

THIS OFFERING MEMORANDUM PROVIDES INFORMATION ABOUT THE HEREINAFTER-DEFINED NOTES. SOME OF THE INFORMATION APPEARS ON THIS COVER PAGE FOR READY REFERENCE. TO MAKE AN INFORMED INVESTMENT DECISION, A PROSPECTIVE INVESTOR SHOULD READ THE ENTIRE OFFERING MEMORANDUM.

REGISTRATION: Book-Entry-Only



OFFERING MEMORANDUM
DATED APRIL 28, 2025

RATINGS
Moody's: P-1
Fitch: F1+
S&P: A-1+
(See "RATINGS" herein)

\$150,000,000

CITY OF SAN ANTONIO, TEXAS

(A political subdivision of the State of Texas located primarily in Bexar County)

ELECTRIC AND GAS SYSTEMS EXTENDIBLE MUNICIPAL COMMERCIAL PAPER NOTES, SERIES A

- Authorization:** The City of San Antonio, Texas (the "City"), acting by and through the City Public Service Board of San Antonio, has, by ordinance adopted by the City Council of the City on May 2, 2024, established an extendible municipal commercial paper program (the "Program") pursuant to which the City can issue, from time to time in a maximum principal amount at any one time outstanding not to exceed \$150,000,000, notes styled "City of San Antonio, Texas Electric and Gas Systems Extendible Municipal Commercial Paper Notes, Series A (Tax Exempt)" (the "Tax-Exempt Notes") and "City of San Antonio, Texas Electric and Gas Systems Extendible Municipal Commercial Paper Notes, Series A (Taxable)" (the "Taxable Notes"). This Offering Memorandum describes both the Tax-Exempt Notes and the Taxable Notes, which are together referred to herein as the "Notes" unless specifically distinguished.
- Purpose:** The City is authorized under the Program to issue Notes from time to time to finance the costs of capital improvements to the Systems, purchasing equipment, fuel and electricity, and refunding Systems obligations (including maturing Notes).
- Original Maturity Date:** From 1 to 180 days from the original issue date of each Note.
- Extended Maturity Date:** On the Original Maturity Date of a Note, the City has the option to extend the maturity date to the date that is 270 days after the original issue date (or if such day is not a Business Day, then the last Business Day occurring before such 270th day). The option to extend the maturity date exists solely in case there is a disruption in market liquidity for the Notes. In the event of a failure to sell, on the Original Maturity Date of an outstanding Note, new Notes (the proceeds from which shall be used to retire the maturing Note), the extension of an Original Maturity Date to the Extended Maturity Date shall occur automatically (unless the City elects to utilize other legally available funds to pay the principal of the maturing Note on the Original Maturity Date).
- Interest Payment Dates:** Interest on each Note is payable on its Original Maturity Date; however, if the original maturity is extended to the Extended Maturity Date, then interest is not payable on the Original Maturity Date, but on the first Business Day thereafter. Interest on Notes in an Extended Period shall be paid monthly and on the first to occur of the redemption date or Extended Maturity Date therefor.
- Redemption:** A Note is not subject to redemption prior to its Original Maturity Date. During an Extended Period, and prior to its Extended Maturity Date, a Note is subject to redemption on any Business Day during its Extended Period, in whole or in part (and if in part, by lot) at the option of the City.
- Security:** The Notes are limited obligations of the City, principal of and interest on which is payable solely from and is equally and ratably secured by, together with other Commercial Paper Obligations, a lien on and pledge of Systems' Net Revenues that remain after payment of the Senior Lien Obligations and the Junior Lien Obligations, respectively, but senior and superior to the lien thereon and pledge thereof that secures any Inferior Lien Obligations.
- Liquidity:** No third-party liquidity facility supports the issuance and sale of Notes. The principal amount of a maturing Note is anticipated to be payable solely from the proceeds of the sale of a new Note or Notes for such purpose by the Dealers.
- Federal Tax Treatment:** In the opinion of Bond Counsel (identified below), interest on Tax-Exempt Notes will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings, and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on certain corporations. The Taxable Notes are not obligations described in section 103(a) of the Internal Revenue Code of 1986; accordingly, interest on the Taxable Notes will be includable in gross income from federal income tax purposes.
- Denominations:** Notes are issuable in denominations of \$100,000 and multiples of \$1,000 in excess thereof.

The establishment of the Program was subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., San Antonio, Texas ("Bond Counsel"), for the City. Program authorization was valid and effective as of April 15, 2025.

J.P. MORGAN
as Dealer

MORGAN STANLEY
as Dealer

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OFFERING MEMORANDUM

Relating To:

\$150,000,000

**CITY OF SAN ANTONIO, TEXAS ELECTRIC AND GAS SYSTEMS
EXTENDIBLE MUNICIPAL COMMERCIAL PAPER NOTES, SERIES A**

INTRODUCTORY STATEMENT

This Offering Memorandum (this “Offering Memorandum”), which includes the Appendices hereto and the information incorporated herein by reference (as described in “INFORMATION INCORPORATED BY REFERENCE” and “AVAILABLE INFORMATION” herein), furnishes general information in connection with the issuance and sale of each of the captioned series of notes (the “Notes”) and the Extendible Municipal Commercial Paper Program (the “Program”) pursuant to which they are issued. When appropriate, Notes the interest on which is excludable from the gross income calculation of the owners thereof for purposes of federal income taxation are referred to as “Tax-Exempt Notes” and Notes the interest on which is not excludable from the gross income calculation of the owners thereof for purposes of federal income taxation are referred to as “Taxable Notes”.

The Notes are authorized by the City of San Antonio, Texas (the “City”) pursuant to an ordinance adopted and approved by the City Council of the City (the “City Council”) on May 2, 2024 (the “Note Ordinance”), Chapter 1371, Texas Government Code, as amended (“Chapter 1371”), Chapter 1502, Texas Government Code, as amended (“Chapter 1502”), and the City’s Home Rule Charter. Capitalized terms used but not defined herein shall have the meanings set forth in the Note Ordinance (excerpts of which are attached hereto as Appendix A). Except where the context otherwise requires, words imparting the singular number shall include the plural number and vice versa. Under the Note Ordinance, the City is authorized to issue the Notes in an aggregate principal amount not to exceed \$150,000,000 at any one time outstanding. The issuance of the Notes is further supported by the following agreements, as amended from time to time, and involves the following related participants that have contracted with the City:

- Dealer Agreements, dated as of May 2, 2024, with Morgan Stanley & Co., LLC and J.P. Morgan Securities LLC, each as dealers for the Notes (each, a “Dealer” and, together, the “Dealers”); and
- Issuing and Paying Agent Agreement, dated as of May 2, 2024, with U.S. Bank Trust Company, National Association, New York, New York, as issuing and paying agent for the Notes (the “Issuing and Paying Agent”).

There follows in this Offering Memorandum a description of the Program and the Notes; the Systems (defined herein), its management, and its finances are also generally described with additional information (including regularly updated information concerning physical plant, capital plan, management, operations, and financial performance) incorporated by reference herein (see “INFORMATION INCORPORATED BY REFERENCE” and “AVAILABLE INFORMATION” herein). All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document.

The statements contained herein and in any other information provided to or accessed by the reader hereof, that are not purely historical, are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including statements regarding expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. See “FORWARD LOOKING STATEMENTS AND INFORMATION AVAILABLE FROM ONLINE SOURCES” herein for further information.

THE INFORMATION AND EXPRESSIONS OF OPINION IN THIS OFFERING MEMORANDUM ARE SUBJECT TO CHANGE WITHOUT NOTICE AFTER THE DATE HEREOF, AND FUTURE USE OF THIS OFFERING MEMORANDUM SHALL NOT OTHERWISE CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE SINCE THE DATE HEREOF IN THE MATTERS REFERRED TO IN THIS OFFERING

MEMORANDUM, OTHER THAN INFORMATION INCORPORATED BY REFERENCE AND FROM TIME TO TIME UPDATED (SEE “INFORMATION INCORPORATED BY REFERENCE” AND “AVAILABLE INFORMATION” HEREIN).

THIS OFFERING MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITIES OTHER THAN THE NOTES.

THE CITY AND ITS COMBINED ELECTRIC AND GAS SYSTEMS

The City is a political subdivision and municipal corporation of the State of Texas (the “State”), duly organized and existing under the laws of the State, including the City’s Home Rule Charter. The City was incorporated in 1837 and first adopted its Home Rule Charter in 1951, which became effective on January 1, 1952, and was last amended at an election held on November 5, 2024. The City operates under a Council/Manager form of government with a city council comprised of the Mayor and ten Council members (previously defined herein as the “City Council”). The City Manager is the chief administrative officer for the City. The 2020 Census population for the City was 1,434,625 and for Bexar County was 2,009,324. The City’s Information Technology Services Department estimated the City’s population to be 1,513,974 in 2024. The City covers approximately 511 square miles in south central Texas.

The City’s combined electric and gas utility systems (the “Systems”) was acquired in 1942 from the American Light and Traction Company, which had been ordered by the federal government to sell properties under provisions of the Holding Company Act of 1935. The City bond ordinances (collectively, the “Bond Ordinances”) authorizing the issuance from time to time of indebtedness secured by liens on and pledges of the Systems’ “Net Revenues”, defined in the Note Ordinance to mean all income and revenues from the operation of the Systems after deduction of Maintenance and Operations Expenses, provide that the complete management and control of the Systems is vested in the City Public Service Board of San Antonio, Texas, conducting business as CPS Energy and managed by a five-member Board of Trustees (the “Board”) comprised of the Mayor of the City and four U.S. citizens permanently residing in Bexar County, Texas (elected, upon the occurrence of a vacancy, by majority vote of the remaining Board members and confirmed by the City Council).

The Board is vested with all powers of the City with respect to the management and operation of the Systems and the expenditure and application of the revenues therefrom, except for the establishment of rates for service, exercise of condemnation authority, and the issuance of bonds, notes, and commercial paper secured by and payable from Systems revenues (which authorities are reserved to the City, exercisable by the City Council). The Board has full power and authority to make rules and regulations governing the delivery of electric and gas service to Systems’ customers, to make extensions, additions, and improvements to the Systems, and to adopt rules for the orderly handling of Systems affairs. Accordingly, the power of compliance with all City covenants, undertakings, and agreements included in the Bond Ordinances (which includes the Note Ordinance) is vested with the Board.

INFORMATION INCORPORATED BY REFERENCE

The City hereby incorporates herein by reference the most recent document entitled “SAN ANTONIO ELECTRIC AND GAS SYSTEMS, MANAGEMENT, AND OPERATIONS QUARTERLY UPDATE”, including any amendments or supplements thereto (the “Systems Description”), which describes the Systems and its financial and operating performance and will be filed with the Municipal Securities Rulemaking Board (the “MSRB”) through its Electronic Municipal Market Access (“EMMA”) system, accessible at www.emma.msrb.org under base CUSIP numbers 796253 and 79625G. CPS Energy maintains an internal policy to update the Systems Description no less frequently than on a quarterly basis, approximately 110 days after the conclusion of each quarter of its fiscal year, and to file such updated Systems Description with the MSRB through its EMMA website. For purposes of this Offering Memorandum, each such filing of the Systems Description automatically supersedes the previously filed Systems Description, except as may be otherwise expressly provided therein. CPS Energy’s fiscal year commences on February 1 of each year and ends on January 31 of each year succeeding the year of commencement, resulting in fiscal quarters ending on April 30, July 31, October 31, and January 31 of each fiscal year. Though not subject to its requirements for the reasons herein described under “AVAILABLE INFORMATION”, 17 CFR 240.15c2-12(f)(3) permits incorporation by reference into official statements (as such term is in such rule defined).

EMCP PROGRAM AND NOTES

GENERAL

This Offering Memorandum describes the Notes issued under the City's Electric and Gas Systems Extendible Municipal Commercial Paper Program (previously defined as the "Program"), established pursuant to the Note Ordinance as an interim financing program in support of the Systems.

The City has appointed Morgan Stanley & Co. LLC and J.P. Morgan Securities LLC, respectively, to serve as Dealers for the Notes. Inquiries to the Dealers may be directed to the following:

Morgan Stanley & Co. LLC
1585 Broadway, 11th Floor
New York, New York 10036
Attention: Municipal Short Term Trading
Telephone: (212) 761-2609
E-Mail: Muni-Short-Term@morganstanley.com

J.P. Morgan Securities LLC
Short Term Muni Trading Desk
383 Madison Avenue, 3rd Floor
New York, New York 10179
Attention: JP Muni CP
Telephone: 212-834-7224
E-Mail: JP_Muni_CP@jpmorgan.com

In the event of either of the foregoing Dealers resigns or its respective Dealer Agreement is terminated or suspended for any reason, the City has authorized the appointment of Loop Capital Markets LLC ("Loop") to serve in a dealer capacity for the Notes. In such instance, a new offering memorandum or a supplement to this Offering Memorandum will be prepared to disclose the appointment of Loop as serving as a dealer prior to the sale of any Notes through Loop.

The City has appointed U.S. Bank Trust Company, National Association to serve as the Issuing and Paying Agent for the Notes. Inquiries to the Issuing and Paying Agent may be directed to:

U.S. Bank Trust Company, National Association
100 Wall Street, 16th Floor
New York, New York 10005
Attention: Commercial Paper Operations
Facsimile No.: 212.509.4529
Telephone No.: 212.951.8508
Email address: mmi.processing@usbank.com

The Depository Trust Company, New York, New York ("DTC"), serves as securities depository for the Notes.

In the Note Ordinance, the City expresses its expectation that the amounts borrowed for each authorized purpose through an initial issuance of Notes will be refinanced with long-term indebtedness of the Systems as and when determined by the City, at its discretion, and in accordance with the respective and applicable terms of the various City ordinances authorizing the issuance of currently outstanding City indebtedness secured by and payable from liens on and pledges of Systems revenues (at specified levels of priority) (see "SYSTEMS INDEBTEDNESS – Short Term/Interim Indebtedness – General Description and Purpose" herein).

The Notes are permitted to be issued as Tax-Exempt Notes, being obligations the interest on which is excludable from gross income for federal income tax purposes, or as Taxable Notes, being obligations that are not described in section 103(a) of the Code (defined herein) or are obligations which constitute "specified private activity bonds" within the meaning of section 141(b) of the Code (being obligations the interest on which is considered as income of the holders thereof for purposes of federal income taxation). See "TAX MATTERS" herein.

AUTHORITY AND USE OF PROCEEDS

Pursuant to Chapter 1371 and Chapter 1502, and the Note Ordinance, the City is authorized under the Program to issue the Notes in an aggregate principal amount at any one time outstanding not to exceed \$150,000,000, with

individual maturities of Notes being 270 days or less from issuance (but not later than May 2, 2064), including any extension of maturity (as hereafter described). Proceeds of Notes may be used to pay the costs of capital improvements and extensions to the Systems, purchase of equipment, fuel and electricity, and refunding other City obligations secured by and payable from Systems' Net Revenues, including Outstanding Notes.

SECURITY AND PAYMENT; GENERAL ACCOUNT AND FLOW OF FUNDS

Security and Payment

The Notes are payable from and equally and ratably secured by a lien on and pledge of (i) the sales proceeds of Systems obligations and other Notes issued for the purpose of refinancing, redeeming, or refunding then-outstanding Notes and (ii) the Net Revenues of the Systems, which lien on and pledge of Net Revenues is (A) inferior and subordinate to the respective liens thereon and pledges thereof that secures the Senior Lien Obligations and Junior Lien Obligations, respectively, (B) on parity with the respective liens thereon and pledges thereof that secures the other Commercial Paper Obligations, and (C) senior and superior to the liens thereon and pledges thereof that secures the Inferior Lien Obligations (collectively, the "Security"). The City has the right to issue additional debt secured by and payable from liens on and pledges of Net Revenues at varying levels of priority, including senior to, on parity with, and subordinate to the lien on and pledge of Net Revenues that secures the Notes, without limitation as to principal amount. For additional information regarding the City's outstanding Systems debt and disposition of revenues therefrom, see "SYSTEMS INDEBTEDNESS" herein.

Under the Note Ordinance, the City has established with the Issuing and Paying Agent the "City of San Antonio, Texas Electric and Gas Systems Extendible Municipal Commercial Paper Note Program Payment Fund" (the "Note Payment Fund") and, within such fund, separate accounts for payment of debt service on Tax-Exempt Notes and Taxable Notes, respectively. Pursuant to and in accordance with the Note Ordinance, the City is required to deposit to such accounts, from time to time and as and when due and owing and from the identified sources of Security, the amounts necessary or required for payment of principal of and interest on applicable Notes in the manner hereinbefore described. Amounts held in the Note Payment Fund may be invested in Authorized Investments until used for a permitted purpose.

The Notes do not constitute a general indebtedness of the City, the Board, the State, or any political subdivision of the State within the meaning of any constitutional, statutory, or charter provision or limitation. Neither the faith and credit nor the taxing power of the City, the State or any other political subdivision of the State is pledged to the payment of the Notes.

Chapter 1208, Texas Government Code, as amended, applies to the issuance of the Notes and the pledge of the Net Revenues to secure the Notes, and such pledge is therefore valid, effective and perfected. Should Texas law be amended while the Notes are outstanding and unpaid, the result of such amendment being that the pledge of the Net Revenues is to be subject to the filing requirements of Chapter 9, Texas Business and Commerce Code, as amended, in order to preserve to the registered owners of the Notes a security interest in such pledge, the City has agreed in the Note Ordinance to take such measures as it determines reasonable and necessary to enable a filing of a security interest in said pledge to occur.

General Account and Flow of Funds

Pursuant to the various City ordinances authorizing the issuance of outstanding indebtedness secured by and payable from the Net Revenues of the Systems (including the Note Ordinance), all income and revenues from the operation of the Systems are deposited in CPS Energy's General Account. From the General Account, such gross revenues of the Systems are pledged and appropriated for use for the following purposes and in the specified order of priority:

FIRST, to the payment of reasonable and proper Maintenance and Operating Expenses of the Systems;

SECOND, to the payment of the Senior Lien Obligations, including the establishment and maintenance of the reserve therefor;

THIRD, to the payment of the Junior Lien Obligations, including (if any) the establishment and maintenance of a reserve therefor (though no such reserve has been, nor is one at this time expected to be established);

FOURTH, to the payment and security of the Commercial Paper Obligations, including Notes issued under the Note Ordinance;

FIFTH, to the payment and security of the Inferior Lien Obligations;

SIXTH, to the payment of an annual amount equal to six percent (6%) of the gross revenues of the Systems to be deposited in the Repair and Replacement Account provided for in the Bond Ordinances;

SEVENTH, to the payment of the annual amount due to the General Fund of the City, as provided in the Bond Ordinances; and

EIGHTH, to the extent of any remaining Systems' Net Revenues in the General Account, to the Repair and Replacement Account to the extent provided in the Bond Ordinances and which, upon deposit, may be used by the Board for any lawful purpose.

See "SYSTEMS INDEBTEDNESS" below for a description of City indebtedness secured by the Systems' Net Revenues.

RATE COVENANT

The City has covenanted in the Bond Ordinances that it will at all times 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 will be reasonable and nondiscriminatory and which will be reasonably expected to produce gross revenues sufficient to pay all expenses of maintenance and operation of the Systems, and to produce Net Revenues sufficient, together with other lawfully available funds, to pay debt service requirements on all revenue debt of the Systems (herein described under "SYSTEMS INDEBTEDNESS"). The CPS Energy rate covenant is consistent with and supported by the relevant State statute concerning rate setting for municipally owned utilities such as CPS Energy. Section 1502.057, Texas Government Code, as amended, provides that the charges for services provided by encumbered municipal systems, such as CPS Energy, must be "at least sufficient to pay: all operating, maintenance, depreciation, replacement, improvement and interest charges in connection with the utility system; for an interest and sinking fund sufficient to pay any public securities issued or obligations incurred for any purpose . . . relating to the utility system; and any outstanding debt against the system". This State statute could be amended or repealed by the Texas Legislature. See "APPENDIX A – NOTE ORDINANCE EXCERPTS".

DESCRIPTION OF NOTES

General Description; Original Maturity Date. Each Note will be (i) dated the date it is issued, (ii) issuable in \$100,000 denominations or any integral of \$1,000 in excess thereof, and (iii) issued through DTC's book-entry system. Interest on Tax-Exempt Notes is computed based on actual number of days elapsed and a year having 365 or 366 days (actual/actual basis); interest on Taxable Notes is computed based on actual number of days elapsed and a year having 360 days (actual/360 basis). Payment of the principal of and interest on each Note will be made to DTC and then distributed by DTC to the Holders of Notes. Each Note will mature on its Original Maturity Date, which may range from 1 to 180 days from its original issue date and will be established by the Dealer at such Note's time of sale, unless the Original Maturity Date is extended in the manner hereafter described. In that case, the Note will mature on such Note's Extended Maturity Date, which is the date that is 270 days after such Note's original issue date (or if such 270th day is not a Business Day, then the last Business Day occurring before such 270th day).

Payment of Initial Period Interest. From its original issue date until its Original Maturity Date, each Note will, at the rate determined by the Dealer at such Note's time of sale, bear interest that is due and payable, upon presentation, on the Original Maturity Date (unless such Original Maturity Date is extended to the applicable Extendible Maturity

Date, in which case interest on a Note that was payable on its Original Maturity Date will instead become due and payable on the first Business Day to occur thereafter to the Holders thereof as indicated in the Registration Books as of the Original Maturity Date applicable to such Note).

Extension of Original Maturity Date; Extended Period Interest. The City is required to notify the Issuing and Paying Agent by 10:15 a.m. New York, New York time on the Original Maturity Date if a Note’s Original Maturity Date is being extended. The Issuing and Paying Agent is then required to notify DTC on such date that the Note’s Original Maturity Date is being extended to its Extended Maturity Date. DTC, and not the City, is responsible for providing notice to brokers and other organizations participating in the DTC book-entry system. Notwithstanding the foregoing, if any Note shall remain unpaid on its Original Maturity Date, such Note shall be automatically extended to mature on its Extended Maturity Date. **In no event shall an extension of a Note’s Original Maturity Date to its Extended Maturity Date constitute a default or breach of any covenant under such Note or the Note Ordinance.**

With respect to a Note whose Original Maturity Date has been extended to an Extended Maturity Date, the Issuing and Paying Agent shall (i) issue a replacement Note for the maturing Note (or portion thereof) whose Original Maturity Date is being extended, indicating thereon the Extended Maturity Date applicable to such replacement Note, and (ii) cause a new CUSIP number to be assigned to such replacement Note, which assignment shall occur not later than the Original Maturity Date of the Note being replaced. Such replacement Note shall bear interest, accruing from the applicable Original Maturity Date to the first to occur of the Extended Maturity Date or prior redemption (any such period, an “Extended Period”), at the Extended Rate from time to time applicable to such Note. The Extended Rate applicable to a Tax-Exempt Note during its Extended Period (if any) shall be the lesser of the Maximum Interest Rate, which is 12%, and the rate of interest per annum determined by the following formula:

$$\text{The greater of (SIFMA Index + } E \text{) and } F$$

The Extended Rate applicable to a Taxable Note during its Extended Period (if any) shall be the lesser of the Maximum Interest Rate and the rate of interest per annum determined by the following formula:

$$\text{The greater of (SOFR Index + } E \text{) and } F$$

The following table provides the methodology for determining the *E* and *F* variables:

Prevailing Rating			<i>E</i> Variable	<i>F</i> Variable
S&P	Moody’s	Fitch		
A-1+	P-1	F-1+	250 basis points	7.00%
A-1	-	F-1	350	8.00%
A-2	P-2	F-2	550	9.00%
A-3	P-3	F-3	800	10.00%
Lower than A-3 (or rating withdrawn for credit reasons)	Lower than P-3 (or rating withdrawn for credit reasons)	Lower than F-3 (or rating withdrawn from credit reasons)	Maximum Interest Rate (12.00%)	Maximum Interest Rate (12.00%)

The Extended Rate applicable to a Note in an Extended Period will be determined weekly, by the Calculation Agent (who is, initially and until changed by the City (if ever), the Issuing and Paying Agent), based on the “Prevailing Ratings” of each of the Rating Agencies (as identified in the table above), the SOFR Index or the SIFMA Index (as applicable), and other necessary information, all of which is available as of 11:00 a.m. New York, New York time on each Rate Determination Date. An Extended Rate will apply from the Rate Determination Date on which it is established through the earliest to occur of (1) the following Wednesday, (2) the applicable Extended Maturity Date, and (3) the date of redemption of the subject Note prior to its Extended Maturity Date. As used in the formula, the *E* and *F* variables shall be the fixed percentage rates, expressed in basis points and yields, respectively, determined based on the Prevailing Ratings shown in the table above.

If the individual Prevailing Ratings indicate different *E* or *F* variables as a result of split ratings assigned to the Notes, the *E* or *F* variable shall be the arithmetic average of those indicated by the Prevailing Ratings.

Interest on each Note during an Extended Period shall be calculated at the Extended Rate, from time to time calculated in the manner described above, commencing from (and including) the Original Maturity Date and continuing to (but excluding) the first to occur of the applicable Extended Maturity Date or date of redemption of the subject Note.

Interest accrued on a Note during an Extended Period applicable thereto will be payable on each of the following dates and the first to occur of the applicable Extended Maturity Date and a date of prior redemption:

1. if the Original Maturity Date is before the 15th day of the month, interest will next be payable on the first Business Day of the next month, or
2. if the Original Maturity Date is on or after the 15th day of the month, interest will next be payable on the first Business Day of the second succeeding month after the Original Maturity Date.

For example, if the Original Maturity Date is February 14th, then the first interest payment will be the first Business Day of March, and if the Original Maturity Date is February 15th, then the first interest payment will be the first Business Day of April.

Extended Period interest shall be paid to the Holder or Holders thereof, as identified in the Registration Books on the applicable Record Date (which, for a Note in an Extended Period, is the Business Day that immediately precedes an interest payment date described above); provided, however, that final payment of interest on a Note shall be paid to the Holder or Holders thereof upon presentation of such Note for payment of principal thereof (whether at maturity or upon the date of prior redemption).

Certain capitalized terms used in this section are defined as follows:

“SIFMA” means the Securities Industry and Financial Markets Association.

“SIFMA Index” means (i) the seven-day high grade market index of tax-exempt variable rate demand obligations, as produced by Municipal Market Data and published or made available by SIFMA or any Person acting in cooperation with or under the sponsorship of SIFMA or (ii) if such index is not published, such other publicly available rate as the City (in consultation with the Dealers) shall deem most nearly equivalent thereto. Such index may be expressed as a percentage of (more or less than, or equal to, 100%) and/or a fixed spread to another index.

“SOFR Administrator” means the CME Group Benchmark Administration Limited (or a successor administrator of the secured overnight financing rate).

“SOFR Administrator’s Website” means the website of the CME Group Benchmark Administration Limited, currently at <https://www.cmegroup.com/market-data/cme-group-benchmark-administration/term-sofr.html>, or any successor source for the secured overnight financing rate identified as such by the SOFR Administrator from time to time.

“SOFR Index” means (i) as of any date of determination, the per annum interest rate equal to the forward-looking one-month Secured Overnight Financing Rate (“SOFR”) term rate (sometimes referred to as “one-month Term SOFR”) published by the SOFR Administrator on the SOFR Administrator’s Website on the immediately preceding Business Day or (ii) if such rate is not then reported by the SOFR Administrator, the rate then reported by any successor to or substitute for such administrator designated by the City in writing that provides rate quotations comparable to those provided by the SOFR Administrator, or (iii) if such rate is not published or otherwise becomes unavailable, such other publicly available rate as the City (in consultation with the applicable Dealer) shall determine to effect, to the extent practicable, an aggregate all-in interest rate comparable to the SOFR-based rate in effect prior to its replacement; provided that if the City determines that there is an industry-accepted successor rate to one-month Term SOFR, then the City shall select such rate. Such replacement index may be expressed as a percentage of (more or less than, or equal to, 100%) and/or a fixed spread to another index, so that when added to the *E* variable in the equation

appearing above, the resulting sum would be approximately equivalent to the Extended Rate determined based on the SOFR Index prior to one-month Term SOFR becoming unavailable.

Redemption. Notes are not redeemable prior to their Original Maturity Date. While in an Extended Period, the City may redeem a Note on any Business Day prior to its Extended Maturity Date, in whole (and not in part), at a price equal to 100% of the principal amount thereof together with accrued but unpaid interest thereon.

Not less than five and not more than 25 days prior to a date set for the redemption of Notes, the City shall notify the affected Noteholder(s), the Issuing and Paying Agent and the applicable Dealer of its decision to exercise the right to redeem Notes, the principal amount to be redeemed, and the date set for the redemption thereof.

If a Note is subject by its terms to redemption and has been called for redemption and notice of redemption thereof has been duly given or waived as herein provided, such Note so called for redemption shall become due and payable on the established redemption date, and if money sufficient for the payment of such Note (or of the principal amount thereof to be redeemed) at the then applicable redemption price is held for the purpose of such payment by the Issuing and Paying Agent, then on the redemption date designated in such notice, interest on said Note (or the principal amount thereof to be redeemed) called for redemption shall cease to accrue, and such Note shall not be deemed to be outstanding under the Note Ordinance.

The City has, in the Note Ordinance, reserved the right, in the case of an optional redemption of a Note in an Extended Period, to make such redemption conditional and/or to rescind the notice of its election or direction to redeem a Note. Such notice may state that the redemption is conditioned upon the deposit of money and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Issuing and Paying Agent and/or that such notice may be rescinded by the City not later than one Business Day prior to the scheduled redemption date by written directive to the Issuing and Paying Agent. If rescinded, such notice and redemption shall be of no force and effect and the Note shall thereafter remain outstanding under the Note Ordinance. The Issuing and Paying Agent shall give prompt notice of any such rescission of a conditional notice of redemption to the Holders of affected Notes. A rescission of a notice of redemption shall not constitute an event of default under the affected Note or the Note Ordinance. Further, in the case of a conditional redemption, the failure of the City to make money and/or authorized securities available in part or in whole on or before the scheduled redemption date shall not constitute an event of default under the affected Note or the Note Ordinance.

Neither the City nor the Issuing and Paying Agent shall be required to transfer or exchange any Note once notice of redemption of the Note has been delivered in the manner described above.

EMCP POLICY

CPS Energy has implemented a policy to prescribe the terms by which it will issue Notes for new money purposes and to provide proceeds to pay the principal amounts of maturing Notes. The policy's primary purpose is to manage liquidity risks associated with EMCP Notes. Specifically, the policy (i) sets forth the timeline and activities CPS Energy will follow when issuing Notes and approaching the Original Maturity Date of Notes; (ii) outlines the procedures to be followed by CPS Energy in the event of a disruption in market liquidity for the Notes; and (iii) identifies individuals at CPS Energy responsible for implementing the procedures.

DEFAULT AND REGISTERED OWNERS' REMEDIES

If the City defaults in the payment of principal of or interest on the Notes when due, or if it fails to make payments into any fund or funds created in the Note Ordinance, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Note Ordinance, the registered owners of Notes may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Notes, if there is no other available remedy at law to compel performance of the Notes or the Note Ordinance and the City's obligations are clearly defined and non-discretionary. The issuance of a writ of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Notes in the event of default. The Note Ordinance does not provide for the appointment of a trustee to represent the interest of the noteholders upon any failure of the City to perform in accordance with the terms of the Note Ordinance,

or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners of Notes. The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) (“Tooke”) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in “clear and unambiguous” language. Because it is unclear whether the Texas Legislature has effectively waived the City’s sovereign immunity from a suit for money damages, noteholders may not be able to bring such a suit against the City for breach of the Notes or the Note Ordinance covenants. Furthermore, Tooke, and subsequent jurisprudence, held that a municipality is not immune from suit for torts committed in the performance of its proprietary functions, as it is for torts committed in the performance of its governmental functions (the “Proprietary-Governmental Dichotomy”). Governmental functions are those that are enjoined on a municipality by law and are given by the State as a part of the State’s sovereignty, to be exercised by the municipality in the interest of the general public, while proprietary functions are those that a municipality may, in its discretion, perform in the interest of the inhabitants of the municipality.

In *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) (“Wasson”), the Texas Supreme Court (the “Court”) addressed whether the distinction between governmental and proprietary acts (as found in tort-based causes of action) applies to breach of contract claims against municipalities. The Court analyzed the rationale behind the Proprietary-Governmental Dichotomy to determine that “a city’s proprietary functions are not done pursuant to the ‘will of the people’” and protecting such municipalities “via the [S]tate’s immunity is not an efficient way to ensure efficient allocation of [S]tate resources”. While the Court recognized that the distinction between governmental and proprietary functions is not clear, the Wasson opinion held that the Proprietary-Governmental Dichotomy applies in a contract-claims context. The Court reviewed Wasson for a second time on October 5, 2018 and issued an opinion clarifying that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function when it entered into the contract, not at the time of the alleged breach. Therefore, in regard to municipal contract cases (as in tort claims), it is incumbent on the courts to determine whether a function was proprietary or governmental based upon the statutory guidance at the time of inception of the contractual relationship.

Notwithstanding the foregoing case law issued by the Wasson Court, such sovereign immunity issues have not been adjudicated in relation to bond matters (specifically, in regard to the issuance of municipal debt). Each situation will be prospectively evaluated based on the facts and circumstances surrounding the contract in question to determine if a suit, and subsequently, a judgment, is justiciable against a municipality.

Chapter 1371, which pertains to the issuance of public securities by issuers such as the City, permits the City to waive sovereign immunity in the proceedings authorizing the issuance of securities such as the Notes. Notwithstanding its reliance upon the provisions of Chapter 1371 in connection with its establishment of the Program and its issuance of Notes from time to time thereunder, the City has not waived the defense of sovereign immunity with respect thereto. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City’s property. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the United States Bankruptcy Code (“Chapter 9”). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues (such as the Net Revenues), such provision is subject to judicial construction. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or noteholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of either federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel notes that all opinions relative to the enforceability of the Note Ordinance and the Notes are qualified with respect to the customary rights of debtors relative to their creditors and general principles of equity that permit the exercise of judicial discretion.

DEPOSITORY TRUST COMPANY’S BOOK-ENTRY-ONLY SYSTEM

The Notes are registered with DTC, as securities depository, using its book-entry-only system. A description of how ownership of the Notes is to be transferred and how the principal of and interest on the Notes are to be paid to and credited by DTC while the Notes are registered in its nominee’s name, is attached hereto as Appendix C.

The City cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Notes, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Notes), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Offering Memorandum. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission (the “SEC”), and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

SYSTEMS INDEBTEDNESS

GENERAL

To support the Systems’ operations, the City maintains a dynamic portfolio of indebtedness, including taxable and tax-exempt, fixed and variable interest rate, long-term and short-term, and publicly marketed and privately-placed debt, all secured by liens on and pledges of Systems’ Net Revenues at various levels of priority. The components of this portfolio are described below; see also “EMCP PROGRAM AND NOTES – Security and Payment; General Account and Flow of Funds – General Account and Flow of Funds” herein for a description of the priority of payment of the various tiers of debt from Systems’ Net Revenues. As information concerning outstanding indebtedness frequently changes, readers are referred to the Systems Description most recently posted to the EMMA website, which describes the amount and terms of the City’s outstanding indebtedness secured by and payable from a lien on and pledge of the Systems’ Net Revenues as of the date thereof (see “INFORMATION INCORPORATED BY REFERENCE” for a description of the City’s commitment to provide information concerning the Systems on a regular and recurring basis).

LONG TERM INDEBTEDNESS

Senior Lien Obligations

The City has issued, and there are outstanding, debt obligations equally and ratably secured by and payable from a first and prior lien on and pledge of Systems’ Net Revenues (herein referred to as the “Outstanding Senior Lien Obligations”). As stated, these obligations are payable from and secured by a first and prior lien on and pledge of the Systems’ Net Revenues, which lien and pledge is senior and superior to the liens thereon and pledges thereof securing the payment of the Junior Lien Obligations, the Commercial Paper Obligations (which includes the Notes), and the Inferior Lien Obligations. The City ordinances authorizing the issuance of the Outstanding Senior Lien Obligations (collectively, the “Senior Lien Ordinances”) permit the issuance of additional obligations of the City payable from a first and prior lien on and pledge of Systems’ Net Revenues on parity with the lien thereon and pledge thereof securing the then-Outstanding Senior Lien Obligations (such additional obligations, the “Additional Senior Lien Obligations”) and, together with the Outstanding Senior Lien Obligations, the “Senior Lien Obligations”), if certain historical earnings tests and other conditions are satisfied. The Senior Lien Ordinances also provide that no obligations of the City shall be issued that are payable from a lien on and pledge of the Systems’ Net Revenues that is senior and superior to the lien thereon and pledge thereof securing the payment of the Senior Lien Obligations.

Junior Lien Obligations

The City has issued, and there are outstanding, debt obligations equally and ratably secured by and payable from a lien on and pledge of Systems’ Net Revenues that is directly junior and subordinate to the first and prior lien thereon and pledge thereof that secures the Senior Lien Obligations, but prior and superior to the liens on and pledges of Systems’ Net Revenues securing the payment of the Commercial Paper Obligations (including the Notes) and the Inferior Lien Obligations, respectively (such City obligations, the “Outstanding Junior Lien Obligations”). The City ordinances authorizing the issuance of the Outstanding Junior Lien Obligations (collectively, the “Junior Lien Ordinances”) permit the issuance of additional City obligations secured by and payable from a junior lien on and pledge of the Systems’ Net Revenues on parity with the lien thereon and pledge thereof securing the then-Outstanding Junior Lien Obligations (such additional obligations, the “Additional Junior Lien Obligations”) and, together with the Outstanding Junior Lien Obligations, the “Junior Lien Obligations”), if certain historical earnings tests and other conditions are satisfied. The Junior Lien Ordinances also provide that no obligations of the City shall be issued that

are payable from a lien on and pledge of the Systems' Net Revenues that is senior and superior to the lien thereon and pledge thereof securing the payment of the Junior Lien Obligations, except for the first and prior lien on and pledge of Systems' Net Revenues that secures the payment of the Senior Lien Obligations.

The Junior Lien Ordinances, in comparison to the Senior Lien Ordinances, provide for less restrictive debt-related covenants to be complied with by the City in connection with their issuance and while they remain outstanding (such as no requirement to maintain a Junior Lien Obligations debt service reserve fund and an additional bonds test of one times average annual debt service of all then-outstanding Senior Lien Obligations and Junior Lien Obligations, including any contemplated series of Additional Junior Lien Obligations, as a condition to the issuance of Additional Junior Lien Obligations). The City has utilized this lien level to diversify its debt portfolio (including placement at this lien level its long-term variable rate debt). As part of its debt planning process, the City evaluates each issuance of long-term debt prior to determining whether to issue such indebtedness as Additional Senior Lien Obligations or Additional Junior Lien Obligations.

SHORT TERM/INTERIM INDEBTEDNESS

General Description and Purpose

The City, on behalf of the Systems, maintains three interim financing regimes whose obligations are secured by and payable from liens on and pledges of Systems' Net Revenues that are inferior to the respective liens thereon and pledges thereof that secure the Senior Lien Obligations and the Junior Lien Obligations (and which interim financing program liens are themselves stratified, as hereafter described). The legal authority for the programs that comprise each of these interim financing regimes (hereinafter defined and referred to as the "Commercial Paper Obligations" and the "Inferior Lien Obligations", respectively) is the same, as is the permitted use of proceeds of debt issued and incurred thereunder (which includes capital improvements and extensions to the Systems, purchase of equipment, fuel and electricity, and refunding other City obligations secured by and payable from Systems' Net Revenues).

These interim financing regimes are utilized to support the Systems' capital needs and manage the Systems' capital improvement plan by matching funding needs with readily available funding sources. In addition, these regimes bolster and enhance the Systems' liquidity position and provide to the Systems a capital source in the event of certain unexpected expenses. As drawn amounts under each of the programs within the respective regimes align with minimal threshold amounts and schedule for entry into the capital markets, the City anticipates converting these short-term obligations into long-term obligations by issuing Additional Senior Lien Obligations or Additional Junior Lien Obligations to refund the outstanding interim financing instruments. This process, which typically occurs at least annually, acts to convert and incorporate interim financing into the CPS Energy long-term debt management plan and to replenish the amount of borrowing capacity under the applicable interim financing regime.

Descriptions of these three regimes, the "third lien" Commercial Paper Obligations and the "fourth lien" Inferior Lien Obligations, are provided below.

Commercial Paper Programs

The City maintains an interim financing commercial paper regime that is currently comprised of the hereinafter-defined Original Commercial Paper Program, the New Series Commercial Paper, and the Extendible Municipal Commercial Paper Program (referred to elsewhere herein as the Program and that is the subject of this Offering Memorandum). Evidences of indebtedness under these programs issued and incurred, as well as other obligations arising under contracts with third parties in support of such programs (including, primarily, with financial institutions who provide liquidity support for the Original Commercial Paper Program and the New Series Commercial Paper Program) and additional commercial paper or similar interim financing programs hereafter established by the City that a enjoy a parity lien position on Systems' Net Revenues as security for the repayment of the City obligations thereunder arising, are referred to herein as the "Commercial Paper Obligations".

The Commercial Paper Obligations are equally and ratably secured by and payable from a "third" lien on and pledge of the Systems' Net Revenues, which lien and pledge is junior and subordinate to the prior liens thereon and pledges thereof that respectively secure the Senior Lien Obligations and the Junior Lien Obligations, but prior and superior to

the lien on and pledge of Systems' Net Revenues securing the payment of the Inferior Lien Obligations. The Senior Lien Ordinances, the Junior Lien Ordinances, and the City ordinances establishing the existing programs under which Commercial Paper Obligations may be incurred, which includes the Note Ordinance (together, the "Outstanding Commercial Paper Ordinances"), permit the issuance of additional obligations equally and ratably secured by and payable from a third lien on and pledge of the Systems' Net Revenues on parity with the lien thereon and pledge thereof securing the then-Outstanding Commercial Paper Obligations (such additional obligations, the "Additional Commercial Paper Obligations" and, together with the Outstanding Commercial Paper Obligations, the "Commercial Paper Obligations"). The Commercial Paper Ordinances describe the ability of the City to issue "Prior Lien Bonds", which are obligations secured by liens on and pledges of Systems' Net Revenues that are senior and superior to the liens thereon and pledges thereof securing the Commercial Paper Obligations, but City obligations incurred under its various commercial paper programs and covenants relating to the Inferior Lien Obligations have established the Senior Lien Obligations and the Junior Lien Obligations as the only Prior Lien Bonds that may be issued and outstanding while the Commercial Paper Obligations and the Inferior Lien Obligations remain outstanding.

Pursuant to separate City ordinances, the City maintains for the benefit of the Systems interim financing programs under which it can from time-to-time issue taxable or tax-exempt commercial paper notes (in multiple series) in an aggregate principal amount at any time outstanding not to exceed \$1,250,000,000 (such programs, the "Original Commercial Paper Program" and the "New Series Commercial Paper Program", respectively). Obligations issued under the Original Commercial Paper Program and the New Series Commercial Paper Program are limited to maturities of less than a year (though issuances are typically in the form of commercial paper notes having maturities of 270 days or less) and are provided liquidity support from third-party financial institutions in the event of an inability to sell commercial paper notes under either such program to provide proceeds to pay maturing commercial paper notes (with amounts owed to such liquidity providers in the event of draw subject to repayment over term-out periods that generally range from two to three years). For information regarding liquidity support for the Original Commercial Paper Program and the New Series Commercial Paper Program, which is updated as described herein, refer to the Systems Description most recently posted to the EMMA website.

The New Series Commercial Paper Program was established to modernize elements of the Original Commercial Paper Program, while maintaining existing contractual arrangements applicable to the Original Commercial Paper Program deemed valuable and advantageous to CPS Energy. CPS Energy anticipates that upon expiration of these historical agreements, which could occur as early as 2026, the Original Commercial Paper Program will remain legally available but inactive because of no maintained liquidity therefor, and all prospective third-party liquidity-supported commercial paper note issuances will occur under the New Series Commercial Paper Program. Pursuant to the respective City ordinances authorizing their establishment, obligations incurred under the Original Commercial Paper Program must mature on or prior to April 11, 2049, and obligations incurred under the New Series Commercial Paper Program must mature on or prior to February 27, 2055.

The Extendible Municipal Commercial Paper Program, described in detail under "EMCP PROGRAM AND NOTES" herein, was established by the City to supplement the Original Commercial Paper Program and the New Series Commercial Paper Program by providing a financing program that provides the same benefits of those existing programs but without the requirement to maintain third-party liquidity with a financial institution.

Inferior Lien Obligations

The City has issued, and may be outstanding from time to time, debt obligations equally and ratably secured by and payable from a "fourth" lien on and pledge of the Systems' Net Revenues, which lien and pledge is inferior and subordinate to the prior liens thereon and pledges thereof that respectively secure the Senior Lien Obligations, the Junior Lien Obligations, and the Commercial Paper Obligations (such City obligations, the "Outstanding Inferior Lien Obligations"). The Senior Lien Ordinances, the Junior Lien Ordinances, the Commercial Paper Ordinances, and the City ordinances authorizing the incurrence of the Outstanding Inferior Lien Obligations (together, the "Inferior Lien Ordinances") permit the issuance of additional City obligations equally and ratably secured by and payable from a fourth lien on and pledge of the Systems' Net Revenues on parity with the lien thereon and pledge thereof securing the Outstanding Inferior Lien Obligations (such additional obligations, the "Additional Inferior Lien Obligations" and, together with the Outstanding Inferior Lien Obligations, the "Inferior Lien Obligations"). The Inferior Lien Ordinances also provide that no obligations of the City shall be issued that are payable from a lien on and pledge of the Systems' Net Revenues of the Systems that is senior and superior to the lien thereon and pledge thereof securing

the payment of the Inferior Lien Obligations, except for the prior and superior liens on and pledges of Systems' Net Revenues that secures the repayment of the Senior Lien Obligations, the Junior Lien Obligations, and the Commercial Paper Obligations, respectively.

As Outstanding Inferior Lien Obligations, the City maintains a Flexible Rate Revolving Note Private Placement Program, under which it is authorized to issue flexible interest rate revolving notes under (a) the Series A Flexible Rate Revolving Note Program (the "Series A Flex Notes") and (b) the Series B Flexible Rate Revolving Note Program (the "Series B Flex Notes", and together with the Series A Flex Notes, the "Flex Notes"), directly placed upon issuance with financial institutions under separate purchase agreements. Flex Notes issued under either program have a maximum maturity of one year from issuance, with no Series A Flex Note having a final maturity beyond November 1, 2028 and no Series B Flex Notes having a final maturity beyond April 1, 2031; maturing Flex Notes can be replaced with new Flex Notes of the same series in non-cash transactions (subject to the terms and duration of the applicable purchase agreement at such time in effect). Series A Flex Notes are authorized to be issued in an aggregate principal amount not to exceed \$100,000,000 at any one time outstanding; Series B Flex Notes are authorized to be issued in an aggregate principal amount not to exceed \$500,000,000 at any one time outstanding.

For information regarding the purchase agreements for the Outstanding Inferior Lien Obligations, refer to the Systems Description most recently posted to the EMMA website.

LEGAL MATTERS

Legal matters incident to the authorization of the Program was subject to approval of legality by the Attorney General of the State of Texas, and of certain legal matters by McCall, Parkhurst & Horton L.L.P., San Antonio Texas, serving as Bond Counsel to the City. Attached as Appendix B hereto are the forms of opinions that Bond Counsel rendered in connection with the issuance of the Notes. Program authorization was valid and effective as of April 15, 2025.

TAX MATTERS

TAX-EXEMPT NOTES

Tax Exemption

The initial delivery of the Tax-Exempt Notes is subject to the opinion of Bond Counsel, to the effect that interest on the Tax-Exempt Notes for federal income tax purposes (1) is excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date hereof ("Code"), of the owners thereof pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) are not "specified private activity bonds" within the meaning of section 57(a)(5) of the Code. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change. The initial delivery of the Tax-Exempt Notes is subject to the opinion of Bond Counsel, the form of which is attached hereto as Appendix B.

In rendering the foregoing opinions, Bond Counsel relied upon representations and certifications of the City and the Board executed in connection with the initial delivery of the Tax-Exempt Notes pertaining to the use, expenditure, and investment of the proceeds of the Tax-Exempt Notes assuming continuing compliance with the provisions of the Note Ordinance by the City and the Board subsequent to the issuance of the Tax-Exempt Notes. The Note Ordinance contains covenants by the City and the Board with respect to, among other matters, the use of the proceeds of the Tax-Exempt Notes and the facilities and equipment financed or refinanced therewith by persons other than state or local governmental units, the manner in which the proceeds of the Tax-Exempt Notes are to be invested, if required, the calculation and payment to the United States Treasury of any arbitrage "profits" and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Tax-Exempt Notes to be includable in the gross income of the owners thereof from the date of the issuance of the Tax-Exempt Notes.

Except as described above, Bond Counsel expresses no other opinion with respect to any other federal, State, or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the

acquisition or disposition of, the Tax-Exempt Notes. Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the City and the Board described above. No ruling has been sought from the IRS with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Tax-Exempt Notes is commenced, under current procedures the IRS is likely to treat the City as the "taxpayer", and the owners of the Tax-Exempt Notes would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Tax-Exempt Notes, the City may have different or conflicting interests from the owners of the Tax-Exempt Notes. Public awareness of any audit of the Tax-Exempt Notes could adversely affect the value and liquidity of the Tax-Exempt Notes during the pendency of the audit, regardless of its ultimate outcome.

Ancillary Tax Consequences

Prospective purchasers of the Tax-Exempt Notes should be aware that the ownership of tax-exempt obligations such as the Tax-Exempt Notes may result in collateral federal tax consequences to, among others, financial institutions, property and casualty insurance companies, life insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a financial asset securitization investment trust ("FASIT"), individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, taxpayers qualifying for the health insurance premium assistance credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Under section 6012 of the Code, U.S. Holders of tax-exempt obligations, such as the Tax-Exempt Notes, may be required to disclose interest received or accrued during each taxable year on their returns of Federal income taxation. In Notice 94-84, 1994-2 C.B. 559, the Service has generally provided that until further guidance is given on how to treat stated interest payable at maturity on short-term tax-exempt bonds, taxpayers may treat such interest either as includible in the stated redemption price at maturity of the bond or as qualified stated interest for all tax-exempt bonds issued after April 4, 1994. Taxpayers should consult their own tax advisors with respect to the tax consequences of purchase, ownership and disposition of Tax-Exempt Notes.

Interest on the Tax-Exempt Notes may be includable in certain corporations "adjusted financial income" determined under section 56A of the Code to calculate the alternative minimum tax imposed by section 55 of the Code.

Tax Changes

Existing law may change to reduce or eliminate the benefit to noteholders of the exclusion of interest on the Tax-Exempt Notes from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Tax-Exempt Notes. Prospective purchasers of the Tax-Exempt Notes should consult with their own tax advisors with respect to any proposed or future changes in tax law.

Information Reporting and Backup Withholding

Subject to certain exceptions, information reports describing interest income, including original issue discount, if any, with respect to the Notes will be sent to each registered holder and to the IRS. Payments of interest and principal may be subject to backup withholding under Section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

TAXABLE NOTES

Certain Federal Income Tax Considerations

The following discussion is a summary of certain expected material federal income tax consequences of the purchase, ownership and disposition of the Taxable Notes and is based on the Code, the regulations promulgated thereunder, published rulings and pronouncements of the IRS and court decisions currently in effect. There can be no assurance that the IRS will not take a contrary view, and no ruling from the IRS, has been, or is expected to be, sought on the issues discussed herein. Any subsequent changes or interpretations may apply retroactively and could affect the opinion and summary of federal income tax consequences discussed herein. The initial delivery of the Taxable Notes is subject to the opinion of Bond Counsel, the form of which is attached hereto as Appendix B.

The following discussion is not a complete analysis or description of all potential U.S. federal tax considerations that may be relevant to, or of the actual tax effect that any of the matters described herein will have on, particular holders of the Taxable Notes and does not address U.S. federal gift or estate tax or (as otherwise stated herein) the alternative minimum tax, state, local or other tax consequences. This summary does not address special classes of taxpayers (such as partnerships, or other pass-thru entities treated as a partnerships for U.S. federal income tax purposes, S corporations, mutual funds, insurance companies, financial institutions, small business investment companies, regulated investment companies, real estate investment trusts, grantor trusts, former citizens of the U.S., broker-dealers, traders in securities and tax-exempt organizations, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be subject to the branch profits tax or, personal holding company provisions of the Code or taxpayers qualifying for the health insurance premium assistance credit) that are subject to special treatment under U.S. federal income tax laws, or persons that hold Taxable Notes as a hedge against, or that are hedged against, currency risk or that are part of hedge, straddle, conversion or other integrated transaction, or persons whose functional currency is not the "U.S. dollar". This summary is further limited to investors who will hold the Taxable Notes as "capital assets" (generally, property held for investment) within the meaning of Section 1221 of the Code. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

As used herein, the term "U.S. Holder" means a beneficial owner of a Taxable Note who or which is: (i) an individual citizen or resident of the United States, (ii) a corporation or partnership created or organized under the laws of the United States or any political subdivision thereof or therein, (iii) an estate, the income of which is subject to U.S. federal income tax regardless of the source; or (iv) a trust, if (a) a court within the U.S. is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (b) the trust validly elects to be treated as a U.S. person for U.S. federal income tax purposes. As used herein, the term "Non-U.S. Holder" means a beneficial owner of a Taxable Note that is not a U.S. Holder.

THIS SUMMARY IS INCLUDED HEREIN FOR GENERAL INFORMATION ONLY AND DOES NOT DISCUSS ALL ASPECTS OF THE U.S. FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO A PARTICULAR HOLDER OF TAXABLE NOTES IN LIGHT OF THE HOLDER'S PARTICULAR CIRCUMSTANCES AND INCOME TAX SITUATION. PROSPECTIVE HOLDERS OF THE TAXABLE NOTES SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE TAXABLE NOTES BEFORE DETERMINING WHETHER TO PURCHASE TAXABLE NOTES.

THIS SUMMARY, WHICH WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE SALE OF THE NOTES, IS NOT INTENDED OR WRITTEN TO BE USED TO AVOID PENALTIES THAT MIGHT BE IMPOSED ON THE TAXPAYER IN CONNECTION WITH THE MATTERS DISCUSSED HEREIN.

FOREIGN INVESTORS SHOULD ALSO CONSULT THEIR OWN TAX ADVISORS REGARDING THE TAX CONSEQUENCES UNIQUE TO NON-U.S. HOLDERS.

Certain U.S. Federal Income Tax Consequences to U.S. Holders

Periodic Interest Payments and Original Issue Discount. The Taxable Notes are not obligations described in Section 103(a) of the Code. Accordingly, the stated interest paid on the Taxable Notes or original issue discount, if any, accruing on the Taxable Notes will be includable in “gross income” within the meaning of Section 61 of the Code of each owner thereof and be subject to federal income taxation when received or accrued, depending upon the tax accounting method applicable to such owner.

Disposition of Taxable Notes. An owner will recognize gain or loss on the redemption, sale, exchange or other disposition of a Taxable Note equal to the difference between the redemption or sale price (exclusive of any amount paid for accrued interest) and the owner’s tax basis in the Taxable Notes. Generally, a U.S. Holder’s tax basis in the Taxable Notes will be the owner’s initial cost, increased by income reported by such U.S. Holder, including original issue discount and market discount income, and reduced, but not below zero, by any amortized premium. Any gain or loss generally will be a capital gain or loss and either will be long-term or short-term depending on whether the Taxable Notes has been held for more than one year.

Defeasance of the Taxable Notes. Defeasance of any Taxable Note may result in a reissuance thereof, for U.S. federal income tax purposes, in which event a U.S. Holder will recognize taxable gain or loss as described above.

State, Local, and Other Tax Consequences. Investors should consult their own tax advisors concerning the tax implications of holding and disposing of the Taxable Notes under applicable state or local laws, or any other tax consequence, including the application of gift and estate taxes. Certain individuals, estates or trusts may be subject to a 3.8% surtax on all or a portion of the taxable interest that is paid on the Taxable Notes. PROSPECTIVE PURCHASERS OF THE TAXABLE NOTES SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE FOREGOING MATTERS.

Certain U.S. Federal Income Tax Consequences to Non-U.S. Holders

A Non-U.S. Holder that is not subject to U.S. federal income tax as a result of any direct or indirect connection to the U.S. in addition to its ownership of a Taxable Note, will not be subject to U.S. federal income or withholding tax in respect of a Taxable Note, provided that such Non-U.S. Holder complies, to the extent necessary, with identification requirements including delivery of a signed statement under penalties of perjury, certifying that such Non-U.S. Holder is not a U.S. person and providing the name and address of such Non-U.S. Holder. Absent such exemption, payments of interest, including any amounts paid or accrued in respect of accrued original issue discount, may be subject to withholding taxes, subject to reduction under any applicable tax treaty. Non-U.S. Holders are urged to consult their own tax advisors regarding the ownership, sale or other disposition of a Taxable Note.

The foregoing rules will not apply to exempt a U.S. shareholder of a controlled foreign corporation from taxation on the U.S. shareholder’s allocable portion of the interest income received by the controlled foreign corporation.

Information Reporting and Backup Withholding

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Taxable Notes will be sent to each registered holder and to the IRS. Payments of interest and principal may be subject to withholding under sections 1471 through 1474 of the Code or backup withholding under Section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner’s social security number or other TIN, furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient’s federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

RATINGS

Fitch Ratings, Inc. (“Fitch”), Moody’s Investors Service, Inc. (“Moody’s”), and S&P Global Ratings (“S&P”) have each confirmed the following ratings assigned to CPS Energy’s Outstanding Senior Lien Obligations, Outstanding Junior Lien Obligations, and the Notes.

Rating Agency	Senior Lien	Junior Lien	Notes
Fitch	AA-	AA-	F1+
Moody’s	Aa2	Aa3	P-1
S&P	AA-	A+	A-1+

An explanation of the significance of such ratings may be obtained from the company furnishing such rating. The ratings reflect only the respective views of such organizations, and the City or the Board makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating companies, if in the judgment of such companies, circumstances so warrant. Any such downward revision or withdrawal of any such ratings may have an adverse effect on the market price of the Notes. A securities rating is not a recommendation to buy, sell, or hold securities and may be subject to revision or withdrawal at any time.

Periodically, rating agencies will evaluate and, on occasion as a result of these evaluations revise, their rating methodologies and criteria for municipal issuers such as the City. A revision in a rating agency’s rating methodology could result in a positive or negative change in a rating assigned by that agency, even if the rated entity has experienced no material change in financial condition or operation. Any of the rating agencies at any time while the Notes remain outstanding could undertake such an evaluation process.

AVAILABLE INFORMATION

The offering of the Notes is exempt from the continuing disclosure and event notice requirements of 17 CFR 240.15c2-12 (the “Rule”) pursuant to paragraph (d)(ii) thereof, because (1) the Notes are in authorized denominations of \$100,000 or more, and (2) the Notes have a maturity of nine months or less. Accordingly, the City and the Board have not and will not contract to provide continuing information to holders of the Notes. However, in connection with its outstanding Senior Lien Obligations and Junior Lien Obligations (associated with CUSIP numbers 796253 and 79625G), CPS Energy files continuing disclosure information on an annual basis (including basic financial statements for the most-recently completed fiscal year), and notices of certain specified events with respect to such outstanding Senior Lien Obligations and Junior Lien Obligations, with the MSRB through its EMMA website, where such information is currently available to the public, free of charge, through an Internet website at www.emma.msrb.org.

To the extent that any such information, data, financial statements, and notices are filed by CPS Energy and are available to the public on the MSRB’s EMMA website or filed with the SEC, they are incorporated by reference into and made a part of this Offering Memorandum and may be used in connection with the offering for sale of any of the Notes offered hereby. The information contained in each such document incorporated by reference speaks only as of its respective date(s) and automatically updates and supersedes any corresponding or inconsistent information previously contained in (or previously incorporated by reference into) this Offering Memorandum. Prospective purchasers of the Notes should read such incorporated information. See also, “INFORMATION INCORPORATED BY REFERENCE”.

Under Texas law, including, but not limited to, Chapter 103, Texas Local Government Code, as amended, and Chapter 1502, the Board must keep its fiscal records in accordance with generally accepted accounting principles, must have its financial accounts and records audited by a certified public accountant, and must file each audit report with the

City Clerk within 180 days after the close of the City's or Board's fiscal year. The Board's fiscal records and audit reports are available for public inspection during the regular business hours of the City Clerk. Additionally, upon the filing of these financial statements and the annual audit, these documents are subject to the Public Information Act, Chapter 552, Texas Government Code, as amended. Thereafter, any person may obtain copies of these documents upon submission of a written request to the City Clerk, and upon paying the reasonable copying, handling, and delivery charges for providing this information.

FORWARD-LOOKING STATEMENTS AND INFORMATION AVAILABLE FROM ONLINE SOURCES

This Offering Memorandum, including the Appendices hereto and the information incorporated herein by reference as described herein, contains forward-looking statements within the meaning of the federal securities laws. Such statements are based on currently available information, expectations, estimates, assumptions and projections, and management's judgment about the power utility industry and general economic conditions. Such words as "expects", "intends", "plans", "believes", "estimates", "anticipates", or variations of such words or similar expressions are intended to identify forward-looking statements. The forward-looking statements are not guarantees of future performance. Actual results may vary materially from what is contained in a forward-looking statement. Factors which may cause a result different from those expected or anticipated include, among other things, new legislation, increases in suppliers' prices, particularly prices for fuel in connection with the operation of the Systems, changes in environmental compliance requirements, acquisitions, changes in customer power use patterns, natural disasters and the impact of weather on operating results.

Although CPS Energy believes in making any such forward-looking statement, and its expectations are based on assumptions considered reasonable by CPS Energy, any such forward-looking statement involves uncertainties and is qualified in its entirety by reference to factors both identified within this Offering Memorandum and from publicly available resources about the electric and gas businesses, regulation and regulatory authorities for that business, and the City that could cause the actual results of CPS Energy to differ materially from those contemplated in such forward-looking statements.

Any forward-looking statement speaks only as of the date on which such statement is made, and CPS Energy undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time and it is not possible for CPS Energy to predict all of such factors, nor can it assess the impact of each such factor or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Offering Memorandum.

MISCELLANEOUS

NO DEALER, BROKER, SALESMAN, OR OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION OTHER THAN AS CONTAINED IN THIS OFFERING MEMORANDUM IN CONNECTION WITH THE OFFERING DESCRIBED HEREIN, AND IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED. THIS OFFERING MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITIES OTHER THAN THE NOTES OFFERED HEREBY, NOR SHALL THERE BE ANY OFFER OR SOLICITATION OF SUCH OFFER OR SALE OF NOTES IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL FOR SUCH PERSON TO MAKE SUCH OFFER, SOLICITATION, OR SALE. NEITHER THE DELIVERY OF THIS OFFERING MEMORANDUM NOR THE SALE OF ANY OF THE NOTES IMPLIES THAT THE INFORMATION HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE HEREOF. THE INFORMATION CONTAINED HEREIN HAS BEEN PREPARED BY AND OBTAINED FROM PUBLISHED SOURCES AND OTHER DATA FURNISHED BY THE

CITY AND THE BOARD. THE DEALERS MAKE NO REPRESENTATION AND ACCEPT NO LIABILITY AS TO EITHER THE ACCURACY OR COMPLETENESS OF THE INFORMATION HEREIN. ADDITIONAL COPIES OF THIS OFFERING MEMORANDUM MAY BE REQUESTED FROM EACH DEALER REPRESENTATIVE USING THE CONTACT INFORMATION PROVIDED UNDER “EMCP PROGRAM AND NOTES – General” HEREIN.

The Dealers have provided the following sentence for inclusion in this Offering Memorandum. The Dealers have reviewed the information in this Offering Memorandum in accordance with their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Dealers do not guarantee the accuracy or completeness of such information.

The Dealers and their respective affiliates together comprise a full-service financial institution engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financings and brokerage activities. Such activities involve or relate to assets, securities and/or instruments of the City (whether directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with (or that are otherwise involved with transactions by) the City. The Dealers and their respective affiliates may have, from time to time, engaged, and may in the future, engage, in transactions with, and performed and may in the future perform, various investment banking services for the City for which they received or will receive customary fees and expenses. Under certain circumstances, the Dealers and their respective affiliates may have certain creditor and/or other rights against the City and any affiliates thereof in connection with such transactions and/or services. In addition, the Dealers and their respective affiliates may currently have and may in the future have investment and commercial banking, trust and other relationships with parties that may relate to assets of, or be involved in the issuance of securities and/or instruments by, the City and affiliates thereof. The Dealers and its affiliates also may communicate independent investment recommendations, market advice or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and at any time may hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

J.P. Morgan Securities LLC, in its capacity as a Dealer, will receive compensation from the City for its services in such capacity.

JPMorgan Chase Bank, National Association, an affiliate of J.P. Morgan Securities LLC receives customary fees and expenses in connection with certain services provided related to the Original Commercial Paper Program, the New Series Commercial Paper Program, and the Series B Flex Notes.

This Offering Memorandum, dated April 28, 2025, has been approved by authorized officials of the City and CPS Energy.

APPENDIX A

NOTE ORDINANCE EXCERPTS

NOTE ORDINANCE EXCERPTS

Section 2.01 Authorization; Terms Applicable to Extendible Municipal Notes.

(a) *Authorization.* Pursuant to authority conferred by and in accordance with the provisions of the Constitution and general laws of the State of Texas, including particularly the Act, and the City's home rule charter, and in accordance with this Ordinance, Extendible Municipal Notes, having the characteristics as herein specified, shall be and are hereby authorized to be issued in an aggregate principal amount not to exceed ONE HUNDRED FIFTY MILLION DOLLARS (\$150,000,000) at any one time Outstanding (the *Maximum Principal Amount*) for the purpose of financing Project Costs of Eligible Projects and to refinance, renew, or refund other Extendible Municipal Notes issued pursuant to the provisions hereof and other Systems Revenue Obligations which qualify as "obligations" under Chapter 1371. For purposes of this Section 2.01, any portion of outstanding Extendible Municipal Notes to be paid from money on deposit in the Extendible Municipal Note Payment Fund and/or from the available proceeds of other debt obligations of the City, including additional Extendible Municipal Notes and other Systems Revenue Obligations, issued for the purpose of refinancing, renewing, or refunding such outstanding Extendible Municipal Notes, on the day of calculation shall not be considered Outstanding.

Extendible Municipal Notes shall be issued as either (i) Tax-Exempt Extendible Municipal Notes, to be designated "City of San Antonio, Texas Electric and Gas Systems Extendible Municipal Commercial Paper Notes, Series A (Tax Exempt)" or (ii) Taxable Extendible Municipal Notes, to be designated "City of San Antonio, Texas Electric and Gas Systems Extendible Municipal Commercial Paper Notes, Series A (Taxable)", as determined by an Authorized Representative at the time of delivery of an Issuance Notice (defined herein) in accordance with Subsection 2.02(a) below.

(b) *Dated Date; Maturity Date; Authorized Denominations; Determination of Federal Tax Treatment; Style and Numerical Indicator.* Extendible Municipal Notes herein authorized shall (i) be dated as of their Issue Date (the *Dated Date*) and (ii) mature on an Original Maturity Date (that is extendable to an Extended Maturity Date, as described in Section 2.02(c) below); provided, however, that in no case shall (A) the Original Maturity Date exceed 180 days from the Issue Date, (B) the Extended Maturity Date exceed 270 days from the Issue Date, and (C) either the Original Maturity Date or the Extended Maturity Date occur after the Maximum Maturity Date. Extendible Municipal Notes shall be issued as taxable or tax-exempt obligations in denominations of \$100,000 or any integral of \$1,000 in excess thereof and shall be numbered in ascending consecutive numerical order in the order of their issuance.

Section 2.02 Initiation of Issuance of Extendible Municipal Notes; Terms Applicable to Extendible Municipal Notes.

(c) *Initiation of Issuance of Extendible Municipal Notes.* Not later than 1:00 p.m., New York, New York time, on a Business Day that is the Business Day prior to a proposed Issue Date, the City, acting by and through an Authorized Representative, shall provide notice of the City's intent to issue an Extendible Municipal Note to the Issuing and Paying Agent and the Dealer charged with selling the Extendible Municipal Note (such notice, the *Issuance Notice*). The Issuance Notice, which may be delivered telephonically or by electronic mail (provided that, if telephonic, the terms of such notice shall be confirmed by electronic mail to the recipients specified above not later than 5:00 p.m., New York, New York time, on the same Business Day as delivery

of telephonic notice (the terms of which electronic mail notice shall serve as written confirmation of the directive and control in the event of a conflict with the terms of an Issuance Notice delivered telephonically), shall specify, with respect to such Extendible Municipal Note and subject to the limitations concerning the issuance of Extendible Municipal Notes under the terms of this Ordinance, (i) the Issue Date therefor (which may be the Business Day immediately succeeding the Business Day on which the Issuance Notice is delivered), (ii) the principal amount thereof, (iii) the requested Original Maturity Date therefor, (iv) treatment of the interest on the Extendible Municipal Note under applicable federal tax law (i.e., taxable or tax-exempt), and (v) the purpose for such Extendible Municipal Note issuance (i.e., whether to refund a maturing Extendible Municipal Note at such time Outstanding or to provide new proceeds for another purpose under this Ordinance authorized). No Issuance Notice shall result in a request to issue Extendible Municipal Notes that would cause, upon issuance of such requested Extendible Municipal Notes and concurrent retirement, in whole or in part, of other Extendible Municipal Notes at such time Outstanding, the principal amount of all Extendible Municipal Notes Outstanding to exceed the Maximum Principal Amount.

Upon receipt of the Issuance Notice, the notified Dealer will, by 9:30 a.m., New York, New York time, on the Issue Date in the Issuance Notice identified, offer for sale an Extendible Municipal Note having terms specified in the Issuance Notice (or as near thereto as attainable, in the Dealer's opinion (reasonably exercised), in the capital markets at commercially reasonable terms, including an Original Rate that results in the sale of the Extendible Municipal Note in the indicated principal amount at the price of par and without original issue premium or discount). Not later than 10:00 a.m., New York, New York time, on such Issue Date, the applicable Dealer shall report to the City and the Issuing and Paying Agent the terms of sale of Extendible Municipal Note or Notes, including the Original Rate therefor, the Original Maturity Date and the Extended Maturity Date, respectively, thereof, and notating any difference between such final terms and the terms requested in the Issuance Notice. If payment of maturing Extendible Municipal Note or Notes is the purpose of issuance of the subject Extendible Municipal Note, the Dealer shall also notify the City and the Issuing and Paying Agent of the difference, if any, between the principal amount of such maturing Extendible Municipal Note or Notes and the principal amount of new Extendible Municipal Note or Notes the Dealer has arranged to sell or agreed to purchase. Unless objection to the terms of an Extendible Municipal Note, as provided by a Dealer in its notification to the City and the Issuing and Paying Agent in accordance with the foregoing provisions, is made by an Authorized Representative by electronic mail delivered to the Dealer and the Issuing and Paying Agent by 10:15 a.m., New York, New York time, on the Issue Date, such Extendible Municipal Note terms shall automatically become binding on the City and the Dealer.

(d) *Issuing and Paying Agent Duties upon Receipt of Extendible Municipal Note Terms from Dealer; Issuance of Extendible Municipal Notes.* Upon its receipt of notice of Extendible Municipal Note terms from a Dealer pursuant to Subsection 2.02(a), the Issuing and Paying Agent shall on the Issue Date, complete a new Extendible Municipal Note to reflect the principal amount, Original Rate, Dated Date, Original Maturity Date, and Extended Maturity Date and authenticate and deliver the completed Extendible Municipal Note to or upon the order of the applicable Dealer in exchange for (and upon receipt of) payment therefor; provided, however, that no delivery of Extendible Municipal Note shall occur if such delivery would cause the sum of the principal amount of all Extendible Municipal Notes at such time Outstanding to exceed the Maximum Principal Amount.

(e) *Extension of Original Maturity Date to Extended Maturity Date.* At the City's option, exercisable by an Authorized Representative by delivery to the Issuing and Paying Agent and each Dealer by 10:15 a.m., New York, New York time on the Original Maturity Date a Notice

of Extension of Maturity Date in the form attached hereto as Exhibit A, or automatically in the event of a failure of the City to deliver such notice and of a Dealer's failure to notify the City and the Issuing and Paying Agent, in accordance with Section 2.02(a), of the terms of sale of an Extendible Municipal Note whose purpose is to provide proceeds to refund the maturing Extendible Municipal Note, the Original Maturity Date for an Extendible Municipal Note is extended to that note's Extended Maturity Date. If the Notice of Extension of Maturity Date received from the City as described above relates to a portion of the principal amount of the maturing Extendible Municipal Note or the notice received from the Dealer under Subsection 2.02(a) indicates that the principal amount of new Extendible Municipal Notes to be sold is inadequate to retire the principal amount of Extendible Municipal Notes coming due on their Original Maturity Date and anticipated to be retired with proceeds of new Extendible Municipal Notes, the Issuing and Paying Agent shall calculate the principal amount of Extendible Municipal Note(s) that may be retired on their Original Maturity Date from proceeds made available to it from the sale of new Extendible Municipal Notes or otherwise from the City, select (at random and by lot) and retire by payment of such principal amount of Extendible Municipal Note(s) on their Original Maturity Date, and extend the maturity date of the unpaid balance of Extendible Municipal Note(s) to the applicable Extended Maturity Date. Delivery of a Notice of Extension of Maturity Date that relates to the Extendible Municipal Notes that are the subject to the terms of sale delivered by and a Dealer pursuant to Section 2.02(a) shall be deemed a rejection of those terms of sale by the City.

The Issuing and Paying Agent shall (i) issue a replacement Extendible Municipal Note for the maturing Extendible Municipal Note (or portion thereof) whose Original Maturity Date is being extended, indicating thereon the Extended Maturity Date applicable to such replacement Extendible Municipal Note, (ii) cause a new CUSIP number to be assigned to such replacement Extendible Municipal Note, which assignment shall occur not later than the Original Maturity Date of the Extendible Municipal Note being replaced, and (iii) correspondingly notify (a) DTC by 1:30 p.m., New York, New York time on the Original Maturity Date and (b) each Rating Agency by the close of business in New York, New York on the Original Maturity Date, that the maturity date of such Extendible Municipal Note is being extended in the manner hereinbefore described and the principal amount of such Extendible Municipal Note that will remain Outstanding beyond the Original Maturity Date. Even if the requisite notices are not given, if payment of the principal of and interest on an Extendible Municipal Note does not occur on the Original Maturity Date, the maturity of the Extendible Municipal Note shall be extended automatically to the Extended Maturity Date and there shall be no Event of Default (defined herein). With the consent of the Issuing and Paying Agent and with notice to each Dealer, the City may modify the notification provisions contained herein if deemed appropriate to conform to DTC's rules and procedures from time to time in effect. , shall]

(f) *Determination of Interest Rates; Calculation and Payment of Interest.*

(1) General. Each Extendible Municipal Note shall, during its Initial Period, bear interest at its Original Rate (determined in accordance with clause (2) below) and, during its Extended Period (if any), bear interest at an Extended Rate (determined from time to time in accordance with clause (3) below); provided, however that in no event shall any Original Rate or Extended Rate exceed the Maximum Interest Rate in effect on the Issue Date of a particular Extendible Municipal Note. Interest on Tax-Exempt Extendible Municipal Notes shall be calculated on the basis of a 365-day or 366-day year, as applicable, and actual number of days elapsed (i.e., actual/actual, calculated in accordance with the ISDA Convention). Interest on Taxable Extendible Municipal Notes shall be calculated on the basis of a 360-day year and actual number of days elapsed (i.e., actual/360).

(2) Original Rate. The Original Rate for an Extendible Municipal Note shall be determined by the Dealer at the time of establishment of the terms of sale of such note (being the fixed rate of interest at such time attainable in the public capital markets to cause the sale of the Extendible Municipal Note, for the specified duration of the Original Term, at a price of par). The Dealer shall establish the Original Rate for an Extendible Municipal Note not later than 10:00 a.m., New York, New York time on the Issue Date for such Extendible Municipal Note.

Interest on an Extendible Municipal Note incurred during its Initial Period shall be payable to the Holder or Holders thereof on the Original Maturity Date upon presentation and surrender of the subject Extendible Municipal Note on such Original Maturity Date for payment of principal thereof; provided, however, that if the maturity date of such Extendible Municipal Date is extended from the Original Maturity Date to the Extended Maturity Date pursuant to Subsection (c) above, then interest accrued during the Initial Period will not be paid on the Original Maturity but will instead be paid on the next occurring Business Day thereafter (being the initial Extended Period Interest Payment Date), without requirement for presentation, to the Holder or Holders thereof as identified in the Registration Books on the applicable Record Date.

(3) Extended Rate. The Extended Rate applicable to a Tax Exempt Extendible Municipal Note during its Extended Period (if any) shall be the lesser of the Maximum Interest Rate and the rate of interest per annum determined by the following formula:

The greater of (SIFMA Index + *E*) and *F*

The Extended Rate applicable to a Taxable Extendible Municipal Note during its Extended Period (if any) shall be the lesser of the Maximum Interest Rate and the rate of interest per annum determined by the following formula:

The greater of (SOFR Index + *E*) and *F*

Prevailing Ratings				
S&P	Moody's	Fitch	<i>E</i> Variable	<i>F</i> Variable
A-1+	P-1	F-1+	250 basis points	7.00%
A-1	-	F-1	350	8.00%
A-2	P-2	F-2	550	9.00%
A-3	P-3	F-3	800	10.00%
Lower than A-3 (or rating withdrawn for credit reasons)	Lower than P-3 (or rating withdrawn for credit reasons)	Lower than F- 3 (or rating withdrawn from credit reasons)	Maximum Rate	Maximum Rate

The Extended Rate applicable to an Extendible Municipal Note will be determined weekly, by the Calculation Agent, based on the “Prevailing Ratings” of each of the Rating Agencies (as identified in the table above), the SOFR Index or the SIFMA Index (as applicable), and other necessary information, all of which is available as of 11:00 a.m., New York, New York time on each Rate Determination Date. An Extended Rate will apply from the Rate Determination Date on which it is established through the earliest to occur of (1) the following Wednesday, (2) the applicable Extended Maturity Date, and (3) the

date of redemption of the subject Extendible Municipal Note prior to its Extended Maturity Date. As used in the formula, the *E* and *F* variables shall be the fixed percentage rates, expressed in basis points and yields, respectively, determined based on the Prevailing Ratings shown in the table above.

If the individual Prevailing Ratings indicate different *E* or *F* variables as a result of split ratings assigned to the Extendible Municipal Notes, the *E* or *F* variable shall be the arithmetic average of those indicated by the Prevailing Ratings.

Except with respect to the initial Extended Period Interest Payment Date (on which, only interest on the Extendible Municipal Note accrued during the Initial Period is due and owing), interest on each Extendible Municipal Note in an Extended Period shall be calculated at the Extended Rate, from time to time calculated in the manner described above, commencing from (and including) the Original Maturity Date and continuing to (but excluding) the first to occur of the applicable Extended Maturity Date or date of prior redemption of the subject Extendible Municipal Note. Interest accrued on an Extendible Municipal Note in an Extended Period shall be due and payable on each Extended Period Interest Payment Date occurring after the initial Extended Period Interest Payment Date to the Holder or Holders thereof, as identified in the Registration Books on the applicable Record Date; provided, however, that payment of interest on the final Extended Period Interest Payment Date for an Extendible Municipal Note shall be paid to the Holder or Holders thereof upon presentation of such Extendible Municipal Note for payment of principal thereof.

(g) *Redemption.* Extendible Municipal Notes in their Initial Period are not redeemable prior to their Original Maturity Date. While in an Extended Period, the City may redeem an Extendible Municipal Note on any Business Day prior to its Extended Maturity Date, in whole (and not in part), at a price equal to 100% of the principal amount thereof together with accrued but unpaid interest thereon.

Not less than five and not more than 25 days prior to a date set for the redemption of Extendible Municipal Notes, the City shall notify the affected Noteholder(s), the Issuing and Paying Agent and the applicable Dealer of its decision to exercise the right to redeem Extendible Municipal Notes, the principal amount to be redeemed, and the date set for the redemption thereof. The decision of the City to exercise its right to redeem Extendible Municipal Notes shall be entered in the minutes of the Board or the City Council or recorded internally in the financial records of the Systems by an Authorized Representative.

If an Extendible Municipal Note is subject by its terms to redemption and has been called for redemption and notice of redemption thereof has been duly given or waived as herein provided, such Extendible Municipal Note so called for redemption shall become due and payable on the redemption date, and if money sufficient for the payment of such Extendible Municipal Note (or of the principal amount thereof to be redeemed) at the then applicable redemption price is held for the purpose of such payment by the Issuing and Paying Agent, then on the redemption date designated in such notice, interest on said Extendible Municipal Note (or the principal amount thereof to be redeemed) called for redemption shall cease to accrue, and such Extendible Municipal Note shall not be deemed to be Outstanding in accordance with the provisions of this Ordinance.

The City hereby reserves the right, in the case of an optional redemption, to make such redemption conditional and/or to rescind the notice of its election or direction to redeem an Extendible Municipal Note. Such notice may state that the redemption is conditioned upon the

deposit of money and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Issuing and Paying Agent and/or that such notice may be rescinded by the City not later than one Business Day prior to the scheduled redemption date by written directive to the Issuing and Paying Agent. If rescinded, such notice and redemption shall be of no force and effect and the Extendible Municipal Note shall thereafter remain Outstanding. The Issuing and Paying Agent shall give prompt notice of any such rescission of a conditional notice of redemption to the Holders of affected Extendible Municipal Notes. A rescission of a notice of redemption shall not constitute an event of default hereunder or the affected Extendible Municipal Notes. Further, in the case of a conditional redemption, the failure of the City to make money and/or authorized securities available in part or in whole on or before the scheduled redemption date shall not constitute an event of default hereunder or the affected Extendible Municipal Notes.

Neither the City nor the Issuing and Paying Agent shall be required to transfer or exchange any Extendible Municipal Note once notice of redemption of the Extendible Municipal Note has been delivered in the manner described above.

(h) *Extendible Municipal Notes in Registered Form; Issuing and Paying Agent and Calculation Agent; Payment.* The Extendible Municipal Notes shall be issued in registered form, without coupons, in the name of the Registered Owner thereof or to bearer. Extendible Municipal Notes shall initially be registered in the name of the purchaser of the Extendible Municipal Note or to Cede & Co., Inc., as the nominee of The Depository Trust Company of New York (*DTC*), in accordance with the provisions of this Subsection. Both principal of and interest on each Extendible Municipal Note shall be payable in lawful money of the United States of America, without exchange or collection charges to the Holder. The principal of any Extendible Municipal Note is payable upon presentation and surrender thereof at the corporate office of the Issuing and Paying Agent; interest on Extendible Municipal Notes shall be paid as described in the applicable provisions of this Section 2.02. If the date for the payment of the principal of or interest on any Extendible Municipal Note shall be a Saturday, Sunday, a legal holiday, or a day on which banking institutions in the city where the corporate trust office of the Issuing and Paying Agent is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a day. The payment on such date shall have the same force and effect as if made on the original date any such payment on the Extendible Municipal Note was due.

U.S. Bank Trust Company, National Association, shall serve as the initial Issuing and Paying Agent and as the initial Calculation Agent for the Extendible Municipal Notes. The City, acting by and through the Board, covenants and agrees to keep and maintain at the corporate office of the Issuing and Paying Agent books and records (the *Registration Books*) for the registration, payment, transfer, and exchange of the Extendible Municipal Notes, all as provided herein and under such reasonable rules and regulations as the Issuing and Paying Agent may prescribe. The City, acting by and through the Board, covenants to maintain and provide an Issuing and Paying Agent and a Calculation Agent, respectively, at all times while the Extendible Municipal Notes are outstanding, which shall be a banking institution authorized under applicable laws to exercise trust powers. Should a change in the Issuing and Paying Agent for the Extendible Municipal Notes occur, the Board shall promptly cause a written notice thereof, that includes the address of the successor Issuing and Paying Agent, to be sent to each Registered Owner of Extendible Municipal Notes then Outstanding by United States Mail, first class, postage prepaid. Notwithstanding the foregoing, such notice requirement shall be satisfied if the City files the requisite notice through the services of DTC (defined below) or by posting the same to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system, accessible to the general public, without charge, on the internet through the uniform resource locator (URL) <http://www.emma.msrb.org>.

A successor Issuing and Paying Agent or Calculation Agent, respectively, may be appointed without the consent of the Holders. In addition, the City hereby delegates to the Board the ability to select and appoint from time to time any additional fiscal, paying, or other agents or trustees (including a new or replacement Dealer) as it may deem necessary or appropriate in connection with the Extendible Municipal Notes.

The City and the Issuing and Paying Agent may treat the bearer (in the case of Extendible Municipal Notes so registered) or the Registered Owner as the absolute owner of any Extendible Municipal Note for the purpose of receiving payment thereof and for all purposes, and, to the extent permitted by law, the City and the Issuing and Paying Agent shall not be affected by any notice or knowledge to the contrary.

In addition to the designation of the Issuing and Paying Agent as a “Registrar” for the Extendible Municipal Notes as described above, the City hereby designates itself as a “Registrar” for the purpose of maintaining a copy of the Registration Books within the State of Texas.

The Extendible Municipal Notes shall be printed, lithographed, or engraved or produced in any other similar manner, or typewritten, all as determined and approved by an Authorized Representative.

Notwithstanding anything in this Ordinance to the contrary, one or more “master” Extendible Municipal Notes may be issued to and registered in the name of Cede & Co., as nominee of DTC in the form required by DTC to establish a book-entry only system for the Extendible Municipal Notes (which will include, but is not limited to, a master note relating to each of the Tax Exempt Extendible Municipal Notes and the Taxable Extendible Municipal Notes). An Authorized Representative is herein authorized for and on behalf of the City to enter into one or more representation letters with DTC establishing such book-entry only system with respect to the Extendible Municipal Notes.

With respect to Extendible Municipal Notes registered in the name of Cede & Co., as nominee of DTC, the City and the Issuing and Paying Agent shall have no responsibility or obligation to any securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations on whose behalf DTC was created (*DTC Participant*) to hold securities to facilitate the clearance and settlement of securities transaction among DTC Participants or to any person on behalf of whom such a DTC Participant holds an interest in the Extendible Municipal Notes. Without limiting the effect of the immediately preceding sentence, the City, the Board and the Issuing and Paying Agent shall have no responsibility or obligation with respect to the (i) accuracy of the records of DTC, Cede & Co., or any DTC Participant with respect to any ownership interest in the Extendible Municipal Notes, (ii) delivery to any DTC Participant or any other person, other than a Registered Owner of the Extendible Municipal Notes, as shown on the Registration Books, of any notice with respect to the Extendible Municipal Notes, or (iii) payment to any DTC Participant or any other person, other than a Registered Owner of Extendible Municipal Notes, as shown in the Registration Books, of any amount with respect to principal of or interest on the Extendible Municipal Notes. Notwithstanding any other provision of this Ordinance to the contrary, the City, the Board and the Issuing and Paying Agent shall be entitled to treat and consider the person in whose name each Extendible Municipal Note is registered in the Registration Books as the absolute owner of such Extendible Municipal Note for the purpose of payment of principal and interest with respect to such Extendible Municipal Note, for the purpose of registering transfers with respect to such Extendible Municipal Note, and for all other purposes whatsoever. The Issuing and Paying Agent shall pay all principal of and interest on the Extendible Municipal Notes only to or upon the order of the Registered Owners, as shown in the Registration Books as provided in this

Ordinance, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the City's obligations with respect to payment of principal of and interest on the Extendible Municipal Notes to the extent of the sum or sums so paid. No person other than a Registered Owner, as shown in the Registration Books, shall receive an Extendible Municipal Note certificate evidencing the obligation of the City to make payments of principal and interest pursuant to this Ordinance. Upon delivery by DTC to the Issuing and Paying Agent of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., the words "Cede & Co." in this Ordinance shall refer to such new nominee of DTC.

In the event that the City determines that DTC is incapable of discharging its responsibilities described herein and in the representation letter of the City to DTC or that it is in the best interest of the beneficial owners of the Extendible Municipal Notes that they be able to obtain certificated Extendible Municipal Notes, the City shall (i) appoint a successor securities depository, qualified to act as such under Section 17(a) of the Securities and Exchange Act of 1934, as amended, notify DTC and DTC Participants of the appointment of such successor securities depository and transfer one or more separate Extendible Municipal Notes to such successor securities depository or (ii) notify DTC and DTC Participants of the availability through DTC of Extendible Municipal Notes and transfer one or more separate Extendible Municipal Notes to DTC Participants having Extendible Municipal Notes credited to their DTC accounts. In such event, the Extendible Municipal Notes shall no longer be restricted to being registered in the Registration Books in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names Registered Owners transferring or exchanging Extendible Municipal Notes shall designate, in accordance with the provisions of this Ordinance.

Notwithstanding any other provision of this Ordinance to the contrary, so long as any Extendible Municipal Note is registered in the name of Cede & Co., as nominee for DTC, all payments with respect to principal of and interest on such Extendible Municipal Notes and all notices with respect to such Extendible Municipal Notes shall be made and given, respectively, in the manner provided in the representation letter of the City to DTC.

(i) *Dealer Agreement.* The City confirms the appointments of J.P. Morgan Securities LLC and Morgan Stanley & Co. LLC, as Dealers and, in connection with such appointment, approves the Dealer Agreement (in the form attached hereto as Exhibit B) therewith and authorizes its execution by an Authorized Representative as the act and deed of the City. The City covenants that at all times while any Extendible Municipal Notes shall be outstanding, it will maintain in effect one or more Dealer Agreements, pursuant to which each Dealer will agree to comply with its obligations for the Extendible Municipal Notes as set forth in this Ordinance and its Dealer Agreement.

The Board is further authorized and directed from time to time to review the performance of each Dealer and of the Extendible Municipal Program and to periodically solicit and review the qualifications of each Dealer and of any additional investment banking firms interested in serving as Dealer and enter into or renew Dealer Agreements. Based upon such review, the number of Dealers selected, which Dealers are selected and the amount of Extendible Municipal Notes which each Dealer is allocated to attempt to sell may be changed and additional or different Dealers may be selected and new Dealer Agreements entered into based upon a determination that such changes are expected to result in the lowest overall cost of Extendible Municipal Notes after taking into account not only the fees to be paid to the Dealers but the expectations as to the performance of each Dealer in providing broad distribution of the Extendible Municipal Notes, thereby creating

competitive pricing without adversely affecting investor liquidity. Each Authorized Representative is hereby authorized and directed to approve, execute, and deliver to the Dealers any instrument evidencing such changes, additions, renewals or amendments to the Dealer Agreements as may be necessary and proper to carry out the purpose and intent of the City in authorizing this Ordinance. Each Authorized Representative is hereby authorized to enter into any supplemental agreements with the Dealer or with any successor Dealer.

(j) *Credit Agreement.* The City reserves the right to enter into a credit agreement (as that term is defined in Chapter 1371 or other applicable State law) to provide liquidity or credit support for a part or all of the Extendible Municipal Notes to be Outstanding under this Ordinance; provided that any credit agreement shall be entered into and reviewed by the appropriate State agencies or offices as required by State law. The City has not initially acquired either credit support or liquidity support for the Extendible Municipal Program.

(k) *No Default.* In no event shall an extension of an Original Maturity Date to an Extended Maturity Date for any Extendible Municipal Notes constitute a default or a breach of any covenant under this Ordinance.

APPENDIX B

BOND COUNSEL LEGAL OPINIONS

April 15, 2025

WE HAVE ACTED AS BOND COUNSEL for the City of San Antonio, Texas, a municipal corporation of the State of Texas (the *City*), in connection with the issue of extendible municipal commercial paper notes described as follows:

CITY OF SAN ANTONIO, TEXAS ELECTRIC AND GAS SYSTEMS EXTENDIBLE MUNICIPAL COMMERCIAL PAPER NOTES, SERIES A, in an aggregate principal amount not to exceed \$150,000,000 (the *Notes*); issuable in fully registered form only, in denominations of \$100,000 principal amount, or in \$1,000 integrals greater than \$100,000; dated the dates, bearing interest, maturing on the dates and principal amounts, and transferable and exchangeable as set out in the Notes and in the ordinance adopted by the City Council of the City (the *Council*) on May 2, 2024 authorizing their issuance (the *Ordinance*), which Notes shall be designated upon issuance or reissuance from time to time as “(Tax-Exempt)” (the *Tax-Exempt Notes*) or “(Taxable)” (the *Taxable Notes*). This opinion only applies to the Taxable Notes.

WE HAVE SERVED AS BOND COUNSEL for the sole purpose of rendering an opinion with respect to the legality and validity of the Notes under the Constitution and general laws of the State of Texas. In such capacity we have examined relevant provisions of the Constitution and general laws of the State of Texas and of federal income tax law; a transcript of certain certified proceedings of the Council pertaining to the issuance of the Notes, including the Ordinance; certain certifications and representations, as hereinafter described, and other material facts within the knowledge and control of the City and the Board of Trustees (the *Board*) of the City Public Service Board of San Antonio, Texas (the *Systems*), upon which we rely; and certain other customary documents and instruments authorizing and relating to the issuance of the Notes, including the forms of Notes to be executed and delivered by the City from time to time. We have not been requested to investigate or verify, and have not investigated or verified, any original proceedings, records, data, or other material, but have relied upon the transcript of certified proceedings. We have not assumed any responsibility with respect to the financial condition or capabilities of the City or the Systems or the disclosure thereof in connection with the sale of the Notes. We express no opinion and make no comment with respect to the sufficiency of the security for or the marketability of the Notes. Capitalized terms not otherwise defined herein shall have the meanings assigned to such terms in the Ordinance. Our role in connection with the City’s Offering Memorandum prepared for use in connection with the sale of the Notes is as described therein.

BASED ON SUCH EXAMINATION, IT IS OUR OPINION that the transcript of certified proceedings evidences legal authority for the issuance of the Notes in full compliance with the Constitution and general laws of the State of Texas presently in effect; the Notes, when authenticated and delivered to and paid for by the initial purchasers of the Notes, will be valid and legally binding special obligations of the City enforceable in accordance with the terms and conditions thereof, except to the extent that the enforcement of the rights and remedies of the owners thereof may be limited by laws relating to bankruptcy, insolvency, reorganization, or



moratorium or other similar laws affecting the rights of creditors, or the exercise of judicial discretion in accordance with general principles of equity; the Notes have been authorized in accordance with law; and the Notes are payable from and equally secured by a lien on and pledge of (i) the proceeds from (a) the sale of a series or issue of Refunding Bonds hereafter issued and to be used to pay outstanding Notes and (b) the sale of Notes issued pursuant to the Ordinance to refund outstanding Notes, (ii) the Net Revenues of the Systems, such lien on and pledge of the Net Revenues, however, being subordinate to the prior and superior lien and pledge securing the payment of the Parity Bonds and the Junior Lien Obligations, and (iii) amounts in certain funds established pursuant to the Ordinance.

THE OWNERS OF NOTES shall never have the right to demand payment thereof out of any funds raised or to be raised by ad valorem taxation, or from any source whatsoever other than as specified above.

BASED ON OUR EXAMINATION, IT IS FURTHER OUR OPINION that the Taxable Notes are not obligations described in section 103(a) of the Internal Revenue Code of 1986, as amended and in effect on the date hereof.

OUR OPINIONS ARE BASED on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Respectfully,

McCall, Parkhurst
& Norton L.L.P.

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April 15, 2025

WE HAVE ACTED AS BOND COUNSEL for the City of San Antonio, Texas, a municipal corporation of the State of Texas (the *City*), in connection with the issue of extendible municipal commercial paper notes described as follows:

CITY OF SAN ANTONIO, TEXAS ELECTRIC AND GAS SYSTEMS EXTENDIBLE MUNICIPAL COMMERCIAL PAPER NOTES, SERIES A, in an aggregate principal amount not to exceed \$150,000,000 (the *Notes*); issuable in fully registered form only, in denominations of \$100,000 principal amount, or in \$1,000 integrals greater than \$100,000; dated the dates, bearing interest, maturing on the dates and principal amounts, and transferable and exchangeable as set out in the Notes and in the ordinance adopted by the City Council of the City (the *Council*) on May 2, 2024 authorizing their issuance (the *Ordinance*), which Notes shall be designated upon issuance or reissuance from time to time as “(Tax-Exempt)” (the *Tax-Exempt Notes*) or “(Taxable)” (the *Taxable Notes*). This opinion only applies to the Tax-Exempt Notes.

WE HAVE SERVED AS BOND COUNSEL for the sole purpose of rendering an opinion with respect to the legality and validity of the Notes under the Constitution and general laws of the State of Texas and with respect to the status of the interest on the Tax-Exempt Notes under federal income tax law. In such capacity we have examined relevant provisions of the Constitution and general laws of the State of Texas and of federal income tax law; a transcript of certain certified proceedings of the Council pertaining to the issuance of the Notes, including the Ordinance; certain certifications and representations, as hereinafter described, and other material facts within the knowledge and control of the City and the Board of Trustees (the *Board*) of the City Public Service Board of San Antonio, Texas (the *Systems*), upon which we rely; and certain other customary documents and instruments authorizing and relating to the issuance of the Notes, including the forms of Notes to be executed and delivered by the City from time to time. We have not been requested to investigate or verify, and have not investigated or verified, any original proceedings, records, data, or other material, but have relied upon the transcript of certified proceedings. We have not assumed any responsibility with respect to the financial condition or capabilities of the City or the Systems or the disclosure thereof in connection with the sale of the Notes. We express no opinion and make no comment with respect to the sufficiency of the security for or the marketability of the Notes. Capitalized terms not otherwise defined herein shall have the meanings assigned to such terms in the Ordinance. Our role in connection with the City’s Offering Memorandum prepared for use in connection with the sale of the Notes is as described therein.

BASED ON SUCH EXAMINATION, IT IS OUR OPINION that the transcript of certified proceedings evidences legal authority for the issuance of the Notes in full compliance with the Constitution and general laws of the State of Texas presently in effect; the Notes, when authenticated and delivered to and paid for by the initial purchasers of the Notes, will be valid and legally binding special obligations of the City enforceable in accordance with the terms and conditions thereof, except to the extent that the enforcement of the rights and remedies of the



owners thereof may be limited by laws relating to bankruptcy, insolvency, reorganization, or moratorium or other similar laws affecting the rights of creditors, or the exercise of judicial discretion in accordance with general principles of equity; the Notes have been authorized in accordance with law; and the Notes are payable from and equally secured by a lien on and pledge of (i) the proceeds from (a) the sale of a series or issue of Refunding Bonds hereafter issued and to be used to pay outstanding Notes and (b) the sale of Notes issued pursuant to the Ordinance to refund outstanding Notes, (ii) the Net Revenues of the Systems, such lien on and pledge of the Net Revenues, however, being subordinate to the prior and superior lien and pledge securing the payment of the Parity Bonds and the Junior Lien Obligations, and (iii) amounts in certain funds established pursuant to the Ordinance.

THE OWNERS OF NOTES shall never have the right to demand payment thereof out of any funds raised or to be raised by ad valorem taxation, or from any source whatsoever other than as specified above.

BASED ON OUR EXAMINATION, IT IS FURTHER OUR OPINION that, based upon the foregoing, that pursuant to section 103 of the Internal Revenue Code of 1986, as amended and in effect on the date hereof (the *Code*), and existing regulations, published rulings, and court decisions thereunder, and assuming continuing compliance with the provisions of the Ordinance and in reliance upon representations and certifications of the City and the Board made in a certificate of even date herewith pertaining to the use, expenditure, and investment of the proceeds of the Tax-Exempt Notes, when the Tax-Exempt Notes are authenticated and delivered to and paid for by the initial purchasers thereof, interest on the Tax-Exempt Notes (1) will be excludable from the gross income, as defined in section 61 of the Code, of the owners thereof for federal income tax purposes, and (2) except as described below, will not be included in computing the alternative minimum taxable income of the owners thereof.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Tax-Exempt Notes, may be includable in a corporation's adjusted financial statement income for purposes of determining the alternative minimum tax imposed on certain corporations by section 55 of the Code.

WE EXPRESS NO OPINION concerning the effect on excludability of interest of subsequent action which under the terms of the Ordinance may be taken only upon receipt of an opinion of counsel of nationally recognized standing in the field of municipal bond law.

WE EXPRESS NO OTHER OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Tax-Exempt Notes. Ownership of tax-exempt obligations such as the Tax-Exempt Notes may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain S corporations with subchapter C earnings and profits, certain foreign corporations doing business in the United States, owners of an interest in a FASIT, individuals otherwise qualifying for the earned income tax credit, individual recipients of Social Security or Railroad Retirement benefits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.



OUR OPINIONS ARE BASED on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Respectfully,

*McCall, Parkhurst
& Norton L.L.P.*

APPENDIX C

THE DEPOSITORY TRUST COMPANY'S BOOK-ENTRY-ONLY SYSTEM

The information in this Appendix concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Offering Memorandum. The City and the Board believe the source of such information to be reliable but take no responsibility for the accuracy or completeness thereof.

DTC will act as securities depository for the Notes. The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each series of the Notes, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC provides custody and asset servicing for about 3.5 million issues of United States and non-United States equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both United States and non-United States securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both, United States and non-United States securities brokers and dealers, banks, trust companies, and clearing companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a S&P Global Ratings' rating of "AA+". The DTC Rules applicable to its participants are on file with the SEC. More information about DTC can be found at www.dtcc.com.

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of the Notes ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interest in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners, will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as: redemptions, tenders, defaults, and proposed amendments to the Note documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes for

their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent/Registrar and request that copies of notices are provided directly to them.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Issuing and Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC (nor its nominee), the Issuing and Paying Agent or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Notes at any time by giving reasonable notice to the City. Under such circumstances, in the event that a successor depository is not obtained, Notes are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Notes will be printed and delivered.

So long as Cede & Co. is the registered owner of the Notes, the City will have no obligation or responsibility to the DTC Participants or Indirect Participants, or the persons for which they act as nominees, with respect to payment to or providing of notice to such Participants, or the persons for which they act as nominees.