



COST MANAGEMENT: NATURAL GAS SUPPLY

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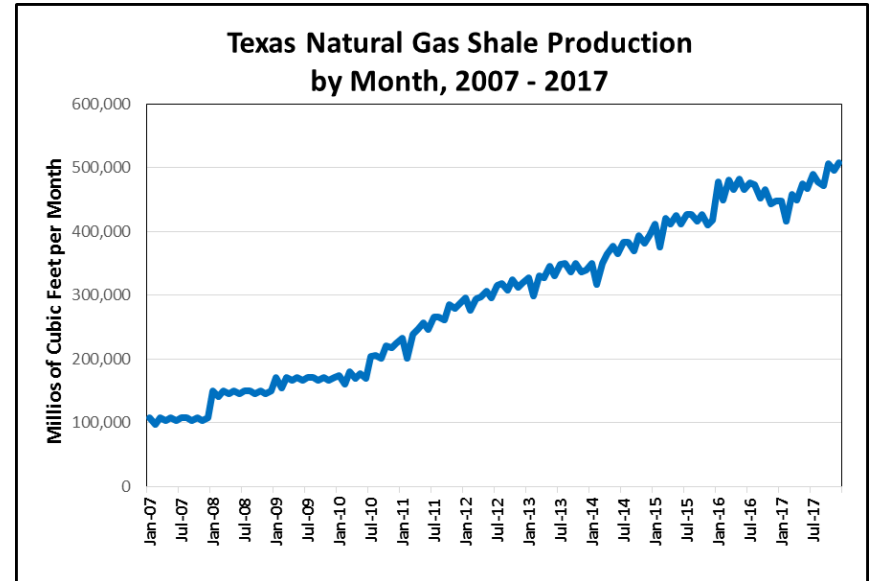
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COST MANAGEMENT

NATURAL GAS BACKGROUND



- ❑ Natural gas is abundant in Texas
 - Runs our gas-fired generation power plants
 - Serves our customers' homes and businesses
- ❑ Natural gas supply is diversified
 - Acquired from West & South Texas market locations
 - Several pipelines interconnect with the CPS Energy system
- ❑ Natural gas is a flexible fuel for backing up intermittent renewable energy production



Source: EIA

Natural gas is an important energy source for San Antonio

COST MANAGEMENT

LONG TERM NATURAL GAS PRE-PAY AGREEMENT



- ❑ Approximately 30% of gas distribution requirements are provided under a 20-year prepaid supply arrangement
- ❑ Transacted in 2007, this arrangement provides a significant discount off the monthly market price of natural gas
- ❑ Savings from this arrangement flow directly back to CPS Energy's natural gas distribution customers

Prepaid Gas Cost Savings* (\$ in millions)	
Through 2017	\$66.9
2018	5.5
2019 - 2027 (forecast)	31.6
Total	\$104.0

*cited in calendar year



Thank You