

FY 2025



# INTERIM REPORT

First Quarter Ended April 30, 2024



CPS Energy President & CEO Rudy Garza and dedicated team members accept a \$2.45 million grant from Department of Transportation (DOT) and the Pipeline and Hazardous Materials Safety Administration (PHMSA).

# Report from Management for the First Quarter Ended April 30, 2024

## **CPS Energy closes on previously announced acquisition of Talen Energy gas plants in Corpus Christi and Laredo**

CPS Energy finalized the acquisition of Talen Energy's 1,710-megawatt generation portfolio in Texas, reinforcing its commitment to diverse and reliable energy for the growing San Antonio community. This addition will provide power to 340,000 homes within our service area and represents a substantial advancement toward CPS Energy's Vision 2027 plan. These resources will be available for the community this summer.

## **CPS Energy's Board of Trustees approves contract to modernize the utility's software systems**

The CPS Energy Board of Trustees approved a 10-year, \$70 million contract selecting Oracle as the vendor for their new Enterprise Resource Planning (ERP) platform. This decision marks another milestone in achieving the company's promise to invest in critical areas of their business with funds provided by the recently approved rate increase. This technology aims to create more visibility across all company divisions and more resilient technological infrastructure. These efforts are geared toward improving the overall customer experience.

## **CPS Energy receives \$2.45 million grant from U.S. Department of Transportation's Pipeline and Hazardous Materials Safety Administration for upgrades to gas infrastructure**

CPS Energy secured a \$2.45 million grant from the Department of Transportation (DOT) and the Pipeline and Hazardous Materials Safety Administration (PHMSA). This funding will facilitate the replacement of over five miles of aging infrastructure, specifically steel gas pipeline, on San Antonio's west side of town. In this community, half of the households have incomes below 60% of the area's median incomes, indicating poverty rates of 25% or higher. This initiative aligns with the company's Vision 2027 strategic plan to prioritize investment in aging infrastructure.

## **Congressman Joaquin Castro secures \$1 million grant to grow CPS Energy's Casa Verde Home Weatherization Program**

Congressman Joaquin Castro announced that his office has secured \$10.6 million through the Fiscal Year 2024 federal appropriations process to support thirteen San Antonio community projects. Included in this allocation is \$1 million designated for CPS Energy's Casa Verde Weatherization Program. The additional funding aims to extend the reach and effectiveness of Casa Verde, which is the utility's energy efficiency initiative offering energy-saving upgrades to low-income residents in San Antonio. This funding, which is part of the Community Development Block Grant (CDBG), will facilitate home repairs for 500 homes, making them eligible for weatherization.



Rudy D. Garza  
President & CEO

# Financial Review for the First Quarter Ended April 30, 2024

**Total operating revenues and nonoperating income** of \$667.7 million for the first quarter of fiscal year 2025 decreased by \$8.5 million, or 1.3%, compared to the same period last year.

- Electric operating revenue was \$597.2 million, which was \$20.2 million, or 3.5%, more than the same quarter last year. Primarily contributing to the increase were higher wholesale revenues due to improved margins as a result of favorable market opportunities for the quarter.
- Gas operating revenue of \$56.5 million was \$20.5 million, or 26.6%, lower than last year primarily due to lower fuel recoveries as a result of lower natural gas prices.
- Nonoperating income of \$14.0 million was lower by \$8.3 million compared to the same quarter last year primarily due to a decrease in the fair value of investment holdings in the current year.

**Total expenses** of \$718.8 million were \$13.5 million, or 1.9%, higher than last year.

- Comprising 26.2% of total expenses, fuel, purchased power and distribution gas costs decreased \$38.7 million, or 17.1%, to \$188.1 million. Primarily contributing to the decrease were lower natural gas prices experienced in the current year.
- Operation and maintenance expenses of \$248.5 million for the quarter were \$40.8 million, or 19.7%, higher than last year due to increased labor, outside services, and a planned refueling outage at STP which had a greater work scope in the current year.
- Decommissioning expense of \$6.0 million was comparable to prior year, which was \$6.7 million.
- Regulatory assessments, including those charged by the Public Utility Commission of Texas and the Electric Reliability Council of Texas, of \$25.4 million were comparable to prior year, which were \$25.7 million.
- Depreciation and amortization expense of \$128.0 million was higher than last year by \$5.4 million, or 4.4%, due to the normal increase of plant-in-service.
- Interest and debt-related expenses of \$64.9 million were higher than last year by \$5.7 million or 9.7%, primarily due to higher interest expense related to commercial paper as well as greater outstanding debt balance in the current year.
- The recorded payments to the City of San Antonio totaled \$57.8 million and were comparable to prior year, which was \$56.6 million.

**Income (loss) before other changes in net position** of \$(51.0) million was \$21.9 million lower compared to last year's net loss of \$(29.1) million. The variance was primarily due to higher operating expenses and lower nonoperating income compared to prior year.

**Capital contributions** of \$24.6 million was \$5.8 million higher than the previous year's first quarter primarily due to higher contributions for customer growth projects and infrastructure modernization. The **change in net position** was a decrease of \$26.5 million compared to a decrease of \$10.2 million for the same quarter last year, reflecting a change of \$16.2 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	
	April 2024	April 2023 <sup>1</sup>	April 2024	April 2023 <sup>1</sup>
	<i>(In thousands)</i>			
<b>Revenues</b>				
Electric .....	\$ 597,207	\$ 577,003	\$ 3,145,278	\$ 3,000,713
Gas .....	56,527	76,978	213,723	307,978
Total operating revenues .....	653,734	653,981	3,359,001	3,308,691
Nonoperating income (expense), net .....	13,999	22,284	88,758	98,917
<b>Total revenues and nonoperating revenues .....</b>	<b>667,733</b>	<b>676,265</b>	<b>3,447,759</b>	<b>3,407,608</b>
<b>Expenses</b>				
Fuel, purchased power and distribution gas .....	188,050	226,726	992,881	1,298,657
Operation and maintenance .....	248,509	207,680	883,202	772,477
Decommissioning .....	5,968	6,729	21,030	24,197
Regulatory assessments .....	25,425	25,732	99,523	104,019
Depreciation and amortization .....	128,043	122,609	513,855	504,132
Interest and debt-related .....	64,943	59,199	258,793	232,166
Effect of defined benefit plan funding obligations - STP .....	—	—	7,287	(26,138)
Payments to the City of San Antonio .....	57,841	56,645	450,547	423,094
<b>Total expenses .....</b>	<b>718,779</b>	<b>705,320</b>	<b>3,227,118</b>	<b>3,332,604</b>
<b>Income (loss) before other changes in net position .....</b>	<b>(51,046)</b>	<b>(29,055)</b>	<b>220,641</b>	<b>75,004</b>
Other payments to the City of San Antonio .....	—	—	(12,853)	(11,523)
Capital contributions .....	24,576	18,822	108,815	80,171
<b>Change in net position .....</b>	<b>(26,470)</b>	<b>(10,233)</b>	<b>316,603</b>	<b>143,652</b>
<b>Net position - beginning .....</b>	<b>4,364,055</b>	<b>4,031,215</b>	<b>4,020,982</b>	<b>3,877,330</b>
<b>Net position - ending .....</b>	<b>\$ 4,337,585</b>	<b>\$ 4,020,982</b>	<b>\$ 4,337,585</b>	<b>\$ 4,020,982</b>

<sup>1</sup>Certain amounts were reclassified to conform to current year presentation.

# Summary of Statements of Net Position Information - Unaudited

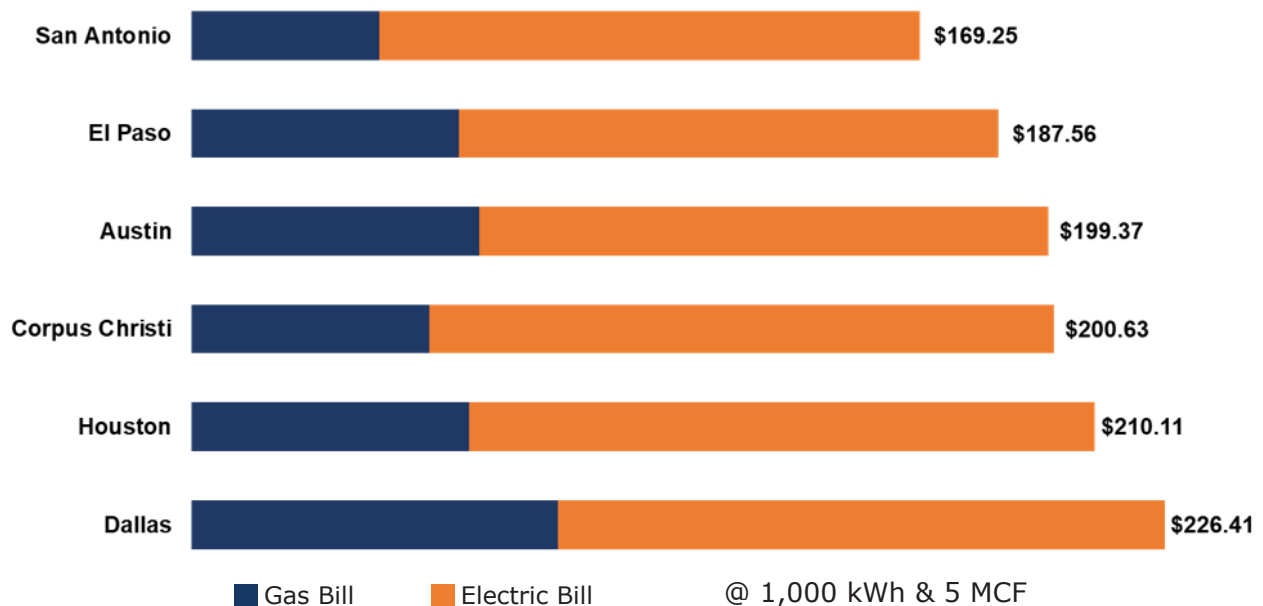
	April 30,	
	2024	2023 <sup>1</sup>
(In thousands)		
<b>Assets</b>		
Current assets .....	\$ 1,864,687	\$ 1,096,430
Noncurrent assets .....	2,854,700	2,746,754
Capital assets, net .....	9,869,622	9,331,364
Total assets .....	14,589,009	13,174,548
<b>Deferred outflows of resources</b> .....	786,708	813,791
<b>Total assets plus deferred outflows of resources</b> .....	\$ 15,375,717	\$ 13,988,339
<b>Liabilities</b>		
Current liabilities .....	\$ 1,226,457	\$ 826,439
Long-term debt, net .....	7,477,606	6,885,907
Other noncurrent liabilities .....	2,143,057	1,952,541
Total liabilities .....	10,847,120	9,664,887
<b>Deferred inflows of resources</b> .....	191,012	302,470
Total liabilities plus deferred inflows of resources .....	11,038,132	9,967,357
<b>Net position</b>		
Net investment in capital assets .....	2,141,059	2,788,378
Restricted .....	773,637	682,881
Unrestricted .....	1,422,889	549,723
Total net position .....	4,337,585	4,020,982
<b>Total liabilities plus deferred inflows of resources plus net position</b> .....	\$ 15,375,717	\$ 13,988,339

<sup>1</sup>Certain amounts were reclassified to conform to current year presentation.

# Statistical Highlights - Unaudited

	Quarter Ended		Twelve Months Ended	
	April 2024	April 2023	April 2024	April 2023
<b>ELECTRIC SYSTEM</b>				
Retail sales (thousands of MWh) . . . . .	4,899	5,040	24,905	24,602
Wholesale sales (thousands of MWh) . . . . .	1,597	616	7,516	3,627
Total sales (thousands of MWh) . . . . .	6,496	5,656	32,421	28,229
Customers (average number for period)	953,237	932,206	945,563	925,613
Maximum electric demand (MW) . . . . .	4,220	4,337	5,701	5,441
<b>GAS SYSTEM</b>				
Sales (MMCF) . . . . .	6,448	7,448	26,494	25,784
Customers (average number for period)	389,957	382,764	387,524	379,783
<b>GENERATION BY FUEL SOURCE AND OTHER POWER</b>				
Gas . . . . .	29 %	19 %	36 %	33 %
Coal . . . . .	20 %	14 %	18 %	18 %
Nuclear . . . . .	25 %	29 %	26 %	28 %
Purchased power – Renewables . . . . .	14 %	16 %	10 %	13 %
Purchased power – Other . . . . .	12 %	22 %	10 %	8 %

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