

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

(A Component Unit of the City of San Antonio)

BASIC FINANCIAL STATEMENTS

Fiscal Year Ended January 31, 2025 and 2024

(With Independent Auditors' Report Thereon)



City Public Service Board of San Antonio, Texas

(A Component Unit of the City of San Antonio)

Basic Financial Statements

For the Fiscal Year Ended January 31, 2025 and 2024

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Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and fiduciary activities of the City Public Service Board of San Antonio, Texas (CPS Energy), a component unit of the City of San Antonio, Texas, as of and for the years ended January 31, 2025 and 2024, and the related notes to the financial statements, which collectively comprise CPS Energy's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of CPS Energy, as of January 31, 2025 and 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

We did not audit the financial statements of the CPS Energy Pension Plan, the CPS Energy Group Health Plan, the CPS Energy Group Life Plan, and the CPS Energy Long-Term Disability Income Plan, which represent 100% of the fiduciary activities as of December 31, 2024 and 2023 and for the years then ended. Those statements were audited by other auditors whose reports have been furnished to us, and in our opinion, insofar as it relates to the amounts included for the CPS Energy Pension Plan, the CPS Energy Group Health Plan, the CPS energy Group Life Plan, and the CPS Energy Long-Term Disability Income Plan, are based solely on the reports of the other auditors.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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



Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

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

KPMG LLP

San Antonio, Texas
April 28, 2025



MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)

INTRODUCTION

The following Management’s Discussion and Analysis (“MD&A”) serves as an introduction to the financial statements of City Public Service Board of San Antonio (also referred to as “CPS Energy” or the “Company”), a component unit of the City of San Antonio (“City”). It is intended to be an objective and easily understandable analysis of significant financial and operating activities and events for the fiscal year ended January 31, 2025 (“FY2025”), compared to the fiscal year ended January 31, 2024 (“FY2024”). It also provides an overview of CPS Energy’s general financial condition and results of operations for FY2024, compared to the previous fiscal year ended January 31, 2023 (“FY2023”). The MD&A should be read in conjunction with the basic financial statements, notes to the basic financial statements, and the required supplemental information that follows.

BASIC FINANCIAL STATEMENTS OVERVIEW

In accordance with generally accepted accounting principles (“GAAP”) as prescribed by the Governmental Accounting Standards Board (“GASB”), the Statements of Net Position present CPS Energy’s assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position as of the end of each fiscal year.

Assets are separated into current and noncurrent categories and are reported in the order of liquidity. Current assets include unrestricted cash and cash equivalents, customer, interest and other accounts receivable; and inventories, as well as prepayments and other current assets. Noncurrent assets include cash and cash equivalents, investments, and interest and other accounts receivable that have been restricted by state laws, ordinances or contracts. Noncurrent assets also include the pension regulatory asset, fuel costs regulatory asset, other noncurrent assets and net capital assets.

Deferred outflows of resources include unrealized pension and other post-employment benefits (“OPEB”) contributions made in the current year, unrealized losses related to fuel hedges, unamortized losses on debt refundings, and unamortized asset retirement obligation costs.

Consistent with the reporting of assets on the Statements of Net Position, liabilities are segregated into current and noncurrent categories. Current liabilities include the current maturities of debt, accounts payable and accrued liabilities. Noncurrent liabilities include net long-term debt, asset retirement obligations, decommissioning net costs refundable, net pension and OPEB liabilities, fuel costs liability, and other noncurrent liabilities.

Deferred inflows of resources include unrealized gains on fuel hedges, unrealized gains related to pension and OPEB, unrealized future revenues, unamortized gains on debt refundings, and deferred inflows related to leases. The deferred inflows related to future revenues are associated with the FY2014 sale of certain assets and unrealized future recoveries related to the Joint Base San Antonio (“JBSA”) agreement.

The Statements of Net Position report net position as the difference between (a) the sum of total assets plus deferred outflows of resources and (b) the sum of total liabilities plus deferred inflows of resources. The components of net position are classified as net investment in capital assets, restricted or unrestricted. An unrestricted designation indicates the net funds are available for operations.

Within the Statements of Revenues, Expenses and Changes in Net Position, operating results are reported separately from nonoperating results, which primarily relate to financing and investing. Other payments to the City of San Antonio and capital contributions are also reported separately as components of the change in net position. These statements identify revenue generated from sales to cover operating and nonoperating expenses. Operating expenses are presented by major cost categories. Revenues remaining are available to service debt, fulfill City Payment commitments, finance capital expenditures and cover contingencies.

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

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

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

OPERATIONAL HIGHLIGHTS

Vision 2027 and Horizon 2050 Strategic Framework – In May 2022, CPS Energy launched a multi-year initiative focused on five strategic objectives to meet the company's mission in the rapidly changing utility industry. The initiative's five strategic objectives are: operational evolution, financial stability, customer experience, team culture and community partnership and growth. In alignment with this framework, CPS Energy is focused on executing four strategic initiatives to achieve Vision 2027's objectives which include the power generation plan, system resiliency and growth, Evolve: Enterprise Resource Plan ("ERP"), and customer experience. In FY2025, CPS Energy strengthened generation capabilities by acquiring three power generation plants that produce a combined 1,710 megawatt ("MW"), increasing battery storage, and increasing its power generation through its power purchase agreements ("PPA"). Additionally, CPS Energy has taken steps to modernize the ERP by selecting and contracting a vendor in FY2025 to provide a new platform that will best serve customers, employees, and the community.

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

Plant Acquisition – In May 2024, CPS Energy acquired a generation portfolio of approximately 1,710 MW located in the South Zone of the Electric Reliability Council of Texas ("ERCOT") market for \$785.0 million. These assets include natural gas plants in Corpus Christi and Laredo, Texas. CPS Energy acquired all assets associated with the 897 MW Barney Davis and 635 MW Nueces Bay natural gas-fired generation facilities, both located in Corpus Christi, Texas, as well as the 178 MW natural gas-fired generation facility in Laredo, Texas.

South Texas Project ("STP") – In May 2024, CPS Energy entered into an agreement to acquire an additional 2% ownership of STP from Constellation, which will increase CPS Energy's ownership of STP to 42%. CPS Energy expects this transaction to close in calendar year 2025 pending various regulatory approvals.

Renewables Power Purchase Agreement ("PPA") – In June 2024, CPS Energy extended and expanded a previous 15-year PPA that will more than double CPS Energy's MW share from a wind farm in Kenedy County, Texas, near the Gulf Coast. The revised PPA will increase CPS Energy's 77 MW to 161 MW, which is an increase of 84 MW. Nearly 40% of the total power generated from the wind farm is provided to CPS Energy.

Wholesale Revenue – In FY2025, CPS Energy's wholesale revenue increased by \$184.4 million, which was due to the capacity length from the generation asset acquisition that enabled more wholesale activity and high temperatures during the summer months which provided greater opportunities to sell into the market at higher prices. The

CPS Energy FY2025 Basic Financial Statements

revenues are expected to be used to reinvest into CPS Energy, to provide direct assistance to customers via the Residential Energy Assistance Program, and to comply with regulatory requirements.

Customer Accounts Receivable – CPS Energy continues to see lingering impacts of COVID-19, most notably related to past due customer accounts receivable, however, past due accounts have been steadily decreasing from their peak in October 2022. The majority of the past due accounts are actively engaged and maintaining their payment plans. In FY2025 and FY2024, disconnects were paused due to the extreme summer temperatures but resumed as weather conditions improved and continued through fiscal year-end. The continuation of the standard collections and disconnects is part of the Vision 2027 customer experience core objective to develop a timely and effective communication with the customers and connect customers with support through the customer assistance programs available.

Grant Awards – In March 2024, CPS Energy was awarded a \$1.0 million Community Development Block Grant ("CDBG") for the Casa Verde Weatherization Program. The funding was included in the federal fiscal year 2024 appropriations process and approved in HR 4366, the Consolidated Appropriations Act. The Casa Verde program is an energy efficiency program that provides energy-saving upgrades for limited-income residents in San Antonio. The additional funding will expand the reach and impact of the program by providing eligible customers home repairs (plumbing, electrical, foundation, active roof leaks), which will allow more homes to qualify for the Casa Verde Weatherization Program. As of January 31, 2025, no funds have been spent under this grant.

In April 2024, CPS Energy was awarded a \$2.5 million grant to replace aging local gas infrastructure from the Department of Transportation ("DOT") and the Pipeline and Hazardous Materials Safety Administration ("PHMSA"). Under the PHMSA umbrella is the first ever Natural Gas Distribution Infrastructure Safety and Modernization grant program. Funding under this program exclusively helps municipally owned local distribution gas utilities upgrade or replace portions of their pipeline systems. The funding will be utilized to replace over five miles of steel gas pipeline in the western portion of the City of San Antonio. As of January 31, 2025, no funds have been spent under this grant. On February 4, 2025, CPS Energy received notification that the award would be delayed until additional guidance is provided by the new administration.

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

Battery Storage – In December 2024, CPS Energy entered into a storage capacity agreements ("SCA") for 120 MW of battery energy storage. The addition of this 120 MW project is a continuation of the utility's execution of its Vision 2027 generation plan and brings CPS Energy's battery storage under contract to 520 MW. In August 2024, CPS Energy entered into two SCA's for a total 350 MW of battery energy storage, adding to a 50 MW SCA signed in 2023, for a combined storage of 400 MW. These battery storage projects, will be newly constructed in Bexar County, Texas and are expected to be online in the first half of FY2026. These projects are expected to help serve the energy needs of the San Antonio community for a 20-year period.

City of San Antonio ("COSA") Distribution – In FY2024, the City of San Antonio implemented or revised two policies related to CPS Energy's City Payment and in August 2024, COSA and CPS Energy executed a memorandum of understanding ("MOU"). These policies and MOU cap the City Payment from off-system sales at \$10.0 million annually and City payment in excess of 10% over the City's adopted City payment base budget (adopted budget plus 10%) is allocated based on percentages between COSA and CPS Energy. COSA will analyze the results of these policies and determine an amount available to be distributed, if any, to CPS Energy for resiliency and reliability projects. In FY2025, these policies resulted in a distribution of \$25.9 million to CPS Energy.

RESULTS OF OPERATIONS**Summary of Revenues, Expenses and Changes in Net Position**

(In thousands)

	January 31		
	2025	2024	2023
Revenues and nonoperating income			
Operating revenues	\$ 3,575,883	\$ 3,359,249	\$ 3,383,403
Nonoperating income, net	103,578	97,040	62,301
Total revenues and nonoperating income	<u>3,679,461</u>	<u>3,456,289</u>	<u>3,445,704</u>
Expenses			
Operating expenses	2,724,780	2,503,976	2,738,146
Nonoperating expenses	742,324	709,682	636,767
Total expenses	<u>3,467,104</u>	<u>3,213,658</u>	<u>3,374,913</u>
Income before other changes in net position	212,357	242,631	70,791
Other payments to the City of San Antonio	(13,031)	(12,853)	(11,524)
Capital contributions	162,829	103,062	81,225
Change in net position	362,155	332,840	140,492
Net position – beginning	4,364,055	4,031,215	3,890,723
Net position – ending	<u>\$ 4,726,210</u>	<u>\$ 4,364,055</u>	<u>\$ 4,031,215</u>

Total Revenues and Nonoperating Income

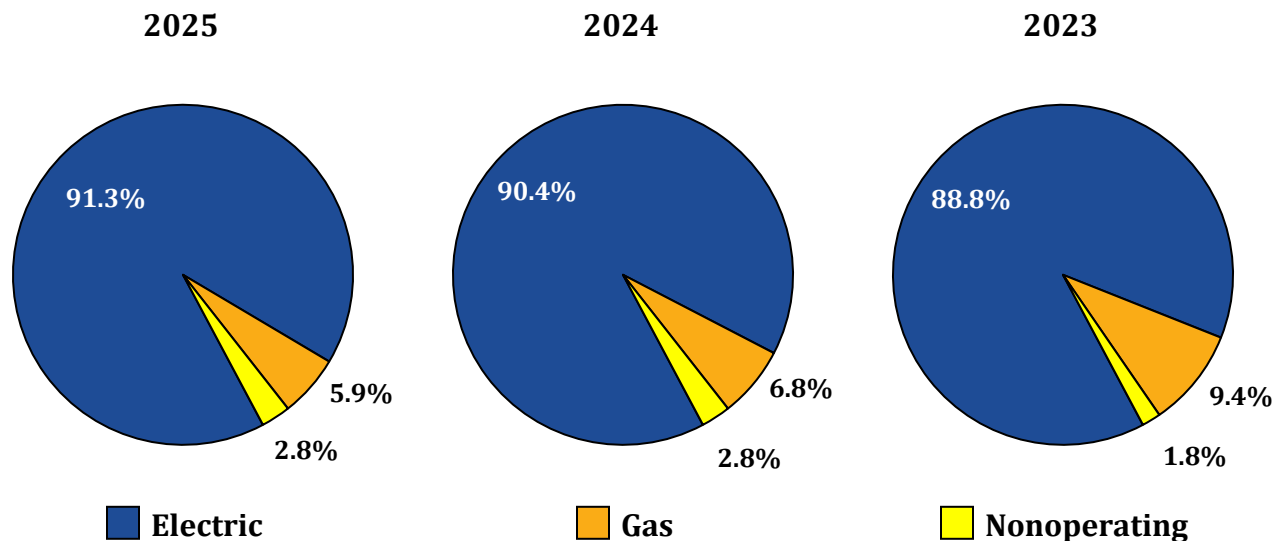
FY2025 – Representing 97.2% of total revenues and nonoperating income, electric and gas revenues of \$3,575.9 million increased by \$216.6 million, or 6.4%, compared to FY2024. This increase was primarily due to higher electric wholesale fuel and nonfuel recoveries, enabled by the added capacity length provided by the generation asset acquisition, and higher electric retail nonfuel recoveries resulting from a base rate increase and warmer weather.

Net nonoperating income of \$103.6 million increased \$6.5 million from FY2024. This increase was primarily due to higher investment income due to higher market interest rates in FY2025 as compared to FY2024.

FY2024 – Representing 97.2% of total revenues and nonoperating income, electric and gas revenues of \$3,359.2 million decreased by \$24.2 million, or 0.7%, compared to FY2023. This decrease was primarily due to lower electric retail and gas fuel recoveries partially offset by higher electric wholesale nonfuel recoveries. Even though San Antonio experienced record heat in the summer of FY2024, the hotter summer weather and the associated increase in electric consumption was not enough to offset the electric retail and gas fuel recoveries that were significantly lower in FY2024 as compared to FY2023 due to drastically lower electric retail and gas fuel prices, which led to lower operating revenue in FY2024 as compared to FY2023.

Net nonoperating income of \$97.0 million increased \$34.7 million from FY2023. This increase was primarily due to a positive change in the fair value of CPS Energy's investments as compared to a negative change in the fair value of CPS Energy's investments in FY2023.

**Total Revenues and Nonoperating Income
Fiscal Year Ended January 31,**



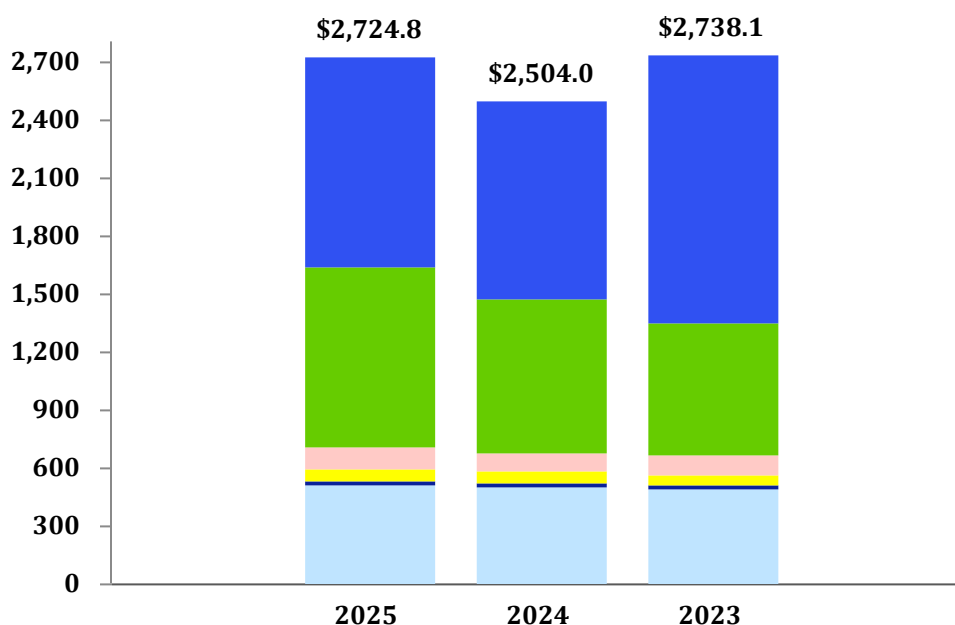
Operating Expenses

FY2025 – Operating expenses of \$2,724.8 million were approximately \$220.8 million, or 8.8%, above the FY2024 total of \$2,504.0 million. The variance is primarily due to the following: higher fuel costs of \$50.4 million due to increased wholesale activity partially offset by lower natural gas costs for the gas distribution system; higher operation and maintenance (“O&M”) of \$144.3 million due to the acquired generation assets, unplanned outages repairs, and emergency-related and compliance work; and higher other expenses totaling \$26.1 million.

FY2024 – Operating expenses of \$2,504.0 million were approximately \$234.2 million, or 8.6%, below the FY2023 total of \$2,738.1 million. The variance is due to lower fuel costs of \$347.9 million due to lower fuel market prices, partially offset by higher O&M of \$98.9 million, depreciation expense of \$11.6 million and other expenses totaling \$3.2 million.

Total Operating Expenses

Fiscal Year Ended January 31,
(In millions)



	2025	2024	2023
Fuel, purchased power and distribution gas	\$ 1,082.0	\$ 1,031.6	\$ 1,379.5
Operation and maintenance	932.0	787.6	688.7
Regulatory assessments	112.7	99.8	99.9
Energy efficiency and conservation (STEP) & STEP net costs recoverable	57.2	54.8	49.9
Decommissioning	23.9	21.8	23.3
Depreciation and amortization	517.0	508.4	496.8

Nonoperating Expenses

FY2025 – Nonoperating expenses of \$742.3 million were approximately \$32.6 million higher than FY2024 due to higher payments to the City of \$7.0 million primarily due to increased electric wholesale activity, and higher interest expense and other debt-related costs of \$39.3 million primarily due to the debt incurred for the generation asset acquisition, partially offset by the decrease in the effect of the South Texas Project ("STP") defined benefit plan funding obligations of \$13.7 million lower than FY2024.

FY2024 – Nonoperating expenses of \$709.7 million were approximately \$72.9 million higher than FY2023 due to higher payments to the City of \$10.8 million due to increased electric revenues, higher interest expense and other debt-related costs of \$28.7 million due to current year bond issuances, and by the higher effect of the STP defined benefit plan funding obligations of \$33.4 million.

Other Changes in Net Position

FY2025 – Other payments to the City totaled \$13.0 million and were comparable to FY2024. Capital contributions of \$162.8 million were approximately \$59.8 million higher than FY2024 due to an increase in customer growth projects and a \$25.9 million distribution received from the City to fund resiliency and reliability projects.

FY2024 – Other payments to the City totaled \$12.9 million and were comparable to FY2023. Capital contributions of \$103.1 million were approximately \$21.8 million higher than FY2023 due to an increase in customer growth projects.

FINANCIAL POSITION

Statements of Net Position Summary

(In thousands)

	January 31		
	2025	2024	2023
Assets			
Current assets	\$ 1,285,788	\$ 1,204,611	\$ 1,285,994
Noncurrent assets	3,244,782	3,095,301	2,830,996
Capital assets, net	11,004,386	9,763,110	9,272,283
Total assets	15,534,956	14,063,022	13,389,273
Deferred outflows of resources	917,441	747,712	754,235
Total assets plus deferred outflows of resources	\$ 16,452,397	\$ 14,810,734	\$ 14,143,508
Liabilities			
Current liabilities	\$ 1,045,046	\$ 977,821	\$ 995,805
Long-term debt, net	8,222,456	7,175,452	6,930,755
Noncurrent liabilities	2,282,316	2,101,005	1,874,430
Total liabilities	11,549,818	10,254,278	9,800,990
Deferred inflows of resources	176,369	192,401	311,303
Total liabilities plus deferred inflows of resources	11,726,187	10,446,679	10,112,293
Net position			
Net investment in capital assets	2,775,776	2,682,503	2,672,442
Restricted	980,894	965,197	813,194
Unrestricted	969,540	716,355	545,579
Total net position	4,726,210	4,364,055	4,031,215
Total liabilities plus deferred inflows of resources plus net position	\$ 16,452,397	\$ 14,810,734	\$ 14,143,508

Current Assets

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

FY2024 – Current assets totaled \$1,204.6 million as of January 31, 2024, a decrease of \$81.4 million compared to January 31, 2023. The variance was primarily due to decreases of \$56.0 million in the General Fund, \$36.5 million in solar farm deposits, \$36.2 million in customer accounts receivable related to suspending disconnects, \$10.0 million in prepayments and other, \$6.8 million in oil, and \$6.6 million in gas. These decreases were partially offset by increases of \$28.1 million in coal, \$19.0 million in materials and supplies, and \$4.9 million in insurance reserves.

Noncurrent Assets

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

FY2024 – Noncurrent assets totaled \$3,095.3 million as of January 31, 2024, an increase of \$264.3 million compared to January 31, 2023. The overall variance was due to increases of \$132.4 million in the Repair and Replacement Account, \$64.1 million in the Decommissioning Trusts balance resulting from favorable market conditions, \$31.8 million in the debt service balance, \$26.1 million in regulatory assets related to the pension and OPEB regulatory asset, and \$25.2 million in prepayments and other accounts. These increases were partially offset by a decrease of \$18.4 million due to the inventory related to the long-term service agreement being placed in service.

Capital Assets, Net

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

Of the total plant-in-service and construction-in-progress additions, \$1,744.8 million was related to new construction and net removal costs. These additions included funding with \$1,232.7 million of debt, \$130.8 million from capital contributions and \$381.3 million from the Repair and Replacement Account. Included in capital assets is CPS Energy's 40% interest in STP Units 1 and 2.

FY2024 – As of January 31, 2024, net capital assets of \$9,763.1 million increased \$490.8 million from \$9,272.3 million at January 31, 2023. The variance was primarily due to increases of \$202.8 million in nondepreciable assets, \$228.4 million in electric plant, and \$91.7 million in gas plant. These increases were partially offset by decreases of \$8.3 million in general plant, \$4.1 million in nuclear fuel, and a \$29.0 million decrease in intangibles. Total depreciable/amortizable assets increased \$288.1 million.

Of the total plant-in-service and construction-in-progress additions, \$1,004.6 million was related to new construction and net removal costs. These additions included funding with \$531.7 million of debt, \$97.7 million from capital contributions and \$375.2 million from the Repair and Replacement Account. Included in capital assets is CPS Energy's 40% interest in STP Units 1 and 2.

Deferred Outflows of Resources

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

FY2024 – Deferred outflows of resources decreased \$6.5 million, from \$754.2 million as of January 31, 2023, to \$747.7 million as of January 31, 2024, due to decreases of \$80.6 million in unamortized asset retirement obligation costs to reflect decommissioning cost study, \$14.4 million in unamortized losses on debt refundings, and \$5.5 million in unrealized losses on fuel hedges, partially offset by an increase of \$94.1 million of outflows related to pension and OPEB as a result of the new regulatory asset adoption.

Current Liabilities

FY2025 – Excluding \$183.6 million of current maturities of debt, current liabilities increased \$64.9 million, from \$796.5 million as of January 31, 2024, to \$861.4 million as of January 31, 2025. The variance was primarily due to

CPS Energy FY2025 Basic Financial Statements

increases of \$36.3 million in bond interest payable due to greater outstanding debt from the CCL purchase, \$31.8 million in accounts payable and accrued liabilities, and \$24.4 million in current customer advances reclassified to long-term customer advances. These were partially offset by decreases of \$22.3 million in STP operating, maintenance and construction payables, and \$4.1 million for the City of San Antonio payable.

FY2024 – Excluding current maturities of debt of \$181.3 million, current liabilities decreased \$37.5 million, from \$834.0 million as of January 31, 2023, to \$796.5 million as of January 31, 2024. The decrease was primarily due to decreases of \$51.5 million in accounts payable and accrued liabilities, \$6.6 million in STP operating, maintenance and construction payables, and \$4.0 million in pollution remediation. These were partially offset by increases of \$12.3 million in interest and other debt-related payables, and \$7.0 million in current customer advances reclassified to long-term customer advances.

Noncurrent Liabilities

FY2025 – Excluding the noncurrent portion of debt of \$8,222.5 million, noncurrent liabilities increased \$181.3 million to \$2,282.3 million as of January 31, 2025, primarily due to increases of \$122.1 million in net pension and OPEB liabilities due to the annual updated actuarial study, \$26.5 million in Other liabilities due to changes in fuel hedge fair value and mark to market adjustments, \$26.6 million in asset retirement obligations due to the favorable annual evaluation for inflation and underlying terms of the ARO, and \$18.4 million in decommissioning net costs refundable. These increases were partially offset by decreases of \$8.5 million in STP pension and OPEB liability, and \$3.8 million in long-term service agreement payables.

FY2024 – Excluding the noncurrent portion of debt of \$7,175.5 million, noncurrent liabilities increased \$226.6 million to \$2,101.0 million as of January 31, 2024, primarily due to an increase of \$237.9 million in net pension liability due to the annual updated actuarial study and an increase of \$41.5 million in decommissioning net costs refundable due to the favorable impact of the updated STP Units 1 and 2 decommissioning cost study. These increases were partially offset by a \$59.0 million decrease in asset retirement obligations due to the favorable impact of the updated decommissioning cost study and a \$14.1 million decrease in long-term service agreement payables due to a milestone payment becoming current.

Deferred Inflows of Resources

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

FY2024 – Deferred inflows of resources decreased \$118.9 million, from \$311.3 million as of January 31, 2023, to \$192.4 million as of January 31, 2024, primarily due to decreases of \$126.7 million in deferred inflows related to pension and OPEB as a result of the updated actuarial studies, \$20.1 million in unrealized losses on fuel hedges, partially offset by an increase of \$32.6 million in unamortized gains on debt refundings due to the debt refunding transactions in FY2024.

FINANCING AND DEBT COVENANTS COMPLIANCE

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

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

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

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

Summary of Debt Rollforward Activity¹

(In thousands)

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

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

FY2024 – As of January 31, 2024, CPS Energy’s total debt outstanding was \$6,579.5 million, excluding commercial paper, the FRRN, discounts and premiums. This long-term debt was composed of \$5,768.1 million in fixed-interest-rate instruments and \$811.4 million in variable-interest-rate instruments. Fixed-interest-rate long-term debt had an overall weighted-average yield of 4.0%. Separately, the variable-rate bonds had a weighted-average yield of 2.4%.

Issuances – CPS Energy issued a total of \$899.6 million in bonds in FY2024 through refunding and tender transactions.

Reductions – CPS Energy made principal payments of \$161.8 million in FY2024. Additional principal paydowns related to refunding transactions during the year totaled \$388.2 million.

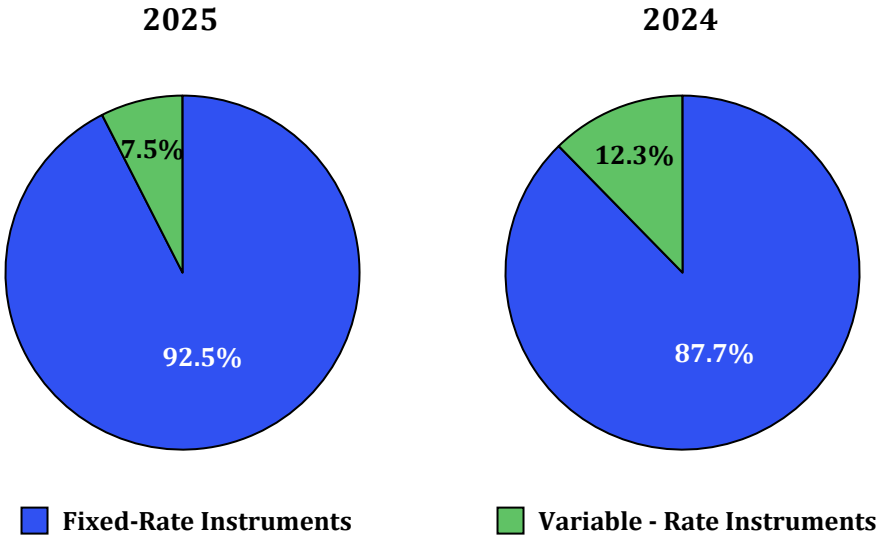
Summary of Debt Rollforward Activity¹

(In thousands)

Balance Outstanding February 1, 2023	Additions During Year	Decreases During Year	Balance Outstanding January 31, 2024
\$ 6,229,780	\$ 899,635	\$ (549,940)	\$ 6,579,475

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

**Allocation of Debt
at January 31,**



Note: Graphs exclude commercial paper and the FRRN.

Commercial Paper

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

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

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

Summary of Commercial Paper Rollforward Activity
(In thousands)

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

FY2024 – Issuances – CPS Energy issued a total of \$530.9 million in commercial paper during the fiscal year ended January 31, 2024, to fund construction costs.

Reductions – CPS Energy made reductions of \$635.0 million related to commercial paper refunding transactions and paydowns during the fiscal year ended January 31, 2024.

As of January 31, 2024, the outstanding commercial paper balance was \$351.4 million, all of which was issued as tax-exempt.

Summary of Commercial Paper Rollforward Activity

(In thousands)

Balance Outstanding February 1, 2023	Additions During Year	Decreases During Year	Balance Outstanding January 31, 2024
\$ 455,500	\$ 530,900	\$ (635,000)	\$ 351,400

The weighted-average interest rate on outstanding commercial paper was 6.4% as of January 31, 2025, and 3.4% as of January 31, 2024. The weighted-average maturity of commercial paper as of January 31, 2025 and 2024, was 232 and 360 days, respectively.

Flexible Rate Revolving Notes

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

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

FY2024 – There were no note issuances or reductions under the FRRN programs during FY2024. As of January 31, 2024, there was no outstanding FRRN balance.

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

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

	With BABs Subsidy	Without BABs Subsidy
Senior lien debt	3.48x	3.38x
Senior and Junior lien debt	2.98x	2.87x

**Debt Service Coverage Ratios
as of January 31, 2024**

	With BABs Subsidy	Without BABs Subsidy
Senior lien debt	4.03x	3.89x
Senior and Junior lien debt	3.31x	3.18x

The ratio of debt to debt and net position was 62.4% and 60.8% as of January 31, 2025 and 2024, respectively.

**Summary of CPS Energy's Bond and Commercial Paper Ratings
as of January 31, 2025**

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

See accompanying Independent Auditors' report.

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

CURRENTLY KNOWN FACTS

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

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

CPS Energy aims to address San Antonio's growing energy needs while transforming power generation to cleaner sources with a deliberately blended approach with increased solar capacity, energy battery storage, new technologies, and firming capacity to replace energy production from aging power plants. Today's renewable technology, alone, cannot support all of the community's customers consistently and reliably, 24/7/365. The multi-faceted approach of the diversified generation solution will ensure the community has the power to thrive while maximizing the existing community-owned generation assets.

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

Transmission Cost of Service ("TCOS") Rate Case – In FY2026, CPS Energy plans to submit an application to the Public Utility Commission of Texas for a full review of our transmission cost of service TCOS rate. The impact of an adjustment to our TCOS rate on future revenue is uncertain.

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

Environment Protection Agency ("EPA") - The final Carbon rule was published May 9, 2024. The rule includes new gas-fired combustion turbines and existing coal and gas-fired steam generating units. The final rule ensures coal-fired plants that plan to run long-term, and all new base load gas-fired plants control 90 percent of their carbon emissions. The final rule does not include existing natural gas combustion turbines, which had been included in the proposed rule last year. The EPA will be developing rules for existing natural gas combustion turbines in a separate rule making. The final carbon rule still does not include reciprocating internal combustion engines. The requirements for hydrogen blending as a best system of emission reduction were removed but carbon sequestration is still considered a viable option to control carbon emissions.

The rule will require states to develop a plan for existing sources within 24 months of the published rule. While the state plans must achieve overall reductions equivalent to those specified by the emission guidelines, the states have some discretion in setting standards. The EPA has developed several reliability assurance mechanisms that states can adopt and implement to address both short-term acute reliability problems as well as long-term resource adequacy difficulties. For coal and gas steam boilers, the compliance deadline is between January 2030 and January 2032, depending on the unit. Therefore, there are no impacts on the JK Spruce Unit 1, O.W. Summers units 1 and 2, V.H. Braunig Units 1, 2, and 3, or Barney Davis Unit 1 because CPS Energy plans to have these units retired before either of these dates.

The impacts to Spruce 2 will require further review. The conversion of Spruce 2 from coal-fired to gas-fired, does not meet the threshold to be considered a “new” or “modified” unit, therefore the unit will either be treated as an existing coal or existing natural gas-fired unit. We expect it to be considered an existing natural gas-fired unit; therefore, the following would be required due to the low projected Capacity Factor (17%), Spruce 2 would need to maintain good routine operation & maintenance practices along with a Carbon Intensity of 1600 lbs./MWh gross or less based on a 12-month operating hour rolling total. Additionally, the natural gas conversion has a projected rate of around 1,300 lbs./MWh.

On December 13, 2024, EPA proposed a rule lowering NOx emissions from new, modified, and reconstructed stationary combustion turbines (“CTs”) and stationary gas turbines. The comments are due March 13, 2025. In general, EPA proposes a best system of emission reduction of combustion controls with the addition of post-combustion selective catalytic reduction (“SCR”) for CTs in the small, medium, and large subcategories. However, at smaller sizes and at lower operating levels, EPA proposes standards based on the use of combustion controls without SCR. Currently, we have no plans to build new combustion turbines. However, if we were to modify some of our existing turbines and it met the definition of modified or reconstructed, the units could potentially be subject to the new standard which are significantly lower. CPS Energy may modify the Barney Davis and Nueces Bay units in late 2025 or early 2026. CPS Energy is reviewing potential impacts of the proposed rule to these units. CPS Energy plans to submit comments on this rule.

The Steam Electric Power Generating Effluent Guidelines and Standards for power plant wastewater was finalized in 2016, with a compliance date of December 31, 2023, for flue gas desulfurization discharges related to coal. In October 2020, the final deadline for Voluntary Incentive Program treatment including zero liquid discharge technology was extended to December 31, 2028, which is CPS Energy’s preferred option. Additionally, options were provided in the rule for repowering or shutting down coal units by December 31, 2028. The EPA added further regulations on coal combustion wastewater in 2022; however, there was little impact as CPS Energy had chosen to eliminate these discharges. In April of 2023, the EPA proposed the Supplemental Effluent Limitations Guidelines (“ELG”) for the Steam Electric Power Generation rule which has little to no impact to CPS Energy as CPS Energy plans to cease ELG related wastewater(s). The rule added limitations for legacy wastewater from surface impoundments which does not apply to CPS Energy landfills. Language was also added that would allow plants to continue operation beyond planned shutdowns to avoid emergency power shortages.

The EPA designated Bexar County as Marginal Nonattainment on September 24, 2018. The City of San Antonio has developed an Ozone Action Master Plan, and CPS Energy is working with COSA and the Alamo Area Council of Governments. CPS Energy developed an internal Ozone Action Plan. On April 13, 2022, the EPA proposed to change the San Antonio area (Bexar County) from Marginal to Moderate nonattainment for the 2015 Ozone standard of 70 parts per billion (“ppb”). On November 7, 2022, the EPA published San Antonio as Moderate for Ozone Nonattainment. On May 31, 2023, the Texas Commission on Environmental Quality (“TCEQ”) issued rules addressing the Moderate nonattainment designation for Bexar County. The TCEQ proposed to add Bexar County to the existing list of counties affected by the vehicle inspection and maintenance (“I/M”) program codified in Title 30 Texas Administrative Code Chapter 114. These rules were adopted on November 29, 2023. Beginning November 1, 2026, all gasoline vehicles registered in Bexar County that are two to 24 years old must be subjected to an on-board diagnostics (“OBD”) inspection and a gas cap integrity inspection as part of the annual safety and emissions inspection. This is in addition to the anti-tampering checks performed as part of the annual safety and emissions inspection. All inspection stations would be required to offer the OBD test. The attainment date for the Bexar County 2015 ozone National Ambient Air Quality Standards (“NAAQS”) moderate nonattainment area is September 24, 2024. On December 15, 2023, the TCEQ published proposed rules for nonattainment areas classified as moderate and above are required to meet the mandates of the Federal Clean Air Act (“FCAA”). FCAA requires that the State Implementation Plan incorporate all reasonably available control measures, including reasonably available control technology (“RACT”), as

CPS Energy FY2025 Basic Financial Statements

expeditiously as practicable. The TCEQ is required to implement RACT requirement rules for all categories of stationary sources classified as major stationary sources of nitrogen oxides ("NOx") or volatile organic compounds. The rule was finalized in May 2024. CPS Energy will be subject to a system-wide NOx 30-day rolling average for all generation units located in Bexar County starting January 1, 2025. The system wide cap is not expected to be an issue.

On October 12, 2023, the Texas Governor sent a letter to the EPA requesting to voluntarily designate San Antonio, Dallas, and Houston Areas as Serious for Ozone Nonattainment ahead of schedule. Following this letter, the EPA published the proposed Serious designation for Bexar County on January 26, 2024. Comments were due February 26, 2024. The attainment date for Bexar County remains September 24, 2027. Failure to attain the NAAQS by that date, or effectively the end of the 2026 ozone season, will result in Bexar County being designated up to Severe nonattainment. On July 20, 2024, EPA designated Bexar County from Moderate to Serious for ozone nonattainment. Bexar County will have until the end of the end of 2026 to meet the Ozone Attainment of 70 ppb. The TCEQ is expected to revisit the system-wide NOx 30-day rolling cap in 2025. CPS Energy anticipates that the cap will be lowered.

The proposed initial version of the Legacy Coal Combustion Residuals ("CCR") Surface Impoundments Rule was released on May 18, 2023, and the final version was officially published May 8, 2024, by EPA. This rule amends portions of the original 2015 "Disposal of Coal Combustion Residuals from Electric Utilities" Rule. The new rule not only includes water holding CCR impoundments, but also applies to dry CCR "piles" or "embankments". Inclusion of these "dry" CCR Management Units was a surprise because they are technically not impoundments. While this rule will not affect operation of Spruce 1 and Spruce 2, it appears that it will impact four previously closed CCR fly ash landfills located at Calaveras. While many of the new obligations are similar to the existing ones for our current CCR Units and will require minimal additional cost, there are also potential requirements to engineer and complete the re-closure of these four currently closed CCR landfills. This will be determined as part of a rule required analysis and report scheduled to be completed in 2026. If it is determined that the four closed CCR landfills require re-closure, costs are estimated at \$7.0 million.

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

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

REQUESTS FOR INFORMATION

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

STATEMENTS OF NET POSITION

	January 31,	
	2025	2024
(In thousands)		
Assets		
Current assets		
Cash and cash equivalents	\$ 407,259	\$ 394,213
Customer accounts receivable, less allowance for doubtful accounts of \$92.7 million at January 31, 2025, and \$122.0 million at January 31, 2024	354,282	323,114
Interest and other accounts receivable	138,501	119,256
Inventories, at average costs		
Materials and supplies, net	148,325	144,728
Fossil fuels	67,225	72,176
Prepayments and other	170,196	151,124
Total current assets	<u>1,285,788</u>	<u>1,204,611</u>
Noncurrent assets		
Restricted		
Cash and cash equivalents	634,446	454,945
Investments	1,332,269	1,361,837
Interest and other accounts receivable	8,395	8,645
Pension regulatory asset	275,333	244,586
Fuel costs regulatory asset	763,305	763,167
Other noncurrent assets	231,034	262,121
Capital assets, net	<u>11,004,386</u>	<u>9,763,110</u>
Total noncurrent assets	<u>14,249,168</u>	<u>12,858,411</u>
Total assets	<u>15,534,956</u>	<u>14,063,022</u>
Deferred outflows of resources		
Pension and OPEB related	349,438	235,270
Fuel hedges	90,471	30,243
Unamortized losses on debt refundings	38,577	47,459
Asset retirement obligations	<u>438,955</u>	<u>434,740</u>
Total deferred outflows of resources	<u>917,441</u>	<u>747,712</u>
Total assets and deferred outflows of resources	<u>\$ 16,452,397</u>	<u>\$ 14,810,734</u>

See accompanying Notes to Basic Financial Statements.

STATEMENTS OF NET POSITION

	January 31,	
	2025	2024
(In thousands)		
Liabilities		
Current liabilities		
Current maturities of debt	\$ 183,600	\$ 181,295
Accounts payable and accrued liabilities	861,446	796,526
Total current liabilities	<u>1,045,046</u>	<u>977,821</u>
Noncurrent liabilities		
Long-term debt, net	8,222,456	7,175,452
Asset retirement obligations	1,082,718	1,054,040
Decommissioning net costs refundable	114,592	96,237
Net pension and OPEB liabilities	472,091	349,979
Fuel costs liability	362,251	362,251
Other noncurrent liabilities	250,664	238,498
Total noncurrent liabilities	<u>10,504,772</u>	<u>9,276,457</u>
Total liabilities	<u>11,549,818</u>	<u>10,254,278</u>
Deferred inflows of resources		
Pension and OPEB related	41,151	59,752
Unrealized future revenues	66,939	70,481
Leases	9,649	10,763
Unamortized gains on debt refundings	58,630	51,405
Total deferred inflows of resources	<u>176,369</u>	<u>192,401</u>
Total liabilities and deferred inflows of resources	<u>11,726,187</u>	<u>10,446,679</u>
Net position		
Net investment in capital assets	2,775,776	2,682,503
Restricted		
Debt service	187,321	173,427
Ordinance	793,573	791,770
Unrestricted	969,540	716,355
Total net position	<u>4,726,210</u>	<u>4,364,055</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 16,452,397</u>	<u>\$ 14,810,734</u>

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Fiscal Year Ended January 31,	
	2025	2024
	(In thousands)	
Operating revenues		
Electric		
Retail	\$ 2,794,538	\$ 2,744,093
Wholesale	565,425	380,982
Total electric operating revenues	3,359,963	3,125,075
Gas	215,920	234,174
Total operating revenues	3,575,883	3,359,249
Operating expenses		
Fuel, purchased power and distribution gas	1,081,974	1,031,560
Operation and maintenance	931,971	787,631
Energy efficiency and conservation (STEP)	57,094	58,725
STEP net costs recoverable (refundable)	133	(3,979)
Regulatory assessments	112,708	99,828
Decommissioning	23,872	21,790
Depreciation and amortization	517,028	508,421
Total operating expenses	2,724,780	2,503,976
Operating income	851,103	855,273
Nonoperating income (expense)		
Interest and other income, net	79,706	75,250
Decommissioning Trusts investment income (loss)	42,604	64,086
Decommissioning net costs recoverable (refundable)	(18,732)	(42,296)
Interest and other expense	(332,826)	(287,828)
Amortization of debt-related costs	40,411	34,784
Effect of defined benefit plan funding obligations – STP	6,451	(7,287)
Payments to the City of San Antonio	(456,360)	(449,351)
Total nonoperating income (expense)	(638,746)	(612,642)
Income before other changes in net position	212,357	242,631
Other payments to the City of San Antonio	(13,031)	(12,853)
Capital contributions	162,829	103,062
Change in net position	362,155	332,840
Net position – beginning	4,364,055	4,031,215
Net position – ending	\$ 4,726,210	\$ 4,364,055

See accompanying Notes to Basic Financial Statements.

STATEMENTS OF CASH FLOWS

	Fiscal Year Ended January 31,	
	2025	2024
	(In thousands)	
Cash flows from operating activities		
Cash received from customers	\$ 3,525,326	\$ 3,377,597
Cash received from City services billed	167,895	149,722
Cash payments to suppliers for goods and services	(1,822,805)	(1,734,842)
Cash payments to employees for service	(333,017)	(297,730)
Cash payments to the City for services billed	(167,494)	(147,534)
Net cash provided (used) by operating activities	<u>1,369,905</u>	<u>1,347,213</u>
Cash flows from capital and related financing activities		
Cash paid for additions to utility plant and net removal costs	(1,784,604)	(1,050,256)
Capital contributions	156,712	97,743
Proceeds from the sale of capital assets	—	5,169
Proceeds from issuance of revenue bonds and commercial paper	2,001,965	1,144,612
Principal payments on revenue bonds and cash defeasance of debt	(919,013)	(761,775)
Interest paid	(302,216)	(279,098)
Debt issue and cash defeasance costs paid	(11,863)	(7,244)
Net cash provided (used) by capital and related financing activities	<u>(859,019)</u>	<u>(850,849)</u>
Cash flows from noncapital financing activities		
Cash payments to the City of San Antonio	(473,540)	(457,098)
Proceeds from issuance of flexible rate revolving note	385,000	—
Proceeds from issuance of commercial paper	200,000	—
Cash payments on commercial paper	(200,000)	(35,000)
Cash payments on flexible rate revolving note	(385,000)	—
Grant proceeds	(49)	6,346
Net cash provided (used) by noncapital financing activities	<u>(473,589)</u>	<u>(485,752)</u>
Cash flows from investing activities		
Purchases of investments	(347,719)	(469,654)
Proceeds from sales and maturities of investments	404,741	294,758
Interest and other income	98,228	80,009
Net cash provided (used) by investing activities	<u>155,250</u>	<u>(94,887)</u>
Net increase (decrease) in cash and cash equivalents	192,547	(84,275)
Cash and cash equivalents at beginning of period	849,158	933,433
Cash and cash equivalents at end of period	<u>\$ 1,041,705</u>	<u>\$ 849,158</u>

STATEMENTS OF CASH FLOWS

	Fiscal Year Ended January 31,	
	2025	2024
	(In thousands)	
<u>Reconciliation of operating income to net cash provided (used) by operating</u>		
Cash flows from operating activities		
Operating income	\$ 851,103	\$ 855,273
Noncash items included		
Depreciation and amortization	517,028	508,422
Nuclear fuel amortization	50,999	49,941
Provision for doubtful accounts	1,028	27,689
Changes in current assets and liabilities		
(Increase) decrease in customer accounts receivable, net	(32,196)	8,461
(Increase) decrease in other receivables	(19,875)	(18,435)
(Increase) decrease in materials and supplies	(3,597)	(19,007)
(Increase) decrease in fossil fuels	4,951	(14,702)
(Increase) decrease in prepayments and other	(18,226)	(15,060)
Increase (decrease) in accounts payable and accrued liabilities	(1,895)	(47,438)
Changes in noncurrent and other assets and liabilities		
(Increase) decrease in other noncurrent assets and prepaid costs	50,150	(2,995)
(Increase) decrease in fuel costs recoverable	(138)	(3,544)
Increase (decrease) in customer service deposits payable	486	633
Increase (decrease) in asset retirement obligations	28,678	(58,349)
Increase (decrease) in noncurrent liabilities	79,507	217,625
Changes in deferred outflows of resources	(118,383)	(13,448)
Changes in deferred inflows of resources	(19,715)	(127,853)
Net cash provided (used) by operating activities	<u>\$ 1,369,905</u>	<u>\$ 1,347,213</u>
<u>Noncash financing activities</u>		
Bond proceeds deposited into an escrow account for purposes of refunding long-term debt	\$ 611,951	\$ 365,704
Donated assets received and recorded	\$ 6,117	\$ 5,319

STATEMENTS OF FIDUCIARY NET POSITION

	December 31,	
	2024	2023
(In thousands)		
Assets		
Cash and cash equivalents	\$ 35,367	\$ 39,506
Receivables		
Accrued interest and dividends receivable	5,410	4,063
Receivable from federal government under Medicare Part D	101	170
Investment trades pending receivable	16,109	10,300
Receivable from property managers and others	—	919
Allowance for bad debt expense	—	(919)
Total receivables	<u>21,620</u>	<u>14,533</u>
Investments		
U.S. Government securities	147,641	94,115
Corporate bonds	280,960	227,815
Investment grade bond funds	36,871	36,220
Senior loan fund	115,803	105,725
Emerging market debt	55,740	54,469
Domestic equities	1,074,617	1,024,508
Low-volatility equities	219,804	194,290
International equities	275,362	228,967
Master limited partnerships	256,369	205,586
Alternative investments	122,433	123,078
Real estate	145,779	153,976
Investment in partnership	47,700	45,000
Total investments	<u>2,779,079</u>	<u>2,493,749</u>
Total assets	<u>\$ 2,836,066</u>	<u>\$ 2,547,788</u>
Liabilities		
Accounts payable and other liabilities	\$ 505	\$ 463
Investment trades pending payable	19,903	25,827
Investment and administrative expenses payable	609	552
Accrued health claims payable	5,370	5,207
Total liabilities	<u>26,387</u>	<u>32,049</u>
Net position restricted for pension and other postemployment benefits	<u>2,809,679</u>	<u>2,515,739</u>
Total liabilities and net position	<u>\$ 2,836,066</u>	<u>\$ 2,547,788</u>

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

	December 31,	
	2024	2023
	(In thousands)	
Additions		
Contributions		
Employer	\$ 112,333	\$ 94,307
On-behalf payments from federal government	1,087	996
Participants	33,305	29,250
Total contributions	<u>146,725</u>	<u>124,553</u>
Investment income (loss)		
Interest and dividend income	39,127	32,567
Real estate rental income	5,254	5,153
Net realized and unrealized gain (loss) on investments	334,222	295,617
Miscellaneous income	81	24
Total investment income (loss)	<u>378,684</u>	<u>333,361</u>
Investment expenses	<u>(6,598)</u>	<u>(6,764)</u>
Net investment income (loss)	<u>372,086</u>	<u>326,597</u>
Total additions	<u>518,811</u>	<u>451,150</u>
Deductions		
Benefits paid	219,714	201,573
Administrative expenses	5,157	4,542
Total deductions	<u>224,871</u>	<u>206,115</u>
Change in fiduciary net position	<u>293,940</u>	<u>245,035</u>
Fiduciary net position – beginning	<u>2,515,739</u>	<u>2,270,704</u>
Fiduciary net position – ending	<u>\$ 2,809,679</u>	<u>\$ 2,515,739</u>

See accompanying Notes to Basic Financial Statements.

NOTES TO BASIC FINANCIAL STATEMENTS

January 31, 2025 and 2024

1. Summary of Significant Accounting Policies

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

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

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

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

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

Included in CPS Energy’s financial statements are the applicable financial results for 40% of the South Texas Project (“STP”) Units 1 and 2.

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

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

CPS Energy presents its financial statements in accordance with GASB pronouncements that establish standards for external financial reporting for all state and local governmental entities that include a statement of net position, a statement of revenue, expenses and changes in net position, and a statement of cash flows. It requires classification of

net position into three components - net investment in capital assets, restricted and unrestricted. These classifications are defined as follows:

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

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

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

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

Reclassifications – Certain amounts in the prior year's financial statements have been reclassified to conform to the current year presentation. These reclassifications had no effect on the reported results of operations.

Classification of Revenues and Expenses – Revenues and expenses related to providing energy services in connection with the Company's principal ongoing operations of the systems are classified as operating. All other revenues and expenses are classified as nonoperating and reported as nonoperating income (expense) on the Statements of Revenues, Expenses and Change in Net Position.

Revenues – Revenues are recorded when earned. Customers' meters are read, or periodically estimated, and bills are prepared monthly based on billing cycles. Rate tariffs include adjustment clauses that permit recovery of electric and gas fuel costs. CPS Energy uses historical information from prior fiscal years as partial bases to estimate and record earned revenue not yet billed (unbilled revenue). This process involves an extrapolation of customer usage over the days since the last meter read through the last day of the month. Also included in unbilled revenue are the (over)/under recoveries of electric and gas fuel costs and regulatory assessments. Unbilled revenue recorded as of January 31, 2025 and 2024 including estimates for electric fuel and gas costs, were \$32.2 million and \$28.4 million, respectively.

An adjustment clause in CPS Energy's rate tariffs also permits recovery of regulatory assessments. CPS Energy recovers assessments from the Public Utility Commission of Texas ("PUCT") for transmission access charges and from the Texas independent system operator, also known as ERCOT, for its operating costs and other charges applicable to CPS Energy as a wholesale provider of power to other utilities. Regulatory assessments as of January 31, 2025 and 2024, were \$112.7 million and \$99.8 million, respectively.

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

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

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

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

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

Customer Accounts Receivable - The allowance for uncollectible accounts is management's best estimate of the amount of probable credit losses based on account delinquencies, historical write-off experience and current energy market conditions. Account balances are written off against the allowance when it is probable the receivable will not be recovered. As of January 31, 2025 and 2024, the allowance for uncollectible accounts was \$92.7 million and \$122.0 million, respectively.

In FY2024 and FY2025, CPS Energy paused residential customer disconnects during the extreme summer weather conditions, but they were resumed as conditions improved and continued through the end of the fiscal year.

CPS Energy records bad debts for its estimated uncollectible accounts related to electric and gas services as a reduction to the related operating revenues in the Statements of Revenues, Expenses, and Changes in Net Position. CPS Energy's bad debt provision totaled \$1.0 million and \$27.7 million for the periods ended January 31, 2025 and 2024, respectively. As of January 31, 2025 and 2024, customer accounts receivable, net were \$354.3 million and \$323.1 million, respectively.

Inventories – CPS Energy maintains inventories for its materials, supplies and fossil fuels. In total, CPS Energy reported ending inventories of \$215.6 million and \$216.9 million as of January 31, 2025 and 2024, respectively. Included in these amounts was CPS Energy's portion of STP inventories, which are valued at the lower of average cost or net realizable value. CPS Energy's directly managed inventories are valued using an average costing approach and are subject to write-off when deemed obsolete. CPS Energy established a reserve for excess and obsolete inventory that is based on a combination of inventory aging and specific identification of items that can be written off. The reserve is intended to adjust the net realizable value of inventory CPS Energy may not be able to use due to obsolescence. The balance in the reserve amounted to \$7.9 million and \$7.3 million as of January 31, 2025 and 2024, respectively.

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

and fuel costs regulatory asset. See Note 5 – Regulatory Assets for further discussion.

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

Purchased Power Prepayments – Included in prepayments is the balance related to an agreement entered in November 2011 for purchased power from San Antonio-area solar energy facilities with a total of 30 megawatt (“MW”) of capacity. In FY2013, \$77.0 million in prepayments were made for approximately 60% of the anticipated annual output over a period of 25 years. As of January 31, 2025, \$3.1 million was classified as current and \$35.2 million was classified as noncurrent of the remaining prepayment balance. As of January 31, 2024, \$3.1 million was classified as current and \$38.3 million was classified as noncurrent of the remaining prepayment balance. The balance of the output is purchased on a pay-as-you-go basis.

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

Annually, approximately \$10 million of STEP expenses are funded through the electric base rate and reported as operation and maintenance (“O&M”) expenses. STEP expenses in excess of this initial amount per year are recovered through the fuel adjustment factor over a period of 12 months, or longer for certain STEP expenses, beginning in the subsequent fiscal year after the costs are incurred and independently validated. These STEP recoveries are accrued as a regulatory asset referred to as STEP net costs recoverable. As of January 31, 2025 and 2024, the net costs recoverable was \$57.1 million and \$58.7 million, respectively.

Net OPEB Asset – A net OPEB (asset) liability is recorded in accordance with the GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The asset or liability is the difference between the actuarial total OPEB liabilities and the Employee Benefit Plans’ fiduciary net positions as of the measurement date. As of January 31, 2025 the net OPEB liability was \$20.6 million and was included in net pension and OPEB liabilities on the Statements of Net Position. As of January 31, 2024, the net OPEB asset was \$41.4 million. For additional information, see Note 12 – Other Postemployment Benefits.

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

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

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

Capital Contributions

(In thousands)

	January 31,	
	2025	2024
Donated assets	\$ 6,117	\$ 5,319
Contributions	156,712	97,743
Total capital contributions	<u>\$ 162,829</u>	<u>\$ 103,062</u>

Except for nuclear fuel, which is amortized over units of production, CPS Energy computes depreciation using the straight-line method over the estimated service lives of the depreciable property according to asset type. Total depreciation as a percent of total depreciable assets, excluding nuclear fuel, was 2.9% and 3.2% for FY2025 and FY2024, respectively.

The estimated useful lives of depreciable capital assets for FY2025 and FY2024 were as follows:

Depreciable Capital Asset	Estimated Useful Life	
	2025	2024
Buildings and structures	45 - 50 years	45 years
Systems and improvements		
Generation	35-59 years	34-59 years
Transmission and distribution	6-63 years	6-63 years
Gas	30-65 years	30-65 years
Intangibles - software	8 years	8 years
Intangibles - other	20-30 years	20-30 years
Machinery and equipment	4-20 years	4-20 years
Mineral rights and other	20-40 years	20-40 years
Nuclear fuel	Units of Production	Units of Production

In FY2025, CPS Energy engaged an independent third-party consulting firm to conduct a depreciation study. To align with changes in the industry, CPS Energy plans to have studies conducted on a three-year cycle moving forward. The new depreciation rates resulting from the study were retroactively applied to the beginning of FY2025. As a result of the study, based on the plant in service as of January 31, 2024, total annual depreciation decreased by approximately 9.3% based on the updated estimated useful lives and increases in plant-in-service balances.

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

Thresholds contained in the Company's capitalization policy, procedures and guidelines for FY2025 and FY2024 were as follows:

Asset Class	Threshold
Land, land improvements and certain easements	Capitalize all
Buildings and building improvements	\$10,000
Computer software - purchased	50,000
Computer software - internally developed	50,000
Computer software - enhancements/upgrades	50,000
Computer hardware	3,000
All other assets	3,000

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

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

Compensated Absences – In FY2025, CPS Energy adopted a paid-time off ("PTO") benefits policy, which consolidated vacation, sick leave, and personal days. The policy allows employees to earn PTO benefits each pay cycle based on their years of service. As of January 31, 2025 and 2024, the accrued liabilities for those vested benefits were \$27.2 million and \$29.5 million, respectively, which are included in accounts payable and accrued liabilities on the Statements of Net Position. In addition, the adoption of the new policy did not result in a material financial statement impact.

Long-Term Debt – To support its long-term capital financing needs, CPS Energy uses several types of debt instruments. As of January 31, 2025 and 2024, these included fixed-rate and variable-rate bonds, as well as commercial paper. Relative to the bond instruments, provisions may be included that allow for refunding after specified time periods during the bond term.

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

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

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

Build America Bonds (“BABs”) – The American Recovery and Reinvestment Act (“ARRA”) of 2009 provided authority for the issuance of BABs, which were issuable in calendar years 2009 and 2010 as taxable bonds. The ARRA permitted the issuer or the issuer’s paying agent to receive subsidy payments equal to 35% of the bond’s interest costs directly from the U.S. Department of the Treasury. Pursuant to the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985, the federal government reduced the BABs subsidy by 5.7% for the period October 1, 2021, through September 30, 2030.

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

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

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

Net Pension and OPEB Liabilities – A net pension liability is recorded in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*. The liability is the difference between the actuarial total pension liability and the Pension Plan’s fiduciary net position as of the measurement date. The net pension liability was \$451.5 million and \$350.0 million as of January 31, 2025 and 2024, respectively. For additional information, see Note 11 – Employee Pension Plan.

A net OPEB liability is recorded in accordance with the GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The liability is the difference between the actuarial total OPEB liabilities and the Employee Benefit Plans’ fiduciary net positions as of the measurement date. As of January 31, 2025 the net OPEB liability was \$20.6 million. As of January 31, 2024, the net OPEB asset was \$41.4 million and was recorded as other noncurrent assets on the Statements of Net Position. For additional information, see Note 12 – Other Postemployment Benefits.

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

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

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

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

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

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

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

Unrealized Future Revenues – Primarily related to future recoveries associated with the FY2020 Joint Base San Antonio (“JBSA”) agreement, which totaled \$66.9 million and \$70.4 million as of January 31, 2025 and 2024, respectively.

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

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

Hedging Derivative Instruments – CPS Energy accounts for derivative instruments in accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. Currently, CPS Energy's only derivative instruments are fuel hedges, which are used to reduce price risk for natural gas purchases. GASB Statement No. 53 requires that hedging derivative instruments be reported at fair value on the Statements of Net Position. In FY2025, 58% of distribution and 25% of generation natural gas volumes were hedged. In FY2024, 69% of distribution and 30% of generation natural gas volumes were hedged. See Note 14 – Derivative Instruments.

Pension Plan – The financial statements of the Pension Plan are separately audited and reported as of December 31, 2024, with comparative totals as of December 31, 2023. The financial results of the Pension Plan are included as part of the basic financial statements and presented in combination with the Employee Benefit Plans in the Statements of Fiduciary Net Position and Statements of Changes in Fiduciary Net Position. Additionally, in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, required disclosures are included in Note 11 – Employee Pension Plan and in Required Supplementary Information.

Postemployment Benefits Other Than Pension – The Employee Benefit Plans are separately audited and reported as of December 31, 2024, with comparative totals as of December 31, 2023. The financial results of the Employee Benefit Plans are included as part of the basic financial statements and presented in combination with the Pension Plan in the Statements of Fiduciary Net Position and Statements of Changes in Fiduciary Net Position. Additionally, in accordance with GASB Statement No. 75 required disclosures are included in Note 12 – Other Postemployment Benefits and in Required Supplementary Information.

Federal and State Grant Programs – Periodically, federal or state grants are made available to CPS Energy as a subrecipient for a portion of grant funds allocated to the state of Texas or as direct awards. Grant receipts are recorded as nonoperating income and generally reimburse CPS Energy for allowable costs incurred in the administration of the program. This accounting treatment results in no impact to the Company's net position. Federal

or state grants that subsidize capital assets are recognized as capital contributions on the Statements of Revenues, Expenses, and Changes in Net Position and reflected as part of Capital Assets, net on the Statements of Net Position. Grant funding received by the Company is subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

FY2025 GASB pronouncement implementations:

- GASB Statement No. 101, *Compensated Absences*, establishes accounting and financial reporting requirements for compensated absences and associated salary-related payments, including certain defined contribution pensions and defined contribution other postemployment benefits (OPEB). CPS Energy provides PTO leave in accordance with the Company's new leave policy which accumulates over time. The implementation of this Statement did not have a material impact on the financial statements. Prior periods were not restated as the amounts were considered immaterial to the overall financial statements.

Future GASB pronouncement implementations:

- GASB Statement No. 103, *Financial Reporting Model Improvements*, requires a government to assess whether a concentration or constraint makes the primary government reporting unit that reports a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, a government is required to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact has occurred. This standard will be adopted by CPS Energy in the fiscal year ending January 31, 2026. CPS Energy has initiated an evaluation of the impact that adoption of this Statement will have on its financial statements.
- GASB Statement No. 104, *Disclosure of Certain Capital Assets*, requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. This includes assets recognized in accordance with Statement No. 87, *Leases*, Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, Statement No. 96, *Subscription-Based Information Technology Arrangements*, an intangible assets. In addition, the statement requires additional disclosure for capital assets held for sale, if any. This standard will be adopted by CPS Energy in the fiscal year ending January 31, 2026. CPS Energy has initiated an evaluation of the impact that adoption of this Statement will have on its financial statements.

2. Cash, Cash Equivalents and Investments

CPS Energy's cash deposits as of January 31, 2025 and 2024, were either insured by federal depository insurance or collateralized by banks. For deposits that were collateralized, the collateral included letters of credit and securities. The securities were U.S. Government, U.S. Government Agency or U.S. Government-guaranteed obligations held in book entry form by the Federal Reserve Bank of New York or other allowable banks in CPS Energy's name.

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

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

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

Cash and Cash Equivalents

(In thousands)

	January 31,	
	2025	2024
Cash		
Petty cash funds on hand (current)	\$ 40	\$ 43
Deposits with financial institutions		
Unrestricted CPS Energy deposits (current)	15,886	23,903
Restricted CPS Energy deposits (noncurrent)		
Capital projects	1,037	72
Debt service	366,988	318,295
Total cash	<u>383,951</u>	<u>342,313</u>
Cash equivalents		
Investments with original maturities of 90 days or less		
CPS Energy unrestricted (current)	391,333	370,267
CPS Energy restricted (noncurrent)	240,944	108,275
Decommissioning Trusts – restricted (noncurrent)	25,477	28,303
Total cash equivalents	<u>657,754</u>	<u>506,845</u>
Total cash and cash equivalents	<u>\$ 1,041,705</u>	<u>\$ 849,158</u>

Summary of Cash, Cash Equivalents and Investments

(In thousands)

	January 31,	
	2025	2024
Cash and cash equivalents		
CPS Energy – unrestricted and restricted	\$ 1,016,228	\$ 820,855
Decommissioning Trusts – restricted	25,477	28,303
Total cash and cash equivalents	<u>1,041,705</u>	<u>849,158</u>
Gross investments – current and noncurrent CPS Energy – unrestricted and restricted	1,240,541	1,161,405
Decommissioning Trusts – restricted	749,482	707,277
Total gross investments	<u>1,990,023</u>	<u>1,868,682</u>
Investments with original maturities of 90 days or less included in cash and cash equivalents		
CPS Energy – unrestricted and restricted	(632,277)	(478,542)
Decommissioning Trusts – restricted	(25,477)	(28,303)
Total cash equivalents	<u>(657,754)</u>	<u>(506,845)</u>
Total gross investments less cash equivalents	<u>1,332,269</u>	<u>1,361,837</u>
Total cash, cash equivalents and investments	<u>\$ 2,373,974</u>	<u>\$ 2,210,995</u>

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

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

Investments of the Decommissioning Trusts – CPS Energy’s investments in the Decommissioning Trusts are held by an independent trustee. Investments are limited to those defined by Board resolution, the South Texas Project Decommissioning Trust Investment Policy, the Investment Committee, the Trust Agreements and state law, as well as PUCT and Nuclear Regulatory Commission (“NRC”) guidelines. Allowable investments for the Decommissioning Trusts include all types directly permissible for CPS Energy, except for investment pools. Additionally, permitted are investments in equities and corporate bonds (including international securities traded in U.S. dollars and on U.S. stock exchanges). In accordance with the Trusts’ Investment Policy, total investments can include a maximum of 60% equity securities. To further reduce the overall risk of the portfolio, the target allocations for both Trusts as of December 31, 2024, are 60% fixed income, 36% equities and 4% U.S. real estate investment trusts. As of December 31, 2023, the target allocations were 64.0% fixed income, 27.0% equities and 9.0% U.S. real estate investment trusts.

Permissible Investments

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

Cash, Cash Equivalents and Investments by Fund
(In thousands)

	January 31,	
	2025	2024
Unrestricted		
Cash and cash equivalents	\$ 407,259	\$ 394,213
Total unrestricted (current)	407,259	394,213
Restricted		
Debt service		
Cash and cash equivalents	368,477	320,431
Total debt service	368,477	320,431
Capital projects		
Cash and cash equivalents	60,486	1,337
Total capital projects	60,486	1,337
Ordinance		
Cash and cash equivalents	180,006	104,874
Investments	608,264	682,863
Total ordinance	788,270	787,737
Decommissioning Trusts		
Cash and cash equivalents	25,477	28,303
Investments	724,005	678,974
Total Decommissioning Trusts	749,482	707,277
Total restricted		
Cash and cash equivalents	634,446	454,945
Investments	1,332,269	1,361,837
Total restricted (noncurrent)	1,966,715	1,816,782
Total cash, cash equivalents and investments (unrestricted and restricted)	\$ 2,373,974	\$ 2,210,995

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

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

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

(In thousands)

	January 31,	
	2025	2024
CPS Energy investments		
U.S. Treasuries, U.S. Agencies, municipal bonds, CDs, commercial paper, investment pools and money market mutual funds	\$ 1,240,541	\$ 1,161,405
Decommissioning Trusts		
U.S. Treasuries, U.S. Agencies, municipal bonds and money market mutual funds	326,341	316,704
Corporate bonds	105,402	112,558
Foreign bonds	11,160	12,640
Subtotal	442,903	441,902
Common stock	270,832	201,703
Real estate investment trusts	34,934	62,895
Preferred stock	813	777
Total Decommissioning Trusts	749,482	707,277
Total investments	\$ 1,990,023	\$ 1,868,682

¹ Excludes cash of \$384.0 million and \$342.3 million as of January 31, 2025 and 2024, respectively.

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

GASB Statement No. 40 – In accordance with GASB Statement No. 40, additional disclosures have been provided in this note that address investment exposure to interest rate risk, credit risk (including custodial credit risk and concentration of credit risk), and foreign currency risk, as applicable. CPS Energy’s investments and those in the Decommissioning Trusts do not have custodial credit risk, as all investments are held either by an independent trustee or bank and are in CPS Energy’s or the Decommissioning Trusts’ names.

CPS Energy Investments

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

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

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

(Dollars in thousands)

Investment Type	January 31, 2025				January 31, 2024			
	Carrying Value	Fair Value	Allocation	WAM ¹	Carrying Value	Fair Value	Allocation	WAM ¹
U.S. Treasuries	\$ 14,164	\$ 14,164	1.14%	1.5	\$ 13,701	\$ 13,701	1.18%	2.6
U.S. Agencies								
Federal Agriculture Mortgage Corp	21,996	21,996	1.77%	2.3	9,701	9,701	0.84%	0.9
Federal Farm Credit Bank	296,501	296,501	23.90%	2.3	282,571	282,571	24.32%	3.5
Federal Home Loan Bank	93,141	93,141	7.51%	1.8	131,025	131,025	11.28%	2.7
Federal Home Loan Mortgage Corp	28,780	28,780	2.32%	1.1	51,932	51,932	4.47%	2.7
Federal National Mortgage Assn	39,558	39,558	3.19%	1.6	56,876	56,876	4.90%	2.4
Small Business Administration	1,763	1,763	0.14%	3.7	2,981	2,981	0.26%	5.8
Municipal bonds	112,361	112,361	9.06%	1.7	134,076	134,076	11.54%	2.6
Investment pools	612,192	612,192	49.35%	—	452,117	452,117	38.93%	—
Money market mutual funds	20,085	20,085	1.62%	—	26,425	26,425	2.28%	—
Total fixed-income portfolio	<u>\$ 1,240,541</u>	<u>\$ 1,240,541</u>	100.00%	1.1	<u>\$ 1,161,405</u>	<u>\$ 1,161,405</u>	100.00%	1.6

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

Credit risk – In accordance with its Investment Policy, CPS Energy manages exposure to credit risk by limiting long-term debt security investments to those with a credit rating of “A” or better. As of January 31, 2025 and 2024, CPS Energy held no debt securities with a long-term credit rating below “A-,” or equivalent, or a short-term credit rating below “A-1/P-1/F-1.”

(Dollars in thousands)

Credit Rating	January 31, 2025			January 31, 2024		
	Carrying Value	Fair Value	Allocation	Carrying Value	Fair Value	Allocation
U.S. Treasuries (AA+)	\$ 14,164	\$ 14,164	1.14%	\$ 13,701	\$ 13,701	1.18%
AAA / Aaa	680,631	680,631	54.87%	533,333	533,333	45.92%
AA+ / Aa1	502,107	502,107	40.47%	559,744	559,744	48.20%
AA / Aa2	19,560	19,560	1.58%	28,048	28,048	2.42%
AA- / Aa3	3,994	3,994	0.32%	6,462	6,462	0.55%
Not rated ¹	20,085	20,085	1.62%	20,117	20,117	1.73%
Total fixed-income portfolio	<u>\$ 1,240,541</u>	<u>\$ 1,240,541</u>	100.00%	<u>\$ 1,161,405</u>	<u>\$ 1,161,405</u>	100.00%

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

Decommissioning Trusts Investments

As mentioned previously, the Decommissioning Trusts report their assets on a calendar year basis; therefore, information related to the Trusts is as of December 31, 2024 and 2023. The tables in this section address interest rate risk exposure by investment type, concentration of credit risk, credit risk, and foreign currency risk. All investments held by the Decommissioning Trusts are long-term in nature and recorded at fair value.

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

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

The specified fixed-income index for both the 28% Trust and the 12% Trust is Bloomberg Barclays US Aggregate, which was 6.08 years and 6.24 years for the period ending December 31, 2024 and 2023, respectively.

Concentration of credit risk – In accordance with the Investment Policy, exposure to concentration of credit risk is managed through diversification, limiting investments in each federal agency to 30% and investments in any other single issuer of debt securities to 5% of the total fixed-income portfolio. Likewise, equity investments are limited to 5% of the total portfolio for any one issuer. Total other debt securities (corporate and foreign issuers) amounted to 27.0% and 29.3% of the fixed-income portfolio for the 28% Decommissioning Trust as of December 31, 2024 and 2023, respectively. Total other debt securities (corporate and foreign issuers) amounted to 24.5% and 25.8% of the fixed-income portfolio for the 12% Decommissioning Trust as of December 31, 2024 and 2023, respectively.

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

Investment Type – 28% Trust	December 31, 2024			December 31, 2023		
	Fair Value	Allocation	*WAD	Fair Value	Allocation	WAD
U.S. Treasuries	\$ 86,481	26.71%	8.7	\$ 83,406	26.00%	8.6
U.S. Agencies						
Federal Home Loan Mortgage Corp	45,979	14.20%	5.8	46,008	14.34%	5.6
Federal National Mortgage Assn	64,147	19.81%	5.7	54,095	16.87%	5.5
Government National Mortgage Assn	7,205	2.23%	2.9	7,723	2.41%	2.6
Small Business Administration	7,231	2.23%	4.5	7,840	2.45%	4.8
Municipal bonds – Texas	739	0.23%	7.9	859	0.27%	8.2
Municipal bonds – other states	7,062	2.18%	6.8	6,932	2.16%	7.6
Corporate bonds	77,886	24.05%	4.9	82,914	25.84%	5.7
Foreign bonds	9,471	2.93%	4.5	11,043	3.45%	4.4
Money market mutual funds	17,591	5.43%	—	19,933	6.21%	—
Total 28% Trust fixed-income portfolio	<u>323,792</u>	100.00%	6.3	<u>320,753</u>	100.00%	6.4
Investment Type – 12% Trust						
U.S. Treasuries	35,381	29.71%	8.1	37,085	30.61%	8.3
U.S. Agencies						
Federal Home Loan Mortgage Corp	14,949	12.55%	5.7	14,322	11.82%	5.5
Federal National Mortgage Assn	23,040	19.34%	5.5	21,154	17.46%	5.5
Government National Mortgage Assn	1,478	1.24%	6.4	1,764	1.46%	5.3
Small Business Administration	3,720	3.12%	4.6	4,013	3.31%	4.9
Municipal bonds – Texas	357	0.30%	7.8	412	0.34%	8.2
Municipal bonds – other states	3,096	2.60%	6.6	2,789	2.30%	7.4
Corporate bonds	27,516	23.10%	5.0	29,644	24.47%	5.4
Foreign bonds	1,689	1.42%	4.7	1,597	1.32%	5.7
Money market mutual funds	7,885	6.62%	—	8,369	6.91%	—
Total 12% Trust fixed-income portfolio	<u>119,111</u>	100.00%	6.2	<u>121,149</u>	100.00%	6.4
Total Trusts fixed-income portfolio	<u>\$ 442,903</u>			<u>\$ 441,902</u>		

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

Credit risk – In accordance with the Investment Policy, exposure to credit risk is managed by limiting all fixed-income investments to a credit rating of “BBB-”, or equivalent, or better from at least two nationally recognized credit rating agencies. If a security’s rating falls below the minimum investment grade rating of “BBB-” after purchase, the Investment Policy allows investment managers to continue holding the security as long as the total fair value of securities rated below investment grade does not exceed 5% of the total fixed-income portfolio. As noted in the following tables, investments with a credit rating below “BBB- / Baa3” for the 28% Trust or 12% Trust did not exceed 5% of total fixed-income portfolio at December 31, 2024 and 2023.

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

(Dollars in thousands) Credit Rating – 28% Trust	December 31, 2024		December 31, 2023	
	Fair Value	Allocation	Fair Value	Allocation
U.S. Treasuries (AA+)	\$ 86,481	26.71 %	\$ 83,406	26.00 %
AAA / Aaa	22,416	6.92 %	25,555	7.97 %
AA+ / Aa1	128,109	39.57 %	119,063	37.11 %
AA / Aa2	1,841	0.57 %	2,013	0.63 %
AA- / Aa3	2,077	0.64 %	2,019	0.63 %
A+ / A1	1,926	0.59 %	1,791	0.56 %
A / A2	7,559	2.34 %	4,050	1.26 %
A- / A3	17,140	5.29 %	19,379	6.04 %
BBB+ / Baa1	16,714	5.16 %	24,856	7.75 %
BBB / Baa2	22,272	6.88 %	24,216	7.55 %
BBB- / Baa3	8,845	2.73 %	7,152	2.23 %
BB+ / Ba1	892	0.28 %	916	0.29 %
BB / Ba2	77	0.02 %	—	— %
B+ / B1	—	— %	153	0.05 %
Not Rated ¹	7,443	2.30 %	6,184	1.93 %
Total 28% Trust fixed-income portfolio	323,792	100.00 %	320,753	100.00 %
Credit Rating – 12% Trust				
U.S. Treasuries (AA+)	35,381	29.70 %	37,085	30.61 %
AAA / Aaa	9,956	8.36 %	10,851	8.96 %
AA+ / Aa1	45,036	37.82 %	42,986	35.47 %
AA / Aa2	955	0.80 %	1,418	1.17 %
AA- / Aa3	575	0.48 %	251	0.21 %
A+ / A1	529	0.44 %	194	0.16 %
A / A2	3,254	2.73 %	1,353	1.12 %
A- / A3	6,181	5.19 %	8,376	6.91 %
BBB+ / Baa1	6,176	5.19 %	7,653	6.32 %
BBB / Baa2	6,055	5.08 %	6,767	5.59 %
BBB- / Baa3	1,437	1.21 %	1,146	0.95 %
BB+ / Ba1	29	0.02 %	29	0.02 %
Not Rated ¹	3,547	2.98 %	3,040	2.51 %
Total 12% Trust fixed-income portfolio	119,111	100.00 %	121,149	100.00 %
Total Trusts fixed-income portfolio	\$ 442,903		\$ 441,902	

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

Foreign currency risk – All investments authorized for purchase by the Decommissioning Trusts are in U.S. dollars. This reduces the potential foreign currency risk exposure of the portfolio. All foreign bonds outstanding were issued in the U.S. and amounted to \$11.2 million at December 31, 2024, and \$12.6 million at December 31, 2023. In accordance with the Investment Policy, investments in international equity securities are limited to international commingled funds, American Depository Receipts, and exchange-traded funds that are diversified across countries and industries. The international equity portfolio is limited to 20% of the total portfolio. Total foreign equity securities

amounted to 14.2% and 14.4% of the 28% Trust's total portfolio as of December 31, 2024 and 2023, respectively. Total foreign equity securities held by the 12% Trust amounted to 14.2% and 12.7% of the Trust's portfolio as of December 31, 2024 and 2023, respectively.

Fiduciary Funds' Investments

As mentioned previously, the fiduciary financial statements include the CPS Energy Pension Plan, the CPS Energy Group Health Plan, the CPS Energy Group Life Insurance Plan, and the CPS Energy Long-Term Disability Income Plan, (collectively "the Plans"). The Plans report their assets on a calendar year basis; therefore, information related to the Plans is as of December 31, 2024 and 2023.

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

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

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

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

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

Debt Securities Indices Benchmarks

	December 31,	
	2024	2023
Barclays Aggregate (Total investment grade)	6.10	6.20
Bloomberg U.S. Aggregate Index (Investment grade bond funds)	5.90	6.10
Bloomberg Barclays High-yield (High-yield corporate bonds)	3.10	3.20
Bloomberg U.S. Corporate High-yield	3.21	3.29
S&P UBS Leveraged Loan Index	0.25	0.25*
JPMorgan Emerging Market Bond Index Global Diversified Index	6.50	6.90

* Credit Suisse First Boston Leveraged Loan (1M-Lag) benchmark in 2023.

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

Investment Type - Pension Plan	December 31, 2024		December 31, 2023	
	Fair Value	WAD	Fair Value	WAD
U.S. Treasury and Agency:				
Notes and bonds	\$ 68,459	8.35	\$ 38,647	9.82
Collateralized mortgage obligations	11,471	4.96	8,360	4.28
Mortgage pass-through securities	59,111	4.64	42,629	4.64
Commercial mortgage-backed securities	7,905	3.25	3,869	3.06
Municipal bonds	697	8.72	610	9.93
Asset-backed securities	19,481	2.18	14,475	2.25
Collateralized debt obligations	308	0.05	656	0.03
Corporate bonds	54,128	6.26	37,018	6.39
High-yield corporate bonds	178,191	3.30	147,738	3.16
Emerging market debt fund	47,999	6.50	44,436	6.97
Senior loan fund (floating rate)	96,294	0.32	87,899	0.48*
Total Pension Plan investments in debt securities	<u>544,044</u>		<u>426,337</u>	
Investment Type - Health Plan				
Investment grade bond fund	\$ 29,593	6.13	\$ 29,152	5.92
High-yield corporate bonds	11,930	3.06	12,324	2.97
High-yield bond fund	12,040	3.30	11,102	3.30
Emerging market debt fund	6,259	6.40	8,661	6.90
Senior loan fund (floating rate)	17,037	0.32	15,551	0.48*
Total Health Plan investments in debt securities	<u>76,859</u>		<u>76,790</u>	
Investment Type - Life Plan				
Investment grade bond fund	\$ 6,477	6.13	\$ 6,381	5.92
Senior loan fund (floating rate)	2,192	0.46	2,018	0.64
Emerging market debt fund	1,248	6.40	1,155	6.90
High-yield corporate bonds	2,188	3.08	2,019	2.98
High-yield bond fund	2,198	3.30	2,026	3.30
Total Life Plan investments in debt securities	<u>14,303</u>		<u>13,599</u>	
Investment Type - Disability Plan				
Investment grade bond fund	\$ 800	6.13	\$ 687	0.01
Senior loan fund (floating rate)	280	0.46	257	0.64
Emerging market debt fund	234	6.40	217	6.90
High-yield bond fund	495	3.30	456	3.30
Total Disability Plan investments in debt securities	<u>1,809</u>		<u>1,617</u>	
Total investments in debt securities for the Plans	<u>\$ 637,015</u>		<u>\$ 518,344</u>	

* Revised prior year to reflect the use of the Dollar Senior Loan Fund, Ltd. for Credit Suisse holdings compared to the use of the Senior Loan Offshore Fund in FY2023.

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

BBB rated bonds and (c) limiting investment in high-yield debt securities using high-yield investment managers to no more than 15% of total Plan investments. As of December 31, 2024 and 2023, investments for all the Plans were held in accordance with the investment policy.

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

(Dollars in thousands)

Credit Rating – Pension Plan*	December 31, 2024		December 31, 2023	
	Fair Value	Allocation	Fair Value	Allocation
AAA	\$ 13,047	2.40 %	\$ 10,556	2.48 %
AA	151,453	27.84 %	99,976	23.45 %
A	35,086	6.45 %	26,166	6.14 %
BBB	52,491	9.65 %	36,936	8.66 %
Less than BBB	288,578	53.04 %	250,015	58.64 %
Not Rated	3,389	0.62 %	2,689	0.63 %
Total Pension Plan investments in debt securities	544,044	100.00 %	426,338	100.00 %
Credit Rating – Health Plan*				
AAA	20,981	27.30 %	14,987	19.52 %
AA	1,385	1.80 %	7,370	9.60 %
A	3,733	4.86 %	4,277	5.57 %
BBB	8,040	10.46 %	8,301	10.81 %
Less than BBB	41,127	53.51 %	40,665	52.96 %
Not Rated	1,593	2.07 %	1,190	1.54 %
Total Health Plan investments in debt securities	76,859	100.00 %	76,790	100.00 %
Credit Rating – Life Plan				
AAA	4,567	31.93 %	3,220	23.68 %
AA	295	2.06 %	1,569	11.54 %
A	819	5.73 %	893	6.57 %
BBB	1,610	11.26 %	1,538	11.31 %
Less than BBB	6,756	47.23 %	6,185	45.48 %
Not Rated	256	1.79 %	194	1.42 %
Total Life Plan investments in debt securities	14,303	100.00 %	13,599	100.00 %
Credit Rating – Disability Plan				
AAA	578	31.95 %	372	23.01 %
AA	42	2.32 %	174	10.76 %
A	104	5.75 %	106	6.56 %
BBB	224	12.38 %	204	12.62 %
Less than BBB	814	45.00 %	728	45.02 %
Not Rated	47	2.60 %	33	2.03 %
Total Disability Plan investments in debt	1,809	100.00 %	1,617	100.00 %
Total investment in debt securities for the Plans	\$ 637,015		\$ 518,344	

*Reclassification related to Credit Suisse holdings to conform to current year presentation due to the use of the Dollar Senior Loan Fund, Ltd. for Credit Suisse holdings compared to the use of the Senior Loan Offshore Fund in FY2023.

Concentration of credit risk – To help ensure diversification and to minimize the impact of a failure of any issuer, the investment policy of the Plans limits holdings of issuers, other than the federal government issuers to 5% of the fair value of (a) an investments manager's portfolio and (b) the aggregate portfolio of debt securities. There is no concentration restriction on debt issued by the U.S. Federal government. Debt issued by other U.S. governmental

entities may not exceed 50% by any one issuer. There were no corporate issues exceeding these limits at December 31, 2024 and 2023, for the Plans.

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

(Dollars in thousands)

Issuer - Plan	December 31, 2024			December 31, 2023		
	Fair Value	% Debt Securities	Policy Limit %	Fair Value	% Debt Securities	Policy Limit %
Federal National Mortgage Assn. - Pension	\$ 36,434	6.70%	50%	\$ 23,588	5.53%	50%

As of December 31, 2024 and 2023, the Plans did not have an investment in any one organization whose fair value equaled 5% or more of the individual plan's net position restricted for the Plans.

Foreign currency risk - There were no non-dollar foreign investments held directly as of December 31, 2024 and 2023. All non-dollar denominated foreign investments are held through mutual funds or commingled funds with a similar mandate. These funds are not subject to investment policy constraints on non-dollar denominated foreign investments.

3. Fair Value Measurement

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

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

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

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

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

- The majority of investments in equity securities are valued using Level 1 measurements. Investments in equity securities are typically valued at the closing price in the principal active market. For equity securities, these markets include published exchanges such as the National Association of Securities Dealers Automated Quotations and the New York Stock Exchange. Foreign equity prices are translated from their trading currency using the currency exchange rate in effect at the close of the principal active market.

- Most investments in debt securities are valued using Level 2 measurements because the valuations use interest rate curves and credit spreads applied to the terms of the debt instrument (maturity and coupon interest rate) and consider the counterparty credit rating. For the investments held by the Employee Benefit Plans it also includes commingled investments that include both debt and directly held equity securities.
- Commodity derivative instruments, such as futures, swaps and options, which are ultimately settled using prices at locations quoted through clearinghouses are valued using Level 1 inputs. Options included in this category are those with an identical strike price quoted through a clearinghouse.
- Other commodity derivative instruments, such as swaps settled using prices at locations other than those quoted through clearinghouses and options with strike prices not identically quoted through a clearinghouse, are valued using Level 2 inputs. For these instruments, fair value is based on internally developed pricing algorithms using observable market quotes for similar derivative instruments. Pricing inputs are derived from published exchange transactions and other observable data sources.
- The fair value of investment in partnerships held by the Employee Benefit Plans is evaluated annually according to the Plans' policy and is a multi-step process beginning with obtaining a broker's opinion of value. Additionally, Level 3 inputs, independent appraisals and bids received on the partnerships' assets, are also utilized to determine fair value.

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

CPS Energy's fair value measurements are performed on a recurring basis. The table on the following pages presents fair value balances and their levels within the fair value hierarchy for CPS Energy as of January 31, 2025 and 2024, and Decommissioning Trusts investment balances as of December 31, 2024 and 2023. The CPS Energy and Decommissioning Trusts investment balances presented exclude amounts related to money market mutual fund investments and short-term investments accounted for using amortized cost.

Fair Value Measurements as of January 31, 2025 and 2024

(In thousands)

	January 31, 2025				January 31, 2024			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Fair Value Investments								
<u>CPS Energy</u>								
U.S. Treasuries	\$ —	\$ 14,164	\$ —	\$ 14,164	\$ —	\$ 13,701	\$ —	\$ 13,701
U.S. Agencies								
Federal Agricultural Mortgage Corp	—	21,996	—	21,996	—	9,701	—	9,701
Federal Farm Credit Bank	—	296,501	—	296,501	—	282,571	—	282,571
Federal Home Loan Bank	—	93,141	—	93,141	—	131,025	—	131,025
Federal Home Loan Mortgage Corp	—	28,780	—	28,780	—	51,932	—	51,932
Federal National Mortgage Assn	—	39,558	—	39,558	—	56,876	—	56,876
Small Business Administration	—	1,763	—	1,763	—	2,981	—	2,981
Municipal bonds	—	112,361	—	112,361	—	134,076	—	134,076
Total CPS Energy fair value investments	\$ —	\$ 608,264	\$ —	\$ 608,264	\$ —	\$ 682,863	\$ —	\$ 682,863

	December 31, 2024				December 31, 2023			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Decommissioning Trusts Investments								
28% Trust								
U.S. Treasuries	\$ —	\$ 86,481	\$ —	\$ 86,481	\$ —	\$ 83,406	\$ —	\$ 83,406
U.S. Agencies								
Federal Home Loan Mortgage Corp	—	45,979	—	45,979	—	46,008	—	46,008
Federal National Mortgage Assn	—	64,147	—	64,147	—	54,095	—	54,095
Government National Mortgage Assn	—	7,205	—	7,205	—	7,723	—	7,723
Small Business Administration	—	7,231	—	7,231	—	7,840	—	7,840
Municipal bonds – Texas	—	739	—	739	—	859	—	859
Municipal bonds – other states	—	7,062	—	7,062	—	6,932	—	6,932
Corporate bonds	—	77,886	—	77,886	—	82,914	—	82,914
Foreign bonds	—	9,471	—	9,471	—	11,043	—	11,043
Total 28% Trust fair value fixed-income portfolio	—	306,201	—	306,201	—	300,820	—	300,820
Equity securities								
Common stock	197,965	—	—	197,965	148,955	—	—	148,955
Real estate investment trusts	25,602	—	—	25,602	46,667	—	—	46,667
Preferred stock	—	813	—	813	—	777	—	777
Total 28% Trust fair value investments	223,567	307,014	—	530,581	195,622	301,597	—	497,219
12% Trust								
U.S. Treasuries	—	35,381	—	35,381	—	37,085	—	37,085
U.S. Agencies								
Federal Home Loan Mortgage Corp	—	14,949	—	14,949	—	14,322	—	14,322
Federal National Mortgage Assn	—	23,040	—	23,040	—	21,154	—	21,154
Government National Mortgage Assn	—	1,478	—	1,478	—	1,764	—	1,764
Small Business Administration	—	3,720	—	3,720	—	4,013	—	4,013
Municipal bonds – Texas	—	357	—	357	—	412	—	412
Municipal bonds – other states	—	3,096	—	3,096	—	2,789	—	2,789
Corporate bonds	—	27,516	—	27,516	—	29,644	—	29,644
Foreign bonds	—	1,689	—	1,689	—	1,597	—	1,597
Total 12% Trust fair value fixed-income portfolio	—	111,226	—	111,226	—	112,780	—	112,780
Equity securities								
Common stock	72,866	—	—	72,866	52,747	—	—	52,747
Real estate investment trusts	9,332	—	—	9,332	16,228	—	—	16,228
Total 12% Trust fair value investments	82,198	111,226	—	193,424	68,975	112,780	—	181,755
Total Trusts fair value investments	305,765	418,240	—	724,005	264,597	414,377	—	678,974
Total fair value investments	\$ 305,765	\$ 1,026,504	\$ —	\$ 1,332,269	\$ 264,597	\$ 1,097,240	\$ —	\$ 1,361,837

CPS Energy FY2025 Basic Financial Statements

	January 31, 2025				January 31, 2024			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Financial Instruments								
Current fuel hedges	\$ 5,572	\$ 3,419	\$ —	\$ 8,991	\$ 3,149	\$ 1,065	\$ —	\$ 4,214
Noncurrent fuel hedges	558	18,054	—	18,612	3,799	11,311	—	15,110
Total financial instruments - Assets	\$ 6,130	\$ 21,473	\$ —	\$ 27,603	\$ 6,948	\$ 12,376	\$ —	\$ 19,324
Liabilities								
Financial Instruments								
Current fuel hedges	\$ (40,239)	\$ (134)	\$ —	\$ (40,373)	\$ (6,666)	\$ —	\$ —	\$ (6,666)
Noncurrent fuel hedges	(34,995)	(38)	—	(35,033)	(4,593)	(247)	—	(4,840)
Total financial instruments - (Liabilities)	\$ (75,234)	\$ (172)	\$ —	\$ (75,406)	\$ (11,259)	\$ (247)	\$ —	\$ (11,506)
Total financial instruments	\$ (69,104)	\$ 21,301	\$ —	\$ (47,803)	\$ (4,311)	\$ 12,129	\$ —	\$ 7,818

Fiduciary Funds' Fair Value

The Plans' fair value measurements are performed on a recurring basis. The following table presents fair value balances and their levels within the fair value hierarchy for CPS Energy's Employee Benefit Plans as of December 31, 2024 and 2023. The Plans' investment balances presented exclude amounts related to cash collateral related to securities lending.

Fair Value Measurements as of December 31, 2024 and 2023

(In thousands)

	December 31, 2024				December 31, 2023			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Pension Plan								
U.S. Government securities	\$ —	\$ 147,641	\$ —	\$ 147,641	\$ —	\$ 94,115	\$ —	\$ 94,115
Corporate bonds	—	252,108	—	252,108	—	199,889	—	199,889
Domestic equities	25,709	880,279	—	905,988	23,698	845,168	—	868,866
Low-volatility equities	—	91,205	—	91,205	—	81,886	—	81,886
International equities	114,908	—	—	114,908	110,334	—	—	110,334
Investment in partnership	—	—	47,700	47,700	—	—	45,000	45,000
Total Pension Plan investments by fair value level	140,617	1,371,233	47,700	1,559,550	134,032	1,221,058	45,000	1,400,090
Investments measured at net asset value (NAV):								
Emerging market debt				47,999				44,436
Senior loan fund				96,294				87,899
Low-volatility equity fund				97,716				84,648
International equities fund				125,222				82,448
Master limited partnership fund				222,687				179,743
Alternative investments - multi-strategy hedge fund				—				5,478
Alternative investments - absolute return fund				47,092				46,440
Alternative investments - direct lending hedge fund				55,672				51,396
Real estate funds (open-end)				129,105				136,873
Total investments measured at NAV				821,787				719,361
Total Pension Plan fair value investments				2,381,337				2,119,451
Health Plan								
U.S. Government securities	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Investment grade bond fund	29,593	—	—	29,593	29,152	—	—	29,152
Corporate bonds	12,040	11,930	—	23,970	11,102	12,324	—	23,426
Emerging market debt	6,259	—	—	6,259	8,661	—	—	8,661
Domestic equities	96,807	44,378	—	141,185	91,739	38,668	—	130,407
Low-volatility equities	—	25,887	—	25,887	—	23,257	—	23,257
International equities	6,370	—	—	6,370	9,080	—	—	9,080
Total Health Plan investments by fair value level	151,069	82,195	—	233,264	149,734	74,249	—	223,983
Investments measured at NAV:								
Senior loan fund				17,037				15,551
International equities fund				23,089				21,196
Master limited partnership fund				28,498				21,698
Alternative investments - multi-strategy hedge fund				—				1,082
Alternative investments - direct lending hedge fund				10,992				10,147
Alternative investments - absolute return fund				5,587				5,509
Real estate fund (open-end)				13,362				13,502
Total investments measured at NAV				98,565				88,685
Total Health Plan fair value investments				331,829				312,668

CPS Energy FY2025 Basic Financial Statements

	December 31, 2024				December 31, 2023			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Life Plan								
U.S. Government securities	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Investment grade bond fund	6,477	—	—	6,477	6,381	—	—	6,381
Corporate bonds	2,198	2,188	—	4,386	2,026	2,019	—	4,045
Emerging market debt	1,248	—	—	1,248	1,155	—	—	1,155
Senior loan fund	2,192	—	—	2,192	2,018	—	—	2,018
Domestic equities	17,094	7,141	—	24,235	15,583	6,813	—	22,396
Low-volatility equities	—	4,482	—	4,482	—	4,027	—	4,027
International equities	1,339	—	—	1,339	1,592	—	—	1,592
Alternative investments	2,707	—	—	2,707	2,649	—	—	2,649
Total Life Plan investments by fair value level	<u>33,255</u>	<u>13,812</u>	<u>—</u>	<u>47,066</u>	<u>31,404</u>	<u>12,859</u>	<u>—</u>	<u>44,263</u>
Investments measured at NAV:								
International equities fund				3,723				3,588
Master limited partnerships				4,583				3,717
Real estate fund – open end				2,919				3,173
Total investments measured at NAV				<u>11,225</u>				<u>10,478</u>
Total Life Plan fair value investments				<u>58,291</u>				<u>54,741</u>
Disability Plan								
U.S. Government securities	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Investment grade bond fund	800	—	—	800	687	—	—	687
Corporate bonds	495	—	—	495	456	—	—	456
Emerging market debt	234	—	—	234	217	—	—	217
Senior loan fund	280	—	—	280	257	—	—	257
Domestic equities	3,210	—	—	3,210	2,839	—	—	2,839
Low-volatility equities	514	—	—	514	472	—	—	472
International equities	255	—	—	255	728	—	—	728
Alternative investments	385	—	—	385	377	—	—	377
Total Disability Plan investments by fair value level	<u>6,173</u>	<u>—</u>	<u>—</u>	<u>6,173</u>	<u>6,033</u>	<u>—</u>	<u>—</u>	<u>6,033</u>
Investments measured at NAV:								
International equities fund				454				—
Master limited partnerships				602				427
Real estate fund – open end				393				429
Total investments measured at NAV				<u>1,449</u>				<u>856</u>
Total Disability Plan fair value investments				<u>7,622</u>				<u>6,890</u>
Total investments at fair value for the Plans	<u>\$ 331,113</u>	<u>\$ 1,467,240</u>	<u>\$ 47,700</u>	<u>\$ 2,779,079</u>	<u>\$ 321,204</u>	<u>\$ 1,308,166</u>	<u>\$ 45,000</u>	<u>\$ 2,493,749</u>

The following table shows quantitative information about unobservable inputs related to the Level 3 fair value measurements used to derive values at December 31, 2024 and 2023. Significant increases (decreases) in any of those inputs in isolation would result in significantly lower (higher) fair value measurements, respectively.

(Dollars in thousands)

December 31, 2024				
<u>Type – Pension Plan</u>	<u>Fair Value</u>	<u>Valuation Technique</u>	<u>Unobservable Inputs</u>	<u>Rate</u>
Investment in partnership	\$ 47,700	Income Approach – Discounted Cash Flow	Discount Rate	9.25%
			Terminal Capitalization	8.25%
Total Pension Plan	<u>\$ 47,700</u>			
December 31, 2023				
<u>Type – Pension Plan</u>	<u>Fair Value</u>	<u>Valuation Technique</u>	<u>Unobservable Inputs</u>	<u>Rate</u>
Investment in partnership	\$ 45,000	Income Approach – Discounted Cash Flow	Discount Rate	9.75%
			Terminal Capitalization	8.25%
Total Pension Plan	<u>\$ 45,000</u>			

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

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

(Dollars in thousands)

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

Investments Measured at the Net Asset Value at December 31, 2023

(Dollars in thousands)

	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Type – Pension Plan				
Emerging market debt	\$ 44,436	\$ —	Daily	3 days
Senior loan fund	87,899	—	Monthly	20 days
Low-volatility equity fund	84,648	—	Daily / Monthly	30 days
International equities fund	82,448	—	Monthly	30 days
Master limited partnerships	179,743	—	Monthly	30 days
Multi-strategy hedge fund	5,478	—	Quarterly	90 days
Absolute return fund	46,440	—	Quarterly	90 days
Real estate fund - open end	136,873	—	Quarterly	30 - 60 days
Direct lending hedge fund	51,396	—	Semi-Annual	June / December
Total Pension Plan	719,361	—		
Type – Health Plan				
Senior loan fund	15,551	—	Monthly	20 days
International equities fund	21,196	—	Monthly	30 days
Master limited partnerships	21,698	—	Monthly	30 days
Multi-strategy hedge fund	1,082	—	Quarterly	90 days
Absolute return fund	5,509	—	Quarterly	90 days
Real estate fund - open end	13,502	—	Quarterly	45 days
Direct lending hedge fund	10,147	—	Semi-Annual	June / December
Total Health Plan	88,685	—		
Type – Life Plan				
International equities fund	3,588	—	Daily	7 days
Master limited partnerships	3,717	—	Monthly	30 days
Real estate fund - open end	3,173	—	Quarterly	45 days
Total Life Plan	10,478	—		
Type – Disability Plan				
Master limited partnerships	427	—	Monthly	30 days
Real estate fund - open end	429	—	Quarterly	45 days
Total Disability Plan	856	—		
Total Plans	\$ 819,380	\$ —		

4. Disaggregation of Current Accounts Receivable and Accounts Payable

Accounts Receivable: Current accounts receivable consists of the following:

(In thousands)	January 31,	
	2025	2024
Billed utility services	\$ 322,112	\$ 294,694
Unbilled revenue receivable	32,170	28,420
Other miscellaneous receivables	115,909	99,027
Regulatory-related	22,592	20,229
Total current accounts receivable	<u>\$ 492,783</u>	<u>\$ 442,370</u>

Accounts Payable: Current accounts payable consists of the following:

(In thousands)	January 31,	
	2025	2024
Supplier and vendor, including fuel	\$ 343,298	\$ 348,999
Employee	46,565	45,278
Customer	141,689	114,963
STP	30,310	52,605
Other miscellaneous	299,584	234,681
Total current accounts payable	<u>\$ 861,446</u>	<u>\$ 796,526</u>

5. Regulatory Assets

The Board and City Council have approved various regulatory mechanisms and regulatory accounting to account for timing differences between the recognition of revenues and expenses for rate regulated entities. The provisions of GASB Codification Section Re10, *Regulated Operations*, are applied. This guidance provides that regulatory assets are rights to additional revenues or deferred expenses, which are expected to be recovered through rates over some future period. The below describes the balances of the approved regulatory assets as of January 31, 2025 and 2024.

Debt Issuance Costs – Beginning in FY2014, with the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, CPS Energy adopted the use of regulatory accounting for debt issuance costs. Prior to FY2014, the Company had historically reported debt issuance costs as assets and amortized them over the life of the related debt. Under GASB Statement No. 65, debt issuance costs no longer meet the definition of an asset, nor do they meet the definition of a deferred outflow of resources; therefore, they must be expensed in the period incurred. CPS Energy established a regulatory asset for the debt issuance costs that GASB Statement No. 65 would otherwise require be expensed. This regulatory accounting treatment results in the amortization of these costs over the life of the related debt as the designated rate-recovery period. As of January 31, 2025 and 2024, debt issuance costs to be recovered in future years, classified as other noncurrent assets, were \$50.9 million and \$43.1 million, respectively. See Note 8 – Revenue Bonds for additional information.

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

January 31, 2025 and 2024, fuel costs to be recovered in future years totaled \$763.3 million and \$763.2 million, respectively.

Pension and Other Post Employment Benefits – The Company also elected to use regulatory accounting in conjunction with the implementation of GASB Statement No. 68 in FY2015, which required immediate recognition of the Company's previously unrecognized net pension liability. For governmental entities other than those whose operations are rate regulated, the GASB Statement No. 68 adoption accounting required a charge to net position (equity) for the net effect of the restatements required to recognize the net pension liability. CPS Energy elected to use regulatory accounting, as allowed under GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, to create a regulatory asset representing the net effect of the prior period restatements, which totaled \$266.5 million and was to be amortized over a period of 50 years.

In December 2023, the Board and City Council approved expanded regulatory accounting, superseding the FY2015 pension regulatory asset. With the authorized use of regulatory accounting for both pension and OPEB costs, a new regulatory asset was established, and the amortization expense related to the 2015 pension regulatory asset ceased to be recorded in FY2024. As a result, any current year contributions to fund the Pension and OPEB Plans are reflected as pension and OPEB expense included in O&M on the Statements of Revenues, Expenses and Changes in Net Position and any difference between the funding and the respective GASB pension or OPEB expense will be deferred as a regulatory asset on the Statements of Net Position. The established regulatory accounting for pension and OPEB costs establishes a regulatory asset to match the pension and OPEB expense to the funded amounts and the cost recovery through rates. As of January 31, 2025 and 2024, pension and OPEB benefit costs to be recovered in future years was \$275.3 million and \$244.6 million respectively. See Note 11 – Employee Pension Plan and Note 12 – Other Post Employment Benefits for additional information.

STEP Net Costs Recoverable – In June 2022, the City authorized the funding of a new energy efficiency and conservation program, tentatively referred to as the “New Program”, which will be operational from August 1, 2022 through July 31, 2027. Annually, approximately \$10 million of STEP expenses are funded through the base rate and reported as O&M expenses. Amounts in excess of this initial amount per year are recovered through the fuel adjustment factor over a period of 12 months, or longer for certain STEP expenses, beginning in the subsequent fiscal year after the costs are incurred and have been independently validated. These STEP recoveries are accrued as a regulatory asset and reflected as other noncurrent assets on the Statements of Net Position, and costs incurred are reflected as STEP net costs recoverable in the Statements of Revenues, Expenses, and Changes in Net Position. As of January 31, 2025 and 2024, STEP costs to be recovered within a year were \$21.5 million and \$20.0 million, respectively. As of January 31, 2025 and 2024, STEP costs classified as noncurrent were \$57.1 million and \$58.7 million, respectively.

6. Capital Assets, Net

General Description – CPS Energy's plant-in-service includes seven power stations that are solely owned and operated by the Company. In total, there are 22 generating units at these seven power stations, two of which are coal-fired and 20 of which are gas-fired. CPS Energy has publicly committed to transitioning away from coal generation by calendar year 2028.

CPS Energy has two solar generating units, one of which also includes battery storage. Excluding STP (nuclear units), the following is a list of power stations and their respective generating units as of January 31, 2025:

Power Station	Generating Units	Type
Calaveras	4	Coal (2)/Gas (2)
Barney Davis	2	Gas
Braunig	8	Gas
Laredo	2	Gas
Leon Creek	4	Gas
Nueces Bay	1	Gas
Rio Nogales	1	Gas
Commerce	1	Solar/Battery Storage
Community	1	Solar

Plant Acquisition – In FY2025, CPS Energy issued taxable senior lien bonds to acquire two natural gas-fired generation facilities located in Corpus Christi, Texas, as well as a natural gas-fired generation facility located in Laredo, Texas. The acquisition of the Barney Davis, Nueces Bay and Laredo generation facilities adds approximately 1,710 MW of generation that will provide additional resiliency and reliability to CPS Energy customers as well as additional power to sell into the ERCOT market. CPS Energy has integrated these plants into its rate base to provide generation capacity that will not otherwise be available once the V.H. Braunig units are retired in early calendar 2025.

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

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

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

As part of normal operations, CPS Energy evaluates whether surplus property exists within the capital asset portfolio and whether such property should be sold or reported as held for sale.

Impairments – There were no capital asset impairments identified for FY2025 and FY2024.

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

STP Capital Investment

(Dollars in thousands)

	January 31,	
	<u>2025</u>	<u>2024</u>
STP capital assets, net		
Land	\$ 5,701	\$ 5,701
Construction-in-progress	16,362	15,620
Electric and general plant	790,453	799,533
Intangibles	9,879	9,879
Nuclear fuel	144,928	147,208
Total STP capital assets, net	<u>\$ 967,323</u>	<u>\$ 977,941</u>
Total CPS Energy capital assets, net	<u>\$ 11,004,386</u>	<u>\$ 9,763,110</u>
STP capital investment as a percentage of total CPS Energy capital assets, net	8.8 %	10.0 %

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

FY2025 Capital Asset Rollforward

(In thousands)

	February 1, 2024	Additions/ Increases	Transfers In/(Out)	Reductions/ Decreases	January 31, 2025
Nondepreciable assets					
Land	\$ 121,672	\$ —	\$ 1,133	\$ (7,340)	\$ 115,465
Land easements	107,611	—	239	(4)	107,846
Construction-in-progress	1,220,274	837,859	(985,115)	—	1,073,018
Total nondepreciable assets	<u>1,449,557</u>	<u>837,859</u>	<u>(983,743)</u>	<u>(7,344)</u>	<u>1,296,329</u>
Depreciable/amortizable assets					
Electric plant	13,168,007	861,944	743,892	(15,002)	14,758,841
Gas plant	1,391,898	26,111	115,271	(533)	1,532,747
General plant	806,702	5,634	47,231	(43,407)	816,160
Intangibles					
Software	204,255	—	77,349	(13,986)	267,618
Other	13,069	—	—	—	13,069
Leases	5,820	308	—	—	6,128
Subscription based assets	48,227	14,091	—	(7,852)	54,466
Nuclear fuel	1,283,333	48,720	—	—	1,332,053
Total depreciable/ amortizable assets	<u>16,921,311</u>	<u>956,808</u>	<u>983,743</u>	<u>(80,780)</u>	<u>18,781,082</u>
Accumulated depreciation and amortization					
Electric plant	(6,655,013)	(401,040)	—	35,867	(7,020,186)
Gas plant	(517,374)	(32,295)	—	3,160	(546,509)
General plant	(185,143)	(33,668)	—	41,036	(177,775)
Intangibles					
Software	(90,674)	(31,841)	—	13,986	(108,529)
Other	(2,368)	(1,024)	—	859	(2,533)
Leases	(2,207)	(971)	—	—	(3,178)
Subscription based assets	(18,853)	(16,189)	—	7,852	(27,190)
Nuclear fuel	(1,136,126)	(50,999)	—	—	(1,187,125)
Total accumulated depreciation and amortization	<u>(8,607,758)</u>	<u>(568,027)</u>	<u>—</u>	<u>102,760</u>	<u>(9,073,025)</u>
Capital assets, net	<u>\$ 9,763,110</u>	<u>\$ 1,226,640</u>	<u>\$ —</u>	<u>\$ 14,636</u>	<u>\$ 11,004,386</u>

The following table provides more detailed information on the activity of CPS Energy's net capital assets as presented on the Statements of Net Position, including capital asset activity for FY2024:

FY2024 Capital Asset Rollforward
(In thousands)

	February 1, 2023	Additions/ Increases	Transfers In/(Out)	Reductions/ Decreases	January 31, 2024
Nondepreciable assets					
Land	\$ 113,949	\$ 143	\$ 7,580	\$ —	\$ 121,672
Land easements	107,517	—	94	—	107,611
Construction-in-progress	1,025,312	847,550	(652,588)	—	1,220,274
Total nondepreciable assets	<u>1,246,778</u>	<u>847,693</u>	<u>(644,914)</u>	<u>—</u>	<u>1,449,557</u>
Depreciable/amortizable assets					
Electric plant	12,577,706	95,011	510,994	(15,704)	13,168,007
Gas plant	1,272,678	18,354	101,523	(657)	1,391,898
General plant	810,446	15,646	17,138	(36,528)	806,702
Intangibles					
Software	221,993	—	15,259	(32,997)	204,255
Other	38,572	—	—	(25,503)	13,069
Leases	4,026	2,936	—	(1,142)	5,820
Subscription based assets	35,250	17,748	—	(4,771)	48,227
Nuclear fuel	1,237,499	45,834	—	—	1,283,333
Total depreciable/amortizable assets	<u>16,198,170</u>	<u>195,529</u>	<u>644,914</u>	<u>(117,302)</u>	<u>16,921,311</u>
Accumulated depreciation and amortization					
Electric plant	(6,293,161)	(398,020)	—	36,168	(6,655,013)
Gas plant	(489,861)	(29,866)	—	2,353	(517,374)
General plant	(180,580)	(40,769)	—	36,206	(185,143)
Intangibles					
Software	(95,850)	(27,821)	—	32,997	(90,674)
Other	(11,449)	(1,020)	—	10,101	(2,368)
Leases	(2,419)	(930)	—	1,142	(2,207)
Subscription based assets	(13,163)	(9,995)	—	4,305	(18,853)
Nuclear fuel	(1,086,185)	(49,941)	—	—	(1,136,126)
Total accumulated depreciation and amortization	<u>(8,172,668)</u>	<u>(558,362)</u>	<u>—</u>	<u>123,272</u>	<u>(8,607,758)</u>
Capital assets, net	<u>\$ 9,272,280</u>	<u>\$ 484,860</u>	<u>\$ —</u>	<u>\$ 5,970</u>	<u>\$ 9,763,110</u>

7. Revenue Bond and Commercial Paper Ordinance Requirements

As of January 31, 2025, the bond ordinances for New Series Bonds contained, among others, the following provisions:

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

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

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

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

Commercial Paper – As of January 31, 2025, the commercial paper ordinances contain, among others, the following provisions: authorized capacity of \$1 billion, ability to issue tax-exempt or taxable commercial paper and issue multiple series notes. The original commercial paper program has a final maturity of April 11, 2049, and the new series commercial paper program has a final maturity date of April 20, 2053.

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

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

CPS Energy's outstanding debt agreements specify certain events of default or breach of a financial covenant or failure to make debt service. Such an event would trigger a covenant requiring the City to charge rates sufficient to make debt service payments and satisfy debt service coverage. For the fiscal years ended January 31, 2025 and 2024, CPS Energy did not default on any terms of its debt agreements.

8. Revenue Bonds

On June 25, 2024, CPS Energy issued \$452.2 million of Series 2024A Revenue Refunding Bonds. Proceeds, including the \$47.2 million premium associated with the bonds, were used to refund \$200.0 million, \$8.5 million, and \$285.0 million par value of the Tax-Exempt Commercial Paper Series A, Tax-Exempt Commercial Paper Series B, and Tax-Exempt Flexible Rate Revolving Note Series B, respectively. The true interest cost for this issue, which has maturities in 2025 through 2049, is 4.3%.

On June 25, 2024, CPS Energy issued \$453.4 million of New Series 2024B Revenue Refunding Bonds. Proceeds, including the \$39.8 million premium associated with the bonds, were used to refund \$30.8 million par value of Series 2014 Revenue Refunding Bonds and \$60.6 million par value of Taxable New Series 2022 Revenue Refunding Bonds. Proceeds were also used to tender \$24.3 million par value of Taxable New Series 2020 Revenue Refunding Bonds and \$77.2 million par value of Taxable New Series 2022 Revenue Refunding Bonds. The true interest cost for this issue, which has maturities in 2025 through 2054 is 4.4%.

Also on June 25, 2024, CPS Energy issued \$193.3 million of New Series 2024C Revenue Refunding Bonds. Proceeds, including the \$18.0 million premium associated with the bonds, were used to refund \$60.0 million, \$75.0 million, and \$75.0 million par value of the Tax-Exempt Commercial Paper Series A, Tax-Exempt Commercial Paper Series B, and Tax-Exempt Commercial Paper Series C, respectively. The true interest cost for this issue, which has maturities in 2025 through 2054, is 4.5%.

On September 18, 2024, CPS Energy issued \$488.0 million of Series 2024D Revenue Refunding Bonds. Proceeds, including the \$58.5 million premium associated with the bonds, were used to refund \$124.2 million par value of the 2015A Variable Rate Junior Lien Revenue Refunding Bonds, \$99.7 million par value of the 2015C Variable Rate Junior Lien Revenue Bonds, \$295.0 million par value of the Tax-Exempt Commercial Paper Series A, and \$21.4 million par value of the Tax-Exempt Commercial Paper Series C, respectively. The true interest cost for this issue, which has maturities in 2025 through 2049, is 4.2%.

On September 18, 2024, CPS Energy issued \$268.7 million of New Series 2024E Revenue Refunding Bonds. Proceeds, including the \$33.1 million premium associated with the bonds, were used to refund \$50.0 million, \$150.0 million, and \$100.0 million par value of the Taxable Commercial Paper Series B, Taxable Commercial Paper Series C, and Taxable Flexible Rate Revolving Note Series A, respectively. The true interest cost for this issue, which has maturities in 2025 through 2049 is 4.2%.

Revenue Bond Summary

(Dollars in thousands)

	Issues	Maturities	Weighted-Average Yield on Outstanding Bonds at January 31, 2025	January 31	
				2025	2024
Tax-exempt new series bonds	2012, 2015 - 2020, and 2022- 2024	2025-2054	4.4%	\$ 4,532,885	\$ 2,851,475
Taxable new series bonds	2009C ¹ , 2010A ¹ , 2012, 2020, and 2022	2025 2031-2048	3.8%	1,494,745	1,663,900
Total new series bonds			4.3%	6,027,630	4,515,375
Taxable series bonds	2010A ¹	2038-2041	3.8%	300,000	300,000
Tax-exempt variable-rate series bonds	2015D, 2018, 2020, 2022, and 2023	2038-2049 2051-2053	2.5%	587,435	811,380
Tax-exempt series bonds	2014, 2015B, 2019, 2021A, and 2022	2026-2049	3.8%	921,950	952,720
Total series bonds			3.8%	1,809,385	2,064,100
Total long-term revenue bonds				7,837,015	6,579,475
Less: Current maturities of bonds				183,600	181,295
Total revenue bonds outstanding, net of current maturities				\$ 7,653,415	\$ 6,398,180

¹Direct Subsidy Build America Bonds

Build America Bonds Direct Subsidy – The ARRA of 2009 provided authority for the issuance of BABs, which were issuable in calendar years 2009 and 2010 as taxable bonds. The ARRA permitted the issuer or the issuer’s paying agent to receive a subsidy payment equal to 35% of the bond’s interest directly from the U.S. Department of the Treasury. Pursuant to the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, the federal government reduced the BABs subsidy through sequestration reduction. For the years ended January 31, 2025 and January 31, 2024, the total subsidy recorded for the 2009C and 2010A Senior Lien BABs and the 2010A Junior Lien BABs was \$18.4 million, which included a reduction totaling \$1.1 million, respectively.

As of January 31, 2025, principal and interest amounts due for all revenue bonds outstanding for each of the next five years and thereafter to maturity are as follows:

(In thousands)

Fiscal Year	Principal	Interest	Direct Subsidy	Total
2026	\$ 183,600	\$ 364,190	\$ (18,443)	\$ 529,347
2027	169,185	361,988	(18,443)	512,730
2028	197,495	365,824	(18,443)	544,876
2029	206,865	361,816	(18,443)	550,238
2030	198,720	355,949	(18,443)	536,226
2031-2035	1,215,760	1,628,342	(94,692)	2,749,410
2036-2040	1,939,070	1,245,074	(61,598)	3,122,546
2041-2045	1,873,365	734,330	(5,488)	2,602,207
2046-2050	1,457,530	304,813	—	1,762,343
2051-2055	395,425	56,182	—	451,607
Totals	\$ 7,837,015	\$ 5,778,508	\$ (253,993)	\$ 13,361,530

The previous table includes senior lien and junior lien bonds. Interest on the senior lien bonds and the junior lien fixed-rate bonds is based upon the stated coupon rates of each series of bonds outstanding. The direct subsidy associated with the BABs is presented in a separate column and includes the impact of sequestration. CPS Energy has

taken the position that the BABs direct subsidy should be deducted when calculating total debt service since the subsidy is received directly by the trustee and used solely for BABs debt service payments.

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

The Series 2018 Junior Lien Bonds were issued as multi-modal variable-rate bonds. The bonds were remarketed in 2022 as multi-modal variable-rate bonds issued in a SIFMA Index Mode with an applicable spread of 0.87% through their term rate period's expiration in 2025 and at a stepped rate of 8.0% thereafter through applicable final maturity. In the table above, interest on these variable-rate bonds is calculated at an assumed rate of 3.5% for the applicable initial interest period and at an assumed stepped rate of 8.0% thereafter through stated maturity. The stepped rate is applicable only if the bonds are not remarketed by their respective expiration date.

The Series 2020 Junior Lien Bonds were issued as multi-modal variable-rate bonds that utilize an interest rate of 1.75% through their term rate period's expiration in 2025. A stepped rate of 7.0% is assumed in the previous table for each series thereafter through applicable final maturity. The stepped rate is applicable only if the bonds are not remarketed by their respective expiration date.

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

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

Pursuant to guidance provided in GASB Statement No. 65, debt reacquisition costs meet neither the definition of an asset or a liability and are therefore required to be classified as deferred outflows (*unamortized loss on debt refunding*) and deferred inflows (*unamortized gain on debt refunding*) of resources on the Statements of Net Position. The debt refundings that occurred in FY2025 and FY2024 resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately \$17.8 million and \$35.2 million in deferred inflows of resources, respectively. Debt reacquisition costs reported as deferred outflows of resources totaled \$38.6 million as of January 31, 2025, and \$47.5 million as of January 31, 2024. Debt reacquisition costs reported as deferred inflows of resources totaled \$58.6 million as of January 31, 2025, and \$51.4 million as of January 31, 2024. These amounts are amortized as components of interest expense using the effective interest method over the shorter of the remaining life of the refunding or the refunded debt.

CPS Energy, as a rate-regulated entity and with application of regulatory accounting, establishes regulatory assets for debt issuance costs that would otherwise be required to be expensed. This regulatory accounting treatment results in the amortization of these costs over the life of the related debt. Debt issuance costs, which are reported within other noncurrent assets on the Statements of Net Position, totaled \$50.9 million as of January 31, 2025, and \$43.1 million as of January 31, 2024.

FY2025 Long-Term Debt Activity

(Dollars in thousands)

	Original Amount	Final Principal Payment	True Interest Cost (%)	Balance Outstanding Beginning FY2025	Additions During Year	Decreases During Year	Balance Outstanding Ending FY2025
Revenue and refunding bonds							
2009C taxable - Senior Lien	\$ 375,000	2039	6.051	\$ 375,000	\$ —	\$ —	\$ 375,000
2010A taxable – Senior Lien	380,000	2041	3.834	280,000	—	—	280,000
2010A taxable – Junior Lien	300,000	2041	3.399	300,000	—	—	300,000
2012 taxable - Senior Lien	521,000	2042	4.382	404,225	—	—	404,225
2012 tax-exempt - Senior Lien	655,370	2025	2.552	236,735	—	(123,245)	113,490
2014 tax-exempt – Junior Lien	200,000	2044	4.142	30,770	—	(30,770)	—
2015A tax-exempt – Junior Lien	125,000	2033	Variable	124,205	—	(124,205)	—
2015B tax-exempt – Junior Lien	125,000	2033	1.4277	104,150	—	—	104,150
2015 tax-exempt – Senior Lien	320,530	2032	2.992	218,410	—	(20,230)	198,180
2015 tax-exempt – Senior Lien	235,000	2039	3.476	235,000	—	—	235,000
2015C tax-exempt – Junior Lien	100,000	2045	Variable	99,740	—	(99,740)	—
2015D tax-exempt – Junior Lien	100,000	2046	Variable	99,450	—	—	99,450
2016 tax-exempt – Senior Lien	544,260	2034	2.144	334,940	—	(3,795)	331,145
2017 tax-exempt – Senior Lien	267,320	2047	3.804	267,320	—	—	267,320
2017 tax-exempt – Senior Lien	194,980	2047	3.619	194,980	—	—	194,980
2018 tax-exempt – Senior Lien	218,285	2028	2.745	122,425	—	—	122,425
2018A tax-exempt – Senior Lien	130,220	2048	3.654	130,220	—	—	130,220
2018 tax-exempt – Junior Lien	134,870	2048	Variable	134,870	—	—	134,870
2019 tax-exempt – Senior Lien	114,685	2030	1.462	114,685	—	—	114,685
2019 tax-exempt – Junior Lien	252,640	2041	2.885	252,640	—	—	252,640
2020 tax-exempt - Senior Lien	134,580	2049	3.132	134,580	—	—	134,580
2020 tax-exempt – Junior Lien	127,770	2049	Variable	127,770	—	—	127,770
2020 taxable - Senior Lien	418,255	2048	2.8636	328,635	—	(24,275)	304,360
2021A tax-exempt - Junior Lien	330,700	2049	3.1389	330,700	—	—	330,700
2022 tax-exempt - Junior Lien	125,005	2049	Variable	125,005	—	—	125,005
2022 tax-exempt - Junior Lien	234,460	2044	2.7815	234,460	—	—	234,460
2022 taxable - Senior Lien	413,720	2047	4.3147	276,040	—	(144,880)	131,160
2022 tax-exempt - Senior Lien	109,620	2025	2.2643	62,885	—	(24,220)	38,665
2023A tax-exempt - Senior Lien	459,450	2050	4.3821	459,450	—	(490)	458,960
2023B tax-exempt - Senior Lien	177,130	2044	4.2093	177,130	—	—	177,130
2023 tax-exempt - Junior Lien	100,340	2053	Variable	100,340	—	—	100,340
2023C tax-exempt - Senior Lien	162,715	2042	4.3362	162,715	—	(2,155)	160,560
2024A tax-exempt - Senior Lien	452,220	2049	4.3491	—	452,220	—	452,220
2024B tax-exempt - Senior Lien	453,355	2054	4.3632	—	453,355	—	453,355
2024C tax-exempt - Senior Lien	193,265	2054	4.4808	—	193,265	—	193,265
2024D tax-exempt - Senior Lien	487,995	2054	4.1642	—	487,995	—	487,995
2024E tax-exempt - Senior Lien	268,710	2049	4.1708	—	268,710	—	268,710
Bonds outstanding				6,579,475	1,855,545	(598,005)	7,837,015
Current maturities				(181,295)	(2,305)	—	(183,600)
(Discount) premium				425,873	194,546	(51,378)	569,041
Revenue bonds, net				6,824,053	2,047,786	(649,383)	8,222,456
Commercial paper, taxable and tax-exempt			Variable	351,400	583,522	(934,922)	—
Long-term debt, net				\$ 7,175,453	\$ 2,631,308	\$ (1,584,305)	\$ 8,222,456

FY2024 Long-Term Debt Activity

(Dollars in thousands)

	Original Amount	Final Principal Payment	True Interest Cost (%)	Balance Outstanding Beginning FY2024	Additions During Year	Decreases During Year	Balance Outstanding Ending FY2024
Revenue and refunding bonds							
2009C taxable - Senior Lien	\$ 375,000	2039	6.051	\$ 375,000	\$ —	\$ —	\$ 375,000
2010A taxable - Senior Lien	380,000	2041	3.834	280,000	—	—	280,000
2010A taxable - Junior Lien	300,000	2041	3.399	300,000	—	—	300,000
2012 taxable - Senior Lien	521,000	2042	4.382	404,225	—	—	404,225
2012 tax-exempt - Senior Lien	655,370	2025	2.552	315,685	—	(78,950)	236,735
2014 tax-exempt - Junior Lien	200,000	2044	4.142	200,000	—	(169,230)	30,770
2015A tax-exempt - Junior Lien	125,000	2033	Variable	124,205	—	—	124,205
2015B tax-exempt - Junior Lien	125,000	2033	1.428	104,150	—	—	104,150
2015 tax-exempt - Senior Lien	320,530	2032	2.992	237,700	—	(19,290)	218,410
2015 tax-exempt - Senior Lien	235,000	2039	3.476	235,000	—	—	235,000
2015C tax-exempt - Junior Lien	100,000	2045	Variable	99,740	—	—	99,740
2015D tax-exempt - Junior Lien	100,000	2046	Variable	99,450	—	—	99,450
2016 tax-exempt - Senior Lien	544,260	2034	2.144	343,375	—	(8,435)	334,940
2017 tax-exempt - Senior Lien	267,320	2047	3.804	267,320	—	—	267,320
2017 tax-exempt - Senior Lien	194,980	2047	3.619	194,980	—	—	194,980
2018 tax-exempt - Senior Lien	218,285	2028	2.745	122,425	—	—	122,425
2018A tax-exempt - Senior Lien	130,220	2048	3.654	130,220	—	—	130,220
2018 tax-exempt - Junior Lien	134,870	2048	Variable	134,870	—	—	134,870
2019 tax-exempt - Senior Lien	114,685	2030	1.462	114,685	—	—	114,685
2019 tax-exempt - Junior Lien	252,640	2041	2.885	252,640	—	—	252,640
2020 tax-exempt - Senior Lien	134,580	2049	3.132	134,580	—	—	134,580
2020 tax-exempt - Junior Lien	127,770	2049	Variable	127,770	—	—	127,770
2020 taxable - Senior Lien	418,255	2048	2.864	418,255	—	(89,620)	328,635
2021A tax-exempt - Junior Lien	330,700	2049	3.139	330,700	—	—	330,700
2022 tax-exempt - Junior Lien	125,005	2049	Variable	125,005	—	—	125,005
2022 tax-exempt - Junior Lien	234,460	2044	2.782	234,460	—	—	234,460
2022 taxable - Senior Lien	413,720	2047	4.315	413,720	—	(137,680)	276,040
2022 tax-exempt - Senior Lien	109,620	2025	2.264	109,620	—	(46,735)	62,885
2023A tax-exempt - Senior Lien	459,450	2050	4.382	—	459,450	—	459,450
2023B tax-exempt - Senior Lien	177,130	2044	4.209	—	177,130	—	177,130
2023 tax-exempt - Junior Lien	100,340	2053	Variable	—	100,340	—	100,340
2023C tax-exempt - Senior Lien	162,715	2042	4.336	—	162,715	—	162,715
Bonds outstanding				6,229,780	899,635	(549,940)	6,579,475
Current maturities				(161,775)	(19,520)	—	(181,295)
(Discount) premium				407,251	75,891	(57,269)	425,873
Revenue bonds, net				6,475,256	956,006	(607,209)	6,824,053
Commercial paper, taxable and tax-exempt			Variable	455,500	530,900	(635,000)	351,400
Long-term debt, net				<u>\$ 6,930,756</u>	<u>\$ 1,486,906</u>	<u>\$ (1,242,209)</u>	<u>\$ 7,175,453</u>

9. Commercial Paper and Related Revolving Credit Agreements

In 1988, the San Antonio City Council adopted an ordinance authorizing the issuance of up to \$300 million in tax-exempt commercial paper. The current ordinances allow for the issuance of commercial paper through various separate series of notes to provide funding to assist in the interim financing of eligible projects in an aggregate amount not to exceed \$1 billion. As of January 31, 2025, there is a total of \$1 billion in liquidity facility support, which serves as a back-stop to the commercial paper program.

The ordinances allow for the issuance of taxable and tax-exempt commercial paper. Eligible projects include fuel acquisition, capital improvements to the Systems, and refinancing or refunding any outstanding obligations, which are secured by and payable from a lien and/or a pledge of net revenues of the Systems. Such pledge of net revenues is subordinate and inferior to the pledge securing payment of existing senior lien and junior lien obligations. The original commercial paper program has a final maturity of April 11, 2049, and the new series commercial paper program as a final maturity date of April 20, 2053.

The commercial paper has been classified as long-term in accordance with the refinancing terms under various revolving credit agreements with a consortium of banks, that serve as liquidity facility support for the commercial paper programs. Each revolving credit agreement relates to a particular series of notes and provides liquidity facility support in the amount specified. The Series A agreement provides \$400 million in liquidity support for the Series A Notes and is effective through June 19, 2026. The Series C agreement provides \$100 million in liquidity support for Series C Notes and is effective through June 21, 2025. The New Subseries A1 agreement replaces the Series B capacity of \$200 million in liquidity support through the New Subseries A1 Notes and is effective through July 31, 2031. The New Series B agreement provides \$150 million in liquidity support for the New Series B Notes and is effective through July 31, 2028. The New Series C agreement provides \$150 million in liquidity support for the New Series C Notes and is effective through October 12, 2025. Under the terms of these revolving credit agreements, CPS Energy may borrow up to an aggregate amount not to exceed \$1 billion for the purpose of paying principal due under the commercial paper programs. As of January 31, 2025, and since inception of the programs, there have been no back-stop options exercised under the revolving credit agreements.

During FY2025, CPS Energy issued a total of \$583.5 million in new commercial paper. As of January 31, 2025, there was no outstanding commercial paper. As of January 31, 2024, the outstanding commercial paper balance was \$351.4 million which was issued as tax-exempt.

Commercial Paper Summary
(Dollars in thousands)

	January 31	
	2025	2024
Commercial paper outstanding	\$ —	\$ 351,400
New commercial paper issued	\$ 583,522	\$ 530,900
Weighted-average commercial paper outstanding	\$ 388,628	\$ 339,018
Weighted-average interest rate	6.4%	3.4%
Number of days outstanding	232	360

10. Flexible Rate Revolving Notes (FRRN)

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

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

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

As of January 31, 2025 and 2024, CPS Energy was in compliance with the terms and provisions of the documents related the FRRN programs.

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

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

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

11. Employee Pension Plan

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

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

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

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

The following table presents information about Pension Plan participants covered by the benefit terms. Participants providing the basis of the actuarial valuations used to calculate the net pension liability, as of the measurement dates, for the fiscal years ended January 31, 2025 and 2024, were:

	January 31,	
	2025	2024
Active participants	2,715	2,759
Participants currently receiving benefits	2,758	2,678
Participants entitled to deferred benefits	266	258
Total plan participants	<u>5,739</u>	<u>5,695</u>

Contributions – The current policy of CPS Energy is to use an actuarial valuation as the basis for determining employer contributions to the Pension Plan during the fiscal year beginning thirteen months after the valuation date. The January 1, 2023, valuation is the basis for contributions in FY2025. With recommendations from the Administrative Committee, composed of a cross-functional group of active and retired CPS Energy employees, the Company establishes funding levels, considering annual actuarial valuations. Generally, participating employees contribute 5.0% of their total compensation, commencing with the effective date of participation and continuing until normal or early retirement, completion of 44 years of benefit service, or termination of employment. Participants who leave CPS Energy service before becoming eligible for retirement benefits receive a return of the total amount they contributed to the Pension Plan, plus the vested portion of accumulated interest. Beginning January 1, 2018, through December 31, 2020, the employee contribution interest crediting rate was 5.25%. Beginning January 1, 2021, the employee contribution interest crediting rate was 5.00%.

The balance of Pension Plan contributions is the responsibility of CPS Energy, giving consideration to actuarial information, budget controls, legal requirements, compliance, and industry and/or community norms. For FY2025 and FY2024, the amount to be funded was established using a general target near the 30-year layered amortization funding contribution level as determined by the Pension Plan's actuary using the entry-age normal cost method.

Net Pension Liability – CPS Energy's net pension liability at January 31, 2025 and 2024, was measured as of January 31, 2024 and 2023, respectively. The total pension liability used to calculate the net pension liability was determined by actuarial valuations as of January 1, 2023 and 2022, rolled forward using generally accepted actuarial procedures to the January 31, 2024 and 2023, measurement dates, respectively.

Changes in Net Pension Liability

(In thousands)

	Fiscal Year Ended January 31,	
	2025	2024
<u>Total pension liability</u>		
Service cost	\$ 42,481	\$ 40,271
Interest cost	166,928	155,015
Effect of plan changes	—	(12)
Changes in assumptions	48,543	51,083
Differences between expected and actual experience	106,920	394
Benefit payments	(130,541)	(123,427)
Net change in total pension liability	234,331	123,324
Total pension liability, beginning of period	2,357,824	2,234,500
Total pension liability, end of period	2,592,155	2,357,824
<u>Plan fiduciary net position</u>		
Employer contributions	(56,717)	(58,986)
Participant contributions	(16,133)	(14,970)
(Earnings) loss on Plan assets	(191,059)	64,655
Benefit payments	130,541	123,427
Administrative expenses	540	474
Net change in Plan fiduciary net position	(132,828)	114,600
Plan fiduciary net position, beginning of period	(2,007,845)	(2,122,445)
Plan fiduciary net position, end of period	(2,140,673)	(2,007,845)
Net pension liability, end of period	\$ 451,482	\$ 349,979

For the fiscal year ended January 31, 2025, in accordance with approved regulatory accounting for pension and OPEB costs, pension expense recognized, and the amount included in rates was \$72.8 million equal to the funding. CPS Energy recorded \$56.7 million in pension expense for the fiscal year ended January 31, 2024. Pension expense, as calculated under GASB Statement No. 68, for the years ended January 31, 2025 and 2024, was \$92.5 million and \$81.0 million, respectively.

Actuarial Assumptions – Significant actuarial assumptions used in the January 1, 2023, valuation include a rate of return on the investment of present and future assets of 7.00%, a discount rate on Pension Plan liabilities of 7.00%, and annual post-retirement cost-of-living increases of 1.50%. Annual projected salary increases averaging 5.68% and the projected salary increases include an inflation rate of 2.33%. Mortality rates were based on the Pri-2012 Employee / Retiree mortality table projected forward (fully generational) with MP-2021. Separate tables are used for disabled participants and contingent annuitants.

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

Significant actuarial assumptions used in the January 1, 2022, valuation include a rate of return on the investment of present and future assets of 7.00%, a discount rate on Pension Plan liabilities of 7.00%, and annual post-retirement cost-of-living increases of 1.50%. Annual projected salary increases averaging 5.65% per year and the projected salary increases include an inflation rate of 2.30%. Mortality rates were based on the Pri-2012 Employee / Retiree mortality table projected forward (fully generational) with MP-2021. Separate tables are used for disabled participants and contingent annuitants.

The actuarial assumptions used in the January 31 2022, valuation for amounts reported in FY2024 were based on the results of an actuarial experience study completed in 2020 covering experience for the period January 1, 2017, through December 31, 2019.

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

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

Asset Class	Assumed Asset Allocation	Expected Real Rate of Return
Equities	54.5%	4.2%
Debt securities	23.5%	3.2%
Alternative investments	22.0%	4.4%
Total investments	100.0%	

Discount Rate – The discount rate used to measure the total pension liability for FY2025 and FY2024 was 7.00%. The projection of cash flows used to determine the discount rates assumed that future employee contributions will be made at the current contribution rate and that future CPS Energy contributions will be made in a manner consistent with the current contribution practices. Based on those assumptions, the Pension Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on Pension Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Discount Rate Sensitivity

(In thousands)

Discount Rate	Net Pension Liability	
	at January 31,	
	2025	2024
1% decrease - 6.00%	\$ 769,244	\$ 637,950
Current discount rate - 7.00%	451,482	349,979
1% increase - 8.00%	185,337	108,204

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

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension – The following table presents information about the pension-related deferred outflows of resources and deferred inflows of resources for CPS Energy as of January 31, 2025 and 2024:

(In thousands)	January 31,	
	2025	2024
<u>Deferred outflows of resources</u>		
Differences between projected and actual earnings on pension assets	\$ 28,030	\$ 67,286
Changes in assumptions	126,648	66,624
Differences between expected and actual experience in the measurement of total pension liability	40,112	2,593
Employer's contributions to the Plan subsequent to the measurement of total pension liability	72,774	56,717
Total deferred outflows of resources	<u>\$ 267,564</u>	<u>\$ 193,220</u>
<u>Deferred inflows of resources</u>		
Changes in assumptions	\$ (5,407)	\$ (9,422)
Differences between expected and actual experience in the measurement of total pension liability	(672)	(4,055)
Total deferred inflows of resources	<u>\$ (6,079)</u>	<u>\$ (13,477)</u>

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

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

(In thousands)

Year ended January 31,	
2026	\$ 40,226
2027	52,596
2028	71,485
2029	24,403
2030	—
Total	<u>\$ 188,710</u>

12. Other Postemployment Benefits

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

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

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

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

Benefits Provided – The Health Plan provides health, dental and vision benefits to eligible retirees, including their enrolled dependents, and the spouse and dependent children of deceased employees. The Life Plan provides life insurance benefits and death benefits to eligible retired employees and enrolled dependents. The Disability Plan provides disability income benefits to employees as of an employee’s date of hire; however, benefits under the Plan are reduced if the employee is receiving certain other disability, retirement, or welfare benefits.

The following tables present information about the Employee Benefit Plans' participants covered by the benefit terms. Participants providing the basis of the actuarial valuations used to calculate the net OPEB liability, as of the measurement dates, for the fiscal years ended January 31, 2025 and 2024, were:

	January 31, 2025		
	Health	Life	Disability
Active participants	2,715	2,715	2,881
Inactive participants receiving benefits	1,959	2,572	75
Inactive participants with deferred benefits	—	—	—
Total plan participants	<u>4,674</u>	<u>5,287</u>	<u>2,956</u>
	January 31, 2024		
	Health	Life	Disability
Active participants	2,759	2,759	2,809
Inactive participants receiving benefits	1,951	2,509	74
Inactive participants with deferred benefits	—	—	—
Total plan participants	<u>4,710</u>	<u>5,268</u>	<u>2,883</u>

Contributions – The funding requirements for both the Plans' participants and the employer are established by and may be amended by CPS Energy. Funding is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the Company. The current policy of CPS Energy is to use each actuarial valuation as the basis for determining monthly employer contributions to the Employee Benefit Plans during the fiscal year beginning thirteen months after the valuation date. The January 1, 2023, valuation was the basis for contributions in FY2025.

Retired employees contribute to the Health Plan in varying amounts depending upon an equity formula that considers age and years of service. Individuals who retired before February 1, 1993, contribute a base rate plus 2.25% of the difference between that amount and the aggregate rate for each year that the sum of age and service is less than 95. Those who retired on or after February 1, 1993, contribute a base rate plus a percentage of the CPS Energy contribution, based on the number of years of service, if they retired with less than 35 years. Based on the funded status of the Health Plan, the Company made no contributions in FY2025 and FY2024.

The Medicare Prescription Drug Improvement and Modernization Act of 2003, known as Medicare Part D, established prescription drug coverage for Medicare beneficiaries. One of the provisions of Medicare Part D entitled the Health Plan to receive retiree drug subsidy payments from the federal government to offset pharmacy claims paid by the Health Plan on behalf of certain plan participants. These payments totaled \$1.0 million for FY2025 and FY2024, respectively. In accordance with GASB Technical Bulletin 2006-01, *Accounting and Financial Reporting by Employers for Payments from the Federal Government Pursuant to the Retiree Drug Subsidy Provisions of Medicare Part D*, future projected payments from the federal government have not been used to lessen total projected obligations under the Company's Health Plan.

Active employees contribute to the Life Plan at a rate of \$0.13 per \$1,000 of insurance per month on amounts in excess of \$20,000. Individuals who retired prior to February 1, 1993, contribute at a rate of \$0.13 per \$1,000 of insurance per month on amounts in excess of \$20,000 plus 2.25% of the difference between that amount and the aggregate rate for retiree coverage for each year the sum of retirement age and service is less than 95. Those who retired on or after February 1, 1993, contribute \$0.13 per \$1,000 of insurance per month on amounts in excess of \$20,000 plus a percentage of the CPS Energy contribution, based on number of years of service, if they retired with less than 35 years. The Company made no contributions in FY2025 and contributed approximately \$0.9 million in FY2024.

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

calculations. Retired employees are not eligible to participate and therefore do not contribute to the Disability Plan. Prior to FY2015, the Disability Plan was funded completely by CPS Energy. The Company's average contribution rate was 0.1% and 0.2% of covered-employee payroll in FY2025 and FY2024. The Company contributions in both FY2025 and FY2024 were approximately \$0.6 million.

Net OPEB (Asset) Liability – CPS Energy's net OPEB (asset) liability at January 31, 2025 and 2024, was measured as of January 31, 2024 and 2023, respectively. The total OPEB liability used to calculate the net OPEB (asset) liability was determined by actuarial valuations as of January 1, 2023 and 2022, rolled forward using generally accepted actuarial procedures to the January 31, 2024 and 2023, measurement dates, respectively. As of January 31, 2025, the net OPEB liability was \$20.6 million and is reflected as part of net pension and OPEB liabilities on the Statements of Net Position. As of January 31, 2024, the net OPEB asset was \$41.4 million and is reflected as part of other noncurrent assets on the Statements of Net Position.

FY2025 Changes in Net OPEB (Asset) Liability
(In thousands)

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

FY2024 Changes in Net OPEB (Asset) Liability

(In thousands)

	Health	Life	Disability	Total
<u>Total OPEB liability</u>				
Service cost	\$ 4,302	\$ 586	\$ 680	\$ 5,568
Interest cost	17,092	3,688	490	21,270
Changes in assumptions	(970)	820	142	(8)
Differences between expected and actual experience	(29,153)	561	468	(28,124)
Benefit payments	(18,104)	(4,204)	(1,049)	(23,357)
Net change in total OPEB liability	(26,833)	1,451	731	(24,651)
Total OPEB liability, beginning of period	277,924	57,208	6,363	341,495
Total OPEB liability, end of period	251,091	58,659	7,094	316,844
<u>Plan fiduciary net position</u>				
Employer contributions	—	(925)	(559)	(1,484)
Participant contributions	—	(1,131)	(287)	(1,418)
Medicare Part D payment	(985)	—	—	(985)
(Earnings) loss on Plan assets	10,701	1,950	191	12,842
Benefit payments	18,104	4,204	1,049	23,357
Administrative expense	1,300	17	12	1,329
Net change in Plan fiduciary net position	29,120	4,115	406	33,641
Plan fiduciary net position, beginning of period	(326,859)	(57,987)	(7,041)	(391,887)
Plan fiduciary net position, end of period	(297,739)	(53,872)	(6,635)	(358,246)
Total OPEB (asset) liability, end of period	\$ (46,648)	\$ 4,787	\$ 459	\$ (41,402)

For the fiscal year ended January 31, 2025, in accordance with approved regulatory accounting for pension and OPEB costs, OPEB expense recognized, and the amount included in rates was \$0.6 million related to the funding of the Life and Disability Plans. For the fiscal year ended January 31, 2024, CPS Energy recognized OPEB expense of \$0.6 million related to the funding of the Disability Plan.

The OPEB expense/(contra expense), as calculated under GASB Statement No. 75, for the years ended January 31, 2025 and 2024, was as follows:

(In thousands)	January 31,	
	2025	2024
Health	\$ 9,633	\$ (919)
Life	1,493	2,620
Disability	434	690
Total	\$ 11,560	\$ 2,391

Actuarial Assumptions – Significant actuarial assumptions used in the January 1, 2023, valuation included: (a) a rate of return on the investment of present and future assets of 7.0% for the Health, Life and Disability Plans, (b) a Consumer Price Index increase of 2.3% per year for the Health, Life and Disability Plans, (c) projected annual base salary increases for the Health Plan ranging from 3.33% to 11.61% depending on age, and (d) overall average medical and prescription cost increases of 6.60% in 2023, decreasing to 3.7% long term for pre-65 participants; for post-65 participants, increases of 6.40% in 2023, decreasing to 3.70% annually thereafter based on medical trend assumptions. Mortality rates for retirees were based on the Pri-2012 Employee/Retiree mortality table (headcount weighted) projected with mortality improvement scale MP-2021, with sex-distinct employee rates before termination and healthy annuitant rates after termination and separate tables for contingent annuitants.

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

Significant actuarial assumptions used in the calculations for the January 1, 2022, actuarial valuation for FY2024 included: (a) a rate of return on the investment of present and future assets of 7.0% for the Health, Life and Disability Plans, (b) a Consumer Price Index increase of 2.3% per year for the Health, Life and Disability Plans, (c) projected annual base salary increases for the Health Plan ranging from 3.30% to 11.58% depending on age, and (d) overall average medical and prescription cost increases of 5.7% in 2022, decreasing to 3.7% long term for pre-65 participants; for post-65 participants, increases of 5.5% in 2022, decreasing to 3.7% annually thereafter based on medical trend assumptions. Mortality rates for retirees were based on the Pri-2012 Employee / Retiree Mortality table (headcount weighted) projected forward (fully generational) with mortality improvement scale MP-2021, with sex-distinct employee rates before termination and healthy annuitant rates after termination and separate tables for contingent annuitants.

The actuarial assumptions used in the January 31, 2022, valuation for amounts reported in FY2024 were based on the results of an actuarial experience study completed in calendar 2020 covering experience for the period January 1, 2017, through December 31, 2019.

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

Asset Class	Assumed Asset Allocation	Expected Real Rate of Return
Equities	56.5%	4.2%
Debt securities	26.5%	3.1%
Alternative investments	17.0%	4.6%
Total investments	100.0%	

Discount Rate – The discount rate used to measure the total OPEB liability for FY2025 and FY2024 was 7.00%. The projection of cash flows used to determine the discount rate assumed that CPS Energy contributions will be made in a manner consistent with the current contribution practices. Based on those assumptions, the Employee Benefit Plans' fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on the Employee Benefit Plans' investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

Discount Rate Sensitivity

(In thousands)

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

Discount rate	Net OPEB (Asset) Liability at January 31, 2024			
	Health	Life	Disability	Total
1% decrease - 6.00%	\$ (20,702)	\$ 12,165	\$ 670	\$ (7,867)
Current discount rate - 7.00%	(46,648)	4,787	459	(41,402)
1% increase - 8.00%	(69,021)	(1,241)	262	(70,000)

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

Healthcare Cost Trend Rates Sensitivity

(In thousands)

Healthcare Cost Trend Rates	Net Health Plan OPEB (Asset) Liability at January 31,	
	2025	2024
1% decrease	\$ (19,102)	\$ (73,640)
Current healthcare cost trend rates	15,714	(46,648)
1% increase	57,513	(14,262)

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

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – The following tables present information about the OPEB-related deferred outflows of resources and deferred inflows of resources for CPS Energy as of January 31, 2025 and 2024:

(In thousands)

	January 31, 2025			
	<u>Health</u>	<u>Life</u>	<u>Disability</u>	<u>Total</u>
<u>Deferred outflows of resources</u>				
Changes in assumptions	\$ 3,763	\$ 2,908	\$ 1,019	\$ 7,690
Differences between projected and actual earnings on OPEB assets	2,600	1,482	188	4,270
Differences between expected and actual experience in the measurement of total OPEB liability	64,779	4,236	324	69,339
Employer's contributions to the Plan subsequent to the measurement of total OPEB liability	—	333	243	576
Total deferred outflows of resources	<u>\$ 71,142</u>	<u>\$ 8,959</u>	<u>\$ 1,774</u>	<u>\$ 81,875</u>
<u>Deferred inflows of resources</u>				
Changes in assumptions	\$ (4,467)	\$ —	\$ (2)	\$ (4,469)
Differences between expected and actual experience in the measurement of total OPEB liability	(29,358)	(72)	(1,173)	(30,603)
Total deferred inflows of resources	<u>\$ (33,825)</u>	<u>\$ (72)</u>	<u>\$ (1,175)</u>	<u>\$ (35,072)</u>

	January 31, 2024			
	<u>Health</u>	<u>Life</u>	<u>Disability</u>	<u>Total</u>
<u>Deferred outflows of resources</u>				
Changes in assumptions	\$ 1,380	\$ 3,117	\$ 1,266	\$ 5,763
Differences between projected and actual earnings on OPEB assets	9,084	2,473	262	11,819
Differences between expected and actual experience in the measurement of total OPEB liability	19,155	4,315	396	23,866
Employer's contributions to the Plan subsequent to the measurement of total OPEB liability	—	—	602	602
Total deferred outflows of resources	<u>\$ 29,619</u>	<u>\$ 9,905</u>	<u>\$ 2,526</u>	<u>\$ 42,050</u>
<u>Deferred inflows of resources</u>				
Changes in assumptions	\$ (6,552)	\$ (65)	\$ (2)	\$ (6,619)
Differences between expected and actual experience in the measurement of total OPEB liability	(38,480)	(216)	(960)	(39,656)
Total deferred inflows of resources	<u>\$ (45,032)</u>	<u>\$ (281)</u>	<u>\$ (962)</u>	<u>\$ (46,275)</u>

The following table presents the future amortization of OPEB-related deferred outflows of resources and deferred inflows of resources, excluding the balance attributable to the employer's contribution to the Employee Benefit Plans in the current fiscal year and subsequent to the net OPEB (asset) liability measurement date. The deferred outflows of

resources balance for such contribution amounts at the end of a fiscal period are recognized fully as adjustments to the net OPEB (asset) liability in the subsequent fiscal year.

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

	Health	Life	Disability	Total
Year ended January 31,				
2026	\$ 3,048	\$ 2,556	\$ 92	\$ 5,696
2027	5,786	2,577	181	8,544
2028	13,122	2,508	196	15,826
2029	6,951	465	(76)	7,340
2030	8,410	448	(37)	8,821
Thereafter	—	—	—	—
Total	<u>\$ 37,317</u>	<u>\$ 8,554</u>	<u>\$ 356</u>	<u>\$ 46,227</u>

13. Other Obligations and Risk Management

Other Liabilities – CPS Energy maintains other obligations as noted on the following tables. The relative long-term portion of these obligations compared to the total was 78.4% as of January 31, 2025, and 84.4% as of January 31, 2024.

FY2025 Other Liabilities Rollforward (In thousands)

	Balance Outstanding February 1, 2024	Additions During Year	Decreases During Year	Balance Outstanding January 31, 2025	Amounts Due within One Year	Noncurrent Balance Outstanding
Customer deposits	\$ 38,439	\$ 26,274	\$ (24,707)	\$ 40,006	\$ 22,605	\$ 17,401
Operating reserves	64,838	15,297	(18,559)	61,576	3,659	57,917
STP pension and OPEBs	21,114	21,494	(9,352)	33,256	—	33,256
Pollution remediation liability	1,805	2,072	(1,077)	2,800	1,524	1,276
Fuel hedges	11,522	90,196	(29,170)	72,548	37,758	34,790
Long-term service agreements	17,203	136	(11,969)	5,370	2,343	3,027
Communication towers	34,169	—	—	34,169	—	34,169
Other	93,629	365,628	(389,143)	70,114	1,286	68,828
Total other long-term liabilities	<u>\$ 282,719</u>	<u>\$ 521,097</u>	<u>\$ (483,977)</u>	<u>\$ 319,839</u>	<u>\$ 69,175</u>	<u>\$ 250,664</u>

FY2024 Other Liabilities Rollforward

(In thousands)

	Balance Outstanding February 1, 2023	Additions During Year	Decreases During Year	Balance Outstanding January 31, 2024	Amounts Due within One Year	Noncurrent Balance Outstanding
Customer deposits	\$ 37,525	\$ 22,882	\$ (21,968)	\$ 38,439	\$ 21,524	\$ 16,915
Operating reserves	47,047	25,292	(7,501)	64,838	3,303	61,535
STP pension and OPEBs	19,135	6,830	(4,851)	21,114	—	21,114
Pollution remediation liability	5,869	800	(4,864)	1,805	1,624	181
Fuel hedges	35,818	24,471	(48,767)	11,522	6,486	5,036
Long-term service agreements	35,464	7,017	(25,278)	17,203	10,360	6,843
Communication towers	34,169	—	—	34,169	—	34,169
Other	85,373	190,672	(182,416)	93,629	924	92,705
Total other long-term liabilities	<u>\$ 300,400</u>	<u>\$ 277,964</u>	<u>\$ (295,645)</u>	<u>\$ 282,719</u>	<u>\$ 44,221</u>	<u>\$ 238,498</u>

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

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

There was no remaining obligation on the AVR LTSA as of January 31, 2025. The balance of the AVR LTSA obligation as of January 31, 2024, totaled \$6.7 million of which \$5.7 million and \$1.1 million were reported on the Statements of Net Position as a current and noncurrent liability, respectively.

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

The balance of the Rio Nogales LTSA obligation as of January 31, 2025, totaled \$5.6 million of which \$2.3 million and \$3.2 million were reported on the Statements of Net Position as a current and noncurrent liability, respectively. The balance of the Rio Nogales LTSA obligation as of January 31, 2024, totaled \$10.5 million of which \$4.7 million and \$5.8 million were reported on the Statements of Net Position as a current and noncurrent liability, respectively.

Communication Towers – In FY2014, the Company entered into an agreement to lease 62 of its communication towers to an independent third party with an additional five towers added in FY2017, which resulted in a total of 67 tower leases. Additionally, new licensing agreements were entered into between CPS Energy and the third party for CPS Energy’s ongoing use of the towers and the third party’s use of CPS Energy’s communication buildings for a period of 40 years, with three five-year options to extend. The agreement included a \$41.0 million prepayment by the third party as financing of the communication towers netted with a prepayment of \$6.3 million for use of CPS Energy communication shelters for a total of \$34.2 million which has been recorded as a long-term liability until the end of the lease term. In addition, the parties agreed that no further cash payments would be paid by either party for the 40 year lease term. The balance of the communication towers liability was \$34.2 million as of January 31, 2025 and 2024.

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

The liability insurance program includes:

- \$100 million of excess general liability coverage over a retention amount of \$3 million;
- \$25 million of fiduciary liability coverage;
- \$100 million of employment practices liability coverage; and
- Other property and liability insurance coverage, which includes directors & officers, cyber insurance, commercial crime, employee travel, and event insurance.

CPS Energy also manages its own workers' compensation program. To support this program, \$35 million of excess workers' compensation coverage over a retention amount of \$3 million is maintained. No claims exceeded insurance coverage and there were no decreases in coverage in FY2025 or FY2024.

Actuarial studies are performed periodically to assess the adequacy of CPS Energy insurance reserve retentions. Actuarial valuations include nonincremental claims expenses. An actuarial study was last completed in FY2025.

The remaining balance under the Property Reserves (Environmental) column as of January 31, 2025, relates to estimated obligations for the cleanup, closure, and post-closure care requirements of the CPS Energy's landfills. CPS Energy has seven landfill/impoundment sites, four of which are at full capacity. The estimates for landfills, surface impoundment and ash ponds liability are based upon capacity to date and are subject to change due to inflation or deflation, as well as new developments in technology, applicable laws or regulations.

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

FY2025 and FY2024 Reserve Rollforward

(In thousands)

	Employee & Public Liability Claims	Property Reserves (Insurance)	Property Reserves (Environmental)	Total
Balance – FY2022	\$ 20,187	\$ 5,122	\$ 19,548	\$ 44,857
Payments	(3,064)	—	—	(3,064)
Other claims adjustments	2,586	737	(238)	3,085
Balance – FY2023	\$ 19,709	\$ 5,859	\$ 19,310	\$ 44,878
Payments	(6,334)	—	—	(6,334)
Other claims adjustments	6,477	4,700	12,691	23,868
Balance – FY2024	\$ 19,852	\$ 10,559	\$ 32,001	\$ 62,412
Payments	(3,455)	—	—	(3,455)
Other claims adjustments	2,035	(2,632)	(172)	(769)
Balance – FY2025	\$ 18,432	\$ 7,927	\$ 31,829	\$ 58,188

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

14. Derivative Instruments

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

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

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

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

As of January 31, 2024, the total fair value of outstanding hedge instruments was a net asset of \$7.8 million. Fuel hedging instruments with a fair value of \$4.2 million and \$6.5 million are classified on the Statements of Net Position as a component of current assets and current accounts payable and accrued liabilities, respectively. Long-term fuel hedging instruments with a fair value of \$15.3 million and \$4.7 million are classified as a component of other noncurrent assets and other noncurrent liabilities, respectively.

All hedging derivative instruments were evaluated for effectiveness as of January 31, 2025 and January 31, 2024. Consistent with hedge accounting treatment required for derivative instruments that are determined to be effective in offsetting changes in the cash flows of the hedged item, changes in fair value are reported as deferred outflows or deferred inflows of resources on the statements of net position until the contract expiration that occurs in conjunction with the hedged expected fuel purchase transaction. When fuel hedging contracts expire, at the time the purchase transactions occur, the deferred balance is recorded as an adjustment to fuel expense. The deferred outflows of resources related to fuel hedges totaled \$90.5 million and \$30.2 million as of January 31, 2025 and 2024, respectively. No deferred inflow of resources related to fuel hedges were reported as of January 31, 2025 and 2024, respectively.

In FY2025 and FY2024, as a result of revisions to the expected volumes of some underlying physical transactions, it was determined that a group of existing financial hedge positions were no longer effective. Offsetting financial positions were executed, and fair value of the ineffective hedges resulted in losses totaling \$3.3 million and \$0.6 million, respectively, which were recognized as a reduction to investment income.

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

Fuel Derivative Instrument Transactions as of January 31, 2025

(Dollars in thousands)

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

Fuel Derivative Instrument Transactions as of January 31, 2024

(Dollars in thousands)

Type of Transaction	Referenced Index	Duration	Volumes (MMBtu)	Fair Value	FY2024 Change in Fair Value
Long Natural Gas Swap	Henry Hub	Feb 2024 through Sep 2024	1,898,835	\$ (2,600)	\$ 1,232
Short Natural Gas Swap	Henry Hub	Feb 2024 through Feb 2024	1,402,500	1,873	(2,449)
Long Natural Gas Call Option	Henry Hub	Feb 2024 through Jan 2027	76,898,917	12,377	(2,694)
Short Natural Gas Call Option	Henry Hub	Apr 2024 through Apr 2026	981,254	(247)	39
Long HSC Basis Swap	Henry Hub	Feb 2024 through Sep 2024	380,000	(48)	999
Long HSC Gas Daily Swap	Henry Hub	Feb 2024 through Feb 2024	3,404,600	—	—
Long WAHA Basis Swap	Henry Hub	Feb 2024 through Jan 2027	72,241,876	(3,190)	18,533
Short WAHA Basis Swap	Henry Hub	Apr 2024 through Apr 2026	2,106,767	(347)	(347)
Long WAHA Gas Daily Swap	Henry Hub	Feb 2024 through Feb 2024	3,001,500	—	—
				<u>\$ 7,818</u>	<u>\$ 15,313</u>

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

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

Credit Risk – CPS Energy executes over-the-counter hedge transactions directly with approved counterparties. These counterparties are generally highly rated entities that are leaders in their respective industries. CPS Energy monitors the creditworthiness of these entities on a daily basis and manages the resulting financial exposure via a third-party, vertically integrated risk system. Contractual terms with each existing counterparty vary, but each is structured so that, should the counterparty's credit rating fall below investment grade, no unsecured credit would be granted, and the counterparty would be required to post collateral for any calculated credit exposure. In the event of default or

nonperformance by counterparties, brokers or NYMEX, the operations of CPS Energy could be materially affected. However, CPS Energy does not expect these entities to fail to meet their obligations given the level of their credit ratings and the monitoring procedures in place with which to manage this risk. As of January 31, 2025 and 2024, the exposure to all hedge-related counterparties was such that no material counterparty credit risk existed.

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

Basis Risk – The Company is exposed to basis risk on its fuel hedges because the expected commodity purchases being hedged will be priced based on a pricing point (Houston Ship Channel “HSC” or Western Area Hub Association “WAHA”) different than which the contracts are expected to settle (Henry Hub). For January 31, 2025, the HSC price was \$3.55 per Metric Million British Thermal Unit (“MMBtu”), the WAHA price was \$2.89 per MMBtu and the Henry Hub price was \$3.51 per MMBtu.

Congestion Revenue Rights – In the normal course of business, CPS Energy acquires Preassigned Congestion Revenue Rights (“PCRRs”) and Congestion Revenue Rights (“CRRs”) as a hedge against congestion costs. The CRRs are purchased at semi-annual and monthly auctions at market value. Non-Opt-In Entities are granted the right to purchase PCRRs annually at a percentage of the cost of CRRs. While PCRRs exhibit the three characteristics of derivative instruments as defined in GASB Statement No. 53, they are generally used by CPS Energy as factors in the cost of transmission. Therefore, these PCRRs meet the normal purchases and sales scope exception and are thus reported on the Statements of Net Position at cost and classified as prepayments. From time to time, the Company purchases PCRRs with the intent of selling them at the same auction at market price. In this case, the PCRRs are considered investments, the proceeds are reported as either investment gains or losses. There were no investment gains or losses on the sale of PCRRs and CRRs for FY2025 and FY2024.

15. South Texas Project

Units 1 and 2 – CPS Energy is one of three participant owners of STP, a two-unit nuclear power plant located in Matagorda County, Texas approximately 10 miles from the Texas gulf coast. The units have a combined nominal output of 2,660 MW. CPS Energy’s 40% ownership share in STP Units 1 and 2 represents approximately 1,064 MW of total plant capacity. In addition, STP is owned by Constellation South Texas, LLC (“Constellation”), a wholly owned subsidiary of Constellation Energy Corporation, and the City of Austin. In November 2023, Constellation acquired NRG South Texas LP’s (“NRG”) 44% ownership stake in STP and became one of the three owner-investors. The ownership transfer was approved on October 30, 2023 by the NRC, which was the final regulatory approval needed before closing the acquisition. See Note 19 - Subsequent Events for additional information.

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

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

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

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

DOE Settlement and Dry Cask Storage Project – Multiple cases were filed in the U.S. Court of Federal Claims by existing owners and operators of nuclear facilities against the DOE relating to its failure to meet its obligations under the NWPA. The owners and operators sought damages related to ongoing used nuclear fuel storage costs incurred as a result of the DOE's failure to meet its obligation. On August 31, 2000 in *Maine Yankee Atomic Power Company, et al. v. United States*, the U.S. Court of Appeals for the Federal Circuit affirmed that the DOE breached its obligations to commercial nuclear power plant owners / operators for failing to live up to its obligations to dispose of used nuclear fuel. STPNOC, on behalf of the owners of STP, and other utilities reached settlement agreements with the DOE. In March 2023, the DOE extended its commitment to reimburse STP for allowable spent fuel management expenditures through December 31, 2025.

Pursuant to STPNOC's analysis of the NRC guidance, the first dry cask storage campaign was completed in calendar year 2019, with 12 dry casks stored at the Dry Cast Storage Project. STP reported the Dry Cask Storage Project loading campaign was completed on July 15, 2022. The calendar year 2022 Dry Cask Storage campaign included the loading of four casks for Unit 1 and six casks for Unit 2. The next loading campaign is scheduled for 2025, and the plan is to load eight casks for Unit 1 and six for Unit 2. Ongoing costs for the spent fuel management project are funded by the STP owners (CPS Energy; the City of Austin; and Constellation) as expenditures are incurred. CPS Energy is entitled to request reimbursement at its discretion from its Decommissioning Trusts for the Company's portion of allowable costs. Annually, STPNOC submits claims to the DOE for reimbursement of allowable costs for spent fuel management. Allowable costs are returned to the owners by STP upon receipt of funds from the DOE. Qualifying spent fuel management costs not reimbursable by the DOE are funded by the Trusts. Spent fuel management costs that do not qualify for reimbursement by the DOE or the Trusts are recorded as O&M expenses or capital costs.

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

The NRC regulations require licensees of nuclear power plants to obtain on-site property damage nuclear accident stabilization and decontamination insurance in a minimum amount of approximately \$1.1 billion. The NRC regulations also require that the proceeds from this insurance be used first to ensure that the licensed reactor is in a safe and stable condition so as to prevent any significant risk to the public health or safety, and then to complete any decontamination operations that may be ordered by the NRC. Any funds remaining would then be available for covering direct losses to property.

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

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

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

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

In FY2009, CPS Energy determined that some pre-shutdown decommissioning and spent fuel management activities would be required prior to shutdown of STP Units 1 and 2. As a result, separate trust accounts were created to pay for pre-shutdown decommissioning activities. Additionally, funds in the Trusts applicable to spent fuel management were transferred to separate spent fuel management accounts to prevent commingling with funds allocable to pre-shutdown or post-shutdown decommissioning costs. Based on projected costs, the spent fuel management accounts are currently fully funded; therefore, no contributions were made to these accounts in FY2025 or FY2024. In FY2025 and FY2024, no contributions were made to fund pre-shutdown decommissioning costs for CPS Energy's 28% ownership in STP. No pre-shutdown decommissioning expenses were incurred for the 28% ownership in calendar years 2024 or 2023. For the 12% Trust, pre-shutdown costs are funded by AEP's ratepayers. The 12% Trust incurred no pre-shutdown decommissioning expenses in the calendar years 2024 or 2023.

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

As of December 31, 2024 and 2023, CPS Energy accumulated \$551.8 million and \$520.5 million, respectively, in the 28% Trust. Total funds are allocated to decommissioning costs, pre-shutdown decommissioning costs, spent fuel management and site restoration. Based on the most recent annual calculation of financial assurance required by the NRC as of December 31, 2024, the 28% Trust funds allocated to decommissioning costs totaled \$349.9 million, which exceeded the calculated financial assurance amount of \$137.9 million.

As of December 31, 2024 and 2023, \$202.7 million and \$191.3 million, respectively, was accumulated in the 12% Trust. Total funds are allocated to decommissioning costs, pre-shutdown decommissioning costs, spent fuel management and site restoration. Based on the most recent annual calculation of financial assurance required by the NRC as of December 31, 2024, the 12% Trust funds allocated to decommissioning costs totaled \$139.1 million, which exceeded the calculated financial assurance amount of \$59.1 million.

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

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

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

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

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

STPNOC also maintains a defined-benefit postretirement plan that provides postretirement health and welfare benefits. On May 1, 2014, certain STPNOC employees voted to transition STPNOC's medical plan to a Taft-Hartley multiemployer health and welfare plan. During calendar year 2018, there were additional plan design changes related to the STPNOC postretirement health and welfare benefits resulting in additional employees transitioning to the Taft-Hartley multiemployer plan, which resulted in a reduction in STPNOC's OPEB liability as of December 31, 2019. STPNOC pays monthly premiums for the benefits, to be partially funded by participating employees.

Employees whose eligible compensation exceeds the limitations established under the 1974 Employee Retirement Income Security Act, \$345.0 thousand for calendar 2024 and \$330.0 thousand for calendar 2023, are covered by a supplementary nonqualified, unfunded pension plan, which is provided for by charges to operations sufficient to meet the projected benefit obligations. The accruals for the costs of that plan are based on substantially the same actuarial methods and economics as the noncontributory defined-benefit pension plan.

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

The effect to CPS Energy of funding obligations related to the defined-benefit plans sponsored by STPNOC was reflected as a decrease of \$6.5 million for FY2025 and a decrease of \$7.3 million for FY2024, respectively, in nonoperating income (expense).

16. Commitments and Contingencies

Purchase and construction commitments were approximately \$12,830.6 million as of January 31, 2025. This amount includes construction commitments, provisions for coal purchases through December 2027 and natural gas purchases through March 2055; the actual amount to be paid will depend upon CPS Energy's actual requirements during the contract period and the price of gas. Also included are provisions for gas toll energy through 2028, wind power through 2038, solar power through 2044, landfill power through 2029, and raw uranium associated with STP fabrication and conversion services needed for refueling through December 2026.

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

CPS Energy sells excess power into the wholesale market with a balanced portfolio that includes a mix of short-term (less than a month) and mid-term (one month to a year) transactions with market participants. CPS Energy also has long-term (greater than one year) wholesale agreements with four public power entities and cities, providing full or partial requirements. These long-term agreements have varying terms expiring through December 2028. The capacities committed under these long-term agreements represent approximately 3.8% of our current nameplate capacity.

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

- CPS Energy offers customers the opportunity to better manage their home's energy use through the Wi-Fi Thermostat Rewards program. The program gives customers access to a wide choice of programmable thermostat options. Customers benefit from better control of their home's air conditioning use and the visibility to program settings from their mobile devices. Customers in Wi-Fi Thermostat Rewards can choose to have a CPS Energy contractor install a free programmable thermostat in their place of residence. Alternatively, they can purchase and self-install their own thermostat from a list of qualifying devices and receive a rebate from CPS Energy. In exchange for the rebate, customers allow CPS Energy to periodically control and interrupt service to manage peak energy periods. The program is funded through STEP. As of January 31, 2025, there were 149,007 CPS Energy customer devices enrolled in Wi-Fi Thermostat Rewards.
- In November 2011, the Company entered into a \$77.0 million prepaid agreement for purchased power equal to approximately 60% of the anticipated output from 30 MW of solar energy facilities in the San Antonio area. The unamortized balance of the prepayment was \$38.3 million and \$41.4 million as of January 31, 2025 and 2024, respectively. The agreement expires in 2037, and the purchase of the balance of the output is on a pay-as-you-go basis.
- In July 2012, CPS Energy executed a Master Agreement with OCI Solar Power ("OCI") for approximately 400 MW from seven facilities. All seven facilities became operational by the end of 2017. In March 2017, CPS Energy and OCI executed an Amended and Restated Master Power Purchase and Economic Development Agreement. The original Master Agreement was replaced in order to simplify the agreement and reflect pertinent terms going forward. In addition, CPS Energy also executed two separate 25-year purchase power agreements for Project Pearl and Project Ivory for 50 MW each.

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

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

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

- Simply Solar is the trademarked name for CPS Energy's *Roofless Solar* programs. In 2015 the *SolarHostSA* program was launched by CPS Energy in partnership with PowerFin Partners to install up to 5 MW of rooftop systems on customer homes and businesses. The program provides participating customers a monthly credit for hosting the systems on their rooftops. On August 12, 2015, CPS Energy entered into an agreement to purchase the output from the rooftop systems for an initial term of 20 years. In 2015 Roofless Solar was also launched by CPS Energy in partnership with Clean Energy Collective ("CEC"). CEC built a 1 MW community solar farm in the CPS Energy service territory. The program sold 107.5-Watt panels in the array to customers who wanted to enjoy the benefits of solar power without having to install their own system. During FY2021, CPS Energy opted to purchase the solar farm from CEC and assumed maintenance and operational responsibility for the solar farm. On December 17, 2018, CPS Energy entered into a 25-year agreement with Big Sun SA 1 ("Big Sun") to expand the Roofless Solar program by 5 MW. Big Sun successfully installed community solar panels on carports at commercial businesses across San Antonio. The panels were sold to customers who will receive bill credits from CPS Energy for their share of the solar production. In August 2023, CPS Energy launched a Request for Proposal for up to 50 MW of additional community solar to expand its Roofless Solar program and is currently evaluating proposals.

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

The \$800 million in securitized debt was reduced to \$200.3 million as a result of a settlement authorized on November 14, 2022, by the United States Bankruptcy Court in the Brazos Chapter 11 Plan of Reorganization. On December 15, 2022, a disbursement of \$1,151.4 million from the bankruptcy settlement was paid to ERCOT, of which \$599.7 million went to reduce the \$800 million securitization debt. Pursuant to provision in Subchapter M, over the next 25 to 30 years, ERCOT is requiring CPS Energy to make monthly payments of its share of the remaining \$200.3 million, which are expected to total approximately \$5.4 million. Additionally, ERCOT claims that CPS Energy may be responsible for additional market uplifts related to other market participants that are in default with ERCOT and from which ERCOT may not be able to recover its claims because such market participants exited the market or other reasons. The amount of CPS Energy's share of these possible uplifts, which are currently being disputed, cannot be estimated at this time.

CPS Energy is currently engaged in litigation against three of its natural gas suppliers, in which CPS Energy is disputing (under a disputed payment provision) approximately \$350 million in natural gas prices charged by those

suppliers for natural gas during Winter Storm Uri as being unconscionable and violative of public policy in Texas. The pending gas supplier cases have been consolidated into the Multi District Litigation Panel and have been assigned to a judge in Bexar County for pretrial proceedings. The outcome of this pending litigation remains uncertain as of the issuance of these financial statements.

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

17. Leases and Subscription Based Information Technology Arrangements

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

CPS Energy, as lessee, leases buildings and equipment from third parties. Lease terms range from 2 to 15 years. Several leases have an option to extend the lease term after completion of the contracted term. CPS Energy's leased assets and associated accumulated amortization are included as intangible capital assets. There were no payments recorded in the current period that were not included in the measurement of the lease liability, no commitments prior to the commencement of the lease contracts, and no lease impairments as of January 31, 2025.

Subscription Based Information Technology Arrangements – CPS Energy accounts for SBITAs in accordance with GASB Statement No. 96, *Subscription Based Information Technology Arrangements*, which establishes an accounting model for subscription assets and requires the recognition of a SBITA liability and an intangible right-to-use subscription asset.

The following tables summarize leases and SBITAs activity and balances as of January 31, 2025 and 2024:

FY2025 Leases and SBITAs Rollforward

(In thousands)

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

FY2024 Leases and SBITAs Rollforward

(In thousands)

	February 1, 2023	Additions/ Increases	Deletions/ Decreases	January 31, 2024
Right-to-use assets				
Leases				
Buildings	\$ 2,884	\$ 1,018	\$ —	\$ 3,902
Equipment	1,142	1,918	(1,142)	1,918
SBITAs	35,250	17,748	(4,771)	48,227
Total	<u>39,276</u>	<u>20,684</u>	<u>(5,913)</u>	<u>54,047</u>
Amortization				
Leases				
Buildings	(1,488)	(687)	—	(2,175)
Equipment	(931)	(243)	1,142	(32)
SBITAs	(13,163)	(9,995)	4,305	(18,853)
Total	<u>(15,582)</u>	<u>(10,925)</u>	<u>5,447</u>	<u>(21,060)</u>
Leases and SBITAs, net	<u>\$ 23,694</u>	<u>\$ 9,759</u>	<u>\$ (466)</u>	<u>\$ 32,987</u>

The following table summarizes future principal and interest payments related to leases as of January 31, 2025:

(In thousands)

Year Ended January 31,	Principal	Interest	Total
2026	\$ 1,026	\$ 91	\$ 1,117
2027	980	51	1,031
2028	660	20	680
Total	<u>\$ 2,666</u>	<u>\$ 162</u>	<u>\$ 2,828</u>

The following table summarizes future principal and interest payments related to SBITAs payments as of January 31, 2025:

(In thousands)

Year Ended January 31,	Principal	Interest	Total
2026	\$ 7,741	\$ 335	\$ 8,076
2027	3,409	85	3,494
2028	14	—	14
Total	<u>\$ 11,164</u>	<u>\$ 420</u>	<u>\$ 11,584</u>

Lessor – CPS Energy leases buildings to third parties with terms ranging from 2 to 19 years, which include options to extend the term. There were no receipts of variable or other lease payments as of FY2025. The total lease interest and revenue was \$1.3 million for the year ended January 31, 2025, and \$1.4 million for the year ended January 31, 2024. In addition, the total leased asset receivable was \$5.3 million and the corresponding deferred inflow of resources was \$9.6 million as of January 31, 2025. The total leased asset receivable was \$6.1 million and the corresponding deferred inflow of resources was \$10.8 million as of January 31, 2024.

Pole Attachment Leases – CPS Energy leases space on poles and streetlight poles to third party communication providers. In an effort to adhere to state and federal laws, CPS Energy established the Pole Attachment Standards, which includes contract terms and rates formula. The standard terms includes a five-year initial contract and successive automatic one-year renewals until contract is terminated by either party by providing six (6) months written notice. The pole standards, standard contract, and rate formula are accessible to all applicants via CPS Energy website. The total amount of pole attachment lease revenue for the years ended January 31, 2025 and 2024, was \$10.2 million and \$8.8 million, respectively. There were no other or variable lease payments received in FY2025 and FY2024. In addition, CPS Energy does not issue debt that relies on the receipt of regulated lease payments to pay the debt principal and interest payments.

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

18. Asset Retirement Obligations

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

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

- **STP Units 1 and 2** – CPS Energy is one of three participants in STP, currently a two-unit nuclear power plant located in Matagorda County, Texas. The Code of Federal Regulations provides the main decommissioning requirements mandated by the NRC that issues the operational license of the site. The asset retirement obligation is based on an external cost study performed every five years. The most recent study was finalized in May 2023 and estimates costs in 2023 dollars. The associated costs are being amortized utilizing a straight-line method over the estimated remaining useful lives of the units. Total asset lives for the units are 60 years based on the operating license extensions. The deferred outflows of resources are based on the estimated remaining useful life of the assets. CPS Energy has established two decommissioning trusts that are reported as blended component units combined into the CPS Energy financial statements to cover the eventual decommissioning associated with STP Units 1 and 2. As of January 31, 2025 and 2024, the ARO related to STP Units 1 and 2 was \$1,063.6 million and \$1,037.0 million, respectively.
- **Vaults** – CPS Energy has approximately 205 underground vaults with useful lives of 46 years. The vaults have regulatory requirements to be met prior to removal and after retirement under the Code of Federal Regulations and the Texas Commission on Environmental Quality. Methods and assumptions to determine the associated liability were based on an internal calculation of cost per square foot of each vault which includes assessment, remediation, transportation and disposal costs. The associated costs are being amortized utilizing a straight-line method over the average estimated remaining useful life of the vaults. As of January 31, 2025 and 2024, the ARO related to the vaults was \$12.8 million and \$12.0 million, respectively.
- **Fuel Storage Tanks** – CPS Energy has 14 underground fuel storage tanks with useful lives of 30 years. The storage tanks have regulatory requirements to be met for removal or permanent closure after retirement under the Texas Administrative Code. The methods and assumptions used to determine the liability associated with the tanks were based on a cost analysis performed by an outside engineering consulting firm in July 2018. The associated retirement costs are being amortized utilizing a straight-line method over the

average estimated remaining useful life of the storage tanks. As of January 31, 2025 and 2024, the ARO related to the storage tanks was \$6.3 million and \$5.1 million, respectively.

19. Subsequent Events

South Texas Project ("STP") – In May 2024, CPS Energy entered into an agreement to acquire an additional 2% ownership of STP from Constellation, which will increase CPS Energy's ownership of STP to 42%. The transaction is expected to close in calendar year 2025 and will add 52 MW of carbon-free generation.

Reliability Must Run ("RMR") Agreement – On March 13, 2024, CPS Energy submitted Notifications of Suspension of Operations to retire V.H. Braunig Units 1, 2, and 3 in March 2025. ERCOT completed a reliability analysis and determined that the units were needed for reliability and qualified for a RMR agreement. After completing the process to determine whether any alternatives were available to meet reliability needs, ERCOT recommended its Board approve the request to enter into a RMR agreement for V.H. Braunig Unit 3. On February 24, 2025, ERCOT and CPS Energy signed a two-year RMR agreement for V.H. Braunig Unit 3 effective March 2, 2025, through March 1, 2027. The decision for Braunig Units 1 and 2 was deferred to a later date, as ERCOT continues to investigate other alternatives.

CPS Energy has evaluated subsequent events through April 28, 2025, which is the date the financial statements were available to be issued and determined there are no other items to disclose.

REQUIRED SUPPLEMENTARY INFORMATION (“RSI”) January 31, 2025 and 2024 (Unaudited)

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

(Dollars in thousands)

	Measurement Period Ended January 31,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability										
Service cost	\$ 42,481	\$ 40,271	\$ 41,129	\$ 35,403	\$ 36,861	\$ 37,175	\$ 32,569	\$ 31,547	\$ 30,183	\$ 32,591
Interest cost	166,928	155,015	150,633	148,068	143,079	137,954	132,861	128,991	122,800	117,802
Effect of plan changes	—	(12)	—	—	—	—	—	—	—	—
Changes in assumptions	48,543	51,083	(9,825)	28,832	(4,940)	(10,129)	77,574	—	—	38,296
Differences between expected and actual experience	106,920	394	2,174	(846)	(2,685)	(19,385)	6,025	(18,647)	19,691	(35,634)
Benefit payments	(130,541)	(123,427)	(114,484)	(106,825)	(101,037)	(96,969)	(93,550)	(91,230)	(91,293)	(84,319)
Net change in total pension liability	234,331	123,324	69,627	104,632	71,278	48,646	155,479	50,661	81,381	68,736
Total pension liability, beginning of period	2,357,824	2,234,500	2,164,873	2,060,241	1,988,963	1,940,317	1,784,838	1,734,177	1,652,796	1,584,060
Total pension liability, end of period	2,592,155	2,357,824	2,234,500	2,164,873	2,060,241	1,988,963	1,940,317	1,784,838	1,734,177	1,652,796
Plan fiduciary net position										
Employer contributions	(56,717)	(58,986)	(62,100)	(56,025)	(73,435)	(58,700)	(46,200)	(44,500)	(46,000)	(55,800)
Participant contributions	(16,133)	(14,970)	(14,054)	(13,890)	(14,758)	(13,363)	(13,039)	(12,144)	(11,563)	(12,140)
(Earnings) loss on Plan assets	(191,059)	64,655	(244,563)	(187,600)	(169,004)	48,316	(246,772)	(207,196)	52,945	(85,520)
Benefit payments	130,541	123,427	114,484	106,825	101,037	96,969	93,550	91,230	91,293	84,319
Administrative expenses	540	474	487	510	476	391	389	—	—	—
Net change in Plan fiduciary net position	(132,828)	114,600	(205,746)	(150,180)	(155,684)	73,613	(212,072)	(172,610)	86,675	(69,141)
Plan fiduciary net position, beginning of period	(2,007,845)	(2,122,445)	(1,916,699)	(1,766,519)	(1,610,835)	(1,684,448)	(1,472,376)	(1,299,766)	(1,386,441)	(1,317,300)
Plan fiduciary net position, end of period	(2,140,673)	(2,007,845)	(2,122,445)	(1,916,699)	(1,766,519)	(1,610,835)	(1,684,448)	(1,472,376)	(1,299,766)	(1,386,441)
Net pension liability, end of period	\$ 451,482	\$ 349,979	\$ 112,055	\$ 248,174	\$ 293,722	\$ 378,128	\$ 255,869	\$ 312,462	\$ 434,411	\$ 266,355
Plan fiduciary net position as a percentage of the										
total pension liability	82.6 %	85.2 %	95.0 %	88.5 %	85.7 %	81.0 %	86.8 %	82.5 %	74.9 %	83.9 %
Covered payroll	\$ 308,095	\$ 304,482	\$ 293,669	\$ 286,959	\$ 282,302	\$ 271,449	\$ 254,241	\$ 242,477	\$ 235,360	\$ 256,236
Net pension liability as a percentage of covered payroll	146.5 %	114.9 %	38.2 %	86.5 %	104.0 %	139.3 %	100.6 %	128.9 %	184.6 %	103.9 %

Notes to Schedule

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

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

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

(Dollars in thousands)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 72,774	\$ 56,717	\$ 58,986	\$ 62,050	\$ 56,025	\$ 53,435	\$ 58,657	\$ 46,234	\$ 44,532	\$ 46,001
Contributions in relation to the actuarially determined contribution	72,774	56,717	58,986	62,100	56,025	73,435	58,700	46,200	44,500	46,000
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ (50)	\$ —	\$ (20,000)	\$ (43)	\$ 34	\$ 32	\$ 1
Covered payroll	\$308,095	\$ 304,482	\$ 293,669	\$ 286,959	\$ 282,302	\$ 271,449	\$ 254,241	\$ 242,477	\$ 235,360	\$ 256,236
Contributions as a percentage of covered payroll	23.6%	18.6%	20.1%	21.6%	19.8%	27.1%	23.1%	19.1%	18.9%	18.0%

Notes to Schedule

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

Methods and assumptions used to determine contribution rates:

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

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

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

Health Plan

(Dollars in thousands)

	Measurement Period Ended January 31,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total OPEB liability										
Service cost	\$ 5,780	\$ 4,302	\$ 4,905	\$ 3,772	\$ 4,300	\$ 4,466	\$ 3,376	\$ 3,435	\$ 3,319	\$ 3,207
Interest cost	21,478	17,092	18,604	17,089	17,624	18,032	17,182	18,176	17,601	17,050
Changes in Plan benefits	—	—	—	—	—	—	415	(19,185)	—	—
Changes in assumptions	4,516	(970)	(385)	(5,962)	(4,246)	(2,190)	9,657	—	—	—
Differences between expected and actual experience	59,849	(29,153)	26,691	(11,592)	(19,010)	1,763	—	475	—	—
Benefit payments	(20,113)	(18,104)	(11,915)	(13,398)	(12,475)	(11,390)	(12,197)	(14,001)	(12,756)	(13,275)
Net change in total OPEB liability	71,510	(26,833)	37,900	(10,091)	(13,807)	10,681	18,433	(11,100)	8,164	6,982
Total OPEB liability, beginning of period	251,091	277,924	240,024	250,115	263,922	253,241	234,808	245,908	237,744	230,762
Total OPEB liability, end of period	322,601	251,091	277,924	240,024	250,115	263,922	253,241	234,808	245,908	237,744
Plan fiduciary net position										
Employer contributions	—	—	—	—	—	—	—	(8,500)	(8,806)	(3,200)
Medicare Part D payment	(996)	(985)	(977)	(924)	(842)	(872)	(998)	(933)	(976)	(933)
(Earnings) loss on Plan assets	(29,593)	10,701	(41,220)	(26,613)	(30,260)	10,571	(41,718)	(38,949)	9,765	(12,536)
Benefit payments	20,113	18,104	11,915	13,398	12,475	11,390	12,197	14,001	12,756	13,275
Administrative expense	1,328	1,300	1,251	1,297	1,150	1,223	1,346	1,622	1,456	1,137
Net change in Plan fiduciary net position	(9,148)	29,120	(29,031)	(12,842)	(17,477)	22,312	(29,173)	(32,759)	14,195	(2,257)
Plan fiduciary net position, beginning of period	(297,739)	(326,859)	(297,828)	(284,986)	(267,509)	(289,821)	(260,648)	(227,889)	(242,084)	(239,827)
Plan fiduciary net position, end of period	(306,887)	(297,739)	(326,859)	(297,828)	(284,986)	(267,509)	(289,821)	(260,648)	(227,889)	(242,084)
Net OPEB (asset) liability, end of period	\$15,714	\$(46,648)	\$(48,935)	\$(57,804)	\$(34,871)	\$(3,587)	\$(36,580)	\$(25,840)	\$ 18,019	\$(4,340)
Plan fiduciary net position as a percentage of the total OPEB liability	95.1 %	118.6 %	117.6 %	124.1 %	113.9 %	101.4 %	114.4 %	111.0 %	92.7 %	101.8 %
Covered-employee payroll	\$272,200	\$273,551	\$263,640	\$257,608	\$254,996	\$244,010	\$228,240	\$220,522	\$223,523	\$242,652
Net OPEB (asset) liability as a percentage of covered-employee payroll	5.8 %	(17.1)%	(18.6)%	(22.4)%	(13.7)%	(1.5)%	(16.0)%	(11.7)%	8.1 %	(1.8)%

Notes to Schedule

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

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate during FY2019 and FY2022 and changes to the mortality improvement scale during each period, and a change in the earnings progression during FY2024. FY2025 amounts reflect the effects of the 2023 experience study updates. FY2022 amounts reflect the effects of the 2020 experience study updates, including updating to the Pri-2012 Mortality Table. FY2019 amounts reflect the effects of the 2017 experience study updates.

Life Plan

(Dollars in thousands)

	Measurement Period Ended January 31,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total OPEB liability										
Service cost	\$ 632	\$ 586	\$ 614	\$ 517	\$ 511	\$ 473	\$ 349	\$ 336	\$ 325	\$ 313
Interest cost	3,729	3,688	3,612	3,400	3,308	3,284	3,432	3,256	3,244	3,228
Changes in assumptions	1,252	820	985	4,044	309	594	(457)	—	—	—
Differences between expected and actual experience	800	561	252	4,766	840	(936)	—	2,378	—	—
Benefit payments	(5,125)	(4,204)	(4,255)	(3,987)	(3,895)	(4,028)	(3,813)	(3,469)	(3,358)	(3,313)
Net change in total OPEB liability	1,288	1,451	1,208	8,740	1,073	(613)	(489)	2,501	211	228
Total OPEB liability, beginning of period	58,659	57,208	56,000	47,260	46,187	46,800	47,289	44,788	44,577	44,349
Total OPEB liability, end of period	59,947	58,659	57,208	56,000	47,260	46,187	46,800	47,289	44,788	44,577
Plan fiduciary net position										
Employer contributions	—	(925)	(900)	—	—	—	—	—	—	—
Participant contributions	(1,270)	(1,131)	(1,156)	(1,077)	(1,053)	(1,030)	(1,000)	(972)	(930)	(911)
(Earnings) loss on Plan assets	(4,733)	1,950	(6,526)	(4,031)	(5,702)	2,135	(8,066)	(6,936)	2,102	(2,460)
Benefit payments	5,125	4,204	4,255	3,987	3,895	4,028	3,813	3,469	3,358	3,313
Administrative expenses	14	17	26	25	30	28	30	27	21	16
Net change in Plan fiduciary net position	(864)	4,115	(4,301)	(1,096)	(2,830)	5,161	(5,223)	(4,412)	4,551	(42)
Plan fiduciary net position, beginning of period	(53,872)	(57,987)	(53,686)	(52,590)	(49,760)	(54,921)	(49,698)	(45,286)	(49,837)	(49,795)
Plan fiduciary net position, end of period	(54,736)	(53,872)	(57,987)	(53,686)	(52,590)	(49,760)	(54,921)	(49,698)	(45,286)	(49,837)
Net OPEB (asset) liability, end of period	\$ 5,211	\$ 4,787	\$ (779)	\$ 2,314	\$ (5,330)	\$ (3,573)	\$ (8,121)	\$ (2,409)	\$ (498)	\$ (5,260)
Plan fiduciary net position as a percentage of the total OPEB liability	91.3%	91.8%	101.4%	95.9 %	111.3 %	107.7 %	117.4 %	105.1 %	101.1 %	111.8 %
Covered-employee payroll	\$ 272,200	\$ 273,551	\$ 263,640	\$ 257,608	\$ 254,996	\$ 244,010	\$ 218,003	\$ 210,631	\$ 198,704	\$ 191,984
Net OPEB (asset) liability as a percentage of covered-employee payroll	1.9 %	1.7 %	(0.3)%	0.9 %	(2.1)%	(1.5)%	(3.7)%	(1.1)%	(0.3)%	(2.7)%

Notes to Schedule*Changes of benefit terms:* None.

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate during FY2019 and FY2022 and changes to the mortality improvement scale during each period, and a change in the earnings progression during FY2024. FY2025 amounts reflect the effects of the 2023 experience study updates; FY2022 amounts reflect the effects of the 2020 experience study updates, including updating to the Pri-2012 Mortality Table; FY2019 amounts reflect the effects of the 2017 experience study updates.

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Disability Plan

(Dollars in thousands)

	Measurement Period Ended January 31,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total OPEB liability										
Service cost	\$ 720	\$ 680	\$ 712	\$ 557	\$ 580	\$ 620	\$ 516	\$ 527	\$ 509	\$ 492
Interest cost	469	490	457	384	402	475	473	455	448	426
Changes in assumptions	145	142	(4)	1,993	11	189	94	—	—	—
Differences between expected and actual experience	(648)	468	(665)	(156)	(673)	(656)	—	255	—	—
Benefit payments	(949)	(1,049)	(1,230)	(1,142)	(977)	(880)	(1,012)	(974)	(775)	(559)
Net change in total OPEB liability	(263)	731	(730)	1,636	(657)	(252)	71	263	182	359
Total OPEB liability, beginning of period	7,094	6,363	7,093	5,457	6,114	6,366	6,295	6,032	5,850	5,491
Total OPEB liability, end of period	6,831	7,094	6,363	7,093	5,457	6,114	6,366	6,295	6,032	5,850
Plan fiduciary net position										
Employer contributions	(602)	(559)	(726)	(614)	(769)	(1,000)	(1,300)	(700)	(175)	(175)
Participant contributions	(327)	(287)	(276)	(276)	(291)	(274)	(265)	(260)	(248)	(211)
(Earnings) loss on Plan assets	(544)	191	(782)	(539)	(603)	205	(627)	(501)	158	(177)
Benefit payments	949	1,049	1,230	1,142	977	880	1,012	974	775	559
Administrative expenses	12	12	17	21	14	19	18	15	14	18
Net change in Plan fiduciary net position	(512)	406	(537)	(266)	(672)	(170)	(1,162)	(472)	524	14
Plan fiduciary net position, beginning of period	(6,635)	(7,041)	(6,504)	(6,238)	(5,566)	(5,396)	(4,234)	(3,762)	(4,286)	(4,300)
Plan fiduciary net position, end of period	(7,147)	(6,635)	(7,041)	(6,504)	(6,238)	(5,566)	(5,396)	(4,234)	(3,762)	(4,286)
Net OPEB (asset) liability, end of period	\$ (316)	\$ 459	\$ (678)	\$ 589	\$ (781)	\$ 548	\$ 970	\$ 2,061	\$ 2,270	\$ 1,564
Plan fiduciary net position as a percentage of the total OPEB liability	104.6 %	93.5 %	110.7 %	91.7 %	114.3 %	91.0 %	84.8 %	67.2 %	62.4 %	73.3 %
Covered-employee payroll	\$281,449	\$276,105	\$268,773	\$260,739	\$259,520	\$251,482	\$224,137	\$216,558	\$212,904	\$205,704
Net OPEB (asset) liability as a percentage of covered-employee payroll	(0.1)%	0.2 %	(0.3)%	0.2 %	(0.3)%	0.2 %	0.4 %	1.0 %	1.1 %	0.8 %

Notes to Schedule

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

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate during FY2019 and FY2022 and changes to the mortality improvement scale during each period, and a change in the earnings progression during FY2024. FY2025 amounts reflect the effects of the 2023 experience study updates; FY2022 amounts reflect the effects of the 2020 experience study updates, including updating to the Pri-2012 Mortality Table; FY2019 amounts reflect the effects of the 2017 experience study updates.

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

Health Plan

(Dollars in thousands)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Contributions in relation to the actuarially determined contribution	—	—	—	—	—	—	—	—	8,500	8,806
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (8,500)	\$ (8,806)
Covered-employee payroll	\$272,200	\$273,551	\$263,640	\$257,608	\$254,996	\$244,010	\$228,240	\$220,522	\$223,523	\$215,964
Contributions as a percentage of covered-employee payroll	— %	— %	— %	— %	— %	— %	— %	— %	3.8%	4.1%

Notes to Schedule

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

Methods and assumptions used to determine contribution rates:

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

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

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Life Plan

(Dollars in thousands)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 333	\$ —	\$ 925	\$ 924	\$ —	\$ —	\$ 435	\$ 515	\$ 145	\$ 561
Contributions in relation to the actuarially determined contribution	333	—	925	900	—	—	—	—	—	—
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ 24	\$ —	\$ —	\$ 435	\$ 515	\$ 145	\$ 561
Covered-employee payroll	\$272,200	\$273,551	\$263,640	\$257,608	\$254,996	\$244,010	\$218,003	\$210,631	\$198,704	\$191,984
Contributions as a percentage of covered-employee payroll	0.1 %	— %	0.4 %	0.3 %	— %	— %	— %	— %	— %	— %

Notes to Schedule

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-age normal cost
Amortization method	Level dollar; layered periods
Remaining amortization period	N/A
Asset valuation method	Market value gains/losses recognized over 5 years
Inflation	2.33% for FY2025, 2.30% for FY2024, 2.20% for FY2023 and FY2022; 3.00% for FY2021, 2.30% for FY2020 and 3.0% for previous years presented per year, compounded annually
Salary increases	Projected average annual base salary increases from 3.33% to 11.61% for FY2025; 3.30% to 11.58% for FY2024; 3.20% to 11.47% for FY2023 and FY2022; 5.36% average for FY2021 and FY2020; 4.54% average, including inflation for FY2019; and 4.78% average, including inflation, in prior years
Investment rate of return	7.00% per year, compounded annually, for FY2025, FY2024, FY2023 and FY2022; 7.25% for FY2021 through FY2019; 7.50% for previous years
Mortality	Based on Pri-2012 Employee/Retiree mortality table (headcount weighted) projected forward (fully generational) with mortality improvement scale MP-2021 for FY2025 and FY2024; Pri-2012 Employee / Retiree mortality table (headcount weighted) projected forward (fully generational) with mortality improvement scale MP-2020 and mortality improvement scale MP-2019 for FY2023 and FY2022; Gender specific RP-2014 mortality table adjusted backwards to 2006 with mortality improvement scale MP-2014 and projected with mortality improvement scale MP-2018, with employee rates before termination and healthy annuitant rates after termination for FY2021; Gender specific RP-2014 mortality table adjusted backwards to 2006 with mortality improvement scale MP-2014 and projected with mortality improvement scale MP-2017, with employee rates before termination and healthy annuitant rates after termination and FY2020; Gender specific RP-2016 Combined Healthy, with No Collar Adjustment, with MP-2016 mortality improvement scale for FY2019; Gender specific RP-2000 Combined Healthy, with No Collar Adjustment, projected to 2020 using Scale B for FY2018; Gender specific RP-2000 Combined Healthy, with No Collar Adjustment, projected to 2020 using Scale BB for FY2017 and FY2016.

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

Disability Plan

(Dollars in thousands)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 243	\$ 602	\$ 559	\$ 726	\$ 614	\$ 769	\$ 1,045	\$ 1,035	\$ 886	\$ 793
Contributions in relation to the actuarially determined contribution	243	602	559	726	614	769	1,000	1,300	700	175
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 45	\$ (265)	\$ 186	\$ 618
Covered-employee payroll	\$281,449	\$ 276,105	\$ 268,773	\$ 260,739	\$ 259,520	\$ 251,482	\$ 224,137	\$ 216,558	\$ 212,904	\$ 205,704
Contributions as a percentage of covered-employee payroll	0.1%	0.2%	0.2%	0.3%	0.2%	0.3%	0.4%	0.6%	0.3%	0.1%

Notes to Schedule

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

Methods and assumptions used to determine contribution rates:

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

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

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

	Fiscal Year Ended December 31,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
<u>Plan</u>										
Pension	15.0%	14.3 %	(10.8)%	15.6 %	8.8%	17.9 %	(4.5)%	14.6%	10.2 %	(1.1)%
Health	13.3%	13.6 %	(11.4)%	14.5 %	6.9%	16.7 %	(5.5)%	14.0	—	—
Life	13.9%	14.8 %	(11.1)%	14.9 %	7.4%	18.9 %	(5.5)%	14.1	9.7	—
Disability	13.4%	13.5 %	(10.3)%	14.7 %	7.7%	18.5 %	(5.8)%	13.8	8.9	—