

FY 2025



INTERIM

REPORT

Third Quarter Ended October 31, 2024



CPS Energy employees engage with customers on the future of energy during our October 3, 2024 Open House event.

Report from Management for the Third Quarter Ended October 31, 2024

Horizon 2050

CPS Energy introduced the initial draft of the Horizon 2050 Strategic Framework, a roadmap outlining the utility's commitment to serving the community for future generations. To ensure the goals aligned with community needs and expectations, customers were invited to provide feedback through a Tele Town Hall, an Open House, and a public survey, ensuring that the strategic goals align with customer needs and expectations.

Engaging the community: Tele Town Hall and Open House

CPS Energy recently hosted a Tele Town Hall and Open House to gather valuable feedback from the community on shaping San Antonio's energy future. The Tele Town Hall, held virtually on Tuesday, September 24, provided an opportunity for customers to connect directly with CPS Energy leadership. Participants heard from President & CEO, Rudy D. Garza, Chief Strategy Officer, Elaina Ball, and Vice President of Corporate Communications and Marketing, Melissa Sorola. The event covered key topics including Vision 2027 and Horizon 2050, while allowing participants to ask questions and share their input. The in-person Open House, held on Thursday, October 3, at CPS Energy's headquarters, allowed attendees to engage directly with subject matter experts to learn more about these initiatives.

CPS Energy secures 350 MW of future battery energy storage

CPS Energy entered into two storage capacity agreements with Eolian L.P., for a total of 350 megawatts (MW) of battery storage. This adds to the 50 MW already secured with Eolian in 2023. Both new projects will be constructed in South Bexar County, Texas, and are expected to become operational in the first half of 2026. Having storage resources strategically located in CPS Energy's service territory contributes to overall grid resiliency and benefits customers. The projects are expected to help serve the energy needs of the San Antonio community for a 20-year period.

REAP gains funding to help more customers

The Board of the Residential Energy Assistance Partnership (REAP) unanimously approved an expansion of the assistance program to offer more support to a greater number of CPS Energy customers with their energy bills. As part of this expansion and to increase the operation of the program, the utility made a one-time \$6 million contribution from its summer 2023 wholesale revenues. Additionally, the income qualification criteria for the Federal Poverty Level (FPL) will increase from 125% to 150%. This revised income qualifier will enable more customers to qualify and aligns with the change in qualifying FPL criteria made to CPS Energy's Affordability Discount Program (ADP) earlier this year.

Enhanced payment options with digital wallets

CPS Energy expanded its payment options by integrating new digital wallet technology, offering customers greater flexibility and convenience when paying their energy bills. Customers can now use Apple Pay and Google Pay through the Manage My Account (MMA) portal for a fast, secure, and improved payment experience. This expansion underscores CPS Energy's continued investment in technology and dedication to enhancing customer service through innovative solutions.



Rudy D. Garza
President & CEO

Financial Review for the Third Quarter Ended October 31, 2024

Total operating revenues and nonoperating income of \$1,072.8 million for the third quarter of fiscal year 2025 increased by \$33.1 million, or 3.2%, compared to the same period last year.

- Electric operating revenue was \$1,007.9 million, which was \$26.6 million, or 2.7%, higher than the same quarter last year. Primarily contributing to the increase were higher wholesale revenues due to greater wholesale demand, as well as significantly greater regulatory recoveries in the current quarter.
- Gas operating revenue of \$39.7 million was comparable to prior year, which was \$40.4 million.
- Nonoperating income of \$25.2 million was higher by \$7.2 million compared to the same quarter last year primarily due to an increase in the fair value of investment holdings in the current year.

Total expenses of \$951.0 million were \$107.5 million, or 12.7%, higher than last year.

- Comprising 30.5% of total expenses, fuel, purchased power and distribution gas costs increased \$24.2 million, or 9.1%, to \$290.1 million. Primarily contributing to the increase were higher sales and associated fuel costs due to the acquisition of the Corpus Christi and Laredo ("CCL") units.
- Operation and maintenance expenses of \$270.1 million for the quarter were \$61.0 million, or 29.2%, higher than last year due to increased labor and outside services.
- Decommissioning expense of \$6.0 million was \$3.1 million higher compared to last year primarily due to prior year favorable adjustments to the estimated decommissioning costs related to the South Texas Project ("STP") 2023 cost study.
- Regulatory assessments, including those charged by the Public Utility Commission of Texas and Electric Reliability Council of Texas, of \$34.9 million were higher than last year's \$18.5 million due to higher transmission cost of service in the current year.
- Depreciation and amortization expense of \$139.3 million was higher than last year by \$14.8 million, or 11.9%, primarily due to normal increases in plant-in-service as well as the acquisition of the CCL plant assets.
- Interest and debt-related expenses of \$72.0 million were comparable to prior year, which was \$71.9 million.
- Payments to the City of San Antonio totaled \$138.7 million and were lower than the same period last year by \$12.1 million, or 8.0%, primarily due to lower electric retail and gas fuel recoveries.

Income before other changes in net position of \$121.9 million was \$74.4 million lower compared to last year's net income of \$196.3 million. The variance was primarily due to higher operating expenses partially offset by higher operating revenues and nonoperating income compared to the prior year.

Capital contributions of \$18.7 million was \$8.7 million lower than the previous year's third quarter primarily due to lower contributions for customer growth projects. The **change in net position** was an increase of \$140.5 million compared to an increase of \$223.6 million for the same quarter last year, reflecting a change of \$83.1 million resulting from the net income drivers explained above.

CPS Energy remains focused on delivering on its mission of serving our community through **reliable, competitively priced, and sustainable energy services** in an equitable manner.



Cory Kuchinsky, CPA
CFO & Treasurer

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

	Quarter Ended		Twelve Months Ended	
	October 2024	October 2023	October 2024	October 2023
	<i>(In thousands)</i>			
Revenues				
Electric	\$ 1,007,893	\$ 981,322	\$ 3,280,358	\$ 3,055,692
Gas	39,726	40,428	215,308	275,043
Total operating revenues	1,047,619	1,021,750	3,495,666	3,330,735
Nonoperating income (expense), net	25,216	17,996	110,089	113,052
Total revenues and nonoperating revenues	1,072,835	1,039,746	3,605,755	3,443,787
Expenses				
Fuel, purchased power and distribution gas	290,068	265,828	1,042,171	1,063,927
Operation and maintenance ¹	270,123	209,126	982,652	821,896
Decommissioning	5,968	2,884	23,351	22,168
Regulatory assessments	34,862	18,452	112,090	103,712
Depreciation and amortization	139,306	124,527	540,450	520,217
Interest and debt-related	71,965	71,873	274,110	249,658
Effect of defined benefit plan funding obligations - STP	—	—	7,287	(8,724)
Payments to the City of San Antonio	138,665	150,751	451,706	445,533
Total expenses	950,957	843,441	3,433,817	3,218,387
Income (loss) before other changes in net position	121,878	196,305	171,938	225,400
Other payments to the City of San Antonio	—	—	(12,853)	(11,523)
Capital contributions	18,659	27,319	100,818	92,301
Change in net position	140,537	223,624	259,903	306,178
Net position - beginning	4,498,601	4,155,611	4,379,235	4,073,057
Net position - ending	\$ 4,639,138	\$ 4,379,235	\$ 4,639,138	\$ 4,379,235

¹Includes STP O&M costs, other post employment benefits costs, pension costs, and Sustainable Tomorrow Energy Plan expenses.

Summary of Statements of Net Position Information - Unaudited

	October 31,	
	2024	2023 ¹
	(In thousands)	
Assets		
Current assets	\$ 1,235,813	\$ 1,096,137
Noncurrent assets	3,306,027	3,056,808
Capital assets, net	10,841,221	9,606,911
Total assets	15,383,061	13,759,856
Deferred outflows of resources	803,249	652,683
Total assets plus deferred outflows of resources	\$ 16,186,310	\$ 14,412,539
Liabilities		
Current liabilities	\$ 916,760	\$ 809,839
Long-term debt, net	8,232,069	7,124,671
Other noncurrent liabilities ²	2,198,921	1,781,187
Total liabilities	11,347,750	9,715,697
Deferred inflows of resources	199,422	317,607
Total liabilities plus deferred inflows of resources	11,547,172	10,033,304
Net position		
Net investment in capital assets	2,740,905	2,653,815
Restricted	976,973	1,056,010
Unrestricted	921,260	669,410
Total net position	4,639,138	4,379,235
Total liabilities plus deferred inflows of resources plus net position	\$ 16,186,310	\$ 14,412,539

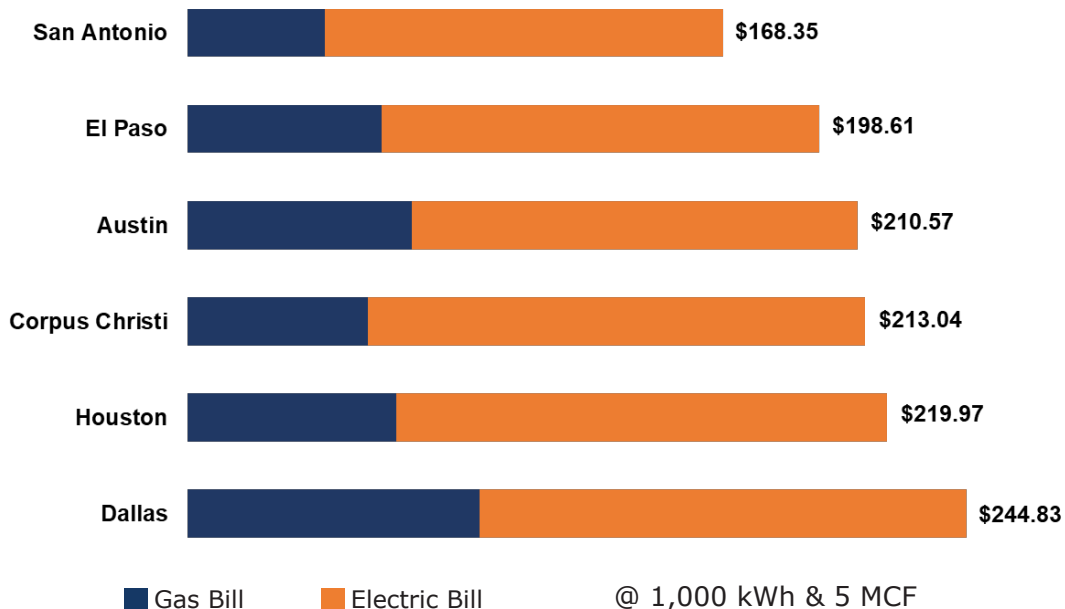
¹Certain amounts have been reclassified to conform to current year presentation.

²Uncertainty exists related to liabilities currently recorded for excessive fuel, which CPS Energy is legally disputing and making no concession to accept at this time.

Statistical Highlights - Unaudited

	Quarter Ended		Twelve Months Ended	
	October 2024	October 2023	October 2024	October 2023
ELECTRIC SYSTEM				
Retail sales (thousands of MWh)	7,326	7,393	25,160	24,913
Wholesale sales (thousands of MWh) ..	3,321	2,086	10,106	5,432
Total sales (thousands of MWh)	10,647	9,479	35,266	30,345
Customers (average number for period)	969,005	943,499	957,917	935,386
Maximum electric demand (MW)	5,835	5,701	5,835	5,701
GAS SYSTEM				
Sales (MMCF)	4,542	5,008	25,946	26,430
Customers (average number for period)	393,269	386,808	390,799	383,784
GENERATION BY FUEL SOURCE AND OTHER POWER				
Gas	46 %	39 %	40 %	36 %
Coal	13 %	19 %	16 %	15 %
Nuclear	17 %	23 %	21 %	27 %
Purchased power – Renewables	7 %	9 %	9 %	12 %
Purchased power – Other	17 %	10 %	14 %	10 %

Texas Cities Combined Residential Bill Comparison Trailing Twelve Months Ending October 2024



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