

**CITY PUBLIC SERVICE BOARD
OF SAN ANTONIO, TEXAS**

(A Component Unit of the City of San Antonio)

BASIC FINANCIAL STATEMENTS

Fiscal Years Ended January 31, 2026 and 2025

(With Independent Auditors' Report Thereon)



City Public Service Board of San Antonio, Texas

(A Component Unit of the City of San Antonio)

Basic Financial Statements

For the Fiscal Years Ended January 31, 2026 and 2025

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Independent Auditors' Report

Board of Trustees
City Public Service Board of San Antonio, Texas:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and fiduciary activities of the City Public Service Board of San Antonio, Texas (CPS Energy), a component unit of the City of San Antonio, Texas, as of and for the years ended January 31, 2026 and 2025, and the related notes to the financial statements, which collectively comprise CPS Energy's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of CPS Energy, as of January 31, 2026 and 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

We did not audit the financial statements of the CPS Energy Pension Plan, the CPS Energy Group Health Plan, the CPS Energy Group Life Plan, and the CPS Energy Long-Term Disability Income Plan, which represent 100% of the fiduciary activities as of December 31, 2025 and 2024 and for the years then ended. Those statements were audited by other auditors whose reports have been furnished to us, and in our opinion, insofar as it relates to the amounts included for the CPS Energy Pension Plan, the CPS Energy Group Health Plan, the CPS energy Group Life Plan, and the CPS Energy Long-Term Disability Income Plan, are based solely on the reports of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of CPS Energy and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about CPS Energy's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.



Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CPS Energy's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about CPS Energy's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis, the Schedules of Changes in CPS Energy Net Pension Liability and Related Ratios, the Schedules of Employer Contributions to CPS Energy Pension Plan, the Schedules of Changes in CPS Energy Net OPEB Liability and Related Ratios, the Schedules of Employer Contributions to CPS Energy OPEB Plans, and the Schedules of Investment Returns for CPS Energy Fiduciary Funds be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic



financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

KPMG LLP

San Antonio, Texas
April 28, 2026



MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

INTRODUCTION

The following Management's Discussion and Analysis ("MD&A") serves as an introduction to the financial statements of City Public Service Board of San Antonio (also referred to as "CPS Energy" or the "Company"), a component unit of the City of San Antonio ("City"). It is intended to be an objective and easily understandable analysis of significant financial and operating activities and events for the fiscal year ended January 31, 2026 ("FY2026"), compared to the fiscal year ended January 31, 2025 ("FY2025"). It also provides an overview of CPS Energy's general financial condition and results of operations for FY2025, compared to the previous fiscal year ended January 31, 2024 ("FY2024"). The MD&A should be read in conjunction with the basic financial statements, notes to the basic financial statements, and the required supplemental information that follows.

OVERVIEW OF THE FINANCIAL STATEMENTS

In accordance with generally accepted accounting principles ("GAAP") as prescribed by the Governmental Accounting Standards Board ("GASB"), the Statements of Net Position present CPS Energy's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position as of the end of each fiscal year. The Statements of Net Position report net position as the difference between (a) the sum of total assets plus deferred outflows of resources and (b) the sum of total liabilities plus deferred inflows of resources. The components of net position are classified as net investment in capital assets, restricted or unrestricted. An unrestricted designation indicates the net funds are available for operations.

The Statements of Revenues, Expenses and Changes in Net Position presents operating, noncapital subsidies, and nonoperating results separately. CPS Energy's Payments to the City are considered subsidies and fall under the Noncapital subsidies section. Subsidies are defined as resources received or provided from another party for which the entity does not provide goods and services. These statements identify revenue generated from sales to cover operating and nonoperating expenses. Operating expenses are presented by major cost categories. Revenues remaining are available to service debt, fulfill City Payment commitments, finance capital expenditures and cover contingencies.

The Statements of Cash Flows present cash flows from operating activities, noncapital financing activities, capital and related financing activities, and investing activities. These statements are prepared using the direct method, which reports gross cash receipts and payments, and presents a reconciliation of operating income to net cash provided by operating activities. These statements also separately list the noncash financing activities.

The Statements of Fiduciary Net Position and Statements of Changes in Fiduciary Net Position report the combined assets and liabilities and plan activity associated with the CPS Energy Pension Plan ("Pension Plan") and the CPS Energy Group Health Plan, CPS Energy Group Life Insurance Plan and the CPS Energy Long-Term Disability Income Plan (collectively, "Employee Benefit Plans"). The Pension Plan and Employee Benefit Plans are reported using the economic resources measurement focus and are prepared on the accrual basis of accounting in conformity with U.S. GAAP. Contributions and income are recorded when earned and benefits and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow.

The notes to basic financial statements are an integral part of CPS Energy's financial statements and provide additional information on certain components of these statements.

Adoption of GASB Statement No. 103 – Certain amounts on the Summary of Revenues, Expenses and Changes in Net Position have been restated to reflect the implementation of GASB Statement No. 103, *Financial Reporting Model Improvements*. Presentation updates were also made to reflect the GASB Statement No. 103 guidance and to better reflect CPS Energy's operating activity. There were no changes to the net position reflected with the restatement of FY2025 or FY2024. Refer to Note 1 for additional information related to the restatement from GASB Statement No. 103.

FINANCIAL SUMMARY FOR REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Summary of Revenues, Expenses and Changes in Net Position

(Dollars in thousands)

	January 31,			2026 vs 2025	2025 vs 2024
	2026	2025	2024		
		(Restated)	(Restated)		
Operating revenues					
Electric and gas	\$ 4,090,370	\$ 3,575,883	\$ 3,359,249	14.4 %	6.4 %
Other operating revenues	9,296	10,641	7,472	(12.6) %	42.4 %
Total operating revenues	4,099,666	3,586,524	3,366,721	14.3 %	6.5 %
Operating expenses	3,370,207	2,718,329	2,511,263	24.0 %	8.2 %
Noncapital subsidies	(510,837)	(469,391)	(462,204)	8.8 %	1.6 %
Operating income (loss) and noncapital subsidies	218,622	398,804	393,254	(45.2)%	1.4 %
Other nonoperating income (loss)	(99,011)	(36,649)	(60,414)	170.2 %	(39.3)%
Income before other changes in net position	119,611	362,155	332,840	(67.0)%	8.8 %
Change in net position	119,611	362,155	332,840	(67.0)%	8.8 %
Net position – beginning	4,726,210	4,364,055	4,031,215	8.3 %	8.3 %
Net position – ending	\$ 4,845,821	\$ 4,726,210	\$ 4,364,055	2.5 %	8.3 %

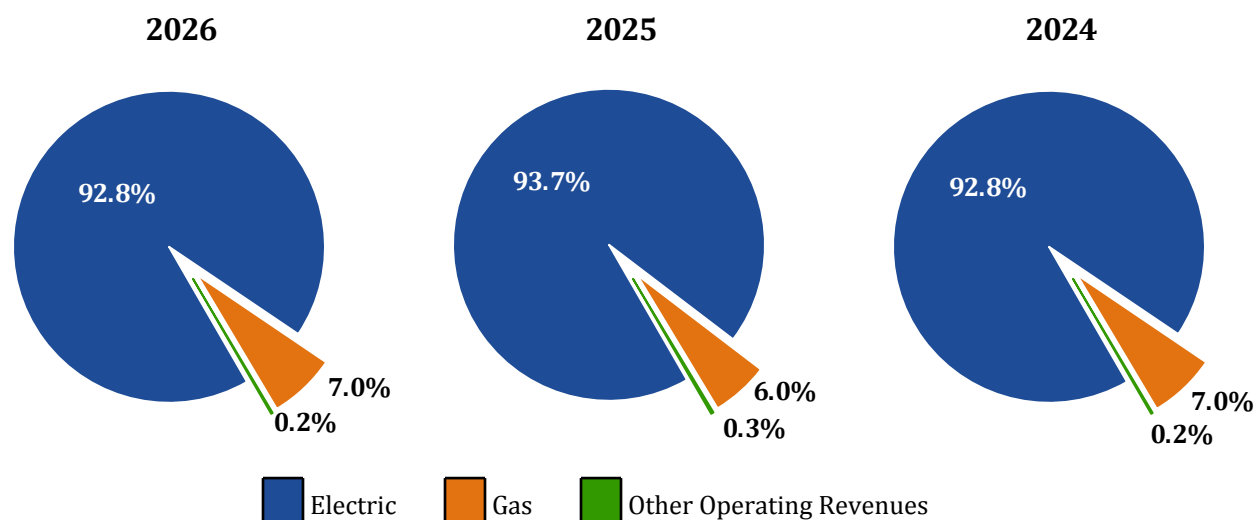
DETAILED ANALYSES

Total Operating Revenues

FY2026 – Total operating revenues of \$4,099.7 million increased by \$513.1 million, or 14.3%, compared to FY2025. This increase was primarily due to higher wholesale fuel and nonfuel recoveries from increased wholesale sales opportunities enabled by the May 2024 acquisition of three power plants in Corpus Christi and Laredo ("CCL") and the September 2025 acquisition of four gas peaking power plants in Brazoria, Galveston and Harris counties ("ETP"). The CCL plants were available for wholesale sales opportunities for all of FY2026, but were only available for wholesale sales opportunities for 9 months of FY2025. Electric and gas operating revenues were also higher due to higher electric retail fuel and nonfuel recoveries and higher gas fuel recoveries.

FY2025 – Total operating revenues of \$3,586.5 million increased by \$219.8 million, or 6.5%, compared to FY2024. This increase was primarily due to higher electric wholesale fuel and nonfuel recoveries enabled by the added capacity provided by the CCL generation asset acquisition, and higher electric retail nonfuel recoveries resulting from a base rate increase and warmer temperatures.

Total Operating Revenues Fiscal Years Ended January 31,

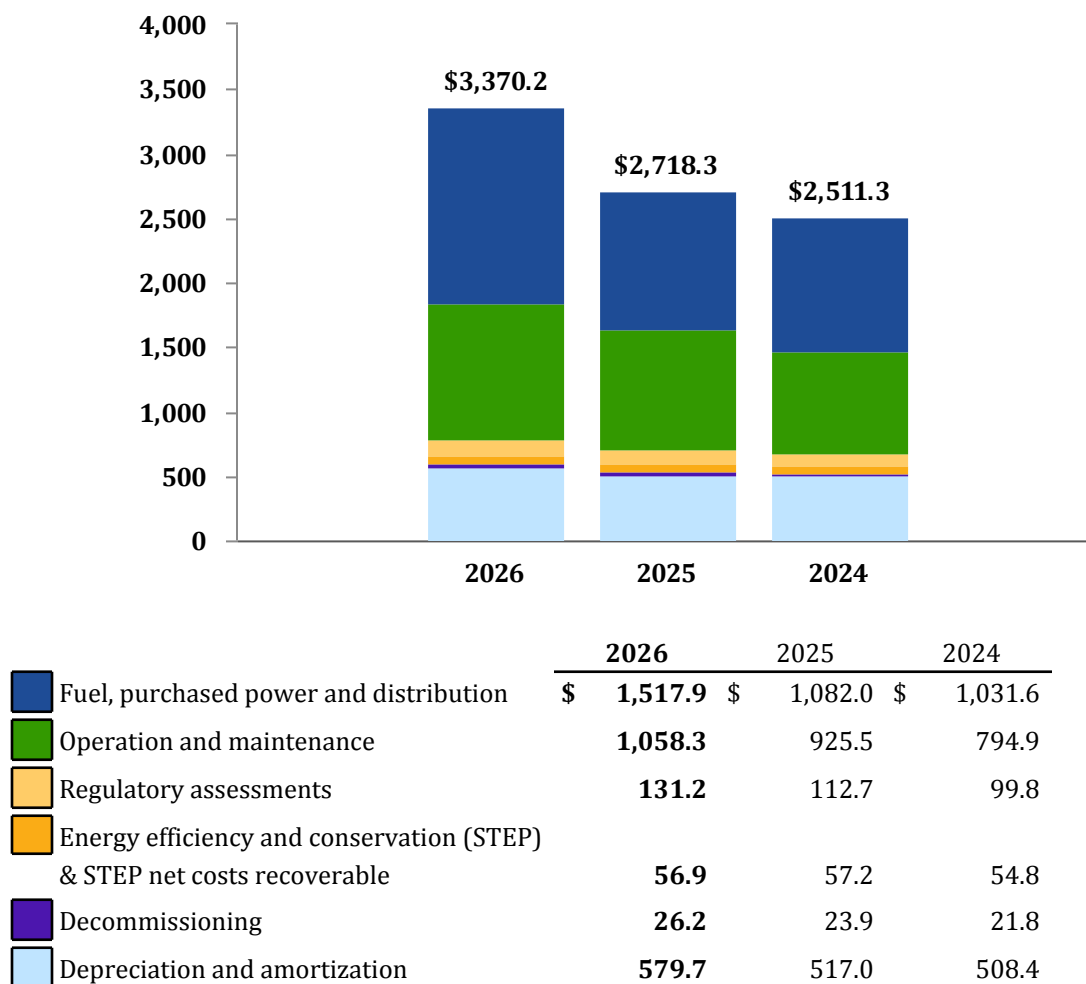


Operating Expenses

FY2026 – Operating expenses of \$3,370.2 million were approximately \$651.9 million, or 24.0%, above the FY2025 total of \$2,718.3 million. The variance is attributed to the following: higher fuel costs of \$435.9 million due to more wholesale activity made possible by the additional capacity from the CCL units and ETP units, and higher natural gas prices; higher operation and maintenance ("O&M") of \$132.8 million related to higher generation from our units, unplanned outages repairs, emergency-related and compliance work, and higher depreciation expense of \$62.7 million, due to the 2024 and 2025 acquisition of generation assets; and other higher expenses totaling \$20.5 million.

FY2025 – Operating expenses of \$2,718.3 million were approximately \$207.1 million, or 8.2%, above the FY2024 total of \$2,511.3 million. The variance is primarily due to the following: higher fuel costs of \$50.4 million due to increased wholesale activity partially offset by lower natural gas costs for the gas distribution system; higher O&M of \$130.6 million due to the acquired CCL generation assets, unplanned outages repairs, and emergency-related and compliance work; and higher other expenses totaling \$26.1 million.

Total Operating Expenses
Fiscal Years Ended January 31,
(In millions)



Noncapital Subsidies

FY2026 – Noncapital subsidies of \$510.8 million were approximately 8.8% higher than FY2025 due to higher electric and distribution gas revenues of 13.2% and 32.5% respectively, which contributed to a higher City Payment. The increased revenues were primarily driven by higher wholesale activity due to additional capacity from the CCL units and ETP as well as higher fuel recoveries.

FY2025 – Noncapital subsidies of 469.4 million were approximately 1.6% higher than FY2024 due to higher payments to the City driven by increased revenues. The increase was primarily due to the increase of electric revenue by 7.5% from FY2024, driven by demand for wholesale electricity and the additional capacity from the CCL units.

Other Nonoperating Income (Loss)

FY2026 – Other nonoperating loss of \$99.0 million increased by 170.2% from FY2025. This increase was primarily due to higher interest and debt-related expenses and lower capital contributions.

FY2025 – Other nonoperating loss of \$36.6 million decreased by 39.3% from FY2024. This decrease was primarily due to higher investment income that resulted from higher market interest rates in FY2025 and higher capital contributions as compared to FY2024.

FINANCIAL SUMMARY FOR STATEMENT NET POSITION**Statements of Net Position Summary**

(In thousands)

	January 31,			2026 vs 2025	2025 vs 2024
	2026	2025	2024		
Assets					
Current assets	\$ 1,686,002	\$ 1,285,788	\$ 1,204,611	\$ 400,214	\$ 81,177
Noncurrent assets	3,568,818	3,244,782	3,095,301	324,036	149,481
Capital assets, net	13,195,015	11,004,386	9,763,110	2,190,629	1,241,276
Total assets	18,449,835	15,534,956	14,063,022	2,914,879	1,471,934
Deferred outflows of resources	952,697	917,441	747,712	35,256	169,729
Total assets plus deferred outflows of resources	<u>\$ 19,402,532</u>	<u>\$ 16,452,397</u>	<u>\$ 14,810,734</u>	<u>\$2,950,135</u>	<u>\$1,641,663</u>
Liabilities					
Current liabilities	\$ 1,378,756	\$ 1,045,046	\$ 977,821	\$ 333,710	\$ 67,225
Long-term debt, net	10,514,200	8,222,456	7,175,452	2,291,744	1,047,004
Noncurrent liabilities	2,167,972	2,282,316	2,101,005	(114,344)	181,311
Total liabilities	14,060,928	11,549,818	10,254,278	2,511,110	1,295,540
Deferred inflows of resources	495,783	176,369	192,401	319,414	(16,032)
Total liabilities plus deferred inflows of resources	<u>\$ 14,556,711</u>	<u>\$ 11,726,187</u>	<u>\$ 10,446,679</u>	<u>\$2,830,524</u>	<u>\$1,279,508</u>
Net position					
Net investment in capital assets	2,890,580	2,775,776	2,682,503	114,804	93,273
Restricted	901,628	980,894	965,197	(79,266)	15,697
Unrestricted	1,053,613	969,540	716,355	84,073	253,185
Total net position	4,845,821	4,726,210	4,364,055	119,611	362,155
Total liabilities plus deferred inflows of resources plus net position	<u>\$ 19,402,532</u>	<u>\$ 16,452,397</u>	<u>\$ 14,810,734</u>	<u>\$2,950,135</u>	<u>\$1,641,663</u>

DETAILED ANALYSES**Current Assets**

FY2026 – Current assets totaled \$1,686.0 million as of January 31, 2026, an increase of \$400.2 million compared to January 31, 2025. The variance was primarily due to increases of \$162.2 million in the General Fund, \$160.3 million in customer accounts receivable, \$68.8 million in prepayments and other, \$22.4 million in interest and other receivables, \$2.5 million in gas inventory, and \$3.1 million in insurance reserves. These increases were partially offset by a decrease of \$28.1 million in collateral.

FY2025 – Current assets totaled \$1,285.8 million as of January 31, 2025, an increase of \$81.2 million compared to January 31, 2024. The variance was primarily due to increases of \$31.2 million in customer accounts receivable, \$19.1 million in prepayments and other, \$17.3 million in interest and other receivables, \$7.9 million in gas inventory, \$7.8 million in the General Fund, and \$6.2 million from collateral. The increases were partially offset by decreases of \$13.1 million in coal inventory and \$4.1 million in insurance reserves.

See accompanying Independent Auditors' report.

Noncurrent Assets

FY2026 – Noncurrent assets totaled \$3,568.8 million as of January 31, 2026, an increase of \$324.0 million compared to January 31, 2025. The overall variance was primarily due to increases of \$184.0 million in the Capital Projects Fund, \$118.1 million in Prepayment and other due to heat-rate call options ("HRCOs") and ancillary services valuations of \$109.4 million related to the ETP units acquisition, \$95.1 million in the Decommissioning Trusts balance resulting from favorable market conditions, and \$11.7 million related to unamortized bond expense. These increases were partially offset by a decreases of \$58.2 million in other investments, \$29.1 million in debt service, \$10.0 million in STEP net costs recoverable, and \$3.7 million in fuel costs recoverable.

FY2025 – Noncurrent assets totaled \$3,244.8 million as of January 31, 2025, an increase of \$149.5 million compared to January 31, 2024. The overall variance was due to increases of \$59.1 million in the Capital Projects Fund, \$48.0 million for debt service, \$42.6 million in the Decommissioning Trusts balance resulting from favorable market conditions, \$30.7 million for regulatory assets due to the annual actuarial true-up and \$7.8 million in unamortized bond expense. These increases were partially offset by a decrease of \$41.4 million in net other postemployment benefits ("OPEB") assets.

Deferred Outflows of Resources

FY2026 – Deferred outflows of resources increased \$35.3 million, from \$917.4 million as of January 31, 2025, to \$952.7 million as of January 31, 2026, primarily due to an increases of \$21.0 million in unamortized losses on debt refundings and \$19.4 million in outflows related to fuel hedges. These increase were partially offset by a \$6.4 million decrease in outflows related to pension and OPEB.

FY2025 – Deferred outflows of resources increased \$169.7 million, from \$747.7 million as of January 31, 2024, to \$917.4 million as of January 31, 2025, due to increases of \$114.2 million of outflows related to pension and OPEB, \$60.2 million in outflows related to fuel hedges, partially offset by a decrease of \$8.9 million in unamortized losses on debt refundings.

Current Liabilities

FY2026 – Excluding \$169.2 million of current maturities of debt, current liabilities increased \$348.1 million, from \$861.4 million as of January 31, 2025, to \$1,209.6 million as of January 31, 2026. The variance was primarily due to increases of \$310.3 million in accounts payable and accrued liabilities, \$25.3 million in STP operating, maintenance and construction payables, \$10.1 million in City of San Antonio payable, \$4.4 million ETP operating, maintenance and construction payables, \$4.4 million in customer advances, \$2.5 million of other interest payable. These were partially offset by decreases of \$9.9 million in bond interest payable.

FY2025 – Excluding \$183.6 million of current maturities of debt, current liabilities increased \$64.9 million, from \$796.5 million as of January 31, 2024, to \$861.4 million as of January 31, 2025. The variance was primarily due to increases of \$36.3 million in bond interest payable due to greater outstanding debt from the CCL purchase, \$31.8 million in accounts payable and accrued liabilities, and \$24.4 million in current customer advances reclassified to long-term customer advances. These were partially offset by decreases of \$22.3 million in STP operating, maintenance and construction payables, and \$4.1 million for the City of San Antonio payable.

Noncurrent Liabilities

FY2026 – Excluding the noncurrent portion of debt of \$10,514.2 million, noncurrent liabilities decreased \$114.3 million to \$2,168.0 million as of January 31, 2026, primarily due to increases of \$68.3 million in STP decommissioning net costs refundable and \$27.3 million in asset retirement obligations due to the favorable annual evaluation for inflation and underlying terms of the ARO. These increases were partially offset by decreases of \$156.4 million in net pension liability, \$46.0 million in other liabilities due to changes in fuel hedge fair value and mark to market adjustments and \$6.4 million in STP pension and OPEB liability.

FY2025 – Excluding the noncurrent portion of debt of \$8,222.5 million, noncurrent liabilities increased \$181.3 million to \$2,282.3 million as of January 31, 2025, primarily due to increases of \$122.1 million in net pension and OPEB

liabilities due to the annual updated actuarial study, \$26.5 million in Other liabilities due to changes in fuel hedge fair value and mark to market adjustments, \$26.6 million in asset retirement obligations due to the favorable annual evaluation for inflation and underlying terms of the ARO, and \$18.4 million in decommissioning net costs refundable. These increases were partially offset by decreases of \$8.5 million in STP pension and OPEB liability, and \$3.8 million in long-term service agreement payables.

Deferred Inflows of Resources

FY2026 – Deferred inflows of resources increased \$319.4 million, from \$176.4 million as of January 31, 2025, to \$495.8 million as of January 31, 2026, primarily due to increases of \$158.0 million deferred inflows related to pension and OPEB, \$150.2 million in deferred inflows HRCOs related to the acquisition of the East Texas Peaking Units and \$8.6 million deferred inflows related to fuel hedges, and \$7.0 million deferred inflows related to leases. These increases were partially offset by decreases of \$3.5 million in deferred inflows related to unrealized future revenues.

FY2025 – Deferred inflows of resources decreased \$16.0 million, from \$192.4 million as of January 31, 2024, to \$176.4 million as of January 31, 2025, primarily due to a decrease of \$18.6 million in deferred inflows related to pension and OPEB as a result of the updated actuarial studies, and a \$3.5 million decrease in deferred inflows related to unrealized future revenues, partially offset by an increase of \$7.2 million in unamortized gains on debt refundings due to the debt refunding transactions in FY2025.

SIGNIFICANT CAPITAL ASSETS AND LONG-TERM FINANCING ACTIVITY

Capital Assets, Net

FY2026 – As of January 31, 2026, net capital assets of \$13,195.0 million increased \$2,190.6 million from \$11,004.4 million at January 31, 2025. The variance was primarily due to increases of \$1,584.5 million in electric plant from the ETP units acquisition for planned additional generation capacity, \$474.0 million in nondepreciable assets, \$54.1 million in gas plant, \$46.4 million in general plant, and \$35.3 million in nuclear fuel. These increases were partially offset by decreases of \$3.6 million in intangible assets. Total depreciable/amortizable assets increased \$1,716.7 million.

Of the total plant-in-service and construction-in-progress additions, \$2,715.1 million was related to new construction and net removal costs. These additions included funding with \$2,222.5 million of debt, \$152.4 million from capital contributions and \$340.2 million from the Repair and Replacement Account. Included in capital assets is CPS Energy's 40% interest in South Texas Project ("STP") Units 1 and 2.

Leases and Subscription-Based Information Technology Arrangements ("SBITAs") had a net balance of \$30.7 million at January 31, 2026 increased \$0.5 million from \$30.2 million at January 31, 2025 comprising mainly of real estate, lab equipment, and software subscription arrangements. See Note 17 - Leases and Subscription-Based Information Technology Arrangements for additional details of these assets.

FY2025 – As of January 31, 2025, net capital assets of \$11,004.4 million increased \$1,241.3 million from \$9,763.1 million at January 31, 2024. The variance was primarily due to increases of \$1,225.7 million in electric plant from the CCL acquisition for planned additional generation capacity, \$111.7 million in gas plant, \$42.6 million in intangibles, and \$16.8 million in general plant. These increases were partially offset by decreases of \$153.2 million in nondepreciable assets. Total depreciable/amortizable assets increased \$1,394.5 million.

Of the total plant-in-service and construction-in-progress additions, \$1,749.7 million was related to new construction and net removal costs. These additions included funding with \$1,237.0 million of debt, \$130.8 million from capital contributions and \$381.9 million from the Repair and Replacement Account. Included in capital assets is CPS Energy's 40% interest in STP Units 1 and 2.

Leases and SBITAs had a net balance of \$30.2 million at January 31, 2025 decreased \$2.8 million from \$33.0 million at January 31, 2024 comprising mainly of real estate, lab equipment, and software subscription arrangements. See Note 17 - Leases and Subscription-Based Information Technology Arrangements for additional details of these assets.

Long-Term Debt (Excluding Commercial Paper and Flexible Rate Revolving Notes)

FY2026 – As of January 31, 2026, CPS Energy's total debt outstanding was \$9,313.2 million, excluding commercial paper, the flexible rate revolving notes ("FRRN"), discounts and premiums. This long-term debt was composed of \$8,372.7 million in fixed-interest-rate instruments and \$940.5 million in variable-interest-rate instruments. Fixed-interest-rate long-term debt had an overall weighted-average yield of 4.5%. Separately, the variable-rate bonds had an annual weighted-average yield of 2.8%.

Issuances – CPS Energy issued a total of \$2,959.1 million in bonds in FY2026 through refunding and new money transactions.

Reductions – CPS Energy made principal payments of \$183.6 million in FY2026. Additional principal paydowns related to refunding transactions during the year totaled \$1,299.4 million.

Summary of Debt Rollforward Activity¹

(In thousands)

Balance Outstanding February 1, 2025	Additions During Year	Decreases During Year	Balance Outstanding January 31, 2026
\$ 7,837,015	\$ 2,959,135	\$ (1,482,990)	\$ 9,313,160

¹Excludes commercial paper, the FRRN, discounts and premiums.

FY2025 – As of January 31, 2025, CPS Energy's total debt outstanding was \$7,837.0 million, excluding commercial paper, the FRRN, discounts and premiums. This long-term debt was composed of \$7,249.6 million in fixed-interest-rate instruments and \$587.4 million in variable-interest-rate instruments. Fixed-interest-rate long-term debt had an overall weighted-average yield of 4.2%. Separately, the variable-rate bonds had a weighted-average yield of 2.5%.

Issuances – CPS Energy issued a total of \$1,855.5 million in bonds in FY2025 through refunding, tender, and new money transactions.

Reductions – CPS Energy made principal payments of \$181.3 million in FY2025. Additional principal paydowns related to refunding and tender transactions during the year totaled \$416.7 million.

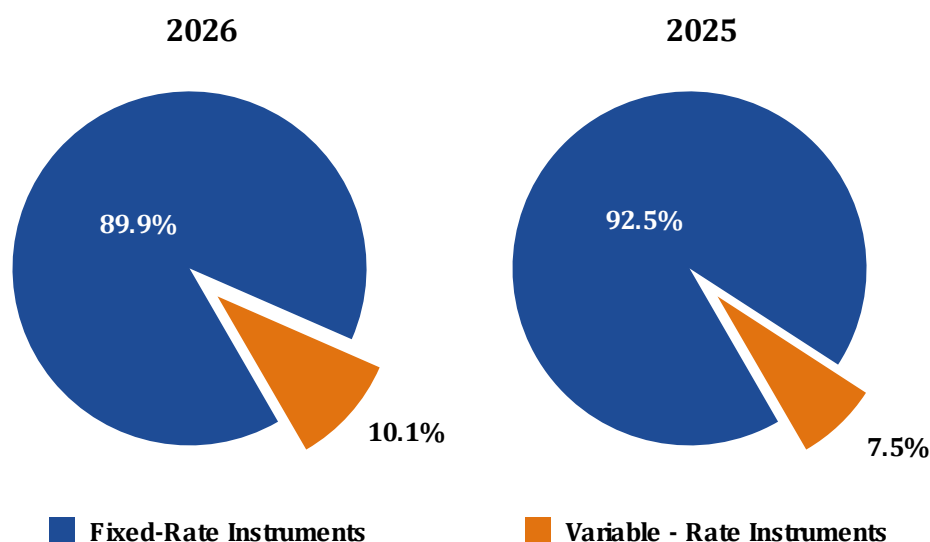
Summary of Debt Rollforward Activity¹

(In thousands)

Balance Outstanding February 1, 2024	Additions During Year	Decreases During Year	Balance Outstanding January 31, 2025
\$ 6,579,475	\$ 1,855,545	\$ (598,005)	\$ 7,837,015

¹Excludes commercial paper, the FRRN, discounts and premiums.

Allocation of Debt
Fiscal Years Ended January 31,



Note: Graphs exclude commercial paper and the FRRN.

Commercial Paper

FY2026 – *Issuances* – CPS Energy issued a total of \$1,380.0 million in commercial paper during the fiscal year ended January 31, 2026, to fund construction costs and the plant acquisition.

Reductions – CPS Energy made reductions of \$787.2 million related to commercial paper refunding transactions during the fiscal year ended January 31, 2026.

At January 31, 2026, the outstanding commercial paper balance was \$592.8 million.

Summary of Commercial Paper Rollforward Activity
(In thousands)

Balance Outstanding February 1, 2025	Additions During Year	Decreases During Year	Balance Outstanding January 31, 2026
\$ —	\$ 1,380,000	\$ (787,200)	\$ 592,800

FY2025 – *Issuances* – CPS Energy issued a total of \$583.5 million in commercial paper during the fiscal year ended January 31, 2025, to fund construction costs and the plant acquisition.

Reductions – CPS Energy made reductions of \$934.9 million related to commercial paper refunding transactions during the fiscal year ended January 31, 2025.

As of January 31, 2025, there was no outstanding commercial paper.

Summary of Commercial Paper Rollforward Activity

(In thousands)

Balance Outstanding February 1, 2024	Additions During Year	Decreases During Year	Balance Outstanding January 31, 2025
\$ 351,400	\$ 583,522	\$ (934,922)	\$ —

The weighted-average interest rate on outstanding commercial paper was 2.9% as of January 31, 2026, and 6.4% as of January 31, 2025. The weighted-average maturity of commercial paper as of January 31, 2026 and 2025, was 339 and 232 days, respectively.

Extendible Municipal Commercial Paper

FY2026 – *Issuances* – CPS Energy issued a total of \$150.0 million in Extendible Municipal Commercial Paper ("EMCP") during the fiscal year ended January 31, 2026, to fund construction costs.

Reductions – CPS Energy made no reductions related to EMCP refunding transactions during the fiscal year ended January 31, 2026.

FY2025 – As of January 31, 2025, there was no outstanding balance of the extendible EMCP as it was not established until FY2026.

Flexible Rate Revolving Notes

FY2026 – *Issuances* – CPS Energy issued a total of \$600.0 million in flexible rate revolving notes during the fiscal year ended January 31, 2026, to fund the ETP plant acquisition.

Reductions – CPS Energy made reductions of \$600.0 million related to debt refunding transactions during the fiscal year ended January 31, 2026. As of January 31, 2026, there was no outstanding FRRN balance.

FY2025 – *Issuances* – CPS Energy issued a total of \$385.0 million in flexible rate revolving notes during the fiscal year ended January 31, 2025, to fund the plant acquisition.

Reductions – CPS Energy made reductions of \$385.0 million related to debt refunding transactions during the fiscal year ended January 31, 2025. As of January 31, 2025, there was no outstanding FRRN balance.

The following table illustrates the debt service coverage ratios in accordance with the bond ordinances and also provides the ratios without the direct subsidy deduction:

Debt Service Coverage Ratios as of January 31, 2026

	With BABs Subsidy	Without BABs Subsidy
Senior lien debt	3.05x	2.97x
Senior and Junior lien debt	2.59x	2.51x

**Debt Service Coverage Ratios
as of January 31, 2025**

	With BABs Subsidy	Without BABs Subsidy
Senior lien debt	3.46x	3.37x
Senior and Junior lien debt	2.96	2.86x

The ratio of debt to debt and net position was 67.1% and 61.8% as of January 31, 2026 and 2025, respectively.

**Summary of CPS Energy's Bond and Commercial Paper Ratings
as of January 31, 2026**

	Ratings at January 31, 2026			
	Senior Lien Debt	Junior Lien Debt	Commercial Paper	Extendable Municipal Commercial Paper
Fitch Ratings	AA-	AA-	F1+	F1+
Moody's Investors Service, Inc.	Aa2	Aa3	P-1	P-1
S&P Global Ratings	AA-	A+	A-1+	A-1+

During the fiscal year, Fitch Ratings, Moody's Investors Service, and S&P Global Ratings affirmed the ratings of CPS Energy, which reflects a stable outlook from Fitch Ratings, S&P Global Ratings, and Moody's Investors Service.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

Strategic Initiatives – As CPS Energy looks ahead to the needs and opportunities of the future, the Company is planning to ensure our organization empowers our community for generations. On January 31, 2025, the CPS Energy Board of Trustees approved the Horizon 2050 framework. Our Horizon 2050 plan will serve as a foundation for how our utility will plan for the future and defines our commitment to serving the community for years to come.

CPS Energy's Horizon 2050 mission is to safely power our community with reliable, affordable, and cleaner energy, that reflects our long-term commitment to serving our customers. Our five strategic goals are: Reliability, Value, Cleaner Energy, Financial Strength, and Team Excellence. We live by our core values of Accountability, Integrity, Excellence, Safety & Well-being, Transparency, and One Team. We are connecting, listening, and engaging transparently with our community and stakeholders.

CPS Energy aims to address San Antonio's growing energy needs while transforming power generation to cleaner sources with a deliberately blended approach with increased solar capacity, energy storage, new technologies, and firming capacity to replace energy production from aging power plants. Today's renewable technology, alone, cannot support all of the community's customers consistently and reliably, 24 hours a day, seven days a week. The multi-faceted approach of the diversified generation solution will ensure the community has the power to thrive while maximizing the existing community-owned generation assets.

We will continue our legacy of enhancing quality of life by providing equitable, affordable, reliable, and sustainable energy. San Antonio is one of the fastest-growing cities in America, and the utility industry is faced with integrating new technology while balancing societal and regulatory expectations, managing severe weather events, and remaining competitive in retaining and attracting talent.

Transmission Cost of Service ("TCOS") Rate Case – In FY2027, CPS Energy plans to submit an application to the Public Utility Commission of Texas for a full review of our TCOS rate. The impact of an adjustment to our TCOS rate on future revenue is uncertain.

Legislation and Regulations – The Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") was signed into law on July 21, 2010. Title VII of the Dodd-Frank Act, known as the "Wall Street Transparency and Accountability Act of 2010," substantially modified portions of the Commodity Exchange Act with respect to swap transactions. The law was designed to reduce risk, establish new business conduct rules, increase transparency and promote market integrity within the financial system. The Dodd-Frank Act gave the Commodity Futures Trading Commission ("CFTC") and the Securities and Exchange Commission ("SEC") statutory authority to regulate the over-the-counter derivative instruments market, including many of the commodities that are currently being traded or hedged by CPS Energy in accordance with its own policies and procedures. The CFTC and SEC, as well as U.S. prudential regulators charged with guarding against systemic risk to the banking and financial system, propose, finalize and implement rules pursuant to the legislation. CPS Energy is subject to some of the CFTC and SEC rules, including swap transaction reporting and recordkeeping, in addition to other administrative rules and regulations, such as the Independent Registered Municipal Advisor rule that impacts capital market participants. As an "end-user" under the Dodd-Frank Act, CPS Energy is exempt from clearing and margining its over-the-counter positions and from capital requirements related to its commodities activities.

Federal Budget Developments – In December 2017, the U.S. Congress passed the Tax Cuts & Jobs Act ("Act"). The Act preserved tax-exempt financing for municipal bonds but eliminated the use of advanced refunding on a tax-exempt basis for issuers at the end of calendar year 2017. During the 116th Congress in 2020, proposals were introduced to reinstate advanced refundings but none have passed into law. Additionally, subsidy payments to BABs issuers were reduced by 5.7% from October 1, 2020, through September 30, 2030.

In August 2022, Congress passed the Inflation Reduction Act ("IRA"). The IRA included several energy tax provisions, including extensions of the Production Tax Credit ("PTC"), Investment Tax Credit ("ITC"), and Carbon Capture Tax Credit, Zero-emission Nuclear Power Production Credit, among others. The ITC was also expanded to additional types of renewable energy. The IRA further includes a variety of different tax incentives for existing nuclear, energy efficiency, clean fuels, electric vehicles, and environmental justice, among other provisions. Of particular importance, the IRA gives public power utilities and other tax-exempt entities access to refundable direct payment tax credits. The U.S. Department of the Treasury and Internal Revenue Service have initiated a series of Requests for Information to implement the various tax provisions within the IRA. CPS Energy is participating in this process through our national trade associations.

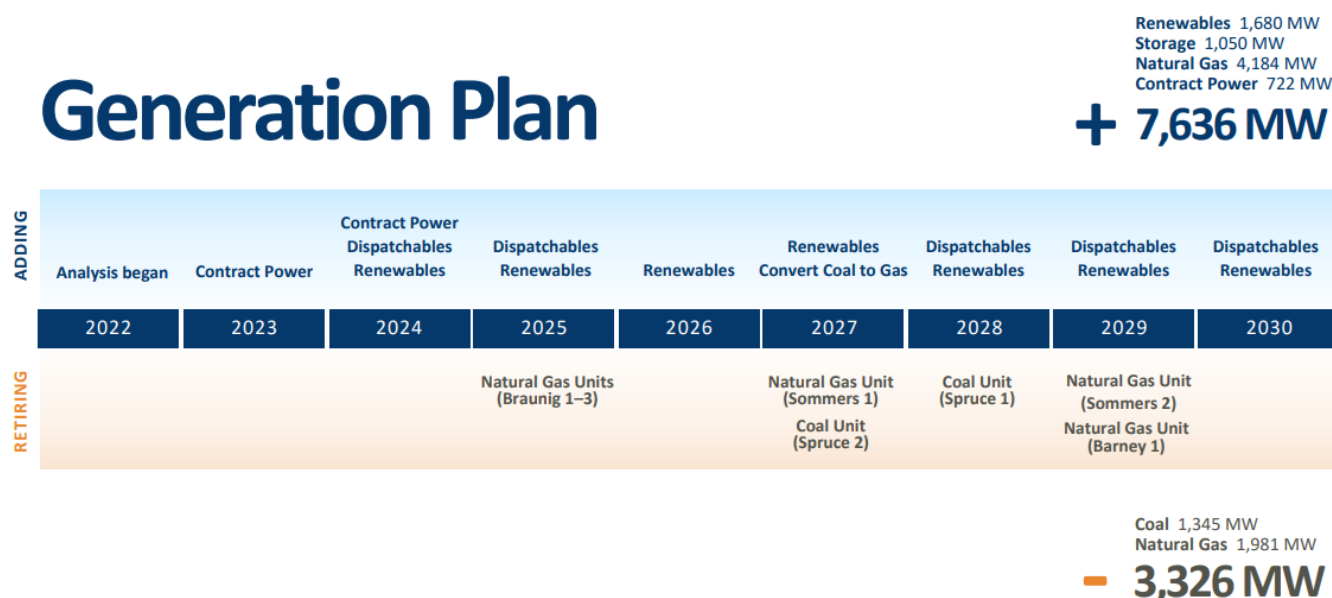
Under the IRA Section 13105 created section 45U, the zero-emission nuclear power production credits ("45U") was enacted to support the country's existing nuclear fleet and keep existing nuclear plants in operations by providing production tax credits ("PTC") for zero-emission electric generation at qualifying nuclear facilities. The 45U PTC has a direct-pay election that allows an applicable entity (tax exempt, governmental entities, and co-ops) to receive the credit as a direct payment from the government. STP Units 1 and 2, are considered qualifying nuclear power facilities under 45U, which CPS Energy has a 40% ownership. CPS Energy filed for the 45U credit for fiscal year February 1, 2024 through January 31, 2025, and intends to continue filing for every applicable tax year thereafter. See Note 19 - Subsequent Events for additional details on the status of this filing.

Vision 2027, Vision 2030 and Horizon 2050 Strategic Framework – In May 2022, CPS Energy launched a multi-year initiative focused on five strategic objectives to meet the company's mission in the rapidly changing utility industry. The initiative's five strategic objectives are: operational evolution, financial stability, customer experience, team culture and community partnership and growth. In alignment with this framework, CPS Energy is focused on executing four strategic initiatives to achieve Vision 2027's objectives which include the power generation plan, system resiliency and growth, Evolve: Enterprise Resource Plan ("ERP"), and customer experience. CPS Energy continues to seek proposals for clean energy projects while purchasing natural gas generating plants in calendar years 2024 and 2025. Additionally, CPS Energy took steps to modernize the ERP by selecting and contracting a vendor in FY2025 to provide a new platform that will best serve customers, employees, and the community. CPS Energy will begin implementation of the new ERP system in calendar year 2027.

In January 2025, the CPS Energy Board of Trustees approved the Horizon 2050 Strategic Framework, a forward-looking initiative designed to address the evolving needs and opportunities of our community. This framework is guided by our vision, "empowering our community for generations", and our mission, "to safely power our community with reliable, affordable, and cleaner energy" that reflects our long-term commitment to serving our customers. CPS Energy remains focused on achieving its mission while pursuing financial strength and team excellence. This framework establishes five-year strategic checkpoints, fosters ongoing community engagement, and promotes collaboration for continued success.

In February 2026, CPS Energy presented to the Board of Trustees the Vision 2030 initiative in accordance with Horizon 2050 Strategic Framework. Vision 2030's strategic initiatives include strengthening energy system growth, resilience and modernization; driving customer-centric innovation that improves affordability, expanding service choices and elevating digital engagement; reducing impact on the environment through measurable action; managing costs, planning for future risks and investing wisely; and investing in the organization's workforce by advancing safety culture, providing modern tools and support, and developing leaders to guide change.

Power Generation Plan – In FY2026, CPS Energy strengthened generation capabilities by acquiring power generation plants, increasing energy storage and increasing its power purchase agreements ("PPA") as detailed below:



- **Plant Acquisition:** In September 2025, CPS Energy acquired a generation portfolio of 1,632 megawatts ("MW") located in the Southeast Zone of the Electric Reliability Council of Texas ("ERCOT") market for \$1,387 million. These assets include peaking natural gas plants in Harris, Brazoria, and Galveston Counties. The acquired assets are dual-fuel capable, providing CPS Energy future optionality to transition to a hydrogen fuel blend that would enable reduced carbon emissions.
- **Energy Storage:** In September 2025, CPS Energy announced the start of operations for a 50-megawatt ("MW") energy storage system. The completion follows CPS Energy's 2024 announcements for an additional 350 MW of energy storage capacity, for a total of 400MW, to be completed by spring 2026.

- **Renewables Power Purchase Agreements:** In April 2025, CPS Energy expanded its existing 15-year power PPA with Avangrid, Inc., adding an additional 152.9 MW of wind generation capacity from a wind farm in Kenedy County, Texas. The revised PPA will increase CPS Energy's capacity at this wind farm from 160.8 MW to 320 MW, which is 80% of the windfarm's total MW capacity.

South Texas Project ("STP") – In May 2024, CPS Energy entered into an agreement to acquire an additional 2% ownership of STP from Constellation South Texas, LLC, and this additional 2% will increase CPS Energy's STP ownership to 42%. CPS Energy expects this transaction to close in calendar year 2026 pending various regulatory approvals.

Customer Accounts Receivable – CPS Energy continues to see lingering impacts of COVID-19, most notably related to past due customer accounts receivable, however, past due accounts have been steadily decreasing from their peak in October 2022. The majority of the past due accounts are actively engaged and maintaining their payment plans. In FY2026 and FY2025, disconnects were paused due to the extreme temperatures but resumed as weather conditions improved and continued through fiscal year-end. The continuation of the standard collections and disconnects is part of the Vision 2027 customer experience core objective to develop a timely and effective communication with the customers and connect customers with support through the customer assistance programs available.

Grant Awards – In August 2025, CPS Energy was awarded a \$6.1 million Grid Resiliency Grant for the Wildfire and Extreme Weather Protection Program ("Program") from the Texas Division of Emergency Management ("TDEM"). The Program will strengthen CPS Energy's ability to address the resiliency of the energy delivery system. Many elements of the Program are included in CPS Energy's Long-Range Plan that provides the roadmap and detailed plan for transmission and distribution resiliency. The Program is comprised of wildfire mitigation, system resilience, and dynamic network modeling. As of January 31, 2026, no funds have been spent under this grant.

In June 2024, the U.S. Department of Energy ("DOE") awarded CPS Energy a \$30.2 million grant to enhance the utility's ongoing efforts to maintain grid reliability and resiliency. The DOE funds will advance CPS Energy's Community Energy Resiliency Program, focused on grid innovation such as installing microgrids to sustain the evolving needs of customers and businesses in the south and southwest portions of San Antonio. The federal fund includes a required CPS Energy matching commitment of \$36.5 million for an approximate combined total investment of \$66.7 million. On January 28, 2025, the Company received a memorandum from the DOE suspending specific grant activities, prompting CPS Energy to halt all related efforts. On March 17, 2025, the Company received a clarification memorandum rescinding the suspending memorandum, thereby allowing grant-related activities to resume. As of January 31, 2026, CPS Energy has incurred reimbursable expenses and accounts receivable of \$2.5 million related to this grant. As of January 31, 2025, CPS Energy had incurred reimbursable expenses and accounts receivable of \$1.9 million.

REQUESTS FOR INFORMATION

For more information about CPS Energy, contact Corporate Communications & Marketing at (210) 353-2344 or at P.O. Box 1771, San Antonio, Texas 78296-1771.

STATEMENTS OF NET POSITION

	January 31,	
	2026	2025
	(In thousands)	
Assets		
Current assets		
Cash and cash equivalents	\$ 546,087	\$ 407,259
Customer accounts receivable, less allowance for doubtful accounts of \$70.8 million at January 31, 2026, and \$92.7 million at January 31, 2025	514,551	354,282
Interest and other accounts receivable	160,865	138,501
Inventories, at average costs		
Materials and supplies, net	152,151	148,325
Fossil fuels	73,347	67,225
Prepayments and other	239,001	170,196
Total current assets	<u>1,686,002</u>	<u>1,285,788</u>
Noncurrent assets		
Restricted		
Cash and cash equivalents	975,302	634,446
Investments	1,184,799	1,332,269
Interest and other accounts receivable	6,891	8,395
Pension regulatory asset	283,232	275,333
Fuel costs regulatory asset	759,580	763,305
Other noncurrent assets	359,014	231,034
Capital assets, net	13,195,015	11,004,386
Total noncurrent assets	<u>16,763,833</u>	<u>14,249,168</u>
Total assets	<u>18,449,835</u>	<u>15,534,956</u>
Deferred outflows of resources		
Pension and OPEB related	343,060	349,438
Fuel hedges	109,882	90,471
Unamortized losses on debt refundings	59,579	38,577
Asset retirement obligations	440,176	438,955
Total deferred outflows of resources	<u>952,697</u>	<u>917,441</u>
Total assets and deferred outflows of resources	<u>\$ 19,402,532</u>	<u>\$ 16,452,397</u>

See accompanying Notes to Basic Financial Statements.

STATEMENTS OF NET POSITION

	January 31,	
	<u>2026</u>	<u>2025</u>
	(In thousands)	
Liabilities		
Current liabilities		
Current maturities of debt	\$ 169,185	\$ 183,600
Accounts payable and accrued liabilities	<u>1,209,571</u>	<u>861,446</u>
Total current liabilities	<u>1,378,756</u>	<u>1,045,046</u>
Noncurrent liabilities		
Long-term debt, net	10,514,200	8,222,456
Asset retirement obligations	1,110,742	1,082,718
Decommissioning net costs refundable	182,904	114,592
Net pension and OPEB liabilities	315,644	472,091
Fuel costs liability	362,251	362,251
Other noncurrent liabilities	<u>196,431</u>	<u>250,664</u>
Total noncurrent liabilities	<u>12,682,172</u>	<u>10,504,772</u>
Total liabilities	<u>14,060,928</u>	<u>11,549,818</u>
Deferred inflows of resources		
Fuel hedges	8,621	—
Pension and OPEB related	199,121	41,151
Unrealized future revenues	63,404	66,939
Leases	8,827	9,649
Unamortized gains on debt refundings	65,628	58,630
Heat rate call options	<u>150,182</u>	<u>—</u>
Total deferred inflows of resources	<u>495,783</u>	<u>176,369</u>
Total liabilities and deferred inflows of resources	<u>14,556,711</u>	<u>11,726,187</u>
Net position		
Net investment in capital assets	2,890,580	2,775,776
Restricted		
Debt service	165,685	187,321
Ordinance	735,943	793,573
Unrestricted	<u>1,053,613</u>	<u>969,540</u>
Total net position	<u>4,845,821</u>	<u>4,726,210</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 19,402,532</u>	<u>\$ 16,452,397</u>

See accompanying Notes to Basic Financial Statements.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Fiscal Years Ended January 31,	
	<u>2026</u>	<u>2025</u>
		(Restated)
	(In thousands)	
Operating revenues		
Electric		
Retail	\$ 2,999,707	\$ 2,794,538
Wholesale	<u>804,616</u>	<u>565,425</u>
Total electric operating revenues	<u>3,804,323</u>	3,359,963
Gas	<u>286,047</u>	215,920
Other operating revenues	<u>9,296</u>	<u>10,641</u>
Total operating revenues	<u>4,099,666</u>	<u>3,586,524</u>
Operating expenses		
Fuel, purchased power and distribution gas	1,517,875	1,081,974
Operation and maintenance	1,058,299	925,520
Energy efficiency and conservation (STEP)	47,085	57,094
STEP net costs recoverable (refundable)	9,815	133
Regulatory assessments	131,231	112,708
Decommissioning	26,173	23,872
Depreciation and amortization	<u>579,729</u>	<u>517,028</u>
Total operating expenses	<u>3,370,207</u>	<u>2,718,329</u>
Operating income (loss)	<u>729,459</u>	<u>868,195</u>
Noncapital subsidies		
Payments to the City of San Antonio	<u>(510,837)</u>	<u>(469,391)</u>
Operating income (loss) and noncapital subsidies	<u>218,622</u>	<u>398,804</u>
Other nonoperating income (expense)		
Interest and other income, net	81,208	69,065
Decommissioning Trusts investment income (loss)	95,101	42,604
Decommissioning net costs recoverable (refundable)	(68,928)	(18,732)
Interest and other expense	(391,700)	(332,826)
Amortization of debt-related costs	44,782	40,411
Capital contributions	<u>140,526</u>	<u>162,829</u>
Total other nonoperating income (expense)	<u>(99,011)</u>	<u>(36,649)</u>
Income before other changes in net position	<u>119,611</u>	<u>362,155</u>
Change in net position	119,611	362,155
Net position – beginning	<u>4,726,210</u>	<u>4,364,055</u>
Net position – ending	<u>\$ 4,845,821</u>	<u>\$ 4,726,210</u>

See accompanying Notes to Basic Financial Statements.

STATEMENTS OF CASH FLOWS

	Fiscal Years Ended January 31,	
	2026	2025
		(Restated)
	(In thousands)	
Cash flows from operating activities		
Cash received from customers	\$ 3,917,312	\$ 3,535,918
Cash received from City services billed	174,017	167,895
Cash payments to suppliers for goods and services	(2,192,934)	(1,822,805)
Cash payments to employees for service	(343,364)	(333,017)
Cash payments to the City for services billed	(173,481)	(167,494)
Net cash provided (used) by operating activities	<u>1,381,550</u>	<u>1,380,497</u>
Cash flows from noncapital financing activities		
Cash payments to the City of San Antonio	(500,723)	(473,540)
Proceeds from issuance of commercial paper	75,000	—
Net cash provided (used) by noncapital financing activities	<u>(425,723)</u>	<u>(473,540)</u>
Cash flows from capital and related financing activities		
Cash paid for additions to utility plant and net removal costs	(2,805,335)	(1,784,604)
Capital contributions	136,847	156,712
Proceeds from issuance of flexible rate revolving note	600,000	385,000
Cash payments on flexible rate revolving note	(600,000)	(385,000)
Proceeds from issuance of taxable commercial paper	787,200	200,000
Cash payments on taxable commercial paper	(787,200)	(200,000)
Proceeds (loss) from the sale of capital assets	5,906	—
Proceeds from issuance of tax-exempt commercial paper programs	667,800	383,522
Proceeds from issuance of bonds programs	1,792,272	1,618,443
Principal payments on bonds and cash defeasance of debt	(183,600)	(919,013)
Interest paid	(402,687)	(302,216)
Debt issue and cash defeasance costs paid	(16,122)	(11,863)
Net cash provided (used) by capital and related financing activities	<u>(804,919)</u>	<u>(859,019)</u>
Cash flows from investing activities		
Purchases of investments	(241,567)	(347,719)
Proceeds from sales and maturities of investments	471,544	404,741
Interest and other income	98,799	87,587
Net cash provided (used) by investing activities	<u>328,776</u>	<u>144,609</u>
Net increase (decrease) in cash and cash equivalents	479,684	192,547
Cash and cash equivalents at beginning of period	1,041,705	849,158
Cash and cash equivalents at end of period	<u>\$ 1,521,389</u>	<u>\$ 1,041,705</u>

See accompanying Notes to Basic Financial Statements.

STATEMENTS OF CASH FLOWS

Fiscal Years Ended January 31,

2026

2025

(Restated)

(In thousands)

Reconciliation of operating income (loss) to net cash provided (used) by operating activities

Cash flows from operating activities

Operating income	\$ 729,459	\$ 868,195
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation and amortization	560,152	517,028
Nuclear fuel amortization	54,277	50,999
Provision for doubtful accounts	9,079	1,028
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
Customer accounts receivable, net	(169,347)	(32,245)
Other receivables	(22,364)	(19,875)
Materials and supplies	(3,826)	(3,597)
Fossil fuels	(6,122)	4,951
Prepayments and other	(54,875)	(18,226)
Accounts payable and accrued liabilities	285,819	(1,895)
Noncurrent assets and prepaid costs	107	50,150
Fuel costs recoverable	3,724	(138)
Customer service deposits payable	278	486
Asset retirement obligations	28,024	28,678
Noncurrent liabilities	(195,140)	73,056
Deferred outflows of resources	5,157	(118,383)
Deferred inflows of resources	157,148	(19,715)
Net cash provided (used) by operating activities	<u>\$ 1,381,550</u>	<u>\$ 1,380,497</u>

Noncash transactions

Bond proceeds deposited into an escrow account for purposes of refunding long-term debt	\$ 1,313,813	\$ 611,951
Donated assets received and recorded	\$ 3,679	\$ 6,117
SBITA and leases depreciation and amortization	\$ 19,577	\$ —

STATEMENTS OF FIDUCIARY NET POSITION

	December 31,	
	2025	2024
	(In thousands)	
Assets		
Cash and cash equivalents	\$ 25,639	\$ 35,367
Receivables		
Accrued interest and dividends receivable	5,090	5,410
Receivable from federal government under Medicare Part D	113	101
Investment trades pending receivable	568	16,109
Total receivables	5,771	21,620
Investments		
U.S. Government securities	186,817	147,641
Investment grade bond funds	51,251	36,871
Corporate bonds	271,823	280,960
Emerging market debt	—	55,740
Senior loan fund	147,953	115,803
Domestic equities	1,083,766	1,074,617
Low-volatility equities	305,124	219,804
International equities	338,124	275,362
Master limited partnerships	263,994	256,369
Alternative investments	148,797	122,433
Real estate funds	148,512	145,779
Private credit funds	95,227	—
Investment in partnership	50,500	47,700
Total investments	3,091,888	2,779,079
Total assets	\$ 3,123,298	\$ 2,836,066
Liabilities		
Accounts payable and other liabilities	\$ 599	\$ 505
Investment trades pending payable	6,647	19,903
Investment and administrative expenses payable	786	609
Accrued health claims payable	6,327	5,370
Total liabilities	14,359	26,387
Net position restricted for pension and other postemployment benefits	3,108,939	2,809,679
Total liabilities and net position	\$ 3,123,298	\$ 2,836,066

See accompanying Notes to Basic Financial Statements.

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

	December 31,	
	2025	2024
	(In thousands)	
Additions		
Contributions		
Employer	\$ 125,616	\$ 112,333
On-behalf payments from federal government	1,178	1,087
Participants	35,963	33,305
Total contributions	<u>162,757</u>	<u>146,725</u>
Investment income		
Interest and dividend income	44,907	39,127
Real estate rental income	4,988	5,254
Net realized and unrealized gain on investments	337,403	334,222
Miscellaneous income	57	81
Total investment income	<u>387,355</u>	<u>378,684</u>
Investment expenses	<u>(6,654)</u>	<u>(6,598)</u>
Net investment income	<u>380,701</u>	<u>372,086</u>
Total additions	<u>543,458</u>	<u>518,811</u>
Deductions		
Benefits paid	239,127	219,714
Administrative expenses	5,071	5,157
Total deductions	<u>244,198</u>	<u>224,871</u>
Change in fiduciary net position	299,260	293,940
Fiduciary net position – beginning	2,809,679	2,515,739
Fiduciary net position – ending	<u>\$ 3,108,939</u>	<u>\$ 2,809,679</u>

See accompanying Notes to Basic Financial Statements.

NOTES TO BASIC FINANCIAL STATEMENTS

January 31, 2026 and 2025

1. Summary of Significant Accounting Policies

Reporting Entity – City Public Service Board of San Antonio (also referred to as “CPS Energy” or the “Company”) has been owned by the City of San Antonio, Texas (“City”) since 1942. CPS Energy provides electricity and natural gas to San Antonio and surrounding areas. As a municipally owned utility, CPS Energy is exempt from the payment of income taxes, state franchise taxes, use taxes, and property taxes. CPS Energy provides certain payments and benefits to the City as permitted by bond ordinances. CPS Energy’s financial results are also included within the annual comprehensive financial report of the City.

Included in CPS Energy’s financial statements are the applicable financial results for 40% of the South Texas Project (“STP”) Units 1 and 2. STP is a nonprofit special-purpose entity that reports under the guidance issued by the Financial Accounting Standards Board (“FASB”), including Topic 958 of the FASB Accounting Standards Codification, Not-for-Profit Entities. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to STP’s financial information within CPS Energy’s financial statements for these differences.

In accordance with Governmental Accounting Standards Board (“GASB”) Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*, the following legally separate entities, for which CPS Energy is financially accountable and there exists a financial benefit/burden relationship, meet those criteria for inclusion in CPS Energy’s financial statements as blended component units; therefore, their financial results are blended with those of CPS Energy:

- The City Public Service Board Restated Decommissioning Master Trust for the South Texas Project (“28% Decommissioning Trust”), and
- The City Public Service Board Decommissioning Master Trust (TCC Funded) (“12% Decommissioning Trust”).

These two component units are collectively referred to herein as the “Decommissioning Trusts” or the “Trusts”.

In accordance with GASB Statement No. 84, *Fiduciary Activities*, the fiduciary financial statements include four component units, fiduciary in nature, related to the CPS Energy Pension Plan (“Pension Plan”), the CPS Energy Group Health Plan, the CPS Energy Group Life Plan, and the CPS Energy Long-Term Disability Income Plan (collectively, “Employee Benefit Plans”). The financial results of the Pension Plan and the Employee Benefit Plans are reported on a calendar year basis and included in the Statements of Fiduciary Net Position and Statements of Changes in Fiduciary Net Position. The Pension Plan and the Employee Benefit Plans are also separately audited.

Basis of Accounting – The financial statements of CPS Energy are presented in accordance with U.S. generally accepted accounting principles (“GAAP”) for proprietary funds of governmental entities. CPS Energy, including the Decommissioning Trusts, complies with all applicable pronouncements of GASB. In accordance with the revenue bond ordinances, CPS Energy adopted the uniform system of accounts prescribed by the National Association of Regulatory Utility Commissioners (“NARUC”). The financial statements are presented using the economic resources measurement focus and the accrual basis of accounting.

CPS Energy presents its financial statements in accordance with GASB pronouncements that establish standards for external financial reporting for all state and local governmental entities that include a statement of net position, a statement of revenue, expenses and changes in net position, and a statement of cash flows. It requires classification of net position into three components - net investment in capital assets, restricted and unrestricted. These classifications are defined as follows:

- Net investment in capital assets consists of capital assets, leases and SBITAs, net of accumulated depreciation/amortization, reduced by the outstanding balances of any debt or liability attributable to those assets and increased/reduced by costs to be recovered from future revenues or revenues to be used for future costs and any unspent bond construction funds or tax-exempt commercial paper proceeds to be used to fund future construction costs.
- Restricted consists of assets that have constraints placed upon their use imposed either by creditors (such as debt covenants) or through laws, regulations or constraints imposed by law through constitutional provisions or enabling legislation, reduced by any liabilities to be paid from these assets.
- Unrestricted consists of net position that does not meet the definition of restricted or net investment in capital assets.

CPS Energy's bond resolutions specify the flow of funds from revenues and specify the requirements for the use of certain restricted and unrestricted assets.

The fiduciary financial statements of the Pension Plan and the Employee Benefit Plans are reported using the economic resources measurement focus and prepared on the accrual basis of accounting in conformity with GAAP. Contributions and income are recorded when earned and benefits and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow. The Pension Plan and the Employee Benefit Plans apply all applicable GASB pronouncements.

Estimates – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and deferred outflows of resources, liabilities and deferred inflows of resources, disclosure of contingent assets and liabilities at the date of the financial statements, and the amounts of revenues and expenses reported during the fiscal periods. Accordingly, actual results could differ from those estimates.

Classification of Revenues and Expenses – Revenues and expenses related to providing energy services in connection with the Company's principal ongoing operations of the systems are classified as operating. Nonoperating revenues and expenses are composed of subsidies received and provided, contributions to permanent and term endowments, financing activity, resources from the disposal of capital assets and inventory, and investment income (loss).

Revenues – Revenues are recorded when earned. Customers' meters are read, or periodically estimated, and bills are prepared monthly based on billing cycles. Rate tariffs include adjustment clauses that permit recovery of electric and gas fuel costs. CPS Energy uses historical information from prior fiscal years as partial basis to estimate and record earned revenue not yet billed (unbilled revenue). This process involves an extrapolation of customer usage over the days since the last meter read through the last day of the month. Also included in unbilled revenue are the (over)/under recoveries of electric and gas fuel costs and regulatory assessments. Unbilled revenue recorded as of January 31, 2026 and 2025, including estimates for electric fuel and gas costs, were \$85.6 million and \$32.2 million, respectively.

An adjustment clause in CPS Energy's rate tariffs also permits recovery of regulatory assessments. CPS Energy recovers assessments from the Public Utility Commission of Texas ("PUCT") for transmission access charges and from the Texas independent system operator, also known as the Electric Reliability Council of Texas ("ERCOT"), for its operating costs and other charges applicable to CPS Energy as a wholesale provider of power to other utilities. Regulatory assessments as of January 31, 2026 and 2025, were \$131.2 million and \$112.7 million, respectively.

Cash Equivalents and Investments, Unrestricted and Restricted – CPS Energy's investments with a maturity date within one year of the purchase date are reported at amortized cost, which approximates fair value. Amortization of premium and accretion of discount are recorded over the terms of the investments. CPS Energy's investments with a

maturity date longer than one year from the purchase date are accounted for at fair value. As available, fair values are determined by using generally accepted financial reporting services, publications and broker-dealer information. The specific identification method is used to determine costs in computing gains or losses on sales of securities. CPS Energy reports all investments of the Decommissioning Trusts at fair value. The investments of the Pension Plan and the Employee Benefit Plans are also reported at fair value in the fiduciary financial statements. Refer to Note 3 – Fair Value Measurement for additional information.

Restricted funds are generally for uses other than current operations. They are designated by law, ordinance or contract, and are often used to acquire or construct noncurrent assets. Restricted funds consist primarily of unspent bond or commercial paper proceeds, debt service required for the New Series Bonds (senior lien obligations), Series Bonds (junior lien obligations), commercial paper, the FRRN and funds for future construction or contingencies. Restricted funds also include customer assistance programs that receive proceeds from outside parties and the assets of the Decommissioning Trusts. Also included in the restricted funds classification is the Repair and Replacement Account, restricted in accordance with the Company's bond ordinances. Unrestricted funds are generally used for current operations.

CPS Energy sets aside 1% of prior fiscal year electric base rate revenue, which is remitted to the City on an annual basis as an additional transfer. In accordance with bond ordinances, the combined total of all payments to the City may not exceed 14% of gross revenues.

For purposes of reporting cash flows, CPS Energy considers all highly liquid debt instruments purchased with an original maturity of 90 days or less to be cash equivalents.

Customer Accounts Receivable - The allowance for uncollectible accounts is management's best estimate of the amount of probable credit losses based on account delinquencies, historical write-off experience and current energy market conditions. Account balances are written off against the allowance when it is probable the receivable will not be recovered. As of January 31, 2026 and 2025, the allowance for uncollectible accounts was \$70.8 million and \$92.7 million, respectively.

In FY2025 and FY2026, CPS Energy paused residential customer disconnects during the extreme summer weather conditions, but disconnects were resumed as conditions improved and continued through the end of the fiscal years.

CPS Energy records bad debts for its estimated uncollectible accounts related to electric and gas services as a reduction to the related operating revenues in the Statements of Revenues, Expenses, and Changes in Net Position. CPS Energy's bad debt provision totaled \$9.1 million and \$1.0 million for the periods ended January 31, 2026 and 2025, respectively. As of January 31, 2026 and 2025, customer accounts receivable, net were \$514.6 million and \$354.3 million, respectively.

Inventories – CPS Energy maintains inventories for its materials, supplies and fossil fuels. In total, CPS Energy reported ending inventories of \$225.5 million and \$215.6 million as of January 31, 2026 and 2025, respectively. Included in these amounts was CPS Energy's portion of STP inventories, which are valued at the lower of average cost or net realizable value. CPS Energy's directly managed inventories are valued using an average costing approach and are subject to write-off when deemed obsolete. CPS Energy established a reserve for excess and obsolete inventory that is based on a combination of inventory aging and specific identification of items that can be written off. The reserve is intended to adjust the net realizable value of inventory CPS Energy may not be able to use due to obsolescence. The balance in the reserve amounted to \$7.8 million and \$7.9 million as of January 31, 2026 and 2025, respectively.

Regulatory Accounting – Regulatory accounting applies to governmental entities with rate-regulated operations, such as CPS Energy, that fall within the scope of the GASB Codification Section RE10, *Regulated Operations*. Regulatory accounting may be applied by entities, as approved by the governing body, to activities that have regulated operations that meet all required criteria. By establishing a regulatory asset, an entity seeks to recognize a cost over a future period and match recovery of those costs from its ratepayers to the amortization of the asset. An entity must demonstrate that adequate future revenue will result from inclusion of that cost in allowable costs for rate-making purposes. CPS Energy applies the accounting requirements of the GASB Codification Section RE10. Accordingly, certain costs may be capitalized as a regulatory asset that otherwise would be charged to expense. These regulatory assets will be recovered through rates in future years, and consist of costs related to outstanding debt, costs related to pension/other postemployment benefits ("OPEB"), Sustainable Tomorrow Energy Plan ("STEP") net costs recoverable and fuel costs regulatory asset. See Note 5 – Regulatory Assets for further discussion.

Other Noncurrent Assets – Other noncurrent assets include purchased power and gas prepayments, STEP net costs recoverable, inventory relating to long-term service agreements ("LTSA"). This section also includes a pension regulatory asset and unamortized bond expense discussed within the Regulatory Accounting topic above.

Purchased Power Prepayments – Included in prepayments is the balance related to an agreement entered in November 2011 for purchased power from San Antonio-area solar energy facilities with a total of 30 megawatt ("MW") of capacity. In FY2013, \$77.0 million in prepayments were made for approximately 60% of the anticipated annual output over a period of 25 years. As of January 31, 2026, \$3.1 million was classified as current and \$32.2 million was classified as noncurrent of the remaining prepayment balance. As of January 31, 2025, \$3.1 million was classified as current and \$35.2 million was classified as noncurrent of the remaining prepayment balance. The balance of the output is purchased on a pay-as-you-go basis.

Sustainable Tomorrow Energy Plan ("STEP") – In June 2022, the City authorized the funding of a new energy efficiency and conservation program STEP to reduce 410 MW customer demand through energy efficiency and conservation programs by calendar year 2027.

Annually, approximately \$11 million of STEP expenses are funded through the electric base rate and reported as operation and maintenance ("O&M") expenses. STEP expenses in excess of this initial amount per year are recovered through the fuel adjustment factor over a period of 12 months, or longer for certain STEP expenses, beginning in the subsequent fiscal year after the costs are incurred and independently validated. These STEP recoveries are accrued as a regulatory asset referred to as STEP net costs recoverable. As of January 31, 2026 and 2025, the net costs recoverable was \$47.1 million and \$57.1 million, respectively.

Capital Assets – The costs of additions and replacements of assets identified as major components or property units are capitalized. Maintenance and replacement of minor items are charged to operating expense. For depreciable assets that are retired due to circumstances other than impairment, the cost of the retired asset, plus removal costs and less salvage, is charged to accumulated depreciation. Per the financial reporting requirements of GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, any losses associated with capital asset impairments will be charged to operations, not to accumulated depreciation.

A constructed utility plant is stated at the cost of construction, including expenditures for contracted services; equipment, material and labor; indirect costs, including general engineering, labor, equipment and material overheads.

Proceeds from customers to partially fund construction expenditures are reported as capital contributions in the Statements of Revenues, Expenses and Changes in Net Position as increases in net position in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. Capital contributions consist of donated assets, capital contributions from COSA, and contributions received from customers as payments for utility extensions and services, as well as funding for community initiatives and other local partnership projects.

Capital Contributions

(In thousands)

	January 31,	
	2026	2025
Donated assets	\$ 3,679	\$ 6,117
Contributions	136,847	156,712
Total capital contributions	<u>\$ 140,526</u>	<u>\$ 162,829</u>

Except for nuclear fuel, which is amortized over units of production, CPS Energy computes depreciation using the straight-line method over the estimated service lives of the depreciable property according to asset type. Total depreciation as a percent of total depreciable assets, excluding nuclear fuel, was 2.9% for both FY2026 and FY2025.

The estimated useful lives of depreciable capital assets for FY2026 and FY2025 were as follows:

Depreciable Capital Asset	Estimated Useful Life
Buildings and structures	45 - 50 years
Systems and improvements	
Generation	36–59 years
Transmission and distribution	6–63 years
Gas	30–65 years
Intangibles - software	8 years
Intangibles - other	20–30 years
Machinery and equipment	4–20 years
Mineral rights and other	20–40 years
Nuclear fuel	Units of Production

In FY2025, CPS Energy engaged an independent third-party consulting firm to conduct a depreciation study. To align with changes in the industry, CPS Energy plans to have studies conducted on a three-year cycle moving forward. The new depreciation rates resulting from the study were retroactively applied to the beginning of FY2025.

Separately, right-to-use lease assets and subscription assets are amortized over the lesser of the life of the assets or the term of the lease, using the straight-line method.

Leases – CPS Energy accounts for leases in accordance with GASB Statement No. 87, *Leases*, which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, CPS Energy as a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and as a lessor is required to recognize a lease receivable and a deferred inflow of resources. See Note 17 – Leases and SBITAs for additional information regarding leases.

Subscription-Based Information Technology Arrangements ("SBITAs") – CPS Energy accounts for SBITAs in accordance with GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, which establishes an accounting model for subscription assets. Under this statement, CPS Energy is required to recognize a SBITA liability and an intangible right-to-use subscription asset. See Note 17 – Leases and SBITAs for additional information regarding subscription assets.

Compensated Absences – In FY2025, CPS Energy adopted a paid-time off ("PTO") benefits policy, which consolidated vacation, sick leave, and personal days. The policy allows employees to earn PTO benefits each pay cycle based on their years of service. As of January 31, 2026 and 2025, the accrued liabilities for those vested benefits were \$32.3 million and \$27.2 million, respectively, which are included in accounts payable and accrued liabilities on the Statements of Net Position. In addition, the adoption of the new policy did not result in a material financial statement impact.

Long-Term Debt – To support its long-term capital financing needs, CPS Energy uses several types of debt instruments. As of January 31, 2026 and 2025, these included fixed-rate and variable-rate bonds, as well as commercial paper. Relative to the bond instruments, provisions may be included that allow for refunding after specified time periods during the bond term.

Subject to applicable timing restrictions that may prevent early payoff, CPS Energy also has the option to defease or extinguish debt. A defeasance occurs when funds are placed in an irrevocable trust to be used solely for satisfying scheduled payments of both interest and principal of the defeased debt, which fully discharges the bond issuer's obligation. At the time of an extinguishment, since the issuer no longer has the legal obligation, the defeased debt is removed from the Statements of Net Position, the related unamortized costs are expensed, and the gain or loss is immediately recognized.

Current refundings involve issuing new debt (refunding bonds) to redeem existing debt (refunded bonds) that can be called within 90 days of the call date of the refunded bonds. Advance refunding of bonds involves issuing new debt to redeem existing debt that cannot be called within 90 days of issuing the refunding bonds. In these circumstances, the refunding bond proceeds are irrevocably escrowed with a third party. These proceeds, and income thereon, are used to pay the debt service on the refunded bonds until the refunded bonds can be called. Refunding bonds are generally issued to achieve debt service savings. In December 2017, Congress passed the Tax Cuts & Jobs Act ("Act"). The Act preserved tax-exempt financing for municipal bonds but eliminated the use of tax-exempt advanced refundings at the end of calendar year 2017. See Note 8 – Revenue Bonds for information on current-year debt refundings.

Bond premiums and discounts are amortized using the effective interest method over the life of the related debt.

Build America Bonds ("BABs") – CPS Energy has taken the position that the BABs direct subsidy should be deducted when calculating debt service since the subsidy is received directly by a trustee to be used solely for BABs debt service payments. Transaction details for CPS Energy's BABs bonds are included in Note 8 – Revenue Bonds.

Decommissioning – CPS Energy accounts for its legal obligation to decommission STP Units 1 and 2 in accordance with GASB Statement No. 83, *Certain Asset Retirement Obligations*. The Company recognized its pro rata share of an asset retirement obligation ("ARO") based on the best estimate of the current values of outlays expected to be incurred to decommission the units, determined by the most recent cost study performed in May 2023. A new cost study is performed every 5 years; in years after the latest study, the Statement requires the current value of the Company's ARO be adjusted, at least annually, for the effects of inflation or deflation. In addition to the ARO, the Company recorded deferred outflows of resources that are being amortized over the remaining useful life of the plant. See Note 18 – Asset Retirement Obligations for the criteria for determining the timing and pattern of recognition for the decommissioning liability. See Note 15 – South Texas Project for additional details on the most recent cost study.

Additionally, due to requirements under the Code of Federal Regulations governing nuclear decommissioning trust funds, a zero-net position approach is applied in accounting for the Decommissioning Trusts. Accordingly, current year and prior year activity in the Trusts is reported in the nonoperating income (expense) section of the Statements of Revenues, Expenses and Changes in Net Position as decommissioning net costs recoverable (refundable). The cumulative effect of activity in the Trusts is reported on the Statements of Net Position as a noncurrent liability referred to as Decommissioning net costs refundable since any excess funds are payable to customers. Going forward, prolonged unfavorable economic conditions could result in the assets of the Trusts being less than the estimated decommissioning liability. In that case, instead of an excess as currently exists, a deficit would be reported as decommissioning net costs recoverable and would be receivable from customers.

Net Pension and OPEB Liabilities – A net pension liability is recorded in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*. The liability is the difference between the actuarial total pension liability and the Pension Plan's fiduciary net position as of the

measurement date. The net pension liability was \$272.4 million and \$451.5 million as of January 31, 2026 and 2025, respectively. For additional information, see Note 11 – Employee Pension Plan.

A net OPEB liability is recorded in accordance with the GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The liability is the difference between the actuarial total OPEB liabilities and the Employee Benefit Plans' fiduciary net positions as of the measurement date. As of January 31, 2026 and 2025, the net OPEB liabilities were \$43.2 million and \$20.6 million, respectively. For additional information, see Note 12 – Other Postemployment Benefits.

Other Noncurrent Liabilities – Other noncurrent liabilities include the unrealized change in fair value of fuel hedges, communication towers liability, note payable, LTSA obligations and other liabilities for balances payable and deposits received.

Deferred Outflows and Deferred Inflows of Resources – Certain items applicable to future reporting periods are reported as deferred outflows of resources (consumption) and deferred inflows of resources (acquisition).

Pension and OPEB – CPS Energy reports as deferred inflows or deferred outflows of resources the differences between expected and actual experience, projected and actual investment earnings on pension plan investments, and CPS Energy's contributions to the pension system subsequent to the measurement date. See Note 11 – Employee Pension Plan.

CPS Energy reports the changes in CPS Energy's net OPEB liability that have not been included in OPEB expense as deferred inflows or deferred outflows of resources. Amounts included would result from changes of assumptions, the net difference between projected and actual earnings on the OPEB Trusts, and CPS Energy's contributions subsequent to the measurement date. See Note 12 – Other Postemployment Benefits.

Fuel Hedges – Consistent with hedge accounting treatment required for derivative instruments that are determined to be effective in offsetting changes in the cash flows of the hedged item, changes in fair value are reported as deferred outflows or deferred inflows of resources on the Statements of Net Position until the expiration of the contract underlying the hedged expected fuel purchase transaction. When fuel hedging contracts expire, at the time the purchase transactions occur, the deferred balance is recorded as an adjustment to fuel expense.

Unamortized gains/losses on refundings – Deferred charge on refunding represents the difference between the reacquisition price and the net carrying amount of the old debt that is recorded as unamortized reacquisition costs and reported as deferred outflows or deferred inflows of resources. These amounts are amortized as components of interest expense over the shorter of the remaining life of the refunding or the refunded debt.

Asset Retirement Obligations – CPS Energy accounts for AROs in accordance with GASB Statement No. 83, *Certain Asset Retirement Obligations*, by recognizing the obligations as a liability based on the best estimate of the current value of outlays expected to be incurred once the assets are retired. CPS Energy reports AROs and related deferred outflows associated with the decommissioning of STP Units 1 and 2, and the retirement of the fuel storage tanks, and vaults. See Note 18 – Asset Retirement Obligations.

Unrealized Future Revenues – Primarily related to future recoveries associated with the FY2020 Joint Base San Antonio ("JBSA") agreement, deferred inflows related to JBSA totaled \$63.4 million and \$66.9 million as of January 31, 2026 and 2025, respectively.

Leases – GASB Statement No. 87, *Leases*, requires CPS Energy, as a lessor, to recognize future revenue related to leases as a deferred inflow.

Rates – Gas and electric rates are set by the Board and approved by the San Antonio City Council. On December 7, 2023, City Council approved a 4.25% increase in both CPS Energy's electric and natural gas base rates, which became effective February 1, 2024.

Hedging Derivative Instruments – CPS Energy accounts for derivative instruments in accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. CPS Energy's fuel hedges are used to reduce price risk for natural gas purchases. GASB Statement No. 53 requires that hedging derivative instruments be

reported at fair value on the Statements of Net Position. In FY2026, 81% of distribution and 36% of generation natural gas volumes were hedged. In FY2025, 58% of distribution and 25% of generation natural gas volumes were hedged. See Note 14 – Derivative Instruments.

Other Derivative Instruments – CPS Energy accounts for other derivative instruments in accordance with GASB Statement No. 53 and GASB Statement No. 99, *Omnibus 2022*. Currently, CPS Energy's other derivative instruments include certain structured energy contracts including heat rate call options ("HRCOs") and ancillary services contracts, which do not qualify as investment or hedging derivative instruments and are primarily used for revenue purposes. GASB Statement No. 99 requires that other derivative instruments be reported at fair value on the Statements of Net Position. As of January 31, 2026, \$37.3 million was classified as current asset and \$112.9 million as noncurrent asset of the remaining life of the contract. No other derivative instruments were outstanding as of January 31, 2025. See Note 14 – Derivative Instruments.

Pension Plan – The financial statements of the Pension Plan are separately audited and reported as of December 31, 2025, with comparative totals as of December 31, 2024. The financial results of the Pension Plan are included as part of the basic financial statements and presented in combination with the Employee Benefit Plans in the Statements of Fiduciary Net Position and Statements of Changes in Fiduciary Net Position. Additionally, in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, required disclosures are included in Note 11 – Employee Pension Plan and in Required Supplementary Information.

Postemployment Benefits Other Than Pension – The Employee Benefit Plans are separately audited and reported as of December 31, 2025, with comparative totals as of December 31, 2024. The financial results of the Employee Benefit Plans are included as part of the basic financial statements and presented in combination with the Pension Plan in the Statements of Fiduciary Net Position and Statements of Changes in Fiduciary Net Position. Additionally, in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* - required disclosures are included in Note 12 – Other Postemployment Benefits and in Required Supplementary Information.

Federal and State Grant Programs – Periodically, federal or state grants are made available to CPS Energy as a subrecipient for a portion of grant funds allocated to the state of Texas or as direct awards. Depending on the purpose of the grants, receipts are recorded as noncapital subsidies, capital contributions, operating revenues, or in some cases, as unusual or infrequent items. CPS Energy is typically reimbursed for allowable costs incurred in the administration of the program. This accounting treatment results in no impact to the Company's net position. Federal or state grants that subsidize capital assets are recognized as capital contributions on the Statements of Revenues, Expenses, and Changes in Net Position and reflected as part of Capital Assets, net on the Statements of Net Position. Grant funding received by the Company is subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

FY2026 GASB pronouncement implementations:

- GASB Statement No. 103, *Financial Reporting Model Improvements*, requires entities to improve key components of the financial statement reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing an entity's accountability. For business type entities like CPS Energy, the Statement provides clarity on financial statement presentation requirements. CPS Energy updated its financial statement presentation to reflect noncapital subsidies within the Statements of Revenues, Expenses and Changes in Net Position. CPS Energy's nonoperating activity reflects subsidies received and provided, contributions to permanent and term endowments, financing activity, resources from the disposal of capital assets and inventory, and investment income (loss). The MD&A sections were updated and boilerplate information removed to enhance readability.
- GASB Statement No. 104, *Disclosure of Certain Capital Assets*, requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34. This includes assets recognized in accordance with Statement No. 87, *Leases*; Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*; and Statement No. 96, *Subscription-Based Information Technology Arrangements*. In addition, Statement No. 104 requires additional disclosure for capital assets held for sale, if any. Accordingly, CPS Energy added additional detail for leases related to buildings and equipment.

within Note 6.

Implementation of GASB Statement No. 103 - CPS Energy adopted GASB Statement No. 103 in FY2026 and, accordingly, restated the impacted balances in the comparative Statements of Revenues, Expenses, and Changes in Net Position and the Statements of Cash Flows for the fiscal year ending January 31, 2025. As a result of adopting GASB No. 103, the FY2025, operating revenues in the Statements of Revenues, Expenses, and Changes in Net Position increased by \$10.6 million. In FY2025, operating expenses, decreased by \$6.5 million due to reclassifying a nonoperating account to "operations and maintenance." Operating income increased \$17.1 million due to the reflective changes. A new noncapital subsidies section follows operating income and is reflective of all payments to the City of San Antonio totaling \$469.4 million. A new operating income (loss) and noncapital subsidies line item is presented. Due to reclassifications in other operating revenues, operations and maintenance, payments to the City of San Antonio, and capital contributions, total other operating income (loss) resulted in an increase of \$602.1 million. There were no changes to the net position reflected with the FY2025 restatement.

Due to the adoption of GASB Statement No. 103 in FY2026, CPS Energy has restated amounts of the affected balances within the financial statements for the fiscal year ending January 31, 2025, as follow:

(in thousands)

	January 31, 2025		
	As Originally Reported	As Restated	Effect of Change
Statements of Revenues, Expenses and Changes in Net Position			
Operating revenues			
Other operating revenues	\$ —	\$ 10,641	\$ 10,641
Total operating revenues	3,575,883	3,586,524	10,641
Operating expenses			
Operation and maintenance	931,971	925,520	(6,451)
Total operating expenses	2,724,780	2,718,329	(6,451)
Operating income (loss)	851,103	868,195	17,092
Noncapital subsidies			
Payments to the City of San Antonio	—	(456,360)	(456,360)
Other payments to the City of San Antonio	—	(13,031)	(13,031)
Total noncapital subsidies	—	(469,391)	(469,391)
Operating income (loss) and noncapital subsidies	—	398,804	398,804
Other nonoperating income (expense)			
Interest and other income, net	79,706	69,065	(10,641)
Payments to the City of San Antonio	(456,360)	—	456,360
Capital contributions	—	162,829	162,829
Effect of defined benefit plan funding obligations – STP	6,451	—	(6,451)
Total other nonoperating income (expense)	(638,746)	(36,649)	602,097
Income before other changes in net position	212,357	362,155	149,798
Other payments to the City of San Antonio	(13,031)	—	13,031
Capital contributions	162,829	—	(162,829)
Change in net position	\$ 362,155	\$ 362,155	\$ —

(In thousands)	January 31, 2025		
	As Originally Reported	As Restated	Effect of Change
Cash flows from operating activities			
Cash received from customers	\$ 3,525,326	\$ 3,535,918	\$ 10,592
Net cash provided (used) by operating activities	1,369,905	1,380,497	10,592
Cash flows from noncapital financing activities			
Cash payments to the City of San Antonio	—	(473,540)	(473,540)
Net cash provided (used) by noncapital financing activities	—	(473,540)	(473,540)
Cash flows from capital and related financing activities			
Proceeds from issuance of flexible rate revolving note	—	385,000	385,000
Proceeds from issuance of taxable commercial paper	—	200,000	200,000
Cash payments on taxable commercial paper	—	(200,000)	(200,000)
Cash payments on flexible rate revolving note	—	(385,000)	(385,000)
Net cash provided (used) by capital and related financing activities	(859,019)	(859,019)	—
Cash flows from noncapital financing activities			
Cash payments to the City of San Antonio	(473,540)	—	473,540
Proceeds from issuance of flexible rate revolving note	385,000	—	(385,000)
Proceeds from issuance of commercial paper	200,000	—	(200,000)
Cash payments on commercial paper	(200,000)	—	200,000
Cash payments on flexible rate revolving note	(385,000)	—	385,000
Grant proceeds	(49)	—	49
Net cash provided (used) by noncapital financing activities	(473,589)	—	473,589
Cash flows from investing activities			
Interest and other income	98,228	87,587	(10,641)
Net cash provided (used) by investing activities	155,250	144,609	(10,641)
Net increase (decrease) in cash and cash equivalents	192,547	192,547	—
Cash and cash equivalents at beginning of period	849,158	849,158	—
Cash and cash equivalents at end of period	\$ 1,041,705	\$ 1,041,705	\$ —
<u>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</u>			
Cash flows from operating activities			
Operating income	\$ 851,103	\$ 868,195	\$ 17,092
Noncurrent liabilities	79,508	73,056	(6,452)

Future GASB pronouncement implementations:

- GASB Statement No. 105, *Subsequent Events*, establishes guidance for identifying, evaluating, and reporting subsequent events. The statement provides guidance for distinguishing between recognized and nonrecognized subsequent events. This statement also requires entity's to disclose through what date subsequent events have been evaluated. This standard will be adopted by CPS Energy in the fiscal year ending January 31, 2027. CPS Energy has initiated an evaluation of the impact that adoption of this Statement will have on its financial statements.

2. Cash, Cash Equivalents and Investments

CPS Energy's cash deposits as of January 31, 2026 and 2025, were either insured by federal depository insurance or collateralized by banks. For deposits that were collateralized, the collateral included letters of credit and securities. The securities were U.S. Government, U.S. Government Agency or U.S. Government-guaranteed obligations held in book entry form by the Federal Reserve Bank of New York or other allowable banks in CPS Energy's name.

Separation – CPS Energy's cash, cash equivalents and investments can be separated in the following manner:

- Those directly managed by CPS Energy, and
- Those managed through the Decommissioning Trusts.

For financial reporting purposes, cash, cash equivalents and investments managed directly by CPS Energy have been consistently measured as of the end of the applicable fiscal years. The Decommissioning Trusts are reported on a calendar year basis.

Cash and Cash Equivalents

(In thousands)

	January 31,	
	2026	2025
Cash		
Petty cash funds on hand (current)	\$ 42	\$ 40
Deposits with financial institutions		
Unrestricted CPS Energy deposits (current)	108,319	15,886
Restricted CPS Energy deposits (noncurrent)		
Capital projects	185	1,037
Debt service	337,963	366,988
Total cash	446,509	383,951
Cash equivalents		
Investments with original maturities of 90 days or less		
CPS Energy unrestricted (current)	437,726	391,333
CPS Energy restricted (noncurrent)	609,223	240,944
Decommissioning Trusts – restricted (noncurrent)	27,931	25,477
Total cash equivalents	1,074,880	657,754
Total cash and cash equivalents	\$ 1,521,389	\$ 1,041,705

Summary of Cash, Cash Equivalents and Investments

(In thousands)

	January 31,	
	2026	2025
Cash and cash equivalents		
CPS Energy – unrestricted and restricted	\$ 1,493,458	\$ 1,016,228
Decommissioning Trusts – restricted	27,931	25,477
Total cash and cash equivalents	<u>1,521,389</u>	<u>1,041,705</u>
Gross investments – current and noncurrent CPS Energy – unrestricted and restricted	1,415,340	1,240,541
Decommissioning Trusts – restricted	844,339	749,482
Total gross investments	<u>2,259,679</u>	<u>1,990,023</u>
Investments with original maturities of 90 days or less included in cash and cash equivalents		
CPS Energy – unrestricted and restricted	(1,046,949)	(632,277)
Decommissioning Trusts – restricted	(27,931)	(25,477)
Total cash equivalents	<u>(1,074,880)</u>	<u>(657,754)</u>
Total gross investments less cash equivalents	<u>1,184,799</u>	<u>1,332,269</u>
Total cash, cash equivalents and investments	<u>\$ 2,706,188</u>	<u>\$ 2,373,974</u>

Public Funds Investment Act (“PFIA”) – CPS Energy’s investments and the investments held in the Decommissioning Trusts are subject to the rules and regulations of the PFIA. The PFIA regulates what types of investments can be made, requires written investment policies, mandates training requirements of investment officers, requires internal management reports to be produced at least quarterly, and provides for the selection of authorized brokers/dealers and investment managers.

Investments of CPS Energy – CPS Energy’s allowable investments are defined by Board resolution, CPS Energy Investment Policy, the Investment Committee, bond ordinances, commercial paper ordinances, a revolving financial program ordinance, and state law. These investments are subject to market risk, and their fair value will vary as interest rates fluctuate. All CPS Energy investments are held in trust custodial funds by independent banks.

Investments of the Decommissioning Trusts – CPS Energy’s investments in the Decommissioning Trusts are held by an independent trustee. Investments are limited to those defined by Board resolution, the South Texas Project Decommissioning Trust Investment Policy, the Investment Committee, the Trust Agreements and state law, as well as PUCT and Nuclear Regulatory Commission (“NRC”) guidelines. Allowable investments for the Decommissioning Trusts include all types directly permissible for CPS Energy, except for investment pools. Additionally, permitted are investments in equities and corporate bonds (including international securities traded in U.S. dollars and on U.S. stock exchanges). In accordance with the Trusts’ Investment Policy, total investments can include a maximum of 60% equity securities. To further reduce the overall risk of the portfolio, the target allocations for both Trusts as of December 31, 2025 and 2024 are 60.0% fixed income, 36.0% equities and 4.0% U.S. real estate investment trusts.

Permissible Investments

Investment Description	CPS Energy Investments	Decommissioning Trusts Investments
U.S. Government, U.S. Government Agency, or U.S. Government-guaranteed obligations	✓	✓
Collateralized mortgage obligations issued by the U.S. Government, or other obligations for which principal and interest are guaranteed by the U.S. or state of Texas	✓	✓
Fully secured certificates of deposit offered by a broker or issued by a depository institution that has its main office or branch office in the state of Texas	✓	✓
Direct repurchase agreements	✓	✓
Reverse repurchase agreements	✓	✓
Defined bankers' acceptances and commercial paper	✓	✓
No-load money market mutual funds	✓	✓
Investment pools	✓	Not Permitted
Equities	Not Permitted	✓
Investment quality obligations of states, agencies, counties, cities and political subdivisions of any state	✓	✓
Corporate bonds	Not Permitted	✓
International securities	Not Permitted	✓
No-load commingled funds	Not Permitted	✓
Securities lending programs	✓	✓
Other specific types of secured or guaranteed investments	✓	✓

Cash, Cash Equivalents and Investments by Fund

(In thousands)

	January 31,	
	2026	2025
Unrestricted		
Cash and cash equivalents	\$ 546,087	\$ 407,259
Total unrestricted (current)	546,087	407,259
Restricted		
Debt service		
Cash and cash equivalents	339,389	368,477
Total debt service	339,389	368,477
Capital projects		
Cash and cash equivalents	244,323	60,486
Total capital projects	244,323	60,486
Ordinance		
Cash and cash equivalents	363,659	180,006
Investments	368,391	608,264
Total ordinance	732,050	788,270
Decommissioning Trusts		
Cash and cash equivalents	27,931	25,477
Investments	816,408	724,005
Total Decommissioning Trusts	844,339	749,482
Total restricted		
Cash and cash equivalents	975,302	634,446
Investments	1,184,799	1,332,269
Total restricted (noncurrent)	2,160,101	1,966,715
Total cash, cash equivalents and investments (unrestricted and restricted)	\$ 2,706,188	\$ 2,373,974

Risk Exposure – Cash equivalents, equity and fixed-income investments are exposed to interest rate risk, credit risk (including custodial credit risk and concentration of credit risk) and foreign currency risk. Interest rate risk is the exposure to fair value losses resulting from rising interest rates. Credit risk is the risk that an issuer of an investment will not fulfill its obligations (will be unable to make timely principal and interest payments on the security). Foreign currency risk is the exposure to fair value losses arising from changes in exchange rates. Due to market fluctuations, it is possible that substantial changes in the fair value of investments could occur after the end of the reporting period.

CPS Energy's investments and the investments in the Decommissioning Trusts are managed with a conservative focus. The Investment Policies are structured to ensure compliance with bond ordinances, the PFIA, the Public Funds Collateral Act, the NRC, the PUCT, other applicable state statutes and Board resolutions relating to investments. CPS Energy identifies and manages risks by following an appropriate investment oversight strategy, establishing and monitoring compliance with Investment Policies and procedures, and continually monitoring prudent controls over risks.

Summary of Investments (Including Cash Equivalents)
by Organizational Structure and Type¹
(In thousands)

	January 31,	
	2026	2025
CPS Energy investments		
U.S. Treasuries, U.S. Agencies, municipal bonds, CDs, commercial paper, investment pools and money market mutual funds	\$ 1,415,340	\$ 1,240,541
Decommissioning Trusts		
U.S. Treasuries, U.S. Agencies, municipal bonds and money market mutual funds	351,390	326,341
Corporate bonds	112,905	105,402
Foreign bonds	12,596	11,160
Subtotal	476,891	442,903
Common stock	331,616	270,832
Real estate investment trusts	35,016	34,934
Preferred stock	816	813
Total Decommissioning Trusts	844,339	749,482
Total investments	\$ 2,259,679	\$ 1,990,023

¹ Excludes cash of \$446.5 million and \$384.0 million as of January 31, 2026 and 2025, respectively.

Investment Policies – In accordance with state law, the Trusts’ Investment Policy allows for investment in additional types of securities, such as corporate bonds and equity securities. The policy provides guidelines to ensure all funds are invested in authorized securities to earn a reasonable return. The primary emphasis is placed on long-term growth commensurate with the need to preserve the value of the assets and, at the time funds are needed for decommissioning costs, on liquidity. The Investment Policy continues to follow the “prudent person” concept.

Additional disclosures have been provided in this note that address investment exposure to interest rate risk, credit risk (including custodial credit risk and concentration of credit risk), and foreign currency risk, as applicable. CPS Energy’s investments and those in the Decommissioning Trusts do not have custodial credit risk, as all investments are held either by an independent trustee or bank and are in CPS Energy’s or the Decommissioning Trusts’ names.

CPS Energy Investments

In accordance with GASB Statement No. 40, the following tables address concentration of credit risk and interest rate risk exposure by investment type using the weighted-average maturity (“WAM”) method. Since CPS Energy does not hold foreign instruments in its direct investments (those held by CPS Energy), foreign currency risk is not applicable.

Interest rate risk – In accordance with its Investment Policy, CPS Energy manages exposure to fair value losses resulting from rising interest rates by placing a limit on the portfolio’s WAM. The Investment Policy limits the WAM to three years or less, which allows for the management of risk while optimizing returns. CPS Energy invests in money market mutual funds and investment pools that have maturities of one year or less.

Concentration of credit risk – In accordance with its Investment Policy, CPS Energy manages exposure to concentration of credit risk through diversification and by limiting investment in each federal agency to 35% and investment in any other issuer of debt securities to 5% of the total fixed-income portfolio. Additionally, negotiable certificates of deposit are limited to 35% of the total portfolio per issuer.

CPS Energy FY2026 Basic Financial Statements

(Dollars in thousands)

Investment Type	January 31, 2026				January 31, 2025			
	Carrying Value	Fair Value	Allocation	WAM ¹	Carrying Value	Fair Value	Allocation	WAM ¹
U.S. Treasuries	\$ 4,734	\$ 4,734	0.33%	1.9	\$ 14,164	\$ 14,164	1.14%	1.5
U.S. Agencies								
Federal Agriculture Mortgage Corp	22,175	22,175	1.57%	1.5	21,996	21,996	1.77%	2.3
Federal Farm Credit Bank	160,999	160,999	11.38%	2.3	296,501	296,501	23.90%	2.3
Federal Home Loan Bank	50,000	50,000	3.53%	1.8	93,141	93,141	7.51%	1.8
Federal Home Loan Mortgage Corp	28,846	28,846	2.04%	3.0	28,780	28,780	2.32%	1.1
Federal National Mortgage Assn	23,274	23,274	1.64%	1.4	39,558	39,558	3.19%	1.6
Small Business Administration	800	800	0.06%	3.4	1,763	1,763	0.14%	3.7
Municipal bonds	77,563	77,563	5.48%	1.4	112,361	112,361	9.06%	1.7
Investment pools	971,114	971,114	68.61%	—	612,192	612,192	49.35%	—
Money market mutual funds	75,835	75,835	5.36%	—	20,085	20,085	1.62%	—
Total fixed-income portfolio	<u>\$1,415,340</u>	<u>\$ 1,415,340</u>	100.00%	0.6	<u>\$ 1,240,541</u>	<u>\$ 1,240,541</u>	100.00%	1.1

¹CPS Energy invests in money market mutual funds and investment pools that are assumed to have maturities of one year or less.

Credit risk – In accordance with its Investment Policy, CPS Energy manages exposure to credit risk by limiting long-term debt security investments to those with a credit rating of “A” or better. As of January 31, 2026 and 2025, CPS Energy held no debt securities with a long-term credit rating below “A-,” or equivalent, or a short-term credit rating below “A-1/P-1/F-1.”

(Dollars in thousands)

Credit Rating	January 31, 2026			January 31, 2025		
	Carrying Value	Fair Value	Allocation	Carrying Value	Fair Value	Allocation
U.S. Treasuries (AA+)	\$ 4,734	\$ 4,734	0.30%	\$ 14,164	\$ 14,164	1.14%
AAA / Aaa	1,074,991	1,074,991	76.00%	680,631	680,631	54.87%
AA+ / Aa1	302,028	302,028	21.30%	502,107	502,107	40.47%
AA / Aa2	12,751	12,751	0.90%	19,560	19,560	1.58%
AA- / Aa3	—	—	—%	3,994	3,994	0.32%
Not rated ¹	20,836	20,836	1.50%	20,085	20,085	1.62%
Total fixed-income portfolio	<u>\$ 1,415,340</u>	<u>\$ 1,415,340</u>	100.00%	<u>\$ 1,240,541</u>	<u>\$ 1,240,541</u>	100.00%

¹Interest bearing deposit accounts which still meet PFIA/CPS Energy Investment Policy requirements.

Decommissioning Trusts Investments

As mentioned previously, the Decommissioning Trusts report their assets on a calendar year basis; therefore, information related to the Trusts is as of December 31, 2025 and 2024. The tables in this section address interest rate risk exposure by investment type, concentration of credit risk, credit risk, and foreign currency risk. All investments held by the Decommissioning Trusts are long-term in nature and recorded at fair value.

Interest rate risk – Generally, the long-term nature of the liabilities, and the limited need for daily operating liquidity, allow interim fluctuations in fair value to occur without jeopardizing the ultimate value of the assets. Where long-term securities are held, the interim fair value of assets can be sensitive to changes in interest rates. As the general level of interest rates moves up and down, the interim fair value of longer-maturity bonds may change substantially.

To mitigate interest rate risk, a limitation is placed on the weighted-average duration (“WAD”) of the fixed-income portfolio. The overall portfolio duration is limited by the Investment Policy to a deviation of no more than +/- 1.5 years from the WAD of the Investment Committee’s specified fixed-income index.

The specified fixed-income index for both the 28% Trust and the 12% Trust is Bloomberg Barclays US Aggregate, which was 5.98 years and 6.08 years for the period ending December 31, 2025 and 2024, respectively.

Concentration of credit risk – In accordance with the Investment Policy, exposure to concentration of credit risk is managed through diversification, limiting investments in each federal agency to 30%, and investments in any other single issuer of debt securities to 5% of the total fixed-income portfolio. Likewise, equity investments are limited to 5% of the total portfolio for any one issuer. Total other debt securities (corporate and foreign issuers) amounted to 26.6% and 27.0% of the fixed-income portfolio for the 28% Decommissioning Trust as of December 31, 2025 and 2024, respectively. Total other debt securities (corporate and foreign issuers) amounted to 25.6% and 24.5% of the fixed-income portfolio for the 12% Decommissioning Trust as of December 31, 2025 and 2024, respectively.

The following table lists the fixed-income investment holdings by type:

(Dollars in thousands)						
Investment Type – 28% Trust	December 31, 2025			December 31, 2024		
	Fair Value	Allocation	*WAD	Fair Value	Allocation	WAD
U.S. Treasuries	\$ 102,010	29.25%	8.7	\$ 86,481	26.71%	8.7
U.S. Agencies						
Federal Home Loan Mortgage Corp	50,842	14.58%	5.8	45,979	14.20%	5.8
Federal National Mortgage Assn	63,407	18.18%	5.9	64,147	19.81%	5.7
Government National Mortgage Assn	6,554	1.88%	2.9	7,205	2.23%	2.9
Small Business Administration	7,187	2.06%	4.3	7,231	2.23%	4.5
Municipal bonds – Texas	922	0.26%	7.7	739	0.23%	7.9
Municipal bonds – other states	5,975	1.71%	6.6	7,062	2.18%	6.8
Corporate bonds	82,279	23.61%	4.6	77,886	24.05%	4.9
Foreign bonds	10,402	2.98%	4.1	9,471	2.93%	4.5
Money market mutual funds	19,135	5.49%	—	17,591	5.43%	—
Total 28% Trust fixed-income portfolio	<u>348,713</u>	100.00%	6.3	<u>323,792</u>	100.00%	6.3
Investment Type – 12% Trust						
U.S. Treasuries	40,630	31.70%	8.3	35,381	29.71%	8.1
U.S. Agencies						
Federal Home Loan Mortgage Corp	16,506	12.88%	5.7	14,949	12.55%	5.7
Federal National Mortgage Assn	21,939	17.12%	5.6	23,040	19.34%	5.5
Government National Mortgage Assn	1,346	1.05%	6.5	1,478	1.24%	6.4
Small Business Administration	3,284	2.56%	4.4	3,720	3.12%	4.6
Municipal bonds – Texas	457	0.36%	7.6	357	0.30%	7.8
Municipal bonds – other states	2,400	1.87%	6.5	3,096	2.60%	6.6
Corporate bonds	30,626	23.89%	4.8	27,516	23.10%	5.0
Foreign bonds	2,194	1.71%	4.0	1,689	1.42%	4.7
Money market mutual funds	8,796	6.86%	—	7,885	6.62%	—
Total 12% Trust fixed-income portfolio	<u>128,178</u>	100.00%	6.3	<u>119,111</u>	100.00%	6.2
Total Trusts fixed-income portfolio	<u>\$ 476,891</u>			<u>\$ 442,903</u>		

*The aggregate portfolio of debt securities of the trusts are limited to + / - 1.5 years of the effective durations of the specified debt security index.

Credit risk – In accordance with the Investment Policy, exposure to credit risk is managed by limiting all fixed-income investments to a credit rating of “BBB-”, or equivalent, or better from at least two nationally recognized credit rating agencies. If a security’s rating falls below the minimum investment grade rating of “BBB-” after purchase, the Investment Policy allows investment managers to continue holding the security as long as the total fair value of securities rated below investment grade does not exceed 5% of the total fixed-income portfolio. As noted in the following tables, investments with a credit rating below “BBB- / Baa3” for the 28% Trust or 12% Trust did not exceed 5% of total fixed-income portfolio at December 31, 2025 and 2024.

The following table lists the fixed-income investment holdings by credit rating:

(Dollars in thousands)	December 31, 2025		December 31, 2024	
Credit Rating – 28% Trust	Fair Value	Allocation	Fair Value	Allocation
U.S. Treasuries (AA+)	\$ 102,010	29.25 %	\$ 86,481	26.71 %
AAA / Aaa	26,893	7.71 %	22,416	6.92 %
AA+ / Aa1	130,940	37.56 %	128,109	39.57 %
AA / Aa2	2,160	0.62 %	1,841	0.57 %
AA- / Aa3	2,584	0.74 %	2,077	0.64 %
A+ / A1	1,579	0.45 %	1,926	0.59 %
A / A2	6,518	1.87 %	7,559	2.34 %
A- / A3	19,291	5.53 %	17,140	5.29 %
BBB+ / Baa1	17,724	5.08 %	16,714	5.16 %
BBB / Baa2	22,790	6.54 %	22,272	6.88 %
BBB- / Baa3	8,471	2.43 %	8,845	2.73 %
BB+ / Ba1	714	0.20 %	892	0.28 %
BB / Ba2	—	— %	77	0.02 %
Not Rated ¹	7,039	2.02 %	7,443	2.30 %
Total 28% Trust fixed-income portfolio	348,713	100.00 %	323,792	100.00 %
Credit Rating – 12% Trust				
U.S. Treasuries (AA+)	40,630	31.70 %	35,381	29.70 %
AAA / Aaa	12,679	9.89 %	9,956	8.36 %
AA+ / Aa1	44,492	34.71 %	45,036	37.82 %
AA / Aa2	1,072	0.84 %	955	0.80 %
AA- / Aa3	615	0.48 %	575	0.48 %
A+ / A1	563	0.44 %	529	0.44 %
A / A2	2,775	2.16 %	3,254	2.73 %
A- / A3	7,433	5.80 %	6,181	5.19 %
BBB+ / Baa1	6,612	5.16 %	6,176	5.19 %
BBB / Baa2	6,267	4.89 %	6,055	5.08 %
BBB- / Baa3	1,713	1.34 %	1,437	1.21 %
BB+ / Ba1	57	0.04 %	29	0.02 %
Not Rated ¹	3,270	2.55 %	3,547	2.98 %
Total 12% Trust fixed-income portfolio	128,178	100.00 %	119,111	100.00 %
Total Trusts fixed-income portfolio	\$ 476,891		\$ 442,903	

¹The NDT Investment Managers are given discretion to invest in unrated securities that are of suitable quality and in line with their investment strategy, as long as those do not exceed the 10% limit prescribed for the portfolio by the NDT Investment Policy.

Foreign currency risk – All investments authorized for purchase by the Decommissioning Trusts are in U.S. dollars. This reduces the potential foreign currency risk exposure of the portfolio. All foreign bonds outstanding were issued in the U.S. and amounted to \$12.6 million at December 31, 2025, and \$11.2 million at December 31, 2024. In accordance with the Investment Policy, investments in international equity securities are limited to international commingled funds, American Depositary Receipts, and exchange-traded funds that are diversified across countries and industries. The international equity portfolio is limited to 20% of the total portfolio. Total foreign equity securities amounted to 16.4% and 14.2% of the 28% Trust's total portfolio as of December 31, 2025 and 2024, respectively.

Total foreign equity securities held by the 12% Trust amounted to 16.4% and 14.2% of the Trust's portfolio as of December 31, 2025 and 2024, respectively.

Fiduciary Funds' Investments

As mentioned previously, the fiduciary financial statements include the CPS Energy Pension Plan, the CPS Energy Group Health Plan, the CPS Energy Group Life Insurance Plan, and the CPS Energy Long-Term Disability Income Plan, (collectively "the Plans"). The Plans report their assets on a calendar year basis; therefore, information related to the Plans is as of December 31, 2025 and 2024.

Employee Benefit Plans cash and cash equivalents – Deposits consist of cash and cash equivalents held through irrevocable trusts and through approved depository institutions. Beginning, in calendar 2023, the Plans invest most of their temporary cash surpluses overnight in money market mutual funds that meet the requirements of the investment policy of the Plans.

Custodial credit risk – Custodial credit risk for deposits is the risk that, in event of a failure of a depository institution, the Plans would not be able to recover deposits. Deposits not held through the trusts are covered by federal depository insurance through the Federal Deposit Insurance Corporate.

The tables in this section address interest rate risk exposure by investment type, concentration of credit risk, credit risk and foreign currency risk. Investments held by the Plans are recorded at fair value and net asset value. All assets held by the Plans are held in irrevocable trusts.

The Plans' allowable investments are established and amended by the Employee Benefits Oversight Committee (the "EBOC") and are separately managed by the Administrative Committee. The Administrative Committee ensures the Plans' assets are invested in accordance with the investment policy of the Plans, engaging investment consultants and independent investment managers as needed.

Interest rate risk – In accordance with its investment policy, the Administrative Committee manages exposure to fair value losses arising from rising interest rates by limiting the effective duration of (a) each investment manager's portfolio as well as (b) the aggregate portfolio of debt securities of the trust to +/- 1.5 years from the WAD of the specified debt security index used as a benchmark. Certain investments included below that are managed through mutual funds or commingled funds are not subject to the investment manager limitation noted above. The specified debt securities indices used as benchmarks are presented in the following table:

Debt Securities Indices Benchmarks

	December 31,	
	2025	2024
Barclays Aggregate (Total investment grade)	6.00	6.10
Bloomberg U.S. Aggregate Index (Investment grade bond funds)	5.78	5.90
Benchmark – ICE BofA US High Yield Index	2.87	3.22*
Bloomberg U.S. Corporate High-yield	2.85	3.21
S&P UBS Leveraged Loan Index	0.25	0.25
JPMorgan Emerging Market Bond Index Global Diversified Index	—	6.50

* Reclassified prior year to conform to current year presentation using appropriate benchmark for the fund.

The following table presents the weighted-average effective duration of debt security asset classes:
(Dollars in thousands)

Investment Type – Pension Plan	December 31, 2025		December 31, 2024	
	Fair Value	WAD	Fair Value	WAD
U.S. Treasury and Agency:				
Notes and bonds	\$ 98,093	7.44	\$ 68,459	8.35
Collateralized mortgage obligations	13,219	4.81	11,471	4.96
Mortgage pass-through securities	66,986	5.08	59,111	4.64
Commercial mortgage-backed securities	7,790	2.65	7,905	3.25
Municipal bonds	728	8.66	697	8.72
Asset-backed securities	20,200	2.31	19,481	2.18
Collateralized debt obligations	—	—	308	0.05
Corporate bonds	61,988	6.75	54,128	6.26
High-yield corporate bonds	153,185	2.94	178,191	3.30
Emerging market debt fund	—	—	47,999	6.50
Senior loan fund (floating rate)	126,626	0.33	96,294	0.32
Total Pension Plan investments in debt securities	<u>548,815</u>		<u>544,044</u>	
Investment Type – Health Plan				
Investment grade bond fund	\$ 43,059	5.70	\$ 29,593	6.13
High-yield corporate bonds	14,954	2.60	11,930	3.06
High-yield bond fund	15,654	2.90	12,040	3.30
Emerging market debt fund	—	—	6,259	6.40
Senior loan fund (floating rate)	17,844	0.33	17,037	0.32
Total Health Plan investments in debt securities	<u>91,511</u>		<u>76,859</u>	
Investment Type – Life Plan				
Investment grade bond fund	\$ 7,274	5.70	\$ 6,477	6.13
High-yield corporate bonds	2,487	2.59	2,188	3.08
High-yield bond fund	2,666	2.90	2,198	3.30
Emerging market debt fund	—	—	1,248	6.40
Senior loan fund (floating rate)	3,078	0.38	2,192	0.46
Total Life Plan investments in debt securities	<u>15,505</u>		<u>14,303</u>	
Investment Type – Disability Plan				
Investment grade bond fund	\$ 917	5.70	\$ 800	6.13
High-yield bond fund	690	2.90	495	3.30
Emerging market debt fund	—	—	234	6.40
Senior loan fund (floating rate)	406	0.38	280	0.46
Total Disability Plan investments in debt securities	<u>2,013</u>		<u>1,809</u>	
Total investments in debt securities for the Plans	<u>\$ 657,844</u>		<u>\$ 637,015</u>	

Credit Risk – In accordance with its investment policy, the Administrative Committee manages credit risk by (a) limiting high-grade domestic debt investment managers to no more than 15% of their portfolio in below A rated bonds, (b) limiting high-grade domestic debt investment managers to no more than 2.5% of their portfolio in below BBB rated bonds and (c) limiting investment in high-yield debt securities using high-yield investment managers to no

more than 15% of total Plan investments. As of December 31, 2025 and 2024, investments for all the Plans were held in accordance with the investment policy.

The following table summarizes the individual Plans' investment in debt securities by credit rating, with most securities rated by S&P Global Ratings, however some were rated by other agencies:

(Dollars in thousands)

Credit Rating – Pension Plan	December 31, 2025		December 31, 2024	
	Fair Value	Allocation	Fair Value	Allocation
AAA	\$ 12,737	2.32 %	\$ 13,047	2.40 %
AA	189,134	34.46 %	151,453	27.84 %
A	34,330	6.26 %	35,086	6.45 %
BBB	41,944	7.64 %	52,491	9.65 %
Less than BBB	257,702	46.96 %	288,578	53.04 %
Not Rated	12,968	2.36 %	3,389	0.62 %
Total Pension Plan investments in debt securities	<u>548,815</u>	100.00 %	<u>544,044</u>	100.00 %
Credit Rating – Health Plan				
AAA	6,329	6.92 %	20,981	27.30 %
AA	25,448	27.81 %	1,385	1.80 %
A	4,913	5.37 %	3,733	4.86 %
BBB	8,464	9.25 %	8,040	10.46 %
Less than BBB	43,113	47.11 %	41,127	53.51 %
Not Rated	3,244	3.54 %	1,593	2.07 %
Total Health Plan investments in debt securities	<u>91,511</u>	100.00 %	<u>76,859</u>	100.00 %
Credit Rating – Life Plan				
AAA	1,071	6.91 %	4,567	31.93 %
AA	4,299	27.73 %	295	2.06 %
A	861	5.55 %	819	5.73 %
BBB	1,415	9.13 %	1,610	11.26 %
Less than BBB	7,529	48.55 %	6,756	47.23 %
Not Rated	330	2.13 %	256	1.79 %
Total Life Plan investments in debt securities	<u>15,505</u>	100.00 %	<u>14,303</u>	100.00 %
Credit Rating – Disability Plan				
AAA	162	8.05 %	578	31.95 %
AA	542	26.92 %	42	2.32 %
A	110	5.46 %	104	5.75 %
BBB	191	9.49 %	224	12.38 %
Less than BBB	944	46.90 %	814	45.00 %
Not Rated	64	3.18 %	47	2.60 %
Total Disability Plan investments in debt securities	<u>2,013</u>	100.00 %	<u>1,809</u>	100.00 %
Total investment in debt securities for the Plans	<u>\$ 657,844</u>		<u>\$ 637,015</u>	

Concentration of credit risk – To help ensure diversification and to minimize the impact of a failure of any issuer, the investment policy of the Plans limits holdings of issuers, other than the federal government issuers to 5% of the fair value of (a) an investments manager's portfolio and (b) the aggregate portfolio of debt securities. There is no concentration restriction on debt issued by the U.S. Federal government. Debt issued by other U.S. governmental entities may not exceed 50% by any one issuer. There were no corporate issues exceeding these limits at December 31, 2025 and 2024, for the Plans.

The following table presents the fair value of investments by issuer, per individual Plan, representing 5% or more of any of the respective Plan’s debt security portfolio:

(Dollars in thousands)

Issuer – Plan	December 31, 2025			December 31, 2024		
	Fair Value	% Debt Securities	Policy Limit %	Fair Value	% Debt Securities	Policy Limit %
Federal National Mortgage Assn. – Pension	\$ 40,370	7.36%	50%	\$ 36,434	6.70%	50%

As of December 31, 2025 and 2024, the Plans did not have an investment in any one organization whose fair value equaled 5% or more of the individual plan’s net position restricted for the Plans.

Foreign currency risk – There were no non-dollar foreign investments held directly as of December 31, 2025 and 2024. All non-dollar denominated foreign investments are held through mutual funds or commingled funds with a similar mandate. These funds are not subject to investment policy constraints on non-dollar denominated foreign investments.

3. Fair Value Measurement

CPS Energy records assets and liabilities in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, which determines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurement.

Fair value is defined in GASB Statement No. 72 as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Fair value is a market-based measurement for a particular asset or liability based on assumptions that market participants would use in pricing the asset or liability. Such assumptions include observable and unobservable inputs of market data, as well as assumptions about risk and the risk inherent in the inputs to the valuation technique.

As a basis for considering market participant assumptions in fair value measurements, GASB Statement No. 72 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 inputs are quoted or published prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date. Equity securities are examples of Level 1 inputs.
- Level 2 inputs are inputs other than quoted or published prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. U.S. Government Treasury securities, government agency, and mortgage-backed securities are examples of Level 2 inputs.
- Level 3 inputs are unobservable inputs that reflect CPS Energy’s own assumptions about factors that market participants would use in pricing the asset or liability (including assumptions about risk). Valuations are derived from other valuation methodologies, including discounted cash flows and similar techniques, and are not based on market exchange, dealer, or broker traded transactions.

Valuation methods of the primary fair value measurements disclosed below are as follows:

- The majority of investments in equity securities are valued using Level 1 measurements. Investments in equity securities are typically valued at the closing price in the principal active market. For equity securities, these markets include published exchanges such as the National Association of Securities Dealers Automated Quotations and the New York Stock Exchange. Foreign equity prices are translated from their trading currency using the currency exchange rate in effect at the close of the principal active market.
- Most investments in debt securities are valued using Level 2 measurements because the valuations use interest rate curves and credit spreads applied to the terms of the debt instrument (maturity and coupon

interest rate) and consider the counterparty credit rating. For the investments held by the Employee Benefit Plans it also includes commingled investments that include both debt and directly held equity securities.

- Commodity derivative instruments, such as futures, swaps, and options, which are ultimately settled using prices at locations quoted through clearinghouses are valued using Level 1 inputs. Options included in this category are those with an identical strike price quoted through a clearinghouse.
- Other commodity derivative instruments, such as swaps settled using prices at locations other than those quoted through clearinghouses and options with strike prices not identically quoted through a clearinghouse, are valued using Level 2 inputs. For these instruments, fair value is based on internally developed pricing algorithms using observable market quotes for similar derivative instruments. Pricing inputs are derived from published exchange transactions and other observable data sources.
- The fair value of investment in partnerships held by the Employee Benefit Plans is evaluated annually according to the Plans' policy and is a multi-step process beginning with obtaining a broker's opinion of value. Additionally, Level 3 inputs, independent appraisals and bids received on the partnerships' assets, are also utilized to determine fair value.
- The fair value of some HRCOs and Ancillary Service Options is determined using option pricing models that incorporate forward market curves for natural gas and electricity, ERCOT ancillary service pricing data and implied volatilities. Due to the significant use of unobservable inputs in these models, these instruments are classified within Level 3 of the fair value hierarchy.

Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their place within the fair value hierarchy levels.

CPS Energy's fair value measurements are performed on a recurring basis. The table on the following pages presents fair value balances and their levels within the fair value hierarchy for CPS Energy as of January 31, 2026 and 2025, and Decommissioning Trusts investment balances as of December 31, 2025 and 2024. The CPS Energy and Decommissioning Trusts investment balances presented exclude amounts related to money market mutual fund investments and short-term investments accounted for using amortized cost.

Fair Value Measurements as of January 31, 2026 and 2025

(In thousands)

	January 31, 2026				January 31, 2025			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Fair Value Investments								
<u>CPS Energy</u>								
U.S. Treasuries	\$ —	\$ 4,734	\$ —	\$ 4,734	\$ —	\$ 14,164	\$ —	\$ 14,164
U.S. Agencies								
Federal Agricultural Mortgage Corp	—	22,175	—	22,175	—	21,996	—	21,996
Federal Farm Credit Bank	—	160,999	—	160,999	—	296,501	—	296,501
Federal Home Loan Bank	—	50,000	—	50,000	—	93,141	—	93,141
Federal Home Loan Mortgage Corp	—	28,846	—	28,846	—	28,780	—	28,780
Federal National Mortgage Assn	—	23,274	—	23,274	—	39,558	—	39,558
Small Business Administration	—	800	—	800	—	1,763	—	1,763
Municipal bonds	—	77,563	—	77,563	—	112,361	—	112,361
Total CPS Energy fair value investments	\$ —	\$ 368,391	\$ —	\$ 368,391	\$ —	\$ 608,264	\$ —	\$ 608,264

CPS Energy FY2026 Basic Financial Statements

	December 31, 2025				December 31, 2024			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Decommissioning Trusts Investments								
28% Trust								
U.S. Treasuries	\$ —	\$ 102,010	\$ —	\$ 102,010	\$ —	\$ 86,481	\$ —	\$ 86,481
U.S. Agencies								
Federal Home Loan Mortgage Corp	—	50,842	—	50,842	—	45,979	—	45,979
Federal National Mortgage Assn	—	63,407	—	63,407	—	64,147	—	64,147
Government National Mortgage Assn	—	6,554	—	6,554	—	7,205	—	7,205
Small Business Administration	—	7,187	—	7,187	—	7,231	—	7,231
Municipal bonds – Texas	—	922	—	922	—	739	—	739
Municipal bonds – other states	—	5,975	—	5,975	—	7,062	—	7,062
Corporate bonds	—	82,279	—	82,279	—	77,886	—	77,886
Foreign bonds	—	10,402	—	10,402	—	9,471	—	9,471
Total 28% Trust fair value fixed-income portfolio	—	329,578	—	329,578	—	306,201	—	306,201
Equity securities								
Common stock	242,452	—	—	242,452	197,965	—	—	197,965
Real estate investment trusts	25,671	—	—	25,671	25,602	—	—	25,602
Preferred stock	—	816	—	816	—	813	—	813
Total 28% Trust fair value investments	268,123	330,394	—	598,517	223,567	307,014	—	530,581
12% Trust								
U.S. Treasuries	—	40,630	—	40,630	—	35,381	—	35,381
U.S. Agencies								
Federal Home Loan Mortgage Corp	—	16,506	—	16,506	—	14,949	—	14,949
Federal National Mortgage Assn	—	21,939	—	21,939	—	23,040	—	23,040
Government National Mortgage Assn	—	1,346	—	1,346	—	1,478	—	1,478
Small Business Administration	—	3,284	—	3,284	—	3,720	—	3,720
Municipal bonds – Texas	—	457	—	457	—	357	—	357
Municipal bonds – other states	—	2,400	—	2,400	—	3,096	—	3,096
Corporate bonds	—	30,626	—	30,626	—	27,516	—	27,516
Foreign bonds	—	2,194	—	2,194	—	1,689	—	1,689
Total 12% Trust fair value fixed-income portfolio	—	119,382	—	119,382	—	111,226	—	111,226
Equity securities								
Common stock	89,164	—	—	89,164	72,866	—	—	72,866
Real estate investment trusts	9,345	—	—	9,345	9,332	—	—	9,332
Total 12% Trust fair value investments	98,509	119,382	—	217,891	82,198	111,226	—	193,424
Total Trusts fair value investments	366,632	449,776	—	816,408	305,765	418,240	—	724,005
Total fair value investments	\$ 366,632	\$ 818,167	\$ —	\$ 1,184,799	\$ 305,765	\$ 1,026,504	\$ —	\$ 1,332,269

	January 31, 2026				January 31, 2025			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Financial Instruments								
Current fuel hedges	\$ 8,903	\$ 17,472	\$ —	\$ 26,375	\$ 5,572	\$ 3,419	\$ —	\$ 8,991
Noncurrent fuel hedges	2,861	21,021	—	23,882	558	18,054	—	18,612
Total financial instruments - Assets	<u>\$ 11,764</u>	<u>\$ 38,493</u>	<u>\$ —</u>	<u>\$ 50,257</u>	<u>\$ 6,130</u>	<u>\$ 21,473</u>	<u>\$ —</u>	<u>\$ 27,603</u>
Liabilities								
Financial Instruments								
Current fuel hedges	\$ (93,391)	\$ (343)	\$ —	\$ (93,734)	\$ (40,239)	\$ (134)	\$ —	\$ (40,373)
Noncurrent fuel hedges	(11,022)	(106)	—	(11,128)	(34,995)	(38)	—	(35,033)
Total financial instruments - (Liabilities)	<u>\$(104,413)</u>	<u>\$ (449)</u>	<u>\$ —</u>	<u>\$(104,862)</u>	<u>\$ (75,234)</u>	<u>\$ (172)</u>	<u>\$ —</u>	<u>\$ (75,406)</u>
Total financial instruments	<u><u>\$ (92,649)</u></u>	<u><u>\$ 38,044</u></u>	<u><u>\$ —</u></u>	<u><u>\$ (54,605)</u></u>	<u><u>\$ (69,104)</u></u>	<u><u>\$ 21,301</u></u>	<u><u>\$ —</u></u>	<u><u>\$ (47,803)</u></u>
	January 31, 2026				January 31, 2025			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Other Derivative Instruments								
Current other derivative instruments	\$ —	\$ —	\$ 37,275	\$ 37,275	\$ —	\$ —	\$ —	\$ —
Noncurrent other derivative instruments	—	—	112,907	112,907	—	—	—	—
Total other derivative instruments - Assets	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 150,182</u>	<u>\$ 150,182</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Total other derivative instruments	<u><u>\$ —</u></u>	<u><u>\$ —</u></u>	<u><u>\$ 150,182</u></u>	<u><u>\$ 150,182</u></u>	<u><u>\$ —</u></u>	<u><u>\$ —</u></u>	<u><u>\$ —</u></u>	<u><u>\$ —</u></u>

Fiduciary Funds' Fair Value

The Plans' fair value measurements are performed on a recurring basis. The following table presents fair value balances and their levels within the fair value hierarchy for CPS Energy's Employee Benefit Plans as of December 31, 2025 and 2024. The Plans' investment balances presented exclude amounts related to cash collateral related to securities lending.

Fair Value Measurements as of December 31, 2025 and 2024

(In thousands)

	December 31, 2025				December 31, 2024			
Pension Plan	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
U.S. Government securities	\$ —	\$ 186,817	\$ —	\$ 186,817	\$ —	\$ 147,641	\$ —	\$ 147,641
Corporate bonds	—	235,372	—	235,372	—	252,108	—	252,108
Domestic equities	—	928,034	—	928,034	25,709	880,279	—	905,988
Low-volatility equities	—	132,360	—	132,360	—	91,205	—	91,205
International equities	144,662	—	—	144,662	114,908	—	—	114,908
Investment in partnership	—	—	50,500	50,500	—	—	47,700	47,700
Total Pension Plan investments by fair value level	144,662	1,482,583	50,500	1,677,745	140,617	1,371,233	47,700	1,559,550
Investments measured at net asset value (NAV):								
Emerging market debt				—				47,999
Senior loan fund				126,626				96,294
Low-volatility equity fund				131,899				97,716
International equities fund				143,542				125,222
Master limited partnership fund				234,686				222,687
Alternative investments - absolute return fund				63,034				47,092
Alternative investments - direct lending hedge fund				64,558				55,672
Real estate funds (open-end)				129,089				129,105
Private credit funds				95,227				—
Total investments measured at NAV				988,661				821,787
Total Pension Plan fair value investments				2,666,406				2,381,337
Health Plan	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Investment grade bond fund	\$ 43,059	\$ —	\$ —	\$ 43,059	\$ 29,593	\$ —	\$ —	\$ 29,593
Corporate bonds	15,654	14,955	—	30,609	12,040	11,930	—	23,970
Emerging market debt	—	—	—	—	6,259	—	—	6,259
Domestic equities	93,687	35,524	—	129,211	96,807	44,378	—	141,185
Low-volatility equities	—	33,908	—	33,908	—	25,887	—	25,887
International equities	8,791	—	—	8,791	6,370	—	—	6,370
Total Health Plan investments by fair value level	161,191	84,387	—	245,578	151,069	82,195	—	233,264
Investments measured at NAV:								
Senior loan fund				17,844				17,037
International equities fund				32,992				23,089
Master limited partnership fund				24,572				28,498
Alternative investments - absolute return fund				6,199				5,587
Alternative investments - direct lending hedge fund				11,517				10,992
Real estate fund (open-end)				15,814				13,362
Total investments measured at NAV				108,938				98,565
Total Health Plan fair value investments				354,516				331,829

	December 31, 2025				December 31, 2024			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Life Plan								
Investment grade bond fund	\$ 7,274	\$ —	\$ —	\$ 7,274	\$ 6,477	\$ —	\$ —	\$ 6,477
Corporate bonds	2,666	2,486	—	5,152	2,198	2,188	—	4,386
Emerging market debt	—	—	—	—	1,248	—	—	1,248
Senior loan fund	3,078	—	—	3,078	2,192	—	—	2,192
Domestic equities	16,900	6,679	—	23,579	17,094	7,141	—	24,235
Low-volatility equities	—	6,207	—	6,207	—	4,482	—	4,482
International equities	1,915	—	—	1,915	1,339	—	—	1,339
Alternative investments	3,073	—	—	3,073	2,707	—	—	2,707
Total Life Plan investments by fair value level	34,906	15,372	—	50,278	33,255	13,812	—	47,066
Investments measured at NAV:								
International equities fund				5,295				3,723
Master limited partnerships				4,184				4,583
Real estate fund – open end				3,206				2,919
Total investments measured at NAV				12,685				11,225
Total Life Plan fair value investments				62,963				58,291
Disability Plan								
Investment grade bond fund	\$ 917	\$ —	\$ —	\$ 917	\$ 800	\$ —	\$ —	\$ 800
Corporate bond fund	690	—	—	690	495	—	—	495
Emerging market debt	—	—	—	—	234	—	—	234
Senior loan fund	406	—	—	406	280	—	—	280
Domestic equities	2,941	—	—	2,941	3,210	—	—	3,210
Low-volatility equities	751	—	—	751	514	—	—	514
International equities	328	—	—	328	255	—	—	255
Alternative investments	417	—	—	417	385	—	—	385
Total Disability Plan investments by fair value level	6,450	—	—	6,450	6,173	—	—	6,172
Investments measured at NAV:								
International equities fund				597				454
Master limited partnerships				553				602
Real estate fund – open end				403				393
Total investments measured at NAV				1,553				1,449
Total Disability Plan fair value investments				8,003				7,622
Total investments at fair value for the Plans	\$ 347,209	\$ 1,582,342	\$ 50,500	\$ 3,091,888	\$ 331,114	\$ 1,467,240	\$ 47,700	\$ 2,779,079

The following table shows quantitative information about unobservable inputs related to the Level 3 fair value measurements used to derive values at December 31, 2025 and 2024. Significant increases (decreases) in any of those inputs in isolation would result in significantly lower (higher) fair value measurements, respectively.

(Dollars in thousands)

December 31, 2025				
	<u>Fair Value</u>	<u>Valuation Technique</u>	<u>Unobservable Inputs</u>	<u>Rate</u>
<u>Type – Pension Plan</u>				
Investment in partnership	\$ 50,500	Income Approach –	Discount Rate	8.50%
		Discounted Cash Flow	Terminal Capitalization	8.00%
Total Pension Plan	<u>\$ 50,500</u>			
December 31, 2024				
	<u>Fair Value</u>	<u>Valuation Technique</u>	<u>Unobservable Inputs</u>	<u>Rate</u>
<u>Type – Pension Plan</u>				
Investment in partnership	\$ 47,700	Income Approach –	Discount Rate	9.25%
		Discounted Cash Flow	Terminal Capitalization	8.25%
Total Pension Plan	<u>\$ 47,700</u>			

Certain assets are valued at NAV of units held and others are valued based on ownership interest, represented as a percentage of the fund's NAV. The NAV is used as a practical expedient to estimate fair value. The following table reflects key valuation information on investments measured at the NAV:

Investments Measured at the Net Asset Value at December 31, 2025

(Dollars in thousands)

	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Type – Pension Plan				
Emerging market debt	\$ —	\$ —	Daily	3 days
Senior loan fund	126,626	—	Monthly	20 days
Low-volatility equity fund	131,899	—	Daily / Monthly	30 days
International equities fund	143,542	—	Daily	5 - 10 days
Master limited partnerships	234,686	—	Monthly	30 days
Absolute return fund	63,034	—	Quarterly	90 days
Direct lending hedge fund	64,558	—	Semi-Annual	June / December
Real estate funds - open end	129,089	—	Quarterly	30 - 60 days
Private credit funds	95,227	7,000	Monthly	30 - 60 days
Total Pension Plan	<u>988,661</u>	<u>7,000</u>		
Type – Health Plan				
Senior loan fund	17,844	—	Monthly	20 days
International equities fund	32,992	—	Monthly	30 days
Master limited partnerships	24,572	—	Monthly	30 days
Absolute return fund	6,199	—	Quarterly	90 days
Direct lending hedge fund	11,517	—	Semi-Annual	June / December
Real estate fund - open end	15,814	2,500	Quarterly	45 days
Total Health Plan	<u>108,938</u>	<u>2,500</u>		
Type – Life Plan				
International equities fund	5,295	—	Monthly	30 days
Master limited partnerships	4,184	—	Monthly	30 days
Real estate fund - open end	3,206	—	Quarterly	45 days
Total Life Plan	<u>12,685</u>	<u>—</u>		
Type – Disability Plan				
International equities fund	597	—	Monthly	30 days
Master limited partnerships	553	—	Monthly	30 days
Real estate fund - open end	403	—	Quarterly	45 days
Total Disability Plan	<u>1,553</u>	<u>—</u>		
Total Plans	<u>\$ 1,111,836</u>	<u>\$ 9,500</u>		

Investments Measured at the Net Asset Value at December 31, 2024

(Dollars in thousands)

	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Type – Pension Plan				
Emerging market debt	\$ 47,999	\$ —	Daily	3 days
Senior loan fund	96,294	—	Monthly	20 days
Low-volatility equity fund	97,716	—	Daily / Monthly	30 days
International equities fund	125,222	—	Daily	5 - 10 days
Master limited partnerships	222,687	—	Monthly	30 days
Absolute return fund	47,092	—	Quarterly	90 days
Direct lending hedge fund	55,672	—	Semi-Annual	June / December
Real estate funds - open end	129,105	—	Quarterly	30 - 60 days
Total Pension Plan	821,787	—		
Type – Health Plan				
Senior loan fund	17,037	—	Monthly	20 days
International equities fund	23,089	—	Monthly	30 days
Master limited partnerships	28,498	—	Monthly	30 days
Absolute return fund	5,587	—	Quarterly	90 days
Direct lending hedge fund	10,992	—	Semi-Annual	June / December
Real estate fund - open end	13,362	—	Quarterly	45 days
Total Health Plan	98,565	—		
Type – Life Plan				
International equities fund	3,723	—	Monthly	30 days
Master limited partnerships	4,583	—	Monthly	30 days
Real estate fund - open end	2,919	—	Quarterly	45 days
Total Life Plan	11,225	—		
Type – Disability Plan				
International equities fund	454	—	Monthly	30 days
Master limited partnerships	602	—	Monthly	30 days
Real estate fund - open end	393	—	Quarterly	45 days
Total Disability Plan	1,449	—		
Total Plans	\$ 933,026	\$ —		

4. Disaggregation of Current Accounts Receivable and Accounts Payable

Accounts Receivable: Current accounts receivable consists of the following:

(In thousands)	January 31,	
	2026	2025
Billed utility services	\$ 428,982	\$ 322,112
Unbilled revenue receivable	85,569	32,170
Other miscellaneous receivables	107,675	115,909
Regulatory-related	53,190	22,592
Total current accounts receivable	<u>\$ 675,416</u>	<u>\$ 492,783</u>

Accounts Payable: Current accounts payable consists of the following:

(In thousands)	January 31,	
	2026	2025
Supplier and vendor, including fuel	\$ 590,349	\$ 343,298
Employee	55,759	46,565
Customer	144,599	141,689
STP	55,612	30,310
Other miscellaneous	363,252	299,584
Total current accounts payable	<u>\$ 1,209,571</u>	<u>\$ 861,446</u>

5. Regulatory Assets

The Board and City Council have approved various regulatory mechanisms and regulatory accounting to account for timing differences between the recognition of revenues and expenses for rate regulated entities. The provisions of GASB Codification Section Re10, *Regulated Operations*, are applied. This guidance provides that regulatory assets are rights to additional revenues or deferred expenses, which are expected to be recovered through rates over some future period. The below describes the balances of the approved regulatory assets as of January 31, 2026 and 2025.

Debt Issuance Costs – Beginning in FY2014, with the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, CPS Energy adopted the use of regulatory accounting for debt issuance costs. Prior to FY2014, the Company had historically reported debt issuance costs as assets and amortized them over the life of the related debt. Under GASB Statement No. 65, debt issuance costs no longer meet the definition of an asset, nor do they meet the definition of a deferred outflow of resources; therefore, they must be expensed in the period incurred. CPS Energy established a regulatory asset for the debt issuance costs that GASB Statement No. 65 would otherwise require be expensed. This regulatory accounting treatment results in the amortization of these costs over the life of the related debt as the designated rate-recovery period. As of January 31, 2026 and 2025, debt issuance costs to be recovered in future years, classified as other noncurrent assets, were \$62.6 million and \$50.9 million, respectively. See Note 8 – Revenue Bonds for additional information.

Fuel Costs Recoverable – In FY2022, the City approved the use of regulatory accounting related to the fuel expenses that were incurred as a result of Winter Storm Uri in February 2021, which severely impacted the CPS Energy service area. CPS Energy incurred unprecedented costs associated with the winter storm that included purchases of natural gas and purchased power, along with financing costs to cover short-term liquidity needs, and legal costs for ongoing legal disputes over excessive amounts invoiced by gas suppliers. On January 13, 2022, City Council approved the ordinance that established a rate-supported regulatory asset for the winter storm costs incurred and recovery of paid fuel costs totaling \$418.0 million to be recovered over a 25-year period, commencing in March 2022. Recovery of additional amounts for costs included in the regulatory asset must be approved by the Board and City Council.

As of January 31, 2026 and 2025, fuel costs to be recovered in future years totaled \$759.6 million and \$763.3 million, respectively.

Pension and Other Postemployment Benefits – The Company also elected to create a regulatory asset related to both pension and OPEB obligations. As a result, any current year contributions to fund the Pension and OPEB Plans are reflected as pension and OPEB expense included in O&M on the Statements of Revenues, Expenses and Changes in Net Position and any difference between the funding and the respective GASB pension or OPEB expense will be deferred as a regulatory asset on the Statements of Net Position. The established regulatory accounting for pension and OPEB costs establishes a regulatory asset to match the pension and OPEB expense to the funded amounts and the cost recovery through rates. As of January 31, 2026 and 2025, pension and OPEB benefit costs to be recovered in future years was \$283.2 million and \$275.3 million respectively. See Note 11 – Employee Pension Plan and Note 12 – Other Postemployment Benefits for additional information.

STEP Net Costs Recoverable – In June 2022, the City authorized the funding of a new energy efficiency and conservation program, tentatively referred to as the “New Program”, which will be operational from August 1, 2022 through July 31, 2027. Annually, approximately \$11.1 million of STEP expenses are funded through the base rate and reported as O&M expenses. Amounts in excess of this initial amount per year are recovered through the fuel adjustment factor over a period of 12 months, or longer for certain STEP expenses, beginning in the subsequent fiscal year after the costs are incurred and have been independently validated. These STEP recoveries are accrued as a regulatory asset and reflected as other noncurrent assets on the Statements of Net Position, and costs incurred are reflected as STEP net costs recoverable in the Statements of Revenues, Expenses, and Changes in Net Position. As of January 31, 2026 and 2025, STEP costs to be recovered within a year were \$21.7 million and \$21.5 million, respectively. As of January 31, 2026 and 2025, STEP costs classified as noncurrent were \$47.1 million and \$57.1 million, respectively.

6. Capital Assets, Net

General Description – CPS Energy’s plant-in-service, excluding STP (nuclear units), consists of 13 power generation sources (sites), including 11 power stations and two solar photovoltaic sites. Of the 11 power stations, seven are solely owned and operated by the Company, while four are solely owned by CPS Energy and operated by ProEnergy Services, LLC.

Collectively, there are 56 generating units at the 11 power sites, and these units are comprised of two coal-fired units and 54 gas-fired units. CPS Energy has publicly committed to transitioning away from coal generation by calendar year 2028. CPS Energy also operates two solar generating units, one of which includes energy storage.

Although V.H. Braunig Units 1,2 and 3 were scheduled to be retired in early fiscal year 2026, the assets remain in CPS Energy’s fixed asset records as of January 31, 2026. The decision to not retire the assets is based on Unit 3 remaining in-service as part of a Reliability-Must-Run (“RMR”) agreement and Units 1 and 2 being the subject of continued RMR discussions with ERCOT.

Excluding STP (nuclear units), the following is a list of generating sites and their respective generating units as of January 31, 2026:

Generating Sites	Generating Units	Type
Calaveras	4	Coal (2)/Gas (2)
Barney Davis	2	Gas
Braunig	8	Gas
HO Clarke	8	Gas
Laredo	2	Gas
Leon Creek	4	Gas
Mark One	8	Gas
Nueces Bay	1	Gas
Remy Jade	8	Gas
Rio Nogales	1	Gas
Topaz	10	Gas
Commerce	1	Solar/Energy Storage
Community	1	Solar

Plant Acquisitions – In FY2026, CPS Energy issued taxable senior lien bonds to acquire the ETP generation assets, four peaking natural gas facilities located in Harris, Brazoria, and Galveston counties. The acquisition of HO Clarke, Mark One, Remy Jade, and Topaz peaking units adds 1,632 MW of generation.

In FY2025, CPS Energy issued tax-exempt senior lien bonds to acquire two natural gas-fired generation facilities located in Corpus Christi, Texas, as well as a natural gas-fired generation facility located in Laredo, Texas. The acquisition of the Barney Davis, Nueces Bay and Laredo generation facilities adds approximately 1,710 MW of generation that will provide additional resiliency and reliability to CPS Energy customers as well as additional power to sell into the ERCOT market.

Other notable capital assets in electric and gas plant include supporting coal yard assets, a fleet of railcars, a transmission network for the movement of electric power from the generating stations to substations, electric and gas distribution systems, and metering. Included in general plant are two data centers, the McCullough headquarters campus, the construction and customer service centers, and a fleet of automobiles, trucks and work equipment.

Intangible assets consist of easements, software, leases, SBITAs and other intangible items.

In July 2019, CPS Energy executed a Bill of Sale with the Department of Defense for \$87.1 million for the electric and gas systems at three JBSA installations: JBSA Randolph, JBSA Lackland and JBSA Lackland Training Annex. In addition to the fixed assets acquired, deferred inflows for the unrealized future recoveries associated with the JBSA agreement were recorded at the time of the purchase which are being amortized over the 50-year utilities privatization contract that covers the JBSA systems.

As part of normal operations, CPS Energy evaluates whether surplus property exists within the capital asset portfolio and whether such property should be sold. Following GASB Statement No. 104, CPS Energy evaluates if the capital asset should be reported and disclosed as held for sale based on the decision to pursue the sale and that it is probable the sale will be finalized within one year of the financial statements date.

Impairments – There were no capital asset impairments identified for FY2026 and FY2025.

Investment in STP Units 1 and 2 – STP is a two-unit nuclear power plant located in Matagorda County, Texas. It is maintained and operated by South Texas Project Nuclear Operating Company ("STPNOC"), a nonprofit Texas corporation special-purpose entity, which is financed and controlled by the owners. CPS Energy's 40% interest in STP Units 1 and 2 is included in plant assets. See Note 15 – South Texas Project.

STP Capital Investment

(Dollars in thousands)

	January 31,	
	2026	2025
STP capital assets, net		
Land	\$ 5,701	\$ 5,701
Construction-in-progress	26,793	16,362
Electric and general plant	781,339	790,453
Intangibles	9,879	9,879
Nuclear fuel	180,192	144,928
Total STP capital assets, net	<u>\$ 1,003,904</u>	<u>\$ 967,323</u>
Total CPS Energy capital assets, net	<u>\$ 13,195,015</u>	<u>\$ 11,004,386</u>
STP capital investment as a percentage of total CPS Energy capital assets, net	7.6 %	8.8 %

The following table provides more detailed information on the activity of CPS Energy's net capital assets as presented on the Statements of Net Position, including capital asset activity for FY2026:

FY2026 Capital Asset Rollforward

(In thousands)

	February 1, 2025	Additions/ Increases	Transfers In/(Out)	Reductions/ Decreases	January 31, 2026
Nondepreciable assets					
Land	\$ 115,465	\$ 10,685	\$ 49,020	\$ —	\$ 175,170
Land easements	107,846	—	—	—	107,846
Construction-in-progress	1,073,018	1,179,043	(764,036)	(734)	1,487,291
Total nondepreciable assets	1,296,329	1,189,728	(715,016)	(734)	1,770,307
Depreciable/amortizable assets					
Electric plant	14,758,841	1,461,861	552,382	(16,412)	16,756,672
Gas plant	1,532,747	30,813	53,972	(1,363)	1,616,169
General plant	816,160	7,387	75,866	(19,248)	880,165
Intangibles					
Software	267,618	—	32,796	(73,973)	226,441
Other	13,069	—	—	—	13,069
Leases					
Buildings	4,210	—	—	—	4,210
Equipment	1,918	1,423	—	—	3,341
Subscription-based assets	54,466	18,616	—	(11,828)	61,254
Nuclear fuel	1,332,053	89,540	—	—	1,421,593
Total depreciable/ amortizable assets	18,781,082	1,609,640	715,016	(122,824)	20,982,914
Accumulated depreciation and amortization					
Electric plant	(7,020,186)	(455,281)	—	41,951	(7,433,516)
Gas plant	(546,509)	(35,064)	—	5,711	(575,862)
General plant	(177,775)	(33,833)	—	16,220	(195,388)
Intangibles					
Software	(108,529)	(35,122)	—	72,422	(71,229)
Other	(2,533)	(853)	—	693	(2,693)
Leases					
Buildings	(2,762)	(590)	—	—	(3,352)
Equipment	(416)	(498)	—	—	(914)
Subscription-based assets	(27,190)	(18,488)	—	11,828	(33,850)
Nuclear fuel	(1,187,125)	(54,355)	—	78	(1,241,402)
Total accumulated depreciation and amortization	(9,073,025)	(634,084)	—	148,903	(9,558,206)
Capital assets, net	<u>\$ 11,004,386</u>	<u>\$ 2,165,284</u>	<u>\$ —</u>	<u>\$ 25,345</u>	<u>\$ 13,195,015</u>

The following table provides more detailed information on the activity of CPS Energy's net capital assets as presented on the Statements of Net Position, including capital asset activity for FY2025:

FY2025 Capital Asset Rollforward
(In thousands)

	February 1, 2024	Additions/ Increases	Transfers In/(Out)	Reductions/ Decreases	January 31, 2025
Nondepreciable assets					
Land	\$ 121,672	\$ —	\$ 1,133	\$ (7,340)	\$ 115,465
Land easements	107,611	—	239	(4)	107,846
Construction-in-progress	1,220,274	837,859	(985,115)	—	1,073,018
Total nondepreciable assets	1,449,557	837,859	(983,743)	(7,344)	1,296,329
Depreciable/amortizable assets					
Electric plant	13,168,007	861,944	743,892	(15,002)	14,758,841
Gas plant	1,391,898	26,111	115,271	(533)	1,532,747
General plant	806,702	5,634	47,231	(43,407)	816,160
Intangibles					
Software	204,255	—	77,349	(13,986)	267,618
Other	13,069	—	—	—	13,069
Leases					
Buildings	3,902	308	—	—	4,210
Equipment	1,918	—	—	—	1,918
Subscription-based assets	48,227	14,091	—	(7,852)	54,466
Nuclear fuel	1,283,333	48,720	—	—	1,332,053
Total depreciable/amortizable assets	16,921,311	956,808	983,743	(80,780)	18,781,082
Accumulated depreciation and amortization					
Electric plant	(6,655,013)	(401,040)	—	35,867	(7,020,186)
Gas plant	(517,374)	(32,295)	—	3,160	(546,509)
General plant	(185,143)	(33,668)	—	41,036	(177,775)
Intangibles					
Software	(90,674)	(31,841)	—	13,986	(108,529)
Other	(2,368)	(1,024)	—	859	(2,533)
Leases					
Buildings	(2,175)	(587)	—	—	(2,762)
Equipment	(32)	(384)	—	—	(416)
Subscription-based assets	(18,853)	(16,189)	—	7,852	(27,190)
Nuclear fuel	(1,136,126)	(50,999)	—	—	(1,187,125)
Total accumulated depreciation and amortization	(8,607,758)	(568,027)	—	102,760	(9,073,025)
Capital assets, net	\$ 9,763,110	\$ 1,226,640	\$ —	\$ 14,636	\$ 11,004,386

7. Revenue Bond, Commercial Paper, and Extendible Municipal Commercial Paper Ordinance Requirements

As of January 31, 2026, the bond ordinances for New Series Bonds contained, among others, the following provisions:

The City agrees that it will maintain rates and charges for the sale of electric energy, gas or other services furnished, provided and supplied by the Systems to the City and all other consumers, which shall be reasonable and nondiscriminatory, and which will produce income and revenues sufficient to pay:

- All operation and maintenance expenses, depreciation, replacement and betterment expenses, and other costs as may be required by Chapter 1502, of the Texas Government Code, as amended;
- The interest on, and principal of, all senior lien bonds, as defined in the New Series Bond ordinances, as and when the same shall become due, and for the establishment and maintenance of the funds and accounts created for the payment and security of the senior lien bonds;
- The interest on, and principal of, the prior lien bonds, including the junior lien obligations and any additional junior lien obligations hereafter issued (all as defined in the New Series Bond ordinances), as and when the same shall become due, and for the establishment and maintenance of the funds and accounts created for the payment and security of the junior lien obligations and any additional junior lien obligations;
- To the extent the same are reasonably anticipated to be paid with available revenues (as defined in the ordinance authorizing the commercial paper), the interest on and principal of all notes (as defined in said ordinance), and the credit agreement (as defined in said ordinance); and
- Any inferior lien obligations or any other legal debt or obligation of the Systems as and when the same shall become due.

Revenue deposited in CPS Energy's General Account shall be pledged and appropriated to be used in the following priority for:

- Maintenance and operating expenses of the Systems;
- Payment of the current and future Senior Lien Obligations;
- Payment of prior lien bonds, including Junior Lien Obligations;
- Payment of the notes and the credit agreement (as defined in the ordinance authorizing Commercial Paper);
- Payment of any inferior lien obligations issued;
- An annual amount equal to 6% of the gross revenues of the Systems to be deposited in the Repair and Replacement Account;
- Payment of the annual amount due to the General Fund of the City of San Antonio; and
- Any remaining net revenues of the Systems in the General Account to the Repair and Replacement Account, which is used to partially fund construction costs.

Commercial Paper – As of January 31, 2026, the commercial paper ordinances contain, among others, the following provisions: authorized capacity of \$1.25 billion ability to issue tax-exempt or taxable commercial paper, and ability to issue multiple series notes. The original commercial paper program has a final maturity of April 11, 2049, and the new series commercial paper program has a final maturity on February 27, 2055.

To secure the payment of commercial paper principal and interest, a pledge is made of:

- Proceeds from
 - a. The sale of Bonds issued for such purpose; and
 - b. The sale of Program Notes
- Borrowings under a related Credit Agreement; and
- Amounts held in payment funds used specifically for payment of commercial paper principal and interest; and
- The Net Revenues of the Systems; however, being subordinate to the pledge securing payment of the Systems Revenue Priority Obligations

Extendible Municipal Commercial Paper – As of May 2, 2025, the extendible municipal commercial paper ordinance contains, among others, the following provisions: authorized capacity of \$150 million, ability to issue tax-exempt or taxable extendible municipal commercial paper. The extendible municipal commercial paper program has a final maturity of May 2, 2064.

To secure the payment of extendible municipal commercial paper principal and interest, a pledge is made of:

- Amounts held in payment funds used specifically for payment of extendible municipal commercial paper principal and interest; and
- Proceeds from
 - a. The sale of Program Notes; and
 - b. The sale of Bonds issued for the purpose of refinancing, redeeming, or refunding outstanding extendible municipal commercial paper notes
- The Net Revenues of the Systems; however, being subordinate to the pledge securing payment of the Systems Revenue Priority Obligations

CPS Energy's outstanding debt agreements specify certain events of default or breach of a financial covenant or failure to make debt service. Such an event would trigger a covenant requiring the City to charge rates sufficient to make debt service payments and satisfy debt service coverage. For the fiscal year ended January 31, 2026, CPS Energy did not default on any terms of its debt agreements.

8. Revenue Bonds

On November 19, 2025, CPS Energy issued \$1,394.7 million of Taxable New Series 2025A Revenue Refunding Bonds. Proceeds were used to refund \$190.0 million, \$107.2 million, \$125.0 million, \$125.0 million, \$125.0 million, and \$115.0 million par values of the Taxable Commercial Paper New Sub Series A-1, New Series B, New Series C, New Sub Series D-1, New Series E, and New Series F, respectively. Proceeds were also used to refund \$100.0 million and \$500.0 million par values of the Taxable Flexible Rate Revolving Note Series A and the Taxable Flexible Rate Revolving Note Series B, respectively. The true interest cost for this issue, which has maturities in 2029 through 2034, 2042 through 2050, and 2057, is 5.5%.

On November 19, 2025, CPS Energy issued \$615.7 million of Series 2025A Variable-Rate Junior Lien Revenue and Refunding Bonds. Bond proceeds are partially being used to fund construction projects and were partially used to refund \$134.9 million and \$127.8 million par values of the Series 2018 Variable-Rate Junior Lien Revenue Refunding Bonds, and the Series 2020 Variable-Rate Junior Lien Revenue Refunding Bonds, respectively. Reflecting stepped interest rate provisions applicable to the bonds, the true interest cost for this issue, which has maturities in 2042 through 2049, and 2051 through 2055, is 6.0%. The bonds were issued as multi-modal variable-rate instruments with initial term rates of 3.08% and 3.20%, and a stepped rate of 7.0%, which is only applicable if the bonds are not remarketed before their expiration date.

Also on November 19, 2025, CPS Energy issued \$345.7 million of New Series 2025B Revenue Refunding Bonds. Proceeds, including the \$38.5 million premium associated with the bonds, were used to refund \$160.8 million par value of the New Series 2015 Senior Lien Revenue Refunding Bonds, and \$220.9 million par value of the New Series 2015 Revenue Bonds, respectively. The refunding transaction, resulted in net present value debt service savings of \$20.5 million, or 5.4% of the par amount of the bonds being refunded. The true interest cost for this issue, which has maturities in 2027 through 2039, is 3.0%.

On January 13, 2026, CPS Energy issued \$603.0 million of New Series 2026A Senior Lien Revenue Refunding Bonds. Bond proceeds, including the \$84.7 million premium associated with the bonds, were used to refund \$375.0 million par value of the Taxable New Series 2009C Revenue Bonds (Direct Subsidy – Build America Bonds) and \$280.0 million par value of the Taxable New Series 2010A Revenue Bonds (Direct Subsidy – Build America Bonds). The true interest cost for this issue, which has maturities in 2033 through 2041 is 3.5%.

Revenue Bond Summary

(Dollars in thousands)

	Issues	Maturities	Weighted-Average Yield on Outstanding Bonds at January 31, 2026	January 31	
				2026	2025
Tax-exempt new series bonds	2015 - 2020, and 2023-2026A	2026-2054	4.5%	\$ 4,916,280	\$ 4,532,885
Taxable new series bonds	2012, 2020, 2022 and 2025A	2029-2050 2057	4.9%	\$ 2,234,415	\$ 1,494,745
Total new series bonds			4.6%	\$ 7,150,695	\$ 6,027,630
Taxable series bonds	2010A ¹	2038-2041	3.8%	\$ 300,000	\$ 300,000
Tax-exempt variable-rate series bonds	2015D, 2022, 2023, and 2025A	2038-2049 2051-2055	2.8%	\$ 940,515	\$ 587,435
Tax-exempt series bonds	2015B, 2019, 2021A, and 2022	2026-2049	3.8%	\$ 921,950	\$ 921,950
Total series bonds			3.8%	\$ 2,162,465	\$ 1,809,385
Total long-term revenue bonds				\$ 9,313,160	\$ 7,837,015
Less: Current maturities of bonds				\$ 169,185	\$ 183,600
Total revenue bonds outstanding, net of current maturities				\$ 9,143,975	\$ 7,653,415

¹Direct Subsidy Build America Bonds

Build America Bonds Direct Subsidy – The American Recovery and Reinvestment Act (“ARRA”) of 2009 provided authority for the issuance of BABs, which were issuable in calendar years 2009 and 2010 as taxable bonds. The ARRA permitted the issuer or the issuer’s paying agent to receive a subsidy payment equal to 35% of the bond’s interest directly from the U.S. Department of the Treasury. Pursuant to the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, the federal government reduced the BABs subsidy through sequestration reduction. For the year ended January 31, 2026, after a sequestration reduction totaling \$1.1 million, the total subsidy recorded for the 2009C and 2010A Senior Lien BABs and the 2010A Junior Lien BABs was \$17.8 million. For the year ended January 31, 2025, the total subsidy recorded for the 2009C and 2010A Senior Lien BABs and the 2010A Junior Lien BABs was \$18.4 million, which included a reduction totaling \$1.1 million.

As of January 31, 2026, principal and interest amounts due for all revenue bonds outstanding for each of the next five years and thereafter to maturity are as follows:

(In thousands)

Fiscal Year	Principal	Interest	Direct Subsidy	Total
2027	\$ 169,185	\$ 397,322	\$ (5,751)	\$ 560,756
2028	185,275	435,663	(5,751)	615,187
2029	194,330	434,960	(5,751)	623,539
2030	207,665	430,253	(5,751)	632,167
2031	217,300	430,954	(5,751)	642,503
2032-2036	1,359,065	2,017,297	(30,492)	3,345,870
2037-2041	2,001,735	1,620,141	(25,220)	3,596,656
2042-2046	2,267,890	1,074,813	(999)	3,341,704
2047-2051	2,043,405	472,579	—	2,515,984
2052-2056	667,210	99,976	—	767,186
2057-2058	100	9	—	109
Totals	<u>\$ 9,313,160</u>	<u>\$ 7,413,967</u>	<u>\$ (85,466)</u>	<u>\$ 16,641,661</u>

The previous table includes senior lien and junior lien bonds. Interest on the senior lien bonds and the junior lien fixed-rate bonds is based upon the stated coupon rates of each series of bonds outstanding. The direct subsidy associated with the BABs is presented in a separate column and includes the impact of sequestration. CPS Energy has taken the position that the BABs direct subsidy should be deducted when calculating total debt service since the subsidy is received directly by the trustee and used solely for BABs debt service payments.

The Series 2015D Junior Lien Bonds were issued as multi-modal variable-rate bonds. The Series 2015D Junior Lien Bonds were remarketed in 2020 and utilize an interest rate of 1.125% through their term rate period's expiration in 2026. A stepped rate of 7.0% is assumed in the previous table for this series thereafter through applicable final maturity. The stepped rate is applicable only if the bonds are not remarketed by their respective expiration date.

The Series 2022 Junior Lien Bonds were issued as multi-modal variable-rate bonds that utilize an interest rate of 2.0% through their term rate period's expiration in 2027. A stepped rate of 7.0% is assumed in the previous table for each series thereafter through applicable final maturity. The stepped rate is applicable only if the bonds are not remarketed by their respective expiration date.

The Series 2023 Junior Lien Bonds were issued as multi-modal variable-rate bonds that utilize an interest rate of 3.65% through their term rate period's expiration in 2026. A stepped rate of 8.0% is assumed in the previous table for each series thereafter through applicable final maturity. The stepped rate is applicable only if the bonds are not remarketed by their respective expiration date.

The Series 2025A Junior Lien Bonds were issued as multi-modal variable-rate bonds that utilize an interest rate of 3.08% through their initial term rate period's expiration in 2028, and 3.20% through their final term rate period's expiration in 2030. A stepped rate of 7.0% is assumed in the previous table for each series thereafter through applicable final maturity. The stepped rate is applicable only if the bonds are not remarketed by their respective final expiration date.

Pursuant to guidance provided in GASB Statement No. 65, debt reacquisition costs meet neither the definition of an asset or a liability and are therefore required to be classified as deferred outflows (unamortized loss on debt refunding) and deferred inflows (unamortized gain on debt refunding) of resources on the Statements of Net Position. The debt refundings that occurred in FY2026 resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately \$11.6 million in deferred inflows of resources, and approximately \$29.1 million in deferred outflows of resources. The debt refundings that occurred in FY2025 resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately \$17.8 million in deferred inflows of resources, and no deferred outflows of resources. Debt reacquisition costs reported as deferred

outflows of resources totaled \$59.6 million as of January 31, 2026, and \$38.6 million as of January 31, 2025. Debt reacquisition costs reported as deferred inflows of resources totaled \$65.6 million as of January 31, 2026, and \$58.6 million as of January 31, 2025. These amounts are amortized as components of interest expense using the effective interest method over the shorter of the remaining life of the refunding or the refunded debt.

CPS Energy, as a rate-regulated entity and with application of regulatory accounting, establishes regulatory assets for debt issuance costs that would otherwise be required to be expensed. This regulatory accounting treatment results in the amortization of these costs over the life of the related debt. Debt issuance costs, which are reported within other noncurrent assets on the Statements of Net Position, totaled \$62.6 million as of January 31, 2026, and \$50.9 million as of January 31, 2025.

FY2026 Long-Term Debt Activity

(Dollars in thousands)

	Original Amount	Final Principal Payment	True Interest Cost (%)	Balance Outstanding Beginning FY2026	Additions During Year	Decreases During Year	Balance Outstanding Ending FY2026
Revenue and refunding bonds							
2009C taxable - Senior Lien	375,000	2039	6.051	\$ 375,000	\$ —	\$ (375,000)	\$ —
2010A taxable - Senior Lien	380,000	2041	3.834	\$ 280,000	\$ —	\$ (280,000)	\$ —
2010A taxable - Junior Lien	300,000	2041	3.399	\$ 300,000	\$ —	\$ —	\$ 300,000
2012 taxable - Senior Lien	521,000	2042	4.382	\$ 404,225	\$ —	\$ —	\$ 404,225
2012 tax-exempt - Senior Lien	655,370	2025	2.552	\$ 113,490	\$ —	\$ (113,490)	\$ —
2015B tax-exempt - Junior Lien	125,000	2033	1.428	\$ 104,150	\$ —	\$ —	\$ 104,150
2015 tax-exempt - Senior Lien	320,530	2032	2.992	\$ 198,180	\$ —	\$ (174,940)	\$ 23,240
2015 tax-exempt - Senior Lien	235,000	2039	3.476	\$ 235,000	\$ —	\$ (220,935)	\$ 14,065
2015D tax-exempt - Junior Lien	100,000	2046	Variable	\$ 99,450	\$ —	\$ —	\$ 99,450
2016 tax-exempt - Senior Lien	544,260	2034	2.144	\$ 331,145	\$ —	\$ (13,265)	\$ 317,880
2017 tax-exempt - Senior Lien	267,320	2047	3.804	\$ 267,320	\$ —	\$ —	\$ 267,320
2017 tax-exempt - Senior Lien	194,980	2047	3.619	\$ 194,980	\$ —	\$ —	\$ 194,980
2018 tax-exempt - Senior Lien	218,285	2028	2.745	\$ 122,425	\$ —	\$ —	\$ 122,425
2018A tax-exempt - Senior Lien	130,220	2048	3.654	\$ 130,220	\$ —	\$ —	\$ 130,220
2018 tax-exempt - Junior Lien	134,870	2048	Variable	\$ 134,870	\$ —	\$ (134,870)	\$ —
2019 tax-exempt - Senior Lien	114,685	2030	1.462	\$ 114,685	\$ —	\$ —	\$ 114,685
2019 tax-exempt - Junior Lien	252,640	2041	2.885	\$ 252,640	\$ —	\$ —	\$ 252,640
2020 tax-exempt - Senior Lien	134,580	2049	3.132	\$ 134,580	\$ —	\$ —	\$ 134,580
2020 tax-exempt - Junior Lien	127,770	2049	Variable	\$ 127,770	\$ —	\$ (127,770)	\$ —
2020 taxable - Senior Lien	418,255	2048	2.864	\$ 304,360	\$ —	\$ —	\$ 304,360
2021A tax-exempt - Junior Lien	330,700	2049	3.139	\$ 330,700	\$ —	\$ —	\$ 330,700
2022 tax-exempt - Junior Lien	125,005	2049	Variable	\$ 125,005	\$ —	\$ —	\$ 125,005
2022 tax-exempt - Junior Lien	234,460	2044	2.782	\$ 234,460	\$ —	\$ —	\$ 234,460
2022 taxable - Senior Lien	413,720	2047	4.315	\$ 131,160	\$ —	\$ —	\$ 131,160
2022 tax-exempt - Senior Lien	109,620	2025	2.264	\$ 38,665	\$ —	\$ (38,665)	\$ —
2023A tax-exempt - Senior Lien	459,450	2050	4.382	\$ 458,960	\$ —	\$ (905)	\$ 458,055
2023B tax-exempt - Senior Lien	177,130	2044	4.209	\$ 177,130	\$ —	\$ —	\$ 177,130
2023 tax-exempt - Junior Lien	100,340	2053	Variable	\$ 100,340	\$ —	\$ —	\$ 100,340
2023C tax-exempt - Senior Lien	162,715	2042	4.336	\$ 160,560	\$ —	\$ —	\$ 160,560
2024A tax-exempt - Senior Lien	452,220	2049	4.349	\$ 452,220	\$ —	\$ —	\$ 452,220
2024B tax-exempt - Senior Lien	453,355	2054	4.363	\$ 453,355	\$ —	\$ (3,150)	\$ 450,205
2024C tax-exempt - Senior Lien	193,265	2054	4.481	\$ 193,265	\$ —	\$ —	\$ 193,265
2024D tax-exempt - Senior Lien	487,995	2054	4.164	\$ 487,995	\$ —	\$ —	\$ 487,995
2024E tax-exempt - Senior Lien	268,710	2049	4.171	\$ 268,710	\$ —	\$ —	\$ 268,710
2025A Taxable - Senior Lien	1,394,670	2057	5.543	\$ —	\$ 1,394,670	\$ —	\$ 1,394,670
2025A tax-exempt - Junior Lien	615,720	2055	Variable	\$ —	\$ 615,720	\$ —	\$ 615,720
2025B tax-exempt - Senior Lien	345,740	2039	2.992	\$ —	\$ 345,740	\$ —	\$ 345,740
2026A tax-exempt - Senior Lien	603,005	2041	3.489	\$ —	\$ 603,005	\$ —	\$ 603,005
Bonds outstanding				7,837,015	2,959,135	(1,482,990)	9,313,160
Current maturities				\$ (183,600)	\$ —	\$ 14,415	\$ (169,185)
(Discount) premium				\$ 569,041	\$ 123,216	\$ (64,832)	\$ 627,425
Revenue bonds, net				\$ 8,222,456	\$ 3,082,351	\$ (1,533,407)	\$ 9,771,400
Commercial paper, taxable and tax-exempt			Variable	\$ —	\$ 1,380,000	\$ (787,200)	\$ 592,800
Extendible Municipal Commercial Paper (EMCP), tax-exempt			Variable	\$ —	\$ 150,000	\$ —	\$ 150,000
Long-term debt, net				\$ 8,222,456	\$ 4,612,351	\$ (2,320,607)	\$ 10,514,200

FY2025 Long-Term Debt Activity

(Dollars in thousands)

	Original Amount	Final Principal Payment	True Interest Cost (%)	Balance Outstanding Beginning FY2025	Additions During Year	Decreases During Year	Balance Outstanding Ending FY2025
Revenue and refunding bonds							
2009C taxable - Senior Lien	\$ 375,000	2039	6.051	\$ 375,000	\$ —	\$ —	\$ 375,000
2010A taxable - Senior Lien	\$ 380,000	2041	3.834	280,000	—	—	280,000
2010A taxable - Junior Lien	\$ 300,000	2041	3.399	300,000	—	—	300,000
2012 taxable - Senior Lien	\$ 521,000	2042	4.382	404,225	—	—	404,225
2012 tax-exempt - Senior Lien	\$ 655,370	2025	2.552	236,735	—	(123,245)	113,490
2014 tax-exempt - Junior Lien	\$ 200,000	2044	4.142	30,770	—	(30,770)	—
2015A tax-exempt - Junior Lien	\$ 125,000	2033	Variable	124,205	—	(124,205)	—
2015B tax-exempt - Junior Lien	\$ 125,000	2033	1.428	104,150	—	—	104,150
2015 tax-exempt - Senior Lien	\$ 320,530	2032	2.992	218,410	—	(20,230)	198,180
2015 tax-exempt - Senior Lien	\$ 235,000	2039	3.476	235,000	—	—	235,000
2015C tax-exempt - Junior Lien	\$ 100,000	2045	Variable	99,740	—	(99,740)	—
2015D tax-exempt - Junior Lien	\$ 100,000	2046	Variable	99,450	—	—	99,450
2016 tax-exempt - Senior Lien	\$ 544,260	2034	2.144	334,940	—	(3,795)	331,145
2017 tax-exempt - Senior Lien	\$ 267,320	2047	3.804	267,320	—	—	267,320
2017 tax-exempt - Senior Lien	\$ 194,980	2047	3.619	194,980	—	—	194,980
2018 tax-exempt - Senior Lien	\$ 218,285	2028	2.745	122,425	—	—	122,425
2018A tax-exempt - Senior Lien	\$ 130,220	2048	3.654	130,220	—	—	130,220
2018 tax-exempt - Junior Lien	\$ 134,870	2048	Variable	134,870	—	—	134,870
2019 tax-exempt - Senior Lien	\$ 114,685	2030	1.462	114,685	—	—	114,685
2019 tax-exempt - Junior Lien	\$ 252,640	2041	2.885	252,640	—	—	252,640
2020 tax-exempt - Senior Lien	\$ 134,580	2049	3.132	134,580	—	—	134,580
2020 tax-exempt - Junior Lien	\$ 127,770	2049	Variable	127,770	—	—	127,770
2020 taxable - Senior Lien	\$ 418,255	2048	2.864	328,635	—	(24,275)	304,360
2021A tax-exempt - Junior Lien	\$ 330,700	2049	3.139	330,700	—	—	330,700
2022 tax-exempt - Junior Lien	\$ 125,005	2049	Variable	125,005	—	—	125,005
2022 tax-exempt - Junior Lien	\$ 234,460	2044	2.782	234,460	—	—	234,460
2022 taxable - Senior Lien	\$ 413,720	2047	4.315	276,040	—	(144,880)	131,160
2022 tax-exempt - Senior Lien	\$ 109,620	2025	2.264	62,885	—	(24,220)	38,665
2023A tax-exempt - Senior Lien	\$ 459,450	2050	4.382	459,450	—	(490)	458,960
2023B tax-exempt - Senior Lien	\$ 177,130	2044	4.209	177,130	—	—	177,130
2023 tax-exempt - Junior Lien	\$ 100,340	2053	Variable	100,340	—	—	100,340
2023C tax-exempt - Senior Lien	\$ 162,715	2042	4.336	162,715	—	(2,155)	160,560
2024A tax-exempt - Senior Lien	\$ 452,220	2049	4.349	—	452,220	—	452,220
2024B tax-exempt - Senior Lien	\$ 453,355	2054	4.363	—	453,355	—	453,355
2024C tax-exempt - Senior Lien	\$ 193,265	2054	4.481	—	193,265	—	193,265
2024D tax-exempt - Senior Lien	\$ 487,995	2054	4.164	—	487,995	—	487,995
2024E tax-exempt - Senior Lien	\$ 268,710	2049	4.171	—	268,710	—	268,710
Bonds outstanding				6,579,475	1,855,545	(598,005)	7,837,015
Current maturities				(181,295)	(2,305)	—	\$ (183,600)
(Discount) premium				425,873	194,546	(51,378)	\$ 569,041
Revenue bonds, net				6,824,053	2,047,786	(649,383)	8,222,456
Commercial paper, taxable and tax-exempt			Variable	351,400	583,522	(934,922)	—
Long-term debt, net				<u>\$ 7,175,453</u>	<u>\$ 2,631,308</u>	<u>\$ (1,584,305)</u>	<u>\$ 8,222,456</u>

9. Commercial Paper Programs

Commercial Paper (CP) and Related Revolving Credit Agreements - In 1988, the San Antonio City Council adopted an ordinance authorizing the issuance of up to \$300 million in tax-exempt commercial paper. The current ordinances allow for the issuance of taxable or tax exempt commercial paper through various separate series of notes to provide funding for the interim financing of eligible projects in an aggregate amount not to exceed \$1.25 billion. As of January 31, 2026, there was a total of \$657.2 million of commercial paper capacity available.

Eligible projects include fuel acquisition, capital improvements to the Systems, and refinancing or refunding any outstanding obligations, which are secured by and payable from a lien and/or a pledge of net revenues of the Systems. The original commercial paper program has a final maturity of April 11, 2049, and the new series commercial paper program as a final maturity date of April 20, 2053.

The commercial paper has been classified as long-term in accordance with the refinancing terms under various revolving credit agreements with a consortium of banks, that serve as liquidity support for the commercial paper programs. Each revolving credit agreement relates to a particular series of notes and provides liquidity support in the amount specified. The Series A agreement provides \$400 million in liquidity support for the Series A Notes and is effective through June 19, 2026. The New Subseries A-1 agreement provides \$200 million in liquidity support for the New Subseries A-1 Notes and is effective through July 31, 2031. The New Series B agreement provides \$150 million in liquidity support for the New Series B Notes and is effective through July 31, 2028. The New Series C agreement provides \$125 million in liquidity support for the New Series C Notes and is effective through June 18, 2028. The New Series D-1 agreement provides \$125 million in liquidity support for the New Series D-1 Notes and is effective through June 18, 2029. The New Series E agreement provides \$125 million in liquidity support for the New Series E Notes and is effective through June 18, 2028. The New Series F agreement provides \$125 million in liquidity support for the New Series F Notes and is effective through June 18, 2029. Under the terms of these revolving credit agreements, CPS Energy may borrow up to an aggregate amount not to exceed \$1.25 billion for the purpose of paying principal due under the commercial paper programs. As of January 31, 2026, and since inception of the programs, there have been no back-stop options exercised under the revolving credit agreements.

During FY2026, CPS Energy issued a total of \$1,380 million in new commercial paper. As of January 31, 2026, the outstanding commercial paper balance was \$592.8 million, of which \$517.8 million was issued as tax-exempt and \$75.0 million was issued as taxable. As of January 31, 2025, there was no outstanding commercial paper.

Commercial Paper Summary
(Dollars in thousands)

	2026	2025
Commercial paper outstanding	\$ 592,800	\$ —
New commercial paper issued	\$ 1,380,000	\$ 583,522
Weighted-average commercial paper outstanding	595,330	388,628
Weighted-average interest rate	2.88%	6.44%
Number of days outstanding	339	232

Extendible Municipal Commercial Paper - On May 2, 2025, the San Antonio City Council adopted an ordinance authorizing the issuance of up to \$150 million in tax-exempt or taxable extendible municipal commercial paper to provide funding for the interim financing of eligible projects. This program is not backed by bank credit agreements, rather it is supported by our liquidity and the ability to obtain long-term financing, which is approved annually by the Board of Trustees and City Council. The extendible municipal commercial paper program has a final maturity of May 02, 2064.

Eligible projects include the acquisition or construction of improvements, additions, or extensions for the Systems, also including, but not limited to, fuel and power acquisition and development and facilities for the transportation thereof, and refinancing or refunding any outstanding obligations, which are secured by and payable from a lien and/or a pledge of net revenues of the Systems.

During FY2026, CPS Energy issued a total of \$150.0 million in extendible municipal commercial paper. As of January 31, 2026, the outstanding extendible municipal commercial paper balance was \$150.0 million which was issued as tax-exempt. As of January 31, 2025, there was no outstanding balance of the extendible municipal commercial paper.

Extendible Municipal Commercial Paper Summary

(Dollars in thousands)

	2026	2025
Extendible Municipal Commercial Paper outstanding	\$ 150,000	n/a
New Extendible Municipal Commercial Paper issued	\$ 150,000	n/a
Weighted-average Extendible Municipal Commercial Paper outstanding	117,516	n/a
Weighted-average interest rate	2.72%	n/a
Number of days outstanding	157	n/a

10. Flexible Rate Revolving Notes

On February 19, 2009, the San Antonio City Council adopted an ordinance authorizing the establishment of the FRRN Private Placement Program ("Series A Flex Notes"), under which CPS Energy may issue taxable or tax exempt notes, bearing interest at fixed or variable rates. This ordinance provides for funding to assist in the interim financing of eligible projects that include the acquisition or construction of improvements, additions or extensions to the electric and gas systems ("Systems"), including capital assets and facilities incident and related to the operation, maintenance and administration of fuel acquisition and development and facilities for the transportation thereof; capital improvements to the Systems; and refinancing or refunding of any outstanding obligations secured by the net revenues of the Systems; or with respect to the payment of any obligation of the Systems pursuant to any credit. The note purchase agreement that was entered into in FY2019, under the program, was not renewed and terminated in calendar 2019. On May 27, 2020, the Board authorized CPS Energy to enter into a new FRRN purchase agreement not to exceed \$100 million.

Additionally, on March 18, 2021, the City Council and the Board approved a second FRRN program ("Series B Flex Notes") with an additional \$500 million in capacity to provide assurance of sufficient liquidity to address the costs incurred related to Winter Storm Uri.

Compliance – Under the terms of the FRRN purchase agreements, the credit facility is tax-exempt or taxable to the full extent of the current \$100 million, and \$500 million limit, respectively, on outstanding principal. The outstanding notes under the Series A Flex Note agreement, are secured by proceeds of the sale of bonds or Project Notes, the amounts held in a payment fund, for taxable Flexible Rate Notes only; amounts held in the related Program Note Security Fund, and the amounts remaining on deposit for the Program Note Construction Fund. The outstanding notes under the Series B Flex Note agreement are secured by proceeds of the sale of bonds (other than Inferior Lien Obligations) or Project Notes, the amounts held in a payment fund, and the amounts remaining on deposit for the Program Note Construction Fund.

As of January 31, 2026 and 2025, CPS Energy was in compliance with the terms and provisions of the documents related the FRRN programs.

On February 24, 2023, the City entered into a Note Purchase Agreement under the Series A Flex Notes program, with Truist Bank and Truist Commercial Equity, Inc. replacing the Note Purchase Agreement with Wells Fargo Bank, National Association. The stated expiration of the Note Purchase Agreement with Truist Bank and Truist Commercial Equity, Inc. is November 1, 2028. There are no Series A Flex Notes outstanding as of January 31, 2026 and 2025.

On April 12, 2023, the City entered into a Note Purchase Agreement under the Series B Flex Notes program, with JPMorgan Chase Bank, National Association, Wells Fargo Bank, National Association, and Frost Bank as the note purchasers by contractual agreement in effect through April 4, 2028, with the approval of \$500 million in additional capacity. There are no Series B Flex Notes outstanding as of January 31, 2026 and 2025.

When issued, both Series A and Series B Flex Notes will be classified as long-term in accordance with the financing terms under the Note Purchase Agreement. Any outstanding notes under Series A and Series B Flex Note will be secured by a lien on and pledge of the net revenues of the Systems and the proceeds of sale

11. Employee Pension Plan

Plan Description – The CPS Energy Pension Plan (the “Pension Plan”) is a self-administered, single-employer, defined-benefit contributory pension plan covering substantially all employees who have attained age 21 and completed one year of service. It is sponsored by and may be amended at any time by CPS Energy, acting by and through the EBOC, which includes the President & CEO, the Chief Financial Officer, and the Audit & Finance Committee of the Board. Pension Plan assets are segregated from CPS Energy’s assets and separately managed by the Administrative Committee, whose members are appointed by the EBOC. The Pension Plan reports results on a calendar year basis, and the separately audited financial statements, which contain historical trend information, may be obtained at www.cpsenergy.com or by contacting Benefit Trust Administration at CPS Energy. The Pension Plan’s financial statements include certain disclosures related to CPS Energy’s net pension liability. However, because the financial reporting and pension measurement dates for the Pension Plan and CPS Energy are not aligned, the Pension Plan’s disclosures will vary from information provided by CPS Energy in this note and in the accompanying RSI. The Pension Plan and the Employee Benefit Plans are included in the fiduciary financial statements.

In addition to the defined-benefit Pension Plan, CPS Energy has two Restoration Plans that were effective as of January 1, 1998, which supplement benefits paid from the Pension Plan due to Internal Revenue Code restrictions on benefit and compensation limits. The benefits due under those Restoration Plans are paid annually by CPS Energy.

Benefits Provided – Participants become fully vested in the benefits of the Pension Plan upon attainment of age 40 or after completion of seven years of vesting service before age 40. Normal retirement age is 65; however, early retirement is available with 25 years of benefit service, as well as to those employees who are age 55 or older with at least ten years of benefit service. Pension Plan benefits consist of a normal retirement annuity calculated based primarily on length of service and compensation. Benefits are reduced for retirement before age 55 with 25 years or more of benefit service or before age 62 with less than 25 years of service. If early retirement occurs due to disability, the reductions in benefits normally associated with early retirement are modified.

Payments to retirees are adjusted each year by an amount equal to 50% of the change in the Consumer Price Index-U, limited to a maximum adjustment of 5% each year, with no reduction allowed below the retirees’ initial benefit levels.

The following table presents information about Pension Plan participants covered by the benefit terms. Participants providing the basis of the actuarial valuations used to calculate the net pension liability, as of the measurement dates, for the fiscal years ended January 31, 2026 and 2025, were:

	January 31,	
	2026	2025
Active participants	3,006	2,715
Participants currently receiving benefits	2,781	2,758
Participants entitled to deferred benefits	257	266
Total plan participants	6,044	5,739

Contributions – The current policy of CPS Energy is to use an actuarial valuation as the basis for determining employer contributions to the Pension Plan during the fiscal year beginning thirteen months after the valuation date. The January 1, 2024, valuation is the basis for contributions in FY2026. With recommendations from the Administrative Committee, composed of a cross-functional group of active and retired CPS Energy employees, the

Company establishes funding levels, considering annual actuarial valuations. Generally, participating employees contribute 5.0% of their total compensation, commencing with the effective date of participation and continuing until normal or early retirement, completion of 44 years of benefit service, or termination of employment. Participants who leave CPS Energy service before becoming eligible for retirement benefits receive a return of the total amount they contributed to the Pension Plan, plus the vested portion of accumulated interest. Beginning January 1, 2018, through December 31, 2020, the employee contribution interest crediting rate was 5.25%. Beginning January 1, 2021, the employee contribution interest crediting rate was 5.00%.

The balance of Pension Plan contributions is the responsibility of CPS Energy, giving consideration to actuarial information, budget controls, legal requirements, compliance, and industry and/or community norms. For FY2026 and FY2025, the amount to be funded was established using a general target near the 30-year layered amortization funding contribution level as determined by the Pension Plan's actuary using the entry-age normal cost method.

Net Pension Liability – CPS Energy's net pension liability at January 31, 2026 and 2025, was measured as of January 31, 2025 and 2024, respectively. The total pension liability used to calculate the net pension liability was determined by actuarial valuations as of January 1, 2024 and 2023, rolled forward using generally accepted actuarial procedures to the January 31, 2025 and 2024, measurement dates, respectively.

Changes in Net Pension Liability

(In thousands)

	Fiscal Years Ended January 31,	
	2026	2025
<u>Total pension liability</u>		
Service cost	\$ 51,735	\$ 42,481
Interest cost	181,747	166,928
Effect of plan changes	—	—
Changes in assumptions	20,355	48,543
Differences between expected and actual experience	27,465	106,920
Benefit payments	(138,054)	(130,541)
Net change in total pension liability	143,248	234,331
Total pension liability, beginning of period	2,592,155	2,357,824
Total pension liability, end of period	2,735,403	2,592,155
<u>Plan fiduciary net position</u>		
Employer contributions	(72,774)	(56,717)
Participant contributions	(18,772)	(16,133)
(Earnings) loss on Plan assets	(369,231)	(191,059)
Benefit payments	138,054	130,541
Administrative expenses	443	540
Net change in Plan fiduciary net position	(322,280)	(132,828)
Plan fiduciary net position, beginning of period	(2,140,673)	(2,007,845)
Plan fiduciary net position, end of period	(2,462,953)	(2,140,673)
Net pension liability, end of period	\$ 272,450	\$ 451,482

For the fiscal year ended January 31, 2026, in accordance with approved regulatory accounting for pension and OPEB costs, pension expense recognized, and the amount included in rates was \$81.0 million equal to the funding. CPS Energy recorded \$72.8 million in pension expense for the fiscal year ended January 31, 2025. Pension expense, as calculated under GASB Statement No. 68, for the years ended January 31, 2026 and 2025, was \$71.8 million and \$92.5 million, respectively.

Actuarial Assumptions – Significant actuarial assumptions used in the January 1, 2024 valuation include a rate of return on the investment of present and future assets of 7.00%, a discount rate on Pension Plan liabilities of 7.00%, and annual post-retirement cost-of-living increases of 1.50%. Annual projected salary increases averaging 5.65% and 5.68% per year for FY2026 and FY2025, respectively. The projected salary increases include an inflation rate of 2.30% and 2.33% for FY2026 and FY2025, respectively. Mortality rates were based on the Pri-2012 Employee / Retiree mortality table projected forward (fully generational) with MP-2021. Separate tables are used for disabled participants and contingent annuitants for both FY2026 and FY2025.

The actuarial assumptions used in the January 1, 2024 and 2023, valuation for amounts reported in FY2026 and FY2025, respectively, were based on the results of an actuarial experience study completed in calendar 2023 covering experience for the period January 1, 2020, through December 31, 2022.

The long-term expected rate of return on Pension Plan investments was determined based on a blend of historical performance data and future expectations for each major asset class, while also reflecting current capital market conditions, developed on a geometric basis. An economic simulation method was used in which best-estimate ranges of expected future rates of return (expected returns net of Pension Plan investment expense) for each major asset class were combined using simulations that ensure the economic consistency of each individual trial, and then reduced by a factor representing inflation to produce a long-term expected real rate of return for each major asset class.

The assumed asset allocation and expected real rate of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Expected Real Rate of Return
Equities	54.5%	3.9%
Debt securities	23.5%	3.3%
Alternative investments	22.0%	4.3%
Total investments	100.0%	

Discount Rate – The discount rate used to measure the total pension liability for FY2026 and FY2025 was 7.00%. The projection of cash flows used to determine the discount rates assumed that future employee contributions will be made at the current contribution rate and that future CPS Energy contributions will be made in a manner consistent with the current contribution practices. Based on those assumptions, the Pension Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on Pension Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table presents the sensitivity of net pension liability (asset) calculation to a 1% increase and a 1% decrease in the discount rate used to measure the total pension liability:

Discount Rate Sensitivity

(In thousands)

Discount Rate	Net Pension Liability (Asset)	
	at January 31,	
	2026	2025
1% decrease - 6.00%	\$ 607,561	\$ 769,244
Current discount rate - 7.00%	272,450	451,482
1% increase - 8.00%	(8,174)	185,337

Pension Plan Fiduciary Net Position – The financial results of the Pension Plan are included, in combination with the Employee Benefit Plans, in the Statements of Fiduciary Net Position. Detailed information about the Pension Plan's fiduciary net position is available in the separately issued Pension Plan financial statements. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension and pension expense, information about the fiduciary net position for the Pension Plan and additions to/ deductions from the Pension Plan's fiduciary net position have been determined on the same basis as they are reported by the Pension Plan. Investments are stated at fair value. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the terms of the Pension Plan.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension – The following table presents information about the pension-related deferred outflows of resources and deferred inflows of resources for CPS Energy as of January 31, 2026 and 2025:

(In thousands)

	January 31,	
	2026	2025
<u>Deferred outflows of resources</u>		
Differences between projected and actual earnings on pension assets	\$ —	\$ 28,030
Changes in assumptions	113,211	126,648
Differences between expected and actual experience in the measurement of total pension liability	46,535	40,112
Employer's contributions to the Plan subsequent to the measurement of total pension liability	80,961	72,774
Total deferred outflows of resources	<u>\$ 240,707</u>	<u>\$ 267,564</u>
<u>Deferred inflows of resources</u>		
Differences between projected and actual earnings on pension assets	\$ (146,076)	\$ —
Changes in assumptions	\$ (2,930)	\$ (5,407)
Differences between expected and actual experience in the measurement of total pension liability	(117)	(672)
Total deferred inflows of resources	<u>\$ (149,123)</u>	<u>\$ (6,079)</u>

The following table presents the future amortization of pension-related deferred outflows of resources and deferred inflows of resources, excluding the balance attributable to the employer's contribution to the Pension Plan in the current fiscal year and subsequent to the net pension liability measurement date. The deferred outflows of resources balance for such contribution amounts at the end of a fiscal period are recognized fully as adjustments to the net pension liability in the subsequent fiscal year.

Amortization of Pension-Related Deferred Outflows/(Inflows) of Resources

(In thousands)

Year ended January 31,		
2027	\$	17,245
2028		36,134
2029		(10,948)
2030		(35,351)
2031		3,543
Total	\$	<u>10,623</u>

12. Other Postemployment Benefits

Plan Descriptions – The Company provides certain health and welfare benefits for active and retired employees through the CPS Energy Group Health, Group Life Insurance and Long-Term Disability Income Plans (collectively, “Employee Benefit Plans”). CPS Energy employees and their dependents may elect to participate in the plans and most employees continue eligibility upon retirement from the Company. Disclosures included in this footnote are limited to information related only to those benefits provided on a postemployment basis. Assets of the postemployment benefit plans are held in three separate, single-employer contributory plans:

- CPS Energy Group Health Plan (“Health Plan”) – a defined-benefit contributory group health plan that provides health, dental and vision insurance benefits;
- CPS Energy Group Life Insurance Plan (“Life Plan”) – a defined-benefit contributory plan that provides life insurance benefits; and
- CPS Energy Long-Term Disability Income Plan (“Disability Plan”) – a defined-benefit contributory plan that provides disability income benefits.

The Employee Benefit Plans may be amended at any time by CPS Energy, acting by and through the EBOC, which includes the President & CEO, the Chief Financial Officer, and the Audit & Finance Committee of the Board.

The Employee Benefit Plans’ assets are segregated from CPS Energy’s assets and are separately managed by an Administrative Committee whose members are appointed by the EBOC. The Employee Benefit Plans report results on a calendar year basis and issue separately audited financial statements that may be obtained by contacting Benefit Trust Administration at CPS Energy. The Employee Benefit Plans’ financial statements include certain disclosures related to CPS Energy’s net OPEB (asset) liability. However, because the financial reporting and OPEB measurement dates for the Employee Benefit Plans and CPS Energy are not aligned, the Employee Benefit Plans’ disclosures will vary from information provided by CPS Energy in this note and in the accompanying RSI. The Employee Benefit Plans along with the Pension Plan are included in the fiduciary financial statements.

Benefits Provided – The Health Plan provides health, dental and vision benefits to eligible retirees, including their enrolled dependents, and the spouse and dependent children of deceased employees. Effective January 1, 2026, the post-65 plans will change to three fully insured Medicare Supplement with an Employer Group Waiver Plan (EGWP) plans and one Medicare Advantage Prescription Drug (“MAPD”) plan. The Life Plan provides life insurance benefits and death benefits to eligible retired employees and enrolled dependents. The Disability Plan provides disability income benefits to employees as of an employee’s date of hire; however, benefits under the Plan are reduced if the employee is receiving certain other disability, retirement, or welfare benefits.

The following tables present information about the Employee Benefit Plans' participants covered by the benefit terms. Participants providing the basis of the actuarial valuations used to calculate the net OPEB liability, as of the measurement dates, for the fiscal years ended January 31, 2026 and 2025, were:

	January 31, 2026		
	Health	Life	Disability
Active participants	3,006	3,006	3,316
Inactive participants receiving benefits	1,933	2,573	69
Inactive participants with deferred benefits	—	—	—
Total plan participants	4,939	5,579	3,385

	January 31, 2025		
	Health	Life	Disability
Active participants	2,715	2,715	2,881
Inactive participants receiving benefits	1,959	2,572	75
Inactive participants with deferred benefits	—	—	—
Total plan participants	4,674	5,287	2,956

Contributions – The funding requirements for both the Plans' participants and the employer are established by and may be amended by CPS Energy. Funding is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the Company. The current policy of CPS Energy is to use each actuarial valuation as the basis for determining monthly employer contributions to the Employee Benefit Plans during the fiscal year beginning thirteen months after the valuation date. The January 1, 2024, valuation was the basis for contributions in FY2026.

Retired employees contribute to the Health Plan in varying amounts depending upon an equity formula that considers age and years of service. Individuals who retired before February 1, 1993, contribute a base rate plus 2.25% of the difference between that amount and the aggregate rate for each year that the sum of age and service is less than 95. Those who retired on or after February 1, 1993, contribute a base rate plus a percentage of the CPS Energy contribution, based on the number of years of service, if they retired with less than 35 years. Based on the funded status of the Health Plan, the Company made no contributions in FY2026 and FY2025.

The Medicare Prescription Drug Improvement and Modernization Act of 2003, known as Medicare Part D, established prescription drug coverage for Medicare beneficiaries. One of the provisions of Medicare Part D entitled the Health Plan to receive retiree drug subsidy payments from the federal government to offset pharmacy claims paid by the Health Plan on behalf of certain plan participants. These payments totaled \$1.1 million for FY2026 and \$1.0 million for FY2025, respectively. In accordance with GASB Technical Bulletin 2006-01, *Accounting and Financial Reporting by Employers for Payments from the Federal Government Pursuant to the Retiree Drug Subsidy Provisions of Medicare Part D*, future projected payments from the federal government have not been used to lessen total projected obligations under the Company's Health Plan.

Active employees contribute to the Life Plan at a rate of \$0.13 per \$1,000 of insurance per month on amounts in excess of \$20,000. Individuals who retired prior to February 1, 1993, contribute at a rate of \$0.13 per \$1,000 of insurance per month on amounts in excess of \$20,000 plus 2.25% of the difference between that amount and the aggregate rate for retiree coverage for each year the sum of retirement age and service is less than 95. Those who retired on or after February 1, 1993, contribute \$0.13 per \$1,000 of insurance per month on amounts in excess of \$20,000 plus a percentage of the CPS Energy contribution, based on number of years of service, if they retired with less than 35 years. The Company contributed approximately \$1.1 million and \$0.3 million in FY2026 and FY2025, respectively.

Beginning in FY2015, the Disability Plan has been funded by a combination of employee and employer contributions. Active employee contribution rates are determined by CPS Energy and may be adjusted on an annual basis. The Company's contributions are determined on a discretionary basis and are generally based on actuarial valuation

calculations. Retired employees are not eligible to participate and therefore do not contribute to the Disability Plan. Prior to FY2015, the Disability Plan was funded completely by CPS Energy. The Company made no contributions in FY2026 and contributed approximately \$0.2 million in FY2025. The Company's average contribution rate was 0.1% of covered-employee payroll in FY2025.

Net OPEB (Asset) Liability – CPS Energy's net OPEB (asset) liability at January 31, 2026 and 2025, was measured as of January 31, 2025 and 2024, respectively. The total OPEB liability used to calculate the net OPEB (asset) liability was determined by actuarial valuations as of January 1, 2024 and 2023, rolled forward using generally accepted actuarial procedures to the January 31, 2025 and 2024, measurement dates, respectively. As of January 31, 2026 and 2025, the net OPEB liability was \$43.2 million and \$20.6 million, respectively, and is reflected as part of net pension and OPEB liabilities on the Statements of Net Position.

FY2026 Changes in Net OPEB (Asset) Liability

(In thousands)

	Health	Life	Disability	Total
<u>Total OPEB liability</u>				
Service cost	\$ 7,289	\$ 727	\$ 894	\$ 8,910
Interest cost	25,566	3,898	440	29,904
Changes in assumptions	669	2,955	(35)	3,589
Differences between expected and actual experience	45,371	392	(1,034)	44,729
Benefit payments	(20,413)	(5,567)	(836)	(26,816)
Net change in total OPEB liability	58,482	2,405	(571)	60,316
Total OPEB liability, beginning of period	322,601	59,947	6,831	389,379
Total OPEB liability, end of period	381,083	62,352	6,260	449,695
<u>Plan fiduciary net position</u>				
Employer contributions	—	(333)	(243)	(576)
Participant contributions	—	(1,369)	(363)	(1,732)
Medicare Part D payment	(1,087)	—	—	(1,087)
(Earnings) loss on Plan assets	(52,881)	(8,698)	(1,107)	(62,686)
Benefit payments	20,413	5,567	836	26,816
Administrative expense	1,507	15	13	1,535
Net change in Plan fiduciary net position	(32,048)	(4,818)	(864)	(37,730)
Plan fiduciary net position, beginning of period	(306,887)	(54,736)	(7,147)	(368,770)
Plan fiduciary net position, end of period	(338,935)	(59,554)	(8,011)	(406,500)
Net OPEB (asset) liability, end of period	<u>\$ 42,148</u>	<u>\$ 2,798</u>	<u>\$ (1,751)</u>	<u>\$ 43,195</u>

FY2025 Changes in Net OPEB (Asset) Liability

(In thousands)

	Health	Life	Disability	Total
Total OPEB liability				
Service cost	\$ 5,780	\$ 632	\$ 720	\$ 7,132
Interest cost	21,478	3,729	469	25,676
Changes in assumptions	4,516	1,252	145	5,913
Differences between expected and actual experience	59,849	800	(648)	60,001
Benefit payments	(20,113)	(5,125)	(949)	(26,187)
Net change in total OPEB liability	71,510	1,288	(263)	72,535
Total OPEB liability, beginning of period	251,091	58,659	7,094	316,844
Total OPEB liability, end of period	322,601	59,947	6,831	389,379
Plan fiduciary net position				
Employer contributions	—	—	(602)	(602)
Participant contributions	—	(1,270)	(327)	(1,597)
Medicare Part D payment	(996)	—	—	(996)
(Earnings) loss on Plan assets	(29,593)	(4,733)	(544)	(34,870)
Benefit payments	20,113	5,125	949	26,187
Administrative expense	1,328	14	12	1,354
Net change in Plan fiduciary net position	(9,148)	(864)	(512)	(10,524)
Plan fiduciary net position, beginning of period	(297,739)	(53,872)	(6,635)	(358,246)
Plan fiduciary net position, end of period	(306,887)	(54,736)	(7,147)	(368,770)
Total OPEB (asset) liability, end of period	\$ 15,714	\$ 5,211	\$ (316)	\$ 20,609

For the fiscal year ended January 31, 2026, in accordance with approved regulatory accounting for pension and OPEB costs, OPEB expense recognized, and the amount included in rates was \$1.1 million related to the funding of the Life Plan. For the fiscal year ended January 31, 2025, CPS Energy recognized OPEB expense of \$0.6 million related to the funding of the Life and Disability Plans.

The OPEB expense/(contra expense), as calculated under GASB Statement No. 75, for the years ended January 31, 2026 and 2025, was as follows:

(In thousands)	January 31,	
	2026	2025
Health	\$ 16,230	\$ 9,633
Life	1,645	1,493
Disability	297	434
Total	\$ 18,172	\$ 11,560

Actuarial Assumptions – Significant actuarial assumptions used in the January 1, 2024, valuation included: (a) a rate of return on the investment of present and future assets of 7.0% for the Health, Life and Disability Plans, (b) a Consumer Price Index increase of 2.3% per year for the Health, Life and Disability Plans, (c) projected annual base salary increases for the Health Plan ranging from 3.30% to 11.58% depending on age, and (d) overall average medical and prescription cost increases of 7.6% in 2024, decreasing to 3.7% long term for pre-65 participants; for post-65 participants, increases of 8.8% in 2024, decreasing to 3.7% annually thereafter based on medical trend assumptions. Mortality rates for retirees were based on the Pri-2012 Employee/Retiree mortality table (headcount weighted) projected with mortality improvement scale MP-2021, with sex-distinct employee rates before termination and healthy annuitant rates after termination and separate tables for contingent annuitants.

Significant actuarial assumptions used in the January 1, 2023, valuation included: (a) a rate of return on the investment of present and future assets of 7.0% for the Health, Life and Disability Plans, (b) a Consumer Price Index increase of 2.3% per year for the Health, Life and Disability Plans, (c) projected annual base salary increases for the Health Plan ranging from 3.33% to 11.61% depending on age, and (d) overall average medical and prescription cost increases of 6.6% in 2023, decreasing to 3.7% long term for pre-65 participants; for post-65 participants, increases of 6.4% in 2023, decreasing to 3.7% annually thereafter based on medical trend assumptions. Mortality rates for retirees were based on the Pri-2012 Employee / Retiree Mortality table (headcount weighted) projected forward (fully generational) with mortality improvement scale MP-2021, with sex-distinct employee rates before termination and healthy annuitant rates after termination and separate tables for contingent annuitants.

The actuarial assumptions used in the January 1, 2024 and 2023, valuation for amounts reported in FY2026 and FY2025, were based on the results of an actuarial experience study completed in calendar 2023 covering experience for the period January 1, 2020, through December 31, 2022.

The long-term expected rate of return on Employee Benefit Plans' investments was determined based on a blend of historical performance data and future expectations for each major asset class, while also reflecting current capital market conditions, developed on a geometric basis. An economic simulation method was used in which best-estimate ranges of expected future rates of return (expected returns on Employee Benefit Plans' investment expense) for each major asset class were combined using simulations that ensure the economic consistency of each individual trial, then reduced by a factor representing inflation to produce a long-term expected real rate of return for each major asset class. The assumed asset allocation and expected real rate of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Expected Real Rate of Return
Equities	56.5%	3.9%
Debt securities	26.5%	3.3%
Alternative investments	17.0%	4.4%
Total investments	100.0%	

Discount Rate – The discount rate used to measure the total OPEB liability for FY2026 and FY2025 was 7.00%. The projection of cash flows used to determine the discount rate assumed that CPS Energy contributions will be made in a manner consistent with the current contribution practices. Based on those assumptions, the Employee Benefit Plans' fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on the Employee Benefit Plans' investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The following tables present the sensitivity of net OPEB (asset) liability calculation to a 1% increase and a 1% decrease in the discount rate used to measure the total OPEB liability:

Discount Rate Sensitivity

(In thousands)

	Net OPEB (Asset) Liability at January 31, 2026			
	Health	Life	Disability	Total
Discount rate				
1% decrease - 6.00%	\$ 82,834	\$ 10,680	\$ (1,608)	\$ 91,906
Current discount rate - 7.00%	42,148	2,798	(1,751)	43,195
1% increase - 8.00%	7,396	(3,627)	(1,889)	1,880

	Net OPEB (Asset) Liability at January 31, 2025			
	Health	Life	Disability	Total
Discount rate				
1% decrease - 6.00%	\$ 49,914	\$ 12,738	\$ (98)	\$ 62,554
Current discount rate - 7.00%	15,714	5,211	(316)	20,609
1% increase - 8.00%	(13,561)	(931)	(518)	(15,010)

Healthcare Cost Trend Rates – The following table presents the sensitivity of the net Health Plan OPEB (asset) liability calculation to a 1% increase and a 1% decrease in the healthcare cost trend rates used to measure the total Health Plan OPEB liability:

Healthcare Cost Trend Rates Sensitivity

(In thousands)

	Net Health Plan OPEB (Asset) Liability at January 31,	
	2026	2025
Healthcare Cost Trend Rates		
1% decrease	\$ 645	\$ (19,102)
Current healthcare cost trend rates	42,148	15,714
1% increase	92,087	57,513

Employee Benefit Plans' Fiduciary Net Position – The financial results of the Employee Benefit Plans are included, in combination with the Pension Plan, in the Statements of Fiduciary Net Position. Detailed information about the Employee Benefit Plans' fiduciary net position is available in the separately issued Employee Benefit Plans financial statements. For purposes of measuring the net OPEB (asset) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position for the Employee Benefit Plans and additions to/deductions from the Employee Benefit Plans' fiduciary net position have been determined on the same basis as they are reported by the Employee Benefit Plans. Investments are stated at fair value. Benefit payments are recognized when due and payable in accordance with the terms of the Employee Benefit Plans.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – The following tables present information about the OPEB-related deferred outflows of resources and deferred inflows of resources for CPS Energy as of January 31, 2026 and 2025:

(In thousands)

	January 31, 2026			
	Health	Life	Disability	Total
<u>Deferred outflows of resources</u>				
Changes in assumptions	\$ 3,577	\$ 2,277	\$ 657	\$ 6,511
Differences between projected and actual earnings on OPEB assets	—	—	—	—
Differences between expected and actual experience in the measurement of total OPEB liability	89,046	5,405	252	94,703
Employer's contributions to the Plan subsequent to the measurement of total OPEB liability	—	1,139	—	1,139
Total deferred outflows of resources	<u>\$ 92,623</u>	<u>\$ 8,821</u>	<u>\$ 909</u>	<u>\$ 102,353</u>
<u>Deferred inflows of resources</u>				
Changes in assumptions	\$ (2,509)	\$ —	\$ (31)	\$ (2,540)
Differences between projected and actual earnings on OPEB assets	(22,357)	(2,853)	(337)	\$ (25,547)
Differences between expected and actual experience in the measurement of total OPEB liability	(20,236)	—	(1,674)	(21,910)
Total deferred inflows of resources	<u>\$ (45,102)</u>	<u>\$ (2,853)</u>	<u>\$ (2,042)</u>	<u>\$ (49,997)</u>
	January 31, 2025			
	Health	Life	Disability	Total
<u>Deferred outflows of resources</u>				
Changes in assumptions	\$ 3,763	\$ 2,908	\$ 1,019	\$ 7,690
Differences between projected and actual earnings on OPEB assets	2,600	1,482	188	4,270
Differences between expected and actual experience in the measurement of total OPEB liability	64,779	4,236	324	69,339
Employer's contributions to the Plan subsequent to the measurement of total OPEB liability	—	333	243	576
Total deferred outflows of resources	<u>\$ 71,142</u>	<u>\$ 8,959</u>	<u>\$ 1,774</u>	<u>\$ 81,875</u>
<u>Deferred inflows of resources</u>				
Changes in assumptions	\$ (4,467)	\$ —	\$ (2)	\$ (4,469)
Differences between expected and actual experience in the measurement of total OPEB liability	(29,358)	(72)	(1,173)	(30,603)
Total deferred inflows of resources	<u>\$ (33,825)</u>	<u>\$ (72)</u>	<u>\$ (1,175)</u>	<u>\$ (35,072)</u>

The following table presents the future amortization of OPEB-related deferred outflows of resources and deferred inflows of resources, excluding the balance attributable to the employer's contribution to the Employee Benefit Plans in the current fiscal year and subsequent to the net OPEB (asset) liability measurement date. The deferred outflows of resources balance for such contribution amounts at the end of a fiscal period are recognized fully as adjustments to the net OPEB (asset) liability in the subsequent fiscal year.

Amortization of OPEB-Related Deferred Outflows/(Inflows) of Resources

(In thousands)

	Health	Life	Disability	Total
Year ended January 31,				
2027	\$ 6,442	\$ 2,092	\$ (107)	\$ 8,427
2028	13,779	2,023	(91)	15,711
2029	7,607	(20)	(364)	7,223
2030	9,067	(37)	(325)	8,705
2031	7,083	515	(165)	7,433
Thereafter	3,543	256	(81)	3,718
Total	<u>\$ 47,521</u>	<u>\$ 4,829</u>	<u>\$ (1,133)</u>	<u>\$ 51,217</u>

13. Other Obligations and Risk Management

Other Liabilities – CPS Energy maintains other obligations as noted on the following tables. The relative long-term portion of these obligations compared to the total was 61.1% as of January 31, 2026, and 78.4% as of January 31, 2025.

FY2026 Other Liabilities Rollforward

(In thousands)

	Balance Outstanding	Additions	Decreases	Balance Outstanding	Amounts Due within	Noncurrent Balance
	February 1, 2025	During Year	During Year	January 31, 2026	One Year	Outstanding
Customer deposits	\$ 40,006	\$ 26,216	\$ (24,601)	\$ 41,621	\$ 23,942	\$ 17,679
Operating reserves	61,576	38,996	(34,914)	65,658	5,925	59,733
STP pension and OPEBs	12,647	454	(6,853)	6,248	—	6,248
Pollution remediation liability	2,800	663	(1,820)	1,643	1,285	358
Fuel hedges	72,548	136,102	(105,122)	103,528	92,414	11,114
Long-term service agreements	5,370	2,715	(8,085)	—	—	—
Communication towers	34,169	—	—	34,169	—	34,169
Other	90,723	476,073	(498,357)	68,439	1,309	67,130
Total other long-term liabilities	<u>\$ 319,839</u>	<u>\$ 681,219</u>	<u>\$ (679,752)</u>	<u>\$ 321,306</u>	<u>\$ 124,875</u>	<u>\$ 196,431</u>

FY2025 Other Liabilities Rollforward

(In thousands)

	Balance Outstanding February 1, 2024	Additions During Year	Decreases During Year	Balance Outstanding January 31, 2025	Amounts Due within One Year	Noncurrent Balance Outstanding
Customer deposits	\$ 38,439	\$ 26,274	\$ (24,707)	\$ 40,006	\$ 22,605	\$ 17,401
Operating reserves	64,838	15,297	(18,559)	61,576	3,659	57,917
STP pension and OPEBs	21,114	885	(9,352)	12,647	—	12,647
Pollution remediation liability	1,805	2,072	(1,077)	2,800	1,524	1,276
Fuel hedges	11,522	90,196	(29,170)	72,548	37,758	34,790
Long-term service agreements	17,203	136	(11,969)	5,370	2,343	3,027
Communication towers	34,169	—	—	34,169	—	34,169
Other	93,629	386,237	(389,143)	90,723	1,286	89,437
Total other long-term liabilities	<u>\$ 282,719</u>	<u>\$ 521,097</u>	<u>\$ (483,977)</u>	<u>\$ 319,839</u>	<u>\$ 69,175</u>	<u>\$ 250,664</u>

Long-Term Service Agreements (“LTSA”) – CPS Energy has two LTSA with GE for two of its combined-cycle power plants, Arthur Von Rosenberg (“AVR”) and Rio Nogales.

AVR – In 2007, CPS Energy entered a 20-year LTSA with GE to provide maintenance services and select replacement parts for the AVR power plant. In September 2015, the contract was amended primarily to add a provision for the advance purchase from GE of three new sets of AGP parts.

There was no remaining obligation on the AVR LTSA as of January 31, 2026 and January 31, 2025.

Rio Nogales – In March 2017, the existing Rio Nogales power plant LTSA contract was amended primarily to add a provision for the advance purchase of four new sets of AGP parts from GE.

There was no remaining obligation on the Rio Nogales LTSA as of January 31, 2026. The balance of the Rio Nogales LTSA obligation as of January 31, 2025, totaled \$5.6 million of which \$2.3 million and \$3.2 million were reported on the Statements of Net Position as a current and noncurrent liability, respectively.

Communication Towers – In FY2014, the Company entered into an agreement to lease 62 of its communication towers to an independent third party with an additional five towers added in FY2017, which resulted in a total of 67 tower leases. Additionally, new licensing agreements were entered into between CPS Energy and the third party for CPS Energy’s ongoing use of the towers and the third party’s use of CPS Energy’s communication buildings for a period of 40 years, with three five-year options to extend. The agreement included a \$41.0 million prepayment by the third party as financing of the communication towers netted with a prepayment of \$6.3 million for use of CPS Energy communication shelters for a total of \$34.2 million which has been recorded as a long-term liability until the end of the lease term. In addition, the parties agreed that no further cash payments would be paid by either party for the 40 year lease term. The balance of the communication towers liability was \$34.2 million as of January 31, 2026 and 2025.

Insurance and Reserves – CPS Energy is exposed to various risks of loss including, but not limited to, those related to torts, theft or destruction of assets, errors and omissions, and natural disasters. CPS Energy maintains property and liability insurance programs that combine self-insurance with commercial insurance policies to cover major risks. The property insurance program provides \$1.5 billion of replacement-value coverage for property and boiler machinery loss, including comprehensive automobile coverage, and fire damage coverage for construction equipment and valuable papers. The deductible for the property insurance policy is \$1.0 million for nonpower plant/nonsubstation locations, \$2.5 million for substations and \$5.0 million for power plant locations.

The liability insurance program includes:

- \$110 million of excess general liability coverage over a retention amount of \$3 million;
- \$25 million of fiduciary liability coverage;
- \$100 million of employment practices liability coverage; and

- Other property and liability insurance coverage, which includes directors & officers, cyber insurance, commercial crime, employee travel, and event insurance.

CPS Energy also manages its own workers' compensation program. To support this program, \$35 million of excess workers' compensation coverage over a retention amount of \$3 million is maintained. No claims exceeded insurance coverage and there were no decreases in coverage in FY2026 or FY2025.

Actuarial studies are performed periodically to assess the adequacy of CPS Energy insurance reserve retentions. Actuarial valuations include nonincremental claims expenses. An actuarial study was last completed in FY2026.

The remaining balance under the Property Reserves (Environmental) column as of January 31, 2026, relates to estimated obligations for the cleanup, closure, and post-closure care requirements of the CPS Energy's landfills. CPS Energy has seven landfill/impoundment sites, four of which are at full capacity. The estimates for landfills, surface impoundment and ash ponds liability are based upon capacity to date and are subject to change due to inflation or deflation, as well as new developments in technology, applicable laws or regulations.

Under CPS Energy's reserve program, all insurance related claims are recorded against the reserve, which is a component of operating reserves presented on the preceding tables describing Other Liabilities.

FY2026 and FY2025 Reserve Rollforward
(In thousands)

	Employee & Public Liability Claims	Property Reserves (Insurance)	Property Reserves (Environmental)	Total
Balance – FY2023	\$ 19,709	\$ 5,859	\$ 19,310	\$ 44,878
Payments	(6,334)	—	—	(6,334)
Other claims adjustments	6,477	4,700	12,691	23,868
Balance – FY2024	\$ 19,852	\$ 10,559	\$ 32,001	\$ 62,412
Payments	(3,455)	—	—	(3,455)
Other claims adjustments	2,035	(2,632)	(9)	(606)
Balance – FY2025	\$ 18,432	\$ 7,927	\$ 31,992	\$ 58,351
Payments	(12,044)	—	—	(12,044)
Other claims adjustments	13,948	1,186	582	15,716
Balance – FY2026	<u>\$ 20,336</u>	<u>\$ 9,113</u>	<u>\$ 32,574</u>	<u>\$ 62,023</u>

Counterparty Risk – CPS Energy is exposed to counterparty risk associated with various transactions primarily related to debt, investments, fuel hedging, suppliers, other derivative instruments, and wholesale power. Counterparty risk is the risk that a counterparty will fail to meet its obligations in accordance with the terms and conditions of its contract with CPS Energy. CPS Energy has policies and practices in place to ensure the solvency of counterparties is assessed accurately, monitored regularly, and managed actively through its Enterprise Risk Management & Solutions division.

14. Derivative Instruments

Fuel Hedging – CPS Energy reports its derivative instruments in accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, which addresses recognition, measurement and disclosures related to derivative instruments. CPS Energy does not use derivative instruments for speculative purposes. The only derivative instruments entered are for the purposes of risk mitigation; therefore, these instruments are considered potential hedging derivative instruments under GASB Statement No. 53.

On October 31, 2022, the Board reaffirmed the Energy Price Risk Management Policy, which sets forth the guidelines for the purchase and sale of certain financial instruments and certain physical products, collectively defined as hedge instruments. The essential goal of the Energy Price Risk Management Policy is to provide a framework for the operation of a fuel and energy price hedging program to better manage CPS Energy's risk exposure in order to stabilize pricing and costs for the benefit of CPS Energy and its customers.

In accordance with the requirements of GASB Statement No. 53, all fuel hedges are reported on the Statements of Net Position at fair value. The fair value of option contracts is determined using a Black-Scholes pricing model based on the New York Mercantile Exchange ("NYMEX") closing futures prices as of the last day of the reporting period. For fixed-price contracts, the fair value is calculated by deriving the difference between the closing futures prices on the last day of the reporting period and the futures or basis swap purchase prices at the time the positions were established. See additional disclosures regarding fuel hedge fair values at Note 3 – Fair Value Measurement.

As of January 31, 2026, the total fair value of outstanding hedge instruments was a net liability of \$54.6 million. Fuel hedging instruments with a fair value of \$25.4 million and \$92.4 million are classified on the Statements of Net Position as a component of current assets and current accounts payable and accrued liabilities, respectively. Long-term fuel hedging instruments with a fair value of \$23.9 million and \$11.4 million are classified as a component of other noncurrent assets and other noncurrent liabilities, respectively.

As of January 31, 2025, the total fair value of outstanding hedge instruments was a net liability of \$47.8 million. Fuel hedging instruments with a fair value of \$7.4 million and \$37.8 million are classified on the Statements of Net Position as a component of current assets and current accounts payable and accrued liabilities, respectively. Long-term fuel hedging instruments with a fair value of \$18.4 million and \$35.5 million are classified as a component of other noncurrent assets and other noncurrent liabilities, respectively.

All hedging derivative instruments were evaluated for effectiveness as of January 31, 2026 and 2025. Consistent with hedge accounting treatment required for derivative instruments that are determined to be effective in offsetting changes in the cash flows of the hedged item, changes in fair value are reported as deferred outflows or deferred inflows of resources on the statements of net position until the contract expiration that occurs in conjunction with the hedged expected fuel purchase transaction. When fuel hedging contracts expire, at the time the purchase transactions occur, the deferred balance is recorded as an adjustment to fuel expense. The deferred outflows of resources related to fuel hedges totaled \$109.9 million and \$90.5 million as of January 31, 2026 and 2025, respectively. The deferred inflow of resources related to fuel hedges totaled \$8.6 million as of January 31, 2026. There were no deferred inflows of resources related to fuel hedges as of January 31, 2025.

In FY2026 and FY2025, as a result of revisions to the expected volumes of some underlying physical transactions, it was determined that a group of existing financial hedge positions was no longer effective. Offsetting financial positions were executed, and fair value of the ineffective hedges resulted in losses totaling \$2.3 million and \$3.3 million, respectively, which were recognized as a reduction to investment income.

Following is information related to CPS Energy's outstanding fuel hedging derivative instruments:

Fuel Derivative Instrument Transactions as of January 31, 2026

(Dollars in thousands)

Type of Transaction	Referenced Index	Duration	Volumes (MMBtu)	Fair Value	FY2026 Change in Fair Value
Long Natural Gas Swap	Henry Hub	Feb 2026 through Jan 2029	17,113,232	\$ 7,400	\$ 4,361
Short Natural Gas Swap	Henry Hub	Feb 2026 through Jan 2029	1,880,000	(5,577)	(5,626)
Long Natural Gas Call Option	Henry Hub	Feb 2026 through Jan 2029	118,999,768	38,493	38,827
Short Natural Gas Call Option	Henry Hub	Feb 2026 through Feb 2027	752,019	(449)	(276)
Long HSC Basis Swap	Henry Hub	Feb 2026 through Jan 2029	6,807,525	(1,145)	(1,142)
Long HSC Gas Daily Swap	Henry Hub	Feb 2026 through Jul 2026	418,050	—	—
Long WAHA Basis Swap	Henry Hub	Feb 2026 through Jan 2029	101,492,220	(94,304)	(19,413)
Short WAHA Basis Swap	Henry Hub	Feb 2026 through Apr 2026	319,269	977	(1,201)
Long WAHA Gas Daily Swap	Henry Hub	Feb 2026 through Feb 2026	137,800	—	—
				<u>\$ (54,605)</u>	<u>\$ 15,530</u>

Fuel Derivative Instrument Transactions as of January 31, 2025

(Dollars in thousands)

Type of Transaction	Referenced Index	Duration	Volumes (MMBtu)	Fair Value	FY2025 Change in Fair Value
Long Natural Gas Swap	Henry Hub	Feb 2025 through Dec 2025	6,456,417	\$ 3,039	\$ 5,638
Short Natural Gas Swap	Henry Hub	Feb 2025 through Feb 2025	2,011,000	50	(1,823)
Long Natural Gas Call Option	Henry Hub	Feb 2025 through Jan 2028	91,132,862	21,474	26,412
Short Natural Gas Call Option	Henry Hub	Feb 2025 through Apr 2026	773,446	(173)	74
Long HSC Basis Swap	Henry Hub	Feb 2025 through May 2025	462,085	(3)	45
Short HSC Basis Swap	Henry Hub	Feb 2025 through Feb 2025	1,591,000	524	524
Long HSC Gas Daily Swap	Henry Hub	Feb 2025 through Sep 2025	27,320,150	—	—
Long WAHA Basis Swap	Henry Hub	Feb 2025 through Jan 2028	83,933,975	(74,892)	(71,702)
Short WAHA Basis Swap	Henry Hub	Feb 2025 through Apr 2026	2,967,165	2,178	2,525
Long WAHA Gas Daily Swap	Henry Hub	Feb 2025 through Feb 2025	3,136,000	—	—
				<u>\$ (47,803)</u>	<u>\$ (38,307)</u>

In the event purchased options are allowed to expire, the related premiums paid to acquire those options will be lost. When a short position is established, and options are sold, premiums are received and an obligation to honor the terms of the option contract, if exercised, is created. The decision to exercise the options or let them expire rests with the purchasing party.

Futures contracts represent a firm obligation to buy or sell the underlying asset. If held to expiration, the contract holder must take delivery of, or deliver, the underlying asset at the established contract price. Basis swap contracts represent a financial obligation to buy or sell the underlying delivery point basis. If held to expiration, the financial difference determined by mark-to-market valuation must be settled on a cash basis. Only if expressly requested in advance, may an exchange for physical assets take place.

Other Derivative Instruments – CPS Energy reports other derivative instruments in accordance with GASB Statement No. 53 and GASB Statement No. 99, *Omnibus 2022*, which address recognition, measurement and disclosures related to derivative instruments that do not meet the definition of an investment derivative instrument or the definition of a hedging derivative instrument. CPS Energy does not use derivative instruments for speculative purposes. The other derivative instruments entered into are for the purposes of revenue generation; therefore, these instruments are considered other derivative instruments under GASB Statement No. 99.

On August 31, 2025, CPS Energy entered into an agreement to acquire generating peaking unit assets. These assets included previously negotiated contracts for HRCOs and ancillary services.

In accordance with the requirements of GASB Statement No. 99, other derivative instruments are reported on the Statements of Net Position at fair value. The fair value of outstanding HRCOs and ancillary services contracts is determined by valuation models of gas and power option cash flows using simulated forwards, an hourly HB_HOUSTON shaping matrix, and profitable-only dispatch logic. Ancillary services are further valued by indexing to HB_HOUSTON forwards via historical ERCOT Contingency Reserve Service to power price ratios and a baseload utilization profile, with all net revenues using an internal discount rate. See additional disclosures regarding other derivative instruments fair values at Note 3 – Fair Value Measurement.

As of January 31, 2026, the total fair value of outstanding HRCOs and ancillary services was a net asset of \$150.2 million. Other derivative instruments with a fair value of \$37.3 million are classified on the Statements of Net Position as a component of current assets prepayments and other. Long-term other derivative instruments with a fair value of \$112.9 million are classified as a component of other noncurrent assets. No other derivative instruments were outstanding as of January 31, 2025. These contracts are used to generate alternative revenues and are not designated as hedges. Risk associated with these instruments include exposure to ERCOT market prices for energy and ancillary services, natural gas index volatility, and counterparty performance. Contracts contain provisions allowing for early termination, contract outages, and premium obligations irrespective of exercise.

Credit Risk – CPS Energy executes over-the-counter hedge transactions directly with approved counterparties. These counterparties are generally highly rated entities that are leaders in their respective industries. CPS Energy monitors the creditworthiness of these entities on a daily basis and manages the resulting financial exposure via a third-party, vertically integrated risk system. Contractual terms with each existing counterparty vary, but each is structured so that, should the counterparty's credit rating fall below investment grade, no unsecured credit would be granted, and the counterparty would be required to post collateral for any calculated credit exposure. In the event of default or nonperformance by counterparties, brokers or NYMEX, the operations of CPS Energy could be materially affected. However, CPS Energy does not expect these entities to fail to meet their obligations given the level of their credit ratings and the monitoring procedures in place with which to manage this risk. As of January 31, 2026 and 2025, the exposure to all hedge-related counterparties was such that no material counterparty credit risk existed.

Termination Risk – For CPS Energy's fuel hedges that are executed over the counter directly with approved counterparties, the possibility exists that one or more of these derivative instruments may end earlier than expected, thereby depriving CPS Energy of the protection from the underlying risk that was being hedged or potentially requiring CPS Energy to make a significant termination payment. This termination payment between CPS Energy and its counterparty is determined based on current market prices. In the event a transaction is terminated early, CPS Energy would likely be able to replace the transaction at current market prices with similar, although not exact, terms with one of its other approved counterparties.

Basis Risk – The Company is exposed to basis risk on its fuel hedges because the expected commodity purchases being hedged will be priced based on a pricing point (Houston Ship Channel "HSC" or Western Area Hub Association "WAHA") different than which the contracts are expected to settle (Henry Hub). For January 31, 2026, the HSC price was \$4.18 per Metric Million British Thermal Unit ("MMBtu"), the WAHA price was \$0.61 per MMBtu and the Henry Hub price was \$4.69 per MMBtu.

Congestion Revenue Rights – In the normal course of business, CPS Energy acquires Preassigned Congestion Revenue Rights ("PCRRs") and Congestion Revenue Rights ("CRRs") as a hedge against congestion costs. The CRRs are purchased at semi-annual and monthly auctions at market value. Non-Opt-In Entities are granted the right to purchase PCRRs annually at a percentage of the cost of CRRs. While PCRRs exhibit the three characteristics of derivative instruments as defined in GASB Statement No. 53, they are generally used by CPS Energy as factors in the cost of transmission. Therefore, these PCRRs meet the normal purchases and sales scope exception and are thus reported on the Statements of Net Position at cost and classified as prepayments. From time to time, the Company purchases PCRRs with the intent of selling them at the same auction at market price. In this case, the PCRRs are considered investments, the proceeds are reported as either investment gains or losses. There were no investment gains or losses on the sale of PCRRs and CRRs for FY2026 and FY2025.

15. South Texas Project

Units 1 and 2 – CPS Energy is one of three participant owners of STP, a two-unit nuclear power plant located in Matagorda County, Texas approximately 10 miles from the Texas gulf coast. The units have a combined nominal output of 2,660 MW. CPS Energy's 40% ownership share in STP Units 1 and 2 represents approximately 1,064 MW of total plant capacity. In addition, STP is owned by Constellation South Texas, LLC ("Constellation"), a wholly owned subsidiary of Constellation Energy Corporation, and the City of Austin. In November 2023, Constellation acquired NRG South Texas LP's ("NRG") 44% ownership stake in STP and became one of the three owner-investors. In May 2024, CPS Energy entered into an agreement to acquire an additional 2% ownership of STP from Constellation, which will increase CPS Energy's ownership of STP to 42%. The transaction, which is pending regulatory review, is expected to close in calendar year 2026.

The units, along with their support facilities and administrative offices, are located on a 12,200-acre site that is adjacent to the lower Colorado River in Matagorda County. In-service dates for STP were August 1988 for Unit 1 and June 1989 for Unit 2.

Prior to Constellation's acquisition of NRG's ownership, the Participation Agreement among initial owners of STP was amended and restated effective November 17, 1997. At that time, STPNOC, a Texas nonprofit, nonmember corporation created by the owners, assumed responsibility as the licensed operator of STP. The participants share costs in proportion to ownership interests, including all liabilities and expenses of STPNOC. STPNOC is financed and controlled by the owners pursuant to an operating agreement between owners and STPNOC. Currently, a four-member board of directors governs STPNOC, with each owner appointing one member to serve with STPNOC's chief executive officer. No changes in the Participation Agreement resulted from Constellation's acquisition, and STPNOC continues to operate the plant. Effective May 2, 2024, the owners agreed to the First Amendment to the Amended and Restated South Texas Project Participation Agreement.

Units 1 and 2 Licenses Renewed – In September 2017, the NRC approved STPNOC's license renewal applications for STP Units 1 and 2, which extends the operating licenses to 2047 and 2048, respectively.

Suspension of Used Nuclear Fuel Fee – Under the Nuclear Waste Policy Act ("NWPAct"), the Department of Energy ("DOE") had an obligation to provide for the permanent disposal of high-level radioactive waste, which included used nuclear fuel at U.S. commercial nuclear power plants like STP. To fund that obligation, all owners or operators of commercial nuclear power plants entered into a standard contract under which the owners paid a fee to the DOE based on the amount of electricity generated and sold from the power plant, along with additional assessments. In exchange for collecting this fee and assessments, the DOE undertook the obligation to develop a high-level waste repository for safe, long-term storage of the fuel and to transport and dispose of the used fuel no later than January 31, 1998. NARUC challenged further collection of this fee, and on November 19, 2013, the D.C. Circuit Court ruled in favor of NARUC and ordered the DOE to submit to the U.S. Congress a proposal to reduce the fee to zero until certain conditions were met. While used nuclear fuel volume reporting to the DOE continues, the rate was reduced to zero effective May 16, 2014.

DOE Settlement and Dry Cask Storage Project – Multiple cases were filed in the U.S. Court of Federal Claims by existing owners and operators of nuclear facilities against the DOE relating to its failure to meet its obligations under the NWPAct. The owners and operators sought damages related to ongoing used nuclear fuel storage costs incurred as a result of the DOE's failure to meet its obligation. On August 31, 2000 in *Maine Yankee Atomic Power Company, et al. v. United States*, the U.S. Court of Appeals for the Federal Circuit affirmed that the DOE breached its obligations to commercial nuclear power plant owners / operators for failing to live up to its obligations to dispose of used nuclear fuel. STPNOC, on behalf of the owners of STP, and other utilities reached settlement agreements with the DOE. In March 2023, the DOE extended its commitment to reimburse STP for allowable spent fuel management expenditures through December 31, 2028.

Pursuant to STPNOC's analysis of the NRC guidance, the first dry cask storage campaign was completed in calendar year 2019, with 12 dry casks stored at the Dry Cast Storage Project. STP reported the Dry Cask Storage Project loading campaign was completed on July 15, 2022. The calendar year 2022 Dry Cask Storage campaign included the loading of four casks for Unit 1 and six casks for Unit 2. The 2025 Dry Cask Campaign was completed in July 2025, placing eight casks for unit 1 and six casks for unit 2 into dry storage. Ongoing costs for the spent fuel management project are

funded by the STP owners (CPS Energy; the City of Austin; and Constellation) as expenditures are incurred. CPS Energy is entitled to request reimbursement at its discretion from its Decommissioning Trusts for the Company's portion of allowable costs. Annually, STPNOC submits claims to the DOE for reimbursement of allowable costs for spent fuel management. Allowable costs are returned to the owners by STP upon receipt of funds from the DOE. Qualifying spent fuel management costs not reimbursable by the DOE are funded by the Trusts. Spent fuel management costs that do not qualify for reimbursement by the DOE or the Trusts are recorded as O&M expenses or capital costs.

Nuclear Insurance – STP maintains required insurance coverage pursuant to the Price-Anderson Act, providing limitations on liability and governmental indemnities with respect to nuclear incidents. Pursuant to the Price-Anderson Act, the maximum amount that each licensee may be assessed as secondary financial protection following a nuclear incident at any United States insured facility is \$166 million, taking into account a 5% adjustment for administrative fees and subject to adjustment for inflation every 5 years, with the next adjustment expected to be effective no later than November 1, 2028, for the number of operating nuclear units and for each licensed reactor, payable at \$25 million per year per reactor for each nuclear incident. CPS Energy and each of the other participants of STP are subject to such assessments, which will be borne on the basis of their respective ownership interests. For purposes of these assessments, STP currently has two licensed reactors. Any funding needed in excess of these assessments is at the discretion of the United States Congress. The participants have purchased the maximum limits of nuclear liability insurance, as required by law, and have executed indemnification agreements with the NRC in accordance with the financial protection requirements of the Price-Anderson Act. A nuclear liability policy, with a maximum limit of \$500 million for each nuclear facility, provides primary protection from nuclear-related liability claims. A master worker certificate policy, with a maximum limit of \$500 million for the nuclear industry, provides protection from radiation tort liability claims of workers at nuclear facilities.

The NRC regulations require licensees of nuclear power plants to obtain on-site property damage nuclear accident stabilization and decontamination insurance in a minimum amount of approximately \$1,100 million. The NRC regulations also require that the proceeds from this insurance be used first to ensure that the licensed reactor is in a safe and stable condition so as to prevent any significant risk to the public health or safety, and then to complete any decontamination operations that may be ordered by the NRC. Any funds remaining would then be available for covering direct losses to property.

The owners of STP Units 1 and 2 currently maintain nuclear property insurance at or above the regulatory required amount. CPS Energy also maintains accidental outage insurance through STP's Nuclear Electric Insurance Limited ("NEIL") membership that provides weekly indemnity payments for an insured property loss subject to an applied deductible period. The nuclear property and/or accidental insurance may be subject to a retrospective assessment being paid by members of NEIL and European Mutual Association for Nuclear Insurance ("EMANI"). A retrospective assessment could occur if losses, as a result of an accident at any nuclear plant insured by NEIL or EMANI, exceed the desired funds of NEIL and/or EMANI.

Nuclear Decommissioning – In 1991, CPS Energy started accumulating funds for decommissioning of its 28% ownership in STP Units 1 and 2 in an external trust in accordance with NRC regulations. The 28% Decommissioning Trust's assets and related liabilities are included in CPS Energy's financial statements as a component unit. Excess or deficient funds related to the 28% Trust will be distributed to or received from CPS Energy's ratepayers after decommissioning is complete.

In conjunction with the acquisition of the additional 12% interest in STP Units 1 and 2 in May 2005, the Company assumed control of a relative portion of the decommissioning trust previously established by the prior owner, American Electric Power ("AEP"). The 12% Decommissioning Trust's assets and related liabilities are also included in CPS Energy's financial statements as a component unit. Subject to PUCT approval in the future, excess or deficient funds related to the 12% Trust will be distributed to or received from AEP's ratepayers after decommissioning is complete.

CPS Energy, together with the other owners of STP Units 1 and 2, files a certificate of financial assurance with the NRC for the decommissioning of the nuclear power plant every two years. The certificate assures that CPS Energy and the other owners meet the minimum decommissioning funding requirements mandated by the NRC. The owners agreed in the financial assurance plan that their estimate of decommissioning costs would be reviewed and updated periodically.

In FY2009, CPS Energy determined that some pre-shutdown decommissioning and spent fuel management activities would be required prior to shutdown of STP Units 1 and 2. As a result, separate trust accounts were created to pay for pre-shutdown decommissioning activities. Additionally, funds in the Trusts applicable to spent fuel management were transferred to separate spent fuel management accounts to prevent commingling with funds allocable to pre-shutdown or post-shutdown decommissioning costs. Based on projected costs, the spent fuel management accounts are currently fully funded; therefore, no contributions were made to these accounts in FY2026 or FY2025. In FY2026 and FY2025, no contributions were made to fund pre-shutdown decommissioning costs for CPS Energy's 28% ownership in STP. No pre-shutdown decommissioning expenses were incurred for the 28% ownership in calendar years 2025 or 2024. For the 12% Trust, pre-shutdown costs are funded by AEP's ratepayers. The 12% Trust incurred no pre-shutdown decommissioning expenses in the calendar years 2025 or 2024.

The most recent cost study, which was finalized in May 2023, estimated decommissioning costs for the 28% ownership and 12% ownership in STP Units 1 and 2 are \$725.9 million and \$311.1 million, respectfully, in 2023 dollars. Included in the cost study was a 10% contingency component as required to comply with the PUCT. Based on the level of funds accumulated in the 28% Trust and 12% Trust and an analysis of this cost study, the Company determined that no further decommissioning contributions were required to be deposited into the Trusts.

As of December 31, 2025 and 2024, CPS Energy accumulated \$621.6 million and \$551.8 million, respectively, in the 28% Trust. Total funds are allocated to decommissioning costs, pre-shutdown decommissioning costs, spent fuel management, and site restoration. Based on the most recent annual calculation of financial assurance required by the NRC as of December 31, 2024, the 28% Trust funds allocated to decommissioning costs totaled \$349.9 million, which exceeded the calculated financial assurance amount of \$137.9 million.

As of December 31, 2025 and 2024, \$228.1 million and \$202.7 million, respectively, was accumulated in the 12% Trust. Total funds are allocated to decommissioning costs, pre-shutdown decommissioning costs, spent fuel management and site restoration. Based on the most recent annual calculation of financial assurance required by the NRC as of December 31, 2024, the 12% Trust funds allocated to decommissioning costs totaled \$139.1 million, which exceeded the calculated financial assurance amount of \$59.1 million.

CPS Energy accounts for decommissioning in accordance with GASB Statement No. 83 by recognizing its pro rata share of an ARO based on the best estimate of the current values of outlays expected to be incurred, determined by the most recent cost study. A new cost study is performed every 5 years. The most recent study was finalized in May 2023 and estimated costs in 2023 dollars. In years subsequent to the latest study, the Statement requires the current value of the Company's ARO be adjusted for the effects of inflation or deflation, at least annually. In addition to the ARO, the Company recorded a deferred outflow of resources that is amortized over the remaining useful life of the plant.

Both Decommissioning Trusts also have separate calendar year financial statements, which are separately audited and can be obtained by contacting the Controller at CPS Energy.

STP Pension Plans and Other Post-Retirement Benefits – STPNOC maintains several pension and other post-retirement benefit plans covering most employees, including a noncontributory defined-benefit pension plan, defined-benefit post-retirement plan, supplementary nonqualified unfunded pension plan, supplemental retirement plan, deferred compensation program, and a contributory savings plan. The owners of STPNOC, including CPS Energy, although not sponsors to the STPNOC plans, share in all plan costs in the same proportion as their respective ownership percentages.

The noncontributory defined-benefit pension plan covers certain employees. Effective January 1, 2007, STPNOC approved a change to the pension plan to preclude the eligibility of employees hired after December 31, 2006 in the plan. Employees hired after this date receive enhanced matching contributions under the STP Nuclear Operating Company Savings Plan.

On June 4, 2019, STP's Board of Directors approved freezing the Retirement Plan for non-bargaining participants, effective December 31, 2021.

STPNOC also maintains a defined-benefit postretirement plan that provides postretirement health and welfare benefits. On May 1, 2014, certain STPNOC employees voted to transition STPNOC's medical plan to a Taft-Hartley multi-employer health and welfare plan. During calendar year 2018, there were additional plan design changes

related to the STPNOC postretirement health and welfare benefits resulting in additional employees transitioning to the Taft-Hartley multi-employer plan, which resulted in a reduction in STPNOC's OPEB liability as of December 31, 2019. STPNOC pays monthly premiums for the benefits, to be partially funded by participating employees.

Employees whose eligible compensation exceeds the limitations established under the 1974 Employee Retirement Income Security Act, \$350.0 thousand for calendar 2025 and \$345.0 thousand for calendar 2024, are covered by a supplementary nonqualified, unfunded pension plan, which is provided for by charges to operations sufficient to meet the projected benefit obligations. The accruals for the costs of that plan are based on substantially the same actuarial methods and economics as the noncontributory defined-benefit pension plan.

An unfunded supplemental retirement plan and other unfunded deferred compensation programs are maintained by STPNOC for certain key individuals.

The effect to CPS Energy of funding obligations related to the defined-benefit plans sponsored by STPNOC was reflected as decreases of \$0.5 million and \$6.5 million for FY2026 and FY2025, respectively, in operating expenses.

16. Commitments and Contingencies

Purchase and construction commitments were approximately \$16,245.7 million as of January 31, 2026. This amount includes construction commitments, provisions for coal purchases through December 2026 and natural gas purchases through October 2026; the actual amount to be paid will depend upon CPS Energy's actual requirements during the contract period and the price of gas. Also included are provisions for gas toll energy through 2029, wind power through 2038, solar power through 2044, landfill power through 2029, and raw uranium associated with STP fabrication and conversion services needed for refueling through December 2026.

In FY2008, CPS Energy entered into a natural gas supply agreement with the SA Energy Acquisition Public Facility Corporation ("PFC"), a component unit of the City, to purchase all-natural gas to be delivered under a prepaid natural gas sales agreement. Under the prepaid natural gas sales agreement between the PFC and a third-party gas supplier, the PFC prepaid the cost of a specified supply of natural gas to be delivered over 20 years, through the middle of FY2028.

CPS Energy sells excess power into the wholesale market with a balanced portfolio that includes a mix of short-term (less than a month) and mid-term (one month to a year) transactions with market participants. CPS Energy also has long-term (greater than one year) wholesale agreements with five public power entities and cities, providing full or partial requirements. These long-term agreements have varying terms expiring through December 2030. The capacities committed under these long-term agreements represent approximately 2.8% of our current nameplate capacity.

On June 20, 2011, CPS Energy announced its New Energy Economy initiative. The program is designed to focus on more clean energy sources rather than traditional energy sources and includes several major initiatives to which the Company has the remaining commitments:

- CPS Energy offers customers the opportunity to better manage their home's energy use through the Wi-Fi Thermostat Rewards program. The program gives customers access to a wide choice of programmable thermostat options. Customers benefit from better control of their home's air conditioning use and the visibility to program settings from their mobile devices. Customers in Wi-Fi Thermostat Rewards can choose to have a CPS Energy contractor install a free programmable thermostat in their place of residence. Alternatively, they can purchase and self-install their own thermostat from a list of qualifying devices and receive a rebate from CPS Energy. In exchange for the rebate, customers allow CPS Energy to periodically control and interrupt service to manage peak energy periods. The program is funded through STEP. As of January 2026, there were 141,899 CPS Energy customer devices enrolled in Wi-Fi Thermostat Rewards.
- In November 2011, the Company entered into a \$77.0 million prepaid agreement for purchased power equal to approximately 60% of the anticipated output from 30 MW of solar energy facilities in the San Antonio area. The unamortized balance of the prepayment was \$35.2 million and \$38.3 million as of January 31, 2026 and

2025, respectively. The agreement expires in 2037, and the purchase of the balance of the output is on a pay-as-you-go basis.

- In July 2012, CPS Energy executed a Master Agreement with OCI Solar Power (“OCI”) for approximately 400 MW from seven facilities. All seven facilities became operational by the end of 2017. In March 2017, CPS Energy and OCI executed an Amended and Restated Master Power Purchase and Economic Development Agreement. The original Master Agreement was replaced in order to simplify the agreement and reflect pertinent terms going forward. In addition, CPS Energy also executed two separate 25-year purchase power agreements for Project Pearl and Project Ivory for 50 MW each.

The table below represents a total capacity of approximately 494 MW for all solar farm facilities included in 25-year power purchase agreements mentioned above:

Facility	Capacity in MW ¹	Achieved Commercial Operations
Alamo 1	39.2	December 2013
St. Hedwig (Alamo 2)	4.4	March 2014
Walzem (Alamo 3)	5.5	January 2015
Eclipse (Alamo 4)	37.6	August 2014
Helios (Alamo 5)	95.0	December 2015
Sirius 1 (Alamo 6)	108.3	March 2017
Solara (Alamo 7)	104.5	September 2016
Sirius 2 (Pearl)	49.1	October 2017
Lamesa 2 (Ivory)	50.0	December 2018
Total 25-year power purchase capacity	493.6	

¹ The original commissioned nameplate capacity shown in MW from facilities may vary from year to year based on revised annual output estimates.

- Simply Solar is the trademarked name for CPS Energy’s *Roofless Solar* programs. In 2015 the *SolarHostSA* program was launched by CPS Energy in partnership with PowerFin Partners to install up to 5 MW of rooftop systems on customer homes and businesses. The program provides participating customers a monthly credit for hosting the systems on their rooftops. On August 12, 2015, CPS Energy entered into an agreement to purchase the output from the rooftop systems for an initial term of 20 years. In 2015 Roofless Solar was also launched by CPS Energy in partnership with Clean Energy Collective (“CEC”). CEC built a 1 MW community solar farm in the CPS Energy service territory. The program sold 107.5-Watt panels in the array to customers who wanted to enjoy the benefits of solar power without having to install their own system. During FY2021, CPS Energy opted to purchase the solar farm from CEC and assumed maintenance and operational responsibility for the solar farm. On December 17, 2018, CPS Energy entered into a 25-year agreement with Big Sun SA 1 (“Big Sun”) to expand the Roofless Solar program by 5 MW. Big Sun successfully installed community solar panels on carports at commercial businesses across San Antonio. The panels were sold to customers who will receive bill credits from CPS Energy for their share of the solar production.

In December 2021, the PUCT authorized ERCOT to implemented securitization of \$800 million pursuant to PURA Chapter 39, Subchapter M to reimburse short payments for operating days in February 12 to 20, 2021, during Winter Storm Uri. The proceeds of these securitized transactions by ERCOT and these market participants resulted in repayment of their outstanding short-payments to ERCOT, which in turn have been used to reimburse short-pay claimants such as CPS Energy which successfully recovered most of its \$15 million short-payment claim.

The \$800 million in securitized debt was reduced to \$200.3 million as a result of a settlement authorized on November 14, 2022, by the United States Bankruptcy Court in the Brazos Chapter 11 Plan of Reorganization. On December 15, 2022, a disbursement of \$1,151.4 million from the bankruptcy settlement was paid to ERCOT, of which \$599.7 million went to reduce the \$800 million securitization debt. Pursuant to provision in Subchapter M, over the next 25 to 30 years, ERCOT is requiring CPS Energy to make monthly payments of its share of the remaining

\$200.3 million, which are expected to total approximately \$5.4 million. Additionally, ERCOT claims that CPS Energy may be responsible for additional market uplifts related to other market participants that are in default with ERCOT and from which ERCOT may not be able to recover its claims because such market participants exited the market or other reasons. The amount of CPS Energy's share of these possible uplifts, which are currently being disputed, cannot be estimated at this time.

CPS Energy is currently engaged in litigation against two of its natural gas suppliers, in which CPS Energy is disputing (under a disputed payment provision) approximately \$350 million in natural gas prices charged by those suppliers for natural gas during Winter Storm Uri as being unconscionable. The pending gas supplier cases have been consolidated into the Multi District Litigation Panel and have been assigned to a judge in Bexar County for pretrial proceedings. The outcome of this pending litigation remains uncertain as of the issuance of these financial statements.

CPS Energy has also been named as one of many defendants in various other lawsuits arising out of Winter Storm Uri. The outcomes of these pending lawsuits are uncertain as of the issuance of these financial statements. Additionally, CPS Energy is involved in other lawsuits unrelated to Winter Storm Uri. The outcomes of these pending lawsuits are uncertain as of the issuance of these financial statements.

CPS Energy is a participant in an RMR agreement with ERCOT under which CPS Energy supplies RMR service using V.H. Braunig Unit 3, a steam generation resource, that was designated for retirement which was to occur in March 2025. The RMR agreement, under the instruction of ERCOT, CPS Energy is to run the RMR unit during specific hours as required by ERCOT, and CPS Energy is to produce and deliver electrical energy from the RMR unit during these specific hours. CPS Energy will maintain ownership of the unit while the agreement is active. All expenses incurred to maintain operations and generate electricity is ERCOT's responsibility. The current agreement runs from March 2, 2025 to March 1, 2027.

17. Leases and Subscription-Based Information Technology Arrangements

Leases – CPS Energy accounts for leases in accordance with GASB Statement No. 87, *Leases*, which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, CPS Energy as a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and as a lessor is required to recognize a lease receivable and a deferred inflow of resources.

CPS Energy, as lessee, leases buildings and equipment from third parties. Lease terms range from 2 to 15 years. Several leases have an option to extend the lease term after completion of the contracted term. CPS Energy's leased assets and associated accumulated amortization are included as intangible capital assets. There were no payments recorded in the current period that were not included in the measurement of the lease liability, no commitments prior to the commencement of the lease contracts, and no lease impairments as of January 31, 2026.

Subscription-Based Information Technology Arrangements – CPS Energy accounts for SBITAs in accordance with GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, which establishes an accounting model for subscription assets and requires the recognition of a SBITA liability and an intangible right-to-use subscription asset. CPS Energy had commitments totaling \$65.8 million under SBITAs before the commencement of the subscription term at January 31, 2026.

The following tables summarize leases and SBITAs activity and balances as of January 31, 2026 and 2025:

FY2026 Leases and SBITAs Rollforward

(In thousands)

	February 1, 2025	Additions/ Increases	Deletions/ Decreases	January 31, 2026
Right-to-use assets				
Leases				
Buildings	\$ 4,210	\$ —	\$ —	\$ 4,210
Equipment	1,918	1,423	—	3,341
SBITAs	54,466	18,616	(11,828)	61,254
Total	60,594	20,039	(11,828)	68,805
Amortization				
Leases				
Buildings	(2,762)	(590)	—	(3,352)
Equipment	(416)	(498)	—	(914)
SBITAs	(27,190)	(18,488)	11,828	(33,850)
Total	(30,368)	(19,576)	11,828	(38,116)
Leases and SBITAs, net	\$ 30,226	\$ 463	\$ —	\$ 30,689

FY2025 Leases and SBITAs Rollforward

(In thousands)

	February 1, 2024	Additions/ Increases	Deletions/ Decreases	January 31, 2025
Right-to-use assets				
Leases				
Buildings	\$ 3,902	\$ 308	\$ —	\$ 4,210
Equipment	1,918	—	—	1,918
SBITAs	48,227	14,091	(7,852)	54,466
Total	54,047	14,399	(7,852)	60,594
Amortization				
Leases				
Buildings	(2,175)	(587)	—	(2,762)
Equipment	(32)	(384)	—	(416)
SBITAs	(18,853)	(16,189)	7,852	(27,190)
Total	(21,060)	(17,160)	7,852	(30,368)
Leases and SBITAs, net	\$ 32,987	\$ (2,761)	\$ —	\$ 30,226

The following table summarizes future principal and interest payments related to leases as of January 31, 2026:

(In thousands)

Year Ended January 31,	Principal	Interest	Total
2027	\$ 1,049	\$ 107	\$ 1,156
2028	736	72	808
2029	83	47	130
2030	90	44	134
2031	98	40	138
2032-2036	622	131	753
2037-2041	319	14	333
	<u>\$ 2,997</u>	<u>\$ 455</u>	<u>\$ 3,452</u>

The following table summarizes future principal and interest payments related to SBITAs payments as of January 31, 2026:

(In thousands)

Year Ended January 31,	Principal	Interest	Total
2027	\$ 5,798	\$ 313	\$ 6,111
2028	2,191	93	2,284
Total	<u>\$ 7,989</u>	<u>\$ 406</u>	<u>\$ 8,395</u>

Lessor – CPS Energy leases buildings to third parties with terms ranging from 2 to 4 years, which include options to extend the term. There were no receipts of variable or other lease payments as of FY2026. The total lease interest and revenue was \$1.0 million for the year ended January 31, 2026, and \$1.3 million for the year ended January 31, 2025. In addition, the total leased asset receivable was \$4.7 million and the corresponding deferred inflow of resources was \$8.8 million as of January 31, 2026. The total leased asset receivable was \$5.3 million and the corresponding deferred inflow of resources was \$9.6 million as of January 31, 2025.

Pole Attachment Leases – CPS Energy leases space on poles and streetlight poles to third party communication providers. In an effort to adhere to state and federal laws, CPS Energy established the Pole Attachment Standards, which includes contract terms and rates formula. The standard terms includes a five-year initial contract and successive automatic one-year renewals until contract is terminated by either party by providing six (6) months written notice. The pole standards, standard contract, and rate formula are accessible to all applicants via CPS Energy website. The total amount of pole attachment lease revenue for the years ended January 31, 2026 and 2025, was \$27.1 million and \$10.2 million, respectively. There were no other or variable lease payments received in FY2026 and FY2025. In addition, CPS Energy does not issue debt that relies on the receipt of regulated lease payments to pay the debt principal and interest payments.

Communication Shelters Leases – In FY2014, the Company entered into an agreement to lease 62 of its communication towers to an independent third party and an additional five in FY2017, which resulted in a total of 67 tower leases. Additionally, the provisions of the agreement allowed for the third party's ongoing use of communication shelters for a period of 40 years, with three five-year options by the third party to extend the agreement. The third party prepaid the entire contracted lease amount for the term of the agreement and the parties agreed that no further cash payments would be paid by either party for the 40 year lease term.

18. Asset Retirement Obligations

CPS Energy accounts for AROs in accordance with GASB Statement No. 83, *Certain Asset Retirement Obligations*, by recognizing the obligations as a liability based on the best estimate of the current value of outlays expected to be incurred once the assets are retired. AROs recognized under GASB Statement No. 83 were estimated utilizing information provided by the Company's environmental and engineering staff, external consultants, and costs based on an external cost study for decommissioning.

The Statement requires the AROs be adjusted for the effects of inflation or deflation at least annually and to evaluate factors to determine if one or more factors is expected to significantly increase or decrease the estimated outlays. In addition to the AROs, the Company has recorded associated deferred outflows of resources that are being amortized over the remaining useful life of the respective asset groups. The following asset groups have been included in the ARO reflected on the Statements of Net Position:

- **STP Units 1 and 2** – CPS Energy is one of three participants in STP, currently a two-unit nuclear power plant located in Matagorda County, Texas. The Code of Federal Regulations provides the main decommissioning requirements mandated by the NRC that issues the operational license of the site. The asset retirement obligation is based on an external cost study performed every five years. The most recent study was finalized in May 2023 and estimates costs in 2023 dollars. The associated costs are being amortized utilizing a straight-line method over the estimated remaining useful lives of the units. Total asset lives for the units are 60 years based on the operating license extensions. The deferred outflows of resources are based on the estimated remaining useful life of the assets. CPS Energy has established two decommissioning trusts that are reported as blended component units combined into the CPS Energy financial statements to cover the eventual decommissioning associated with STP Units 1 and 2. As of January 31, 2026 and 2025, the ARO related to STP Units 1 and 2 was \$1,090.8 million and \$1,063.6 million, respectively.
- **Vaults** – As of January 31, 2026, CPS Energy has 207 underground vaults with useful lives of 46 years. The vaults have regulatory requirements to be met prior to removal and after retirement under the Code of Federal Regulations and the Texas Commission on Environmental Quality. Methods and assumptions to determine the associated liability were based on an internal calculation of cost per square foot of each vault which includes assessment, remediation, transportation and disposal costs. The associated costs are being amortized utilizing a straight-line method over the average estimated remaining useful life of the vaults. As of January 31, 2026 and January 31, 2025, the ARO related to the vaults was \$13.4 million and \$12.8 million, respectively.
- **Fuel Storage Tanks** – As of January 31, 2026, CPS Energy has 18 underground fuel storage tanks with useful lives of 30 years. The storage tanks have regulatory requirements to be met for removal or permanent closure after retirement under the Texas Administrative Code. The methods and assumptions used to determine the liability associated with the tanks were based on a cost analysis performed by an outside engineering consulting firm in July 2018. The associated retirement costs are being amortized utilizing a straight-line method over the average estimated remaining useful life of the storage tanks. As of January 31, 2026 and 2025, the ARO related to the storage tanks was \$6.5 million and \$6.3 million, respectively.

19. Subsequent Events

Bond Issuance – On February 12, 2026, CPS Energy issued \$672.4 million of Series 2026A Variable-Rate Junior Lien Revenue Refunding Bonds. Proceeds were used to refund \$400.0 million, \$10.0 million, \$42.8 million, \$55.0 million, and \$10.0 million par values of the Tax-Exempt Commercial Paper Series A, New Sub Series A-1, New Series B, New Sub Series D-1, and New Series F, respectively. Proceeds were also used to refund \$150.0 million par value of the Extendible Municipal Commercial Paper. Reflecting stepped interest rate provisions applicable to the bonds, the true interest cost for this issue, which has maturities in 2051 through 2055, is 6.0%. The bonds were issued as multi-modal variable-rate instruments with initial term rates of 2.9%, 3.0%, and 3.2%, and a stepped rate of 7.0%, which is only applicable if the bonds are not remarketed before their expiration date.

Inflation Reduction Act of 2022 – The Inflation Reduction Act of 2022 Section 13105 created section 45U, the zero-emission nuclear power production credits ("45U") was enacted to support the country's existing nuclear fleet and keep existing nuclear plants in operations by providing production tax credits ("PTC") for zero-emission electric generation at qualifying nuclear facilities. The 45U PTC has a direct-pay election that allows an applicable entity (tax exempt, governmental entities, and co-ops) to receive the credit as a direct payment from the government. STP Units 1 and 2, are considered qualifying nuclear power facilities under 45U, which CPS Energy has a 40% ownership. CPS Energy filed for the 45U credit for fiscal year February 1, 2024 through January 31, 2025, and intends to continue filing for every applicable tax year thereafter. On March 24, 2026, CPS Energy received the direct payment from the Internal Revenue Service of \$117.1 million as a result of the filing, which included interest of \$6.3 million.

CPS Energy has evaluated subsequent events through April 27, 2026, which is the date the financial statements were available to be issued and determined there are no other items to disclose.

REQUIRED SUPPLEMENTARY INFORMATION (“RSI”)

January 31, 2026 and 2025

(Unaudited)

Schedules of Changes in CPS Energy Net Pension Liability and Related Ratios – The following schedules present multiyear trend information that demonstrates the components of change in the net pension liability from year to year, as well as trends in related statistical information. Information is presented related to all periods for which the required data is available.

Amounts are presented on a net pension liability measurement date basis for the following periods:

(Dollars in thousands)

	Measurement Period Ended January 31,									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total pension liability										
Service cost	\$51,735	\$42,481	\$40,271	\$41,129	\$35,403	\$36,861	\$37,175	\$32,569	\$31,547	\$30,183
Interest cost	181,747	166,928	155,015	150,633	148,068	143,079	137,954	132,861	128,991	122,800
Effect of plan changes	—	—	(12)	—	—	—	—	—	—	—
Changes in assumptions	20,355	48,543	51,083	(9,825)	28,832	(4,940)	(10,129)	77,574	—	—
Differences between expected and actual experience	27,465	106,920	394	2,174	(846)	(2,685)	(19,385)	6,025	(18,647)	19,691
Benefit payments	(138,054)	(130,541)	(123,427)	(114,484)	(106,825)	(101,037)	(96,969)	(93,550)	(91,230)	(91,293)
Net change in total pension liability	143,248	234,331	123,324	69,627	104,632	71,278	48,646	155,479	50,661	81,381
Total pension liability, beginning of period	2,592,155	2,357,824	2,234,500	2,164,873	2,060,241	1,988,963	1,940,317	1,784,838	1,734,177	1,652,796
Total pension liability, end of period	2,735,403	2,592,155	2,357,824	2,234,500	2,164,873	2,060,241	1,988,963	1,940,317	1,784,838	1,734,177
Plan fiduciary net position										
Employer contributions	(72,774)	(56,717)	(58,986)	(62,100)	(56,025)	(73,435)	(58,700)	(46,200)	(44,500)	(46,000)
Participant contributions	(18,772)	(16,133)	(14,970)	(14,054)	(13,890)	(14,758)	(13,363)	(13,039)	(12,144)	(11,563)
(Earnings) loss on Plan assets	(369,231)	(191,059)	64,655	(244,563)	(187,600)	(169,004)	48,316	(246,772)	(207,196)	52,945
Benefit payments	138,054	130,541	123,427	114,484	106,825	101,037	96,969	93,550	91,230	91,293
Administrative expenses	443	540	474	487	510	476	391	389	—	—
Net change in Plan fiduciary net position	(322,280)	(132,828)	114,600	(205,746)	(150,180)	(155,684)	73,613	(212,072)	(172,610)	86,675
Plan fiduciary net position, beginning of period	(2,140,673)	(2,007,845)	(2,122,445)	(1,916,699)	(1,766,519)	(1,610,835)	(1,684,448)	(1,472,376)	(1,299,766)	(1,386,441)
Plan fiduciary net position, end of period	(2,462,953)	(2,140,673)	(2,007,845)	(2,122,445)	(1,916,699)	(1,766,519)	(1,610,835)	(1,684,448)	(1,472,376)	(1,299,766)
Net pension liability, end of period	\$272,450	\$451,482	\$349,979	\$112,055	\$248,174	\$293,722	\$378,128	\$255,869	\$312,462	\$434,411
Plan fiduciary net position as a percentage of the										
total pension liability	90.0%	82.6%	85.2%	95.0%	88.5%	85.7%	81.0%	86.8%	82.5%	74.9%
Covered payroll	\$356,707	\$308,095	\$304,482	\$293,669	\$286,959	\$282,302	\$271,449	\$254,241	\$242,477	\$235,360
Net pension liability as a percentage of covered payroll	76.4%	146.5%	114.9%	38.2%	86.5%	104.0%	139.3%	100.6%	128.9%	184.6%

Notes to Schedule

Changes of benefit terms: Changes of benefit terms reflect the effect of changes in the Employee's Contribution Accumulation rate during FYE 2017 (from 5.75% to 5.50%), FYE 2020 (from 5.50% to 5.25%), and FYE 2024 (from 5.25% to 5.00%).

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate during FYE 2019 and FYE 2022, changes to the mortality improvement scale during applicable periods, and a change in the earnings progression during FYE 2024 and FYE 2026. FYE 2025 amounts reflect the effects of the 2023 experience study updates. FYE 2022 amounts reflect the effects of the 2020 experience study updates, including updating to the Pri-2012 Mortality Table. FYE 2019 amounts reflect the effects of the 2017 experience study updates.

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Schedules of Employer Contributions to CPS Energy Pension Plan – The following schedules, present multiyear trend information regarding employer contributions to the Pension Plan. Information is presented related to all periods for which the required data is available. The amounts presented are determined as of the fiscal years ending:

(Dollars in thousands)

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Actuarially determined contribution	\$ 80,961	\$ 72,774	\$ 56,717	\$ 58,986	\$ 62,050	\$ 56,025	\$ 53,435	\$ 58,657	\$ 46,234	\$ 44,532
Contributions in relation to the actuarially determined contribution	80,961	72,774	56,717	58,986	62,100	56,025	73,435	58,700	46,200	44,500
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ (50)	\$ —	\$ (20,000)	\$ (43)	\$ 34	\$ 32
Covered payroll	\$356,707	\$ 308,095	\$ 304,482	\$ 293,669	\$ 286,959	\$ 282,302	\$ 271,449	\$ 254,241	\$ 242,477	\$ 235,360
Contributions as a percentage of covered payroll	22.7%	23.6%	18.6%	20.1%	21.6%	19.8%	27.1%	23.1%	19.1%	18.9%

Notes to Schedule

Valuation date: Actuarially determined contribution rates are calculated as of January 1, two years and one month prior to the end of the fiscal year in which contributions are made.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-age normal cost
Amortization method	Level percent; layered periods
Remaining amortization period	24 years
Asset valuation method	Market value gains/losses recognized over 5 years
Inflation	2.30%% for FY2026, 2.33% for FY2025, 2.30% for FY2024, 2.20% for FY2023 and FY2022 and 3.0% for previous years presented per year, compounded annually
Salary increases	Average, including inflation 5.65%% for FY2026, 5.68% for FY2025, 5.65% for FY2024, 5.54% for FY2023 and FY2022; 5.36% for FY2021 and FY2020; 4.72% for FY2019; 4.66% for FY2018; 4.78% for FY2017; 5.01% for FY2016
Investment rate of return	7.00% per year, compounded annually, for FY2026 through FY2022; 7.25% for FY2021 through FY2019; 7.50% for FY2018 and FY2017; 7.75% for prior years
Mortality	Based on Pri-2012 Mortality Table projected forward (fully generational) with MP-2021 for FY206, FY2025 and FY2024, MP-2020 for FY2023, Pri-2012 Mortality Table projected forward (fully generational) with MP-2019 for FY2022, RP-2014 Mortality Table adjusted backwards to 2006 with Mortality Improvement Scale MP-2014 and projected (fully generational) with MP-2018 for FY2021; RP-2014 Mortality Table adjusted backwards to 2006 with Mortality Improvement Scale MP-2014 and projected (fully generational) with MP-2017 for FY2020; RP-2016 Combined Healthy, with No Collar Adjustment, Male and Female Tables with MP-2016 Mortality Improvement Scale for FY2019; RP-2000 Combined Healthy Annuitant Mortality Table for Males or Females, projected using Scale BB for FY2017 and FY2016.
Cost-of-living increases	1.50% for FY2026 and FY2025, 1.25% for FY2024, FY2023 and FY2022; 1.50% for previous years presented per year

Other information: In FY2020, an additional \$20.0 million was contributed to the pension plan in excess of the actuarially determined contribution. There were no changes in benefit terms, in the size or composition of the population covered by the benefit terms, or other factors that significantly affected trends from year to year in the amounts reported above.

Schedules of Changes in CPS Energy Net OPEB Liability and Related Ratios – The following schedules present multiyear trend information that demonstrates the components of change in the net OPEB (asset) liability from year to year, as well as trends in related statistical information. Information is presented related to all periods for which the required data is available. Amounts are presented on a net OPEB (asset) liability measurement date basis for the following periods:

Health Plan

(Dollars in thousands)

	Measurement Period Ended January 31,									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total OPEB liability										
Service cost	\$ 7,289	\$ 5,780	\$ 4,302	\$ 4,905	\$ 3,772	\$ 4,300	\$ 4,466	\$ 3,376	\$ 3,435	\$ 3,319
Interest cost	25,566	21,478	17,092	18,604	17,089	17,624	18,032	17,182	18,176	17,601
Changes in Plan benefits	—	—	—	—	—	—	—	415	(19,185)	—
Changes in assumptions	669	4,516	(970)	(385)	(5,962)	(4,246)	(2,190)	9,657	—	—
Differences between expected and actual experience	45,371	59,849	(29,153)	26,691	(11,592)	(19,010)	1,763	—	475	—
Benefit payments	(20,413)	(20,113)	(18,104)	(11,915)	(13,398)	(12,475)	(11,390)	(12,197)	(14,001)	(12,756)
Net change in total OPEB liability	58,482	71,510	(26,833)	37,900	(10,091)	(13,807)	10,681	18,433	(11,100)	8,164
Total OPEB liability, beginning of period	322,601	251,091	277,924	240,024	250,115	263,922	253,241	234,808	245,908	237,744
Total OPEB liability, end of period	381,083	322,601	251,091	277,924	240,024	250,115	263,922	253,241	234,808	245,908
Plan fiduciary net position										
Employer contributions	—	—	—	—	—	—	—	—	(8,500)	(8,806)
Medicare Part D payment	(1,087)	(996)	(985)	(977)	(924)	(842)	(872)	(998)	(933)	(976)
(Earnings) loss on Plan assets	(52,881)	(29,593)	10,701	(41,220)	(26,613)	(30,260)	10,571	(41,718)	(38,949)	9,765
Benefit payments	20,413	20,113	18,104	11,915	13,398	12,475	11,390	12,197	14,001	12,756
Administrative expense	1,507	1,328	1,300	1,251	1,297	1,150	1,223	1,346	1,622	1,456
Net change in Plan fiduciary net position	(32,048)	(9,148)	29,120	(29,031)	(12,842)	(17,477)	22,312	(29,173)	(32,759)	14,195
Plan fiduciary net position, beginning of period	(306,887)	(297,739)	(326,859)	(297,828)	(284,986)	(267,509)	(289,821)	(260,648)	(227,889)	(242,084)
Plan fiduciary net position, end of period	(338,935)	(306,887)	(297,739)	(326,859)	(297,828)	(284,986)	(267,509)	(289,821)	(260,648)	(227,889)
Net OPEB (asset) liability, end of period	<u>\$ 42,148</u>	<u>\$ 15,714</u>	<u>\$ (46,648)</u>	<u>\$ (48,935)</u>	<u>\$ (57,804)</u>	<u>\$ (34,871)</u>	<u>\$ (3,587)</u>	<u>\$ (36,580)</u>	<u>\$ (25,840)</u>	<u>\$ 18,019</u>
Plan fiduciary net position as a percentage of the total OPEB liability	88.9 %	95.1 %	118.6 %	117.6 %	124.1 %	113.9 %	101.4 %	114.4 %	111.0 %	92.7 %
Covered-employee payroll	\$316,281	\$272,200	\$273,551	\$263,640	\$257,608	\$254,996	\$244,010	\$228,240	\$220,522	\$223,523
Net OPEB (asset) liability as a percentage of covered-employee payroll	13.3 %	5.8 %	(17.1)%	(18.6)%	(22.4)%	(13.7)%	(1.5)%	(16.0)%	(11.7)%	8.1 %

Notes to Schedule

Changes of benefit terms: Changes in plan deductibles were updated accordingly for each period; FY2019 amounts reflect updates to the HRA contributions; FY2021 amounts reflect the addition of the HSA contributions.

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate during FYE 2019 and FYE 2022, changes to the mortality improvement scale during applicable periods, and a change in the earnings progression during FYE 2024 and FYE 2026. FYE 2025 amounts reflect the affects of the 2023 experience study updates. FYE 2022 amounts reflect the effects of the 2020 experience study updates, including updating to the Pri-2012 Mortality Table. FYE 2019 amounts reflect the effects of the 2017 experience study updates.

CPS Energy FY2026 Basic Financial Statements

Life Plan

(Dollars in thousands)

	Measurement Period Ended January 31,									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total OPEB liability										
Service cost	\$ 727	\$ 632	\$ 586	\$ 614	\$ 517	\$ 511	\$ 473	\$ 349	\$ 336	\$ 325
Interest cost	3,898	3,729	3,688	3,612	3,400	3,308	3,284	3,432	3,256	3,244
Changes in assumptions	2,955	1,252	820	985	4,044	309	594	(457)	—	—
Differences between expected and actual experience	392	800	561	252	4,766	840	(936)	—	2,378	—
Benefit payments	(5,567)	(5,125)	(4,204)	(4,255)	(3,987)	(3,895)	(4,028)	(3,813)	(3,469)	(3,358)
Net change in total OPEB liability	2,405	1,288	1,451	1,208	8,740	1,073	(613)	(489)	2,501	211
Total OPEB liability, beginning of period	59,947	58,659	57,208	56,000	47,260	46,187	46,800	47,289	44,788	44,577
Total OPEB liability, end of period	62,352	59,947	58,659	57,208	56,000	47,260	46,187	46,800	47,289	44,788
Plan fiduciary net position										
Employer contributions	(333)	—	(925)	(900)	—	—	—	—	—	—
Participant contributions	(1,369)	(1,270)	(1,131)	(1,156)	(1,077)	(1,053)	(1,030)	(1,000)	(972)	(930)
(Earnings) loss on Plan assets	(8,698)	(4,733)	1,950	(6,526)	(4,031)	(5,702)	2,135	(8,066)	(6,936)	2,102
Benefit payments	5,567	5,125	4,204	4,255	3,987	3,895	4,028	3,813	3,469	3,358
Administrative expenses	15	14	17	26	25	30	28	30	27	21
Net change in Plan fiduciary net position	(4,818)	(864)	4,115	(4,301)	(1,096)	(2,830)	5,161	(5,223)	(4,412)	4,551
Plan fiduciary net position, beginning of period	(54,736)	(53,872)	(57,987)	(53,686)	(52,590)	(49,760)	(54,921)	(49,698)	(45,286)	(49,837)
Plan fiduciary net position, end of period	(59,554)	(54,736)	(53,872)	(57,987)	(53,686)	(52,590)	(49,760)	(54,921)	(49,698)	(45,286)
Net OPEB (asset) liability, end of period	\$ 2,798	\$ 5,211	\$ 4,787	\$ (779)	\$ 2,314	\$ (5,330)	\$ (3,573)	\$ (8,121)	\$ (2,409)	\$ (498)
Plan fiduciary net position as a percentage of the total OPEB liability	95.5%	91.3%	91.8%	101.4 %	95.9 %	111.3 %	107.7 %	117.4 %	105.1 %	101.1 %
Covered-employee payroll	\$316,281	\$ 272,200	\$ 273,551	\$263,640	\$257,608	\$254,996	\$244,010	\$218,003	\$210,631	\$198,704
Net OPEB (asset) liability as a percentage of covered-employee payroll	0.9 %	1.9 %	1.7 %	(0.3)%	0.9 %	(2.1)%	(1.5)%	(3.7)%	(1.1)%	(0.3)%

Notes to Schedule

Changes of benefit terms: None.

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate during FYE 2019 and FYE 2022, changes to the mortality improvement scale during applicable periods, and a change in the earnings progression during FYE 2024 and FYE 2026. FYE 2025 amounts reflect the affects of the 2023 experience study updates. FYE 2022 amounts reflect the effects of the 2020 experience study updates, including updating to the Pri-2012 Mortality Table. FYE 2019 amounts reflect the effects of the 2017 experience study updates.

Disability Plan

(Dollars in thousands)

	Measurement Period Ended January 31,									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total OPEB liability										
Service cost	\$ 894	\$ 720	\$ 680	\$ 712	\$ 557	\$ 580	\$ 620	\$ 516	\$ 527	\$ 509
Interest cost	440	469	490	457	384	402	475	473	455	448
Changes in assumptions	(35)	145	142	(4)	1,993	11	189	94	—	—
Differences between expected and actual experience	(1,034)	(648)	468	(665)	(156)	(673)	(656)	—	255	—
Benefit payments	(836)	(949)	(1,049)	(1,230)	(1,142)	(977)	(880)	(1,012)	(974)	(775)
Net change in total OPEB liability	(571)	(263)	731	(730)	1,636	(657)	(252)	71	263	182
Total OPEB liability, beginning of period	6,831	7,094	6,363	7,093	5,457	6,114	6,366	6,295	6,032	5,850
Total OPEB liability, end of period	6,260	6,831	7,094	6,363	7,093	5,457	6,114	6,366	6,295	6,032
Plan fiduciary net position										
Employer contributions	(243)	(602)	(559)	(726)	(614)	(769)	(1,000)	(1,300)	(700)	(175)
Participant contributions	(363)	(327)	(287)	(276)	(276)	(291)	(274)	(265)	(260)	(248)
(Earnings) loss on Plan assets	(1,107)	(544)	191	(782)	(539)	(603)	205	(627)	(501)	158
Benefit payments	836	949	1,049	1,230	1,142	977	880	1,012	974	775
Administrative expenses	13	12	12	17	21	14	19	18	15	14
Net change in Plan fiduciary net position	(864)	(512)	406	(537)	(266)	(672)	(170)	(1,162)	(472)	524
Plan fiduciary net position, beginning of period	(7,147)	(6,635)	(7,041)	(6,504)	(6,238)	(5,566)	(5,396)	(4,234)	(3,762)	(4,286)
Plan fiduciary net position, end of period	(8,011)	(7,147)	(6,635)	(7,041)	(6,504)	(6,238)	(5,566)	(5,396)	(4,234)	(3,762)
Net OPEB (asset) liability, end of period	\$ (1,751)	\$ (316)	\$ 459	\$ (678)	\$ 589	\$ (781)	\$ 548	\$ 970	\$ 2,061	\$ 2,270
Plan fiduciary net position as a percentage of the										
total OPEB liability	128.0 %	104.6 %	93.5 %	110.7 %	91.7 %	114.3 %	91.0 %	84.8 %	67.2 %	62.4 %
Covered-employee payroll	\$333,893	\$281,449	\$276,105	\$268,773	\$260,739	\$259,520	\$251,482	\$224,137	\$216,558	\$212,904
Net OPEB (asset) liability as a percentage of										
covered-employee payroll	(0.5)%	(0.1)%	0.2 %	(0.3)%	0.2 %	(0.3)%	0.2 %	0.4 %	1.0 %	1.1 %

Notes to Schedule

Changes of benefit terms: FY2019 reflects updates for the 2017 amendment to the minimum benefit, eligibility requirement, and maximum age for benefit receipt tiered schedule.

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate during FYE 2019 and FYE 2022, changes to the mortality improvement scale during applicable periods, and a change in the earnings progression during FYE 2024 and FYE 2026. FYE 2025 amounts reflect the effects of the 2023 experience study updates. FYE 2022 amounts reflect the effects of the 2020 experience study updates, including updating to the Pri-2012 Mortality Table. FYE 2019 amounts reflect the effects of the 2017 experience study updates.

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Schedules of Employer Contributions to CPS Energy OPEB Plans – The following schedules present multiyear trend information regarding employer contributions to the OPEB Plans. Information is presented related to all periods for which the required data is available. The amounts presented are determined as of the fiscal years ending:

Health Plan

(Dollars in thousands)

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Actuarially determined contribution	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Contributions in relation to the actuarially determined contribution	—	—	—	—	—	—	—	—	—	8,500
Contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (8,500)</u>
Covered-employee payroll	\$316,281	\$272,200	\$273,551	\$263,640	\$257,608	\$254,996	\$244,010	\$228,240	\$220,522	\$223,523
Contributions as a percentage of covered-employee payroll	— %	— %	— %	— %	— %	— %	— %	— %	— %	3.8%

Notes to Schedule

Valuation date: Actuarially determined contribution rates are calculated as of January 1, two years and one month prior to the end of the fiscal year in which contributions are made.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-age normal cost
Amortization method	Level dollar; layered periods
Remaining amortization period	N/A
Asset valuation method	Market value gains/losses recognized over 5 years
Healthcare cost trend rates	8.80% initial, decreasing to an ultimate rate of 3.7% for FY2026; 6.40% initial, decreasing to an ultimate rate of 3.7% for FY2025; 5.5% initial, decreasing to an ultimate rate of 3.7% for FY2024; 5.6% initial, decreasing to an ultimate rate of 3.7% for FY2023; 6.7% initial, decreasing to an ultimate rate of 3.8% for FY2022; 5.8% initial, decreasing to an ultimate rate of 4.0% for FY2021, 8.7% initial, decreasing to an ultimate rate of 4.1% for FY2020; 7.0% initial, decreasing to an ultimate rate of 5.0% for FY2019 and FY2018, 7.5% initial, decreasing to an ultimate of 5.0% for FY2017 and FY2016
Prescription cost trend rates	8.80% initial, decreasing to an ultimate rate of 3.7% for FY2026; 6.40% initial, decreasing to an ultimate rate of 3.7% for FY2025; 5.5% initial, decreasing to an ultimate rate of 3.7% for FY2024; 5.6% initial, decreasing to an ultimate rate of 3.7% for FY2023; 6.7% initial, decreasing to an ultimate rate of 3.8% for FY2022; 5.8% initial, decreasing to an ultimate rate of 4.0% for FY2021, 8.7% initial, decreasing to an ultimate rate of 4.1% for FY2020; 7.0% initial, decreasing to an ultimate rate of 5.0% for FY2019 and FY2018, 8.5% initial, decreasing to an ultimate of 5.0% for FY2017 and FY2016
Salary increases	Projected average annual base salary increases from 3.30% to 11.58% for FY2026, 3.33% to 11.61% for FY2025; 3.30% to 11.58% for FY2024, 3.20% to 11.47% for FY2023 and FY2022; 3.1% to 11.6% for FY2021, FY2020 and FY2019; and ranging from 4.0% to 9.5% for previous years
Investment Rate of Return	7.00% per year, compounded annually, for FY2026, FY2025, FY2024, FY2023 and FY2022; 7.25% for FY2021 through FY2019; 7.50% for FY2018 and FY2017; 7.75% for previous years
Mortality	Based on Pri-2012 Employee/Retiree mortality table (headcount weighted) projected with mortality improvement scale MP-2021 for FY2026, FY2025 and FY2024; Pri-2012 Employee/Retiree mortality table (headcount weighted) projected with mortality improvement scale MP-2020 and mortality improvement scale MP-2019 for FY2023 and FY2022, respectively; Gender specific RP-2014 mortality table adjusted backwards to 2006 with mortality improvement scale MP-2014 and projected with mortality improvement scale MP-2018 and mortality improvement scale MP-2017 for FY2021 and FY2020, respectively; Gender specific RP-2016 Combined Healthy, with No Collar Adjustment, with MP-2016 mortality improvement scale for FY2019; Gender specific RP-2000 Combined Healthy, with No Collar Projected Adjustment, projected to 2020 using Scale BB and 95% participation for males/85% participation for females for FY2018; and Gender specific RP-2000 Combined Healthy, with No Collar Adjustment, projected to 2020 using Scale BB for FY2017.

Other information: Changes in plan deductibles were updated accordingly for each period; FY2019 amounts reflect updates to the HRA contributions; FY2021 amounts reflect the addition of the HSA contributions.

Life Plan

(Dollars in thousands)

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Actuarially determined contribution	\$ 1,139	\$ 333	\$ —	\$ 925	\$ 924	\$ —	\$ —	\$ 435	\$ 515	\$ 145
Contributions in relation to the actuarially determined contribution	1,139	333	—	925	900	—	—	—	—	—
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ 24	\$ —	\$ —	\$ 435	\$ 515	\$ 145
Covered-employee payroll	\$316,281	\$272,200	\$273,551	\$263,640	\$257,608	\$254,996	\$244,010	\$218,003	\$210,631	\$198,704
Contributions as a percentage of covered-employee payroll	0.4 %	0.1 %	— %	0.4 %	0.3 %	— %	— %	— %	— %	— %

Notes to Schedule

Valuation date: Actuarially determined contribution rates are calculated as of January 1, two years and one month prior to the end of the fiscal year in which contributions are made.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-age normal cost
Amortization method	Level dollar; layered periods
Remaining amortization period	5 years
Asset valuation method	Market value gains/losses recognized over 5 years
Inflation	2.30% for FY2026, 2.33% for FY2025, 2.30% for FY2024, 2.20% for FY2023 and FY2022; 3.00% for FY2021, 2.30% for FY2020 and 3.0% for previous years presented per year, compounded annually
Salary increases	Projected average annual base salary increases from 3.30% to 11.58% for FY2026; 3.33% to 11.61% for FY2025, 3.30% to 11.58% for FY2024; 3.20% to 11.47% for FY2023 and FY2022; 5.36% average for FY2021 and FY2020; 4.54% average, including inflation for FY2019; and 4.78% average, including inflation, in prior years
Investment rate of return	7.00% per year, compounded annually, for FY2026, FY2025, FY2024, FY2023 and FY2022; 7.25% for FY2021 through FY2019; 7.50% for previous years
Mortality	Based on Pri-2012 Employee/Retiree mortality table (headcount weighted) projected forward (fully generational) with mortality improvement scale MP-2021 for FY2026, FY2025 and FY2024; Pri-2012 Employee / Retiree mortality table (headcount weighted) projected forward (fully generational) with mortality improvement scale MP-2020 and mortality improvement scale MP-2019 for FY2023 and FY2022; Gender specific RP-2014 mortality table adjusted backwards to 2006 with mortality improvement scale MP-2014 and projected with mortality improvement scale MP-2018, with employee rates before termination and healthy annuitant rates after termination for FY2021; Gender specific RP-2014 mortality table adjusted backwards to 2006 with mortality improvement scale MP-2014 and projected with mortality improvement scale MP-2017, with employee rates before termination and healthy annuitant rates after termination and FY2020; Gender specific RP-2016 Combined Healthy, with No Collar Adjustment, with MP-2016 mortality improvement scale for FY2019; Gender specific RP-2000 Combined Healthy, with No Collar Adjustment, projected to 2020 using Scale B for FY2018; Gender specific RP-2000 Combined Healthy, with No Collar Adjustment, projected to 2020 using Scale BB for FY2017.

Other information: There were no other changes in benefit terms, in the size or composition of the population covered by the benefit terms that significantly affected trends from year to year in the amounts reported above.

CPS Energy FY2026 Basic Financial Statements

Disability Plan

(Dollars in thousands)

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Actuarially determined contribution	\$ —	\$ 243	\$ 602	\$ 559	\$ 726	\$ 614	\$ 769	\$ 1,045	\$ 1,035	\$ 886
Contributions in relation to the actuarially determined contribution	—	243	602	559	726	614	769	1,000	1,300	700
Contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 45</u>	<u>\$ (265)</u>	<u>\$ 186</u>
Covered-employee payroll	\$333,893	\$ 281,449	\$ 276,105	\$ 268,773	\$ 260,739	\$ 259,520	\$ 251,482	\$ 224,137	\$ 216,558	\$ 212,904
Contributions as a percentage of covered-employee payroll	0.0%	0.1%	0.2%	0.2%	0.3%	0.2%	0.3%	0.4%	0.6%	0.3%

Notes to Schedule

Valuation date: Actuarially determined contribution rates are calculated as of January 1, two years and one month prior to the end of the fiscal year in which contributions are made.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-age normal cost
Amortization method	Level dollar; layered periods
Asset valuation method	Market value gains/losses recognized over 5 years
Remaining amortization period	N/A
Inflation	2.30% for FY2026, 2.33% for FY2025, 2.30% for FY2024, 2.20% for FY2023 and FY2022; 3.00% for FY2021, 2.30% for FY2020; 3.0% for previous years presented per year, compounded annually
Salary increases	Projected average annual base salary increases from 3.30% to 11.58% for FY2026; 3.33% to 11.61% for FY2025; 3.20% to 11.47% for FY2024; 3.20% to 11.47% for FY2023 and FY2022; 5.36% average for FY2021 and FY2020; 4.72% average, including inflation for FY2019; and 4.78% average, including inflation for previous years
Investment rate of return	7.00% per year, compounded annually for FY2026, FY2025, FY2024, FY2023 and FY2022; 7.25% for FY2021 through FY2019; 7.50% for previous years
Mortality	Healthy mortality based on Pri-2012 Employee / Retiree mortality table (headcount weighted) projected forward (fully generational) with mortality improvement scale MP-2021 for FY2026, FY2025 and FY2024; Pri-2012 Employee / Retiree mortality table (headcount weighted) projected forward (fully generational) with mortality improvement scale MP-2020 for FY2023; Pri-2012 Employee / Retiree mortality (headcount weighted) projected forward (fully generational) with mortality improvement scale MP-2019 for FY2022; and The 1987 Commissioners Group Disabled Life Mortality Table for the previous years.

Other information: FY2019 reflects updates for the 2017 amendment to the minimum benefit, eligibility requirement, and maximum age for benefit receipt tiered schedule.

Schedules of Investment Returns for CPS Energy Fiduciary Funds – The following schedules present the annual money-weighted rate of return, net of investment expense for the investments held by the Plans.

	Fiscal Years Ended December 31,									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
<u>Plan</u>										
Pension	13.5%	15.0%	14.3 %	(10.8)%	15.6 %	8.8%	17.9 %	(4.5)%	14.6%	10.2 %
Health	12.9%	13.3%	13.6 %	(11.4)%	14.5 %	6.9%	16.7 %	(5.5)%	14.0	11.1
Life	14.3%	13.9%	14.8 %	(11.1)%	14.9 %	7.4%	18.9 %	(5.5)%	14.1	9.7
Disability	13.6%	13.4%	13.5 %	(10.3)%	14.7 %	7.7%	18.5 %	(5.8)%	13.8	8.9