



STRATEGY SESSION

PRESENTED BY:

Elaina Ball

Chief Strategy Officer

DeAnna Hardwick

Chief Customer Strategy Officer

Melissa Sorola

Vice President, Corporate Communications & Marketing

PA Consulting

September 9, 2024

Informational Update

AGENDA



- Objectives
- Stakeholder Engagement
- PA Consulting Team
 - Industry Forces
 - Strategic Implications
 - Horizon 2050 Framework
- Executive Session: Competitive Landscape
- Horizon 2050 Feedback
 - Vision and Mission
 - Goals
- Next Steps

Goal: Seek Board of Trustees' input on CPS Energy's long-term strategic direction.

SESSION OBJECTIVES



- Discuss the drivers most likely to impact the utility industry.
- Align on the key industry drivers and critical uncertainties impacting CPS Energy over the next 25 years.
- Highlight the importance of long-term strategic planning to CPS Energy's future success.
- Share early progress of CPS Energy's Strategic Plan, Vision, Mission, and Goals, and solicit Board feedback.
- Document feedback to support the refinement of the Strategic Plan.



STAKEHOLDER ENGAGEMENT

Strategic Communication Tactics



Connecting, listening, and engaging to drive our mission forward.

PA Consulting Team

Marley Urdanick

Managing Consultant

Marley has over ten years of experience in the electric and gas utility industry, specializing in corporate strategy, grid modernization, and technology transformation. She helps utilities develop transformational strategies from design to implementation.

Doug McMahon

Partner

Doug has over 20 years in energy transition and leadership roles at top US utilities and offers practical expertise in navigating the evolving electricity grid, helping stakeholders seize opportunities in the changing energy landscape.

Dave Cherney








Partner

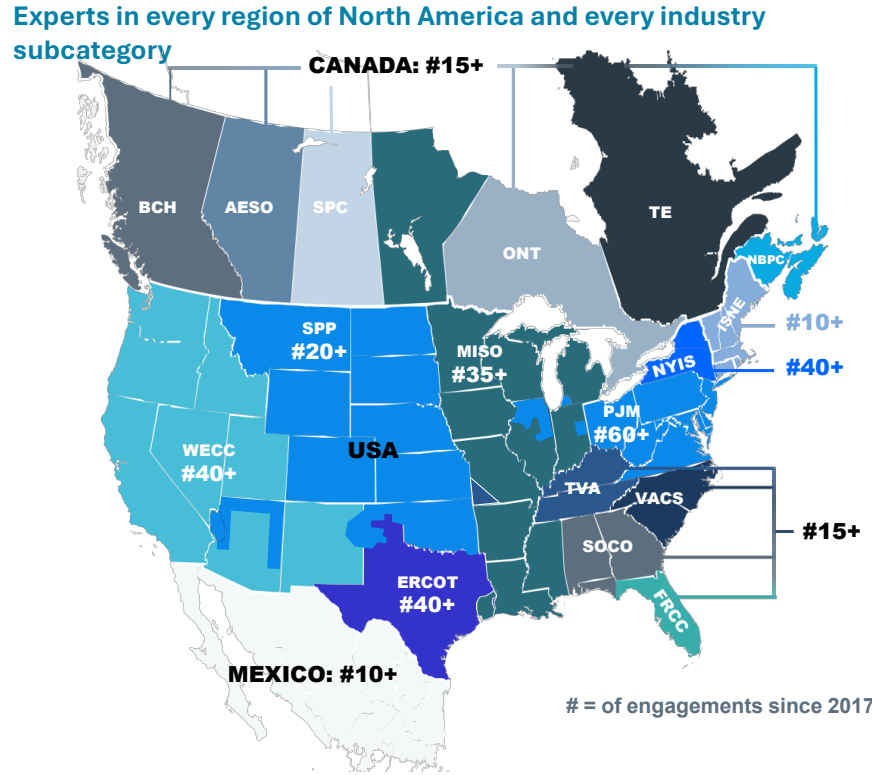
Dave is an energy transition expert and excels in utility strategy, regulatory engagement, and infrastructure M&A. He advises on strategic planning and risk management, regularly presenting to top executives and representing clients before regulators.

PA Consulting has deep energy experience

Spanning energy and renewable industry investment and advisory services

Our US Energy team consists of **>100 experts** who have executed **275+ energy engagements** totaling **\$200+ B** since 2017

- Engagements since 2017
-  Natural Gas **#75+**
 -  Solar / Distributed Solar **#70+**
 -  Wind **#30+**
 -  Battery **#30+**
 -  Utility (Gas, Electric & Water) **#25+**
 -  Nuclear, Biomass, Geo & Hydro **#20+**
 -  Emerging tech including Hydrogen **#10+**
 -  Transmission **#10+**
 -  Coal **#10+**



PA US Energy Team: Differentiators & Services

Our services align to the areas where we have market leading capabilities



PA's Commitment to Diversity, Equity and Inclusion

We're committed to driving DEI and we recognize that it is a journey, not a destination

It's only through embedding DEI into everything we do that we can create a culture where our people feel inspired and empowered to collaborate in achieving our purpose, Bringing Ingenuity to Life.

As we continue to listen, learn and look for ways to create an even more inclusive and diverse place to work, we'll unlock the ingenuity of even more people to help build a positive human future.



The Prince's Responsible Business Network
Race at Work Charter signatory



ROMBA 2022



LOOK BACK ACT FORWARD
LGBTQ+ MBA CONFERENCE
WASHINGTON, DC • OCT 1-8
Our 25th Conference

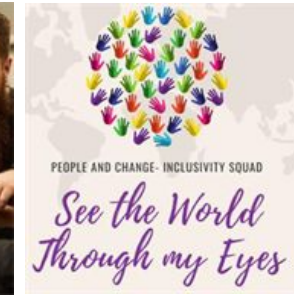
Below are a few selected PA DEI programs:

Our RISE, Pride, Women's, Parent's, Mental Health & Wellbeing, and Military Networks celebrate, educate and raise awareness of key issues while acting as a forum for discussion and debate to drive and support our global inclusion and diversity strategy.

Our Women in Tech initiative inspires a new generation of women to get into tech through free coding courses and inclusive events.

Our Springboard work experience program gives disadvantaged students the chance to develop their skills and learn from our experts.

The PA Racial Inclusion and Social Equity (RISE) Network Re-imagined Black History Month Using VR Storytelling. Participants were able to interact with and experience an Emmy-nominated production discussing the harsh realities Black Americans faced when it came to traveling and normal day-to-day living.



Introduction to 2050 Strategic Planning

“Why are we doing this now?”

The energy industry will experience unprecedented change over the next 25-years.

The growth of renewables and distributed energy resources, technology acceleration, and expanded customer choice are reshaping the energy landscape, presenting new challenges, risks, and opportunities.

Navigating this industry change will require proactive planning now for future disruption and uncertainty.

We are approaching completion of CPS Energy’s 5-year Vision 2027 strategy. This juncture is an opportunity to develop a longer-term view of our planning process that future-proofs our decision-making and charts a successful path for CPS Energy, our customers, and our community.

To achieve this, CPS Energy is developing a 25-year strategic plan.

Developing a 25-year strategy will require a joint undertaking between CPS Energy, the Board of Trustees, CoSA, and our local community to help shape CPS Energy’s future vision, and determine near-, medium- and long-term priorities.

This session is the first of many touchpoints to share the progress of, and gather valuable feedback on, our long-term strategic planning process.

Dynamic forces driving the need for longer-term strategic planning

We are taking a **long-term view of our strategic planning process** that **future-proofs our decision-making** and charts a successful path for CPS Energy, our customers, and our community.

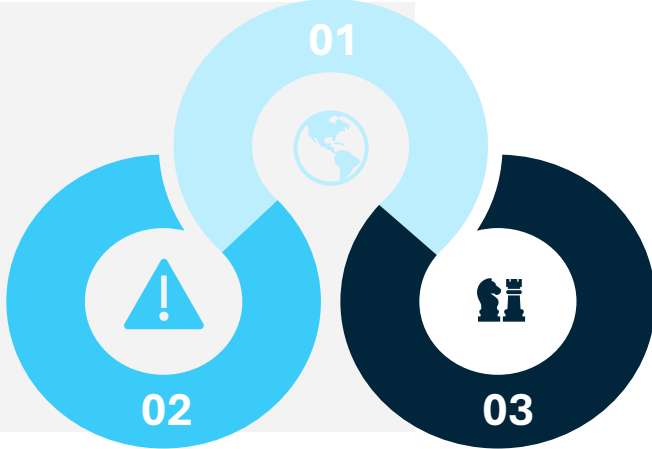
The contents of this presentation will walk through the industry forces as drivers of change, how we believe these forces will shape our 2050 strategy and gather your feedback on the strategic plan components developed to-date.

Industry forces driving change

01 The global 'energy trilemma'
We must provide a healthy energy system that is reliable, secure, affordable, environmentally responsible, presenting the risk of passive trade-offs between equally critical priorities. These dimensions must be balanced in the context of our defined industry disruptors.

02 Industry disruptors
Within Texas and across the industry, rapid industry transition and increasingly decentralized, decarbonized and digital energy future, is anticipated to influence our operations and strategic posture.

03 Strategy implications
Within the boundaries of internal capital planning and resource constraints extend planning needs beyond the traditional five- to ten-year planning horizon.



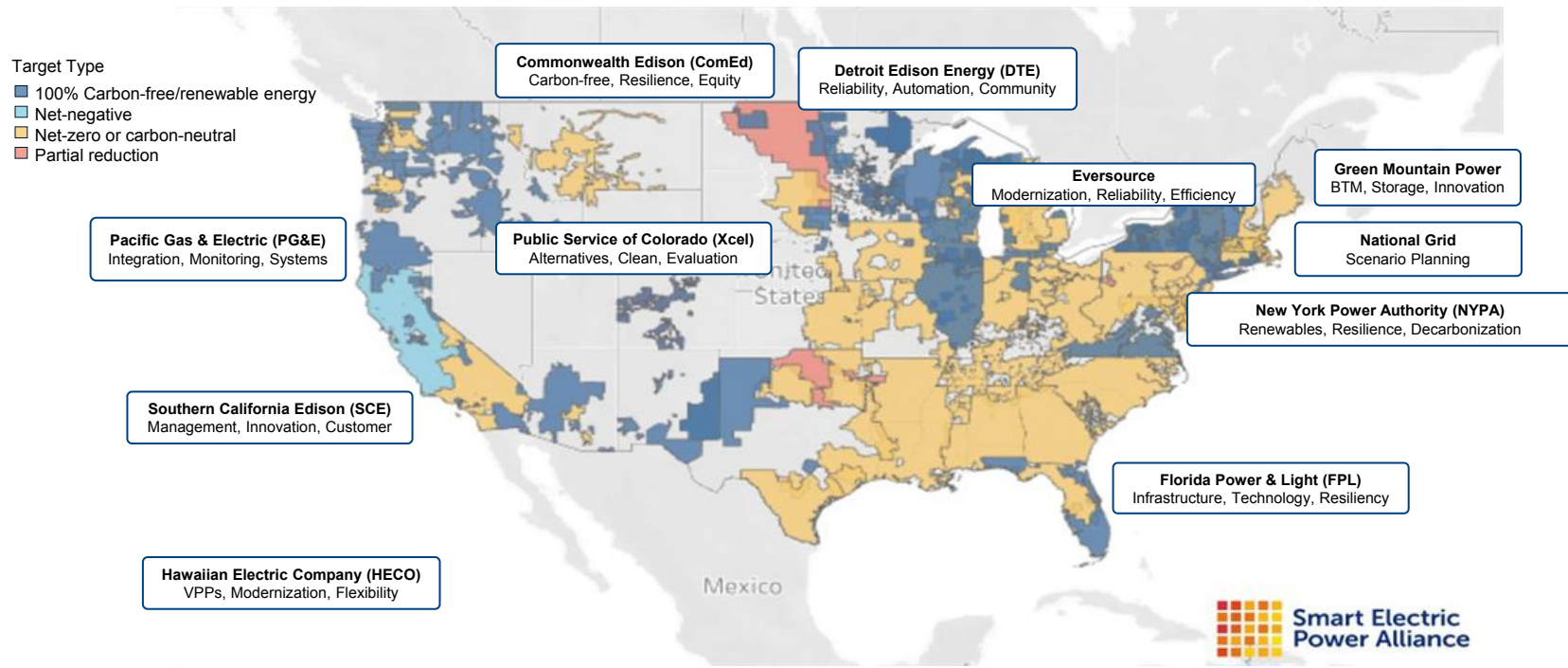


01

Industry Forces Driving Change

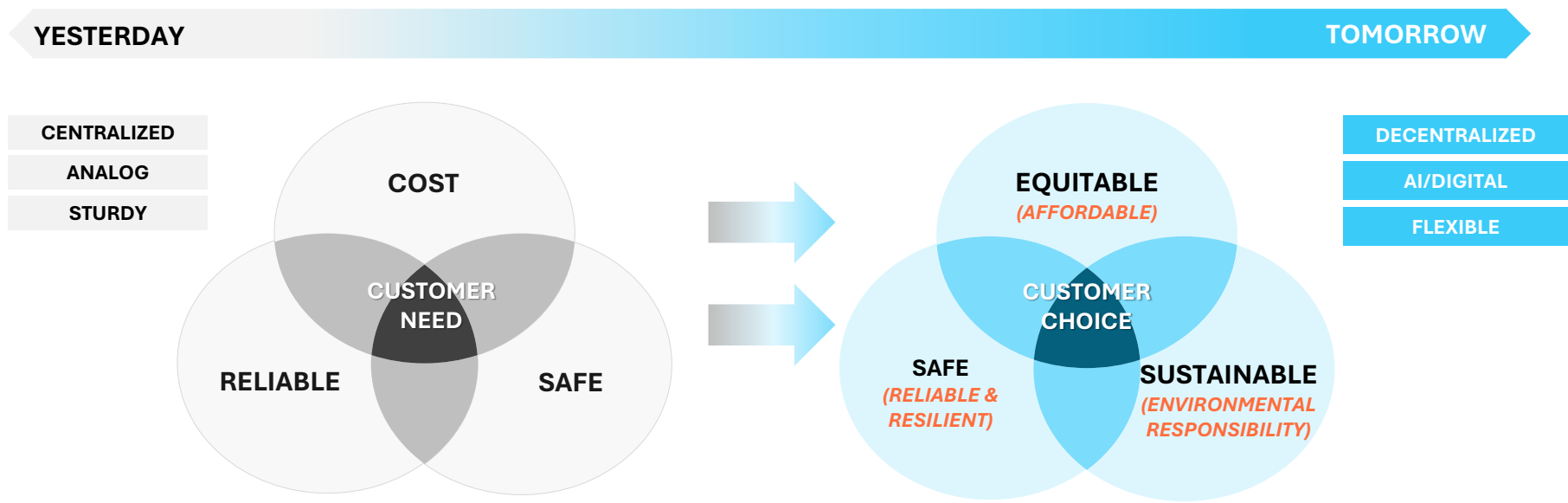
U.S. Utilities Long-Term Strategic Planning

Utilities with long-term decarbonization goals must engage in extensive planning, particularly through the development of Integrated Resource Plans (IRPs) that outline their decarbonization strategies. CPS Energy is among many in this effort, as data from SEPA shows that 432 public power entities, primarily municipal utilities, have set ambitious decarbonization targets.



This map is only highlighting Utility Types that are: Investor-Owned, Public Power, and Utility Parent

The Global Energy Landscape

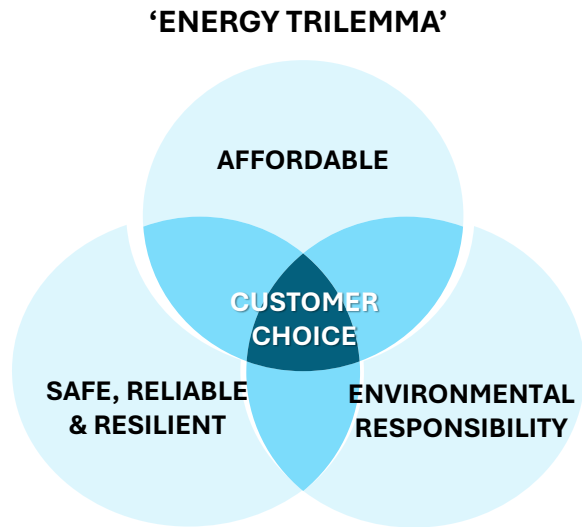


Electric and gas utilities must enable energy systems that are reliable, secure, affordable, and environmentally responsible – without compromise.

¹ CPS Energy. Result of CPS Energy's 2021 Flexible PathSM Survey, 2021. Flexible Path Survey Final Results (cpsenergy.com)

Navigating the ‘Energy Trilemma’

CPS Energy’s Customer Expectations



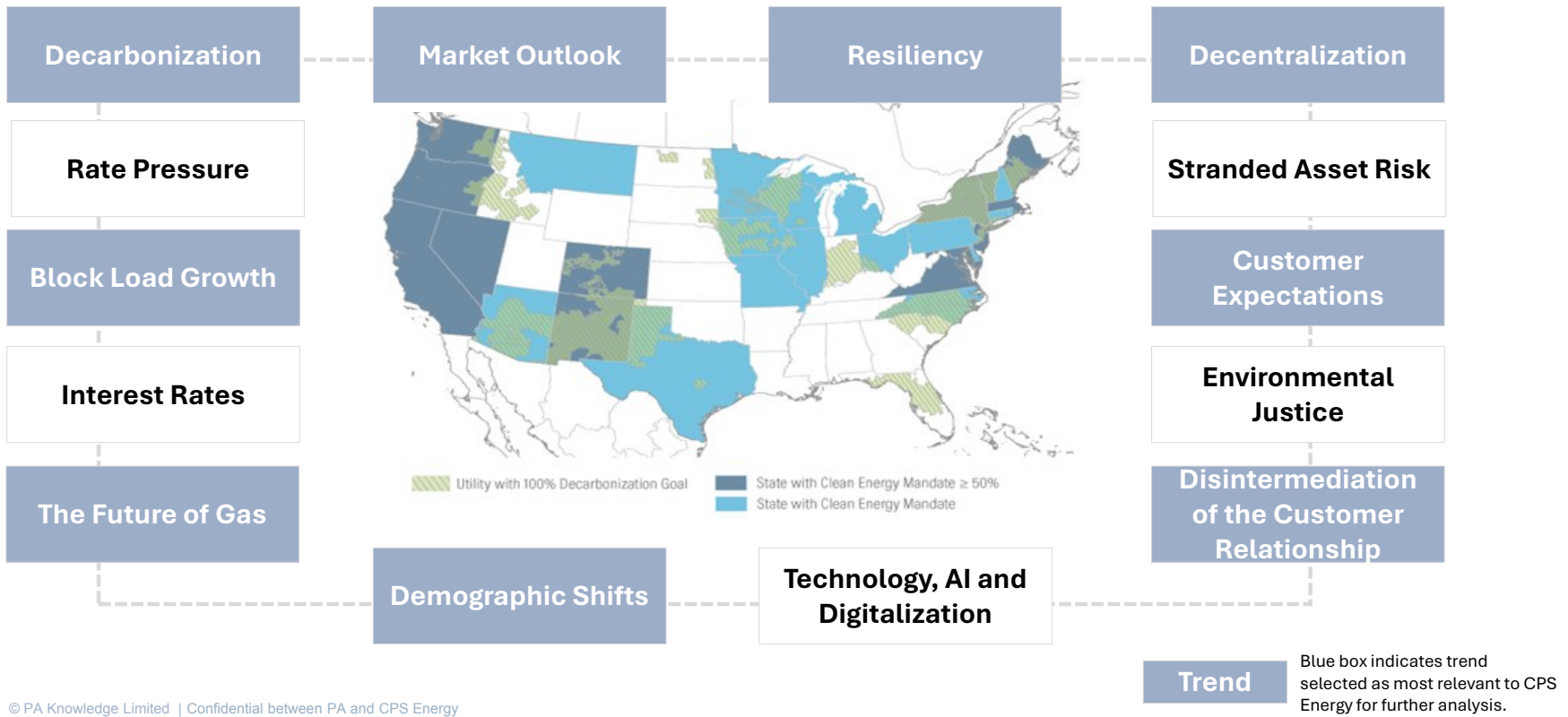
ENERGY TRILEMMA DEFINITIONS	
AFFORDABLE	Universal access to affordable, fairly-priced and abundant energy.
RELIABLE AND RESILIENT	Meet current and future energy demand reliably, withstand and bounce back swiftly from system shocks with minimal disruption to supplies.
ENVIRONMENTAL RESPONSIBILITY	Mitigating and avoiding potential environmental harm.

Strategic planning requires balancing and harmonizing the energy trilemma goals within the boundaries of our current and future business operations.

² World Energy Council. World Energy Trilemma 2024 Report, 2024. [World Energy Trilemma Report 2024 | World Energy Council](#)
World Energy Council Energy Trilemma definitions

Electric & Gas Utility Macro Trends

Most relevant trends to CPS Energy over the next 25-years



Over Eighty Uncertainties over the Next 25-Years

Technology & Energy Mix and Regulation & Governance identified as the two uncertainties impacting CPS Energy



Categorized Uncertainties – November 2023 Executive Workshop

Macro Trend Deep-Dive

Decarbonization and Load Growth

These trends are impacting the pace and direction of change across generation, transmission, and distribution.

Forces Shaping Future Uncertainty

Renewable Generation Shift:

- U.S. - rise to 44% by 2050
- ERCOT - double in 20 years

Rising Demand:

- U.S. residential – grow 14%-22% by the year 2050
- CPS Energy’s residential - increase by 60%-110% by 2050
- ERCOT's total load - increase by 40% in 20 years

CPS Energy’s Core Commitment



Affordability

(Cost of electricity per kWh)



Grid Reliability

(unplanned outages)



CoSA ROI

(percent of gross revenue)

Pressures on Delivering CPS Energy's Mission

- Generation mix complicates pricing and hedging
- ERCOT demand growth strains interconnection
- CPS Energy dependent on ERCOT during extreme weather

Refreshing the strategy now, let's CPS Energy seize new opportunities amid evolving challenges and their core mandate.



02

Strategic Implications

We provide long-term value to customers and the community

Tangible benefits

- City payment
- Affordable prices
- \$1B in local and diverse supplier spend
- Local employment
- \$27M in energy assistance & equity
- 540K customers participated in a CPS Energy program in 2023; \$350M awarded for STEP Economic development

Intangible benefits

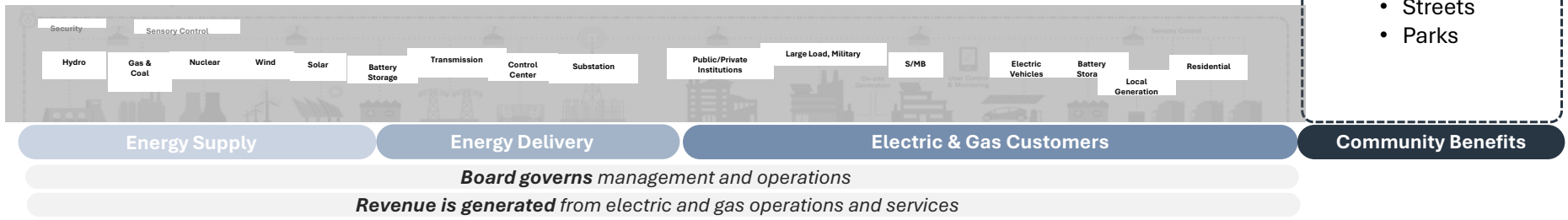
- Local control**
Transparent and accountable to our community
- Reliability**
Top-quartile reliability inclusive of major events* and \$60.4M in resiliency investments
- Customer service**
Increased ACSI customer satisfaction score by 8% in 2023, and 7% in 2024
- Community impact**
Strive to connect with our customers equitably and in the way they prefer
- Delivering on CAAP**
Netzero by 2050 target

\$9.1B to the City since 1942

\$450M contributed in FY 2024

1/3 of City General Fund

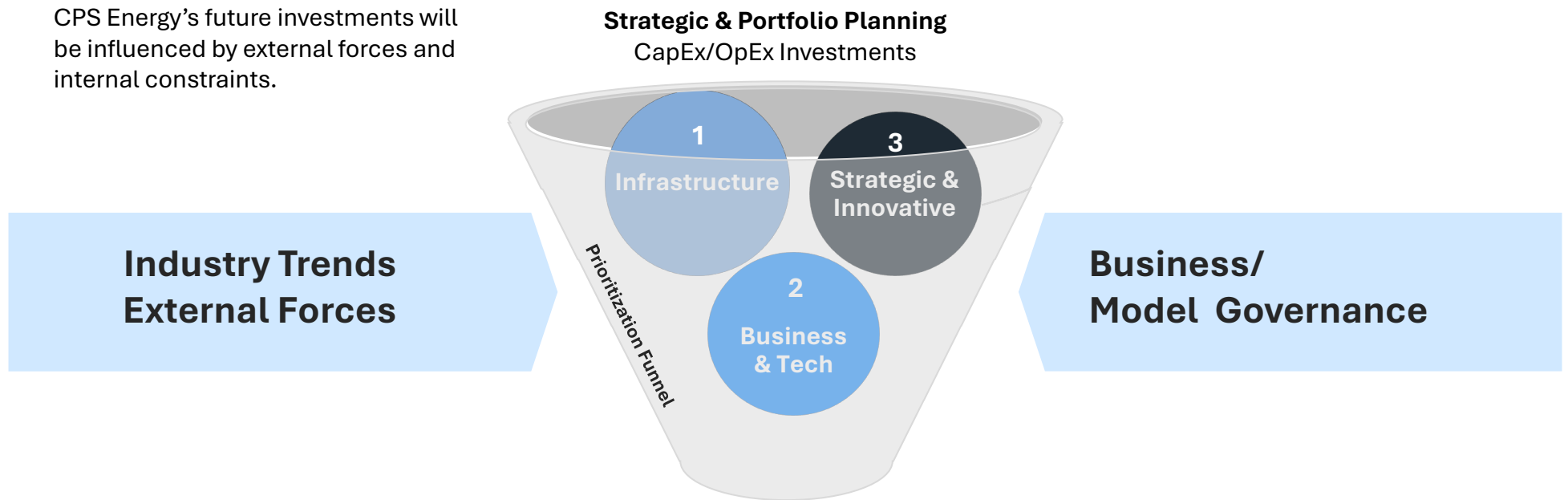
- Police & fire
- Infrastructure
- Libraries
- Streets
- Parks



Strategic Implications

Strategic planning portfolio drivers

CPS Energy's future investments will be influenced by external forces and internal constraints.



How can we most effectively leverage our intrinsic structure to best serve our customers and operate the electric grid, achieve net zero by 2050, and do so as innovatively and cost-effectively as possible?

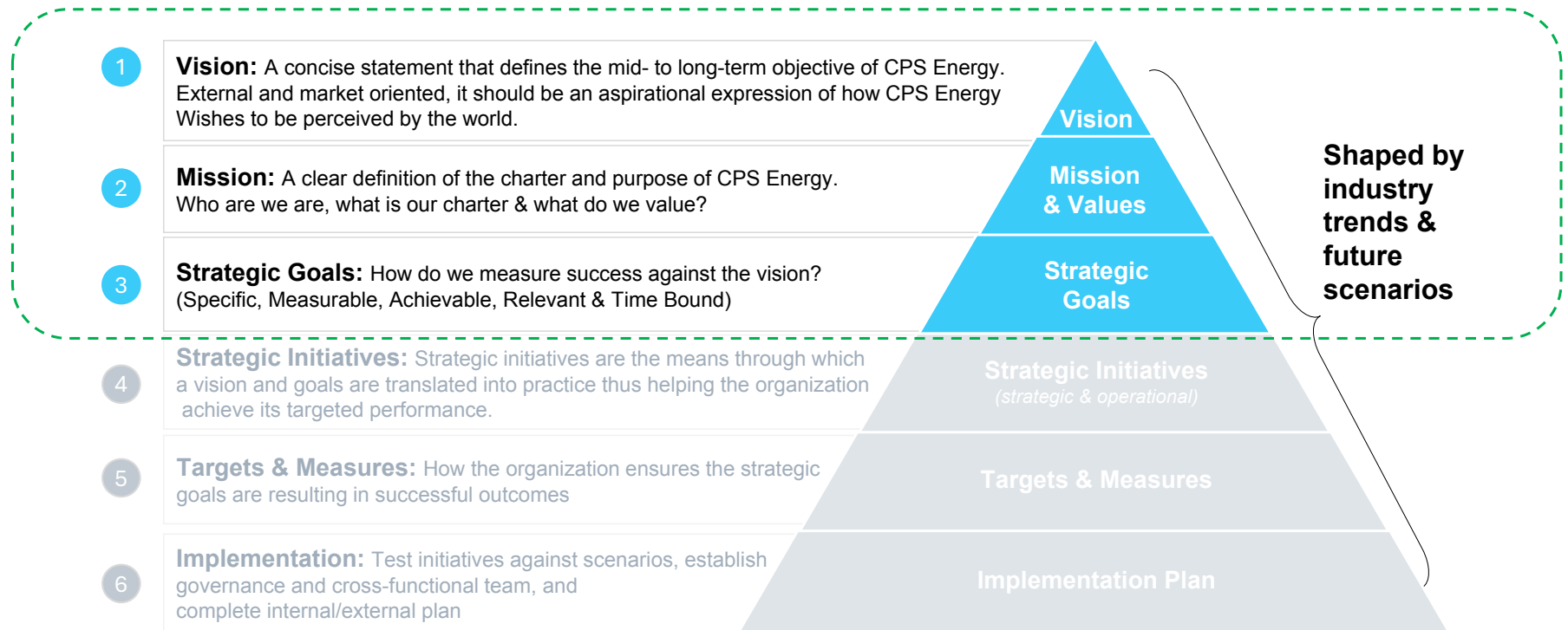


03

Strategic Framework

Today's Focus

Vision, Mission, and Strategic Goals



FIVE COMPONENTS OF THE STRATEGIC PLAN

We are approaching 2050 planning in three steps

Key questions we are answering throughout this process are...

Step 1

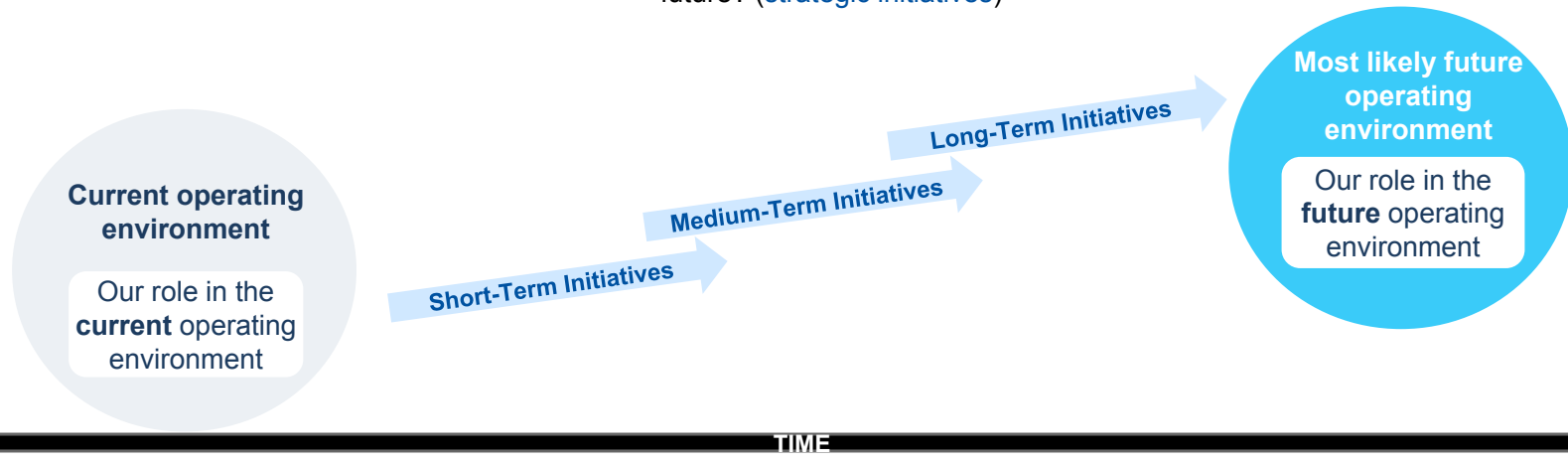
- What is the Current state and industry trends?
- Agree on our business purpose (**mission**)

Step 3

- How do we achieve our desired future-state developed in Step 2?
- What does CPS Energy’s business need to do to operate effectively in the future? (**strategic initiatives**)

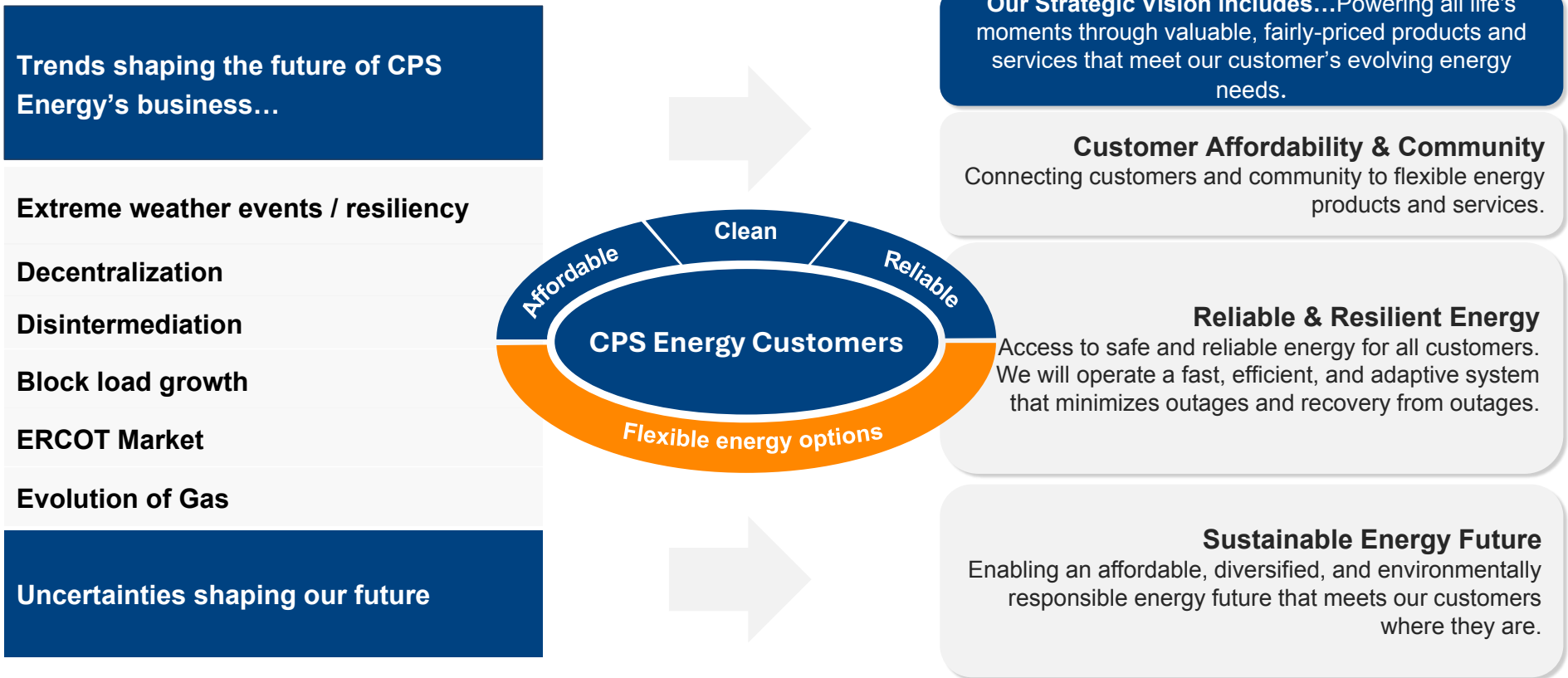
Step 2

- What is the most likely future-state operating environment?
- What does CPS Energy want to be known for? (**vision**)
- Measure success (**goals and targets**)



STRATEGIC FOCUS

VISION, MISSION, AND STRATEGIC GOALS





HORIZON 2050

STRATEGIC FRAMEWORK

TOMORROW
ETERNALLY
GUIDING

VISION

A COMMUNITY *EMPOWERED* FOR GENERATIONS

TODAY
ALWAYS
"ON"

MISSION

TO *POWER* OUR COMMUNITY WITH
RELIABLE, SUSTAINABLE ENERGY AT A *COMPETITIVE PRICE*.

DRIVING
OUR
MISSION
FORWARD

GOALS

EXTERNAL

RELIABILITY	SUSTAINABILITY	COMPETITIVE PRICE
CREATE A FASTER AND MORE EFFICIENT SYSTEM TO RESPOND TO DEMAND	DIVERSIFY OUR ENERGY RESOURCES TO PROVIDE CLEANER ENERGY TO ALL	OFFER MORE AFFORDABLE ENERGY VS. SIMILAR CITIES ACHIEVE TOP CUSTOMER SATISFACTION RATINGS

INTERNAL

FINANCIAL RESILIENCY	TEAM/BUSINESS EXCELLENCE
STAY RESILIENT AND COMPETITIVELY-PRICED FOR OUR COMMUNITY PRIDE OURSELVES ON BEING GOOD STEWARDS OF OUR COMMUNITY'S INVESTMENT IN ENERGY	INVEST IN AND BELIEVE IN ALL TEAM MEMBERS, EVERY DAY OPTIMIZE LEARNING, SYSTEMS, TECHNOLOGY AND TOOLS TO MAKE OUR WORK REWARDING FOR ALL



HORIZON 2050 FEEDBACK

VISION AND MISSION

REFLECTION QUESTIONS



Vision

A COMMUNITY **EMPOWERED** FOR GENERATIONS

Mission

TO **POWER** OUR COMMUNITY WITH
RELIABLE, SUSTAINABLE ENERGY AT A **COMPETITIVE PRICE.**

1. Key focus areas for the next 25 years
2. Emerging community needs and expectations over the next 25 years

GOALS

REFLECTION QUESTIONS



Goals

RELIABILITY
SUSTAINABILITY
COMPETITIVE PRICE
FINANCIAL RESILIENCY
TEAM/BUSINESS EXCELLENCE

- 1. Appropriate goals to meet the challenges of the next 25 years**
- 2. Additional goals to consider**



NEXT STEPS

- Phase 3
 - Full Community, Employee, and Stakeholder Engagement
 - Strategic Initiatives, Measures, and Targets Refinement
 - Business Case Development
 - Strategic Plan Development
 - Board Resolution

Goal: Alignment on our long-term strategic direction.



THANK YOU



APPENDIX

GLOSSARY / DEFINITIONS



ACRONYM OR WORD	DEFINITION	ACRONYM OR WORD	DEFINITION
ACSI	American Customer Satisfaction Index	DER	Distributed Energy Resource
ADMS	Advanced Distribution Monitoring System	DERMS	Distributed Energy Resources Management System
AESO	Alberta Electric System Operator	DOE	United States Department of Energy
AI	Artificial Intelligence	DTE	Detroit Edison Energy
A&F	Audit and Finance Committee	ERCOT	Electric Reliability Council of Texas - operates the electric grid and manages the deregulated market for 75 percent of the state of Texas.
BCH	British Columbia Hydro	EV	Electric Vehicle
BoT	Board of Trustee	FERC	United States Federal Regulatory Commission
BTM	Behind the Meter	FPL	Florida Power & Light
C&I	Commercial and Industrial	FRCC	Florida Reliability Coordinating Council
CAAP	Climate Action and Adaptation Plan	FY	Fiscal Year
CapEx	Capital Expenditure	GRC	General Rate Case
ComEd	Commonwealth Edison	HECO	Hawaiian Electric Company
CoSA	City of San Antonio	IRPs	Integrated Resource Plans
DEI	Diversity, Equity, and Inclusion	ISONE	Independent System Operator New England

GLOSSARY / DEFINITIONS



ACRONYM OR WORD	DEFINITION	ACRONYM OR WORD	DEFINITION
IT	Information Technology	PhD	Doctor of Philosophy
kWh	Kilowatt-hour	PJM	Pennsylvania, New Jersey, Maryland RTO
LMI	Low to Moderate Income	PUCT	Public Utilities Commission of Texas
M&A	Mergers and Acquisitions	RISE	Racial Inclusion and Social Equity
MED	Minutes of Equivalent Downtime	ROI	Return on Investment
MISO	Midcontinent Independent System Operator	RTO	Regional Transmission Organization
MUC	Municipal Utilities Committee	SAIFI	System Average Interruption Frequency Index
NBPC	New Brunswick Power Corporation	SAPP	Strategic Alignment Planning and Performance
NYISO	New York Independent System Operator	SCE	Southern California Edison
NYPA	New York Power Authority	SEPA	Smart Electric Power Alliance
ONT	Ontario	SLT	Senior Leadership Team
OOCC	Operation Oversight Committee	SOCO	Southern Company
OpEX	Operational Expenditure	SPARKS	Strategic Planning and Resource Knowledge Summit
PG&E	Pacific Gas & Electric	SPC	Saskatchewan Power Corporation

GLOSSARY / DEFINITIONS



ACRONYM OR WORD	DEFINITION	ACRONYM OR WORD	DEFINITION
SPP	Southwest Power Pool	VACS	Virginia-Carolina Area Reliability Council - South
STEP	Sustainable Tomorrow Energy Plan	V2G	Vehicle to Grid
T&D	Transmission & Distribution	VPP	Virtual Power Plant
TE	TransÉnergie	WEEC	Western Electricity Coordinating Council
TRRC	Texas Railroad Commission	Xcel	Public Service of Colorado
TVA	Tennessee Valley Authority		

GOAL DEFINITIONS



GOAL	DEFINITION
Reliability	Provide access to resilient energy systems, with an emphasis on rapid response and recovery. Maintain a fast and efficient system capable of responding while continuously adapting to evolving customer demands and grid needs.
Sustainability	Balance environmental, economic, and social dimensions to create a resilient, future-ready utility that delivers reliable energy services while minimizing outages and/or recovery time from outages.
Competitive Price	Provide adaptive energy products and services that balance customer value, community needs, and maintainable growth.
Financial Resiliency	Safeguard community investments through flexible, strategic, and prudent financial planning for the benefit of our customers.
Team/Business Excellence	Leverage technology and data to develop and sustain a flexible workforce that works together to design and deliver the services our customers value.

WE ARE SUCCESSFULLY IMPLEMENTING VISION 2027



Mission		Strategic Objectives	
To serve our community through reliable, competitively priced, and sustainable energy services in an equitable manner.		Operational Evolution	
		Financial Stability	
Core Values		Customer Experience	
Safety & Wellbeing	Accountability	Team Culture	
Transparency	Integrity	Community Partnership & Growth	
One Team	Excellence		
Metrics			
Operational Excellence	Financial Performance	Customer Experience	Employee Engagement & Recruitment

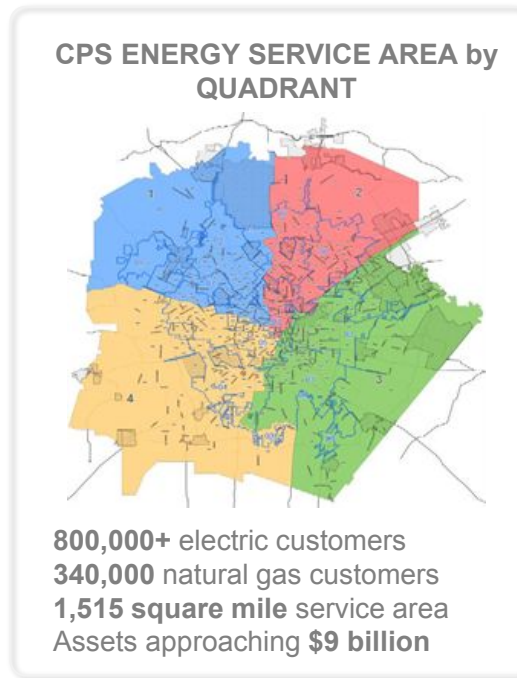


CPS Energy's mandate to serve

Community-owned, locally controlled and operated on a not-for-profit basis

History and Governance

- Acquired by CoSA in 1942 for **\$34 million**
- Largest municipally owned electric and gas utility in the U.S.
- Bond Ordinances adopted by **City Council** vests management and control to the **Board of Trustees**
- Return up to 14% of gross revenue to CoSA

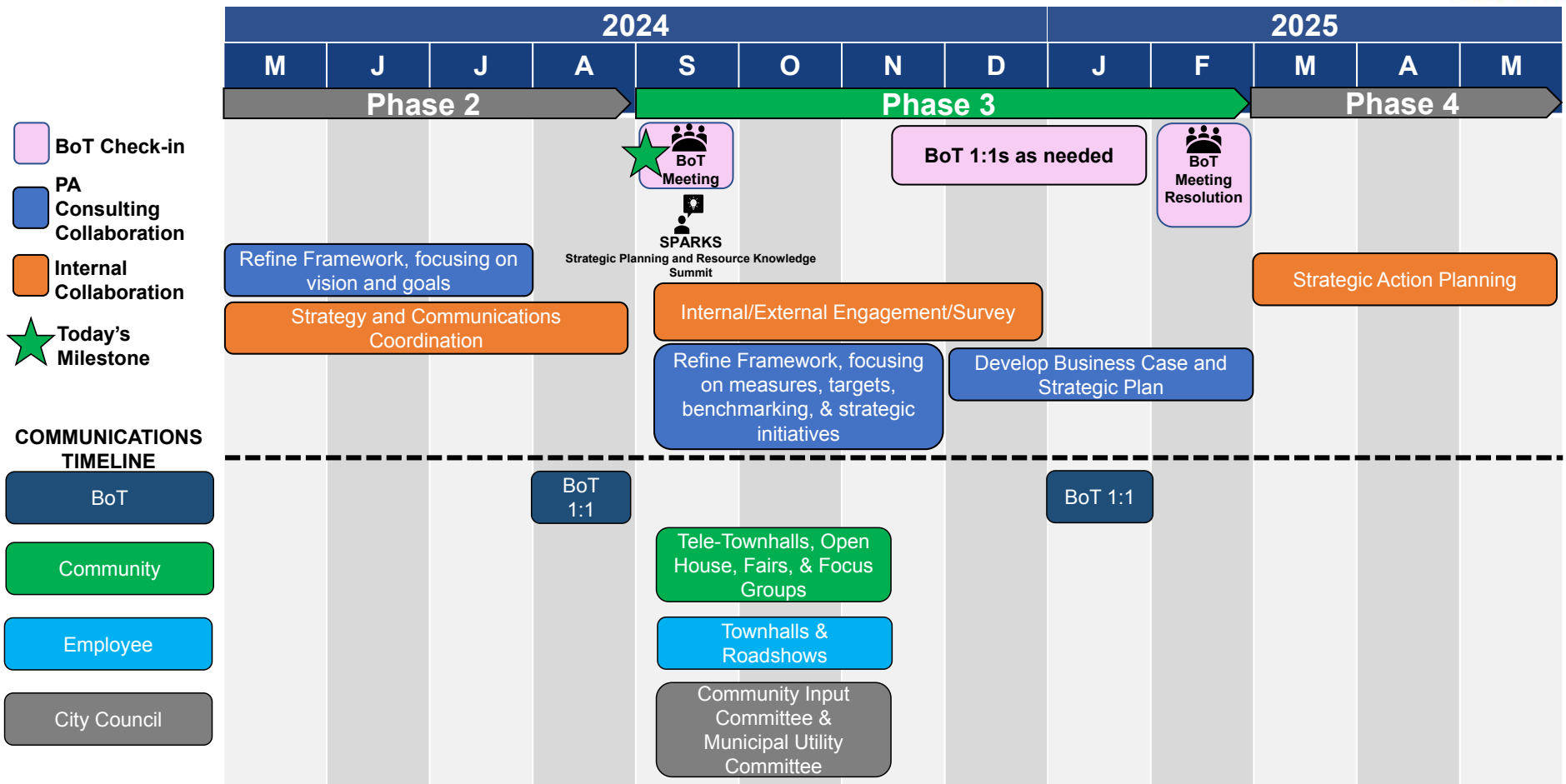


Operations

Fully integrated electric and gas utility

- Owned generation and procure long-term power contracts
- Wholesale power purchase and sales
- Owned and operated grid infrastructure
- Exclusive provider of retail electric service and supplier of natural gas

STRATEGIC PLAN ROADMAP



COMMUNICATIONS STRATEGIC TACTICS

AWARENESS, ENGAGEMENT, AND FEEDBACK



Internal Employee Communication

- AUG. 27** – Company-wide Town Hall
- SEPT. 17** – Newsletter & Survey Launch
- SEPT. 17 – NOV. 15** – 2050 Feedback Road Show (25 Sessions)



Senior Leadership Team Strategic Discussions

External Community, Partners, and Stakeholders

- SEPT. 17** – Public Informational Toolkit & Survey (English/Spanish)
- SEPT. 24** – CPS Energy Tele Town Hall (7:00 p.m. - 8:00 p.m.)
- OCT. 16** – Key Accounts Managed Presentation (10:30 a.m. – 11:30 a.m.)
- OCT. 3** – CPS Energy Open House (9:30 a.m. - 11:30 a.m. and 5:30 p.m. - 7:30 p.m.)
- OCT. 28** – CPS Energy Board of Trustees Public Input Session (5:30 p.m.)
- SEP. – NOV.** – Focus Groups (English/Spanish) and Community Fairs



Promote public input opportunities through all channels and cpsenergy.com/publicinput

Marley Urdanick

Utility Strategy Expert

Marley has over ten years of experience in the electric and gas utility industry with experience in corporate strategy, grid modernization, and technology transformation. She has worked to develop transformational strategies from design to implementation for large generation, distribution, and transmission utilities. Marley has extensive experience helping utilities build business cases for capital and O&M investments, as well as project management, and program design. Marley holds a BS from Binghamton University and a master's degree from Yale.

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Doug McMahon

Utility Strategy & Beneficial Electrification Expert

Doug brings 20 years' experience solving complex energy transition problems across the electricity generation, transmission and distribution system, and returns to PA after time working as a senior executive at two large electric & gas utilities in the US. These experiences have enabled Doug to develop unique perspectives on the changes that are taking place across the electricity grid as well as a set of practical, commercialization and implementation focused skills that he been putting to use to help utilities, investors, large load customers and new energy market entrants navigate the opportunities and challenges of the energy transition.

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Dave Cherney, PhD

Regulatory and Policy Expert

Dave is an energy transition leader specializing in utility strategy, regulatory engagement, and infrastructure M&A. He has successfully guided and supported clients through multiple strategic planning endeavours, developed market entry strategies for emerging energy technologies, as well as helped current generation owners identify and mitigate risks to maximize returns for legacy energy infrastructure. David regularly presents before various Boards, CEOs, CFOs, and executive management teams, as well as communicates his client's interests before regulators and stakeholders. He holds a Ph.D. from the University of Colorado-Boulder, a master's degree from Yale University, and a B.A. from Claremont McKenna College.

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PA by the numbers

We are more than

3,800

experts working from offices across the US, UK, Ireland, Netherlands, and Nordics.

In 2022, we generated

\$970m

in fee income and saw

14%

fee income growth year-on-year, representing

96%

fee income growth in five years.

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Working in global teams across seven sectors



Energy and Utilities



Government and Public Services



Defense and Security



Health and Life Sciences



Consumer and Manufacturing



Transport



Financial Services

Our team works in several locations in North America

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