

Report from Management for the First Quarter Ended April 30, 2019

Community and technology leader joins our Board of Trustees

Janie Gonzalez was sworn in as our newest Trustee and attended her first meeting in this capacity at our February Board of Trustees meeting. Ms. Gonzalez represents the Southwest Quadrant of our service area. She is an experienced leader in the technology industry. Ms. Gonzalez is President & CEO of Webhead, a company that specializes in providing cybersecurity solutions to clients across the country.

Team members support community with Food & Fund Drive

Our generous team members were proud to kick-off the new fiscal year doing what they do best – putting **People First**. In February, we held our first-ever Food & Fund Drive to help the San Antonio Food Bank feed families in our community. The Food Bank, like many other charities and nonprofits, typically sees a decrease in support shortly after the holidays. In response, our team members generously donated more than 2,500 pounds of food and \$1,665 to help the Food Bank buy and provide meals for local families.

City of the Future conference provides insight on smart cities

In February, CPS Energy partnered with Zpryme, an energy and technology research company, to host hundreds of changemakers and influencers at a unique two-day event called City of the Future. City of the Future is a continuation of the Future of Energy Symposium series started in 2017. The event launched a national forum to inspire communities, people, and companies to create actionable smart city partnerships. Participants in the dynamic, human-focused, learning experience at the Tobin Center, Feb. 25-26, enjoyed thought-provoking speakers, a virtual reality (VR) display depicting San Antonio decades from now, and more.

New program developing tomorrow’s leaders

In March, we kicked off a nine-month leadership development program called the Emerging Leaders Cohort (ELC). We’re piloting the new initiative with 16 employees from across the company to prepare them for future leadership roles. The group is attending monthly sessions, receiving professional coaching support, and participating in various activities to expand their skill sets and gain new knowledge. The cohort is part of our robust training and development program that focuses on creating a pipeline of talent ready to successfully lead in our ever-evolving energy industry.

SA ranked 1st in Texas, 7th in nation for solar energy capacity

In April, San Antonio was recognized for ranking 1st in Texas and 7th in the nation for solar energy capacity. The announcement was made on April 9 by Environment Texas, CPS Energy, and Councilwoman Shirley Gonzales of District 5, at Palm Heights Community Center, one of the City of San Antonio’s facilities participating in our Solar Host program. The rankings are based on Environment Texas Research and Policy Center’s new report, which show our city’s solar capacity in city limits grew from 161 megawatts (MW) in 2017 to 187 MW in 2018.

Solar + Battery Storage facility hits milestone

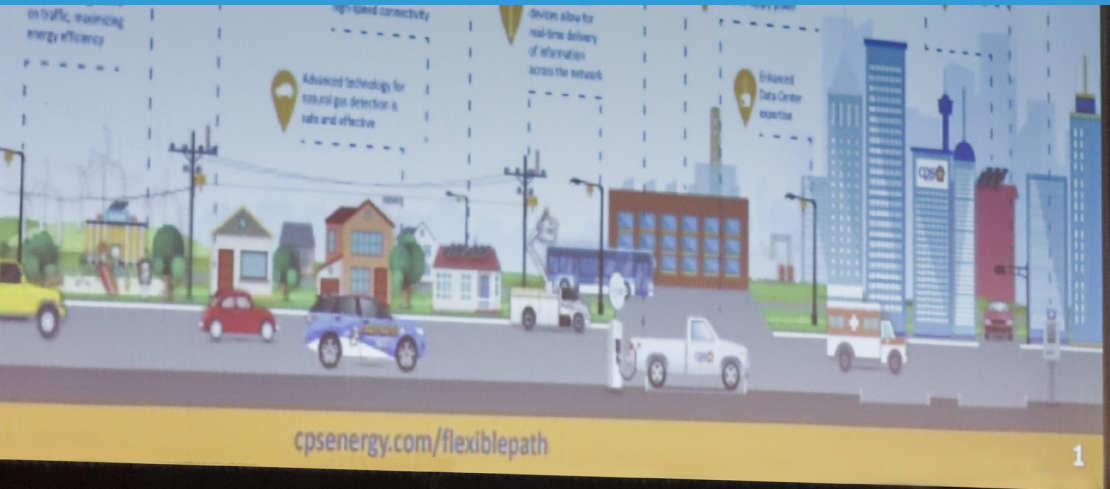
This spring, we hit a milestone at our solar + battery storage facility when the batteries were energized with power from our grid. The project site, located on property owned by Southwest Research Institute, includes a 5 MW solar farm and 10 MWs of battery storage. The innovative initiative is the first project of its kind to be owned and operated by our Power Generation team. The battery can power nearly 1,600 homes for about an hour during peak demand hours. In line with our **Flexible Path**, battery storage will play an integral role in meeting energy requirements as we move toward becoming less dependent on fossil fuels.

Paula Gold-Williams
President & CEO



Interim Report

First Quarter Ended April 30, 2019



City of the Future panelists participated in a thought-provoking discussion moderated by President & CEO Paula Gold-Williams on “Investing in our Future.” The experts and visionaries pictured are (left to right) Ben Meek of Utielligent, Jason Williams of New Orleans City Council, Clint Vince of Dentons, and Paula Gold-Williams.

Financial Review for the First Quarter Ended April 30, 2019

Total operating revenues and nonoperating income of \$554.5 million for the first quarter of fiscal year 2020 decreased by \$18.8 million, or 3.3%, compared to the same period last year.

- Electric operating revenue was \$494.9 million, which was \$24.5 million, or 4.7%, less than the same quarter last year. Contributing to the decrease were lower fuel recoveries as a result of lower wind production and STEP recoveries as well as lower wholesale sales volumes resulting from fewer market opportunities.
- Gas operating revenue of \$42.0 million was \$4.3 million, or 9.3% lower than last year primarily due to lower fuel recoveries as a result of lower natural gas prices for gas purchased in West Texas.
- Nonoperating income of \$17.6 million was higher by \$10.0 million, or 132.8%, compared to the same quarter last year primarily due to increased interest income from higher interest rates and improved investment results.

Total expenses of \$567.4 million were \$40.2 million, or 6.6%, lower than last year.

- Comprising 27.6% of total expenses, fuel, purchased power and distribution gas costs decreased \$24.8 million, or 13.6%, to \$156.9 million. Contributing to the decrease were lower wholesale volumes due to reduced capacity from the retirement of Deely Units 1 & 2, decreased wind volumes and lower natural gas prices.
- Operation and maintenance (O&M) expenses of \$176.0 million for the quarter were \$7.7 million, or 4.2%, lower than last year primarily due to planned outage preparation expenses in the prior year, partially offset by higher employee benefit expenses in the current fiscal year as a result of benefit trusts’ investment performance in 2018.
- Regulatory assessments of \$19.6 million were \$3.6 million lower than last year primarily due to decreased transmission cost of service (TCOS) expenses. Regulatory assessments include all amounts paid and received associated with postage stamp pricing for transmission service in the Electric Reliability Council of Texas (ERCOT).

- Depreciation and amortization expense of \$103.8 million was lower than last year by \$5.3 million or 4.9%, due to the decrease of plant-in-service from the Deely Units 1 & 2 retirement.
- Interest and debt-related expenses of \$50.5 million were comparable to last year, which was \$50.4 million.
- The recorded payments to the City of San Antonio (City) totaled \$56.2 million and were comparable to last year, which was \$55.3 million.

Income (loss) before other changes in net position of \$(12.9) million was \$21.4 million favorable compared to last year’s net loss of \$(34.3) million. Primarily contributing to the variance were lower O&M and depreciation expense, and higher interest and other income as noted previously. **Contributed capital** of \$15.2 million was \$2.1 million higher than the previous year's first quarter primarily due to greater reimbursed projects completed during the year. The **change in net position** was an increase of \$2.3 million compared to a decrease of \$21.1 million for the same quarter last year, reflecting a favorable change of \$23.5 million resulting from the net income drivers explained previously.

CPS Energy continues to implement strategic initiatives, including its New Energy Economy (NEE) efforts, to remain one of the most efficient, reliable, cost-effective, and environmentally conscious energy providers in the country. Customer bills remain comparable in Texas and among the lowest in the nation due to CPS Energy’s diverse generation strategy and portfolio.

Delores Lenzy-Jones
Chief Financial Officer & Treasurer

Summary of Statements of Net Position Information - Unaudited

	April 30,	
	2019	2018 ¹
<i>(In thousands)</i>		
Assets		
Current assets.	\$ 903,770	\$ 855,148
Noncurrent assets.	1,945,762	1,878,986
Capital assets, net.	8,207,947	8,210,099
Total assets.	11,057,479	10,944,233
Deferred outflows of resources.	746,638	701,309
Total assets plus deferred outflows of resources.	\$ 11,804,117	\$ 11,645,542
Liabilities		
Current liabilities.	\$ 584,960	\$ 616,370
Long-term debt, net.	5,939,449	5,867,495
Other noncurrent liabilities.	1,598,116	1,637,882
Total liabilities.	8,122,525	8,121,747
Deferred inflows of resources.	165,229	51,372
Total liabilities plus deferred inflows of resources.	8,287,754	8,173,119
Net position		
Net investment in capital assets.	2,132,773	2,148,448
Restricted.	757,811	698,373
Unrestricted.	625,779	625,602
Total net position.	3,516,363	3,472,423
Total liabilities plus deferred inflows of resources plus net position.	\$ 11,804,117	\$ 11,645,542

¹ Includes effect of prior period adjustments as required by implementation of GASB 83.

Summary of Revenues, Expenses and Changes in Net Position Information - Unaudited

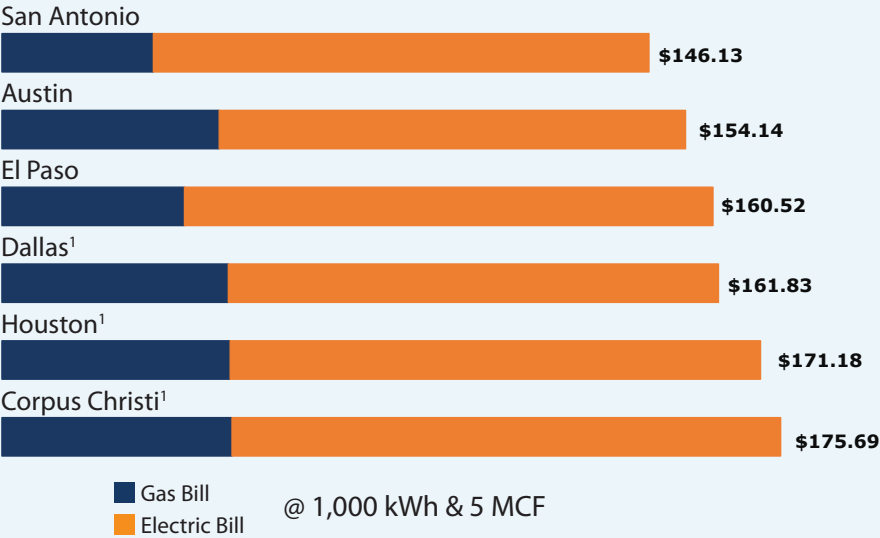
	Quarter Ended		Twelve Months Ended	
	April 2019	April 2018 ¹	April 2019	April 2018 ¹
<i>(In thousands)</i>				
Revenues				
Electric.	\$ 494,926	\$ 519,440	\$ 2,552,202	\$ 2,471,610
Gas.	42,008	46,336	163,115	182,264
Total operating revenues.	536,934	565,776	2,715,317	2,653,874
Nonoperating income, net.	17,615	7,567	65,960	33,215
Total revenues and nonoperating income.	554,549	573,343	2,781,277	2,687,089
Expenses				
Fuel, purchased power and distribution gas.	156,866	181,646	799,973	834,593
Operation and maintenance ²	175,962	183,661	688,227	675,099
Decommissioning.	4,500	4,131	16,894	18,894
Regulatory assessments.	19,632	23,233	82,601	87,441
Depreciation and amortization.	103,799	109,144	439,882	426,694
Interest and debt-related.	50,458	50,448	201,936	203,206
Payments to the City of San Antonio.	56,189	55,339	362,201	380,888
Total expenses.	567,406	607,602	2,591,714	2,626,815
Income (loss) before other changes in net position.	(12,857)	(34,259)	189,563	60,274
Other payments to the City of San Antonio.	-	-	(11,766)	(11,720)
Contributed capital.	15,193	13,118	57,011	47,959
Special item - plant impairment ³	-	-	(182,723)	-
Effect of defined benefit plan funding obligations - STP.	-	-	(8,145)	(10,610)
Change in net position.	2,336	(21,141)	43,940	85,903
Net position – beginning.	3,514,027	3,493,564	3,472,423	3,386,520
Net position – ending.	\$ 3,516,363	\$ 3,472,423	\$ 3,516,363	\$ 3,472,423

¹ Includes effect of prior period adjustments as required by implementation of GASB 83.
² Includes STP O&M costs, Other Post Employment Benefits costs, pension costs and Save for Tomorrow Energy Plan expenses.
³ Non-cash impairment due to early retirement of JT Deely Units 1 and 2.

Statistical Highlights - Unaudited

	Quarter Ended		Twelve Months Ended	
	April 2019	April 2018	April 2019	April 2018
ELECTRIC SYSTEM				
Retail sales (thousands of MWh).	4,636	4,562	22,858	22,507
Wholesale sales (thousands of MWh).	1,336	1,739	8,154	6,370
Total sales (thousands of MWh).	5,972	6,301	31,012	28,877
Customers (average number for period). ..	843,586	824,228	837,363	818,098
Maximum electric demand (MW).	3,687	3,691	5,081	4,866
GAS SYSTEM				
Sales (MMCF)	7,416	6,303	26,849	24,830
Customers (average number for period). ..	353,476	348,100	351,681	346,534
GENERATION BY FUEL SOURCE AND OTHER POWER				
Gas.	21%	21%	26%	22%
Coal.	24%	33%	33%	33%
Nuclear.	36%	28%	27%	29%
Purchased power – Renewables.	18%	17%	13%	14%
– Other.	1%	1%	1%	2%

Texas Cities Combined Residential Bill Comparison
Trailing Twelve Months Ending April 2019



(1) Electric bill based on Power To Choose data for 12-month offers with a 4 and 5 Star rating