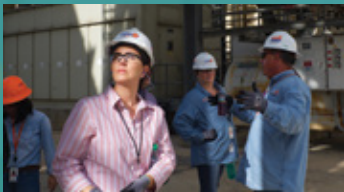




JANUARY
2 0 1 9-

20 20

ANNUAL REPORT



RELIABILITY | CUSTOMER AFFORDABILITY | SAFETY | SECURITY | ENVIRONMENTAL RESPONSIBILITY | RESILIENCY
FINANCIAL STABILITY

A letter from our President & CEO

In my role as President & CEO, I am honored to work with our more than 3,100 devoted CPS Energy employees as we respond to a wide range of challenges on any given day of the year. As a team, we choose to positively evolve challenges into opportunities that can benefit our employees, customers, and our community. Together, we align around our guiding pillars of Reliability, Customer Affordability, Safety, Security, Environmental Responsibility, and Resiliency, while remaining continually mindful of our underlying foundation of Financial Stability. Importantly, our customers have told us that these are the qualities they value most when it comes to their energy provider.

I run this business, anchored by our belief of putting **People First**, and my job is to serve EVERYONE, to listen, and to help San Antonio find its way forward through a very complex energy landscape. We believe in thinking globally and acting locally, and that mindset has positioned us as energy thought leaders among our peers. In December of 2019, **S&P Global Platts**, the leading independent provider of information and benchmarking for the global energy industry, named me its first-ever **Chief Trailblazer of the Year** during their 21st Global Energy Awards recognition program. They also nominated **CPS Energy as a finalist** for their **Award of Excellence in Power**. I humbly accepted the inaugural Chief Trailblazer award on behalf of all our team members; we are committed to blazing a trail together.

As our metropolitan population is projected to add another one million community members over the next two decades, I expect interest in how our energy is generated to increase. I find this time particularly exciting because we are continuing on our **Flexible Path** to explore ways that we can keep integrating and optimizing cleaner sources of energy. We consistently balance the tried and true with the new, as demonstrated by the addition of our solar and battery storage project that went online in 2019 at Southwest Research Institute. This unique project helps us gain valuable experience with battery technology today and for the future.

We embrace renewable sources of energy generation, which is why our team of dedicated professionals introduced the **FlexPOWER** Bundle, an approach to incrementally add renewable and other new sources of generation; thus ensuring a strong diversified portfolio of generation resources.

Lastly, in 2019, we exceeded our Save for Tomorrow Energy Plan's (STEP) objective of reducing the growth in our community's demand for electricity by more than our goal of 771 Megawatts (MW) between 2009 and 2020. STEP is our nationally recognized energy efficiency and conservation program. Through this program, our community achieved the savings goal a full year ahead of schedule and under budget, which enabled us to defer building a new large power plant during the past ten years.

I was born and raised in San Antonio, and our employees work, live, and raise families here. We share the same vision of a bright and healthy future for San Antonio. We take great pride in the role we play in your lives, and in our obligation to provide safe, reliable, affordable electric and gas services, while striving to be an even better community asset for the future.

We will all, as a community, continue to work together to further reduce our carbon footprint, and we are committed to leaving this planet a better place for future generations.

**We remain your homegrown utility:
Reliable, Safe & so much more!**

Paula Gold-Williams
President & CEO

*Keep up to date on CPS Energy by
subscribing to our Newsroom at
newsroom.cpsenergy.com.*



RELIABILITY

Throughout our city's history, our customers have relied on us to supply the energy needs of our growing community. We began providing natural gas power in 1860, long before the introduction of electricity. We lit our first lightbulb in front of the U.S. Post Office in Alamo Plaza in March of 1882. We are proud to have 160 years of exemplary operations experience, serving generations of customers with reliable electricity and natural gas.

In 2019, we were recognized for demonstrating exceptional performance in the important areas of reliability, safety, workforce development, and system improvement efforts, such as cable and pole inspection and replacement programs. **The American Public Power Association (APPA)** awarded us its **Diamond Level** designation, the highest of three **Reliable Public Power Provider (RP₃)** program designations. This achievement was the result of our dedication to operating an efficient, safe, and reliable distribution system. Currently, only 6% of the nation's more than 2,000 public power utilities hold an RP₃ Diamond Level designation.

This distinction highlights our employees' **People First** commitment to reliability for our customers and community. Reliability goes deeper than day-to-day service.

Crews working safely to restore a power outage caused by storm damage.

In our industry, reliability also means collecting and analyzing data, partnering to provide recovery assistance during major storm events, developing and using system-wide disaster management and emergency response plans, and implementing cyber and physical security strategies.

Reliability means that when you, as our customer, flip a switch, the light comes on. Reliability means when you plug in a device, it works — a battery charges, cool air circulates, and power flows into our smartphones and computers. These things happen because electricity powers them to do what they are designed to do. They give us comfort, convenience, information, and entertainment.

We compare our reliability performance against our peers, and we historically perform well in metrics that record the average duration of outages, as measured by the System Average Interruption Duration Index (SAIDI). Additionally, we perform well above average in our metric to reduce the frequency of outages, measured by the System Average Interruption Frequency Index (SAIFI).

The reliability of our nation's electric power grid is critical to supporting lifestyle necessities and to the

Randy Arevalos, Utility Worker, repairs a residential gas line.

safety and well-being of society. Texas operates its own electrical grid, with the flow of electricity managed by the Electric Reliability Council of Texas (ERCOT). We are a member of ERCOT, and we are the fourth largest energy generator in Texas. Our power generation is critical to **keeping the lights on across Texas.**

In 2019, Texans used more electricity than ever, setting a record for consumption due to the extreme summer heat. San Antonians followed suit, setting an energy consumption record for the CPS Energy system on August 26.

We help our electric system and grid remain reliable by reducing energy use when demand is high. In the extreme heat

of summer 2019, we alerted customers to reduce consumption at times when energy demand was highest — typically on the hottest days between 3 p.m. and 7 p.m. During times of peak demand, we asked our community and customers to reduce energy usage by taking easy and inexpensive steps, like increasing the temperature on thermostats a couple of degrees and avoiding or postponing the use of large appliances at home.

Our calls to reduce energy use on peak energy demand days made a significant impact on lowering energy demand across the community. For example, on September 13, 2019, when ERCOT experienced a period of serious high demand, our commercial and residential customers voluntarily reduced their energy demand by 202 MW. One MW is enough to power 200 homes on a hot summer day. That means our community saved electricity equivalent to powering about 40,400 homes.

Our community may have felt the hot weather, but all our generating, electric and gas systems operated very well.

"Our plants performed exceptionally well during the summer," said Cris Eugster, Chief Operating Officer for CPS Energy. "They were run to protect our community against price spikes from other sources, provide continual power for our customers, and we were able to sell the remaining capacity from our power plants into the wholesale market." A portion of the proceeds from our wholesale market sales was shared with the community through our city payment. The payment that we provide to the City of San Antonio helps reduce property taxes while supporting the police and fire departments.

CUSTOMER AFFORDABILITY

Census data released in 2019 states that the San Antonio metropolitan area we serve has a low-income rate of 15.4% – the highest among major metropolitan areas in the country. Reliable gas and electric services are necessities. Keeping services affordable for our community is a priority for us. **Accordingly, we are proud to have the most affordable combined residential electric and gas services among the 20 largest cities in the United States.**

We surveyed the community as part of our **Flexible Path** initiative and confirmed that affordability is our customers' number one concern. We offer programs to help reduce energy bills, including rebates, increased efficiency products, conservation tips, and tools to help customers track usage.

CASA VERDE

Energy bills can be significantly higher during the summer and winter months because extreme weather often leads to higher energy use. Our Casa Verde whole home weatherization program provides an average of \$5,000 in energy efficiency home upgrades at no cost to qualified customers. Weatherization makes homes in our community more energy-efficient and improves economics and quality of life. Program participants experience lower energy bills, and the weatherized homes are more comfortable during extreme summer and winter temperatures. Last year, we weatherized more than 2,300 homes through the Casa Verde program. As a matter of fact,

the Casa Verde program has been in place for almost 10 years, and we have weatherized almost 30,000 homes.

RESIDENTIAL ENERGY ASSISTANCE PARTNERSHIP

Since 2002, we have partnered with the City of San Antonio and Bexar County to help our community's most vulnerable citizens pay their energy

bills through the Residential Energy Assistance Partnership (REAP). Qualified recipients can receive bill credits two times a year, up to a maximum of \$400. Last year, 10,455 households benefited from over \$3 million in aid. We handle program marketing, fundraising, and administrative tasks, while also contributing to the program. We raised an additional \$367,000 for REAP in 2019



Nancy Tabares, Community Relations Advocate, visits with our customer, Yolanda Rodriguez.



Jonathan Tijerina, Senior Director Corporate Communications, Marketing & Smart City Outreach, participates in a REAP fundraising event.

through extra contributions on energy bills, employee United Way pledges, and our November GrillsGiving fundraising event. Wonderful neighbors like **Yolanda Rodriguez**, a senior citizen and widow who is raising five grandchildren, are deserving recipients of the assistance. **"I don't have the words," said Yolanda. "I feel appreciation and gratitude. Thank you, CPS Energy! I love you all."**

COMMUNITY OUTREACH

Our Community Engagement teams and Customer Response Unit spend many hours in the community, getting to know our customers and helping them find and apply for assistance programs for which they qualify. We host **People First** Community Fairs to raise awareness about our programs. Our team members provide customers with tips and information to help them optimize their energy consumption and lower energy bills year-round. Since March of 2018, we have hosted 5,300 customers for 73 **People First** Community Fairs, covering each City Council District and our suburban cities.

ENERGY EFFICIENCY CHAMPIONS ENJOY SAVINGS

Our Energy2Business (E2B) program was created based on feedback from our small and medium business owners. E2B's goal is to give businesses a competitive edge by helping them cut expenses with energy efficiency upgrades. Talented team members like **Christine Patmon, Energy2Business Liaison**, advise business owners about projects that work for their organization and match them with incentives and rebates designed to save energy and money. Spending less on energy allows owners to re-invest savings in their business.



Christine Patmon, Energy2Business Liaison, recognizes Jose Ramon Campos, owner at CommonWealth Coffeehouse & Bakery, as our first-ever Energy Efficiency Champion.

The coffeeshop culture in San Antonio is incredibly competitive. Many shop owners focus on serving their best coffee and pastries without paying attention to energy efficiency. **José Ramon Campos** prefers to do both at his locations throughout the city.

His establishments feature energy-efficient LED lighting, tight seals on all refrigerators, a top-notch gas kitchen, and weather stripping on all doors and windows. The business owner also took advantage of our WiFi Thermostat Rewards program, which provided a one-time rebate for each thermostat enrolled in the program. **"This is just something that makes sense...I think it's something we've been doing since the get-go," said Campos. "You see where San Antonio is going with downtown revitalization, that long-term plan. It's exciting and we want to be a part of that."**

In June, Christine gave an on-the-spot recognition to Jose, naming the coffeehouse as our first-ever **Energy Efficiency Champion**. We recognized the business for its forward-thinking approach to saving money through energy efficiency. **Energy Efficiency Champions** recognized throughout 2019:

- Alamo Dog & Cat Hospital
- The Barton Co. Carpets
- CBW BarberShop
- Commonwealth Coffeehouse & Bakery
- Copenhagen Imports
- Designs and Details Interiors
- De Zavala Dental
- Mark Sadovsky Jeweler
- Prestonwood Landscape Services
- Rick Wright Salon
- SA Scuba Shack

SAFETY

Safety is always our highest priority. From everyday operations to repairs and service restoration, we have thorough and specific procedures in place to protect our community and our employees. Keeping everyone safe is our most important responsibility and obligation. The collective efforts of our 3,100+ employees serve millions of customers in our San Antonio metropolitan community and other parts of Texas every day.

STOP THE JOB

Safety is central to everything we do. Every employee is encouraged to be a

safety advocate – whether in the field or behind a desk. Each team member contributes to a safe work environment for all. We keep an eye out for each other and any safety hazards we may encounter. If a threat is spotted or something changes on the job that makes it unsafe to proceed, every employee is empowered to “Stop the Job” to fix the issue so that work can continue safely.

Santiago “Jimmy” Barrientes, Energy Delivery Services Pole Boom Operator, received our **2019 CEO Courage Award** at our annual **Safety Reset** in January. He demonstrated bravery in the field to “Stop the Job” and ensure his crew members were safe before proceeding with their work.

Paula Gold-Williams, President & CEO, along with Fred Bonewell, Chief Security, Safety & Gas Solutions Officer, present the 2019 CEO Courage Award to Santiago “Jimmy” Barrientes, Energy Delivery Services Pole Boom Operator, pictured center and top left.



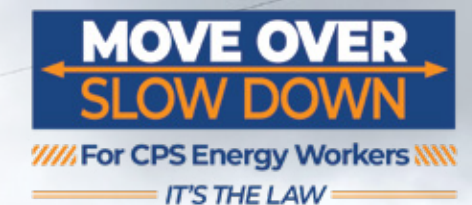
While working on a pole installation crew along I-35 South, Jimmy witnessed one of his crew members trip and fall onto a barbed-wire fence. Jimmy took immediate action and called for an “All Stop” of the job to ensure his coworker wasn’t injured. After determining the employee was unharmed, Jimmy worried that his crew member’s gloves might have been damaged. He instructed his crew member to use a spare pair of insulated gloves, which protect employees from the risk of electrocution due to handling electrical equipment. After the job was completed, it was confirmed the crew member’s gloves had indeed been punctured by the barbed wire – using the spare pair was a potentially life-saving safety decision. Jimmy’s awareness and leadership kept his crew member safe. It is an excellent example of watching each other’s backs and taking the initiative to stop work to ensure the safety of everyone on the job.

MOVE OVER, SLOW DOWN

Another example of our safety advocacy is the “**Move Over, Slow Down**” legislation passed by the Texas Legislature with proactive support from CPS Energy.



The legislation, which became effective on September 1, 2019, requires drivers to move over or slow down for utility workers. It expands upon an existing 2003 law requiring drivers to move over or slow down for emergency vehicles such as police cars, fire trucks, ambulances, and tow trucks. This means that our workers in the field are seen as “first responders.” Our advocacy created awareness for the need to expand the law, resulting in a safer environment for our workers and community.



Our crews working along roadways are protected by the Move Over, Slow Down law.

SAFETY



Gas Solutions team members work on underground infrastructure.

NATURAL GAS SAFETY

Our Gas Solutions team of 230 employees provides safe and reliable natural gas service to our 358,495 customers (customer count as of January 31, 2020.) Promoting the safe use of natural gas to our community is part of the day-to-day operations of this team and aligns with our **People First** philosophy and our dedication to Safety.

Gas safety begins with education. Members of our Public Safety & Education team are skilled at teaching best practices for natural gas safety to students, contractors, and homeowners. Their message extends beyond safety in the home or office, to include safety when working outside. Encouraging customers to call 811 to have underground infrastructure located before they begin any project that involves digging, is a key message. Helping members of our community detect natural gas by sight, sound, and smell is also a vital lesson.

In 2019, our Gas Solutions team responded to 10,266 reports of natural gas odor. Each one was considered a high priority call, as gas odor needs to be investigated. Response time to these calls averaged 19.5 minutes, which is among the best in the industry. Our crews are assisted by Gaston, our Smart Sniffer, a vehicle equipped with cutting-edge technology to pinpoint areas with potential risk of escaping natural gas.

Safely using gas appliances is also of critical importance. Appliance pilot lights can be extinguished when appliances are serviced, or when gas lines require service or repair. It is

important for the pilot lights to be relit carefully and promptly to ensure safe operation. Such was the case in August of 2019, when gas pipelines were damaged by a third party in a neighborhood in far north Bexar County. After a long day spent repairing and clearing the natural gas lines in the neighborhood, the Gas Solutions team worked tirelessly into the evening going door to door to perform safety checks and relight pilot lights for nearly 500 affected customers.

SAFETY FROM THE TOP-DOWN

Our leadership team takes a proactive role in promoting a work environment where "Safety is Everyone's Job." Safety training is required for every team member, and all employees are instructed to follow job-based safety protocols.

Each operational area of the company has a dedicated safety professional who is on-call 24 hours a day. These professionals provide monthly safety presentations tailored to the group's specific responsibilities. Meetings are held to review all safety-related events and share best practices and lessons learned. With this initiative, the company proactively identifies risk factors and puts control measures in place to mitigate future risks.

Internal safety communications increase awareness of safety topics. On our job sites, foremen lead safety work site meetings before starting work projects to discuss potential hazards and review the crew's plan to work cautiously and carefully. In our conference rooms, business meetings begin with a safety discussion to set the stage for a

successful response to any emergency or adverse situation that might arise during the meeting.

In January, **Safety+Health**, the official magazine of the National Safety Council, announced President & CEO Paula Gold-Williams was among the **2020 CEOs Who "Get It,"** an annual recognition presented to safety leaders who go the extra mile to protect employees both on and off the job, as nominated by readers. The nine CEOs selected from national and international organizations were recognized for building their organization's safety strategy using four key components: risk reduction, performance measurement, safety management solutions, and leadership and employee engagement. In the February 2020 issue of Safety+Health, Paula shared how safety is one of our core values.

"We are a community-owned organization that remains focused on keeping People First!" said Paula Gold-Williams, CPS Energy's President & CEO. "Safety is, therefore, a top priority and core value at CPS Energy. We, in turn, strive for a consistent Zero Harm environment, whereby the health, safety, and overall well-being of all our employees is fundamental to the success of our business."

The recognition demonstrates that our leaders and employees keep safety at the forefront of everything we do to make sure every employee goes home safe at the end of each day. Our safety culture remains focused on the ultimate goal of Zero Harm through Safety.

Marvin Ripps, Journeyman Gas Troubleman, identifies the location of natural gas lines.



**ZERO
HARM
THROUGH SAFETY**

SECURITY

We monitor our infrastructure, maintain stringent security protocols, and have contingency processes in place that allow us to respond to adverse situations quickly. Crisis Management and Business Continuity plans are proactively developed and updated to ensure preparedness for numerous potential catastrophic scenarios.

In November, we participated in a nationwide exercise known as GridEx V. This biennial North American Electric Reliability Corporation (NERC) grid security drill is an opportunity for utilities across the country to demonstrate their response to, and recovery from, simulated cyber and physical security threats.

During the simulation, employees from our various business units responded to simulated, coordinated, cyber and physical security attacks. In real-world situations, these simulated incidents could be devastating. The two-day event allowed us to practice the effective execution of our Crisis Management and Business Continuity plans, while strengthening crisis communication relationships and capturing the team's recommendations for improving our contingency preparedness based on lessons learned while engaging in the drill.



Maria Garcia, Vice President of Community & Key Accounts Engagement; Melissa Sorola, Director of Corporate Communications; and DeAnna Hardwick, Vice President of Customer Success, respond to simulated cyber and physical security attacks during GridEx V.



Chris Knox, Manager Security Awareness Program, shares his expertise with industry peers.

We take the security of our power grid and the protection of our databases very seriously. Our Integrated Security team spearheads the mission of safeguarding our network to protect our operations and customer data. Integrated security requires the coordinated efforts of entire groups. As with safety, each of our employees is responsible for following security protocols and is trained to identify and avoid risks associated with cyberattacks and threats to physical security.

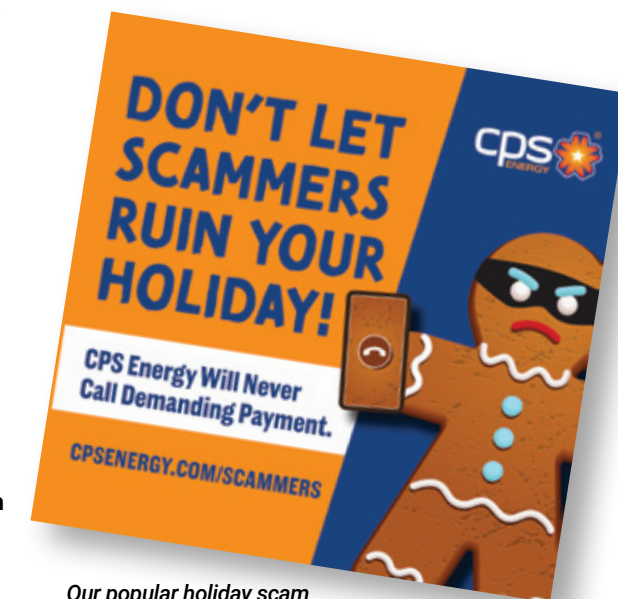
We make it a priority to educate the public about the potential for scammers to impersonate CPS Energy personnel to gain a customer's trust. Unfortunately, it is not uncommon for scammers to call, text, or email utility customers asking for immediate payment to avoid service disconnection. As part of an ongoing messaging campaign, we reminded

our customers during the fiscal year of several important facts that should help them detect an imposter.

We never ask customers to make payments with a pre-paid debit card, gift card, or any form of cryptocurrency. Any CPS Energy employee or contractor visiting a home or office will have an identification badge with an employee number on it. Customers can verify the identity of CPS Energy employees by calling our Security Hotline at 210-353-4000 and providing the employee number. In December, we mailed scam prevention guidelines to every customer in English and Spanish.

"Protecting our customers from scammers is important to us. Unfortunately, some of them have been victimized by individuals posing as CPS Energy employees,"

said DeAnna Hardwick, Vice President of Customer Success for CPS Energy. "We want our customers to know that if they receive threatening calls demanding money, they should hang up immediately and call us directly to verify the status of their account and report the call."



Our popular holiday scam awareness campaign featured CROOKIE.

ENVIRONMENTAL RESPONSIBILITY

We are serious about our commitment to preserving natural resources, now and for future generations. That's why we are carefully and meaningfully investing in renewable energy sources and embracing reliable new technology.

STEP GOAL ACHIEVEMENT

An important part of our environmental strategy began in 2009 with our Save for Tomorrow Energy Plan (STEP). STEP challenged us to reduce our community's energy demand by 771 MW by 2020. We exceeded our STEP goal a year ahead of schedule and 15% under budget, enabling us to defer the expense of building a new large power plant during the last ten years, while helping us meet the energy needs of our growing community.

In a report issued in July of 2019, an independent assessment stated, **"CPS Energy shows agility in responding to new technologies and innovative program ideas."** The report revealed that our STEP energy efficiency and conservation efforts didn't just save energy; they had a substantial positive impact on the environment and the local economy.

Achievement of the STEP goal was made possible through award-winning energy efficiency and conservation programs for both residential and commercial customers. We received the **Alliance to Save Energy's 2019 Chairman's Award** in recognition of our STEP goal attainment. We are proud

of our accomplishment of significantly reducing energy demand through innovative programs, while at the same time, improving the customer experience.

In January of 2020, we recommended, and our Board of Trustees and the San Antonio City Council separately approved, a "STEP Bridge," effectively extending the STEP program into 2021. The STEP Bridge provides for continuity of customer programs as we transition into our next energy efficiency and conservation plan, **FlexSTEP**. We are actively pursuing community feedback to inform the design of **FlexSTEP**, and we will continue to meet with partners and others to gather input on program design.

CLIMATE ACTION & ADAPTATION PLAN

Taking care of the environment is an essential part of serving the community we love. **In 2019, after months of listening to input through meetings and events with the community and stakeholders, our Board of Trustees voted to endorse the Climate Action & Adaption Plan (CAAP), which calls for a net zero emission goal by 2050, through careful implementation of our Flexible Path strategy.**

FLEXIBLE PATH

Our **Flexible Path**, a concept first introduced to our Board of Trustees in 2018, is all about balancing the tried and true with new technologies while providing our customers with reliable, safe, and affordable power.

In February of 2019, we engaged in a conversation with the community by hosting a Public Input Session, where members of the community addressed our Board of Trustees, providing their comments, insights, and suggestions about the future energy needs of our growing metropolitan area.

Throughout the year, we collected additional public input regarding the community's priorities for the next generation of energy solutions. At community meetings, our **People First** Community Fairs, and through an online survey, we gathered information about the types of programs they would like to see from us in the future. Community feedback was instrumental in developing our next step of our **Flexible Path** strategy.



Eric Bosanko, Operator Control Room, reviews Solar + Battery Energy Storage system's data.

Lonny Ahr, Business & Economic Development Manager, collaborates with a contractor on the Solar + Battery Energy Storage project.

THE FUTURE IS BRIGHT: BATTERY STORAGE TECHNOLOGY

We already see positive results from our **Flexible Path** strategy to integrate new and cleaner energy solutions with proven power generation assets in our energy portfolio. We currently have 1,643 MW of renewable-generated electricity in commercial operation. That's enough to power about 328,600 homes.

Another way we are moving forward on our path is to continue to explore how batteries will help us meet the changing energy needs of our community. Battery storage will play an integral role in meeting future energy requirements as

we move toward less reliance on fossil fuels. In the spring of 2019, we hit a milestone at our Solar + Battery Energy Storage facility located at the Southwest Research Institute, when we successfully energized batteries with power from our grid. The project site includes a 5 MW solar farm and 10 MW of battery storage. The battery component provides new storage flexibility because it can transition from being a 5 MW system with a 2-hour battery duration to a 10 MW, 1-hour duration system. It can power nearly 2,000 homes for about an hour during times of peak demand. The innovative initiative is our first project of its kind.

ENVIRONMENTAL RESPONSIBILITY



BIG SUN COMMUNITY SOLAR

In May of 2019, we announced our partnership with Go Smart Solar, a local San Antonio firm, to operate and maintain 5 MW of community-owned solar power. Through this project, known as Big Sun

Community Solar, covered parking spaces constructed throughout our city are outfitted with solar panels. Big Sun allows customers who rent, or don't have optimal rooftop conditions for solar, to participate in solar generation by purchasing and owning solar panels which are installed on the covered parking spaces and operated by Go Smart Solar.

Customers like **Aaron Olivarez** can select the number of panels they would like to purchase. The electricity production from

these panels reduces the customer's monthly energy bill. Go Smart Solar consults with prospective customers to determine the number of panels that best suit their needs, personal finances, and energy consumption.

"Big Sun has made it so easy to invest in solar energy," said Aaron. **"I've been impressed from the very beginning with their transparent purchasing experience... Big Sun Community Solar is a win-win in all aspects."**

Customers who do not wish to install solar panels on their own property are able to purchase panels installed on covered parking spaces in a "community" solar installation.



MAKING WAY FOR ELECTRIC VEHICLES

The conversation on using batteries to reduce reliance on fossil fuels cannot be complete without considering the importance of electric vehicles (EV). We started our EV journey in 2011 when we educated and encouraged early adopters to install charging technology in their homes. In 2012, we installed a network of public charging stations at more than 30 locations throughout the community. As of the end of 2019 there were 296 public charging stations within our service area. We operate 129 of them and we provide power to them all.

We offer useful tools on our website to help drivers understand EV benefits; including potential fuel savings and carbon emissions reductions. According to the Electric Power Research Institute's (EPRI) analysis of state vehicle registration data, there were 3,492 EVs in San Antonio as of December 31, 2019, with 1,121 EVs purchased during the year.

"While we own and maintain our network of EV charging stations, we have an enhanced focus on enabling others to

build stations," said Paula Gold-Williams, CPS Energy's President & CEO. **"We have the exciting opportunity to leverage new technologies and partnerships to get more EVs on the road."**

HYBRID TRUCKS

Along with helping our community add more EVs to the road, our vehicle fleet has become a driving force in low-emission transportation. Last summer, we introduced 15 new XLP Plug-in hybrid Ford F-150 trucks and 10 XL hybrid F-250 trucks to our fleet, adding to our 34 hybrid F-150s that we introduced in 2018.

"A lot of people think of hybrids as small vehicles, but we have these great trucks that can still do the job and help us with the environment at the same time," said Tania Hernandez, Manager Fleet Asset Management for CPS Energy. **"With the technology progressing, we stay in tune with the latest EV and hybrid research, so we don't miss anything."**

In 2019, **The 100 Best Fleets in the Americas™** ranked CPS Energy number **28 in the Green Fleet** category, and number **45 Best Fleet Overall**.

TRACK RECORD OF ENVIRONMENTAL EXCELLENCE

As evidenced by our STEP program's success, we have been on a mission to protect the environment for decades.

Our city is number 1 in solar energy capacity in Texas and currently **number 7 nationally in total solar photovoltaic (PV) capacity**, according to **Environment Texas' Shining Cities 2019: The Top U.S. Cities for Solar Energy** report. In 2019, CPS Energy was designated an **Environmental Champion** utility for the 4th year by **Escalent**, a leading energy industry research firm.

"Year after year, CPS Energy demonstrates that they are an Environmental Champion for our community, and I applaud the leadership of President and CEO Paula Gold-Williams and her team," said Ron Nirenberg, Mayor of the City of San Antonio. **"As a CPS Energy board member, I am confident that our city will continue to be a leader in the new energy economy, a major producer of renewable sources, and will always put People First—all while maintaining a secure, resilient and affordable energy supply."**



Cesar Sanchez, Trainee Distribution, and Carlos Garcia, Foreman Leak Crew, Construction & Welding Services, are pictured with one of our hybrid Ford F150 trucks.

RESILIENCY

Resiliency is defined as the ability to recover quickly. Resiliency is so important in our industry that it has its own metric, Customer Average Interruption Duration Index (CAIDI), which is an indicator of how quickly we restore service after power goes out. It should be no surprise that we work hard on this metric because customers are affected, and because we strive to be the best in the industry. With smart operations and processes in place, we keep our 15,666 miles of electrical lines (equivalent to traveling from San Antonio to New York more than 8 times), 5,794 miles of natural gas pipelines (equivalent to traveling from San Antonio to Atlanta more than 5 times), and the rest of our systems

operating. It's part of our commitment to providing excellent service every day.

South Texas' extreme weather tested our resiliency during June 2019 as we experienced storms every weekend. The most memorable ones hit the first weekend, the afternoon of Thursday, June 6, and again Sunday night, June 9. The first storm produced 3,450 lightning strikes in our service area in 4 hours. We experienced wind gusts up to 44 mph and hail. The Sunday storm was more concentrated in a smaller area, with 400 lightning strikes in less than 3 hours. As a result of the June 6 storm, our wire down responders and crews worked 819 wire down orders, which was the

highest storm total since the early 1990s. We dealt with 677 tree-trimming orders, and more than 350 trees required removal from properties by the City of San Antonio. We received 91,580 incoming calls from customers during the storm recovery period. We had 304,485 customers affected by the storm and over 500 employees worked to restore power. Approximately 100 Customer Service team members answered customers' calls. More than 350 Operations employees worked more than 700 shifts.

Our Community Response Unit teams made on-site visits to many of our critical care customers, delivered food to senior citizens' housing facilities, and deployed



Many of our crews were involved in storm recovery efforts during June 2019's record-breaking storms.



Resiliency means we work year-round to keep power flowing to our community.

our Mobile Support Center into the communities hardest hit. Our teams that work with Managed Accounts provided frequent updates to their customers, as did our team that supports Joint Base San Antonio.

We kept the communication lines open with pre-storm weather warnings, consistent communication through media throughout the storm and recovery period, and frequent updates on our website. We used social media to share safety messages, instructions for reporting outages, restoration updates, as well as to answer customers' questions.

Our teams remained focused on resiliency and recovery from the storm by safely restoring power and keeping our customers informed despite challenges presented by the extensive damage to trees and wires.

NEW OUTAGE MAP

The outage map on our website is a valuable resource for our customers during power outages. We launched a new outage map in the fall of 2019. The improved outage map provides detailed outage information that is updated every 5 minutes, including the number of customers affected, estimated time of restoration, the outage cause (when available), outage start time, and the status of our crews working to resolve the outage. The outage map includes a weather feature that gives users the ability to apply a weather radar overlay to monitor outages as weather is impacting our community. Users are also able to switch between English and Spanish language settings.

MAINTAINING POWER LINES

We work year-round to maintain our power lines and stop vegetation from

damaging the lines and causing power outages. Our tree trimming follows the seasons, and we have strict protocols developed by our arborist to prevent unnecessary damage to trees and shrubs. We also contend with a variety of animals – squirrels, birds, ants, snakes, and even humans put our resiliency to the test.

Resiliency, combined with our continual focus on safety and reliability, supports our efforts to maintain, repair, and expertly operate all of our power generation, transmission, distribution, and supporting technical systems. We are disciplined planners and highly engaged industry leaders.

People First!

Our **People First** philosophy reinforces our focus on our customers, employees, and community. This philosophy is as simple as it sounds – by keeping people in mind when choosing a path forward in every situation, we do the right things for the right reasons – and we firmly believe it is key to our success.

CUSTOMERS

We continually make improvements in our operational performance, business processes, and customer experience. Steady and incremental increases in our customer satisfaction scores reflect the effectiveness of these improvements across the board. Our Residential Overall Satisfaction score improved from 79% in 2016 to 82.9% in 2019, an average of 1.6% improvement over the last three years. We have been recognized by **Escalet**, a research and benchmarking firm, as the **Most Trusted Utility Brand** among combined gas and electric companies in the U.S. Southern region for four consecutive years.

In 2019, we answered more than 3.3 million calls through our call center and completed over 739,000 customer transactions at our four walk-in centers, which are located in every quadrant of our service area. We maintain service levels in the top 10% of our industry because 89% of calls are answered by an Energy Advisor within 30 seconds.

Members of the Inaugural Emerging Leaders Cohort program and mentors: Tania Hernandez, Manager Fleet Asset Management; Brian Weatherly, Senior Manager Safety & Health; Dena De La Fuente, Program/Project Manager, Fleet Asset Management; Bert Hargesheimer, Senior Director Fleet Operations Safety; Robert Doege, Analyst Employee Development, Safe Driving Team; Joe Jimenez, Senior Manager Fleet Operations; Harold Lambert, Journeyman Mechanic, Fleet Operations; and Mike Gutierrez, Supervisor Fleet Maintenance, Fleet Operations.

The **Smart Energy Consumer Collaborative (SECC)** honored us with its **Culture Transformation Award** for our **People First** philosophy. SECC recognized the success of our Community Engagement team's Customer Response Unit. This group is visible in our community, visiting neighborhoods and hosting events, helping educate customers about our products and services – all while providing personalized outreach and customer assistance. During the year, our Customer Response Unit's team members visited more than 500 customers in person, managed more than 1,000 assistance requests, and helped our low income, disabled, and seniors in more than 2,000 cases.

EMPLOYEES

One example of our **People First** focus on employees is our Emerging Leaders Cohort (ELC) program. The ELC is a professional development opportunity that immerses future leaders in learning about different departments and initiatives across the company. Sixteen team members graduated from the nine-month program in 2019, our inaugural year. Participants learned more about themselves, benefitted from the mentoring aspect of the program, and gained insight and perspective from touring other parts of the company and seeing firsthand the responsibilities of others in our organization.

Our employees give to the community in a variety of ways as they share their time, experiences, and resources for the benefit of others. In 2019 our employees logged more than 22,700 volunteer hours.

COMMUNITY

Communities In Schools of San Antonio (CIS-SA) works with us to match employee volunteers with at-risk students to create a community of support, empowering kids to stay in school and achieve their life goals. Our InspireU volunteers participate in this career-based, on-site mentoring program aimed at reducing the high school drop-out rate. We have been helping young people for more than a decade by building

OVER \$1M
UNITED WAY CAMPAIGN
INCLUDING
\$107,250
FOR BRIGHTON CENTER

1,281
EMPLOYEES
22,700
EMPLOYEE VOLUNTEER
HOURS

44 BLOOD
DRIVES
891 UNITS OF

2 FOOD
DRIVES
COLLECTING MORE THAN
3,039 POUNDS OF
FOOD
& **\$3,421**
DONATIONS

3,000
GIFTS COLLECTED FOR
ANGEL TREE KIDS
AND SENIORS

OVER 4,000
POUNDS OF
SCHOOL
SUPPLIES



Jesse Hernandez, Director of Community Strategy & Engagement, delivers food during our annual CRUGiving outreach.

relationships with students attending schools such as CAST Tech, Kennedy, Sam Houston, and South San Antonio high schools.

“Every year, our mentors step up in a big way to encourage students to become successful adults,” said Cristina Duarte, CPS Energy’s Manager of Education & Mentoring Programs. “We are proud to be a part of CIS-SA’s community of support. InspireU mentors are a wonderful example of how we put People First in our community.”

We encourage all of our employees to pitch in to support the students during our annual “Stuff the Bus” campaign for school supply donations. This past year, our team members, interns, and retirees collected and sorted about 4,000 pounds of school supplies, which were made available to students year-round at CIS-SA’s campuses.

We partner with the Salvation Army, working volunteer hours at Area Command, Food Pantry, William Booth Gardens, and with Angel Tree. The Angel Tree program provides clothing and toys for children and gifts for seniors during the



Luke Foster, Warehouseman, and Richard Gonzales, Material Delivery Worker, are enjoying a break from cooking at GrillsGiving.

family fun, and fierce competition for the coveted People’s Choice Award. Our 2019 celebration of meat and music at Mission County Park in November raised \$73,000 – double the previous year – for REAP.

We are significant supporters of United Way through employee contributions and our annual CPS Energy/IBEW Local 500 Charity Golf Tournament. This year’s golf tournament benefited Brighton Center’s family and community education and development services for children with disabilities. In total we raised over \$1.2 million through our fundraising efforts.

Our 3,100+ employees work, live, and raise families in San Antonio and surrounding cities. We have a heart for service and putting **People First!**

Volunteers sort and package employee donations during our annual Stuff the Bus school supply drive.



AWARDS

Looking back, we are proud of the great work we've done together. We think you might be proud, too. This is only a snapshot of the collaboration. While this is a reflection on a year of engagement, it sets the foundation for the value our company brings to our city and our community now and for our future.

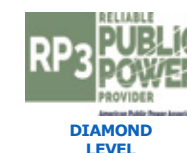
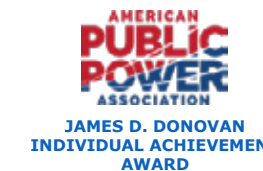
We look forward to continuing down this **Flexible Path** together.

2019 AWARDS

- CPS ENERGY**
- 100 Best Fleets in the Americas (#45) | The 100 Best Fleets
 - Green Fleet Award (#28) | The 100 Best Fleets
 - 2019 Customer Champion | Escalent
 - 2019 America's Safest Companies | EHS Today
 - 2019 Chairman's Award | Alliance to Save Energy (ASE)
 - Smart Energy Provider | American Public Power Association (APPA)
 - Fortnightly Smartest Community | Public Utilities Fortnightly
 - Award of Excellence – Power, Finalist | S&P Global Platts
 - Community Service Award, Runner Up | Southern Gas Association
 - Most Trusted Brand for 2019 | Escalent
 - Top Midsize Employers (#251) | Forbes
 - Reliable Public Power Provider (RP₃) Designation, Diamond Level | American Public Power Association (APPA)
 - 2019 Environmental Champion Utility | Escalent
 - Community Partner Award | United Services Organization (USO)
 - Texas Employer Traffic Safety Award | National Safety Council

- SENIOR CHIEFS**
- 2019 C-Suite Award | Awarded to Felecia Etheridge | San Antonio Business Journal
 - 2019 Premier Executive of the Year Award | Awarded to Frank Almaraz | San Antonio Hispanic Chamber of Commerce
 - 2019 Women's Leadership Award Honoree | Awarded to Carolyn Shellman | San Antonio Business Journal

- PRESIDENT & CEO
PAULA GOLD-WILLIAMS**
- Chief Trailblazer of the Year | S&P Global Platts
 - James D. Donovan Individual Achievement Award | American Public Power Association (APPA)
 - Advocacy Award | Texas Cyber Summit
 - San Antonio Community Leadership Award | La Prensa Texas
 - San Antonian who has Advanced Dr. King's Dream
 - Excellence in Education Honoree | United Negro College Fund (UNCF)
 - 2019 Champion | Women's Council on Energy and the Environment



REPORT OF MANAGEMENT

The Fiscal Year 2020 (Feb. 1, 2019 through Jan. 31, 2020) financial audit was successful. Based on procedures they conducted, our external auditors, Baker Tilly Virchow Krause, LLP, issued an unmodified opinion, indicating that our financial statements were found to be free of reporting deficiencies.

The audited basic financial statements were prepared by our Management Team in conformity with accounting principles generally accepted in the United States of America, and the statements are presented fairly in all material respects. We have also prepared other financial information presented in the annual report and have ensured that it is consistent with information in the audited financial statements.

Our Management Team maintains accounting, financial reporting, and administrative internal controls designed to provide reasonable assurance that the financial information is relevant, reliable, and accurate and that assets are appropriately accounted for and adequately safeguarded. These controls are supported by formal policies and procedures readily communicated throughout our Company. Additionally, CPS Energy has an internal audit function that assists in evaluating the adequacy and effectiveness of our control environment.

CPS Energy's independent Board of Trustees is responsible for reviewing and accepting both the audited

financial statements and Management's Discussion and Analysis (MD&A). The Board of Trustees, primarily through two of their members who comprise the Audit & Finance Committee, ensures our Management Team fulfills our responsibilities for financial reporting. The Board of Trustees also approves the engagement or reappointment of the external auditors.

The Audit & Finance Committee meets regularly with our Management Team, and with the internal and external auditors, to discuss internal control and financial reporting issues and to ensure each party is properly discharging its responsibilities. The Audit & Finance Committee reviews the audited financial statements and the external auditors' report and considers the statements for review and acceptance by all members of the Board.

CPS Energy's external auditors have audited the financial statements in accordance with auditing standards generally accepted in the United States of America. They performed procedures to obtain audit evidence deemed sufficient and appropriate to provide a basis for their opinion on the fairness of the audited financial statements. In support of the external auditors' procedures, our Management Team provided them full and free access to our accounting records.



Paula Gold-Williams
President & CEO



Delores Lenzy-Jones
Chief Financial Officer & Treasurer

THREE-YEAR HIGHLIGHTS - UNAUDITED

(Dollars in thousands)

	Fiscal Year Ended January 31,		
	2020	2019	2018 Restated
FINANCIAL SUMMARY			
Revenue			
Electric	\$ 2,426,396	\$ 2,576,715	\$ 2,439,858
Gas	142,782	167,444	180,411
Nonoperating	72,059	55,914	33,938
Total revenue	\$ 2,641,237	\$ 2,800,073	\$ 2,654,207
Operation and maintenance expenses ¹	\$ 1,513,346	\$ 1,623,409	\$ 1,602,506
Total payments to City of San Antonio	354,967	373,117	350,175
OTHER FINANCIAL DATA			
Decommissioning Trusts	\$ 646,879	\$ 567,688	\$ 589,470
Repair and Replacement Account	532,070	703,423	617,848
Total assets	11,220,482	10,961,876	10,948,173
Net position	3,704,505	3,514,027	3,493,564
DEBT			
Outstanding			
Bonds	\$ 5,446,975	\$ 5,479,405	\$ 5,484,975
Commercial paper	95,000	205,000	160,000
Flexible rate revolving note	-	-	25,200
Weighted-average interest rate			
Senior lien fixed-rate bonds	4.031%	4.042%	4.065%
Senior and junior lien fixed-rate bonds	4.107%	4.146%	4.165%
Variable-rate instruments ²	1.708%	1.811%	1.490%
Debt service ³			
Senior lien bonds	\$ 223,292	\$ 259,726	\$ 270,080
Junior lien bonds	148,806	148,179	120,996
Other interest and debt-related costs ⁴	20,635	11,114	6,074
Debt service coverage ⁵			
Senior lien bonds	4.95x	4.62x	3.84x
Senior and junior lien bonds	2.97x	2.94x	2.65x
RATINGS - Bonds and Commercial Paper			
Fitch	- Senior lien bonds	AA+	AA+
	- Junior lien bonds	AA+	AA+
	- Commercial paper	F1+	F1+
Moody's	- Senior lien bonds	Aa1	Aa1
	- Junior lien bonds	Aa2	Aa2
	- Commercial paper	P-1	P-1
S&P	- Senior lien bonds	AA	AA
	- Junior lien bonds	AA-	AA-
	- Commercial paper	A-1+	A-1+

¹ Excludes depreciation and amortization expenses.

² Variable-rate instruments include commercial paper, flexible rate revolving note and floating rate bonds.

³ Debt service on senior and junior lien bonds is calculated net of the Build America Bonds ("BABs") direct subsidy.

⁴ Other interest and debt-related costs includes interest on commercial paper.

⁵ Debt service coverage is calculated net of the BABs direct subsidy.

THREE-YEAR HIGHLIGHTS - UNAUDITED

	Fiscal Year Ended January 31,		
	2020	2019	2018
CAPITAL ASSETS (in thousands)			
Capital assets, net	\$ 8,500,046	\$ 8,154,670	\$ 8,190,356
Depreciation and amortization	421,000	445,227	425,260
New construction and net removal costs	748,858	605,590	571,020
FUNDING FOR NEW CONSTRUCTION and NET REMOVAL COSTS (in thousands)			
Debt	\$ 317,247	\$ 339,758	\$ 350,789
Repair and Replacement Account	376,139	215,978	178,856
Contributed capital and other	55,472	49,854	41,375
ELECTRIC GENERATION (MWh)			
Generation	24,939,034	28,068,705	24,380,687
Renewables and other energy purchases	4,940,406	4,488,199	4,919,017
Total generation and other power	29,879,440	32,556,904	29,299,704
Capacity (MW)			
Gas	3,346	3,339	3,325
Coal	1,345	1,345	2,185
Nuclear	1,036	1,036	1,036
Battery	10	-	-
Wind	1,067	1,069	1,059
Solar	552	546	496
Landfill gas	14	14	14
Total capacity	7,370	7,349	8,115
ELECTRIC PEAK DEMAND (MW)	5,159	5,081	4,866
DISTRIBUTION GAS PURCHASES (MMCF)	27,070	26,349	23,962
RESIDENTIAL AVERAGES (unbilled revenue not included)			
Electric			
Revenue per customer	\$ 1,419.40	\$ 1,489.73	\$ 1,472.41
kWh per customer (average)	13,332	13,464	13,406
Revenue per kWh	10.65¢	11.06¢	10.98¢
Gas			
Revenue per customer	\$ 246.58	\$ 283.08	\$ 286.27
MCF per customer	31.4	31.8	28.1
Revenue per MCF	\$ 7.85	\$ 8.91	\$ 10.18
RELIABILITY INDICES			
System Average Interruption Duration Index (SAIDI) (in hours)	0.914	0.908	0.900
System Average Interruption Frequency Index (SAIFI)	0.790	0.840	0.830

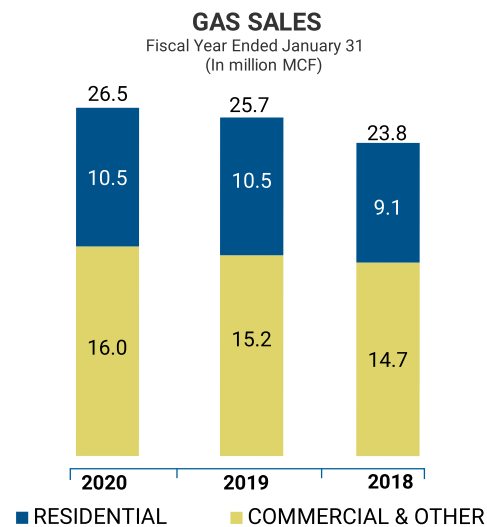
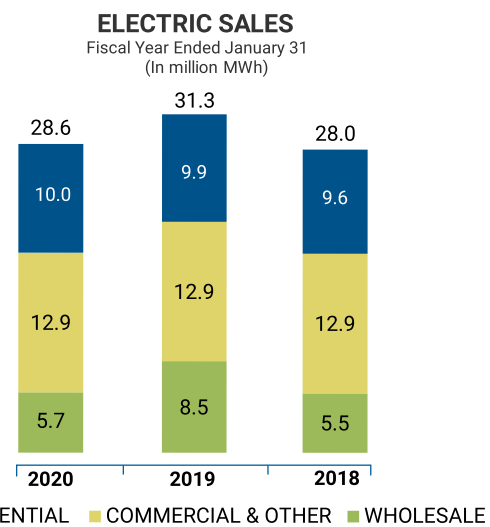
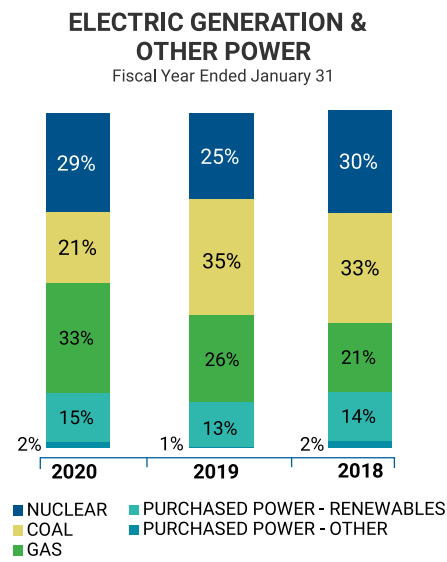
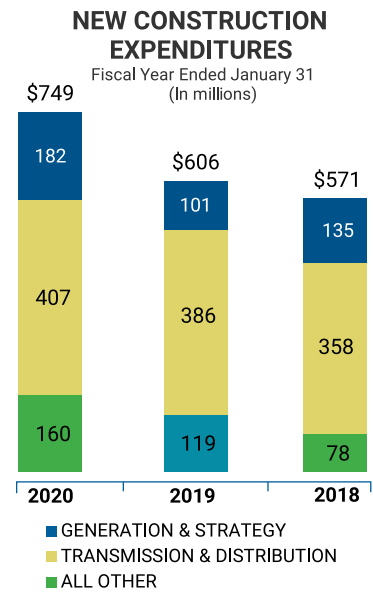
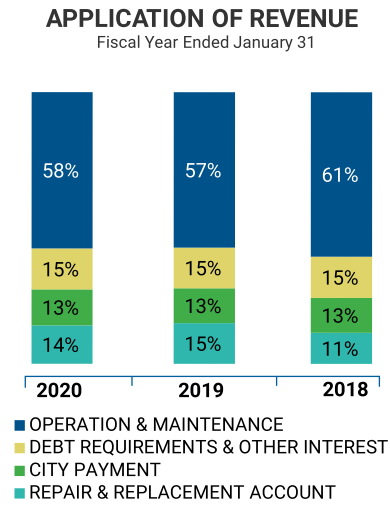
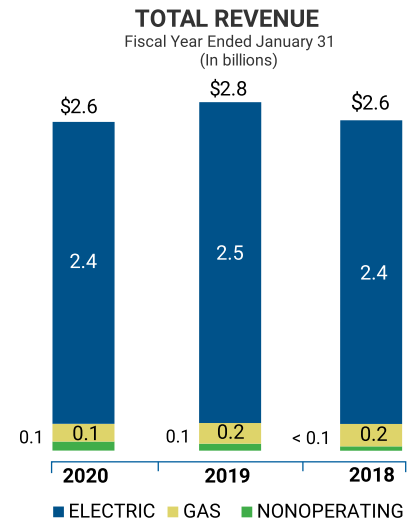
THREE-YEAR HIGHLIGHTS - UNAUDITED

	Fiscal Year Ended January 31,		
	2020	2019 ¹	2018
OPERATING REVENUE² (in thousands)			
Electric			
Residential	\$ 1,068,738	\$ 1,096,862	\$ 1,058,224
Commercial and industrial	854,608	884,043	867,021
Public authorities	219,310	229,523	229,645
Sales for resale	21,481	27,171	28,048
Street lighting and ANSL	22,127	22,182	21,877
Unbilled revenue	1,481	(25,896)	19,359
Other	20,826	16,653	16,794
Subtotal Retail	2,208,571	2,250,538	2,240,968
Wholesale	217,825	326,177	198,890
Total	\$ 2,426,396	\$ 2,576,715	\$ 2,439,858
Gas			
Residential	\$ 82,641	\$ 93,398	\$ 92,882
Commercial and industrial	47,371	61,288	68,726
Public authorities	10,525	14,519	16,662
Unbilled revenue	(158)	(3,295)	609
Other	2,403	1,534	1,532
Total	\$ 142,782	\$ 167,444	\$ 180,411
SALES			
Electric (MWh)			
Residential	10,038,081	9,913,513	9,634,693
Commercial and industrial	9,714,043	9,584,259	9,416,836
Public authorities	2,781,803	2,792,584	2,813,559
Sales for resale	370,396	441,601	460,061
Street lighting and ANSL	87,470	90,460	93,208
Unbilled	(75,000)	(37,910)	101,360
Subtotal Retail	22,916,793	22,784,507	22,519,717
Wholesale	5,688,461	8,556,100	5,497,113
Total	28,605,254	31,340,607	28,016,830
Gas (thousands of MCF)			
Residential	10,533	10,488	9,126
Commercial and industrial	13,033	12,218	11,315
Public authorities	3,306	2,885	3,049
Unbilled	(421)	145	286
Total	26,451	25,736	23,776
NUMBER OF CUSTOMERS (at year-end)			
Electric	860,934	840,750	821,675
Gas	358,495	352,585	347,408

¹ Certain amounts have been updated to reflect final reported balances.

² Includes unbilled electric and gas revenues.

FISCAL YEAR ENDED - JANUARY 31



SENIOR CHIEFS



Paula Gold-Williams
President & Chief Executive Officer (CEO)



Cris Eugster
Chief Operating Officer (COO)



Felecia Etheridge
Chief Business Excellence Officer (CBE)



Fred Bonewell
Chief Security, Safety & Gas Solutions Officer (CSSGSO)



Vivian Bouet
Chief Information Officer (CIO)



Carolyn Shellman
Chief Legal Officer & General Counsel (CLO&GC)



Rudy Garza
Chief Customer Engagement Officer (CCEO)



Delores Lenzy-Jones
Chief Financial Officer & Treasurer (CFO)



Frank Almaraz
Chief Administrative & Business Development Officer (CABDO)

BOARD OF TRUSTEES



John Steen
Northeast Quadrant,
Board Chair



Dr. Willis Mackey
Southeast Quadrant,
Vice Chair



Edward Kelley
Northwest Quadrant,
Trustee



Janie Gonzalez
Southwest Quadrant,
Trustee



Ron Nirenberg
Mayor &
Ex-Officio Member

CITIZENS ADVISORY COMMITTEE (CAC)

George L. Britton Jr.
District 4
Representative

Mary Dennis
Member at Large

Robert A. Romeo
District 8
Representative

Joe Yakubik
District 9
Representative

Luisa Casso
Vice Chair &
Member at Large

Michelle Lugalía-Hollon
District 2
Representative

David Walter
Chair &
Member at Large

Allie Watters
District 10
Representative

Andy Castillo
District 5
Representative

Diana Aguirre Martinez
District 3
Representative

Juan Cano
District 1
Representative

Bill Day
Chair Elect &
Member at Large

Roger H. Plasse
District 7
Representative

Klaus D. Weiswurm
Member at Large

The finishing touches are coming together on our new **McCullough Building** – a model of energy efficiency for all buildings in our community. When completed, the building will become our main downtown location, providing **CPS Energy** a safe, modern, and attractive home for years to come. Our move in the fall of 2020 will add to the fabric of the Broadway corridor, while serving as a base for new projects, greater collaboration, and fresh ideas as we continue on our **Flexible Path** to a cleaner energy future.





145 NAVARRO SAN ANTONIO, TEXAS 78296