



SHORT-TERM FINANCIAL STRATEGY

PRESENTED BY:

Gary Gold
CFO & Treasurer

Council Approval Requested
March 18, 2021

- **FOCUS ON PROTECTING OUR CUSTOMERS**
- **OVERVIEW OF FEBRUARY 2021 WINTER EVENT**
- **FINANCIAL IMPACTS & LIQUIDITY**
- **SHORT-TERM FINANCIAL STRATEGY**
- **REQUEST APPROVAL FOR ADDITIONAL SHORT-TERM FINANCING WITH BANK(S)**

PROTECTING OUR CUSTOMERS

FOCUSED STRATEGY



- Challenge unlawful, unconscionable, or illegitimate costs
- Execute prudent business tools
 - Create additional liquidity
 - Provide flexibility to execute plan

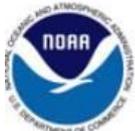


Management team is taking decisive action to mitigate & protect our customers against the extreme costs from the 2021 Winter Storm Event.

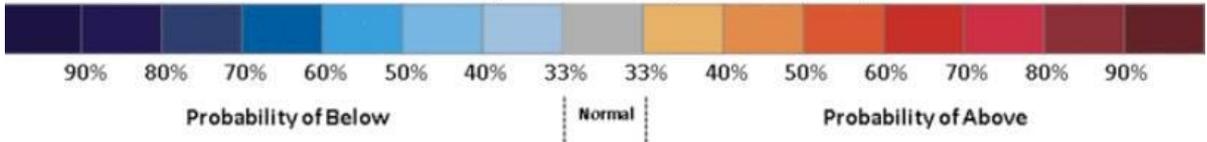
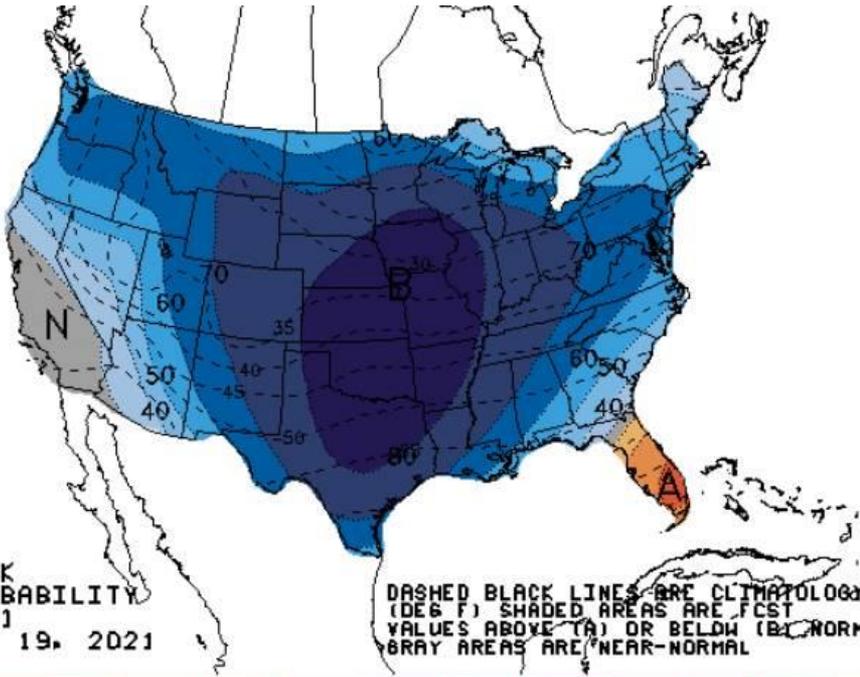
FEB. 2021 WINTER STORM EVENT



Sustained temperatures below freezing for 5 days in San Antonio broke the previous record that was set in 1959.



6-10 DAY OUTLOOK
TEMPERATURE PROBABILITY
MADE 9 FEB 2021
VALID FEB 15 - 19, 2021



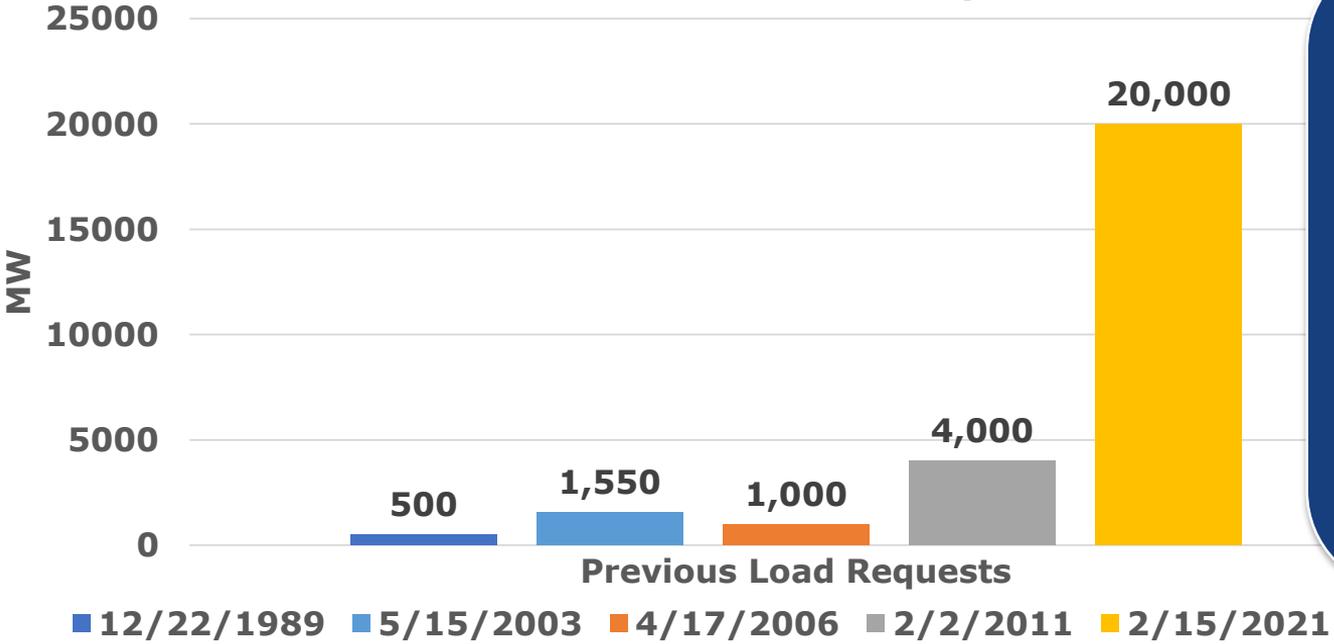
Unprecedented extreme cold weather across the U.S. & into South Texas drove strikingly high demand for energy & natural gas.

REQUEST FROM ERCOT

HISTORICAL REQUEST



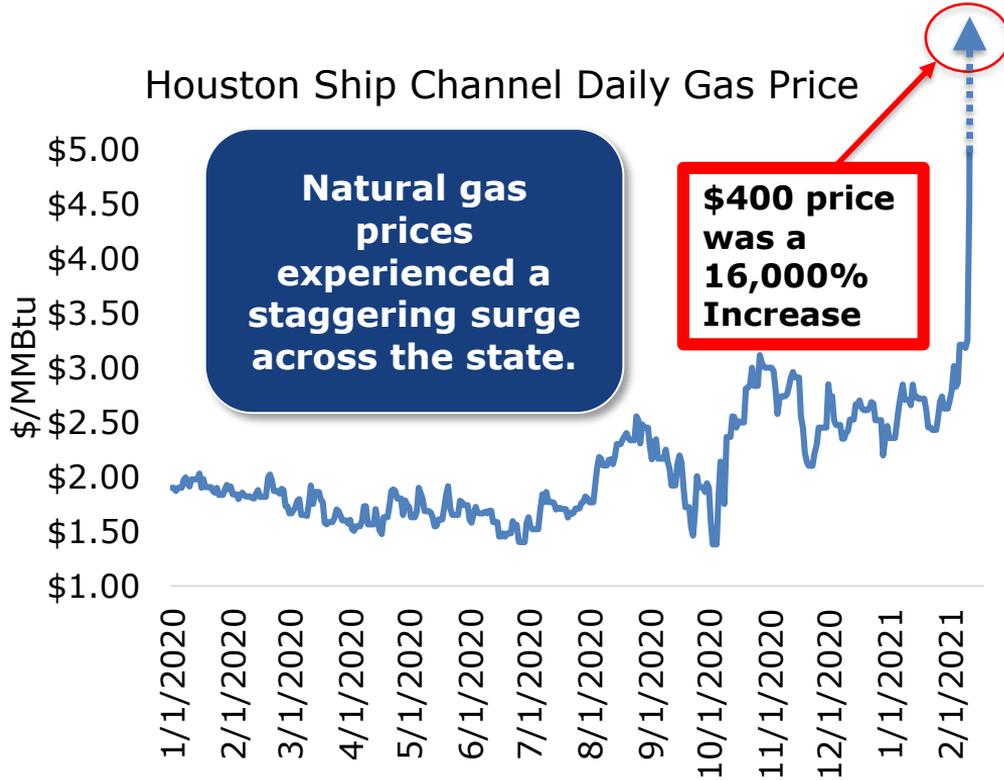
Historical Statewide Load Request



We received load shed orders from ERCOT in the past, but nothing compared to those during the extreme winter event.

Prices were at \$9,000/MWh during most of this Event!

NATURAL GAS PRICES SURGED



DAILY GPI
MARKETS | NATURAL GAS PRICES | NGI ALL NEWS ACCESS

Spot Natural Gas Prices Surge to \$600 as Deep Freeze Cuts Production, Fuels Record Demand

ELECTRIC POWER | NATURAL GAS — 05 Feb 2021 | 23:21 UTC — New York

Polar vortex spikes US spot gas prices across the country



BARRON'S
Natural-Gas Prices Are Soaring Because of a Brutal U.S. Storm

Gas at One U.S. Hub Is Trading at \$999. Last Week It Was at \$4
A polar blast in the central U.S. has pushed natural gas prices at one trading hub up 24,000% from a week ago.
@ bloomberg.com

Natural gas, which is used to heat homes & fuel power plants, was needed in record amounts. Priority went to customer's needs.

PROTECTING OUR CUSTOMERS

FOCUS ON REDUCING COSTS



For the benefit of our customers, CPS Energy is actively pursuing multiple options to reduce the estimated costs, including:

- Policy
- Legislative
- Regulatory
- Negotiation
- Other actions

Management team will pursue multiple avenues to reduce the 2021 Winter Storm Event estimated costs of \$1.02B.

SUFFICIENT COVERAGE VALIDATION



It is always important for CPS Energy to maintain sufficient liquidity (access to cash through borrowing) to support its operations, which is demonstrated below.

Liquidity Source	Est. Amount
Cash & Investments	\$730M ⁽¹⁾
Flex Rate Revolving Note	\$100M
Commercial Paper	\$700M ⁽²⁾
Total	\$1,530M

Fuel Type	Max Est. Cost
Natural Gas	\$670M
Purchased Power / ERCOT	\$350M
Total	\$1,020M

- Our cash & current liquidity clearly exceed the maximum potential costs from the 2021 Winter Storm Event.
- As usual, CPS Energy will absolutely pay all legitimate & justified costs.

(1) Cash & investments as of March 10, 2021.

(2) Available capacity upon completion of CP refunding transaction.

SHORT-TERM FINANCIAL STRATEGY

PROACTIVE & CONTINUED COMMUNICATIONS



- Transparent & frequent communications with our Customers
- Collaborative discussions with our Owner
- Proactive communications with Credit Ratings Agencies & Banks regarding immediate impacts & longer-term strategy
- Continuing disclosure of the event with the investment community

Management team is committed to providing proactive & continued communications to our customers & other stakeholders.

Activate tools already approved by Board & City Council

1. \$100M Taxable Flex Rate Revolving Note (FRRN)
2. Refund \$420M Commercial Paper with Junior Lien Debt; establishes \$700M of available capacity
- 3. Use Commercial Paper, as needed**

New Tool: (Board Approved, need City Council Approval)

1. Establish additional liquidity of \$500M w/ bank consortium

Requesting City Council Approval at March 18, 2021 Meeting

These tools allow us to maintain needed cash & liquidity! The new financing tool would only be used, if needed.

DEBT PORTFOLIO



With Current Tools:

<u>Debt Type</u>	<u>Outstanding</u>	<u>Liquidity Capacity</u>	<u>% of Total</u>
Sr. Lien Fixed	\$3,866,570	n/a	67.1%
Jr. Lien Fixed ¹	1,089,120	n/a	18.9%
Jr. Lien Variable	709,310	n/a	12.3%
Commercial Paper	-	700,000	0%
FRRN	100,000	100,000	1.7%
Total Portfolio	\$5,765,000	\$800,000	100%

¹Assumes completion of refunding transaction

If Approved:

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Jr. Lien Variable	709,310	n/a	12.3%
Commercial Paper	-	700,000	0%
FRRN	100,000	100,000	1.7%
Add'l. liquidity	-	500,000	0%
Total Portfolio	\$5,765,000	\$1,300,000	100%

With your approval, this prudent additional financing tool helps increase our liquidity.

REQUEST FOR APPROVAL



Requesting approval to:

- Establish short-term financing with a bank or consortium of banks to be executed within next twelve months
 - Up to \$500M
 - Initial term is interest only
 - Cost can be covered under existing budget
 - Additional liquidity will only be accessed, if needed

COUNCIL APPROVAL: Authorize issuance of the short-term financing obligation by delegating authority to the CEO or other designated financial officers.



Thank You