

FY 2024



INTERIM

REPORT

Second Quarter Ended July 31, 2023



Open House sessions are another way CPS Energy connects, listens, engages, and serves customers and stakeholders. Our July 26, 2023, Open House welcomed more than 150 guests who had the opportunity to learn about energy conservation, rates, billing assistance, power generation, and more topics from subject matter experts. Guests gave valuable input that influences CPS Energy's decisions.

Report from Management for the Second Quarter Ended July 31, 2023

Power Generation Plan Advances with Request for Proposal for 700 MW of Solar

A Request for Proposal (RFP) launched May 3, seeking up to 700 megawatts (MW) of additional solar energy, enough to power 140,000 homes, for our generation portfolio to power San Antonio into the future. The CPS Energy Board of Trustees previously approved a gas, solar, wind, and energy storage blend for future power generation planning. The RFP adds to 1,131 MW of solar generation capacity already under contract. When the RFP process is complete, we expect to have over 1,800 MW of solar energy generation operational or under contract to serve the community in the future. 1,800 MW will power about 360,000 homes.

Headquarters' Energy Efficiency Recognized by Build San Antonio Green

CPS Energy's headquarters building at 500 McCullough Avenue received recognition as Build San Antonio Green's (BSAG) first commercial retrofit certification over 200,000 square feet and the first major renovation of two buildings. The building is certified as being 10 percent or over projected energy savings above code and is 60 percent more energy efficient than the previous headquarters building. Headquarters' efficiencies include high-performing window systems that reduce the heat coming into the building to help save energy, energy and water efficient systems and equipment, charging for employees' electric vehicles (EV), high-efficiency heating ventilation and air conditioning (HVAC) systems with high-performing air filtration, low-impact development landscaping, and rain catchment systems.

Opportunities for Input and Engagement with Customers

Customer and stakeholder engagement is vital to facilitate fair, equitable, and sustainable outcomes for our community. Public comment opportunities exist before monthly Board of Trustee Meetings and quarterly during Public Input Sessions following Board meetings. Several interactive events were held during July to discuss energy conservation, billing assistance, and community investments. Customers could attend a teletown hall on July 13, 2023, where participants listened by phone or watched online in English or Spanish. Live callers gave feedback and submitted questions to our panelists. Two Open House sessions featuring information stations and employee energy experts were held at headquarters on July 26, 2023. Guests provided input through comment cards, a video testimonials station, and the customer value and investment preferences survey. The survey to collect customer feedback is also available online at cpsenergypublicinput.com and at our customer service centers. Ongoing events in the community help us connect, listen, engage, and serve our community.



Rudy D. Garza
President & CEO

Financial Review for the Second Quarter Ended July 31, 2023

Total operating revenues and nonoperating income of \$957.0 million for the second quarter of fiscal year 2024 decreased by \$86.7 million, or 8.3%, compared to the same period last year.

- Electric operating revenue was \$900.5 million, which was \$68.7 million, or 7.1%, less than the same quarter last year. Primarily contributing to the decrease were lower fuel recoveries stemming from a lower unit cost of fuel.
- Gas operating revenue of \$38.0 million was \$17.2 million, or 31.1%, lower than last year primarily due to lower fuel recoveries from lower natural gas prices.
- Nonoperating income of \$18.5 million was comparable to prior year, which was \$19.3 million.

Total expenses of \$845.6 million were \$97.8 million, or 10.4%, lower than last year.

- Comprising 31.9% of total expenses, fuel, purchased power and distribution gas costs decreased \$137.2 million, or 33.7%, to \$269.7 million. Primarily contributing to the decrease in electric costs and distribution gas costs were lower natural gas prices experienced in the current year.
- Operation and maintenance expenses of \$205.6 million for the quarter were \$20.6 million, or 11.1%, higher than last year primarily due to 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 \$31.9 million were \$6.2 million higher than last year primarily due to an increase in transmission cost of service.
- Depreciation and amortization expense of \$123.5 million was higher than last year by \$7.8 million, or 6.7%, due to the normal increase of plant-in-service.
- Interest and debt-related expenses of \$60.2 million were higher than last year by \$2.9 million or 5.1%, primarily due to higher interest rates as well as a greater outstanding debt balance in the current year.
- Payments to the City of San Antonio of \$147.9 million were comparable to prior year, which was \$146.9 million.

Income before other changes in net position of \$111.4 million was \$11.1 million higher compared to last year's net income of \$100.3 million. The variance was primarily due to lower operating expenses partially offset by lower operating revenues compared to prior year.

Contributed capital of \$23.3 million was comparable to prior year's second quarter of \$18.8 million. The effect of defined benefit plan funding obligations at the South Texas Project (STP) resulted in no adjustment for the current period, compared to a prior year adjustment of \$19.2 million, due to the remeasurement of the defined benefit plan obligations. The **change in net position** was an increase of \$134.6 million compared to an increase of \$138.3 million for the same quarter last year, reflecting a change of \$3.7 million resulting from the net income drivers explained above.

CPS Energy remains focused on executing its Vision 2027 strategic objectives and is committed to ensuring financial stability for our customers by maintaining the current credit health of the organization. Management 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	
	July 2023	July 2022 ¹ Restated	July 2023	July 2022 ¹ Restated
<i>(In thousands)</i>				
Revenues				
Electric	\$ 900,478	\$ 969,202	\$2,931,988	\$2,911,761
Gas	38,042	55,198	290,823	277,944
Total operating revenues	938,520	1,024,400	3,222,811	3,189,705
Nonoperating income (expense), net	18,464	19,273	98,107	20,356
Total revenues and nonoperating revenues	956,984	1,043,673	3,320,918	3,210,061
Expenses				
Fuel, purchased power and distribution gas	269,733	406,955	1,161,435	1,276,535
Operation and maintenance ²	205,647	185,063	793,064	664,508
Decommissioning	6,729	5,820	25,104	22,320
Regulatory assessments	31,858	25,646	110,231	89,875
Depreciation and amortization	123,480	115,690	511,922	457,627
Interest and debt-related	60,225	57,307	235,082	210,208
Payments to the City of San Antonio	147,944	146,942	424,095	401,072
Total expenses	845,616	943,423	3,260,933	3,122,145
Income before other changes in net position				
Other payments to the City of San Antonio	—	—	(11,523)	(11,600)
Contributed capital	23,261	18,835	84,596	82,261
Effect of defined benefit plan funding obligations - STP	—	19,229	6,909	33,789
Change in net position	134,629	138,314	139,967	192,366
Net position - beginning	4,020,982	3,877,330	4,015,644	3,823,278
Net position - ending	\$4,155,611	\$4,015,644	\$4,155,611	\$4,015,644

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

²Includes 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

	July 31,	
	2023	2022 ¹
		Restated
	(In thousands)	
Assets		
Current assets	\$ 1,231,666	\$ 1,381,717
Noncurrent assets ²	2,781,005	2,708,086
Capital assets, net	9,482,824	9,070,374
Total assets	13,495,495	13,160,177
Deferred outflows of resources	741,639	746,917
Total assets plus deferred outflows of resources	\$ 14,237,134	\$ 13,907,094
Liabilities		
Current liabilities	\$ 895,359	\$ 935,952
Long-term debt, net	6,958,706	6,594,327
Other noncurrent liabilities ³	1,944,436	2,045,245
Total liabilities	9,798,501	9,575,524
Deferred inflows of resources	283,022	315,926
Total liabilities plus deferred inflows of resources	10,081,523	9,891,450
Net position		
Net investment in capital assets	2,651,331	2,356,521
Restricted	788,281	627,799
Unrestricted	715,999	1,031,324
Total net position	4,155,611	4,015,644
Total liabilities plus deferred inflows of resources plus net position	\$ 14,237,134	\$ 13,907,094

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

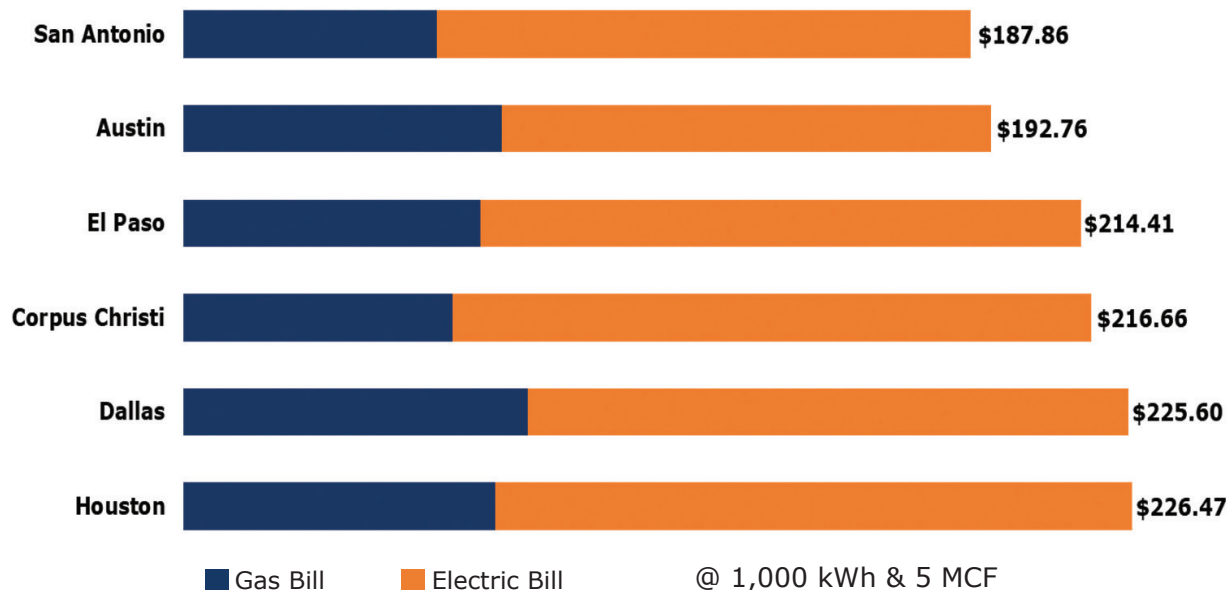
²Represents fuel costs incurred as a result of the 2021 Winter Storm, which were approved for regulatory recovery.

³Uncertainty 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	
	July 2023	July 2022	July 2023	July 2022
ELECTRIC SYSTEM				
Retail sales (thousands of MWh)	7,281	7,669	24,214	24,241
Wholesale sales (thousands of MWh)	1,978	1,053	4,552	6,244
Total sales (thousands of MWh)	9,259	8,722	28,766	30,485
Customers (average number for period)	937,140	917,579	930,504	908,619
Maximum electric demand (MW)	5,538	5,440	5,538	5,440
GAS SYSTEM				
Sales (MMCF)	4,770	4,455	26,100	25,515
Customers (average number for period)	384,896	376,919	381,777	374,159
GENERATION BY FUEL SOURCE AND OTHER POWER				
Gas	43 %	32 %	36 %	29 %
Coal	17 %	25 %	16 %	24 %
Nuclear	25 %	25 %	28 %	28 %
Purchased power – Renewables	10 %	14 %	11 %	12 %
Purchased power – Other	5 %	4 %	9 %	7 %

Texas Cities Combined Residential Bill Comparison Trailing Twelve Months Ending July 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.