October 31, 2022

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

Dear Trustees and Mr. Garza:

Attached is our monthly Enterprise Performance Update which includes results through September 30, 2022. This report, which will be posted to our website following the October 31, 2022 Board of Trustees meeting, includes three components:

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

Financial Performance

In short, our financial performance year-to-date is *slightly below our budget*. Our forecasted full-year FY2023 financial performance is also expected to be *slightly under budget*. Much of the same trends we have seen throughout the year continue to have a firm hold on financials, notably, 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. Additionally, we see mark-to-market adjustments (non-cash) on our investment portfolio driven by aggressive interest rate hikes by the Federal Reserve. This has resulted in much lower non-operating revenue relative to budget.

Partially offsetting those headwinds, we continue to see the benefits of aggressive non-fuel expense management that brings us just slightly under budget both on a YTD and full-year forecasted basis. 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 $377.7 million above plan due to high fuel costs and weather (electric sales that were 5.4% above budget and gas sales that were 3.9% above budget).
- Total fuel costs were $352.9 million above plan and City Payment was $42.8 million higher than plan.
- Incorporating September results, on a YTD basis, our past-due receivables led to bad debt expense (i.e., reduction in revenue) that was $43.1 million above plan ($49.5 million vs. plan of $6.4 million).
- Wholesale revenue net of fuel was $32.5 million below plan due to plant outages in the summer 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 $23.4 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 $41.4 million below plan (~3.8% below plan of $1,078.8 million).
- O&M expenses were $9.4 million below budget YTD (~2.1% below plan of $457.9 million) and other non-fuel expenses were $12.6 million below budget. In total, non-fuel expenses were $22.0 million lower than budget.
- Aggressive non-fuel expense management has kept net income of $124.4 million just slightly under budget ($19.4 million below).
- On the Flow of Funds, our Repair & Replacement (R&R) additions are $369.9 million YTD, above forecast by $44.2 million.
- Days Cash on Hand is 131 as of September 30, which is below YTD target of 164. DCOH is a function of cash (which outperformed the 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 = 2.31 vs. YTD target of 2.13; Debt Cap = 60.6% vs. YTD target of 62.0%).

Full year FY2023 financial projections:

- We’re now seeing total top-line revenue to be $543.3 million above plan, which is slightly lower from last month’s full year forecast, as higher fuel costs have stabilized somewhat, albeit still very elevated.
- Total fuel and regulatory costs are forecasted to exceed our forecast by $496.1 million and we see City Payment to be $59.2 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. We saw another increase in bad debt expense during September and therefore, have

revised our forecast for bad debt expense to $60.0 million (~$50 million above plan of $10.4 million).

- As we enter the shoulder months, 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 a few months ago to $22 million (~$28 million below plan of $50.1 million).
- As the Federal Reserve (Fed) continues its aggressive stance on inflation, our bond portfolio has underperformed. We typically hold these investments to maturity so any impact to net income is non-cash. We expect a 75 basis point rate hike at the November Fed meeting and another 50 – 75 basis point rate hike at the December meeting. (*Note: Bond prices move inversely to interest rates).* Based upon market consensus given those expectations, we lowered our non-operating revenue by $20.8 million, and we expect on a full-year basis our non-operating revenue to be $3.9 million, or $32.5 million under plan.
- Due to continued aggressive non-fuel expense management, we are projecting non-fuel expenses to be $29.6 million below plan on a full-year basis.
- As a result, our full-year projected net income is $62.3 million (slightly below the budget of $77.2 million) and our full-year projected R&R additions are $371.4 million (above the budget of $344.9 million).
- With R&R expected to be above plan, cash balances are expected to exceed plan, but higher operating expenses (i.e., fuel cost) have put additional pressure on our Days Cash on Hand (DCOH) metric. While we expect it to come in at 160 days, we've changed our outlook to 'At Risk' in terms of achieving the beginning year target of 170 days, given that we have 4 months of forecast in this fiscal year remaining.
- 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 1.86x, and our Debt Capitalization ratio improved more than 15 basis points relative to budget to 61.50%.
- Note: We are considering macro-economic factors such as Fed actions, geo-political tensions in Europe that have put upward pressure on fuel prices, as well as the outcome of the U.S. Mid-term elections as we continue to 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, President & CEO
CEO Direct Reports
Govt & Reg Affairs & Public Policy

MONTHLY PERFORMANCE UPDATE

PRESENTED BY:

Lisa Lewis
Chief Administrative Officer (CAO)

October 31, 2022

Informational Update

AGENDA

- **TIER 1 METRICS SUMMARY UPDATE**
- **DETAILED METRIC PERFORMANCE - YTD 9/30/22**
    - **PEOPLE**
    - **OPERATIONAL**
    - **FINANCIAL**

Review the BoT Metric performance and discuss key insights.

TIER 1 METRICS SUMMARY UPDATE
AS OF 9/30/22

12 of 16 metrics remain on track to meet year end targets

Metrics at-risk of meeting year end targets

- Enterprise Recordable Incident Rate (RIR)
- Days Cash on Hand (DCOH)

Metrics unrecoverable and will not meet year end targets

- Portfolio Commercial Availability (PCA)
- Customer Satisfaction - Residential

PEOPLE METRICS AS OF 9/30/22

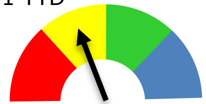
SERVING OUR CUSTOMERS & BUILDING OUR CULTURE

Customer Satisfaction - Residential

74.5 YTD

Recordable Incident Rate (RIR)

1.71 YTD

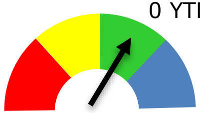


Employee Engagement - Enterprise

This metric is measured on an annual basis

Environmental Compliance Issues

0 YTD



Enterprise Readiness – Executives

This metric is measured on an annual basis

Things to Note

- Residential customer satisfaction moved to unrecoverable due to impact of high fuel prices and high summer temperatures. Focusing community outreach on bill assistance options for our vulnerable customers.
- Recordable Incident Rate is at risk, due to 34% increase from last year. Averaging four injuries per month, a majority are soft tissue injuries, with the main causal factors being hazard awareness, body position/mechanics and field environment.

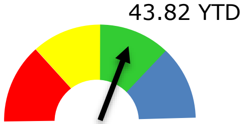
* Metric details in appendix

Achieved | On Track | At Risk | Unrecoverable/Not Achieved

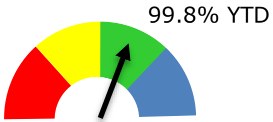
↑ Indicates current performance

OPERATIONAL METRICS AS OF 9/30/22
DELIVERING RELIABLE PERFORMANCE

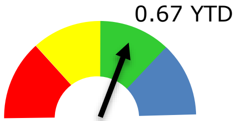
System Average Interruption Duration Index (SAIDI)



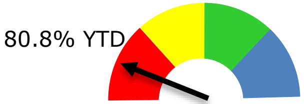
Critical IT Systems Availability



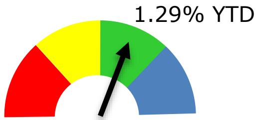
System Average Interruption Frequency Index (SAIFI)



Portfolio Commercial Availability (PCA)



Gas System Growth



Things to Note

- Proactive efforts on vegetation management and crew readiness are aiding better grid reliability outcomes (SAIFI and SAIDI).
- PCA moved to unrecoverable, due to unplanned plant maintenance. System stress and high power demand has reduced opportunities to manage emerging plant issues.

* Metric details in appendix

Achieved | On Track | At Risk | Unrecoverable/Not Achieved | Indicates current performance

FINANCIAL METRICS AS OF 9/30/22

FISCAL RESPONSIBILITY & TRANSPARENCY

CPS ENERGY

Adjusted Debt Service Coverage (ADSC)

2.31 YTD

O&M Budget

448.5 YTD

Days Cash on Hand (DCOH)

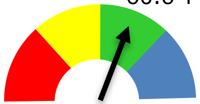
131 YTD

Capital Budget

502.7 YTD

Debt Capitalization

60.6 YTD



Senior Lien Bond Ratings

1 YTD

Things to Note

- All metrics forecasted to end the year at threshold levels. DCOH forecasted to be below plan but above Credit Rating Agency threshold of 150 (driven by higher receivables and lower wholesale margin).
- The rising cost of natural gas has resulted in an unavoidable impact on customers' bills.
- Continuing to monitor bad debt and account receivable balances.

* Metric details in appendix

Achieved | On Track | At Risk | Unrecoverable/Not Achieved | ↑ Indicates current performance

Thank You

Appendix

TIER 1 METRICS

ADDITIONAL INFORMATION

FY2023 TIER 1 METRIC SUMMARY
AS OF SEPTEMBER 30, 2022

Tier	Unrecoverable		At Risk		On Track		Achieved		Total Metrics
1	2	12.5%	2	12.5%	12	75.0%	0	0%	16

FY2023 OUTLIER SUMMARY

Tier 1	Unrecoverable	Portfolio Commercial Availability (PCA) - **NEW**
	Unrecoverable	Customer Satisfaction – Residential - **NEW**
	At Risk	Enterprise Recordable Incident Rate – (RIR)
	At Risk	Days Cash on Hand (DCOH) - **NEW**

FY2023 TIER 1 METRIC REPORT
AS OF SEPTEMBER 30, 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	1.71	1.41	At Risk	1.68
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	99.5	99.8	99.5	On Track	99.8
Customer Satisfaction – Residential [1]	Customer Strategy	quarterly	#	↑	83.2	78.9	79.0	74.5	79.0	Unrecoverable	77.9
System Average Interruption Duration Index (SAIDI) [1]	Energy Delivery Services	monthly	#	↓	56.85	67.68	49.29	43.82	63.70	On Track	58.23
System Average Interruption Frequency Index (SAIFI) [1]	Energy Delivery Services	monthly	#	↓	0.93	1.01	0.75	0.67	0.98	On Track	0.90
Portfolio Commercial Availability [1]	Energy Supply	monthly	%	↑	93.9	77.1	88.9	80.8	88.9	Unrecoverable	80.9
Adjusted Debt Service Coverage	Financial Services	monthly	#	↑	1.59	1.66	2.13	2.31	1.79	On Track	1.86
Capital Budget (Gross of CIAC)	Financial Services	monthly	$	↓	630.8	689.5	502.7	467.1	832.9	On Track	802.2
Debt Capitalization	Financial Services	monthly	%	↓	60.5	61.6	62.0	60.6	61.7	On Track	61.5
Days Cash on Hand	Financial Services	monthly	#	↑	209	182	164	131	170	At Risk	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	454.5	448.5	729.7	On Track	740.4 [3]
Gas System Growth	Gas Solutions	monthly	%	↑	2.33	1.97	1.18	1.29	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.
[3] Does not reflect the Pension and OPEB benefit for the latest estimate

FINANCIAL SERVICES UPDATE AS OF SEPTEMBER 30, 2022

ELECTRIC SALES

BY CUSTOMER SEGMENT- SEPTEMBER FY2023*

Customer Sector	Usage Growth	% of Total Load	% Impact on Total Usage
Residential	-4.8%	48.2%	-2.3%
Churches & Services	-1.6%	6.9%	-0.1%
Manufacturing	-3.4%	1.9%	-0.1%
Retail	-2.1%	4.8%	-0.1%
Educational Services	-1.5%	5.3%	-0.1%
Hotel & Food Services	-0.5%	4.2%	0.0%
Other**	-0.1%	28.7%	0.0%
Total System		**100.0%**	**-2.7%**

*Billed September 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	8.9%	45.5%	4.0%
Churches & Services	3.7%	6.7%	0.2%
Manufacturing	10.4%	2.2%	0.2%
Retail	2.9%	5.1%	0.1%
Educational Services	2.6%	4.9%	0.1%
Hotel & Food Services	3.3%	4.4%	0.1%
Other**	1.5%	31.2%	0.7%
Total System		**100.0%**	**5.4%**

*Billed September 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
Debt Service Coverage Ratio	2.31	1.86
Debt Capitalization Ratio	60.58%	61.50%
Days Cash On Hand	131	160

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	1.86	0.07
Debt Capitalization Ratio	<60%	61.66%	61.50%	0.16%
Days Cash On Hand	150	170	160	(10)

All metrics forecasted to end the year 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	$ 1,943.1	$ 2,296.2	$ 353.1
Retail Fuel & Regulatory Expense	652.4	905.1	(252.7)
Bad Debt Expense	6.4	49.5	(43.1)
Retail Revenue Net of Fuel	1,284.3	1,341.6	57.3
Wholesale Revenue	119.9	187.6	67.7
Wholesale Fuel & Regulatory Expense	78.3	178.5	(100.2)
Wholesale Revenue Net of Fuel	41.6	9.1	(32.5)
Non Operating Revenue	24.0	0.6	(23.4)
City Payment	271.1	313.9	(42.8)
Revenue Available to Cover Core Business Costs	1,078.8	1,037.4	(41.4)
Nonfuel Expenses	935.0	913.0	22.0
Net Income (Loss)	$ 143.8	$ 124.4	$ (19.4)

After paying for the cost of fuel and city payment, revenue is ~$41M under budget, year to date.

FINANCIAL PERFORMANCE
FY2023 NET INCOME FORECAST

		Budget		Forecast		Variance: Favorable (Unfavorable)
Gross Retail Revenue	$	2,800.8	$	3,297.5	$	496.7
Retail Fuel & Regulatory Expense		964.1		1,336.0		(371.9)
Bad Debt Expense		10.4		60.0		(49.6)
Retail Revenue Net of Fuel		1,826.3		1,901.6		75.3
Wholesale Revenue		155.9		252.1		96.2
Wholesale Fuel & Regulatory Expense		105.8		230.0		(124.2)
Wholesale Revenue Net of Fuel		50.1		22.0		(28.1)
Non Operating Revenue		36.4		3.9		(32.5)
City Payment		388.2		447.4		(59.2)
Revenue Available to Cover Core Business Costs		1,524.6		1,480.1		(44.5)
Nonfuel Expenses		1,447.4		1,417.8		29.6
Net Income (Loss)	$	77.2	$	62.3	$	(14.9)

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)	FY2023		
Description	Budget	Actuals	Variance: Favorable (Unfavorable)
Revenue available for nonfuel expenses			
Electric	$ 1,928.3	$ 2,249.3	$ 321.0
Gas	128.3	185.0	56.7
Total operating revenue	2,056.6	2,434.3	377.7
Less:			
Electric fuel, distribution gas & regulatory	730.7	1,083.6	(352.9)
Payments to the City of San Antonio	271.1	313.9	(42.8)
Net operating revenue	1,054.8	1,036.8	(18.0)
Nonoperating revenue	24.0	0.6	(23.4)
Total revenue available for nonfuel expenses	1,078.8	1,037.4	(41.4)
Nonfuel expenses			
Operation & maintenance	457.9	448.5	9.4
Depreciation, amortization & decommissioning	324.2	317.7	6.5
Interest & debt-related	152.9	146.8	6.1
Total nonfuel expenses	935.0	913.0	22.0
Net Income (Loss)	$ 143.8	$ 124.4	$ (19.4)

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 5.4% 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 the past five months 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 vacancies and savings on staff augmentation in Administrative Office, timing of multiple BTE initiatives, lower than planned spend on Storm Uri defense, and lower than planned costs related to personnel benefits in STP, somewhat offset by higher than planned capital project related O&M, weather events, gas leak repairs, and plant maintenance costs.
- **Interest & debt-related**
  - Reflects favorable execution to plan

Net Income is slightly unfavorable to budget YTD.

NET INCOME
8+4 LE FORECAST VS. BUDGET

($ in millions)	FY2023		
Description	**Budget**	**Forecast**	**Variance: Favorable (Unfavorable)**
<u>Revenue available for nonfuel expenses</u>			
Electric	$ 2,716.6	$ 3,117.3	$ 400.7
Gas	229.7	372.3	142.6
Total operating revenue	2,946.3	3,489.6	543.3
<u>Less:</u>			
Electric fuel, distribution gas & regulatory	1,069.9	1,566.0	(496.1)
Payments to the City of San Antonio	388.2	447.4	(59.2)
Net operating revenue	1,488.2	1,476.2	(12.0)
Nonoperating revenue	36.4	3.9	(32.5)
Total net revenue available for nonfuel expenses	1,524.6	1,480.1	(44.5)
<u>Nonfuel expenses</u>			
Operation & maintenance	729.7	715.4	14.3
Depreciation, amortization & decommissioning*	486.2	479.8	6.4
Interest & debt-related	231.5	222.6	8.9
Total nonfuel expenses	1,447.4	1,417.8	29.6
Net Income (Loss)	$ 77.2	$ 62.3	$ (14.9)

*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 4.1% higher than budget.
  - Total of $60M bad debt expense for FY23. ~$40M 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 by higher additional fuel costs the past five months 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 OPEB & Pension offset by to customer growth, leak repair & corrosion control, and franchise fees offset by savings from vacancies and staff augmentation.
- **Interest & debt-related**
  - Reflects favorable execution to plan.

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

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

($ in millions)	FY2023		
Description	Budget	Actuals	Variance: Favorable (Unfavorable)
Revenues, net of unbilled	$ 2,067.1	$ 2,495.3	$ 428.2
Less: city payment (CP) per flow of funds	271.1	313.9	(42.8)
Revenues, net of unbilled & CP	1,796.0	2,181.4	385.4
Less: fuel & regulatory expense	723.3	1,078.4	(355.1)
Revenues, net fuel & regulatory	1,072.7	1,103.0	30.3
Operation & maintenance	459.0	449.5	9.5
Debt service	288.0	283.6	4.4
Total expenses	747.0	733.1	13.9
6% Gross Revenue to R&R	124.0	149.7	25.7
Remaining to R&R	201.7	220.1	18.4
Total R&R fund additions	$ 325.7	$ 369.9	$ 44.2
Total gross non-transmission capital	$ 373.9	$ 432.3	$ (58.4)

Highlights:

- **Revenue (operating & non operating), net of unbilled:**
  - YTD Electric Billed Sales are 5.4% 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 the past five months along with plant outages that occurred this summer.
- **Operating & Maintenance**
  - YTD Favorable due to vacancies and savings on staff augmentation in Administrative Office, timing of multiple BTE initiatives, lower than planned spend on Winter Storm Uri defense, and lower than planned costs related to personnel benefits in STP, somewhat offset by higher than planned capital project related O&M, 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
8+4 LE FORECAST VS. BUDGET

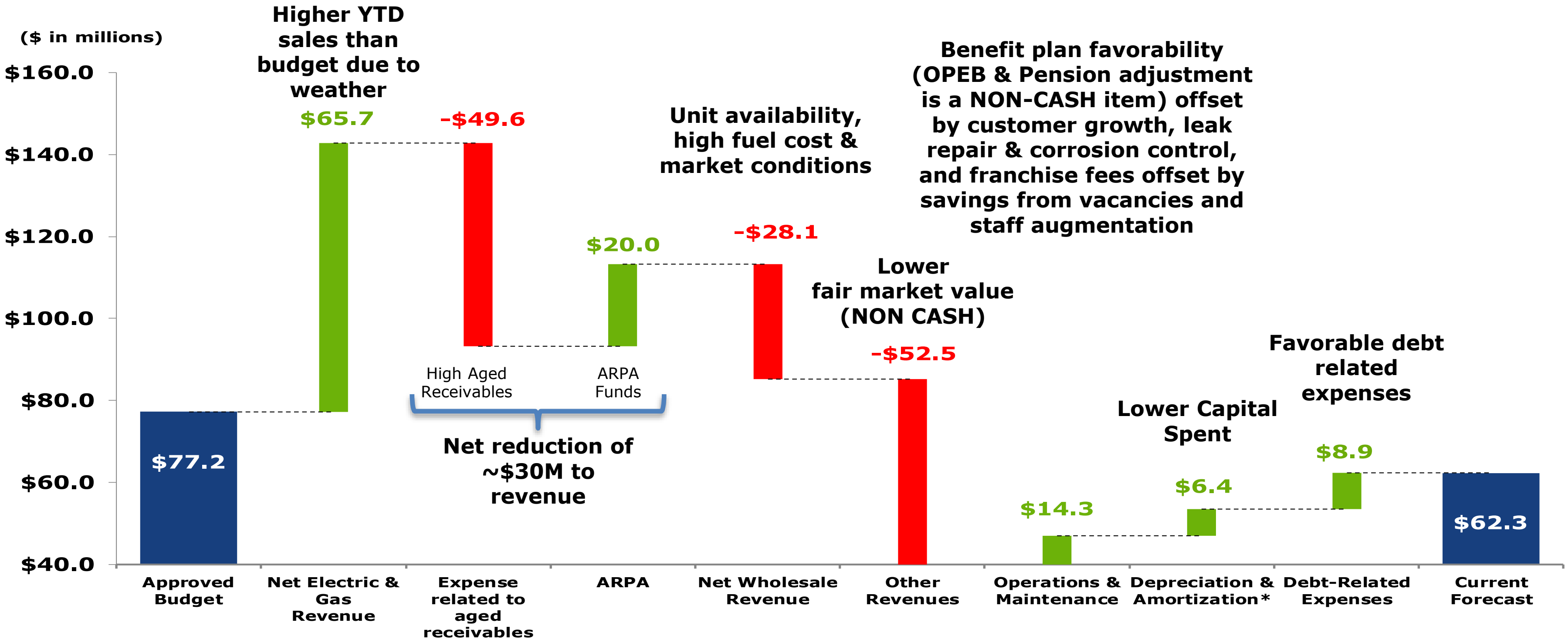
($ in millions)	FY2023		
Description	**Budget**	**Forecast**	**Variance: Favorable (Unfavorable)**
Revenues, net of unbilled	**$ 2,958.5**	**$ 3,523.5**	**$ 565.0**
Less: city payment (CP) per flow of funds	**388.2**	**447.4**	**(59.2)**
Revenues, net of unbilled & CP	**2,570.3**	**3,076.1**	**505.8**
Less: fuel & regulatory expense	**1,058.8**	**1,560.0**	**(501.2)**
Revenues, net fuel & regulatory	**1,511.5**	**1,516.1**	**4.6**
Operation & maintenance	**731.2**	**714.0**	**17.2**
Debt service	**435.4**	**430.7**	**4.7**
Total expenses	**1,166.6**	**1,144.7**	**21.9**
6% Gross Revenue to R&R	**177.5**	**211.4**	**33.9**
Remaining to R&R	**167.4**	**160.0**	**(7.4)**
Total R&R fund additions	**$ 344.9**	**$ 371.4**	**$ 26.5**
Total gross non-transmission capital	**$ 618.9**	**$ 706.6**	**$ (87.7)**

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 4.1% higher than budget.
  - Total of $60M bad debt expense for FY23. ~$40M 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 the past five months along with plant outages that occurred this summer.
- **Operating & Maintenance**
  - Primarily driven by OPEB & Pension (non-cash adjustment) offset by to customer growth, leak repair & corrosion control, and franchise fees offset by savings from vacancies and staff augmentation.
- **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

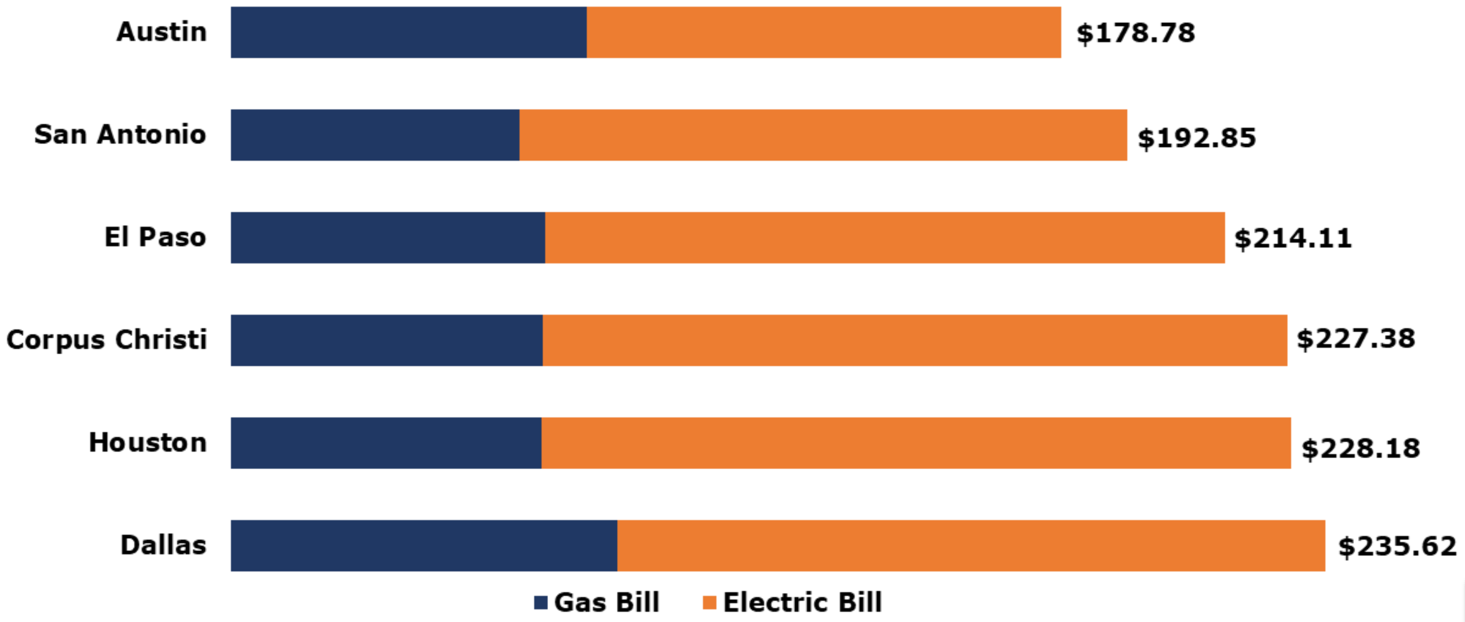


The net effect of these forecast shows a modest decline compared to full year budgeted net income.

*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.

TEXAS CITIES COMBINED RESIDENTIAL BILL COMPARISON

TRAILING TWELVE MONTHS ENDING SEPTEMBER 2022



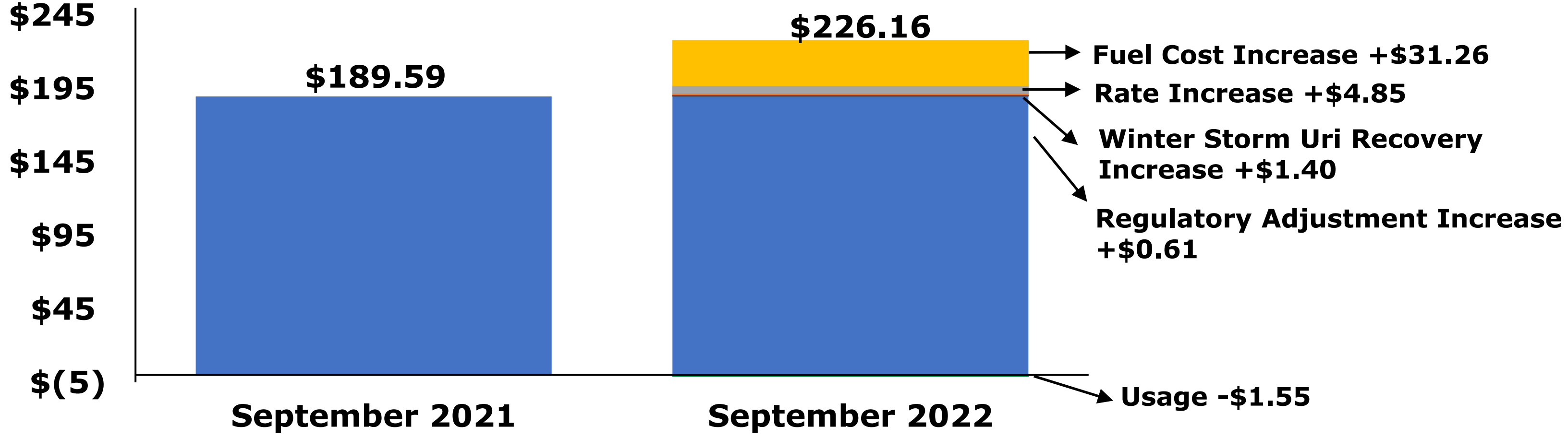
	¢/kWh	$/MCF
Austin	10.2	15.29
San Antonio	13.1	12.42
El Paso	14.6	13.54
Corpus Christi	16.0	13.39
Houston	16.1	13.37
Dallas	15.2	16.63

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.

RESIDENTIAL BILL IMPACT

Combined Residential Electric & Gas Bill September 2021 to September 2022



Although the rate increase portion of the bill is higher during the summer (Jun-Sep), bills are still projected to experience +~$3-4 on average due to the rate increase for the full year

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

Note: Winter storm Uri Recovery = $0.00087*1464kWh (average electric usage for September) + $0.013349*10 CCF (average gas usage for September)

KEY RESULTS UPDATE AS OF SEPTEMBER 30, 2022

KEY RESULTS MONTHLY UPDATE

STATUS ON HOW WE ARE BETTER SERVING OUR CUSTOMERS 1 of 2
AS OF 9/30/22

Strategic Objectives	Major Commitments	Status	Update
Operational Evolution	Strengthen Generation Capabilities to meet Extreme Conditions		• MBL West fuel oil retrofit equipment procurement activities are 60% complete • Vendors identified for MBL West/East freeze protection panels and Coal Yard freeze protection upgrades • Priority 2 work packages are currently 96% complete
	Enhance Communication & Grid Management in Major Events		• $7.94 MYTD; 369 miles of planned trimming completed (~70% of target on both miles and spend) • Deployed 104 automated reclosers; 72% of 144 goal completed • RFP for Mass Communications and Situational Awareness solution on track for release by Jan 2023 • Situational awareness customer reporting improvements on track for release by end of 2022
	Support Expanding Community		• Mitigation efforts underway to identify new suppliers and alternate material options • 30+ projects on hold due to material shortages. Working with developer/builder associations and CoSA, weekly developer/builder updates, 1:1 customer meetings • Continued residential & commercial growth
	Digital ERP Plan to Mitigate System End of Life		• ERP Technology RFP development and launch on track for FY23. Business area aligned transformation vision final draft in-review.
	IT System Modernization		• Mitigation efforts for rollout prioritization and wave planning is being reviewed to support timeline extension • Continued application/server migrations to new environment. At risk due to technical challenges slowing progress to the cloud environment • Completed EMS Replacement project kick off and started Unified System Design workshops. Database and model conversion in progress

Legend

On-Track At-Risk Achieved

KEY RESULTS MONTHLY UPDATE

STATUS ON HOW WE ARE BETTER SERVING OUR CUSTOMERS 2 of 2
AS OF 9/30/22

Strategic Objectives	Major Commitments	Status	Update
Customer Experience	Connect Customer with Support	On-Track	• Met Goal of 65K Affordability Discount Program Customers, currently at 65,854 • Total number of ARPA credits applied increased to 17,881 for residential accounts for ~$19M
Team Culture	Safety Culture Fundamentals	At-Risk	• Mitigation efforts underway to report performance and progress monthly; expected to get back on target • Improvement in number of observations performed compared to FY22; have only completed 66% of the YTD target observations. Continue to work with leaders to improve.
	Retain & Attract Talent	On-Track	• Front-line employee hiring has exceeded year-end FY23 projections • Compensation market pricing efforts help close the gap in competing for talent; but competing on compensation for advanced level STEM roles remains at risk
Community Partnership & Growth	Energy Efficiency & Conservation Decision	Achieved	• Updated STEP program approved by Board of Trustees and Council for 5 years
	Generation Resource Planning Public Input	On-Track	• Updated Rate Advisory Committee (RAC) on Gen Plan; RAC Peer Review Consultant selected and introduced in monthly meeting. Charles River Associates (CRA) reviewed Gen Planning Objectives, metrics, and ERCOT Market Scenarios. Updated glossary released, timeline and next steps discussed
	Rate Design Public Input	On-Track	• Vendor Cost of Service Study underway, Rate Design plan discussion with RAC will occur after Power Gen Resource Planning conversations

Legend

On-Track | At-Risk | Achieved