September 26, 2022

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

Dear Trustees and Mr. Garza:

Attached is our monthly Enterprise Performance Update which includes results through August 31, 2022. This report, which will be posted to our website following the September 26, 2022 Board of Trustees meeting, includes three components:

- Update on Key Results (to be presented at the Board of Trustees meeting)
- Update on Tier 1 Metrics
- Update on financial performance

Financial Performance

In short, our financial performance year-to-date is *in line with our budget*, and our forecasted full-year FY2023 financial performance is also expected to be *in line with our budget*. We continue to see the trend of higher revenue resulting from higher fuel costs and weather, but most of this revenue is being used to cover the cost of fuel and city payment. We are seeing the benefits of aggressive non-fuel expense management, which is keeping us on par with the budget. Just as we saw last month, we are closely monitoring the headwinds created by higher bad debt expense and lower wholesale margin. That said, our key financial metrics are expected to remain at acceptable levels for FY2023.

YTD financial highlights include:

- Total top line revenue was $346.9 million above plan due to high fuel costs and weather (electric sales that were 7.0% above budget and gas sales that were 4.6% above budget).
- Total fuel costs were $323.0 million above plan and City Payment was $36.8 million higher than plan.

- Incorporating August results, on a YTD basis, our past-due receivables led to bad debt expense (i.e., reduction in revenue) that was $31.8 million above plan ($37.2 million vs. plan of $5.4 million).
- Wholesale revenue net of fuel was $30.5 million below plan due to plant outages and unfavorable market prices.
- Rising interest rates remain a factor in non-operating revenue and continue to drive mark-to-market adjustments on our long-term bond investments. Year-to-date, non-operating revenue is $16.9 million below plan. Importantly, these fair-market-value adjustments do not impact cash flow performance.
- These items resulted in revenue available for non-fuel expenses that were $29.8 million below plan (~3.2% below plan of $934.8 million).
- O&M expenses were $9.3 million favorable to budget YTD (~2.3% below plan of $398.5 million) and other non-fuel expenses were $11.8 million favorable to budget. In total, non-fuel expenses were $21.1 million lower than budget.
- Aggressive non-fuel expense management has kept net income of $110.8 million in line with the budget (just $8.7 million below).
- On the Flow of Funds, our Repair & Replacement (R&R) additions are $262.9 million YTD, outperforming the budget by $17.8 million.
- Days Cash on Hand is 124 as of August 31, which is below YTD target of 160. DCOH is a function of cash (which outperformed YTD target) divided by average daily operational expenses (which are exceeding target due to fuel costs).
- Adjusted Debt Service Coverage and Debt Capitalization ratios are above plan year to date (ADSC = 2.07 vs. YTD target of 1.98; Debt Cap = 60.8% vs. YTD target of 62.3%).

Full year FY2023 financial projections:

- Total top-line revenue forecasted to be $575.1 million above plan due to high fuel costs and weather.
- Total fuel and regulatory costs are forecasted to exceed plan by $519.5 million, and City Payment is forecasted to be $63.0 million higher than plan.
- We continue to closely monitor past-due receivables, and we have a focused plan to mitigate their impact to our financials. Last month, we revised our forecast for bad debt expense to $50.0 million (~$40 million above plan of $10.4 million).
- With summer coming to an end, we continue to monitor our wholesale revenue net of fuel performance. To that end, we have not changed our full year forecast that we revised down last month to $22 million. (~$28 million below plan of $50.1 million).
- Due to continued aggressive non-fuel expense management, we are projecting non-fuel expenses to be $12.2 million below plan on a full-year basis.

- As a result, our full-year projected net income is $70.2 million (slightly below the budget of $77.2 million) and our full-year projected R&R additions are $357.7 million (slightly above the budget of $344.9 million).
- With R&R expected to be slightly above plan, cash balances are expected to exceed plan, but higher operating expenses (i.e., fuel cost) have resulted in lowering our guidance to 160 days.
- Other projected year-end key financial metrics remain on par with plan, with some ratios showing slight improvements to budget: Adjusted Debt Service Coverage is slightly higher than plan at 1.83x, and our Debt Capitalization ratio improved more than 50 basis points relative to budget to 61.15%.
- Note: On September 21, the Federal Reserve continued their aggressive stance on inflation by raising the fed funds rate another 75 basis points. The financial markets are expecting at least another 100 basis point increase by year end. We consider macro-economic factors such as these actions each month as we develop our full-year financial performance estimates.

Thank you, again, for your leadership and support.

Sincerely,

Cory Kuchinsky, CPA
CFO & Treasurer

PK

Attachments

Copy COSA: Erik Walsh, City Manager
Ben Gorzell, CFO
Zack Lyke
Juan Valdez
Russell Huff

Copy CPS Energy: Rudy Garza, Interim President & CEO
CEO Direct Reports
Govt & Reg Affairs & Public Policy

MONTHLY PERFORMANCE UPDATE

PRESENTED BY:

Deanna Hardwick
Interim EVP, Customer Strategy

September 26, 2022

Informational Update

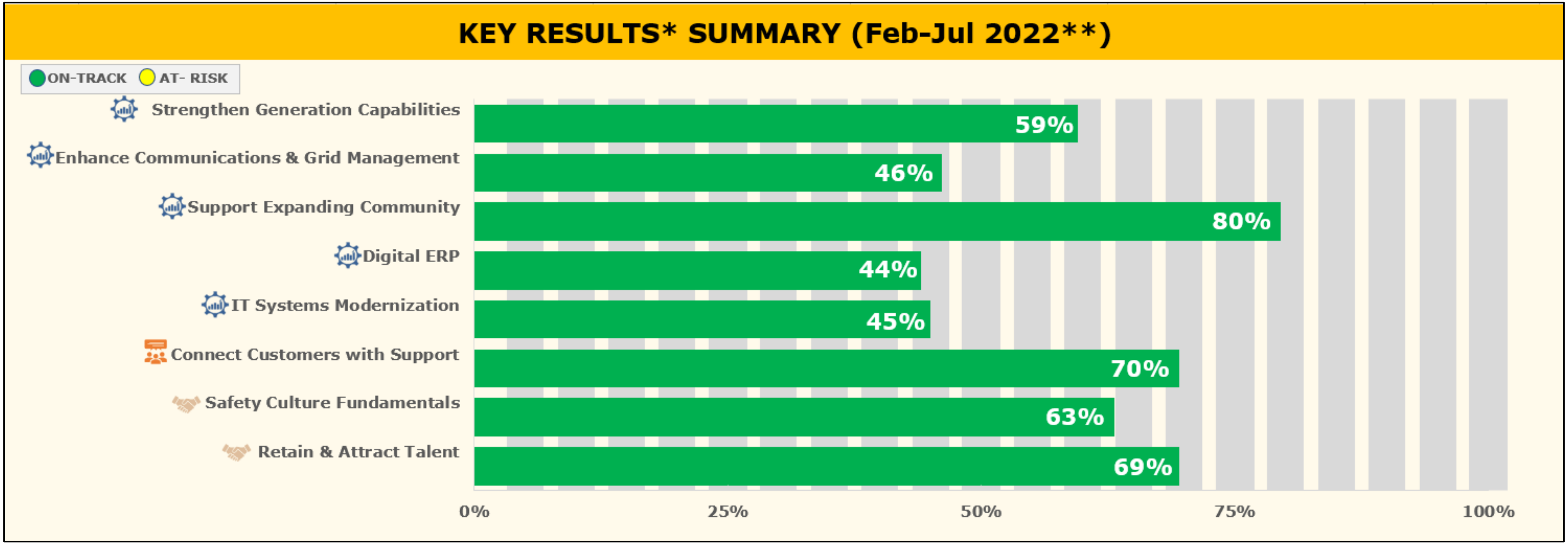
AGENDA

- **REVIEW KEY RESULTS DASHBOARD**

- **IN-DEPTH LOOK AT "SUPPORT EXPANDING COMMUNITY"**

Review Key Results and provide context for support expanding community initiatives.

KEY RESULTS DASHBOARD

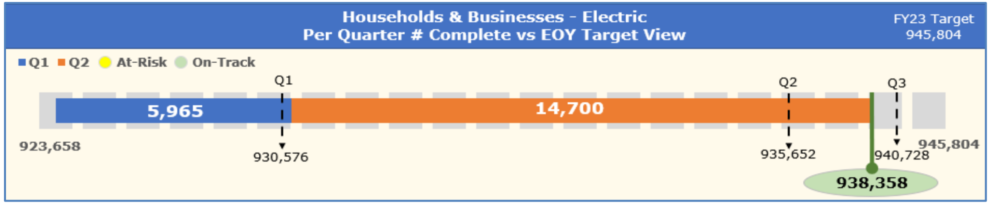


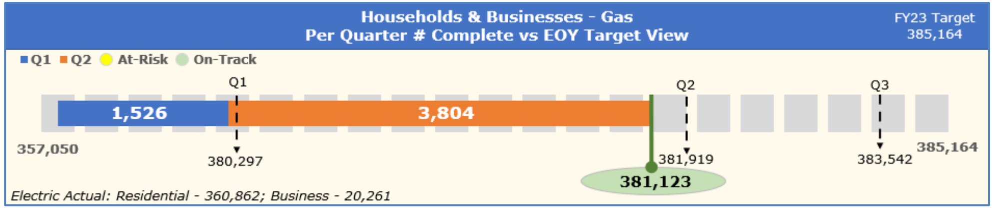
*Community conversations are all on-track (Resource Planning and Rate Design) or completed (STEP Decision)
** Measurements are done quarterly so only showing through July 31, 2022

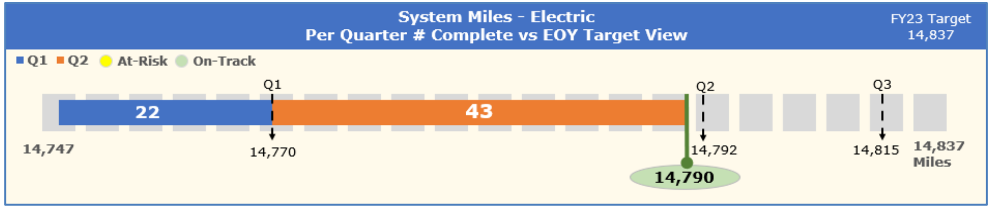
All Key Results are on-track to hit year-end targets based on updated plans.

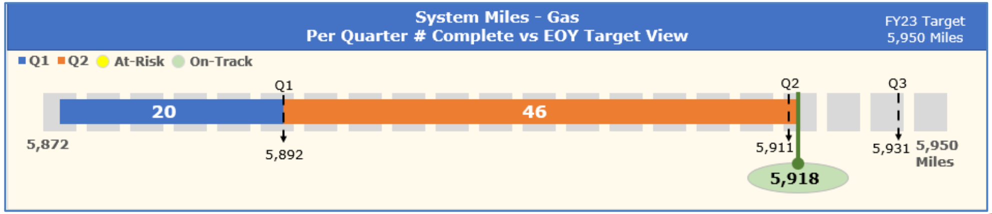
SUPPORT EXPANDING COMMUNITY

ACCOMMODATING CUSTOMER GROWTH & IMPROVING RELIABILITY









Updates

Households & Businesses:

New Electric:

- 14,700 electric customers were added since 2/1/2022, exceeding the 22,146 forecasted for the year
- We have experienced 66% of our forecasted growth for the year

New Gas:

- 3,804 gas customers were added since 2/1/2022 of the 7,845 forecasted for the year
- We have experienced 49% of our forecasted gas growth for the year

System Miles:

Electric Miles:

- 43 miles of electric system were added since 2/1/2022 of the 90 miles forecasted for the year, representing 48% of our planned electric system mile additions

Gas Miles:

- 46 miles of gas system were added since 2/1/2022 of the 78 miles forecasted for the year, representing 59% of our planned gas system mile additions

Thank You

Appendix

KEY RESULTS ADDITIONAL INFORMATION AS OF JULY 31, 2022

STRATEGIC OBJECTIVES OVERVIEW

KEY RESULTS ARE ALIGNED TO THE STRATEGIC OBJECTIVES TO SHOW PROGRESS TOWARDS VISION 2027

OPERATIONAL EVOLUTION

We embrace innovation and balanced solutions to bring overall value and resiliency to our customers through improved efficiency, sustainability, and management of risk.

FINANCIAL STABILITY

We focus on sound budget discipline and key financial metrics to leverage our strong brand in the financial markets.

CUSTOMER EXPERIENCE

We strive to connect with our diverse customers equitably and in the way they prefer.

TEAM CULTURE

We collaboratively build a culture focused on being safe and working together to serve our community.

COMMUNITY PARTNERSHIP & GROWTH

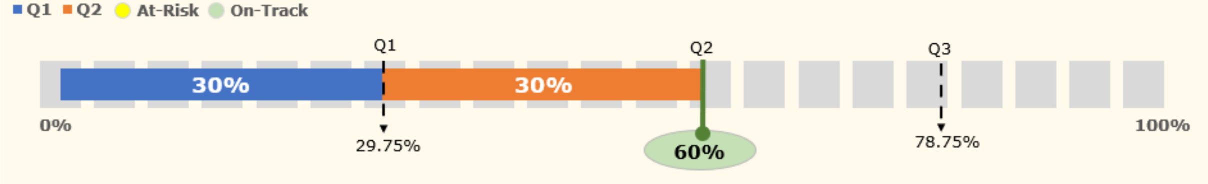
We are a community partner that works transparently and collaboratively to support key decisions, innovation, and economic growth.

STRENGTHEN GENERATION CAPABILITIES TO MEET EXTREME CONDITIONS

ENHANCING INFRASTRUCTURE TO SERVE IN EXTREME CONDITIONS

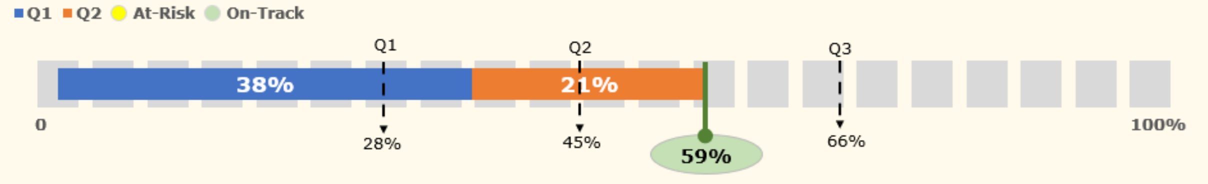
Enhance Fuel Resiliency %
Per Quarter % Complete vs EOY Target View

FY23 Target 100%



Strengthen Plant Weatherization %
Per Quarter % Complete vs EOY Target View+

FY23 Target 100%



Updates

Enhance Fuel Resiliency:

- Contracts executed for natural gas transportation services
- MBL West fuel oil equipment proposal finalized with OEM and started equipment procurement process

Strengthen Plant Weatherization:

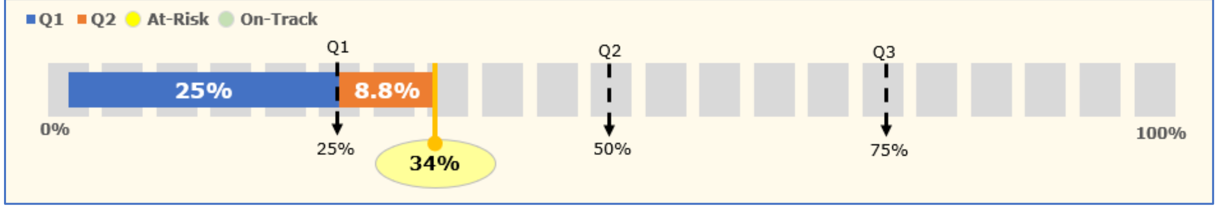
- Freeze protection panel PO issued for MBL equipment monitoring projects
- Performed gap analysis on preliminary PUC phase-2 standards; Intend to revise analysis based on final ruling expected to be issued in late September
- Plant teams are executing Pri-2 work packages, currently 87% complete

ENHANCE COMMUNICATION & GRID MANAGEMENT IN MAJOR EVENTS

IMPROVING OUR RESILIENCY TO SERVE OUR CUSTOMERS

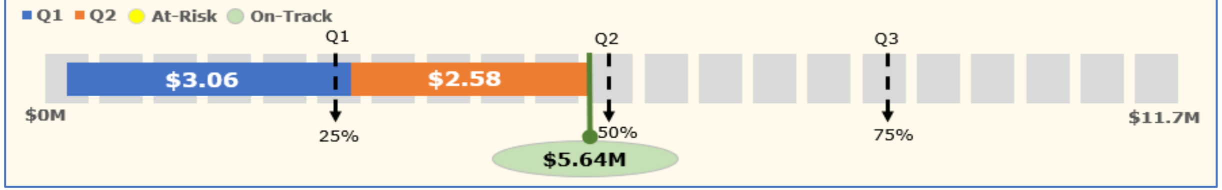
Situational Awareness & Commications
Per Quarter % Complete vs EOY Target View

FY23 Target
100%



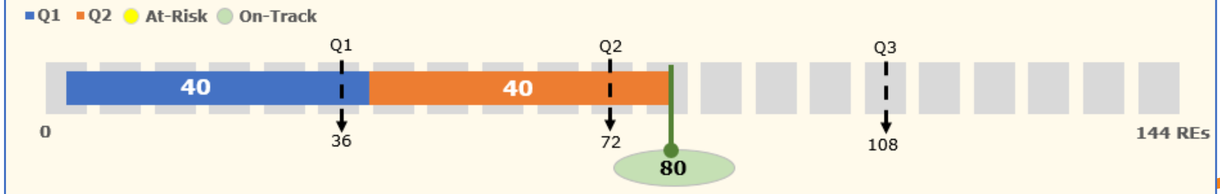
Vegetation Management Spend
Per Quarter % Complete vs EOY Target View

FY23 Target
$11.7M ~ 525 Miles



Grid Resiliency Spend
Per Quarter # Complete vs EOY Target View

FY23 Target
144 REs ~ $10M



Updates

Situational Awareness:

- Although currently showing at risk, project plan was updated to catch up in Q3
- Pending SOW approvals to launch the RFP

Vegetation Management:

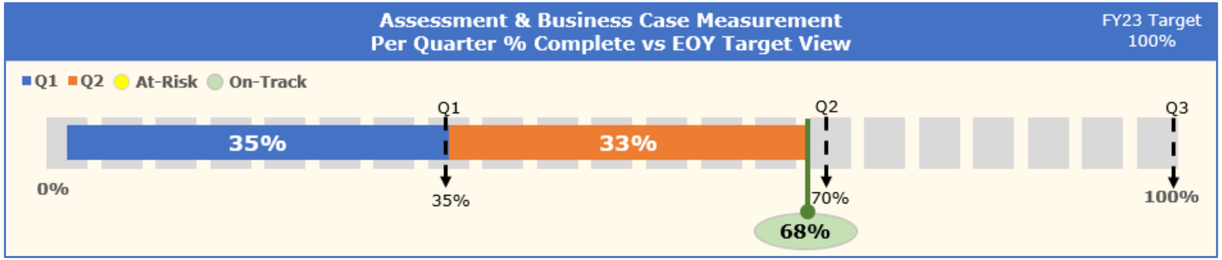
- Increased emergency work due to multiple storm events in May/June
- 267 miles of planned trimming completed
- LiDAR data for CPS Energy service territory processing completed

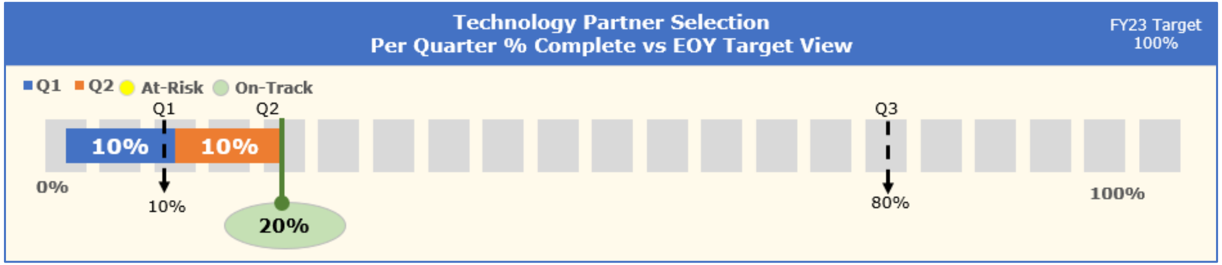
Grid Resiliency:

- FY23 YTD installed 90 reclosers (REs) to better manage outages
- 80 of 144 goal completed (63%)

DIGITAL ENTERPRISE RESOURCE PLANNING (ERP)

GAP ANALYSIS & ROADMAP TO MITIGATING CORE SYSTEM END OF LIFE





Updates

Assessment & Business Case:

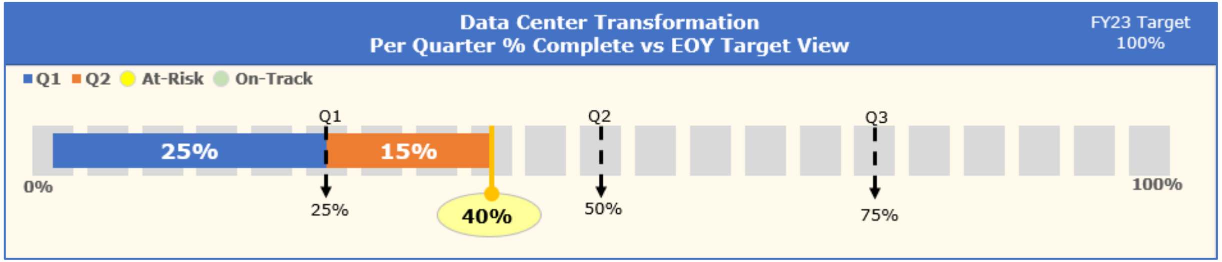
- Completed ERP Transformation Roadmap and CEO Directs readout
- Developed draft digital and data transformation vision and strategy with onboarded vendor partner

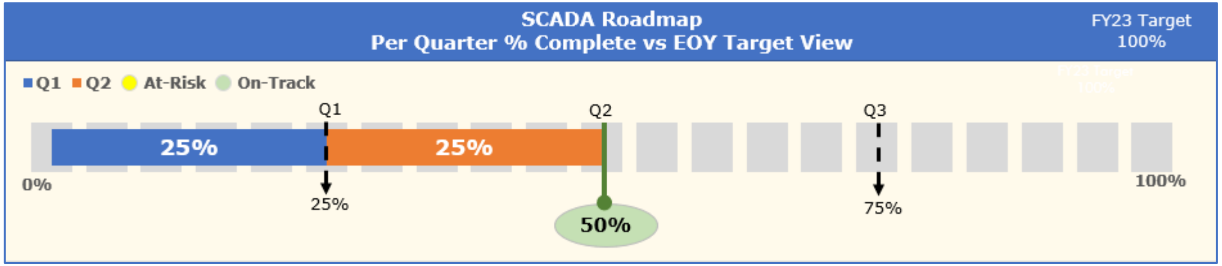
Technology Selection:

- Developed ERP Technology Selection RFP roadmap and schedule
- Onboarded cross functional team to support RFP development efforts
- Completed draft outline RFP SOW for fall 2022 release

IT SYSTEMS MODERNIZATION

ENSURE RELIABLE SERVICES FOR BUSINESS & OPERATIONAL TECHNOLOGIES





Updates

Data Center Transformation:

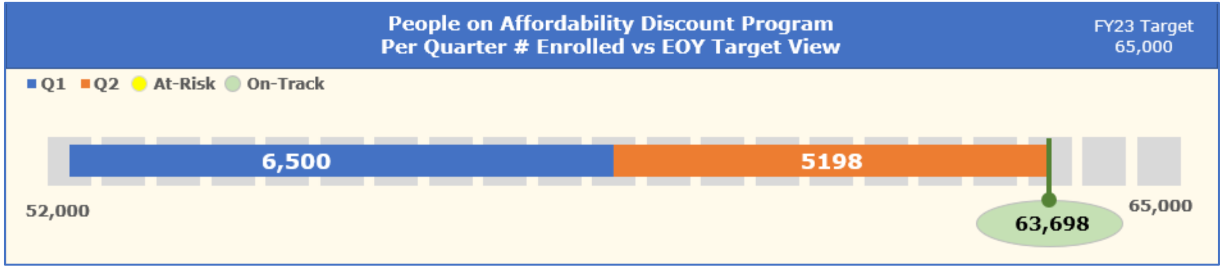
- Migration schedule being updated to account for compression in schedule to address risk
- Completed first successful migration in August with subsequent migrations continuing
- SAP core business system completed high-level design and migration plan
- Configuration of future state technical architecture resulted in delays for cloud migrations

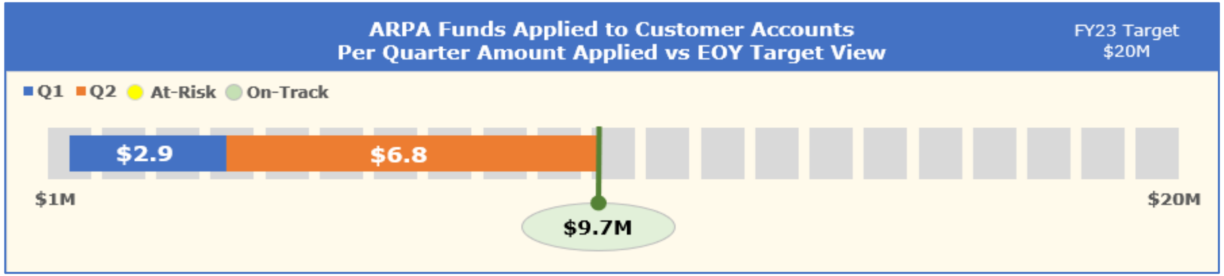
SCADA Roadmap:

- Contract negotiated and BoT provided final approval on September 6, 2022
- Preparing final schedule for Core Team and Project kick off meetings in September

CONNECT CUSTOMERS WITH SUPPORT

PROMOTING ACCOUNT HEALTH





Updates

Affordability Discount Program:

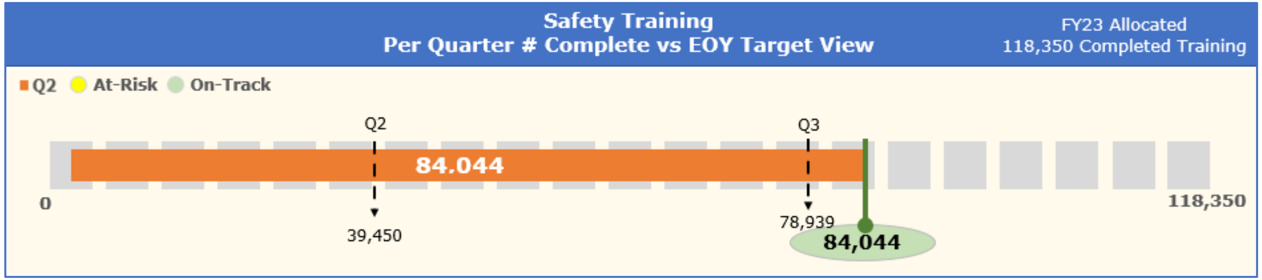
- Q2: 63,698 Customers

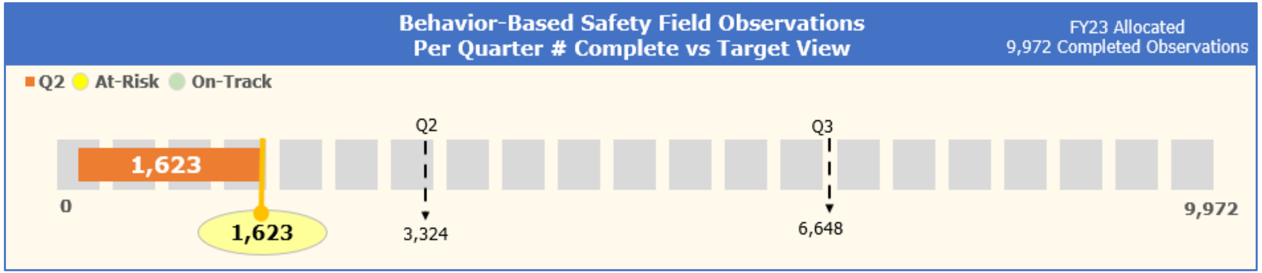
ARPA Funds:

- $9.7M of APRA funds applied to 14.5K ARPA Residential Customer

SAFETY CULTURE FUNDAMENTALS

ENHANCE SAFE WORK THROUGH TRAINING & ENGAGEMENT





Updates

Safety Training:

- Training has been updated and is on track for the quarter

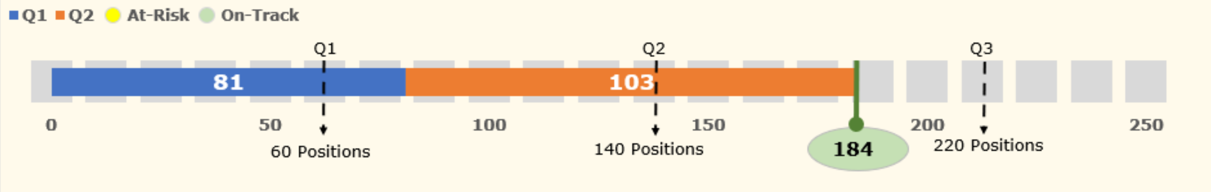
Behavior – Based Safety Field Observations:

- Although the measurement was missed in Q2, operational leaders are showing significant improvement over time, and we expect to be back on track by the end of Q3
- Ongoing conversations with company leaders emphasizing the importance of Behavior-Based Safety Observations and the key elements of a quality observation
- Updated features to the observation report gives leaders greater visibility on safe/risk factors and monthly performance

RETAIN & ATTRACT TALENT
BUILDING & SUSTAINING THE RIGHT TEAM

Number of Front-Line Postions Filled in FY23
Per Quarter # Complete vs EOY Target View

FY23 Target
250 Positions



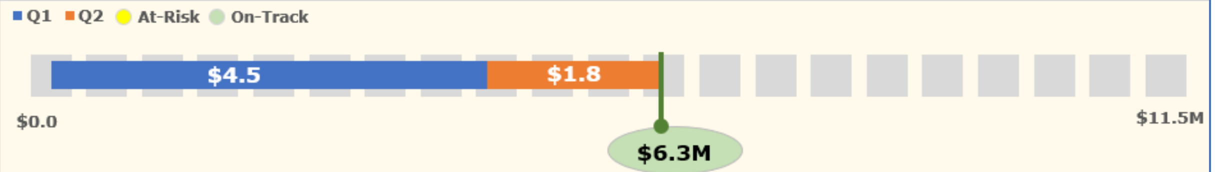
Positions Market Matched
Per Quarter # Complete vs EOY Target View

FY23 Target
2,950 Positions

** Employee count as of Jan. 31, 2022*

Allocated Funds (in millions)
Per Quarter Amount Allocated vs EOY Target View

FY23 Allocated**
$11.5M



*** Represent $ budgeted & allocated, tracking for visibilit but not a target*

Updates

Number of Front-Line Positions Filled:
- On track and exceeded front-line hiring goal for Q2
- Our compensation market pricing efforts are helping to close the gap in competing for talent; however, our ability to compete on compensation for advanced level STEM roles remains at risk.

Positions Market Matched & Allocated Funds:
- We are trying to close the gap with market matching and merit
- Considering small sign-on and retention incentives to help mitigate gaps
- Annualized turnover rate is projected to be 12% by year end

KEY RESULTS INFORMATION

1 OF 2

Key Result	Approach	Risks	Measurement	Measurement Description
Strengthen Generation Capabilities to Meet Extreme Conditions	In anticipation of new Public Utility Commission (PUC) requirements, conducting plant weatherization design studies Develop alternative fuel capabilities and increase primary fuel capacity and flexibility Prioritize investment in plant systems and infrastructure to better withstand extreme weather events	Frequency and severity of extreme weather events are increasing PUC regulatory requirements are still in development Supply chain and labor shortages Loss of skilled internal workforce due to retirements	Enhance Fuel Resiliency (%)	Add fuel oil capability for Milton B Lee West (MBLW) Units gas turbines Expand natural gas transportation and storage capabilities Develop a resilient fuel strategy to support coal retirement and expanded renewable generation
			Strengthen Plant Weatherization (%)	Implement updated operating procedures and increase plant equipment monitoring to improve readiness for extreme weather conditions Perform PUC Phase 2 plant system insulation upgrades Perform CPS Energy priority 2 plant equipment upgrades
Enhance Communication & Grid Management in Major Events	Enhance ability to communicate to customers through multiple channels Utilize Light Detection and Ranging (LiDAR) results to prioritize tree-trimming Deploy reclosers to improve grid reliability	Supply chain and labor shortages	Situational Awareness & Communication	Enable CPS Energy decision makers to access operational data and information that allows them to: a) effectively and efficiently manage an outage situation, b) provide relevant updates to internal and external stakeholders and customers
			Vegetation Management Spend	Prioritize key areas of focus based on reliability and LiDAR technology
			Grid Resiliency (Reclosers)	Adding additional field switches to better segment the grid and manage outages
Support Expanding Community	Survey new design & construction project owners to ensure we are meeting their needs Improve collaboration with community to better identify future growth Improve efficiencies in new design & construction processes to enable growth Install new and upgrade existing infrastructure to accommodate customer growth and provide for sustainable reliability	Supply chain material shortages affecting construction timelines Hyper-inflation of commodities Potential delays in construction due to possible labor shortages Dramatic shifts in pace of growth	Households & Businesses	Support growth through designing and constructing new facilities
			System Miles	Support growth & reliability through new & improved system infrastructure
Digital Enterprise Resource Planning (ERP)	Complete ERP assessment and Digital and Data strategy Develop plan and roadmap to deliver business requirements	Resource Constraints Requirements Gathering Organizational Alignment Shared Services Support	Assessment & Business Case	Establish scope of transformation and document current state capabilities & processes for incorporation into ERP RFP Develop comprehensive business case with defined investment projections and projects ROI Finalize scope of digital outcome (security, employee productivity, customer engagement, and organizational agility) Prioritize initiatives focused on employee productivity and automation, data security and governance, and removing friction from customer experiences
			Technology Partner Selection	Develop future state technology RFP leveraging outputs from assessment & strategy activities Release RFP and evaluate suitable vendors leveraging a cross-functional enterprise team Negotiate agreement terms & established implementation strategy

KEY RESULTS INFORMATION
2 OF 2

Key Result	Approach	Risks	Measurement	Measurement Description
IT Systems Modernization	Leverage secure cloud computing solutions for selected applications Update core data center infrastructure to provide security and resiliency Evaluate and select new technologies via RFP process to improve SCADA operations	Resource Capacity Multiple Vendor Management Technical Infrastructure Gaps Shared Services	Data Center Transformation	Inventory all applications running on legacy data center infrastructure and identify migration target Deploy new data center infrastructure and complete cloud foundation activities Migration of all workloads, partnering with business stakeholders, to new supporting platform Complete comprehensive testing plan to ensure production readiness
			SCADA Roadmap	Evaluate and select EMS & Advanced Distribution Management System (ADMS) via RFP process Negotiate vendor agreement(s) and finalize implementation strategy Transition to new platform(s)
Connect Customers with Support	Increase community outreach and customer communication Develop and implement enrollment and credit process Identify partners and opportunities for auto-enrollments	Manual process to enroll customers, average turn around is 4-6 weeks Eligible balances for American Rescue Plant Act includes past due amounts from March 2020 through March 2022	People on Affordability Discount Program	Automated enrollment of customers has helped us connect 1,000 more customers than expected, starting at 52k
			ARPA Funds Applied to Customer Accounts	Application of credits began week of 2/14/2022
Safety Culture Fundamentals	Update operational and safety training requirements Complete operational foundation and safe work training Retrain on observation objectives and skills Formalize more interaction with crews Improve preparedness and hazard awareness dialogue	Employee adoption Consistent quality of observations	Safety Training	Q1 Review and update operational and safety training requirements Complete FY23 Annual Safety and Operations training
			Behavior – Based Safety Field Observations	Refresh training on observations for all managers, supervisors, and foremen in Q1 FY22 Managers, Supervisors, Foremen, and Safety Professionals conduct quality observations at defined rate by role
Retain & Attract Talent	Partner with work programs across city to develop and recruit Assess compensation and adjust to more closely align to market	Competitive labor market limits candidates Market matching exceeds budget target	Number of Front-Line Positions Filled in FY23	Focused on filling front-line positions that are essential to serving customers (Utility Workers, Trainees, Analysts, Engineers, Energy Advisors, etc.) Target to have 88% of hires by end of Q3
			Positions Market Matched & Allocated Funds Tracked for Awareness	Compensation analysis of all positions to assess market competitiveness and need for base salary adjustments

TIER 1 METRICS UPDATE AS OF AUGUST 31, 2022

FY2023 TIER 1 METRIC SUMMARY
AS OF AUGUST 31, 2022

Tier	Unrecoverable		At Risk		On Track		Achieved		Total Metrics
1	0	0%	3	18.8%	13	81.2%	0	0%	16

FY2023 OUTLIER SUMMARY

Tier 1	Unrecoverable	N/A
	At Risk	Customer Satisfaction - Residential
	At Risk	Enterprise Recordable Incident Rate – (RIR)
	At Risk	Portfolio Commercial Availability – (PCA)

Business Areas are working mitigation plans and assessing ability to bring At-Risk metrics back on target.

FY2023 TIER 1 METRIC REPORT
AS OF AUGUST 31, 2022

Metric Name	Business Unit	Measure Frequency	Unit	Target Indicator	Historical Actuals		Current Year			Year-End Forecast	Latest Estimate
					FY 2021 CY 2020	FY 2022 CY 2021	YTD Target	YTD Actual	Year-End Target		
Enterprise Readiness – Executives	Administration	annually	%	↑	88	83	75	N/A	75	On Track	N/A
Enterprise Recordable Incident Rate - (RIR)	Administration	monthly	#	↓	1.31	1.68	1.41	1.73	1.41	At Risk	1.69
Employee Engagement – Enterprise	Administration	annually	#	↑	4.10	3.99	N/A	N/A	4.04	On Track	N/A
Critical IT System Availability	Business & Technology Excellence (BTE)	monthly	%	↑	99.8	99.9	99.9	99.8	99.5	On Track	99.8
Customer Satisfaction – Residential [1]	Customer Strategy	quarterly	#	↑	83.2	78.9	79.0	77.2	79.0	At Risk	77.9
System Average Interruption Duration Index (SAIDI) [1]	Energy Delivery Services	monthly	#	↓	56.85	67.68	42.18	38.59	63.70	On Track	58.64
System Average Interruption Frequency Index (SAIFI) [1]	Energy Delivery Services	monthly	#	↓	0.93	1.01	0.65	0.59	0.98	On Track	0.92
Portfolio Commercial Availability [1]	Energy Supply	monthly	%	↑	93.9	77.1	88.9	79.7	88.9	At Risk	79.6
Adjusted Debt Service Coverage	Financial Services	monthly	#	↑	1.59	1.66	1.98	2.07	1.79	On Track	1.83
Capital Budget (Gross of CIAC)	Financial Services	monthly	$	↓	630.8	689.5	439.3	405.5	832.9	On Track	808.0
Debt Capitalization	Financial Services	monthly	%	↓	60.5	61.6	62.3	60.8	61.7	On Track	61.2
Days Cash on Hand	Financial Services	monthly	#	↑	209	182	160	124	170	On Track	160
Enterprise Senior Lien Bond Ratings[2]	Financial Services	monthly	#	=	1	0	1	1	1	On Track	1
O&M Budget	Financial Services	monthly	$	↓	654.9	618.5	396.8	389.2	729.7	On Track	732.2
Gas System Growth	Gas Solutions	monthly	%	↑	2.33	1.97	1.05	1.09	1.85	On Track	1.85
Environmental Compliance Issues - NOE & NOV (Category A & B) Enterprise	Legal & General Counsel	monthly	#	↓	1	0	0	0	0	On Track	0

[1] These Metrics are measured on a calendar year cycle for industry comparison purposes
[2] A measure of the senior lien bond ratings as measured by Fitch, Moody's, and Standard & Poor's (Fitch = AA-, Moody's = Aa2, Standard & Poor's = AA-) such that "1" represents the maintenance of current ratings, a "2" (or "0") indicates an upgrade (or downgrade) in one or more ratings.

FINANCIAL SERVICES UPDATE AS OF AUGUST 31, 2022

ELECTRIC SALES
BY CUSTOMER SEGMENT- AUGUST FY2023*

Customer Sector	Usage Growth	% of Total Load	% Impact on Total Usage
Residential	8.9%	49.7%	4.4%
Churches & Services	7.2%	6.4%	0.5%
Manufacturing	4.1%	2.1%	0.1%
Retail	9.1%	4.8%	0.4%
Educational Services	7.8%	4.5%	0.4%
Hotel & Food Services	9.5%	4.2%	0.4%
Other**	7.7%	28.3%	2.1%
Total System		**100.0%**	**8.3%**

*Billed August actual performance to budget.

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

ELECTRIC SALES
BY CUSTOMER SEGMENT- YTD FY2023*

Customer Sector	Usage Growth	% of Total Load	% Impact on Total Usage
Residential	11.7%	45.0%	5.3%
Churches & Services	4.8%	6.7%	0.3%
Manufacturing	12.8%	2.2%	0.3%
Retail	3.8%	5.1%	0.2%
Educational Services	3.4%	4.8%	0.2%
Hotel & Food Services	4.0%	4.4%	0.2%
Other**	1.8%	31.8%	0.5%
Total System		**100.0%**	**7.0%**

*Billed August actual YTD performance to budget.

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

KEY FINANCIAL METRICS
YEAR-TO-DATE & FULL YEAR FORECAST

	YTD FY2023	FY2023 Forecast	Goal
Debt Service Coverage Ratio	2.07	1.83	• Measure acute leverage; we set a target that exceeds rating agency threshold of 1.50
Debt Capitalization Ratio	60.75%	61.15%	• Demonstrate long-term mindset to achieve 60%; targets represent a multi-year plan to achieve threshold
Days Cash On Hand	124	160	• Manage acute liquidity risk by targeting 170 or by having alternative strategies for cash (shift to other funding)

Targets are set each year with both a short- and long-term mindset. We are forecasting acceptable levels for these metrics by year end.

KEY FINANCIAL METRICS
REVISED FORECAST VS. BUDGET

	Threshold	FY2023 Budget	FY2023 Forecast	Variance Favorable (Unfavorable)
Debt Service Coverage Ratio	1.50	1.79	1.83	0.04
Debt Capitalization Ratio	<60%	61.66%	61.15%	0.51%
Days Cash On Hand	150	170	160	(10)

All metrics forecasted to remain at acceptable levels. DCOH forecasted to be below plan but above Credit Rating Agency threshold of 150 (driven by higher receivables and lower wholesale margin).

FINANCIAL PERFORMANCE
YEAR-TO-DATE

	Budget	Actual	Variance: Favorable (Unfavorable)
Gross Retail Revenue	$ 1,683.1	$ 2,007.7	$ 324.6
Retail Fuel & Regulatory Expense	570.8	809.2	(238.4)
Bad Debt Expense	5.4	37.2	(31.8)
Retail Revenue Net of Fuel	1,106.9	1,161.2	54.3
Wholesale Revenue	103.4	157.5	54.1
Wholesale Fuel & Regulatory Expense	65.8	150.4	(84.6)
Wholesale Revenue Net of Fuel	37.6	7.1	(30.5)
Non Operating Revenue	21.0	4.1	(16.9)
City Payment	230.7	267.5	(36.8)
Revenue Available to Cover Core Business Costs	934.8	905.0	(29.8)
Nonfuel Expenses	815.3	794.2	21.1
Net Income (Loss)	$ 119.5	$ 110.8	$ (8.7)

After paying for the cost of fuel and city payment, revenue is ~$30M under budget, year to date.

FINANCIAL PERFORMANCE
FY2023 NET INCOME FORECAST

		Budget		Forecast		Variance: Favorable (Unfavorable)
Gross Retail Revenue	$	2,800.8	$	3,317.6	$	516.8
Retail Fuel & Regulatory Expense		964.1		1,357.6		(393.5)
Bad Debt Expense		10.4		50.0		(39.6)
Retail Revenue Net of Fuel		1,826.3		1,910.0		83.7
Wholesale Revenue		155.9		253.8		97.9
Wholesale Fuel & Regulatory Expense		105.8		231.8		(126.0)
Wholesale Revenue Net of Fuel		50.1		22.0		(28.1)
Non Operating Revenue		36.4		24.6		(11.8)
City Payment		388.2		451.2		(63.0)
Revenue Available to Cover Core Business Costs		1,524.6		1,505.4		(19.2)
Nonfuel Expenses		1,447.4		1,435.2		12.2
Net Income (Loss)	$	77.2	$	70.2	$	(7.0)

Despite unfavorable bad debt expense and wholesale performance, we are projecting full year Net Income close to plan.

NET INCOME
YEAR-TO-DATE ACTUAL VS. BUDGET

($ in millions) Description	FY2023 Budget	FY2023 Actuals	FY2023 Variance: Favorable (Unfavorable)
Revenue available for nonfuel expenses			
Electric	$ 1,664.9	$ 1,960.3	$ 295.4
Gas	116.2	167.7	51.5
Total operating revenue	1,781.1	2,128.0	346.9
Less:			
Electric fuel, distribution gas & regulatory	636.6	959.6	(323.0)
Payments to the City of San Antonio	230.7	267.5	(36.8)
Net operating revenue	913.8	900.9	(12.9)
Nonoperating revenue	21.0	4.1	(16.9)
Total revenue available for nonfuel expenses	934.8	905.0	(29.8)
Nonfuel expenses			
Operation & maintenance	398.5	389.2	9.3
Depreciation, amortization & decommissioning	283.6	277.8	5.8
Interest & debt-related	133.2	127.2	6.0
Total nonfuel expenses	815.3	794.2	21.1
Net Income (Loss)	$ 119.5	$ 110.8	$ (8.7)

Non-cash items such as investment fair value adjustments impact total net income but does not impact financial metrics such as ADSC or DCOH. These items impact the equity portion in the debt / capitalization metric.

Highlights:

- **Operating Revenue**
  - YTD Electric Billed Sales are 7.0% higher than budget due to weather-driven sales consumption and higher fuel costs (which are reflected in higher fuel charges on the bill), partially offset by:
  - Wholesale Revenue Net Fuel is currently under budget, driven by higher additional fuel costs in May, June, July, & August along with plant outages that occurred this summer.
- **Non-Operating Revenue**
  - Primarily driven by lower fair market value of investment portfolios from rising interest rates
- **Operating & Maintenance**
  - YTD Favorable due to timing of multiple BTE initiatives, STP plant investment projects plus EIP/LTIP true-up, somewhat offset by higher than planned weather events, gas leak repairs, and plant maintenance costs.
- **Interest & debt-related**
  - Reflects favorable execution to plan

Net Income is unfavorable to budget YTD.

NET INCOME
7+5 LE FORECAST VS. BUDGET

($ in millions)	FY2023		
Description	**Budget**	**Forecast**	**Variance: Favorable (Unfavorable)**
Revenue available for nonfuel expenses			
Electric	$ 2,716.6	$ 3,143.7	$ 427.1
Gas	229.7	377.7	148.0
Total operating revenue	2,946.3	3,521.4	575.1
Less:			
Electric fuel, distribution gas & regulatory	1,069.9	1,589.4	(519.5)
Payments to the City of San Antonio	388.2	451.2	(63.0)
Net operating revenue	1,488.2	1,480.8	(7.4)
Nonoperating revenue	36.4	24.6	(11.8)
Total net revenue available for nonfuel expenses	1,524.6	1,505.4	(19.2)
Nonfuel expenses			
Operation & maintenance	729.7	732.2	(2.5)
Depreciation, amortization & decommissioning*	486.2	480.4	5.8
Interest & debt-related	231.5	222.6	8.9
Total nonfuel expenses	1,447.4	1,435.2	12.2
Net Income (Loss)	$ 77.2	$ 70.2	$ (7.0)

*Total depreciation, amortization & decommissioning is expected to be adjusted retroactively (non-cash impacts) at year-end to incorporate recommendations from a 3rd party depreciation study.

Non-cash items such as investment fair value adjustments impact total net income but does not impact financial metrics such as ADSC or DCOH. These items impact the equity portion in the debt / capitalization metric.

Highlights:

- **Operating Revenue**
  - Revenue is forecasted to show slowing growth for the remainder of the year but is projected to be 3.8% higher than budget.
  - Total of $50M bad debt expense for FY23. ~$30M net reduction (net of ARPA) to revenue as past due accounts remain high.
  - Wholesale Revenue Net Fuel is projected to underperform compared to the budget, driven by higher additional fuel costs in May, June, July & August along with plant outages that occurred this summer.
- **Non-Operating Revenue**
  - Primarily driven by lower fair market value of investment portfolios
- **Operating & Maintenance**
  - Primarily driven by vegetation management, multiple initiatives within Customer Strategy, gas leak survey and repair costs plus unplanned AvR and Rio outages, offset by lower spend on plant investment projects at STP and BTE project & maintenance, plus savings from vacancies.
- **Interest & debt-related**
  - Reflects favorable execution to plan

Currently, we are projecting full year net income to be slightly under budget.

FLOW OF FUNDS
YEAR-TO-DATE ACTUAL VS. BUDGET

($ in millions) Description	FY2023 Budget	FY2023 Actuals	FY2023 Variance: Favorable (Unfavorable)
Revenues, net of unbilled	$ 1,756.4	$ 2,121.2	$ 364.8
Less: city payment (CP) per flow of funds	230.7	267.5	(36.8)
Revenues, net of unbilled & CP	1,525.7	1,853.7	328.0
Less: fuel & regulatory expense	630.1	955.1	(325.0)
Revenues, net fuel & regulatory	895.6	898.6	3.0
Operation & maintenance	399.5	390.1	9.4
Debt service	251.0	245.6	5.4
Total expenses	650.5	635.7	14.8
6% Gross Revenue to R&R	105.4	127.3	21.9
Remaining to R&R	139.7	135.6	(4.1)
Total R&R fund additions	$ 245.1	$ 262.9	$ 17.8
Total gross non-transmission capital	$ 326.2	$ 374.1	$ (47.9)

Highlights:

- **Revenue (operating & non operating), net of unbilled:**
  - YTD Electric Billed Sales are 7.0% higher than budget due to weather-driven sales consumption and higher fuel costs (which are reflected in higher fuel charges on the bill) partially offset by:
  - Wholesale Revenue Net Fuel is currently under budget, driven by higher additional fuel costs in May, June, July, & Aug along with plant outages that occurred this summer.
- **Operating & Maintenance**
  - YTD Favorable due to timing of multiple BTE initiatives, STP plant investment projects plus EIP/LTIP true-up, somewhat offset by higher than planned weather events, gas leak repairs, and plant maintenance costs.
- **Debt Service**
  - Reflects favorable execution to plan
- **Capital**
  - Higher primarily due to customer growth

R&R contributions are favorable to budget YTD.

FLOW OF FUNDS
7+5 LE FORECAST VS. BUDGET

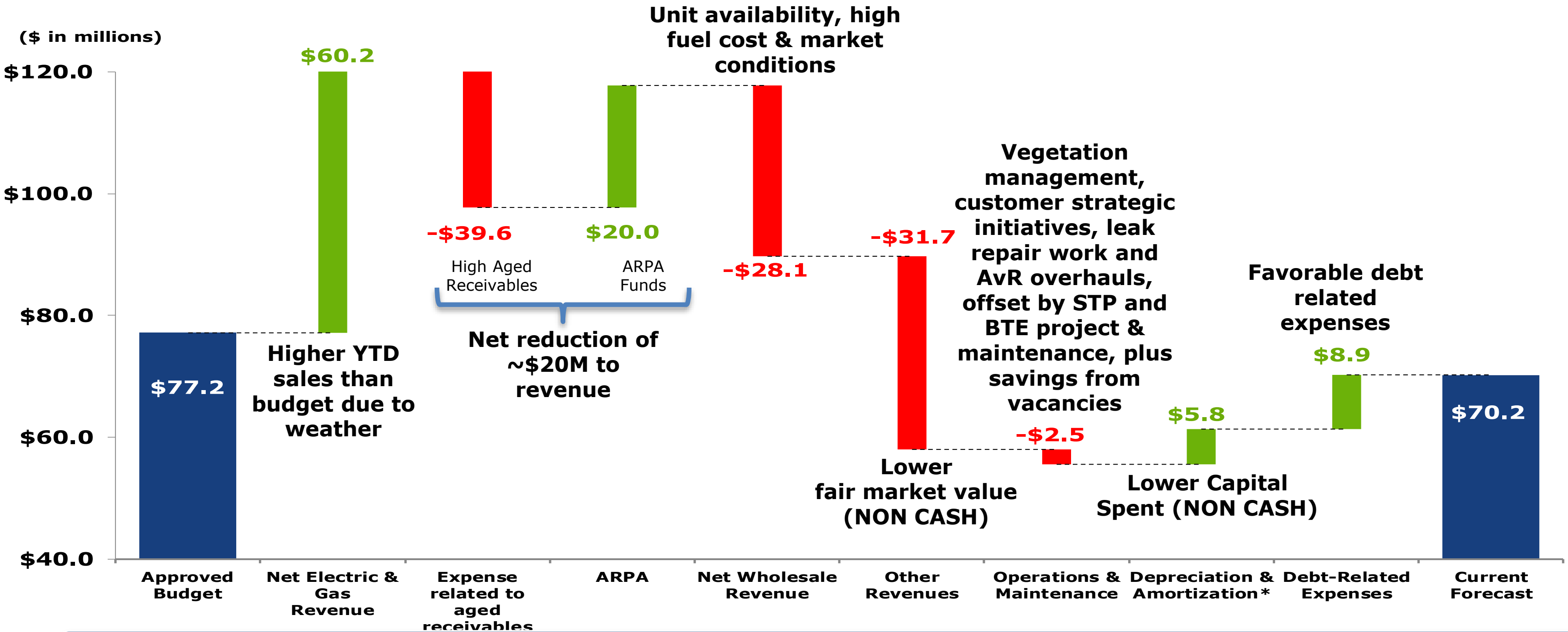
($ in millions)	FY2023		
Description	Budget	Forecast	Variance: Favorable (Unfavorable)
Revenues, net of unbilled	$ 2,958.5	$ 3,552.8	$ 594.3
Less: city payment (CP) per flow of funds	388.2	451.2	(63.0)
Revenues, net of unbilled & CP	2,570.3	3,101.6	531.3
Less: fuel & regulatory expense	1,058.8	1,582.4	(523.6)
Revenues, net fuel & regulatory	1,511.5	1,519.2	7.7
Operation & maintenance	731.2	731.5	(0.3)
Debt service	435.4	430.0	5.4
Total expenses	1,166.6	1,161.5	5.1
6% Gross Revenue to R&R	177.5	213.2	35.7
Remaining to R&R	167.4	144.5	(22.9)
Total R&R fund additions	$ 344.9	$ 357.7	$ 12.8
Total gross non-transmission capital	$ 618.9	$ 708.8	$ (89.9)

Highlights:

- **Revenue (operating & non operating), net of unbilled**
  - Revenue is forecasted to show slowing growth for the remainder of the year but is projected to be 3.8% higher than budget.
  - Total of $50M bad debt expense for FY23. ~$30M net reduction (net of ARPA) to revenue as past due accounts remain high.
  - Wholesale Revenue Net Fuel is projected to underperform compared to the budget, driven by higher additional fuel costs in May, June, July & August along with plant outages that occurred this summer.
- **Operating & Maintenance**
  - Primarily driven by vegetation management, multiple initiatives within Customer Strategy, gas leak survey and repair costs plus unplanned AvR and Rio outages, offset by lower spend on plant investment projects at STP and BTE project & maintenance, plus savings from vacancies.
- **Debt Service**
  - Reflects favorable execution to plan

Currently, we are projecting FY2023 R&R contributions to track favorably to budget.

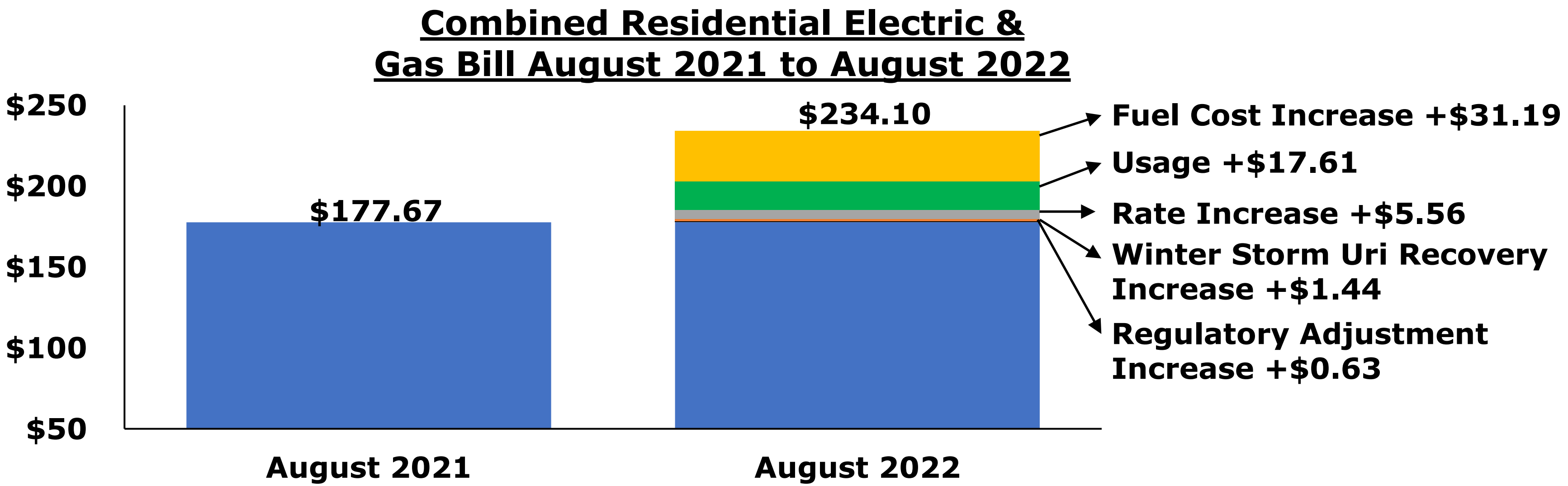
FY2023 REVISED NET INCOME FORECAST
BUDGET TO FORECAST WALK-FORWARD



The net effect of these forecast shows a modest decline compared to full year budgeted net income.

*Total depreciation, amortization & decommissioning is expected to be adjusted retroactively (non-cash impacts) at year-end to incorporate recommendations from a 3rd party depreciation study.

RESIDENTIAL BILL IMPACT

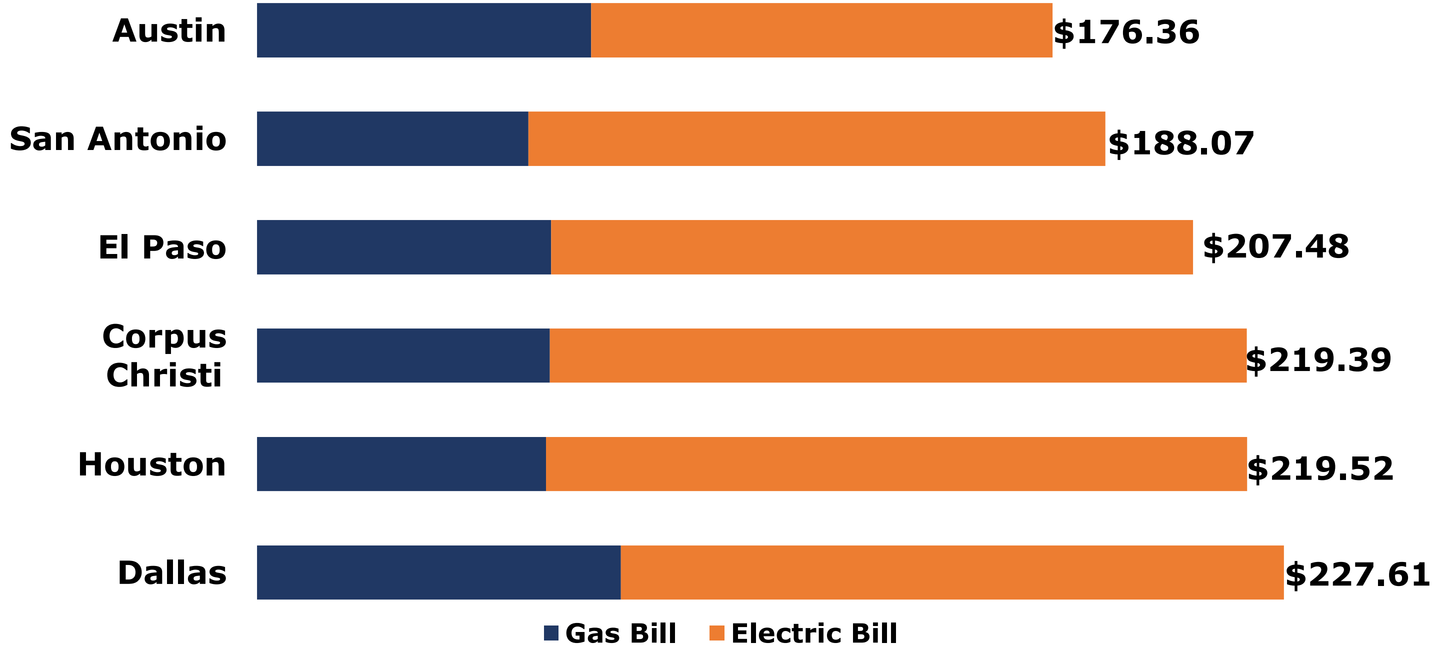


The rising cost of natural gas has resulted in an unavoidable impact on customers' bills.

Note: Winter storm Uri Recovery = $0.00087*1516kWh (average electric usage for August) + $0.013349*9 CCF (average gas usage for August)

TEXAS CITIES COMBINED RESIDENTIAL BILL COMPARISON

TRAILING TWELVE MONTHS ENDING AUGUST 2022



City	¢/kWh	$/MCF
Austin	10.2	14.81
San Antonio	12.8	12.04
El Paso	14.2	13.04
Corpus Christi	15.5	12.98
Houston	15.5	12.81
Dallas	14.7	16.13

1,000 kWh & 5 MCF

Note: Deregulated markets electric data from powertochoose.org (Terms 12; 4&5 star rated REPs).
San Antonio is the only city that has a single electric & gas provider.