

# FY 2024 **CPS ENERGY** INTERIM REPORT

## Third Quarter Ended October 31, 2023



CPS Energy held its 8th annual GrillsGiving event to support families in need of energy assistance, with all net proceeds going directly to the Residential Energy Assistance Partnership (REAP). Photographed above is DeAnna Hardwick, Chief Customer Strategy Officer, who presented the barbecue team, Fat Side Up, with the award for Best Overall CPS Energy Team.

# Report from Management for the Third Quarter Ended October 31, 2023

## **CPS Energy launches request for proposal to secure up to 500 MW of energy storage**

CPS Energy formally launched a Request for Proposal in September for up to 500 megawatts of energy storage solutions. Storage resource additions were included in the power generation plan approved by our Board of Trustees earlier this year. Gas, wind, solar and storage resources will provide power for our fast-growing community. Energy storage strengthens our future power generation portfolio so we can quickly respond to changes in customer demand or grid conditions. This aligns with our CPS Energy Vision 2027 to evolve and serve our community now and in the future.

## **Request for proposal for 50 MW of community solar initiated**

A Request for Proposal was issued in August requesting up to 50 MW of community solar, capable of powering about 10,000 homes during peak energy demand. Community solar programs provide customers the opportunity to purchase panels at offsite locations and receive a credit on their CPS Energy bill for the panels' energy production. Community solar programs align with our Sustainable Tomorrow Energy Plan (STEP) and create solar participation opportunities for low-to-moderate income customers. In advance of the Request for Proposal, CPS Energy facilitated a community solar supplier event to educate potential suppliers and foster networking opportunities. Local businesses, both small and large, were encouraged to participate. The community solar initiative creates opportunities for underserved customers, contributes to environmental sustainability, and reinforces San Antonio's designation as the largest producer of solar power in Texas and number five nationally.

## **Community rallies for energy assistance**

Our 8th annual GrillsGiving, held on October 21, 2023, at Mission County Park, marked another successful chapter in CPS Energy's support of our community. The October event featured 46 barbeque teams, including 19 from CPS Energy, competing in a cook-off. Attendees enjoyed a festival-like atmosphere, live music, and family-centered activities. A record-breaking \$350,000 was raised with all net proceeds going directly to the Residential Energy Assistance Partnership (REAP). REAP is a partnership between CPS Energy, the City of San Antonio, and Bexar County that provides energy bill assistance twice a year to qualifying customers. GrillsGiving 2023 was the most successful to date; rooted in collaboration, partnerships, and community support.

## **Forging academic success through partnership**

For over 15 years, our powerful partnership with Communities in Schools – San Antonio (CIS-SA) has shaped students' academic futures. As One Team, our team members from our service centers and other facilities companywide gathered supplies throughout August. CPS Energy was a top supporter of CIS' Stuff the Bus campaign and placed second among large corporate supporters. We exceeded our company goal by contributing more than \$6,100 through online donations and our Stuff the Bucket school supply drive. Additionally, our partnership extends to the InspireU program, where our team members mentor high school students. We serve the community's energy needs, and our partnership with CIS-SA is a powerful way to make a difference for students.



Rudy D. Garza  
President & CEO

# Financial Review for the Third Quarter Ended October 31, 2023

**Total operating revenues and nonoperating income** of \$1,039.7 million for the third quarter of fiscal year 2024 increased by \$122.9 million, or 13.4%, compared to the same period last year.

- Electric operating revenue was \$981.3 million, which was \$123.7 million, or 14.4%, more than the same quarter last year. Primarily contributing to the increase were higher wholesale revenues due to improved margins as a result of favorable market opportunities for the quarter, as well as higher retail nonfuel recoveries from warmer weather.
- Gas operating revenue of \$40.4 million was \$15.8 million, or 28.1%, lower than last year primarily due to lower fuel recoveries as a result of lower natural gas prices.
- Nonoperating income of \$18.0 million was higher by \$14.9 million compared to the same quarter last year primarily due to an increase in fair value of investment holdings this year.

**Total expenses** of \$843.4 million were \$35.6 million, or 4.1%, lower than last year.

- Comprising 31.5% of total expenses, fuel, purchased power and distribution gas costs decreased \$97.5 million, or 26.8%, to \$265.8 million. Primarily contributing to the decrease were lower natural gas prices experienced in the current year.
- Operation and maintenance expenses of \$209.1 million for the quarter were \$28.8 million, or 16.0%, higher than last year due to increased labor and outside services in the current year.
- Decommissioning expense of \$2.9 million was lower than last year by \$2.9 million or 50.4%, primarily due to favorable adjustments to the estimated decommissioning costs related to the South Texas Project (STP) from the impacts of the most recent 2023 cost study.
- Regulatory assessments, including those charged by the Public Utility Commission of Texas and the Electric Reliability Council of Texas, of \$18.5 million were \$6.5 million lower than last year primarily due to a decrease in transmission cost of service.
- Depreciation and amortization expense of \$124.5 million was higher than last year by \$8.3 million, or 7.1%, due to the normal increase of plant-in-service.
- Interest and debt-related expenses of \$71.9 million were higher than last year by \$14.6 million or 25.4%, primarily due to higher interest rates as well as a greater outstanding debt balance.
- The effect of defined benefit plan funding obligations at STP resulted in no adjustment for the current period, compared to a prior year unfavorable adjustment of \$1.8 million, due to the remeasurement of the defined benefit plan obligations.
- Payments to the City of San Antonio of \$150.8 million were \$21.4 million higher than the same period last year due to higher revenues from favorable retail and wholesale market sales.

**Income before other changes in net position** of \$196.3 million was \$158.5 million higher compared to last year's net income of \$37.8 million. The variance was primarily due to lower operating expenses and higher operating revenues and nonoperating income compared to prior year. **Contributed capital** of \$27.3 million was \$7.7 million higher than the previous year's third quarter primarily due to higher contributions for customer growth projects. The **change in net position** was an increase of \$223.6 million compared to an increase of \$57.4 million for the same quarter last year, reflecting a change of \$166.2 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	
	October 2023	October 2022 <sup>1</sup>	October 2023	October 2022 <sup>1</sup>
		Restated		Restated
	(In thousands)			
<b>Revenues</b>				
Electric .....	\$ 981,322	\$ 857,620	\$ 3,055,692	\$ 3,007,545
Gas .....	40,428	56,207	275,043	293,377
Total operating revenues .....	1,021,750	913,827	3,330,735	3,300,922
Nonoperating income (expense), net .....	17,996	3,052	113,052	22,014
<b>Total revenues and nonoperating revenues .....</b>	<b>1,039,746</b>	<b>916,879</b>	<b>3,443,787</b>	<b>3,322,936</b>
<b>Expenses</b>				
Fuel, purchased power and distribution gas .....	265,828	363,338	1,063,927	1,332,790
Operation and maintenance <sup>2</sup> .....	209,126	180,298	821,896	674,528
Decommissioning .....	2,884	5,820	22,168	22,800
Regulatory assessments .....	18,452	24,971	103,712	93,191
Depreciation and amortization .....	124,527	116,232	520,217	460,634
Interest and debt-related .....	71,873	57,294	249,658	214,536
Effect of defined benefit plan funding obligations - STP .....	—	1,815	(8,724)	(30,909)
Payments to the City of San Antonio .....	150,751	129,312	445,533	428,572
<b>Total expenses .....</b>	<b>843,441</b>	<b>879,080</b>	<b>3,218,387</b>	<b>3,196,142</b>
<b>Income before other changes</b>				
<b>in net position .....</b>	<b>196,305</b>	<b>37,799</b>	<b>225,400</b>	<b>126,794</b>
Other payments to the City of San Antonio .....	—	—	(11,523)	(11,600)
Contributed capital .....	27,319	19,614	92,301	85,797
<b>Change in net position .....</b>	<b>223,624</b>	<b>57,413</b>	<b>306,178</b>	<b>200,991</b>
<b>Net position - beginning .....</b>	<b>4,155,611</b>	<b>4,015,644</b>	<b>4,073,057</b>	<b>3,872,066</b>
<b>Net position - ending .....</b>	<b>\$ 4,379,235</b>	<b>\$ 4,073,057</b>	<b>\$ 4,379,235</b>	<b>\$ 4,073,057</b>

<sup>1</sup>Reflects impact of implementation of GASB 96, Subscription Based Information Technology Arrangements.

<sup>2</sup>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

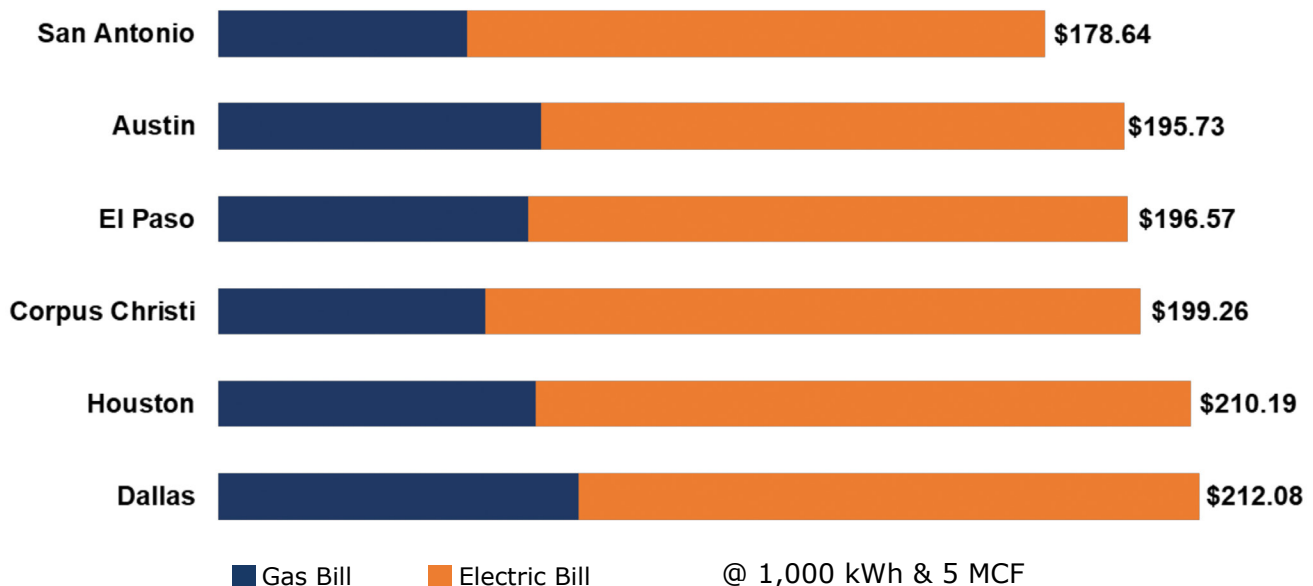
	October 31,	
	2023	2022 <sup>1</sup>
		Restated
	(In thousands)	
<b>Assets</b>		
Current assets .....	\$ 1,096,137	\$ 1,087,541
Noncurrent assets .....	3,056,808	2,783,927
Capital assets, net .....	9,606,911	9,147,278
Total assets .....	13,759,856	13,018,746
<b>Deferred outflows of resources</b> .....	652,683	801,531
<b>Total assets plus deferred outflows of resources</b> .....	\$ 14,412,539	\$ 13,820,277
<b>Liabilities</b>		
Current liabilities .....	\$ 809,839	\$ 806,150
Long-term debt, net .....	7,124,671	6,672,834
Other noncurrent liabilities .....	1,781,187	1,920,414
Total liabilities .....	9,715,697	9,399,398
<b>Deferred inflows of resources</b> .....	317,607	347,822
<b>Total liabilities plus deferred inflows of resources</b> .....	10,033,304	9,747,220
<b>Net position</b>		
Net investment in capital assets .....	2,737,966	2,354,518
Restricted .....	1,068,403	797,945
Unrestricted .....	572,866	920,594
Total net position .....	4,379,235	4,073,057
<b>Total liabilities plus deferred inflows of resources plus net position</b> .....	\$ 14,412,539	\$ 13,820,277

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

# Statistical Highlights - Unaudited

	Quarter Ended		Twelve Months Ended	
	October 2023	October 2022	October 2023	October 2022
<b>ELECTRIC SYSTEM</b>				
Retail sales (thousands of MWh) .....	7,393	6,694	24,913	24,434
Wholesale sales (thousands of MWh) ..	2,086	1,206	5,432	5,728
Total sales (thousands of MWh) .....	9,479	7,900	30,345	30,162
Customers (average number for period)	943,499	923,970	935,386	914,577
Maximum electric demand (MW) .....	5,701	5,441	5,701	5,441
<b>GAS SYSTEM</b>				
Sales (MMCF) .....	5,008	4,677	26,430	25,783
Customers (average number for period)	386,808	378,782	383,784	376,003
<b>GENERATION BY FUEL SOURCE AND OTHER POWER</b>				
Gas .....	39 %	41 %	36 %	31 %
Coal .....	19 %	22 %	15 %	24 %
Nuclear .....	23 %	24 %	27 %	28 %
Purchased power – Renewables .....	9 %	9 %	12 %	12 %
Purchased power – Other .....	10 %	4 %	10 %	5 %

## Texas Cities Combined Residential Bill Comparison Trailing Twelve Months Ending October 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.