A letter from our President & CEO

Every day I have the privilege of working alongside a company of energy experts who do everything they can to help power our community. We work tirelessly to provide safe, reliable, and affordable natural gas and electricity, so you don’t have to think about it. I can say on behalf of our more than 3,000 CPS Energy employees that we take great pride in the roles we play in your lives and this community.

The true power of our community is you — the entrepreneur, the student, the small business owner, the young family focused on a bright future — our customers, our partners. When we provide power, you can focus on your family’s future, innovate as a business owner, or further your education. Our partnership with you doesn’t end there.

Game-changing energy technologies are on the horizon. We want to help you understand those changes, so you can help us make the right decisions. We know that you care about where your energy comes from and your interest will help guide us to the exciting future of energy, because these are your assets. CPS Energy is your utility.

This past year we embarked on listening sessions with our Board of Trustees to share our Flexible Path and gather your input, so we can collaborate with you to map out our energy future. We plan for this future with today’s information and tomorrow’s innovation. Our path forward must allow us the flexibility to integrate new technologies as they become available, affordable, and worthwhile investments for our community.

As we’ve studied these evolving technologies and collaborated with you, we are confident that our future is in diverse power sources and energy storage, and that is a huge part of our Flexible Path. That’s why we partner with New Energy Economy companies to provide rebates, products, and services to you for adopting solar and other renewable energy sources at home and at work. It’s also why, in 2018, we started building a solar energy and battery storage facility in partnership with Southwest Research Institute and with financial support from the Texas Commission on Environmental Quality. It’s also why we continue to work with EPicenter, San Antonio’s energy innovation hub, to incubate and grow startup companies that will help us provide reliable, clean energy for you.

These are the partnerships that put you at the forefront of driving change in the global energy industry.

While our Board of Trustees sets our policies and works with me to oversee business operations, we seek counsel on those policies and operations through customers like you who serve on our 15-member Citizens Advisory Committee (CAC). The CAC provides yet another conduit for us to listen to and do right by you.

As you explore our partnerships and the collaborations we’ve formed in this annual report, I want you to think about your energy future and how we can continue to work together. Partnerships across our community and the industry are important to our future.

After all, you are the source of CPS Energy’s Power to Dream.

Paula
Paula Gold-Williams
President & CEO

Keep up to date on CPS Energy News and read my CEO Newsletter. Subscribe at newsroom.cpsenergy.com.
CUSTOMERS

Knowing what our customers care about inspires us to make a difference every day. For some, that means supporting the efforts to lowering their impact on the environment, reducing their utility bill, or both. That’s something we can do together.

RESIDENTIAL SOLAR

Chris Velasquez is excited to be part of the growing number of customers in our community putting solar on their rooftops. Chris had been a big fan of renewable energy for quite some time, but he wasn’t sure about the cost. After researching the pros and cons for about three years and learning more about our solar rebate program, he decided to go solar.

Seeing the 22 solar panels installed on his rooftop in December was a dream come true. Chris says he noticed right away that his home felt cooler with the panels shading his roof from direct sunlight. The renewable energy powering his home has helped lower his bills. He’s using the savings to pay off the panels.

“It will take about 15 years to pay off the panels, but I see it as an investment,” said Chris. “It’s like buying your own home instead of renting. I can use the savings I get on my monthly energy bill to pay off the panels and build equity in my home.”

San Antonio was in the top 10 in the nation for solar capacity and first in Texas, according to Environment Texas Research and Policy Center’s 2018 and 2019 Shining Cities Reports.

“Each year we harness more and more of the enormous solar energy potential in Texas,” said Emma Pabst, Clean Energy Associate of Environment Texas. “We still have a long way to go, but leaders like San Antonio and CPS Energy are taking the steps necessary to power more homes, schools and businesses with clean energy from the sun.”

“It is important that the entire San Antonio community work together to keep this city we call home a great place to live for generations to come,” said Councilwoman Shirley Gonzales. “I am beyond proud to be talking about San Antonio’s leadership in clean energy on a global, national, and state level.”

RESIDENTIAL SOLAR CUSTOMERS

<table>
<thead>
<tr>
<th>Type</th>
<th>Number</th>
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<tbody>
<tr>
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<td>Community Solar</td>
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</tr>
<tr>
<td>Solar Host</td>
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</tbody>
</table>

CPS Energy Customer Chris Velasquez thanks Rene Rodriguez, Engineering Specialist, for his advice on rooftop solar panels. Chris is one of our many enthusiastic customers who has taken advantage of our rebate programs to tap into solar.
SERVING CUSTOMERS

When a neighbor is out of town, you keep an eye on their house. If a neighbor borrows your lawn mower, you expect it returned. It’s what good neighbors do.

It’s the same at work. When someone reports a problem, you help find a solution. When someone shows you a better way, you pass it along to other people.

Serving customers is a people business. It’s our business to serve our customers – to serve you.

When a neighbor is out of town, you keep an eye on their house. If a neighbor borrows your lawn mower, you expect it returned. It’s what good neighbors do.

It’s the same at work. When someone reports a problem, you help find a solution. When someone shows you a better way, you pass it along to other people.

You wanted it to be easier to reach someone in our offices, so we simplified our phone systems and made it easier for you to get in touch with us.

We’re listening and trying new things. We’re here for you.

EA LIVE CHAT PILOT

In January, we launched our Energy Advisor Live Chat (EA Live Chat) pilot at our Northside Customer Service Walk-in Center (NSCSC). EA Live Chat allows our customers to have virtual face-to-face interactions with our Energy Advisors. Customers still receive the great service they know and expect using video chat technology. Unlike most chat functions, EA Live Chat uses face-to-face video. A representative is available to assist customers with the tool. You can video chat in either English or Spanish. EA Live Chat will reduce the time customers wait to interact with an Energy Advisor by making a larger pool of our experts available across our multiple locations, and you can actually see who you are talking to!

WE’RE ANSWERING MORE CALLS FASTER TO SAVE TIME AND SERVE YOU BETTER.

88% → 91%

91% OF CALLS ARE ANSWERED BY A PERSON WITHIN 30 SECONDS

AVERAGE SPEED OF ANSWER

12 SEC.

DOWN FROM 23 SECONDS

SIMPLY SAVING ENERGY

Our Simple Summer Savings campaign helped our community understand the importance of conservation and helped our customers use energy efficiently. The campaign used clever word plays on summer sayings, such as “This Summer — Take Time to Unplug.”

We hosted more than 1,600 neighbors at 12 Simple Summer Savings customer events. The events were held in key locations in San Antonio, 10 City Council districts, as well as in several of our suburban cities. We hosted another series of events during the fall, bringing our total to 3,600 neighbors hosted throughout the year.

Demand response is a customer voluntarily reducing their energy use to help when the power grid is experiencing high demand. Participants receive a rebate for reducing use when we send them a notification.

Your participation in our demand response and energy efficiency rebate programs reduces energy usage, reduces greenhouse gas emissions, and puts dollars back into your pocket.

Who doesn’t like getting a big check? The longest tenured school district in our Commercial & Industrial Demand Response program, Judson Independent School District (JISD), pictured below, has earned more than $1.3 million in incentive payments since 2013.

“Demand response is a customer voluntarily reducing their energy use to help when the power grid is experiencing high demand. Participants receive a rebate for reducing use when we send them a notification. Your participation in our demand response and energy efficiency rebate programs reduces energy usage, reduces greenhouse gas emissions, and puts dollars back into your pocket. Who doesn’t like getting a big check? The longest tenured school district in our Commercial & Industrial Demand Response program, Judson Independent School District (JISD), pictured below, has earned more than $1.3 million in incentive payments since 2013. “This is our sixth year participating in CPS Energy’s Demand Response Program,” said JISD District Energy Manager David Oehler. “By participating in the program, we receive year-end incentives and rebates that save thousands on energy costs, allowing more funds to be invested into resources for students.”

Our demand response programs are an integral part of our Save for Tomorrow Energy Plan (STEP). STEP is on track to reduce the growth in our community’s demand for electricity by 771 megawatts (MW) by 2020 – that equals the output of a large power plant, and improves air quality in the San Antonio area.

SUCCEEDING WITH ENERGY EFFICIENCY

$5.12M

Demand Response Payments

225MW

SAVED

3,608

Homes Weatherized

15MW

SAVED

Olivia Gomez, Analyst General Business, shares information about our solar programs.
WE’RE MOVING FORWARD TO POWER OUR FUTURE. WE NEED TO BE FLEXIBLE. WE NEED INPUT. WE’LL DO IT TOGETHER.

**CPS ENERGY’S FLEXIBLE PATH**

We’re optimizing the best of what we have today, and are developing the things we need for tomorrow. It’s part managing current assets, and part tapping into emerging technologies. Sometimes, the innovations aren’t physical plant or digital connections, but are achieved through partnerships.

“It’s not a plan that we have; it’s a path because we are going to make updates with your input and the changing of technology,” President & CEO Paula Gold-Williams told an audience at our second public input session on Nov. 27. “We want to make sure that we are paying attention. We listen to you and make sure that all of our activities are focused on this community.”

The path vs. plan approach is based on an understanding that we need to stay flexible to continuously meet the needs of our community and how we use our assets.

The Flexible Path approach enables us to integrate new and emerging technologies into our generation portfolio, like battery storage and electric vehicles. We’ll continue to expand our solar and wind resources, add more programs and services, as well as energy efficiency and demand response.

Last year, we took an important step and closed our coal-fired plants, Deely Units 1 & 2. Reducing our fossil generation will make way for an ultimately more effective, cleaner, and brighter future. We are responsibly managing a diverse energy portfolio.

Flexible Path makes us more... well, flexible. We’re always mindful of how energy generation impacts the lives and health of the people in our community. Your thoughts on driving better energy solutions, while ensuring affordability and reliability of these solutions, are important to us.

**It’s the way forward:** Strategic and operational flexibility allows us to remain successful as we move into the future.

- A diverse generation portfolio provides value and reliability to our customers.
- Our focus on the environment and improving air quality for our community remains top priority.

**SOLAR ENERGY PLUS BATTERY STORAGE**

Partnering with Southwest Research Institute (SwRI), we broke ground on a $16.3 million solar energy and battery storage project. This innovative venture can transition from being a 5 MW system with a 2-hour battery duration to being a 10 MW, 1-hour duration system. It’s a major step towards producing emissions-free clean energy, storing it, and then using it later when our customers need this power most.

What we learn from this project will lead us further along our Flexible Path of future energy solutions.

While keeping the lights on today, we’re imagining and test-driving all the possibilities for the future.

<table>
<thead>
<tr>
<th>Storage/Technology</th>
<th>Flexible Generation</th>
<th>Renewables</th>
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<td>2010</td>
<td>2018</td>
<td>2040 Flexible Path</td>
<td></td>
<td></td>
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</tbody>
</table>

**INCREASE IN RENEWABLES GENERATION AND DECREASES IN COAL AND GAS**

We engaged our community in learning about our Flexible Path at more than 40 presentations in 2018.
An Integrated Underground Construction & Maintenance Crew working safely.

Once the equipment was in place, other crews used a 140-ton crane to safely move the 27,000-pound transformers into the vault at Frost.

Splicers spent several weeks bending, punching, and assembling equipment in our shop before installing it in the tower.

One crew built an important piece of the tower’s utility equipment from scratch. The custom-built equipment works like a power strip and contains a series of conductors that are connected to a main line. It is designed to allow for easy access to the various systems within the tower.

The tower itself is a marvel of engineering, standing 400 feet tall and weighing over 1,000,000 pounds. It is home to a 17-story hotel, a rooftop restaurant, and a 500-seat theater.

Employees

Nobody rolls out of bed each day to enter data, connect a wire, or climb into a bucket truck unless that work means something to somebody. No, people don’t roll out of bed for a job. They do it because they are passionate about what they do and they enjoy making a positive impact on the community. They do it because they put People First!

We have a great team of highly skilled workers who love what they do,” said Patrick Treviño, Director of Integrated Underground Construction & Maintenance team, as he spoke about our crews working on the Frost Tower project in downtown San Antonio. Dozens of CPS Energy employees from various departments worked together to complete the 14-week project.

One crew built an important piece of the tower’s utility equipment from scratch. The custom-built equipment works like a power strip and contains a series of conductors that deliver electricity from the transformers. A team of Cable Splicers spent several weeks bending, punching, and assembling equipment in our shop before installing it in the vault at Frost.

Once the equipment was in place, other crews used a 140-ton crane to safely move the 27,000-pound transformers into the underground vault.

Our teams love what they do and the people they work with. Some love it so much that they work here for 25, 30 or even 40 years. With a good track record of long-tenured employees, it’s vital to retain and train team members so they can quickly step into roles where they can make a difference.

“Developing our workforce starts with investing in our current employees, ensuring that they have opportunities to learn new skills and keep up with changing technology,” said Lisa Lewis, Vice President of People & Culture. “This is one reason we hire people for careers, in a day and age where the average employee stays with an employer for three to five years — and why we have an average tenure of 15 years at CPS Energy.”

“We’re bolstering our ranks with new talent from our own community. Our educational partnerships and summer internships help us identify talented students we can invest in, and eventually hire. We hired 10 team members in the last four years through our internship program,” said Paula Gold-Williams, Plant Director.

The majority of our team members are doing the same job, just at different locations.”

When valuable team members like Will decide to retire, we have a plan in place to attract new talent like Justin to keep us on track with serving our growing community.

“Year after year, CPS Energy has deepened its partnership and support of SA Works. As a critical employer, CPS Energy provides meaningful work-related experiences to hundreds of youth through job shadowing and internships that have directly impacted students’ career awareness in the energy sector, as well as honing in on their employability skills, contributing to growing a skilled workforce in San Antonio.” – Romanita Matta-Barrera, Executive Director of SA Works.

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“Our educational partnerships have made a positive impact company-wide,” said Cristina Duarte, Manager of Education & Mentoring Programs. “Our partnerships have created many opportunities for team members to share their valuable knowledge and skills with students.”

Last summer, Justin Rutkoski, pictured below, became the first intern to be hired as a Distribution Trainee through SITE. Justin received hands-on experience with our overhead linemen and quickly discovered his dream job.

“It was an incredible opportunity,” Justin said. “I have loved the job every day. I’ve come here. I can guarantee that I’ll be learning something new every day down the road.”

Justin, along with six other distribution trainee interns, got a chance to learn from experienced professionals like Line Crew Foreman Will Schneider.

“It’s blood, sweat, and tears out here, but it’s a rewarding career,” Will said. Who has more than 26 years of service. “We started the internship program because we need to strike an interest with the next generation.”

When valuable team members like Will decide to retire, we have a plan in place to attract new talent like Justin to keep us on track with serving our growing community.

“You can work with management to inquire about learning opportunities offered at CPS Energy and to help you obtain an opportunity to job shadow a department that you’re interested in,” said Paula. “Consider furnishing your skillet by obtaining a certification and/or a degree in a field you’re interested in. Our leaders, as well as the People & Culture team, are here to help you succeed.”

With this kind of encouragement coming from the top, we’re in good hands.
PARTNERSHIPS

Our community is growing at a rapid pace. New technology is making us think differently about energy. Good partnerships are helping us find innovative solutions to serve our growing population while on track with constant changes in the energy industry. At the same time, partnerships are creating more jobs and opportunities for families.

SUPPORTING OUR MILITARY

San Antonio is considered Military City USA, so it’s only fitting that our largest customer is the U.S. Military. Our Military Strategic Cooperation & Support (MSCS) team oversees our partnership with Joint Base San Antonio (JBSA). The team works with military personnel at each installation to ensure energy security, resilience, growth, development, and energy efficiency.

Last year, the team completed projects that reduced energy demand and improved electric reliability and capacity. Through our maintenance of JBSA’s energy infrastructure, we’re allowing San Antonio-based men and women in uniform to focus on the important work they do every day to defend our freedom.

Along with JBSA, we partner with several organizations, including the Uniformed Service Program Service (USP) in our city to promote career opportunities at our company for those who have left, or are preparing to leave, the military.

“In a lot of respects, CPS Energy and the military share some of the same values – hard work, commitment, and integrity,” said James Carter, Manager of Special Assignments.

EVERYONE WINS WITH THIS PARTNERSHIP

We signed a three-year office supplies contract with San Antonio Lighthouse for the Blind & Vision Impaired. The partnership supports local jobs and services for people who are blind or vision impaired. The local non-profit 501(C)(3) small business employs more than 480 employees, nearly half being vision impaired.

Raul Gamez and several of his family members who were diagnosed with retinitis pigmentosa, a rare, genetic disorder, have found rewarding careers at the non-profit.

“That’s really a blessing because CPS Energy is local,” said Raul. “It’s great that they’ll be buying our products and supporting us. It will get the word out to more big corporations in the city, or those that want to move here, that these good, quality products are made right here in San Antonio.”

NEW ECONOMIC OPPORTUNITIES FOR OUR GROWING COMMUNITY

Our New Energy Economy (NEE) is an ecosystem of partnerships with businesses that share our vision for clean energy, innovation, and energy efficiency. Since the NEE’s inception in 2013, our partners have made a huge local economic impact — more than $5 billion cumulatively. Each year they provide an average of 600 local jobs.

Our NEE partnership with Greenstar is a shining example. You’ve probably noticed the LED lights brightening streets in your neighborhood and on your drive home from work. Greenstar expanded its operation, moving into a new 50,000 square foot facility last year. They currently have a staff of about 50 employees based locally.

NEE partnerships are helping us leverage low-carbon and renewable energy resources to stimulate economic and educational development within our community. We’re fostering job growth, economic development, and educational opportunities with a long-term goal of establishing San Antonio as a hub for clean energy and innovation.

EPIcenter: CREATING INNOVATIVE PARTNERSHIPS WITH STARTUPS

Speaking of innovation, EPIcenter is our community’s innovation hub for researching and promoting new ideas featuring energy. EPI stands for Energy, Partnerships, and Innovation.

The nonprofit organization is helping us forge powerful partnerships with entrepreneurs to provide reliable energy for the future of our community and carry out our role in building a Smart City. They support emerging businesses through their EPIcenter Energy Incubator and Accelerator (EEIA).

EEIA offers services and resources to startups focused on the advancement of new energy innovation and technology.

EPIcenter launched a lecture series in June to bring global new energy thought leaders together. Lynn Abramson, PhD, President of the Clean Energy Business Network, kicked off the series, discussing national trends and local opportunities in the New Energy Economy. In December, EPIcenter continued the series with Chief Operating Officer and EPIcenter board chair Kris Eugster and industry expert Tanuj Deora engaging in a fireside chat. They discussed ways the electric power grid is changing and why business owners and the public should pay attention since they will be more empowered in the future.

“Hundreds have attended our events and engaged in important conversations around energy,” said Kimberly Britton, EPIcenter’s Chief Executive Officer. “The EEIA, in its first year, took on seven clients for incubation and acceleration. The future brings the expansion of current programs and adds elements, including research and publication around energy topics, mapping

87% OF STARTUPS THAT GRADUATE FROM AN INCUBATOR STAY IN BUSINESS VS THE 44% SURVIVAL RATE OF THOSE THAT GO WITHOUT INCUBATION SUPPORT-

International Business Innovation Association (iBIA)

companies like Go Smart Solar and Drones of Prey receive coaching and mentoring from local subject matter experts to serve their specific business needs.

EPIcenter helps us advance conversations about our future with our community’s leaders.
In February, we held our second annual Future of Energy Symposium at Texas A&M University - San Antonio. Executives and energy leaders from around the country discussed a variety of diverse topics, such as using data to meet customers’ needs and expectations, protecting data, and tying smart grids to smart city initiatives.

During the event, global law firm, Dentons, announced our President & CEO Paula Gold-Williams as a Dentons Smart Cities/Communities Think Tank Energy Industry co-chair. The Think Tank houses legal, business, and policy thought leaders and advises stakeholders on “14 Pillars of Success” for a Smart Cities/Communities program. Paula serves as co-chair of the Energy Pillar along with former Secretary of Energy, Dr. Ernest Moniz, Anne Pramaggoire, CEO of Exelon Utilities, and Julia Hammi, President and CEO of the Smart Electric Power Alliance (SEPA).

In July, Paula took part in the Dentons Smart Cities/Communities Summit in Washington D.C. with leaders from across the country, discussing policy solutions for the future of American communities.

“Our connection is to the community and ties to water, energy, and transportation solutions, and to bring more people into the dialogue about the benefits of a digital community,” said Paula.

Paula also shared our company’s strategic vision overseas at the BIXPO 2018 International Conference in Korea. The event, hosted by Korea Electric Power Corporation (KEPCO), drew more than 70,000 visitors from around the world, including leaders and professionals from government entities and electric power utilities, as well as energy experts and innovators.

Here at home, we’re making sure that local businesses understand our strategic approach for the future, so they can thrive. We’ll have a great opportunity to do so with Paula as the chair of the San Antonio Chamber of Commerce. She began serving in January 2019 after being elected in October 2017 to chair of the San Antonio Chamber of Commerce.

We’ll have a great opportunity to do so with Paula as the chair of the San Antonio Chamber of Commerce. She began serving in January 2019 after being elected in October 2017 to chair of the San Antonio Chamber of Commerce. The CAAP continues to evolve as the City continues to gather more community input.

We have a long history of collaborating for the good of our environment. Our collaboration with the San Antonio Water System (SAWS) has helped us avoid depleting the Edwards Aquifer. Instead of using the aquifer, we use recycled water that comes from SAWS’ sewage treatment plants to operate our power plants. A case study released by the Environmental Defense Fund highlighted how well our two companies work together to conserve energy and water.

Kim Stoker, Senior Director of Environment Planning & Compliance, has seen partnerships make a positive impact on the environment throughout her 30 years of service. "We have long-time working relationships on air quality and other environmental issues," said Kim. "We all want to educate and share information with our customers about our environmental and sustainability programs, energy generation, energy conservation, and how CPS Energy continues to lower our carbon intensity to reduce our impact on the environment."

In 2011, we made a commitment to you to close our first and oldest coal plant, Deely, at the end of 2018. Before the clock struck midnight to ring in 2019, the plant officially shut down.

We plan to continue diversifying our energy sources and lowering emissions through our Flexible Path. We believe in the power of sustainability.

Texas is truck country. But trucks haven’t always been known for their fuel efficiency, and that’s something we take seriously. While looking at upgrading our fleet of vehicles, we want them to be more efficient while still packing enough power to safely weather any storm. Specifically, we partnered with Ford for a fleet of plug-in hybrid trucks. We purchased 34 XLP Plug-in Hybrid Electric Ford F-150s, the largest purchase of any utility or private company at the time.

CPS Energy’s newest fleet of plug-in hybrid trucks gets 50 percent better fuel economy and reduces emissions by just as much.

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Gaston is speeding up our natural gas distribution system maintenance and helping get the word out about gas safety.

Gaston, our Smart Sniffer, gets a lot of attention from kids and adults alike.

“It’s funny. People pose for pictures, wave and smile,” said Joel Settles, a 20-year employee who says Gaston is 10 times faster than our old foot patrol way of detecting natural gas.

Gaston is our four-wheeled “watchdog” with a nose for detecting gas. We worked with Picarro to get a 2017 Ford Explorer outfitted with laser technology that pinpoints areas with potential risk of escaping natural gas. Now we can patrol our service area of Greater San Antonio and seven counties faster. Gaston covered more than 3,800 miles for surveys and is 75% more efficient than traditional foot routes.

When someone reported a gas odor in a neighborhood in Pecan Valley, Gaston helped our crews narrow the search from a 500 square-foot area to 4 feet in a fraction of the time. With Gaston’s intel, the crew quickly stepped in to make repairs and keep homes safe.
Whether you grew up here or just recently moved in, you’re our neighbor. Our neighbors’ dreams inspire our work, and sometimes those dreams are interrupted by hardships. But as neighbors do, we reach out to one another, come together, and see it through.

Our Residential Energy Assistance Partnership (REAP) program between our company, the City of San Antonio, and Bexar County is helping our neighbors endure hardships. The partnership provides those in need with bill assistance twice a year. It provides some peace of mind that basic needs can be met. Last year, more than 8,000 households benefited from this partnership for a total of $2.5 million in assistance. Knowing financial challenges can impact our neighbors, we contribute $1 million per year to the partnership.

The positive outcomes from the REAP program inspire us to do more through GrillsGiving. The proceeds from this unique family-friendly BBQ cook-off go to help neighbors through the partnership. Somewhere along the way, we became pit masters – and good ones! We’re talking fall-off-the-bone, tender, smoky ribs and chicken. As word gets around, more people pour into the grounds of Mission County Park for GrillsGiving every year. Over 2,000 showed up in 2018 to taste meats, sides, and amazing desserts like over-the-pit melted smores. If you feel like you missed out, you haven’t. Join us for the fifth GrillsGiving on November 23, 2019.

CPS Energy, and more than a dozen of our community partners, work together to improve the quality of life for our customers. To strengthen our relationship with our partners, we held the first-ever Partners in Power event. We hosted San Antonio Water System (SAWS), Bexar County and city officials, and nonprofit organizations like SAMMinistries. The goal – share information about products and assistance services across agencies. “There is more power when you bring more community agencies together,” said Maria Garcia, Vice President of Community Engagement & Corporate Responsibility. “When we work together, we’re able to make a greater difference.”

We look out for one another. We cross the road together. We remind our friends to buckle up. Safety and security are an everyday part of life. Electricity and natural gas are essential services that our customers use every day. These services play a major role in keeping our homes, businesses, and lives running smoothly, but it’s important to remember they can also be dangerous. We offer community education and valuable online and in-person training resources unique to contractors, first responders, teachers and students, and other interested organizations.

GrillsGiving raised $32,000 for customers in need of bill payment assistance and featured our first all-female grill team - GirlsGiving.

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We want all of our employees and customers to be safe around our equipment, so we go out to the community – schools, businesses, and neighborhoods and present on electric and natural gas safety and energy conservation,” said Willie Davis, Community Outreach Specialist, pictured.
PHYSICAL & CYBERSECURITY

Whether you’re going out or logging on, there are some risks. But it’s entirely possible to be prepared and have a good time. We’re doing our part to help protect you both online and at major events.

For major events like the NCAA Final Four, our security teams collaborate with others on security detail to safeguard you and your loved ones at the game. Gaston, our Smart Sniffer, patrolled the area to help make sure it was safe. About 100 of our team members from various departments collaborated and worked together to ensure safe, reliable service for this national event.

We partnered with TXCIBER, INC. on the first-ever Texas Cyber Summit in San Antonio. About 1,000 cyber enthusiasts turned out for the event, which will return to our community in 2019. Hands-on training and competitions refined skills of those working in cybersecurity. We share cybersecurity interests and best practices with other partners in our region.

Watching each other’s backs, online and in person, is our idea of safety first!

DRONES

 Shortly after Craig Fewox started at our company as a Reliability Engineer, he learned that we were standing up a drone program. It officially lifted off the ground last May. Whereas most people “ooh” and “aah” over drones for their cool factor, Craig is passionate about how they’re able to keep our team members safe.

“Our employees don’t have to get near energized equipment to inspect a line,” said Craig, now an Engineering Associate. “When they do go up on a pole to make a repair, they know exactly what they’re looking for and what needs to be done.”

Students from the School of Math, Science and Engineering at the University of the Incarnate Word (UIW) are partnering with us by doing research on the regulatory landscape for our Unmanned Aerial System Program, best practices, and the best type of drones for our use.

We’re flying high to improve reliability and safety.

LIFESAVERS

Distribution Trainee James Avila and Journeyman Serviceman Faustino Sanchez, pictured below, were driving down Hackberry Street last summer when they noticed a pedestrian who seemed disoriented. Within just a few moments, the person stumbled and fell to the ground. The pair recognized the pedestrian was experiencing a heat-related illness, called 911, and pulled the person to a shaded area and out of harm’s way.

James and Faustino stayed with the individual until EMS arrived.

“As part of our summer readiness, we share heat-related safety information with our crews because they’re having to work outside in the sweltering heat,” said Rudy Garza, Senior Vice President of Distribution Services & Operations.

“We emphasize the importance of staying hydrated and how to prevent and recognize heat-related illnesses such as heat exhaustion and heat stroke. I’m extremely proud of how James and Faustino utilized their training and showed compassion in this emergency situation that unfolded right in front of them. Their response and quick actions possibly saved this person’s life.”

Thank You Team!

About 100 employees from these departments - Our Underground Integrated Operations, Substation, Security, Gas Delivery, System Test & Technical Support, Resource Management, Executive Account Management and Customer Reliability teams were committed to keeping the power flowing for this big event.

A drone in flight during a demonstration.
Looking back, we are proud of the great work we’ve done together. We think you might be proud too. This is only a snapshot of the collaboration. While this is a reflection on a year of engagement, it sets the foundation for the value our company brings to our city and our community now and for our future.

We look forward to continuing down this Flexible Path together.

2018 AWARDS

CPS ENERGY
- Excellence in Public Power Communications Awards (Award of Merit) | American Public Power Association (APPA)
- Energy Innovator Award | APPA Demonstration of Energy & Efficiency Developments (DEED)
- Fortnightly Top Innovator | Public Utilities Fortnightly
- Commercial Partner of the Year | San Antonio Lighthouse for the Blind & Vision Impaired
- Residential Customer Champion (3 years) | Escalent, formerly Market Strategies-Morspace
- Environmental Champion (3 years) | Escalent
- Most Trusted Brand (3 years) | Escalent
- Expanding Excellence Award – Innovation in People & Process | CS Week
- Corporate Partner of the Year (2 years) | Communities in Schools
- Award of Excellence – Power, Finalist | S&P Global Platts
- Energy Company of the Year, Finalist (2 years) | S&P Global Platts
- Corporate Social Responsibility Award – Diversified Program, Finalist | S&P Global Platts
- Business of the Year Finalist | San Antonio Business Journal (SABJ)
- Corporate Philanthropy Award | SABJ
- Eagle Ford Excellence Award for Environmental Stewardship | South Texas Energy & Economic Roundtable (STEER)
- Purpose Driven Utility Award | SAP
- Superintendent’s Award | Northside Independent School District (NISD)
- Most Improved Interactive Voice Response (IVR) Systems | IVR Doctors
- 100 Best Fleets in the Americas (#24) | The 100 Best Fleets

PRESIDENT & CEO
PAULA GOLD-WILLIAMS
- Champion Award | Women’s Council on Energy and the Environment
- Tribute to Women Business Leaders Award | San Antonio Chamber of Commerce and Ford Motor Company
- Keystone Leadership Award | Keystone Policy Center
- Energy Thought Summit Thought Leader of the Year | Zpryme
- Transparency/Accountability Award | Fair Contracting Coalition
- Chief Executive of the Year, Finalist | S&P Global Platts
- Excellence in Leadership Award | Greater San Antonio Builders Association (GSABA)

SENIOR CHIEFS
- C-Suite Award | Awarded to Dr. Cris Eugster, Chief Operating Officer | San Antonio Business Journal
- Top Latinos in Energy | Awarded to Frank Almaraz, Chief Administrative & Business Development Officer | Latin Leaders Magazine

Rudy Garza, Senior Vice President-Distribution Services & Operations, Angel Cobb, Executive Assistant, and Annamarie Rangel, Business Manager, team up for the kick-off to our United Way Campaign.
The Fiscal Year 2019 (Feb. 1, 2018 through Jan. 31, 2019) financial audit was successful. Based on procedures they conducted, our external auditors, Baker Tilly Virchow Krause, LLP; and C.C. Garcia & Co., P.C., Certified Public Accountants, issued an unmodified opinion, indicating that our financial statements were found to be free of reporting deficiencies.

The audited basic financial statements were prepared by our Management Team in conformity with accounting principles generally accepted in the United States of America, and the statements are presented fairly in all material respects. We have also prepared other financial information presented in the annual report and have ensured that it is consistent with information in the audited financial statements.

Our Management Team maintains accounting, financial reporting and administrative internal controls designed to provide reasonable assurance that the financial information is relevant, reliable, and accurate and that assets are appropriately accounted for and adequately safeguarded. These controls are supported by formal policies and procedures readily communicated throughout our Company. Additionally, CPS Energy has an internal audit function that assists in evaluating the adequacy and effectiveness of our control environment.

CPS Energy’s independent Board of Trustees is responsible for reviewing and accepting both the audited financial statements and Management’s Discussion and Analysis (MD&A). The Board of Trustees, primarily through two of their members who comprise the Audit & Finance Committee, ensures our Management Team fulfills our responsibilities for financial reporting. The Board of Trustees also approves the engagement or reappointment of the external auditors.

The Audit & Finance Committee meets regularly with our Management Team, and with the internal and external auditors, to discuss internal control and financial reporting issues and to ensure each party is properly discharging its responsibilities. The Audit & Finance Committee reviews the audited financial statements and the external auditors’ report and considers the statements for review and acceptance by all members of the Board.

CPS Energy’s external auditors have audited the financial statements in accordance with auditing standards generally accepted in the United States of America. They performed procedures to obtain audit evidence deemed sufficient and appropriate to provide a basis for their opinion on the fairness of the audited financial statements. In support of the external auditors’ procedures, our Management Team provided them full and free access to our accounting records.

CPS Energy’s Board of Trustees is responsible for reviewing and approving the MD&A and the audited financial statements. The Board of Trustees, primarily through two of their members who comprise the Audit & Finance Committee, ensures our Management Team fulfills our responsibilities for financial reporting. The Board of Trustees also approves the engagement or reappointment of the external auditors.

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### Fiscal Year Ended January 31,

<table>
<thead>
<tr>
<th>Year</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CAPITAL ASSETS (in thousands)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital assets, net</td>
<td>$8,154,670</td>
<td>$8,190,356</td>
<td>$8,053,304</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>445,227</td>
<td>425,260</td>
<td>426,760</td>
</tr>
<tr>
<td>New construction and net removal costs</td>
<td>605,590</td>
<td>571,020</td>
<td>673,303</td>
</tr>
<tr>
<td><strong>FUNDING FOR NEW CONSTRUCTION AND NET REMOVAL COSTS (in thousands)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt</td>
<td>$339,758</td>
<td>$350,789</td>
<td>$328,114</td>
</tr>
<tr>
<td>Repair and Replacement Account</td>
<td>215,978</td>
<td>178,856</td>
<td>291,577</td>
</tr>
<tr>
<td>Contributed capital and other</td>
<td>49,854</td>
<td>41,375</td>
<td>53,612</td>
</tr>
<tr>
<td><strong>ELECTRIC GENERATION (MWh)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Generation</td>
<td>28,068,705</td>
<td>24,380,687</td>
<td>23,459,310</td>
</tr>
<tr>
<td>Renewables and other energy purchases</td>
<td>4,488,199</td>
<td>4,919,017</td>
<td>4,914,085</td>
</tr>
<tr>
<td>Total generation and other power</td>
<td>32,556,904</td>
<td>29,299,704</td>
<td>28,373,395</td>
</tr>
<tr>
<td>Capacity (MW)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gas</td>
<td>3,339</td>
<td>3,325</td>
<td>3,316</td>
</tr>
<tr>
<td>Coal</td>
<td>1,345</td>
<td>2,185</td>
<td>2,185</td>
</tr>
<tr>
<td>Nuclear</td>
<td>1,036</td>
<td>1,036</td>
<td>1,064</td>
</tr>
<tr>
<td>Wind</td>
<td>1,069</td>
<td>1,059</td>
<td>1,059</td>
</tr>
<tr>
<td>Landfill gas</td>
<td>546</td>
<td>496</td>
<td>446</td>
</tr>
<tr>
<td>Total capacity</td>
<td>7,349</td>
<td>8,115</td>
<td>8,084</td>
</tr>
<tr>
<td><strong>ELECTRIC PEAK DEMAND (MW)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gas</td>
<td>5,081</td>
<td>4,866</td>
<td>5,017</td>
</tr>
<tr>
<td><strong>DISTRIBUTION GAS PURCHASES (MMCF)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Residential Averages</td>
<td>26,349</td>
<td>23,962</td>
<td>21,820</td>
</tr>
<tr>
<td>(unbilled revenue not included)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>RELIABILITY INDICES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>System Average Interruption Duration Index (SAIDI) (in hours)</td>
<td>0.908</td>
<td>0.900</td>
<td>0.957</td>
</tr>
<tr>
<td>System Average Interruption Frequency Index (SAIFI)</td>
<td>0.840</td>
<td>0.830</td>
<td>0.802</td>
</tr>
</tbody>
</table>

### Fiscal Year Ended January 31,

<table>
<thead>
<tr>
<th>Year</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OPERATING REVENUE</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electric</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Residential</td>
<td>$1,096,862</td>
<td>$1,058,204</td>
<td>$1,015,038</td>
</tr>
<tr>
<td>Commercial and industrial</td>
<td>884,043</td>
<td>867,021</td>
<td>831,662</td>
</tr>
<tr>
<td>Public authorities</td>
<td>229,523</td>
<td>229,645</td>
<td>220,861</td>
</tr>
<tr>
<td>Sales for resale</td>
<td>27,682</td>
<td>28,048</td>
<td>32,404</td>
</tr>
<tr>
<td>Street lighting and ANSL</td>
<td>22,182</td>
<td>21,877</td>
<td>21,101</td>
</tr>
<tr>
<td>Unbilled revenue</td>
<td>(25,896)</td>
<td>(19,360)</td>
<td>(6,170)</td>
</tr>
<tr>
<td>Other</td>
<td>16,653</td>
<td>16,784</td>
<td>17,751</td>
</tr>
<tr>
<td>Subtotal Retail</td>
<td>2,251,049</td>
<td>2,240,968</td>
<td>2,132,647</td>
</tr>
<tr>
<td>Wholesale</td>
<td>525,668</td>
<td>198,890</td>
<td>166,857</td>
</tr>
<tr>
<td>Total</td>
<td>$2,776,717</td>
<td>$2,439,858</td>
<td>$2,399,504</td>
</tr>
<tr>
<td><strong>Gas</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Residential</td>
<td>$93,398</td>
<td>$92,882</td>
<td>$87,877</td>
</tr>
<tr>
<td>Commercial and industrial</td>
<td>61,288</td>
<td>68,726</td>
<td>65,788</td>
</tr>
<tr>
<td>Public authorities</td>
<td>14,519</td>
<td>16,662</td>
<td>13,010</td>
</tr>
<tr>
<td>Unbilled revenue</td>
<td>(3,255)</td>
<td>609</td>
<td>(2,702)</td>
</tr>
<tr>
<td>Total</td>
<td>154,842</td>
<td>180,411</td>
<td>165,814</td>
</tr>
<tr>
<td><strong>SALES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electric (MWh)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Residential</td>
<td>9,913,513</td>
<td>9,634,693</td>
<td>9,442,880</td>
</tr>
<tr>
<td>Commercial and industrial</td>
<td>9,584,259</td>
<td>9,416,835</td>
<td>9,389,924</td>
</tr>
<tr>
<td>Public authorities</td>
<td>2,792,584</td>
<td>2,813,559</td>
<td>2,832,861</td>
</tr>
<tr>
<td>Sales for resale</td>
<td>441,601</td>
<td>460,061</td>
<td>462,027</td>
</tr>
<tr>
<td>Street lighting and ANSL</td>
<td>90,460</td>
<td>93,208</td>
<td>95,806</td>
</tr>
<tr>
<td>Unbilled</td>
<td>(27,910)</td>
<td>(42,124)</td>
<td>(42,124)</td>
</tr>
<tr>
<td>Subtotal Retail</td>
<td>22,784,507</td>
<td>22,519,717</td>
<td>22,161,374</td>
</tr>
<tr>
<td>Wholesale</td>
<td>8,556,100</td>
<td>5,497,113</td>
<td>4,942,094</td>
</tr>
<tr>
<td>Total</td>
<td>31,340,607</td>
<td>28,016,830</td>
<td>27,103,468</td>
</tr>
<tr>
<td>Gas (thousands of MCF)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Residential</td>
<td>10,488</td>
<td>9,126</td>
<td>8,533</td>
</tr>
<tr>
<td>Commercial and industrial</td>
<td>12,218</td>
<td>11,315</td>
<td>11,119</td>
</tr>
<tr>
<td>Public authorities</td>
<td>2,885</td>
<td>3,049</td>
<td>2,390</td>
</tr>
<tr>
<td>Unbilled</td>
<td>145</td>
<td>286</td>
<td>(340)</td>
</tr>
<tr>
<td>Total</td>
<td>25,736</td>
<td>23,725</td>
<td>21,022</td>
</tr>
</tbody>
</table>

### NUMBER OF CUSTOMERS (at year-end)

<table>
<thead>
<tr>
<th>Year</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Electric</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gas</td>
<td>840,750</td>
<td>821,675</td>
<td>804,675</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>352,585</td>
<td>347,408</td>
<td>343,754</td>
</tr>
</tbody>
</table>

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1. Includes unbilled electric and gas revenues.
We continue to make great progress on our new McCullough Building, which will become our main Downtown location in the fall of 2020. The McCullough Building will give CPS Energy a safe, modern, and attractive home for years to come. It will be instrumental in attracting top talent to work at our company, and will act as a model of energy efficiency for the community. Our future move will help add to the fabric of the Broadway corridor as we bring additional employees from other locations in the city to Downtown. This will also bring a positive economic impact to this specific area and Downtown as a whole. The project is on schedule and on budget.

### BUILDING FOR THE FUTURE

- Enhanced Customer Services
- Reliability & Resilience
- Community Growth
- Technology Enablement
- Sustainability

---

**BOARD OF TRUSTEES**

- **John Steen**
  - Northeast Quadrant, Board Chair
- **Dr. Willis Mackey**
  - Southeast Quadrant, Vice Chair
- **Edward Kelley**
  - Northwest Quadrant, Trustee
- **Janie Gonzalez**
  - Southwest Quadrant, Trustee
- **Ron Nirenberg**
  - Mayor & Ex-Officio Member

**CITIZENS ADVISORY COMMITTEE (CAC)**

- **George L. Britton Jr.**
  - District 4 Representative
- **Bill Day**
  - Member at Large
- **Luisa Casso**
  - Vice Chair & Member at Large
- **Andy Castillo**
  - District 5 Representative
- **Mary Dennis**
  - Member at Large
- **Michelle Lugalia-Hollon**
  - District 2 Representative
- **Diana Aguirre Martinez**
  - District 3 Representative
- **Roger H. Plasse**
  - District 7 Representative
- **Robert A. Romeo**
  - District 9 Representative
- **David Walter**
  - Chair Elect & Member at Large
- **Allie Watters**
  - District 10 Representative
- **Klaus D. Weiswurm**
  - Past Chair & Member at Large
- **Joe Yakubik**
  - District 6 Representative