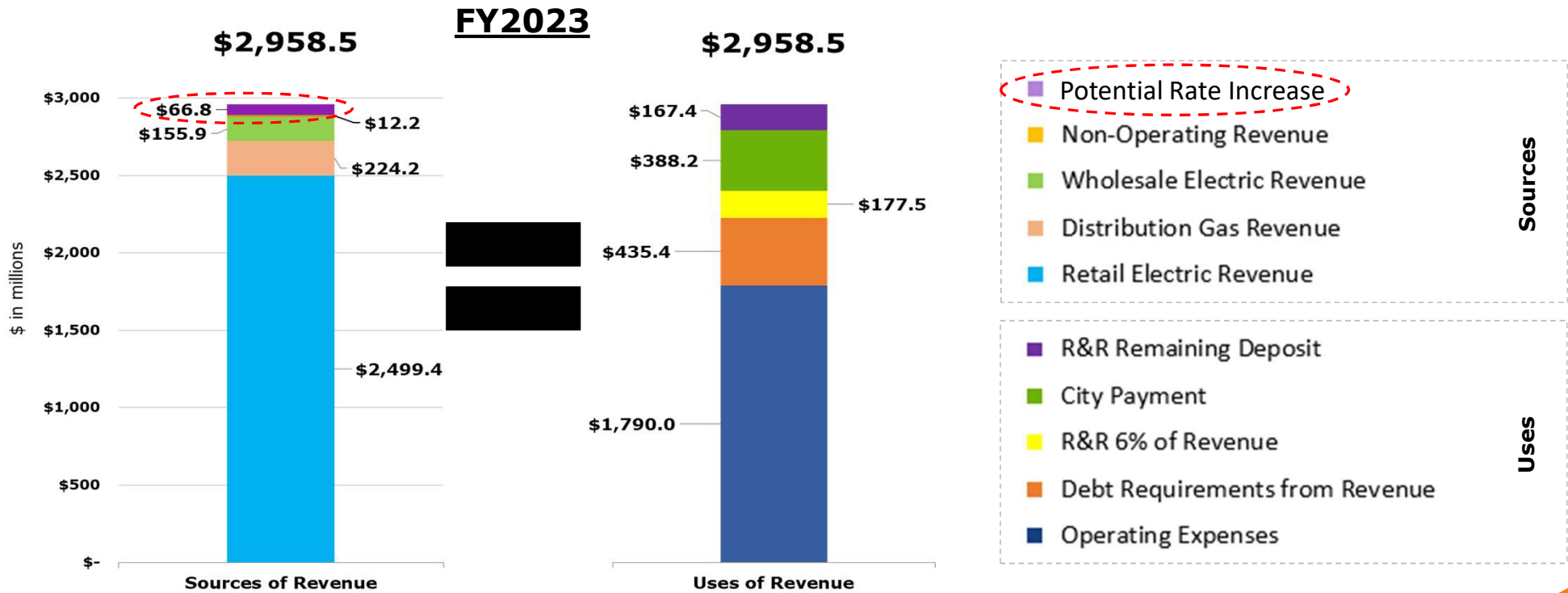


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THE BUDGETING PROCESS

BALANCING USES & SOURCES OF REVENUE



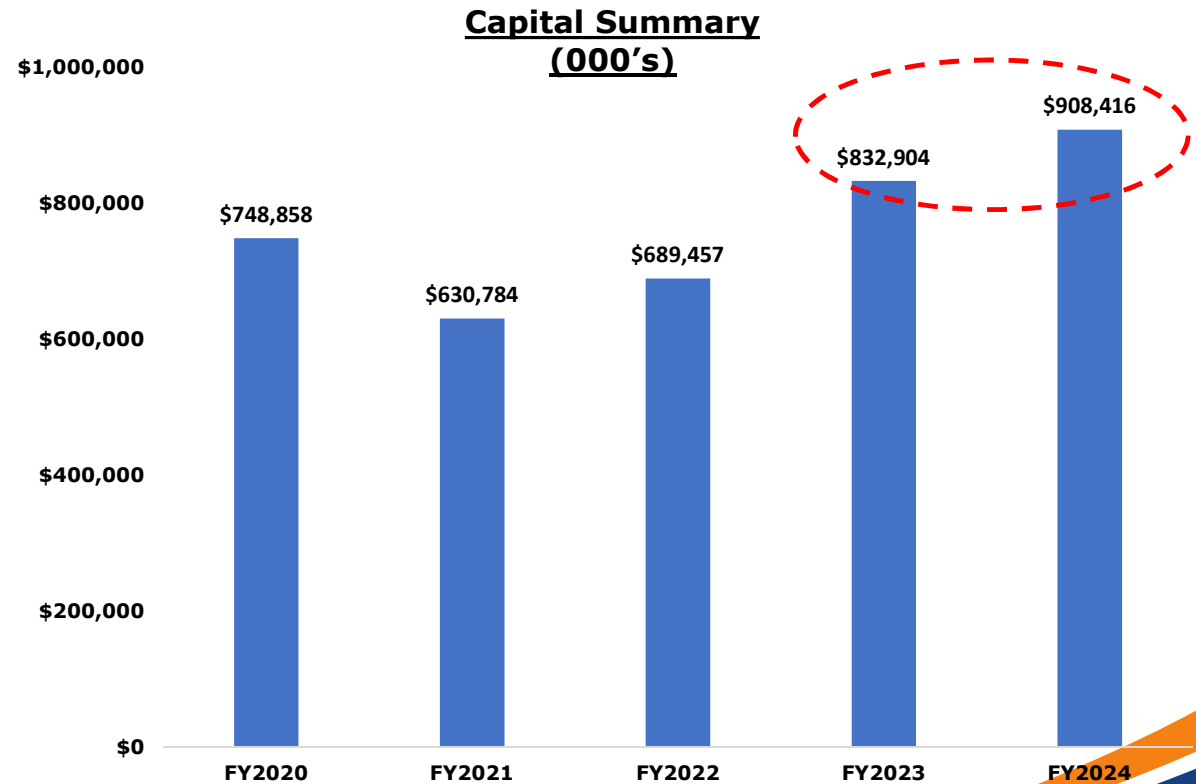
With the proposed rate request, our revenue (i.e., sources of revenue) will equal our costs (i.e., uses of revenue).

Note: FY2023 includes 11 months of post-rate increase revenue (~\$67M). This is ~\$73M annualized.

CAPITAL PLAN



- We evaluated our capital plan with a focus on near-term investments
- We are not including dollars for estimates on future generation projects at this time. We are allowing time for the Board, RAC, Council & broader community to have those discussions.

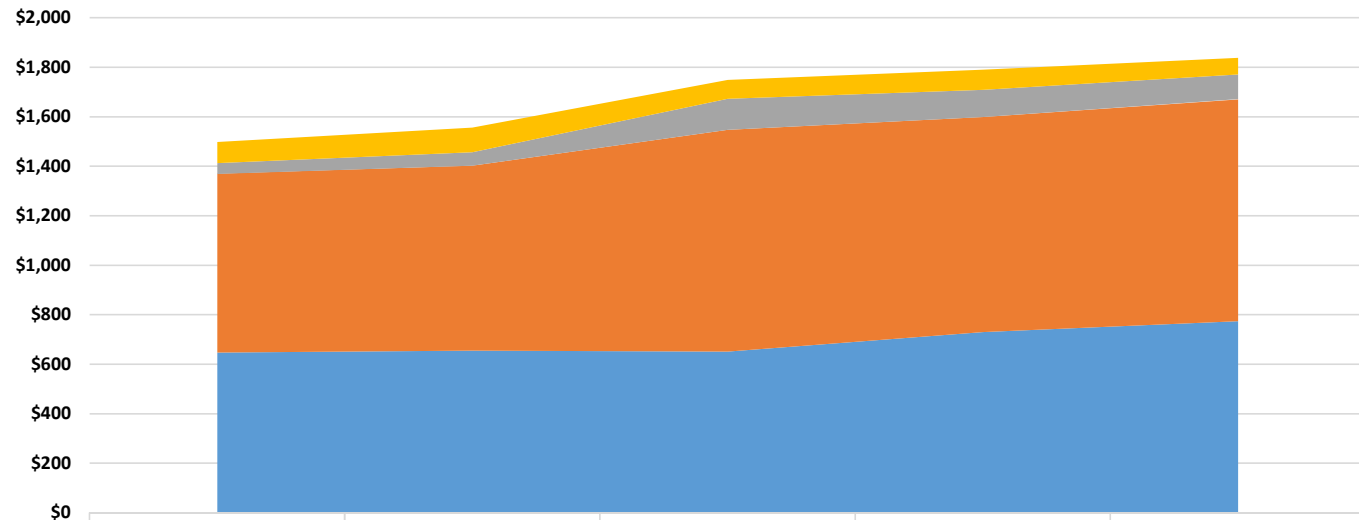


OPERATING EXPENSES (O&M)



Increasing O&M is driven by investments to make infrastructure more resilient (i.e., prepare for extreme weather), technology assessments & stabilizing staffing levels.

\$ in millions



	FY2020	FY2021	FY2022	FY2023	FY2024
Regulatory / Other	84.4	99.0	76.2	81.4	67.6
Distribution Gas	43.7	54.1	125.1	109.8	100.6
Electric Fuel Expense	722.0	747.5	896.3	869.1	897.5
Non-Fuel O&M	\$647.1	\$654.9	\$650.7	\$729.7	\$773.0

■ Non-Fuel O&M ■ Electric Fuel Expense ■ Distribution Gas ■ Regulatory / Other

TOTAL AVERAGE RESIDENTIAL BILL IMPACT



	<u>Bill Impact</u> \$	<u>Bill Impact</u> % ⁽¹⁾
Base Rate Increase:	~\$3.84/mo.	2.5%
Uri Fuel Costs:	~\$1.26/mo.	0.8%
<hr/>		
Total Bill Impact⁽²⁾:	~\$5.10/mo.	3.3%

(1) Includes base revenue + fuel & regulatory revenue

(2) Represents average bill impact to residential electric & gas customer



AFFORDABILITY DISCOUNT PROGRAM (ADP)

Summary Recommendation:

- Increase enrollment funding by ~**14,000 electric customers** to 65,000
- Increase customer discount to **\$16.14 per month**

Proposed Discount Statistics:

	Electric	Gas	Combined	
			Month	Year
Current Discount	\$8.55	\$3.75	\$12.30	\$147.60
Additional Proposed Discount	<u>\$3.12</u>	<u>\$0.72</u>	<u>\$3.84</u>	<u>\$46.08</u>
Total Proposed Discount	\$11.67	\$4.47	\$16.14	\$193.68

As our community focuses on the Energy Burden on limited income customers, we recommend increasing the ADP monthly discount to offset 100% of the base rate increase (on average).

RESIDENTIAL BILL IMPACTS

INCLUDING WINTER STORM RECOVERY



BILL IMPACTS

ADP BILL IMPACTS

kWh	CCF	\$IMPACT	%IMPACT	\$IMPACT	%IMPACT
500	10	\$2.32	~3.0%	-\$0.90	~-1.4%
1,000	20	\$4.57	~3.3%	\$1.47	~1.1%
1,500	35	\$6.97	~3.4%	\$3.97	~2.0%
2,000	50	\$9.35	~3.5%	\$6.47	~2.5%

Our ADP discount mitigates the impact to our most vulnerable customers.

COMMERCIAL TOTAL BILL IMPACTS

INCLUDING WINTER STORM RECOVERY





Customer Group	Average Change/Month	
Electric	%	\$
Small Commercial	~3.6%	\$20
Large Commercial	~3.7%	\$412
Extra Large Commercial	~3.7%	\$2,730
Super Large Commercial	~3.8%	\$16,581
Gas	%	\$
Base Commercial	~5.4%	\$9
Class B	~5.7%	\$60
Large Volume	~4.8%	\$801

Note: New bills assume a 3.85% base rate increase; bill impacts include Winter Storm Uri regulatory asset recovery which is still pending approval.

FINANCIAL HEALTH



	<u>FY2023</u>	<u>FY2024</u>	<u>Subsequent Trend</u>
Debt Service Coverage Ratio	1.79	1.67	
Debt Capitalization Ratio	61.66%	62.28%	
Days Cash On Hand	170	170	<i>Flat</i>

The additional revenue generated from this level of rate increase ensures our financial health continues.

LOOKING FORWARD



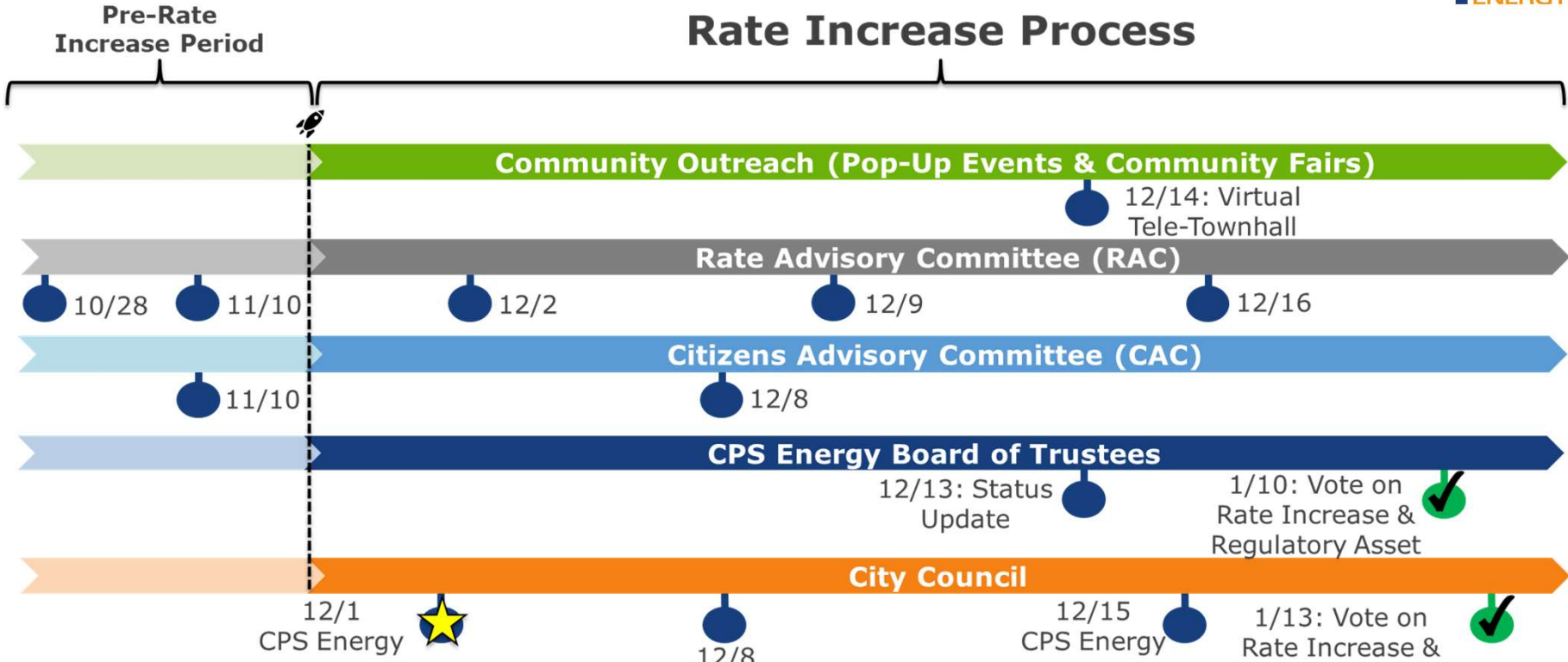
- Our proposed financial plan includes a rate evaluation approximately every two years:

FY2023	FY2024⁽¹⁾	FY2025⁽¹⁾	FY2026⁽¹⁾	FY2027⁽¹⁾
3.85%	-	5.5%	-	5.5%

- In partnership with CoSA, we will continually monitor other issues that may impact future rate requests such as:
 - Disputed fuel costs from winter storm Uri
 - Past due balances resulting from pandemic
 - Decisions about our future generation sources
 - Our long term technology needs
 - Rate designs

(1) Estimates only; subject to change

ENGAGEMENT PROCESS



Legend

- ★ Today
- 🚀 Launch
- Meeting
- ✅ Seek Approval



Thank You

