



CEO'S REPORT

PRESENTED BY:

Paula Gold-Williams

President & CEO

January 27, 2020

Special Meeting

THIS MONTH'S TOPICS

- **CPS ENERGY BOARD AGENDA INSIGHTS**
- **FY 2020-2021 BUDGET**
- **STEP BRIDGE**

AGENDA INSIGHTS – 1 of 6

ITEM 7 – REAL ESTATE: POSSIBLE VOTE

- ACTIVELY MARKETING MULTIPLE EXCESS PROPERTIES:

- CBRE** is managing the process.
- With the Board's oversight, properties will be sold as viable offers are assessed, accepted & negotiated.

AGENDA INSIGHTS – 2 of 6

PRUDENT FINANCIAL MANAGEMENT

ITEM 9 – COST SAVINGS: FISCAL YEAR SUMMARY

- We have diligently focused on cutting costs all year long.
- **We saved close to \$20M this year alone!**
- Savings continue into the out years.



ITEM 12 – FISCAL YEAR 2020-2021 BUDGET

- **The budget is presented annually to the Board of Trustees.**
- **Additional context is provided later in this presentation.**

ITEM 13 – **FLEXPOWER BUNDLE UPDATE**

- **Discuss our sequencing for replacing aging plants.**
- **Describe the importance of firming power to meet reliability.**
- **Incorporate an all-source element into our approach.**



ITEM 14 – ***FLEXIBLE PATH*** COMMUNITY ENGAGEMENT UPDATE

- **Provide more context on how we receive customer feedback, learn & take action.**
- **Multiple Examples**



NO ITEM – FINANCIAL UPDATE WILL BE SENT SEPARATELY

- **STRONG PERFORMANCE CONTINUES:**
 - ❑ **Continued Prudent Cost Control**
 - ❑ **Optimized Wholesale Revenues**
 - ❑ **Metrics – Generally are Strong**

- **KEY MEASURES THAT WE WILL FOCUS ON:**

- **Net Income (Loss)** - is calculated as revenue minus cost of goods sold, operating expenses, general & administrative expenses, depreciation & amortization, interest and other expenses.

- **NET INCOME (LOSS):**

- ❑ **FY 2019** – The balance peaked, in part due to being the last year of operation for the Deely units.
- ❑ **FY 2020** – Expecting to be fairly healthy again next year because of plant performance, cost control & debt savings.
- ❑ **FY 2021** – Same as the prior year, net of more plant maintenance.
- ❑ **FY 2022** – Potentially more challenging.

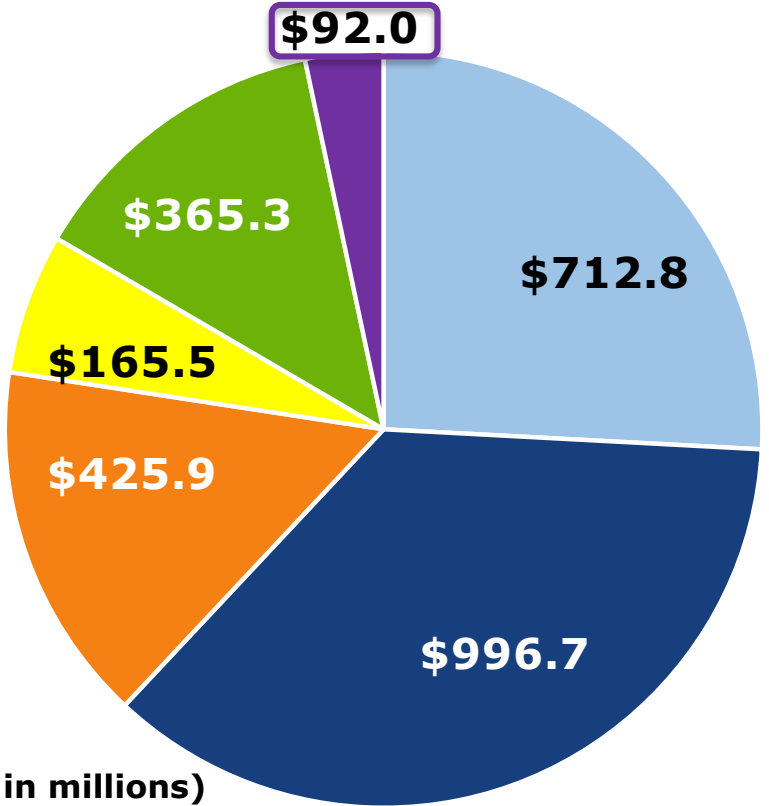
- **REPAIR & REPLACEMENT ACCOUNT:**

- The cumulative portion of fiscal year revenues that are restrictively reserved to repair & replace existing infrastructure & systems.
- 2 Components (6% + the Remaining Component)

FY 2020-2021 BUDGET – 4 of 5



FY 2021 CPS Energy's total Annual Funding Requirements = \$2,758.2M



The order of uses of revenue is determined by Bond Ordinance in order to:

- Non Fuel Operating Expenses- Provides reliability to our customers.
- Fuel & Other Operating Expenses- Pass thrus for fuel & regulatory.
- Debt Requirements- Repayment of debt used to finance initiatives & infrastructure improvements.
- Repair & Replacement 6%- Cash for future system, customer growth & new strategic initiatives.
- City Payment- Transfer funds to the City of San Antonio's General Fund that benefit our community.
- Repair & Replacement- Remaining cash for future system, customer growth & new strategic initiatives.

(\$ in millions)	Estimate	Budget
	FY 2020*	FY 2021
Capital**	\$760.1	\$684.1
Non-Fuel O&M	\$662.0	\$712.8

(\$ in millions)

* Latest Estimate includes 9 Months Actual & 3 Months Estimate. In addition, it includes financing plan to pay down debt.
 ** Excludes AFUDC – Capitalized Interest & gross of customer contributions.

- **Remaining Repair & Replacement Account:**

- ❑ **FY 2019** – The balance peaked, in part due to being the last year of operation for the Deely units.
- ❑ **FY 2021** – Still expect to be fairly healthy next year.
- ❑ **FY 2022** – A positive, yet smaller contribution is expected the following year.

<i>Fiscal Year</i>	2018	2019	2020 *	2021	2022 **
Operating Expenses	\$1,587.9	\$1,608.4	\$1,526.7	\$1,709.5	\$1,752.2
Debt Requirements	397.7	419.7	396.0	425.9	438.6
R&R 6% of Revenue	157.5	168.5	157.2	165.5	165.9
City Payment	338.5	361.4	346.4	365.3	367.5
R&R Remaining	142.8	250.3	193.0	92.0	40.4
Total Uses	\$2,624.4	\$2,808.3	\$2,619.3	\$2,758.2	\$2,764.6

* Latest Estimate includes 9 Months Actual & 3 Months Estimate.

** To be refreshed in subsequent planning cycles.

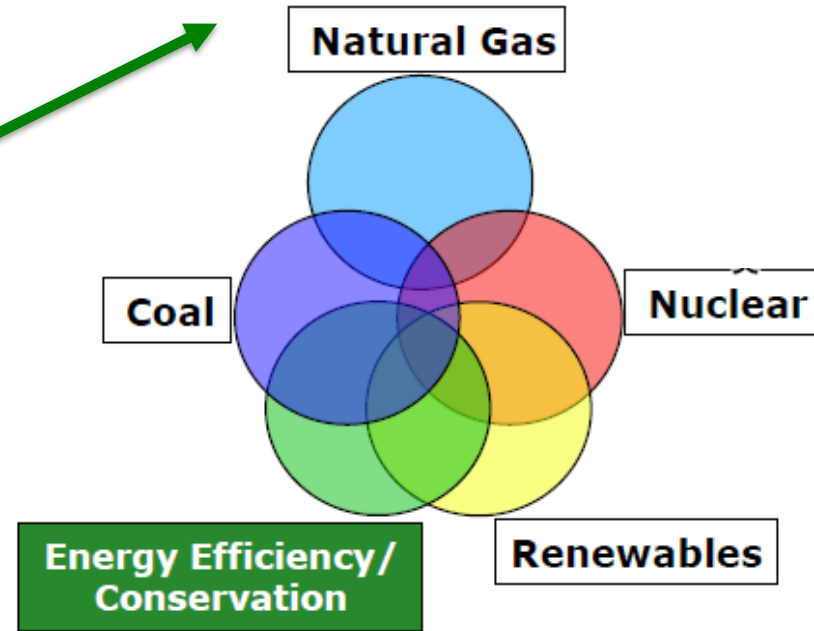
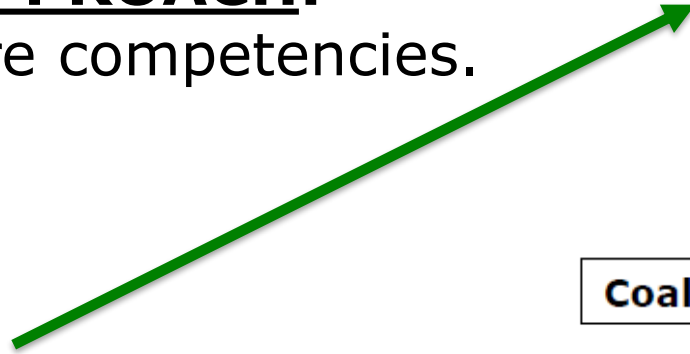
STEP BRIDGE – 1 OF 2

THE BOARD APPROVED THIS ON 1/14/2020

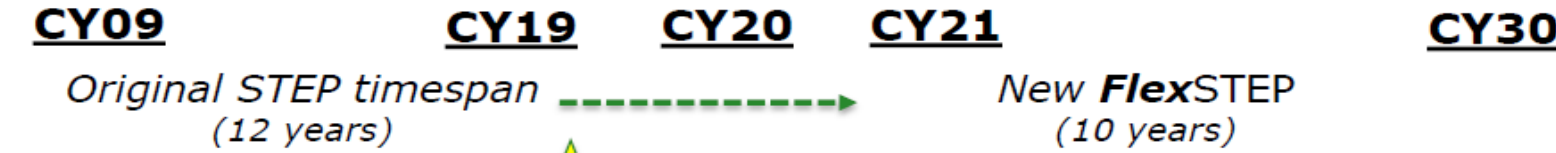
"The Fifth Fuel"

DIVERSITY OF APPROACH:

- Is one of our core competencies.
- Generation
- Fuel Sources



ITEM 10 – STEP BRIDGE



	11 Yrs.	+	1 Yr.	+	10 Yrs.	=	22 Yrs.	Avg.
MW	825MW ⁽¹⁾	+	75MW	+	~600MW	=	~1500MW	68MW
\$Ms	\$719M ⁽¹⁾	+	\$70M	+	~\$700M	=	\$1.5B	\$68M

Considering the success of the original STEP program, this week we are requesting that the Council also approve the continuance of STEP!



Thank You

GENERAL GLOSSARY / DEFINITIONS



- CBRE CBRE Group, Inc., is an American commercial real estate services & investment firm
- CEO Chief Executive Officer
- EV Electric Vehicle
- SA San Antonio
- STEP Save for Tomorrow Energy Plan