



Vision 2020 Plan

Board of Trustees Forward
May 10, 2010

Sustainable Growth Office



Board of Trustees Sustainable Energy Policy Directive

One of the Board's major responsibilities is: "To ensure the future viability and prosperity of CPS Energy"

In June 2003, the Board adopted a four-pronged approach to meeting Greater San Antonio's future energy needs:

- Vigorously pursuing energy efficiency/conservation
- Significantly increasing the supply of renewable energy
- Maintaining the company's environmental commitment
- Continuing to supply reliable, cost-competitive electricity

In January 2009, CPS Energy Board of Trustees issued a Sustainable Energy Policy Statement to set a course toward a distributed generation and sustainable energy model

Vision 2020 Framework



- CPS Energy will uphold its commitments to environmental responsibility, social equity and economic viability – and still provide reliable, competitively priced energy, today and tomorrow
- To be sustainable, CPS Energy has to balance its financial viability, environmental commitments and social responsibility as a community-owned provider



Vision 2020 Process

- Identify the strategic direction of the company
- Understand changes in the industry and the external environment
- Understand our market and the changes taking place
- Establish the key drivers affecting the change in our business
- Understand the status of each driver in 2020
- Set targets to ensure CPS Energy achieves the vision



Vision 2020 Major Areas of Focus

1. Customer Relationships

2. Employee Relationships

3. External Stakeholder Relationships

4. Operational Excellence

5. Carbon Constraints and the Environment

6. Technology and Innovation

7. Financial Integrity



What CPS Energy Looks like by 2020

By 2020, CPS Energy will have achieved:

- Consistently rank in Top 5 nationally JD Power & Associates for gas and electric customer satisfaction
- 15% participating in Windricity and Solartricity offerings
- Over 100,000 customers actively managing energy use through AMI and Home Area Network related products
- Residential rates remain below Texas competitive markets

- Community peak demand lower by 771MW through STEP
- 1500MW or ~20% of our total generation capacity
- Low carbon emission baseload power generation
- Improved reliability and responsiveness to customer service needs

- Employee satisfaction reaching 90% levels
- Continuous improvement culture, training for the future
- Transparent communications at all levels and across all levels



Expanded Vision 2020 Goals

CPS Energy has the largest wind energy portfolio among municipally owned utilities and is number one TX solar utility

| Vision 2020 Goal | Achievement to Date |
|---|--|
| 1500 MW of Renewable Energy in our generation | 910 MW of renewables under contract (94% of this is TX wind) |
| (100 MW nonwind carve out) | 41 MW under contract for solar farms. 9.6MW Landfill to Gas; 5 MW Solartricity Producer Program. |
| 771 MW of Energy Efficiency STEP program | 142 MWs overall reduction, 61MWs peak demand reduction (first 2 years). |
| AMI and Smart Grid roll-out | 40,000 meter 2yr pilot with SA wide roll-out following |



1. Customer Relationships

CPS Energy is committed to the people, businesses, and communities we serve. We are focused on exceptional service. We develop, market, and sell energy and related products and services.

| Vision 2020 Goal | FY2011 Targets | FY2012 Targets |
|--------------------------------|---|--|
| Customer Satisfaction* | Market Strategies Intl. - Overall Satisfaction 75 | Market Strategies Intl. -Controlling Rates 75 -Overall Satisfaction 77 |
| Renewable Energy Participation | 200M kwh sales or ~1% of our load signed up by 10,000 Windtricity customers | 400M kwh sales or ~2% of our load signed up by Windtricity or Solartricity |
| Energy Efficiency | Additional 45MW of reduction through STEP | Additional 57.5MW of reduction through STEP |
| Smart Grid Products | 10,000 home pilot with energy management portal | 30,000 home pilot with energy management portal |

* Customer Satisfaction also includes external measurement by J.D. Power & Assoc.



2. Employee Relationships

CPS Energy is committed to creating a workplace that is productive, purpose-driven, empowering, and rewarding for all employees. Clear accountabilities & lines of authority will be the core leadership framework.

| Vision 2020 Goal | FY2011 Targets | FY2012 Targets |
|--|---|--|
| Employee Satisfaction Survey | New Metric and baseline will be established after 1 st survey administered | Engagement, satisfaction and core values trend showing marked survey improvement |
| Succession Planning | Cascade to L3 and L2 levels, bench strength | Comprehensive workforce plan for all levels |
| 1 st Principles of Leadership | L4 and L3 executives trained | Cascade to L2 and L1 management levels |
| Organizational Design | Adjustments to current organizational structure | Organizational effectiveness and review |



3. External Stakeholder Relationships

CPS Energy is committed to having a trust-based, open communications relationship with our external stakeholders including our customers, employees, City of San Antonio, and Bexar County. The foundation of this will be driven by a transparent and open culture at CPS Energy.

| Vision 2020 Goal | FY2011 Targets | FY2012 Targets |
|---|--|--|
| Establish effective communications with our owner | Bi-monthly reports to City Council; regular meetings with City Staff | Add monthly meetings in different Council districts |
| Establish effective channels for community input | Complete communications strategy; conduct quarterly meetings with stakeholders | Set up pilots on social media and TVSA; expand role of CAC |
| Expand communications internally | Monthly executive meetings on key business issues | Quarterly management forums on key issues |
| Engage leadership in stakeholder communications | Engage SDT members in delivering communications to the community | Engage Board members in delivering communications to the community |



4. Operational Excellence

CPS Energy is a provider of highly reliable, competitively priced energy to our customers. This commitment requires efficient management, maintenance, and modernization of an expanding grid and generation assets to meet environmental requirements and serve a growing community.

| Vision 2020 Goal | FY2011 Targets | FY2012 Targets |
|---|---|---|
| Supporting customer and system growth | Infrastructure to grow the electric customer base by 2.9% and the gas customer base by 1.6% | Infrastructure to grow the electric customer base by 2.0% and the gas customer base by 1.0% |
| Improve system reliability | Maintain position in SAIDI and SAIFI performance, no lower than 2 nd quartile, with continuous improvement trend | Maintain position in SAIDI and SAIFI performance, no lower than 2 nd quartile, with continuous improvement trend |
| Infrastructure modernization | Replace and/or refurbish the infrastructure to support system reliability and functionality | Replace and/or refurbish the infrastructure to support system reliability and functionality |
| Meet civic improvement requirements | Coordinate with City, County and TxDOT to effectively manage road improvements | Coordinate with City, County and TxDOT to effectively manage road improvements |
| Maintain environmental performance | No violations from environmental reviews | No violations from environmental reviews |
| Successfully meet compliance requirements | Maintain NERC compliance; implement the Nodal market | Maintain NERC compliance, including additional requirements |



5. Carbon Constraints and the Environment

CPS Energy is committed to be a sustainable energy provider for the community, bringing competitively priced, reliable power to our customers. We will work with the City of San Antonio in support of Mission Verde and other significant community initiatives.

| Vision 2020 Goal | FY2011 Targets | FY2012 Targets |
|-----------------------------------|--|---|
| Renewable Energy | 14MW Blue Wing Solar, 150MW Cedro Hill Wind completed; Contract for ~20MW Solar; explore ownership | 27MW Solar 1 project completed; implementation of ~20 MW solar; explore ownership |
| Link to Mission Verde | Develop plan to integrate with Mission Verde | Integration with applicable community initiatives started |
| Sustainability Report & Scorecard | 1st CPS Energy Sustainability report; communicate to stakeholders | Review and monitor progress |
| Environmental/Regulatory | Explore alternate options including early CCS; legislative strategy review completed | SCR for Deely 2 on-line; Contract for scrubbers at Deely 1&2 |



6. Technology and Innovation

CPS Energy will be a leader in testing and incorporating technologies that bring value to our customers and in the greater San Antonio region. We will partner with key stakeholders in our community to achieve our long-term goals.

| Vision 2020 Goal | FY2011 Targets | FY2012 Targets |
|---------------------------------|--|---|
| Implement AMI/HAN pilot program | Implement 10,000 AMI meters and 625 home devices to customers | Evaluate performance of installed HAN; explore expansion; 30,000 AMI meters |
| Explore new renewable sources | Secure 5MW from Solartricity Producer Program | Expand Solartricity Producer Program to another 5MW |
| Distributed Generation | Develop the Distributed Generation roadmap for SDT and Board approval | Implement Distributed Generation roadmap |
| New technologies and services | Pilot studies for EE customer engagement, renewables performance, smart grid, and electric transportation, storage | Complete pilots and develop product and service delivery plans. |



7. Financial Integrity

CPS Energy will remain an industry leader in financial performance, create value for our owner and provide our customers with reliable, low-cost energy. In supporting our rate strategy, we will increase discipline and rigor in our planning and execution.

| Vision 2020 Goal | FY2011 Targets | FY2012 Targets |
|-----------------------------------|---|--|
| Improve financial processes | Revise and enhance financial processes | Complete next phase of Financial Transformation, complete development of management reports |
| Maintain our credit ratings | Retain current high ratings | Maintain ratings |
| Support the rate processes | Gain approval for FY2011 gas & electric rate adjustments | Design pricing program that supports sustainability goals |
| Maintain strong financial metrics | Debt Service Coverage = 1.43 Debt to Total Capitalization = 61%; Annual additional R&R contribution = \$43.1M | Debt Service Coverage = 1.41; Debt to Total Capitalization = 61%; Annual additional R&R contribution = \$39.5M (subject to change) |



Process Moving Forward

- Obtain Board guidance and input at the Board Forward May 10-11, 2010
- Incorporate the budget process into the model in May 2010
- Incorporate annual targets and budgets into organizational business plans in June 2010
- Conduct quarterly reviews to ensure targets remain on track, and changes in the business environment are addressed in plans