

FY 2026



# INTERIM REPORT

Second Quarter Ended July 31, 2025



CPS Energy, Republic Services, EDL, and VIA Metropolitan Transit celebrated three years of partnership delivering sustainable solutions for San Antonio's public buses at EDL's Tessman Road RNG facility. Pictured: Jon Gary Herrera, President & CEO, VIA Metropolitan Transit; Rudy D. Garza, President & CEO, CPS Energy; Anthony Falbo, CEO North America, EDL; and Bill Rich, General Manager, Republic Services.

# Report from Management for the Second Quarter Ended July 31, 2025

## **Clean energy partnership marks three years of progress in San Antonio**

CPS Energy is proud to celebrate three years of collaboration with Republic Services, EDL, and VIA Metropolitan Transit to advance sustainable solutions for the city's public transit system. Through this partnership, VIA's buses are fueled with renewable natural gas (RNG) produced at EDL's Tessman Road RNG facility, helping reduce emissions and support cleaner transportation. The initiative underscores CPS Energy's ongoing commitment to environmental stewardship and building a cleaner energy future for the community.

## **New tools designed with customers in mind**

Customers now have new tools from CPS Energy that make managing their accounts simpler and more accessible. The Assistance Finder connects individuals to support programs that best fit their needs, streamlining access to important resources. In addition, Pay-by-Text offers a secure and convenient way to pay bills directly from a mobile device. Together, these solutions demonstrate a strong focus on convenience, care, and connection, while also offering a glimpse of the modern customer experiences that will be strengthened through our Enterprise Resource Planning (ERP) digital transformation.

## **Clean hydrogen pilot project launches**

Modern Hydrogen's methane pyrolysis technology will be piloted by CPS Energy to convert natural gas into clean hydrogen and solid carbon, making the utility one of only a few in the nation to test distributed natural gas pyrolysis technologies and carbon capture. The project represents the first step in a long-term strategic investment in producing reliable, cleaner power at scale, as set forth in CPS Energy's Vision 2027, which includes a commitment to a diverse power portfolio that incorporates new technologies.

## **Largest wind power RFP in over a decade opens**

A request for proposal (RFP) has been issued by CPS Energy for up to 400 megawatts (MW) of additional wind energy through one or more Power Purchase Agreements (PPAs), marking the utility's largest request for wind resources in more than ten years. If fully contracted, this would bring our total wind capacity to approximately 1,467 megawatts (MW). The initiative supports CPS Energy's Vision 2027 strategy to diversify its energy portfolio, meet growing customer demand, and strengthen grid reliability.



Rudy D. Garza  
President & CEO

# Financial Review for the Second Quarter Ended July 31, 2025

**Total operating revenues and nonoperating income** of \$1,139.8 million for the second quarter of fiscal year 2026 increased by \$57.9 million, or 5.3%, compared to the same period last year.

- Electric operating revenue was \$1,070.1 million, which was \$61.1 million, or 6.1%, higher than the same quarter last year. Primarily contributing to the increase were higher retail and wholesale fuel recoveries due to higher unit cost of fuel coupled with higher wholesale sales. Wholesale nonfuel recoveries were lower due to decreased wholesale market prices slightly offset by an increase in sales volumes in the current quarter.
- Gas operating revenue of \$46.2 million was \$5.9 million, or 14.5%, higher than last year primarily due to higher fuel recoveries from higher natural gas prices.
- Nonoperating income of \$23.5 million was lower by \$9.1 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 \$1,085.2 million were \$140.4 million, or 14.9%, higher than last year.

- Comprising 35.1% of total expenses, fuel, purchased power and distribution gas costs increased \$86.0 million, or 29.2%, to \$380.8 million. Primarily contributing to the increase in electric fuel and distribution gas costs were higher natural gas prices experienced in the current year.
- Operation and maintenance expenses of \$270.9 million for the quarter were \$26.8 million, or 11.0%, higher than last year primarily due to unplanned outages resulting in higher maintenance costs and an increase in insurance costs in the current year.
- Decommissioning expense of \$6.5 million was comparable to prior year, which was \$6.0 million.
- Regulatory assessments, including those charged by the Public Utility Commission of Texas (PUCT) and Electric Reliability Council of Texas (ERCOT), of \$37.5 million were higher than last year's \$28.0 million due to higher transmission cost of service in the current year.
- Depreciation and amortization expense of \$135.4 million was comparable to the prior year.
- Interest and debt-related expenses of \$79.2 million were higher than last year by \$3.7 million or 5.0%, primarily due to greater outstanding debt in the current year.
- The recorded payments to the City of San Antonio totaled \$174.9 million and were higher than the same period last year by \$13.7 million, or 8.5%, primarily due to increased electric wholesale and gas revenues.

**Income before other changes in net position** of \$54.6 million was \$82.5 million lower compared to last year's net income of \$137.1 million. The variance was primarily due to higher operating expenses and lower nonoperating income.

**Capital contributions** of \$36.7 million were \$12.8 million higher than the previous year's second quarter primarily due to higher contributions for customer growth projects. The **change in net position** was an increase of \$91.3 million compared to an increase of \$161.0 million for the same quarter last year, reflecting a change of \$69.7 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 2025	July 2024	July 2025	July 2024
	<i>(In thousands)</i>			
<b>Revenues</b>				
Electric .....	\$ 1,070,120	\$ 1,008,988	\$ 3,595,104	\$ 3,253,788
Gas .....	46,186	40,329	247,755	216,010
Total operating revenues .....	1,116,306	1,049,317	3,842,859	3,469,798
Nonoperating income (expense), net .....	23,471	32,581	104,964	102,870
<b>Total revenues and nonoperating revenues</b> .....	<b>1,139,777</b>	<b>1,081,898</b>	<b>3,947,823</b>	<b>3,572,668</b>
<b>Expenses</b>				
Fuel, purchased power and distribution gas .....	380,811	294,779	1,288,288	1,017,930
Operation and maintenance <sup>1</sup> .....	270,862	244,100	1,032,456	921,656
Decommissioning .....	6,543	5,968	25,022	20,268
Regulatory assessments .....	37,479	28,017	126,059	95,680
Depreciation and amortization .....	135,390	135,298	527,327	525,672
Interest and debt-related .....	79,196	75,453	307,961	274,017
Effect of defined benefit plan funding obligations - STP .....	—	—	(6,451)	7,287
Payments to the City of San Antonio .....	174,895	161,189	476,230	463,792
<b>Total expenses</b> .....	<b>1,085,176</b>	<b>944,804</b>	<b>3,776,892</b>	<b>3,326,302</b>
<b>Income (loss) before other changes in net position</b> .....	<b>54,601</b>	<b>137,094</b>	<b>170,931</b>	<b>246,366</b>
Other payments to the City of San Antonio .....	—	—	(13,031)	(12,853)
Capital contributions .....	36,703	23,922	179,298	109,477
<b>Change in net position</b> .....	<b>91,304</b>	<b>161,016</b>	<b>337,198</b>	<b>342,990</b>
<b>Net position - beginning</b> .....	<b>4,744,495</b>	<b>4,337,585</b>	<b>4,498,601</b>	<b>4,155,611</b>
<b>Net position - ending</b> .....	<b>\$ 4,835,799</b>	<b>\$ 4,498,601</b>	<b>\$ 4,835,799</b>	<b>\$ 4,498,601</b>

<sup>1</sup>Includes 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

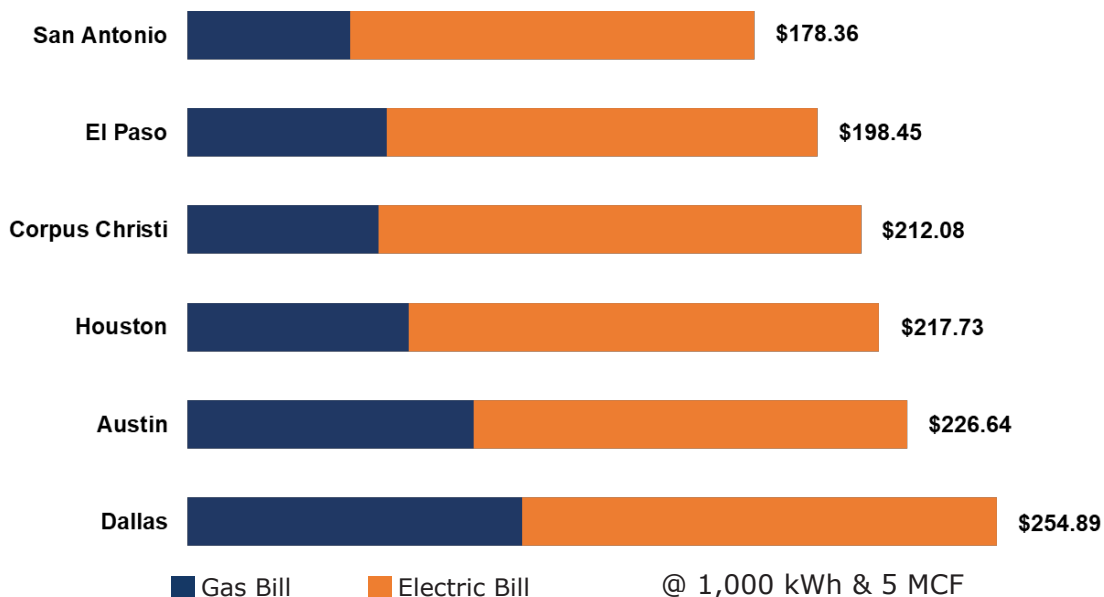
	July 31,	
	2025	2024
<i>(In thousands)</i>		
<b>Assets</b>		
Current assets .....	\$ 1,381,323	\$ 1,255,867
Noncurrent assets .....	3,318,398	3,247,188
Capital assets, net .....	11,231,924	10,737,983
Total assets .....	15,931,645	15,241,038
<b>Deferred outflows of resources</b> .....	920,657	790,066
<b>Total assets plus deferred outflows of resources</b> .....	\$ 16,852,302	\$ 16,031,104
<b>Liabilities</b>		
Current liabilities .....	\$ 1,075,629	\$ 1,042,494
Long-term debt, net .....	8,438,707	8,140,407
Other noncurrent liabilities .....	2,328,175	2,149,384
Total liabilities .....	11,842,511	11,332,285
<b>Deferred inflows of resources</b> .....	173,992	200,218
<b>Total liabilities plus deferred inflows of resources</b> .....	12,016,503	11,532,503
<b>Net position</b>		
Net investment in capital assets .....	2,898,100	2,950,534
Restricted .....	950,848	808,577
Unrestricted .....	986,851	739,490
Total net position .....	4,835,799	4,498,601
<b>Total liabilities plus deferred inflows of resources plus net position</b> .....	\$ 16,852,302	\$ 16,031,104

# Statistical Highlights - Unaudited

	Quarter Ended		Twelve Months Ended	
	July 2025	July 2024	July 2025	July 2024
<b>ELECTRIC SYSTEM</b>				
Retail sales (thousands of MWh) . . . . .	7,577	7,604	25,860	25,227
Wholesale sales (thousands of MWh) . . . . .	4,133	3,332	14,333	8,871
Total sales (thousands of MWh) . . . . .	11,710	10,936	40,193	34,098
Customers (average number for period)	985,450	961,053	977,340	951,541
Maximum electric demand (MW) . . . . .	5,428	5,561	5,835	5,701
<b>GAS SYSTEM</b>				
Sales (MMCF) . . . . .	4,499	4,688	25,111	26,411
Customers (average number for period)	396,620	391,535	394,926	389,184
<b>GENERATION BY FUEL SOURCE AND OTHER POWER</b>				
Gas . . . . .	35 %	45 %	39 %	37 %
Coal . . . . .	14 %	15 %	14 %	18 %
Nuclear . . . . .	19 %	17 %	21 %	23 %
Purchased Power <sup>1</sup> . . . . .	32 %	23 %	26 %	22 %

<sup>1</sup>Purchased Power includes Other Generation & Renewables

## Texas Cities Combined Residential Bill Comparison Trailing Twelve Months Ending July 2025



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.