

FY 2024 **CPS ENERGY** INTERIM REPORT

First Quarter Ended April 30, 2023



CPS Energy and City of San Antonio leaders, including President & CEO Rudy D. Garza, visited the Garcia Family on February 10, 2023, to celebrate the weatherization of 30,000 homes throughout the San Antonio region. Jane Garcia and her two grandchildren, Jordan and Javen, were honored to be the 30,000th home to join the program.

Report from Management for the First Quarter Ended April 30, 2023

Board of Trustees Elect New Chair and Vice Chair

February 1, 2023, marked the first day for Trustee Janie Martinez Gonzalez as our new Board Chair. Dr. Francine Sanders Romero was elected as our new Vice Chair, marking the first time a pair of women will lead the CPS Energy Board in these roles. Chair Gonzalez, who began serving on the Board in February 2019, is the president and CEO of Webhead, a company that specializes in providing cybersecurity solutions to clients across the nation. Vice Chair Dr. Romero is Chair of the Department of Public Administration at the University of Texas at San Antonio and has extensive experience in research, community service, and education. Both Trustees are active on our Board committees.

Agreements Secure Approximately 650 Megawatts (MW) of Energy

We announced three agreements completing our FlexPOWER Bundle initiative, launched in 2020, which further diversified our power generation mix, adding up to 580 MW of solar, 50 MW of energy storage, and 500 MW of firming capacity. This initiative was part of our larger plan to replace older power generation with newer and cleaner technologies. The three new agreements equate to powering about 130,000 homes. The agreement with Ashtrom Renewable Energy, in collaboration with OnPeak Power, will provide 100 MW of solar. Eolian was selected for storage capacity and will provide us the exclusive right to dispatch a 50 MW, 2-hour duration energy storage project. Calpine will provide a total of approximately 500 MW of firming capacity. These are in addition to agreements executed in 2022 for 300 MW of solar capacity with Consolidated Edison Development, Inc. and 180 MW of solar with Kenlov Ashtrom Renewable Energy (KARE).

30,000 Homes Weatherized

This quarter, our Casa Verde weatherization program hit a milestone of 30,000 homes weatherized. Casa Verde helps income-qualifying homeowners and renters reduce energy loss and costs, while increasing comfort in their homes, with free energy efficiency improvements. The program is part of our Sustainable Tomorrow Energy Plan (STEP) with 5-year goals of: reducing our community's demand for energy by 410 MW, 1% energy savings, 1.85 million tons of avoided carbon, and weatherizing 16,000 homes and 20,000 multi-family residences. On average, Casa Verde weatherization participants receive \$4,500 in free home weatherization improvements, saving them approximately \$450 in energy costs annually. The City of San Antonio joined us to celebrate this milestone and the benefits this program has provided to many of our customers. While we are proud of this accomplishment, our weatherization initiatives for our community are not complete. We recently issued a RFP for multiple contractors to expand our Casa Verde Program with re-imagined offerings for our customers and will invest \$82.5 million in Casa Verde over four years.



Rudy D. Garza

President & CEO

Financial Review for the First Quarter Ended April 30, 2023

Total operating revenues and nonoperating income of \$676.3 million for the first quarter of fiscal year 2024 decreased by \$38.1 million, or 5.3%, compared to the same period last year.

- Electric operating revenue was \$577.0 million, which was \$57.9 million, or 9.1%, less than the same quarter last year. Primarily contributing to the decrease were lower retail fuel recoveries stemming from a lower unit cost of fuel, and lower wholesale fuel recoveries from decreased wholesale sales volumes and a lower unit cost of fuel.
- Gas operating revenue of \$77.0 million was \$16.8 million, or 17.9%, lower than last year primarily due to lower fuel recoveries from lower natural gas prices.
- Nonoperating income of \$22.3 million was higher by \$36.6 million compared to the same quarter last year primarily due to increased interest income on investments along with the sale of property in the current year and a decrease in fair value of investment holdings last year.

Total expenses of \$705.3 million were \$42.3 million, or 5.7%, lower than last year.

- Comprising 32.1% of total expenses, fuel, purchased power and distribution gas costs decreased \$80.8 million, or 26.3%, to \$226.7 million. Primarily contributing to the decrease in electric fuel costs were lower natural gas prices experienced in the current year. Distribution gas costs were lower due to decreased natural gas prices and a lower volume of purchases.
- Operation and maintenance expenses of \$207.7 million for the quarter were \$33.8 million, or 19.5%, higher than last year primarily due to a planned nuclear refueling outage and increased labor and outside services in the current year.
- Decommissioning expense of \$6.7 million was comparable to prior year, which was \$5.8 million.
- Regulatory assessments, including those charged by the Public Utility Commission of Texas and the Electric Reliability Council of Texas, of \$25.7 million were \$4.1 million higher than last year primarily due to an increase in transmission cost of service.
- Depreciation and amortization expense of \$122.6 million was higher than last year by \$7.3 million, or 6.4%, due to the normal increase of plant-in-service.
- Interest and debt-related expenses of \$59.2 million were higher than last year by \$7.8 million, or 15.1%, primarily due to higher interest rates as well as a greater outstanding debt balance in the current year.
- The recorded payments to the City of San Antonio totaled \$56.6 million and were \$15.4 million lower than the same period last year primarily due to decreased electric and gas revenues.

Income (loss) before other changes in net position of \$(29.1) million was \$4.2 million favorable compared to last year's net loss of \$(33.3) million. This favorable variance was primarily due to lower operating expenses partially offset by lower operating revenue compared to prior year.

Contributed capital of \$18.8 million was comparable to prior year's first quarter of \$19.9 million. The **change in net position** was a decrease of \$10.2 million compared to a decrease of \$13.4 million for the same quarter last year, reflecting a favorable change of \$3.2 million resulting from the net income drivers explained above.

We remain focused on executing Vision 2027 - our five-year strategic plan, which includes ensuring financial stability for our customers by maintaining the current credit health of the organization. Our leadership team strives to deliver on its mission of serving our community through **reliable, competitively priced, and sustainable energy services**.

Cory Kuchinsky, CPA
CFO & Treasurer

Summary of Revenues, Expenses and Changes in Net Position Information - Unaudited

	Quarter Ended		Twelve Months Ended	
	April 2023	April 2022 ¹ Restated	April 2023	April 2022 ¹ Restated
	<i>(In thousands)</i>			
Revenues				
Electric	\$ 577,003	\$ 634,934	\$3,000,713	\$2,655,343
Gas	76,978	93,760	307,978	258,900
Total operating revenues	653,981	728,694	3,308,691	2,914,243
Nonoperating income (expense), net	22,284	(14,335)	98,917	11,275
Total revenues and nonoperating revenues	676,265	714,359	3,407,608	2,925,518
Expenses				
Fuel, purchased power and distribution gas	226,726	307,540	1,298,657	1,103,122
Operation and maintenance ²	207,680	173,838	772,477	642,447
Decommissioning	6,729	5,814	24,197	21,834
Regulatory assessments	25,732	21,661	104,019	74,469
Depreciation and amortization	122,609	115,282	504,132	454,014
Interest and debt-related	59,199	51,412	232,166	205,704
Payments to the City of San Antonio	56,645	72,081	423,094	399,111
Total expenses	705,320	747,628	3,358,742	2,900,701
Income (loss) before other changes in net position				
	(29,055)	(33,269)	48,866	24,817
Other payments to the City of San Antonio	—	—	(11,523)	(11,600)
Contributed capital	18,822	19,877	80,171	81,985
Effect of defined benefit plan funding obligations - STP	—	—	26,138	43,415
Change in net position	(10,233)	(13,392)	143,652	138,617
Net position - beginning	4,031,215	3,890,722	3,877,330	3,738,713
Net position - ending	\$4,020,982	\$3,877,330	\$4,020,982	\$3,877,330

¹ Reflects impact of implementation of GASB 96, Subscription Based Information Technology Arrangements.

² Includes South Texas Project O&M costs, other post employment benefits costs, pension costs and Sustainable Tomorrow Energy Plan expenses.

Summary of Statements of Net Position Information - Unaudited

	April 30,	
	2023	2022 ¹
		Restated
	(In thousands)	
Assets		
Current assets	\$ 1,096,430	\$ 1,284,281
Noncurrent assets ²	2,746,754	2,657,315
Capital assets, net	9,331,364	8,990,187
Total assets	13,174,548	12,931,783
Deferred outflows of resources	795,325	775,073
Total assets plus deferred outflows of resources	\$ 13,969,873	\$ 13,706,856
Liabilities		
Current liabilities	\$ 826,439	\$ 795,616
Long-term debt, net	6,885,907	6,556,718
Other noncurrent liabilities ³	1,952,541	2,158,744
Total liabilities	9,664,887	9,511,078
Deferred inflows of resources	284,004	318,448
Total liabilities plus deferred inflows of resources	9,948,891	9,829,526
Net position		
Net investment in capital assets	2,788,378	2,318,106
Restricted	685,353	541,649
Unrestricted	547,251	1,017,575
Total net position	4,020,982	3,877,330
Total liabilities plus deferred inflows of resources plus net position	\$ 13,969,873	\$ 13,706,856

¹ Certain amounts have been restated to reflect the adoption of GASB Statement No. 96, Subscription Based Information Technology Arrangements.

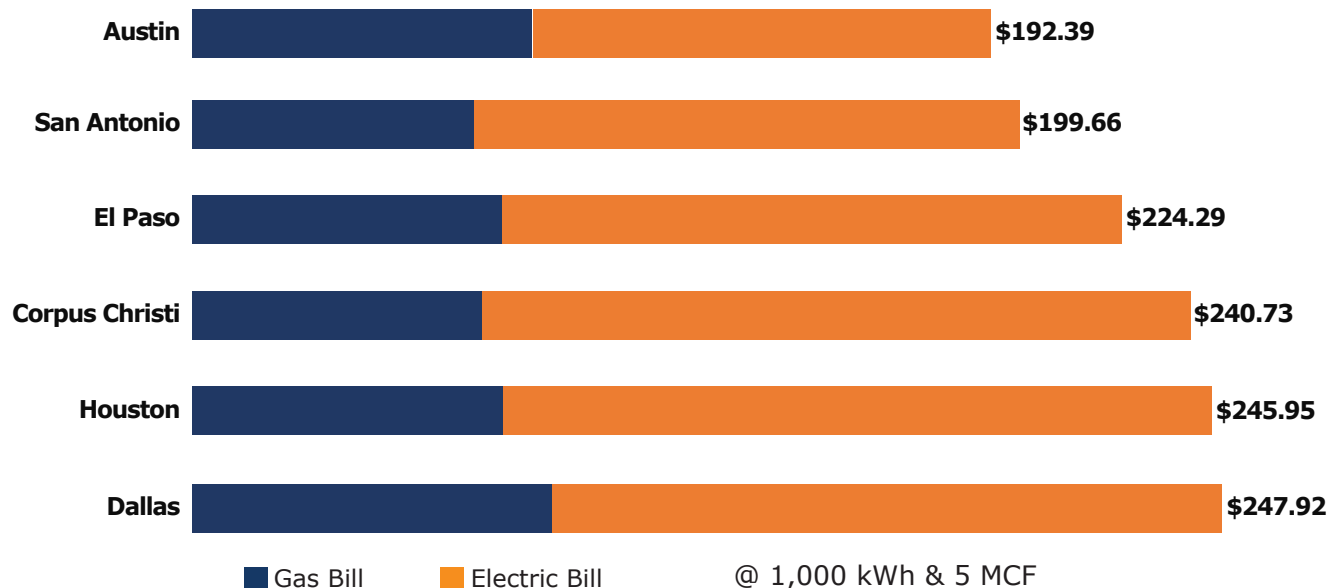
² Includes fuel costs incurred as a result of the 2021 Winter Storm, which were approved for regulatory recovery.

³ Uncertainty exists related to liabilities currently recorded for excessive fuel, which CPS Energy is legally disputing and making no concession to accept at this time.

Statistical Highlights - Unaudited

	Quarter Ended		Twelve Months Ended	
	April 2023	April 2022	April 2023	April 2022
ELECTRIC SYSTEM				
Retail sales (thousands of MWh).....	5,040	5,143	24,602	22,904
Wholesale sales (thousands of MWh)	616	1,692	3,627	7,564
Total sales (thousands of MWh)	5,656	6,835	28,229	30,468
Customers (average number for period)	932,206	911,175	925,613	902,915
Maximum electric demand (MW).....	4,290	4,666	5,441	4,906
GAS SYSTEM				
Sales (MMCF).....	7,448	7,726	25,784	25,567
Customers (average number for period)	382,764	375,073	379,783	372,396
GENERATION BY FUEL SOURCE AND OTHER POWER				
Gas	19 %	23 %	33 %	28 %
Coal	14 %	23 %	18 %	24 %
Nuclear.....	29 %	33 %	28 %	28 %
Purchased power – Renewables	16 %	13 %	13 %	11 %
Purchased power – Other	22 %	8 %	8 %	9 %

Texas Cities Combined Residential Bill Comparison Trailing Twelve Months Ending April 30, 2023



Note: Deregulated markets electric data from powertochoose.org (Terms 12; 4&5 star rated REPs). San Antonio is the only city that has a single electric & gas provider.