FISCAL YEAR ENDING 2016 & 2017 BUDGET REPORT

GENERAL INFORMATION REGARDING CPS ENERGY

Acquired by the City of San Antonio (City) in 1942, CPS Energy (the Company) is the nation's largest municipally owned energy utility that provides both natural gas and electric services. For the twelve months ending on January 31, 2015, CPS Energy is estimated to have an average of 762,732 electric customers throughout its 1,514-square-mile service area while simultaneously serving an average of 334,672 gas customers, mostly within the urban Bexar County area.

Low customer rates, a diversified electric-generating resource portfolio, and strong financial management characterize CPS Energy. CPS Energy has a retail electricity rate that is well below U.S. averages. CPS Energy has a sound and balanced generation resource plan to meet customer demand through its fuel diversification program that includes nuclear, coal, natural gas, wind, solar, and landfill gas. CPS Energy also has a fuel-hedging program to help mitigate natural gas price volatility.

In its financial ratings, CPS Energy's historically high credit rating enables it to obtain low interest rates when financing new projects or refinancing existing debt. These high ratings are primarily attributed to an experienced and prudent management team; a moderate debt burden; consistently strong debt service coverage ratios; competitive retail electric rates; solid liquidity; and a monthly fuel and purchased power pass-through mechanism that insulates financial performance from market and operational volatility.

While its gas business operates competitively, CPS Energy remains outside of the Texas electric retail choice market. The San Antonio City Council passed a resolution in 2001 electing not to participate in the deregulated electricity market. CPS Energy remains dedicated to offering a wide range of pricing options and programs for its community, ensuring its customers receive the full benefits of community ownership. With a diversity of energy sources and support of economic development in San Antonio, CPS Energy works closely with community leaders to continually grow its metropolitan market to benefit the community. With some exceptions, CPS Energy returns approximately 14% of its gross revenues to the City of San Antonio. Since 1942 CPS Energy has provided to the City more than $6.2 billion, which support important services such as those provided by the fire and police departments.

CPS Energy continues to place strong emphasis on strategic planning to remain a leader in the utility industry and to continue to be a valuable asset, providing reliable, competitively priced energy, and improving the quality of life for its customers in Greater San Antonio. Among CPS Energy's goals are to be committed to meeting the expectations of our customers – constantly focused on improving customer satisfaction, to reduce energy demand through energy efficiency and conservation measures, and to improve and sustain an engaged workforce. These initiatives are funded through its Operating & Maintenance (O&M) and Capital Budgets. CPS Energy has allocated funding for specific programs, initiatives, and activities to support the Company's key strategies.

SAN ANTONIO AREA ECONOMIC PROJECTIONS

CPS Energy's planning process considers national, state, and local economic trends. Although the local economy differs from the broad national landscape often resulting in more moderate peaks and valleys, the San Antonio metropolitan economy did experience a slowdown in growth since 2007, but continues to see a steady growth. San Antonio remains as one of the nation's best performing and strongest metropolitan areas.

Customer growth in the San Antonio market is forecasted to continue, although it is anticipated that the rate of growth will be less than the level experienced between 2006 through 2008, when new home construction peaked. Since that time, the local housing market has softened, but growth is continuing in response to economic development, which continues to draw new companies to San Antonio.

The prospects for the San Antonio economy remain positive as it continues to position itself as one of the most dynamic economies in Texas and in the United States. It has a diversified economy, with four primary sectors: national defense, healthcare, financial services, and tourism. Even with the current economic conditions, the San Antonio metropolitan area is expected to experience continued strength. As the seventh largest City in the United States, the city has solidified its position as a location that can support mission critical information technology firms, security companies, and large data centers.

New employment opportunities that have risen from economic development have helped stimulate the San Antonio market. Expansion in the northern part of the City has been on-going for some time, and growth in the western suburbs of the City is continuing. New growth is also projected to occur to the south, which is a relatively new direction for major development in San Antonio.

FORECAST OF CUSTOMER REQUIREMENTS

The CPS Energy planning process begins with the development of the Customer Requirements Forecast, which is a projection of the number of customers and their energy consumption. The forecast is based on weather-normalized, historic sales, adjusted for the effect of its energy efficiency and conservation programs, such as the Save for Tomorrow Energy Plan (STEP) Program. The development of this forecast is a complex process involving the assessment of various economic, demographic, and technological factors. The forecast is the basis for planning decisions regarding the future growth and operation of the electric and gas systems and for the determination of the revenues required to finance that growth. The most recent summary forecast of Customer Requirements was prepared during the summer of 2014.

Annual average electric system customer accounts are forecasted to total 762,732 on January 31, 2015, and the annual average is estimated to be 774,572 at January 31, 2016, for an increase of 11,840 customer accounts or 1.6%. The annual average is estimated to be 787,664 at January 31, 2017, for an increase of 13,092 customer accounts or 1.7%.

Annual average gas system customer accounts are forecasted to total 334,672 on January 31, 2015, and the annual average is estimated to be 336,304 at January 31, 2016, for an increase of 1,632 customers or 0.5%. The annual average is estimated to be 339,125 at January 31, 2017, for an increase of 2,821 customer accounts or 0.8%.

FYE 2016 FINANCING PLAN AND REVENUE REQUIREMENTS

Total Gross Revenue is estimated to be $2,714 million for FYE 2016 with Operating Revenue projected to be $2,696 million. Total Gross Revenue will be used to fund Operating Expenses, Debt Service (principal and interest), City Payment, and part of the Capital Budget (also referred to as the Repair and Replacement Account (R&R)). For FYE 2016, the total O&M budget of $1,696 million will be funded with 62% of the Gross Revenue. Debt Requirements and City Payment have been estimated at $397 million and $336 million, respectively, and will be funded with 15% and 12% of the Gross Revenue, respectively. The remaining $285 million, or 11% of Total Gross Revenue, will be available for partially funding the Capital Budget for FYE 2016. The operating and debt service costs, and the associated revenues of the purchase of Rio Nogales are included in the above mentioned estimates. This financing plan results in Days Cash on Hand of 160 days.

The current plan is to fund the next year's capital budget with $263 million debt and $361 million from the R&R Account and other sources. For FYE 2016, projected financing needs will require $200 million of additional debt issuances, along with other sources of funding. Proceeds from all sources, including interest earned, will be primarily used to fund electric transmission, electric distribution, generation, and gas distribution construction projects. This financing plan results in a Debt to Equity Ratio of 61% and a Debt Service Coverage of 1.72x.

Revenue Requirements *($ In millions)*		
	FYE 2016 Budget	**% of Revenue**
Revenue	**$2,714**	**100%**
Operating Expenses:		
Electric Fuel & Renewables/Purchased Power/Rio Nogales	$935	34%
Distribution Gas	109	4%
PUCT and ERCOT Assessments	63	2%
CPS Energy Non-Fuel O&M	414	15%
Rio Nogales Non-Fuel O&M	19	1%
STP Non-Fuel O&M	156	6%
Total Operating Expenses	**$1,696**	**62%**
Debt Service	**$397**	**15%**
City Payment	**$336**	**12%**
Available for Construction (R&R)	**$285**	**11%**
Days Cash on Hand	160	

Debt *($ in millions)*	
Total Debt	$5,655
Debt to Equity Ratio	61%
Debt Service Coverage	1.72
Planned Capital:	
Debt Issuances	$200
Planned AFUDC (Capitalized Interest)	$9
Estimated Long Term Borrowing Rate (Tax-Exempt)	5.00%

FYE 2017 FINANCING PLAN AND REVENUE REQUIREMENTS

Total Gross Revenue is estimated at $2,800 million for FYE 2017 with Operating Revenue projected to be $2,773 million. Total Gross Revenue will be used to fund Operating Expenses, Debt Service (principal and interest), City Payment, and part of the Capital Budget (also referred to as the Repair and Replacement Account (R&R)). For FYE 2017, the total O&M budget of $1,743 million will be funded with 62% of the Gross Revenue. Debt Requirements and City Payment have been estimated at $419 million and $359 million, respectively, and will be funded with 15% and 13% of the Gross Revenue, respectively. The remaining $279 million, or 10% of Total Gross Revenue, will be available for partially funding the Capital Budget for FYE 2017. This financing plan results in Days Cash on Hand of 160 days.

The current plan is to fund the FYE 2017 capital budget with $340 million debt and $258 million from the R&R Account and other sources. Projected financing needs for FYE 2017 construction requirements will require an additional $250 million of financing, along with other sources of funding. Proceeds from all sources, including interest earned, will be primarily used to fund electric transmission, electric distribution, generation, and gas distribution construction projects. This financing plan results in a Debt to Equity Ratio of 61% and a Debt Service Coverage of 1.67x.

Revenue Requirements *($ In millions)*		
	FYE 2017 Budget	**% of Revenue**
Revenue	**$2,800**	**100%**
Operating Expenses:		
Electric Fuel & Renewables/Purchased Power/Rio Nogales	$970	34%
Distribution Gas	115	4%
PUCT and ERCOT Assessments	76	3%
CPS Energy Non-Fuel O&M	413	15%
Rio Nogales Non-Fuel O&M	20	1%
STP Non-Fuel O&M	149	5%
Total Operating Expenses	**$1,743**	**62%**
Debt Service	**$419**	**15%**
City Payment	**$359**	**13%**
Available for Construction (R&R)	**$279**	**10%**
Days Cash on Hand	160	

Debt *($ in millions)*	
Total Debt	$5,723
Debt to Equity Ratio	61%
Debt Service Coverage	1.67
Planned Capital:	
Debt Issuances	$250
Planned AFUDC (Capitalized Interest)	$8
Estimated Long Term Borrowing Rate (Tax-Exempt)	5.50%

OPERATING & MAINTENANCE BUDGET

O&M is comprised of six major categories: Electric Fuel, Renewables, and Purchased Power, Distribution Gas, Public Utility Commission of Texas (PUCT) and Electric Reliability Council of Texas (ERCOT) Assessments, CPS Energy Non-fuel O&M, Rio Nogales Non-Fuel O&M, and South Texas Project (STP) Non-fuel O&M.

Estimated O&M costs for FYE 2015 are $1,618 million, or $96 million above the approved FYE 2015 budget. Electric Fuel and Purchased Power is $90 million over budget, while Distribution Gas is $14 million above the approved budget. PUCT and ERCOT Assessments are $1 million below the approved budget. CPS Energy's Non-fuel O&M is $9 million above the approved budget. Rio Nogales Non-Fuel O&M is $1 million below the approved budget, and STP Non-fuel O&M is expected to be $15 million below budget.

The O&M budget for FYE 2016 is $1,696 million, which is $78 million or 4.8%, above FYE 2015 latest estimate. Electric Fuel and Purchased Power are projected to increase $80 million. Distribution Gas is projected to decrease $12 million. PUCT and ERCOT Assessments are projected to decrease $16 million. CPS Energy Non-fuel O&M is projected to increase $23 million, Rio Nogales Non-Fuel O&M is projected to decrease $7 million, and STP Non-fuel O&M is projected to increase $10 million.

The O&M budget for FYE 2017 is $1,743 million, which is $47 million or 2.8%, above FYE 2016. Electric Fuel and Purchased Power are projected to increase $35 million. Distribution Gas is projected to increase by $6 million. PUCT and ERCOT Assessments are projected to increase $13 million. CPS Energy Non-fuel O&M is projected to decrease $1 million, Rio Nogales Non-Fuel O&M is projected to increase $1 million, and STP Non-fuel O&M is projected to decrease $6 million.

The composition of the FYE 2016 and 2017 budget is as follows:

O&M Budget Categories	**Budget** *($ in millions)*	
	FYE 2016	**FYE 2017**
Electric Fuel, Renewables, & Purchased Power	935	970
Distribution Gas	109	115
PUCT and ERCOT Assessments	63	76
CPS Energy Non-Fuel O&M	414	413
Rio Nogales Non-Fuel O&M	19	20
STP Non-Fuel O&M	156	149
Total Company	**1,696**	**1,743**

Each of these cost categories is discussed in detail in the following section.

ELECTRIC FUEL AND PURCHASED POWER

CPS Energy has a diverse fuel mix with 21 fossil-fueled electric generating units, four of which are coal-fired (2,180 MW) and 15 of which are gas-fired (3,306 MW). CPS Energy also has a 40% interest in STP Unit 1&2 nuclear generating units (1,064 MW). As of July 1, 2014, CPS Energy has contracted for 1,059 MW of wind power, 89 MW of solar power, and almost 14 MW of landfill gas-generated energy, under which power is being received. To reach its goal of 1,500 MW of renewable energy, CPS Energy has entered into an agreement for another 400 MW solar and also includes critical economic development and education initiatives.

Electric Fuel and Purchased Power reflects the costs of the various fuels used to generate electricity and the costs associated with purchased power. Costs in this category are a function of the level of electric sales, unit fuel costs, and the mix of the various fuels used to generate electricity and purchased power costs, which includes renewable sources and STEP.

For FYE 2015, Electric Fuel and Purchased Power is estimated to be $855 million, which is $90 million, or 11.8% above the approved budget. The variance is primarily due to higher than planned sales volumes. The planned sales volumes assume normalized weather.

For FYE 2016, the Electric Fuel and Purchased Power estimates total $935 million, $80 million above FYE 2015. The variance is primarily due to a higher overall unit price. For FYE 2017, the Electric Fuel and Purchased Power estimates total $970 million, $35 million above the FYE 2016 expected level. The variance is due to a higher overall unit price.

DISTRIBUTION GAS

CPS Energy procures its gas supply for use in electric generation, as well as distribution to gas customers. CPS Energy receives natural gas through several major gas delivery stations, which supply gas into CPS Energy owned and operated gas transmission pipelines, or directly into CPS Energy's gas distribution system. The gas delivery stations and gas transmission pipelines are monitored and managed through a supervisory control and data acquisition (SCADA) system.

CPS Energy manages combined natural gas supply requirements for power plants and distribution systems through a diversified portfolio of firm and interruptible services with various pipelines and suppliers. In accordance with its Fuels Management Procedures, CPS Energy has negotiated competitive, enabling contracts with gas suppliers under which CPS Energy can purchase gas on a daily, weekly, monthly or seasonal basis. These supply agreements were implemented along with contracts that form a beneficial matrix of supply, transportation, and storage costs.

Policy permits staff of the Energy Supply & Market Operations Fuels Division to enter into gas supply transactions for periods not exceeding one year under enabling agreements. Transactions exceeding one year must be approved by the Vice President of Energy Supply & Market Operations. The Board of Trustees must approve any fuel purchase that is for a period greater than one year and which represents more than 10% of CPS Energy's anticipated fuel purchases for the period. In addition, the Board of Trustees has approved an Energy Price Risk Management Policy, which provides formal guidelines for the purchase and sale of certain financial instruments and certain physical products, collectively defined as hedge instruments, entered in order to protect customers from volatile gas prices.

In FYE 2008, CPS Energy received approval from the Board of Trustees to enter into a 20-year gas purchase agreement with the San Antonio Energy Acquisition Public Facility Corporation (SAEA), a Section 303 public facility corporation established by the City of San Antonio in April 2007. J. Aron, the commodity subsidiary of Goldman Sachs, supplies gas under the agreement, which represents approximately 30% of its distribution gas system requirements at a significant discount to the index price. The savings in this transaction are passed through to CPS Energy distribution gas customers. This highly structured deal involves multiple counterparties. While some entities have experienced unfavorable ratings changes, the counterparties continue to perform. CPS Energy's staff continues to closely monitor this transaction.

Distribution Gas is estimated at $121 million for FYE 2015, which is $14 million above the approved level. The increase in Distribution Gas is due to higher than planned sales as well as a higher unit price.

For FYE 2016, Distribution Gas has been estimated at $109 million. The decrease of $12 million from the FYE 2015 level is due to lower planned sales in FYE 2016 as well as a lower unit price. For FYE 2017, Distribution Gas has been estimated at $115 million.

PUCT AND ERCOT ASSESSMENTS

Effective March 2000, a regulatory adjustment factor resulting from changes in the Texas electric utility industry was added to CPS Energy's electric bills. This adjustment is comprised of two major components:

1) The net PUCT transmission deficit that results from the wholesale transmission pricing mechanism, and
2) ERCOT charges for
    a. ERCOT Administration Fee
    b. ERCOT Nodal Implementation Surcharge
    c. Electric Reliability Organization Fee

ERCOT is the independent entity that administers the flow of electricity on the interconnected grid that operates wholly within Texas.

On June 3, 2014, CPS Energy filed an Application for Interim Update of Wholesale Transmission Rates with the PUCT, pursuant to P.U.C. Subst. R. 25.192(h)(1). The application was approved on July 23, 2014 and resulted in an annual transmission revenue requirement of $169.5 million. This represents an increase of $74.3 million from the $95.2 million in transmission revenue requirements previously established, and is the basis for CPS Energy's current wholesale transmission receipts.

Under the November latest estimates, the assessments for FYE 2015 totaled $79 million, $1 million below the approved level.

For FYE 2016, this category has been estimated at $63 million. This is a decrease of $16 million or -20.2% over the FYE 2015 level. For FYE 2017, this category has been estimated at $76 million. This is an increase of $13 million or 20.6% over the FYE 2016 expected level due to lower deficit balance in FYE 2016 due to successful interim filing on July 23, 2014.

CPS ENERGY NON-FUEL OPERATING & MAINTENANCE

CPS Energy remains focused on implementing a company-wide strategy to achieve excellence. The corporate strategy emphasizes a balance between effectively running the business to provide safe, reliable and low-cost energy for its customers, and fostering an environment that promotes an engaged workforce. In addition, the strategy centers attention on promoting sustainability and positioning the Company for future opportunities while continuing to provide returns to the City of San Antonio.

CPS Energy Non-fuel O&M, including Rio Nogales, for FYE 2015 is estimated to be $417 million at November 2014, $8 million over budget compared to plan. The increase in O&M is due to customer related expenses and plant overhauls as well as a Voluntary Retirement Incentive Program implemented in August 2014.

For FYE 2016, this category is estimated at $433 million, an increase of $16 million. The major drivers are increased plant overhauls, increased maintenance for distribution and transmission, and increased expenses related to the Grid Optimization program as well as other corporate initiatives. For FYE 2017, the Non-fuel O&M, including Rio Nogales, is estimated to be $433 million.

STP NON-FUEL OPERATING & MAINTENANCE

CPS Energy owns 40% of Units 1&2 at the STP nuclear power plant. Since November 1997, Units 1&2 have been operated by the STP Nuclear Operating Company (STPNOC) a nonprofit Texas corporation financed and controlled by the owners of the plant, pursuant to an operating agreement and a participation agreement. All costs and output continue to be shared in proportion to ownership interests. STPNOC is committed to operational and financial excellence. Operational Excellence is defined as achieving top decile rankings among all U.S. commercial nuclear plants in the categories of INPO performance index, forced loss rate, capability factor, and total industrial safety accident rate. Financial excellence is defined by being ranked in the average of the top three U.S. nuclear plants based on O&M plus Capital cost per MWh.

Units 1&2 Non-fuel O&M expenses as of the Latest Estimate at November 2014 are at $146 million, which is $15 million lower than the approved budget.

For FYE 2016, STP O&M is projected to be $156 million or $10 million above the FYE 2015 estimate due to the scheduling of two refueling outages. For FYE 2017, STP O&M is projected to be $149 million or $7 million lower than FYE 2016. This decrease is due to one scheduled outage in FYE 2017 versus two in FYE 2016.

CAPITAL BUDGET

Planning for current and future electric generation, electric transmission and distribution, gas system capital construction programs, and supporting technology and facilities is an on-going process. Given the long-term and high-cost nature of utility assets, the CPS Energy capital planning process is designed to focus on optimizing the returns on investments in capital assets. CPS Energy develops capital plans at four levels:

- A 35-year electric resource plan that projects specific electrical power generation alternatives.
- A 15-year Long-Range Transmission and Distribution Development Plan that estimates the system requirements for CPS Energy's service area.
- A 5-year projection of the capital budget, to ensure proper integration with the Strategic Plan initiatives and targets.
- The most current 2-year plan to meet immediate growth and modernization needs.

CAPITAL SUMMARY

Capital expenditures for FYE 2015 as of November 30, 2014 are estimated to come in at $541 million, $10 million more than the approved plan. The key driver for this variance is the purchase of hardware and equipment for the new Data Center project.

The capital budget for FYE 2016 of $616 million is $75 million above the November 30, 2014 estimates. The capital budget for FYE 2017 is $590 million or $26 million lower than FYE 2016. The composition of the FYE 2016 and FYE 2017 Capital budgets is presented to the right. Each of these Business Units/Areas are discussed on the following pages.

	FY 2016 $ million	% of Budget	FY 2017 $ million	% of Budget
Electric Distribution	186	30%	209	35%
Electric Transmission	60	10%	90	15%
Gas Distribution	57	9%	38	7%
Energy Delivery & Customer Services	**$303**	**49%**	**$337**	**57%**
Corporate Support Services	106	17%	83	14%
Human Resources	0	0%	2	0%
Financial and Administrative Services	**$106**	**17%**	**$85**	**14%**
Energy Supply & Market Operations	1	0%	3	1%
Power Generation	85	14%	67	11%
Corporate Development & Planning	68	11%	63	10%
Generation & Strategy	**$154**	**25%**	**$133**	**22%**
Remaining Business Areas	**$3**	**1%**	**$1**	**1%**
STP	**$43**	**7%**	**$29**	**5%**
Rio Nogales	**$7**	**1%**	**$5**	**1%**
CPS Energy Total (Excludes AFUDC)	**$616**	**100%**	**$590**	**100%**

ENERGY DELIVERY & CUSTOMER SERVICES

ELECTRIC DISTRIBUTION

CPS Energy's electric distribution system is the pathway for the delivery of energy from the transmission lines and substations to the customers. System additions are strategically planned to keep pace with the anticipated expansion of the San Antonio Metropolitan area and the growth in customer demands for energy. This budget category consists of costs associated with serving new subdivisions and individual customers, distribution system expansion and growth, infrastructure modernization, and civic improvement projects requested by the State, County, and the various cities served by CPS Energy.

Electric Distribution's capital expenditures for FYE 2015 are estimated as of November 30, 2014 at $188 million or $3 million under the approved budget. The primary variance drivers include reduced cable rehabilitation spending and lower spending for circuit upgrades, conductor upgrades and pole replacements.

Electric Distribution's capital expenditures have been estimated at $186 million for FYE 2016 which is $2 million under the FYE 2015 estimates. For FYE 2017, this category has been planned at $209 million or $23 million higher than the prior year primarily due to increased expenditures for transformers, circuit upgrades, substation construction, and new feeder circuits.

ELECTRIC TRANSMISSION

CPS Energy's transmission line network represents the path for moving electric power from the generating plants to substations within the service area, and to and from other utilities. This budget category is comprised of both new additions to the transmission system and system improvements.

Electric Transmission's capital expenditures for FYE 2015 are estimated as of November 30, 2014 at $57 million or $2 million above the approved budget.

For FYE 2016, Electric Transmission's capital expenditures have been estimated at $60 million or $3 million higher than FYE 2015 spending. For FYE 2017, this category totals $90 million or $30 million higher than the prior year primarily due to increased transmission line projects in the northern part of the service area.

GAS DELIVERY

CPS Energy's gas distribution system is the path of moving purchased natural gas to retail customers. This category is comprised of customer extensions, system expansion, infrastructure modernization, and civic improvements.

Gas Distribution capital expenditures for FYE 2015 is estimated as of November 30, 2014 at $30 million which equals the FYE 2015 approved budget.

For FYE 2016, Gas Distribution has been planned at $57 million or $27 million higher than FYE 2015 spending levels due to increased civic improvement projects due to the City of San Antonio's recent bond issuances. For FYE 2017, this category totals $38 million or $19 million lower than the prior year due to normalized civic improvement project spending.

FINANCIAL AND ADMINISTRATIVE SERVICES

Financial and Administrative Services consists of Corporate Support Services, Financial Services and Human Resources.

Corporate Support Services provides the necessary support to our internal and external CPS Energy customers including, Facilities & Asset Management, Fleet, Resource Planning, Supply Chain, Safety, Security Operations, and Enterprise Information Technology.

Corporate Support Services' capital expenditures for FYE 2015 are estimated as of November 30, 2014 at $99 million, $29 million above the approved level primarily due to higher than planned Datacenter Project expenditures.

Corporate Support Services' and Human Resources' capital expenditures have been estimated at $106 million for FYE 2016 or $7 million above the spending level for FYE 2015. For FYE 2017, capital expenditures have been estimated at $85 million or $21 million lower than the prior year due to the completion of the Datacenter Project.

GENERATION & STRATEGY

ENERGY SUPPLY & MARKET OPERATIONS

As a Level 4 Qualified Scheduling Entity (QSE), Energy Supply & Market Operation's (ES&MO) capital expenditures are required to develop and maintain information systems to provide load forecasting, day ahead and real time scheduling of load, generation and bilateral transactions, generator unit commitment and dispatch, communications, and invoicing and settlements.

ES&MO's capital expenditures for FYE 2015 are estimated as of November 30, 2014 at $1 million, the same as the approved budget.

For FYE 2016, Energy Supply & Market Operation's capital expenditures have been estimated at $1 million or consistent with the FYE 2015 spending level. For FYE 2017, this category has been estimated at $3 million or $2 million higher than the prior year due to a Demand Response Management Project.

POWER GENERATION

The Power Generation category consists of capital expenditures required for the following:

1) Power plant improvements to improve safety, reliability, environmental stewardship, and operating efficiencies
2) Compliance with State and Federal regulations

Power Generation's capital expenditures for FYE 2015 are estimated as of November 30, 2014 at $64 million or $6 million over the approved budget. The increase is primarily due to the Sommers Superheater Project.

For FYE 2016, Power Generation's capital expenditures have been estimated at $85 million or $21 million above the spending level for FYE 2015. The increase is due to projects pertaining to power plant improvements and environmental compliance. For FYE 2017, this category has been estimated at $67 million which is $18 million under the FYE 2016 level due to reduced plan improvement expenditures.

CORPORATE DEVELOPMENT & PLANNING

Corporate Development & Planning (CDP) develops strategies and supports initiatives that facilitate CPS Energy's transformation from a successful conventional energy company to a utility focused on sustainable resources, practices, programs enabling long-term growth for our community. CDP accomplishes this task through the increased use of affordable renewable energy sources, stepping up energy efficiency programs across the community, environmental management, targeted technology research and development and long-term strategic planning initiatives such as the Grid Optimization project.

CDP's capital expenditures for FYE 2015 are estimated as of November 30, 2014 at $47 million, $22 million under the approved budget. The decrease is primarily due to delays with Grid Optimization project.

For FYE 2016, CDP's capital expenditures have been estimated at $68 million or $21 higher than FYE 2015 spending level due to ramped up Grid Optimization expenditures. For FYE 2017, this category has been estimated at $63 million or $5 million lower than the prior year.

REMAINING BUSINESS AREAS

Remaining businesses consist of Audit Services, Corporate Communications, Corporate Contingency, General Counsel, and President & CEO.

The remaining business area's latest estimate of capital expenditures for FYE 2015 as of November 30, 2014 is estimated at $16 million, over the approved budget by $7 million due to higher than planned capital expenditure reserves for Corporate Contingencies

This category has been estimated at $3 million for FYE 2016 or $13 below the FYE 2015 estimate due to not budgeting for Corporate Capital Contingencies. For FYE 2017, this category has been planned at $1.

STP

CPS Energy owns 40% of Units 1&2 at the STP nuclear power plant. Since November 1997, Units 1&2 have been operated by the STP Nuclear Operating Company (STPNOC), a nonprofit Texas corporation financed and controlled by the owners of the plant, pursuant to an operating agreement and a participation agreement. All costs and output continue to be shared in proportion to ownership interests.

STP's capital expenditures for FYE 2015 is estimated as of November 30, 2014 at $39 million, which is $8 million under the FYE 2015 approved budget due to a Spent Fuel Management Project originally classified as a capital project.

For FYE 2016, STP's capital expenditures have been estimated at $43 million or $4 million above the spending level for FYE 2015. For FYE 2017, this category has been estimated at $29 million, or $14 million lower than the prior year.

RIO NOGALES

Rio Nogales began operations in 2002 and is an 800-megawatt (MW) combined-cycle gas plant located in Seguin, Texas. CPS Energy acquired the plant in 2012.

Rio Nogales' capital expenditures for FYE 2015 are estimated as of November 30, 2014 at $1 million, or consistent to the approved budget.

Rio Nogales's capital expenditures have been estimated at $7 million for FYE 2016 which is $6 million higher than the FYE 2015 estimates due to Generator Breaker Installation Project. For FYE 2017, this category has been planned at $5 million or $2 million below the prior year.