November 22, 2021

Board of Trustees
Mr. Rudy Garza, Interim President & CEO

Dear Board Members and Mr. Garza:

Thank you for the opportunity to provide our FY2022 Monthly Financial Update as of October 31, 2021.

Please be advised that there was not a financial presentation at this month's Board of Trustees meeting. Accordingly, we are providing this written report. The monthly financial update materials reflect nine months of actual performance plus three months of forecast.

Key Highlights

Our expected financial position remains improved from the approved budget most notably from reduced forecasted expenses. In summary,

- **Same as last month, the current assumption is that a rate increase is effective after this fiscal year. We removed an approximate current year benefit of $27 million gross, $23 million net of city payment from our FY2022 forecast. This assumption change results in lower total revenue for FY2022.**
- There were no major shifts in assumptions this month. There was marginal change recorded since our last forecast. We had a small improvement to net Electric and Gas Revenue of $3.7 million primarily tied to an updated bad debt forecast, and a $3.3 million reduction to our Operations and Maintenance (O&M) from revised business unit spend projections.
- In consideration of the above items, we are forecasting to end the year with a Net Loss of $11.6 million, trending above our budgeted year-end Net Loss of $34.4 million and improved from last months forecasted update.
- Repair and Replacement additions are forecasted to be $9.7 million above budget; and
- We are forecasting improvements in Adjusted Debt Service Coverage and Debt Capitalization compared to the approved budget. The Days

Cash on Hand metric is forecasted below budget, but above credit rating agency guidance thresholds.

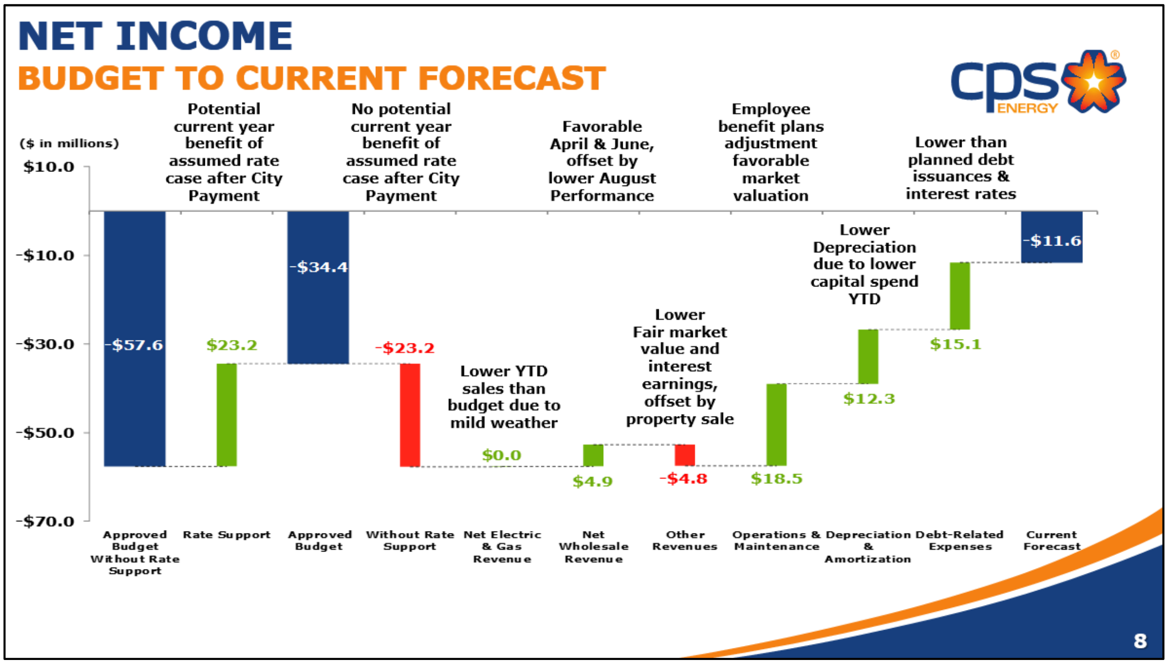
Headwinds & Risks

We continue to monitor accounts receivable and bad debt assumptions built into the forecast. Recently, the San Antonio City Council approved $20 million to assist our Company's customers, funded using the American Rescue Plan Act (ARPA). The program will assist residents financially impacted by the COVID-19 crisis with utility payments and will have a favorable impact to our bad debt forecast. We will apply those funds as fast as practically possible and will adjust our assumptions in future forecast updates. Accounts receivable and bad debt estimates could continue to change pending the thoughtful resumption of our disconnection strategy, community economic factors and/or other external sources.

Summary of Budget to Current Forecast Drivers

A summary of the drivers of change from the budget to the current financial forecast is included on slide 8 (titled “Net Income – Budget to Current Forecast”) of this month’s financial update. Total electric non-fuel revenue is forecasted below budget. Net wholesale revenue performed slightly below budget in October but is still forecasted to end the year $4.9 million above budget supported by strong April and June performances due to higher market prices driven by lower wind volumes and outages across ERCOT. However, offsetting that favorability is forecasted net electric and gas revenue which is $23.2 million below budget. This reflects the removal of the current year benefit of an assumed rate increase and YTD total electric system sales 1.5% below budget due to mild weather. Our forecast assumes some lift in the remaining months for total electric sales forecasting year-end sales at 1% below budget. Total gas sales YTD are performing 1.7% higher than budget and are forecasted to end the year 1.1% above budget. Both electric and gas customer growth is outpacing the budget, which is a positive trend. Going forward, weather will be a significant variable that could impact our ability to achieve our end of year electric and gas sales and revenue projections.

On the expense side, the organization continues to drive down O&M costs to $18.5 million below budget, diligently managing increased costs due to Storm Uri and other storms by managing labor costs through our strategic hiring approach and salary freeze. Also, the organization continues to optimize opportunities to reduce expenses and the business units continue to refine their end of year projections. Last month we reduced our O&M forecast by $15 million primarily from an employee benefit plans adjustment due to favorable market valuation. This month, the business units reduced our O&M forecast by $3 million by refining their end of year spend projections. In addition, our Finance team has structured favorability into our financing plan by leveraging lower debt issuances and securing lower rates than were budgeted, leading to lower debt-related expenses of approximately $15 million compared to budget. Depreciation, which is a non-cash item, is below budget by just over $12 million due to fewer assets being put in service and depreciated compared to the budget as a result of overall lower capital spend.



Path Forward

As noted last month, we continue to thoughtfully pursue a path forward in this challenging year to ensure current and future financial sustainability. We look forward to providing you with timely updates of financial performance.

Thanks again for your leadership and support, and feel free to call (210) 415-2941 if you have any questions.

Sincerely,

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

CPK

Attachments

Copy COSA: Erik Walsh, City Manager
Ben Gorzell, CFO
Ivalis Gonzalez Meza
Michelle Lugalia-Hollon
Russell Huff

Copy CPS Energy: Rudy Garza, Interim CEO
Paula Gold-Williams, Past President & CEO
Sr. Chiefs
Kathy Garcia, VP
Board Relations

FY2022 MONTHLY FINANCIAL UPDATE AS OF OCTOBER 31, 2021

PRESENTED BY:

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

Informational Update

DISCLAIMER

We continue to work through the unprecedented global, national, state, and local implications of COVID-19 and Winter Storm Uri. Our current financial projections were prepared in-light of COVID-19 and Winter Storm Uri for preliminary informational discussion purposes only. Due to the changing COVID-19 environment and Winter Storm Uri, these financial projections are preliminary and subject to change at any time in the future. Please be assured that we worked hard to thoroughly think through our financial analysis. This said, since there is tremendous uncertainty across the current economic and financial landscapes, the actual results for this fiscal year could be lower, comparable, or higher than what we are projecting at this time.

OBJECTIVES & TAKEAWAYS

- FINANCIAL RESULTS FORECAST
- HIGHLIGHT FINANCIAL PERFORMANCE & METRICS

AGENDA

- NET INCOME YTD
- ELECTRIC SALES
- NET INCOME FORECAST
- FLOW OF FUNDS
- KEY FINANCIAL METRICS
- ACTIONS & NEXT STEPS

NET INCOME

OCTOBER 2021 YTD ACTUAL PERFORMANCE

($ in millions)	FY2022		
Description	Budget	Actuals	Variance: Favorable (Unfavorable)
Revenue available for nonfuel expenses			
Electric	$ 1,960.9	$ 1,998.7	$ 37.8
Gas	118.3	129.9	11.6
Total operating revenue	2,079.2	2,128.6	49.4
Less:			
Electric fuel, distribution gas & regulatory	791.8	838.6	(46.8)
Payments to the City of San Antonio	277.3	272.3	5.0
Net operating revenue	1,010.1	1,017.7	7.6
Nonoperating revenue	29.0	19.8	(9.2)
Total revenue available for nonfuel expenses	1,039.1	1,037.5	(1.6)
Nonfuel expenses			
Operation & maintenance	493.1	489.7	3.4
Depreciation, amortization & decommissioning	358.3	346.1	12.2
Interest & debt-related	171.3	155.3	16.0
Total nonfuel expenses	1,022.7	991.1	31.6
Net Income (Loss)	$ 16.4	$ 46.4	$ 30.0

Highlights:

- **Operating Revenue**
  - Electric Billed Sales are 1.5% lower.
  - Gas Billed Sales are 1.7% higher.
  - Wholesale Revenue Net Fuel is $3.3M above budget primarily due to record high ERCOT load coupled with unplanned ERCOT power plant outages for the months of April & June.
- **Non-Operating Revenue**
  - Primarily driven by change in fair market value & lower than planned interest income.
- **Depreciation**
  - Due to lower capital spend.
- **Interest & debt-related**
  - Reflects lower than planned commercial paper issuances & interest rates.

ELECTRIC SALES
BY CUSTOMER SEGMENT- YTD FY2022*

Customer Sector	Usage	% of Total Load	% Impact on Total Usage
Residential	-1.5%	45.8%	-0.7%
Churches & Services	0.4%	7.5%	0.0%
Manufacturing	-0.8%	4.5%	0.0%
Retail	0.7%	5.1%	0.0%
Educational Services	0.5%	4.7%	0.0%
Hotel & Food Services	0.2%	4.5%	0.0%
Other**	-3.0%	27.9%	-0.8%
Total System		**100.0%**	**-1.5%**

*Billed October actual YTD performance to budget.

**Other sector includes other commercial sectors, food & wood product manufacturing, municipals, lighting, etc.

NET INCOME
LATEST ESTIMATE VS. BUDGET
(9 months actuals/3 forecast)

($ in millions)	FY2022		
Description	Budget	Forecast without Potential Rate Increase	Variance: Favorable (Unfavorable)
<u>Revenue available for nonfuel expenses</u>			
Electric	$ 2,493.2	$ 2,540.3	$ 47.1
Gas	206.3	232.3	26.0
Total operating revenue	2,699.5	2,772.6	73.1
<u>Less:</u>			
Electric fuel, distribution gas & regulatory	1,023.5	1,114.5	(91.0)
Payments to the City of San Antonio	360.3	360.7	(0.4)
Net operating revenue	1,315.7	1,297.4	(18.3)
Nonoperating revenue	35.9	31.1	(4.8)
Total net revenue available for nonfuel expenses	1,351.6	1,328.5	(23.1)
<u>Nonfuel expenses</u>			
Operation & maintenance	687.5	669.0	18.5
Depreciation, amortization & decommissioning	476.0	463.7	12.3
Interest & debt-related	222.5	207.4	15.1
Total nonfuel expenses	1,386.0	1,340.1	45.9
Net Income (Loss)	$ (34.4)	$ (11.6)	$ 22.8

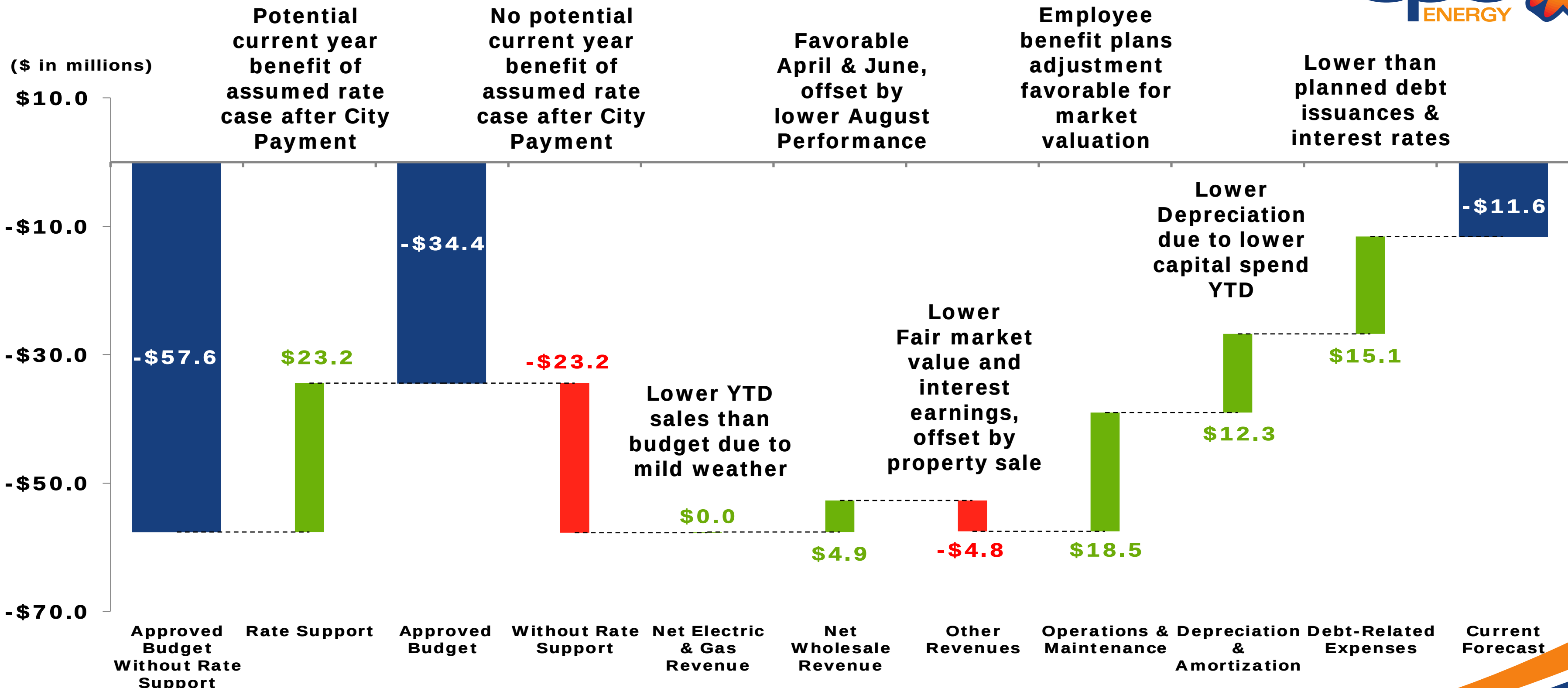
Potential Rate Increase:

Assumes a potential rate increase effective next year, FY2023, no current year benefit assumed.

Assumptions:

- **Operating Revenue**
  - Electric Billed Sales estimated to be 0.9% lower than budget.
  - Gas Billed Sales estimated to be 1.1% higher than budget.
  - Wholesale Revenue Net Fuel is $4.9M above budget primarily due to record high ERCOT load coupled with unplanned ERCOT power plant outages for the months of April & June.
- **Interest & debt-related**
  - Lower than planned debt issuances & interest rates.
- **O&M**
  - Employee benefit plans adjustment due to favorable market valuation.
- **Depreciation**
  - Lower due to capital spend.

NET INCOME
BUDGET TO CURRENT FORECAST



FLOW OF FUNDS
LATEST ESTIMATE VS BUDGET
(9 months actuals/3 forecast)

($ in millions)	FY2022		
Description	Budget	Forecast without Potential Rate Increase	Variance: Favorable (Unfavorable)
Revenues, net of unbilled	$ 2,715.7	$ 2,785.5	$ 69.8
Less: city payment (CP) per flow of funds	360.3	360.7	(0.4)
Revenues, net of unbilled & CP	2,355.4	2,424.8	69.4
Less: fuel & regulatory expense	1,023.5	1,114.5	(91.0)
Revenues, net fuel & regulatory	1,331.9	1,310.3	(21.6)
Operation & maintenance	689.3	669.9	19.4
Debt service	410.3	398.4	11.9
Total expenses	1,099.6	1,068.3	31.3
6% Gross Revenue to R&R	162.9	167.1	4.2
Remaining to R&R	69.4	74.9	5.5
Total R&R fund additions	$ 232.3	$ 242.0	$ 9.7
Total capital expenditures	$ 638.9	$ 599.5	$ 39.4

Potential Rate Increase:

Assumes a potential rate increase next year, effective FY2023, no current year benefit assumed.

Assumptions:

- **Operating Revenue**
  - Electric Billed Sales estimated to be 0.9% lower than budget.
  - Gas Billed Sales estimated to be 1.1% higher than budget.
  - Wholesale Revenue Net Fuel is $4.9M above budget primarily due to record high ERCOT load coupled with unplanned ERCOT power plant outages for the months of April & June.
- **Interest & debt-related**
  - Lower than planned debt issuances & interest rates.
- **O&M**
  - Employee benefit plans adjustment due to favorable market valuation.
- **Capital**
  - Lower due to deferral of projects.

KEY FINANCIAL METRICS
LATEST ESTIMATES VS BUDGET

Metric	FY2021 Actuals	FY2022 Budget	Accountability Plans Threshold	Forecast without Potential Rate Increase
Adjusted Debt Service Coverage (ADSC)	1.59	1.57	1.50[1]	1.62
Days Cash on Hand (DCOH)	209	181	150[1]	164
Debt Capitalization (DC)	60.5%	65.1%	65.1%[2]	62.0%

Legend

- Red: Outside of Credit Ratings Agency Guidance
- Yellow: Above Credit Ratings Agency Guidance, but nearing thresholds

[1] *Aligned to Credit Ratings Agency Guidance*
[2] *Aligned to the Debt Capitalization approved by the Board of Trustees*

ONGOING ACTIONS

- Continue our efforts to:
  - Analyze actual sales results to better understand demand patterns
  - Monitor accounts receivable & bad debt, providing customers with information on assistance programs
  - Manage our metrics for alignment to credit ratings agency guidance
- Focus on cash flow to ensure liquidity
- Continue to provide monthly updates

Thank You

Appendix

NET INCOME
PRIOR FORECAST TO CURRENT FORECAST

($ in millions)