



Managing Large Load Growth Responsibly

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Informational Update

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Today, we're sharing:

- ▶ Overview of large load growth in San Antonio
- ▶ Impacts and benefits to the community
- ▶ Cost recovery mechanisms today and in the future
- ▶ New solutions to meet the growing demand

We are obligated to serve

- We serve *all* customers in our service area
- We're partnering with ERCOT, PUCT, and customers to address demand growth

Who are they?

- Large energy customers
- Manufacturing, data centers, and industrial facilities

Growth & planning

- CPS Energy continues to update its robust planning processes supporting native load growth and large customer energy requests
- We plan for and address generation, transmission, and distribution needs

Who pays for what?

- Customer rates reflect actual service costs
- Large load customers pay their share of infrastructure cost
- Transmission cost is shared across ERCOT

Industries Powered by Data Centers

Healthcare Organizations

Manage patient records, telemedicine and compliance with health regulations

Financial Institutions

Secure transaction processing, data storage and compliance requirements

Industrial & Technology Companies

Manufacturing, support systems, services and platforms



Media & Entertainment

Content delivery, video streaming, data infrastructure

Research & Educational Institutions

Data analysis, simulations, and scientific and research needs

U.S. Military

Command and control, intelligence and cybersecurity

LOCAL REQUESTS

Speculative

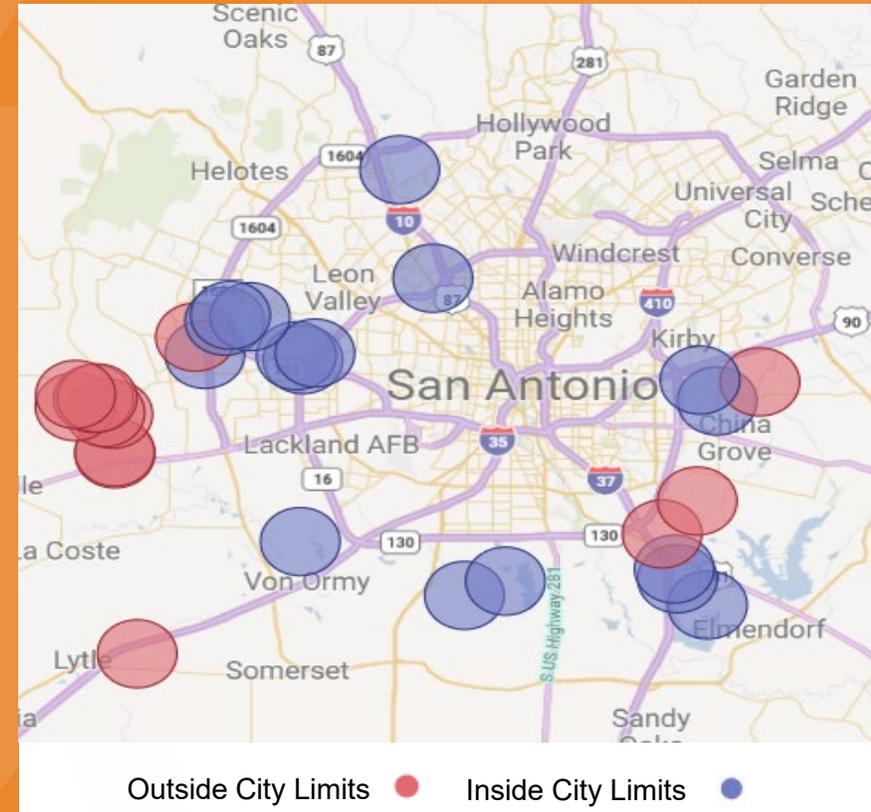


High
Probability

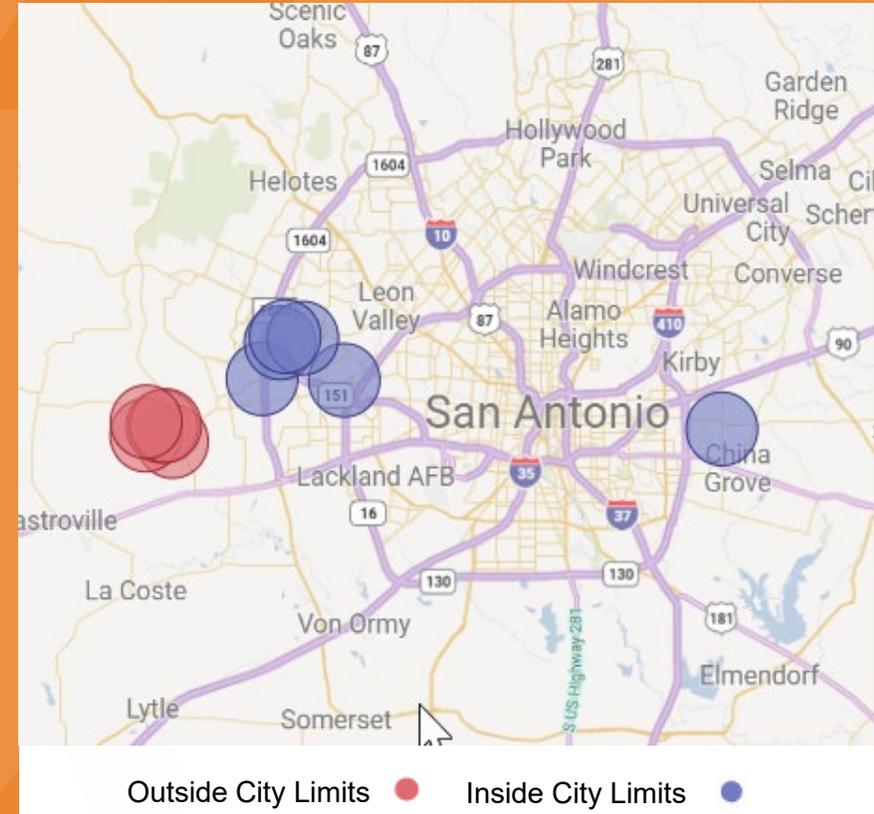


*As of 01/12/2026

View of projects in the agreement and feasibility phases; inside and outside city limits



View of projects in the agreement phase; inside and outside city limits



Ensuring fairness for all customers

Financial Impact of Large Loads

Economic Contribution



Every 100 MW of large load generates:

- ~ \$29M in non-fuel revenue
- ~ \$8M in city payment

Cost Recovery



- Long-term agreements ensure full recovery of infrastructure investments
- A new Cost of Service Study is underway to ensure fair allocation across all customer segments

Rapid Expansion



- Data Center segment today accounts for ~\$110M non-fuel revenue annually from ~21 customers
- Forecasted to grow non-fuel revenue by ~\$185M by FY2031, additional city payment of ~\$50M

Customer Protections



- Strong safeguards ensure large loads meet commitments
- Existing customers remain protected from impacts

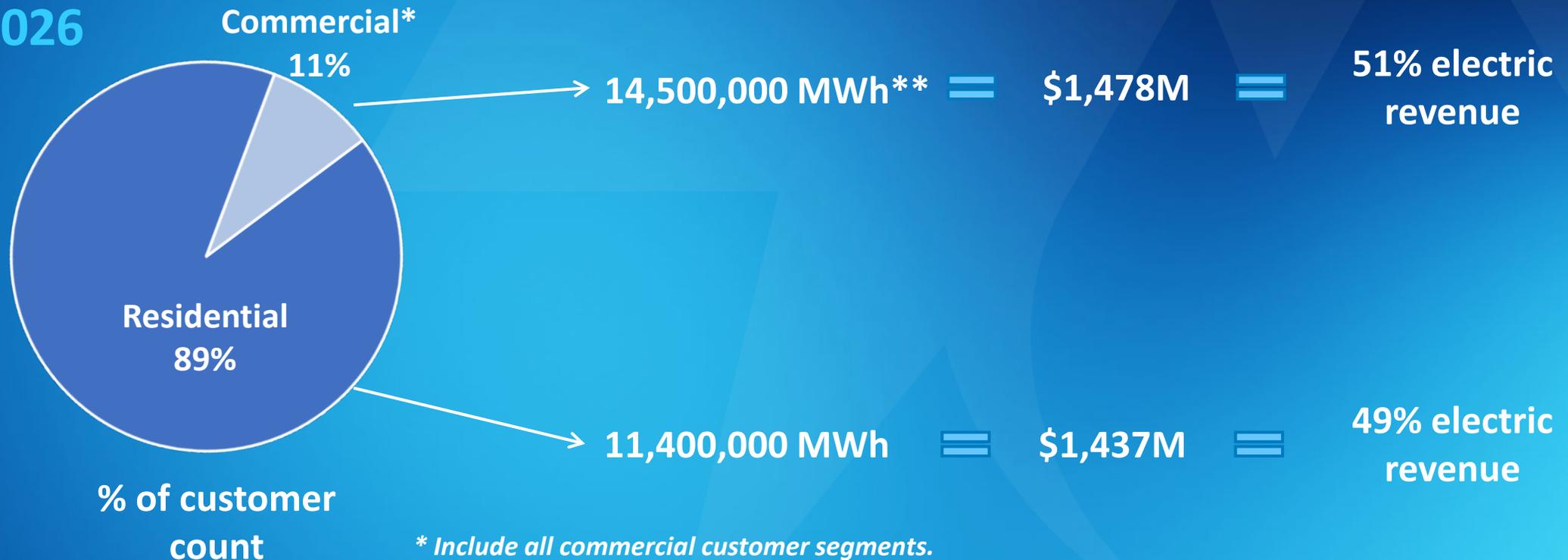
Increasing Share of System Load



- Large load expected to reach 19% of total system sales (MWhs) by FY2031, up from 9% today
- Forecasted large load growth: ~630 MW in 5 years, ~1,500 MW in 10 years

Commercial customers are a significant revenue source

FY2026



* Include all commercial customer segments.

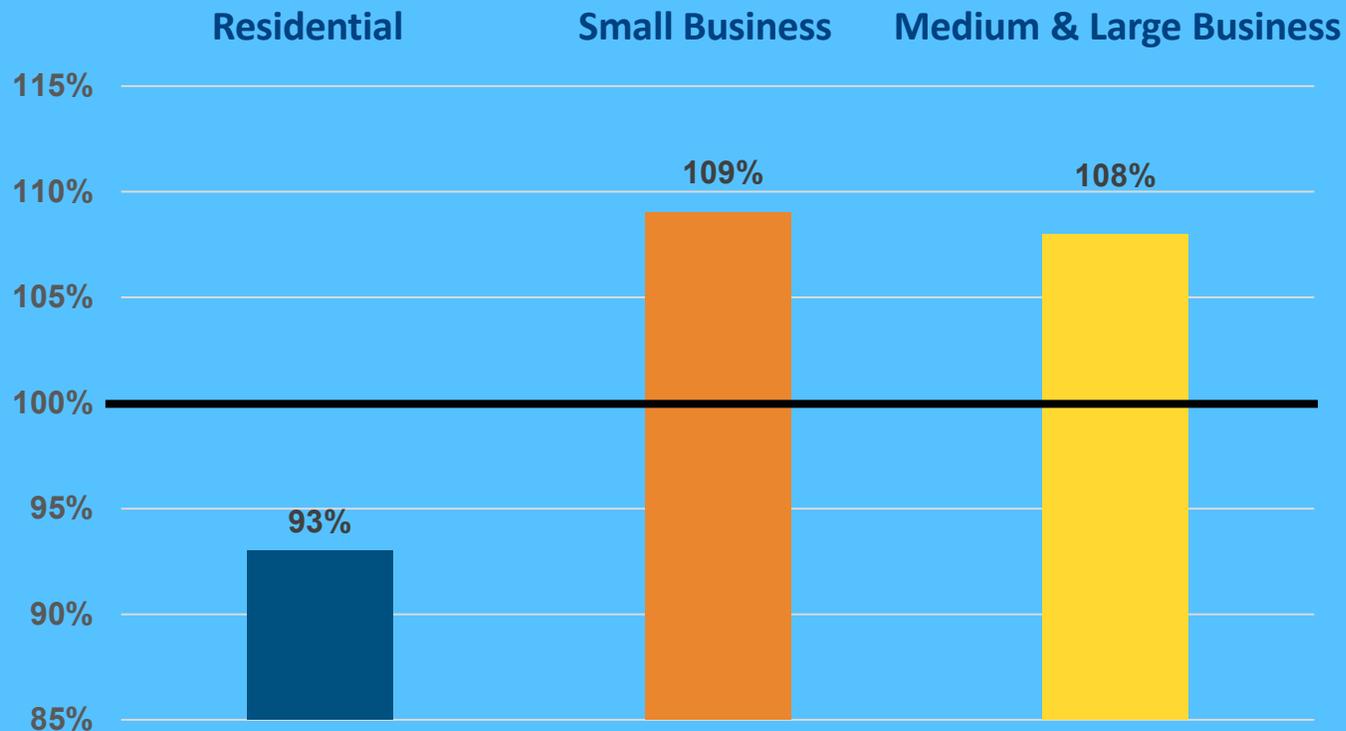
** Commercial = 56% of electric system sales with 9% from large load.

Rate setting regulatory requirements

- Must be “just and reasonable.”
- Cannot be “unreasonably preferential, prejudicial, or discriminatory” and must be “sufficient, equitable, and consistent in application to each class of consumer.”
- Customer classes are the different categories of customers that are grouped together based on shared characteristics under each rate and are charged identically for their electricity use.
- Municipally Owned Utility rates must be sufficient to cover the cost of service and all debt obligations.

Customer rates reflect the cost to serve them

FY2022 Electric Cost Recovery Based on Allocation



****2026 Cost Allocation Study underway ****

Every Cost-of-Service study to date has confirmed that our commercial rates fully recover costs and scale with demand; an updated study is underway to re-validate this as larger loads emerge; also evaluating a new rate class for large load.

Ensuring fair cost recovery from large loads

PRE-CONSTRUCTION

Surety Bonds

Financial security for purchase of long-lead, big-ticket items like transformers



Study Fees (Launched 2026)

Confirms customer commitment and recovers the cost of evaluating site feasibility and required upgrades

SENATE BILL 6

CONSTRUCTION

Contribution in Aid of Construction (CIAC)

Full, upfront payment for non-standard facilities such as redundant circuits & substation equipment

ENERGIZE

Clawbacks

Establishes a 10-year performance period and recovers investment in standard distribution facilities should usage fall short of initial load ramp schedule

CPS Energy is currently engaged in multiple rulemaking proceedings; focused on large electric loads, grid reliability, and cost allocation.

New Service Option (NSO) Pilot enables development of emerging customer solution

- On-site generation solutions are an emerging trend in the industry.
- The need is driven by the multi-year transmission buildout required to meet customers' full electric service requirements.
- CPS Energy NSO Pilot enables customers temporary on-site generation solution.
- Units must be permitted and comply with all relevant environmental and noise regulations.
- The pilot would be authorized under NSO tariff; framework for evaluating pilot offerings with city administrative approval.

Policy tools to manage growth and protect customers and the grid

- As part of Cost of Service study, evaluating establishing a separate large load rate class.
- Initiated charging fees for large load engineering studies; evaluating additional measures to manage cost recovery.
- PUC rulemakings for SB6 will include new customer requirements for on-site backup generation and mandatory curtailment during emergencies.
- The federal government is pursuing ideas to support the growth of data centers while protecting residential customer bills and ensuring these loads pay their fair share.

Our ongoing focus

Customer Priorities

- Reliability, Affordability, Cleaner Energy

Strategy

- Long term planning
- Fairness for all customers

Commitment

- City of San Antonio Climate Action & Adaptation Plan goals

Customer Protection

- Maintain long-term power supplies and reserves
- Reliable power, responsible growth

Questions

Appendix

Interconnection process ensures support of evolving customer needs



Projects Requiring Transmission Work
This step is for projects where:

- a) capacity is available, but not adjacent to the site or
- b) there are capacity constraints near the site

This typically involves routing & siting of a new transmission line.

Projects that Qualify for the ERCOT Process
This step is required for projects costing >\$25M

OUR COMMUNITY TODAY

1 MW powers

250
Homes

During peak hours

2025 peak demand

5,900
Megawatts

Across entire service area

