

FY 2025



INTERIM

REPORT

Second Quarter Ended July 31, 2024



CPS Energy crews traveled to the Navajo Nation to participate in the “Light Up Navajo” project, which brought light to three Navajo families for the first time. Light Up Navajo is an initiative of the Navajo Tribal Utility Authority, in coordination with the American Public Power Association.

Report from Management for the Second Quarter Ended July 31, 2024

CPS Energy expands South Texas Nuclear Project Ownership and adds 200 MW of capacity

CPS Energy has entered into an agreement to acquire an additional 2% ownership in the South Texas Nuclear Project (STP) from Constellation. Additionally, CPS Energy entered into a long-term Purchase Power Agreement (PPA) with Constellation for an additional 200 megawatts (MW) of power that was available for customers this summer. The additional 2% ownership of STP will add 52 MW of carbon free dispatchable generation to the portfolio and supports CPS Energy's Vision 2027 strategic plan that contemplates the retirement of 2,249 MW of older generation capacity before 2030.

CPS Energy increases power generation, adds 84 MW of renewable energy from Texas wind farm

CPS Energy announced the extension and expansion of a previous 15-year Power Purchase Agreement (PPA) that will more than double its share of the Avangrid's Peñascal wind farm. Nearly 40% of the total power generated at the Peñascal wind farm is now provided to CPS Energy. CPS Energy is number 2 in wind generation in the state of Texas. This expanded agreement with Avangrid will help to power about 41,000 Texas homes on a hot summer day.

Meet CPS Energy's color-coded chameleon

CPS Energy introduced a color-coded chameleon to help customers use simple tips to conserve energy and save money. The conservation levels align with the anticipated daily demand for energy. Much like a chameleon adapts to its environment, CPS Energy is encouraging everyone to adapt their energy habits based on the daily conservation level. Each color represents current energy demand and offers tailored tips to help customers conserve and save money. Be on the lookout for the color-coded chameleon at cpsenergy.com/conservation.

CPS Energy offers Mutual Aid Support

CPS Energy crews traveled to the Navajo Nation to participate in the "Light Up Navajo" project, which brought light to three Navajo families for the first time. The weeklong, dawn-to-dusk electrical work was wired by the hands of nearly two dozen CPS Energy crew members. This opportunity allowed employees to receive training hours which benefit crew members as their career begins with CPS Energy.

CPS Energy's Storm Response team also worked 16-hour days in tough conditions such as thunderstorms, heat, humidity, piles of debris, flooding, and mud. The crews remained committed and determined while still keeping their One Team focus to endure the elements to restore power for Garland Power & Light (GP&L).

2023 Community Impact Report

CPS Energy has published its 2023 Community Impact Report, which details the progress to execute on the utility's strategic plan known as Vision 2027. You can view and learn more about CPS Energy's Community Impact Report at cpsenergy.com/impactreport.



Rudy D. Garza
President & CEO

Financial Review for the Second Quarter Ended July 31, 2024

Total operating revenues and nonoperating income of \$1,081.9 million for the second quarter of fiscal year 2025 increased by \$124.9 million, or 13.1%, compared to the same period last year.

- Electric operating revenue was \$1,009.0 million, which was \$108.5 million, or 12.1%, more than the same quarter last year. Primarily contributing to the increase were higher retail nonfuel recoveries due to greater retail sales and higher wholesale revenues due to higher demand and available capacity as a result of the acquisition of the Corpus Christi and Laredo (CCL) generating units in the beginning of the quarter.
- Gas operating revenue of \$40.3 million was \$2.3 million, or 6.0%, higher than last year primarily due to higher nonfuel recoveries due to an increase in natural gas prices.
- Nonoperating income of \$32.6 million was higher by \$14.1 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 \$944.8 million were \$99.2 million, or 11.7%, higher than last year.

- Comprising 31.2% of total expenses, fuel, purchased power and distribution gas costs increased \$25.0 million, or 9.3%, to \$294.8 million. Primarily contributing to the increase were higher sales and associated fuel costs due to the acquisition of the CCL units.
- Operation and maintenance expenses of \$244.1 million for the quarter were \$38.5 million, or 18.7%, higher than last year due to increased labor and outside services, coupled with a greater scope of work for a planned refueling outage at the South Texas Project (STP) 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 Electric Reliability Council of Texas, of \$28.0 million were lower than last year's \$31.9 million due to lower transmission cost of service in the current year.
- Depreciation and amortization expense of \$135.3 million was higher than last year by \$11.8 million, or 9.6%, 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 \$75.5 million were higher than last year by \$15.2 million or 25.3%, primarily due to higher interest expense related to the flexible rate revolving notes and commercial paper, as well as greater outstanding debt balances in the current year due in part to finance the acquisition of the CCL plant assets.
- Payments to the City of San Antonio totaled \$161.2 million and were higher than the same period last year by \$13.2 million, or 9.0%, primarily due to increased electric retail and wholesale revenues.

Income before other changes in net position of \$137.1 million was \$25.7 million higher compared to last year's net income of \$111.4 million. The variance was primarily due to higher operating revenues partially offset by higher operating expenses and higher nonoperating income compared to the prior year.

Capital contributions of \$23.9 million were comparable to the previous year's second quarter. The **change in net position** was an increase of \$161.0 million compared to an increase of \$134.6 million for the same quarter last year, reflecting a change of \$26.4 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	
	July 2024	July 2023 ¹	July 2024	July 2023 ¹
	<i>(In thousands)</i>			
Revenues				
Electric	\$ 1,008,988	\$ 900,478	\$ 3,253,788	\$ 2,931,988
Gas	40,329	38,042	216,010	290,823
Total operating revenues	1,049,317	938,520	3,469,798	3,222,811
Nonoperating income (expense), net	32,581	18,464	102,870	98,107
Total revenues and nonoperating revenues	1,081,898	956,984	3,572,668	3,320,918
Expenses				
Fuel, purchased power and distribution gas	294,779	269,733	1,017,930	1,161,435
Operation and maintenance ²	244,100	205,647	921,656	793,064
Decommissioning	5,968	6,729	20,268	25,104
Regulatory assessments	28,017	31,858	95,680	110,231
Depreciation and amortization	135,298	123,480	525,672	511,922
Interest and debt-related	75,453	60,225	274,017	235,082
Effect of defined benefit plan funding obligations - STP	—	—	7,287	(6,909)
Payments to the City of San Antonio	161,189	147,944	463,792	424,095
Total expenses	944,804	845,616	3,326,302	3,254,024
Income (loss) before other changes in net position	137,094	111,368	246,366	66,894
Other payments to the City of San Antonio	—	—	(12,853)	(11,523)
Capital contributions	23,922	23,261	109,477	84,596
Change in net position	161,016	134,629	342,990	139,967
Net position - beginning	4,337,585	4,020,982	4,155,611	4,015,644
Net position - ending	\$ 4,498,601	\$ 4,155,611	\$ 4,498,601	\$ 4,155,611

¹Certain amounts were reclassified to conform to current year presentation.

²Includes 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

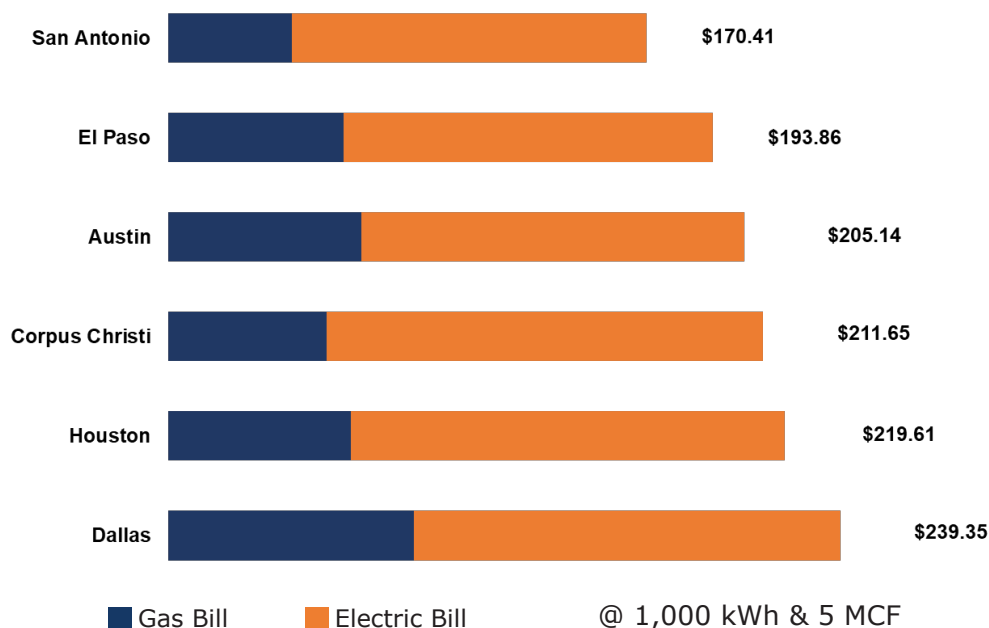
	July 31,	
	2024	2023 ¹
<i>(In thousands)</i>		
Assets		
Current assets	\$ 1,255,867	\$ 1,231,666
Noncurrent assets	3,247,188	2,781,005
Capital assets, net	10,737,983	9,482,824
Total assets	15,241,038	13,495,495
Deferred outflows of resources	790,066	784,436
Total assets plus deferred outflows of resources	\$ 16,031,104	\$ 14,279,931
Liabilities		
Current liabilities	\$ 1,042,494	\$ 895,359
Long-term debt, net	8,140,407	6,958,706
Other noncurrent liabilities	2,149,384	1,944,436
Total liabilities	11,332,285	9,798,501
Deferred inflows of resources	200,218	325,819
Total liabilities plus deferred inflows of resources	11,532,503	10,124,320
Net position		
Net investment in capital assets	2,950,534	2,651,331
Restricted	808,577	765,704
Unrestricted	739,490	738,576
Total net position	4,498,601	4,155,611
Total liabilities plus deferred inflows of resources plus net position	\$ 16,031,104	\$ 14,279,931

¹ Certain amounts were reclassified to conform to current year presentation.

Statistical Highlights - Unaudited

	Quarter Ended		Twelve Months Ended	
	July 2024	July 2023	July 2024	July 2023
ELECTRIC SYSTEM				
Retail sales (thousands of MWh)	7,604	7,281	25,227	24,214
Wholesale sales (thousands of MWh)	3,332	1,978	8,871	4,552
Total sales (thousands of MWh)	10,936	9,259	34,098	28,766
Customers (average number for period)	961,053	937,140	951,541	930,504
Maximum electric demand (MW)	5,561	5,538	5,701	5,538
GAS SYSTEM				
Sales (MMCF)	4,688	4,770	26,411	26,100
Customers (average number for period)	391,535	384,896	389,184	381,777
GENERATION BY FUEL SOURCE AND OTHER POWER				
Gas	45 %	43 %	37 %	36 %
Coal	15 %	17 %	18 %	16 %
Nuclear	17 %	25 %	23 %	28 %
Purchased power – Renewables	8 %	10 %	10 %	11 %
Purchased power – Other	15 %	5 %	12 %	9 %

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