



FISCAL YEAR 2018-2019 ANNUAL REPORT

TOGETHER



COLLABORATION. ENGAGEMENT. VALUE.
OUR FUTURE.





As you read this report, know we are reflecting on not only the financial aspect of the work we've done, but also the **collaboration** that went into making this such a great year.

We are fortunate to have highly **engaged** partners who help us make San Antonio a great place to work, play and live. We do more than add **value** in a financial sense.

We are powering the dreams of our community every single day and **for the future**.



A letter from our President & CEO

Every day I have the privilege of working alongside a company of energy experts who do everything they can to help power our community. We work tirelessly to provide safe, reliable, and affordable natural gas and electricity, so you don't have to think about it. I can say on behalf of our more than 3,000 **CPS Energy** employees that we take great pride in the roles we play in your lives and this community.

The true power of our community is you — the entrepreneur, the student, the small business owner, the young family focused on a bright future — our customers, our partners. When we provide power, you can focus on your family's future, innovate as a business owner, or further your education. Our partnership with you doesn't end there.

Game-changing energy technologies are on the horizon. We want to help you understand those changes, so you can help us make the right decisions. We know that you care about where your energy comes from and your interest will help guide us to the exciting future of energy, because these are your assets. CPS Energy is your utility.

This past year we embarked on listening sessions with our Board of Trustees to share our **Flexible Path** and gather your input, so we can collaborate with you to map out our energy future. We plan for this future with today's information and tomorrow's innovation. Our path forward must allow us the flexibility to integrate new technologies as they become available, affordable, and worthwhile investments for our community.

As we've studied these evolving technologies and collaborated with you, we are confident that our future is in diverse power sources and energy storage, and that is a huge part of our **Flexible Path**. That's why we partner with New Energy Economy companies to provide rebates, products, and services to you for adopting solar and other renewable energy sources at home and at work. It's also why, in 2018, we started building a solar energy and battery storage facility in partnership with **Southwest Research Institute** and with financial support from the **Texas Commission on Environmental Quality**. It's also

why we continue to work with **EPICenter**, San Antonio's energy innovation hub, to incubate and grow startup companies that will help us provide reliable, clean energy for you.

These are the partnerships that put you at the forefront of driving change in the global energy industry.

While our Board of Trustees sets our policies and works with me to oversee business operations, we seek counsel on those policies and operations through customers like you who serve on our 15-member **Citizens Advisory Committee (CAC)**. The CAC provides yet another conduit for us to listen to and do right by you.

As you explore our partnerships and the collaborations we've formed in this annual report, I want you to think about your energy future and how we can continue to work together. Partnerships across our community and the industry are important to our future.

After all, you are the source of CPS Energy's **Power to Dream**.

Paula Gold-Williams
President & CEO

Keep up to date on CPS Energy News and read my CEO Newsletter. Subscribe at newsroom.cpsenergy.com.

CUSTOMERS

Knowing what our customers care about inspires us to make a difference every day. For some, that means supporting the efforts to lowering their impact on the environment, reducing their utility bill, or both. That's something we can do together.

SOLAR CAPACITY
WITHIN SAN ANTONIO'S
CITY LIMITS GREW FROM
161MW
IN 2017 TO
186.9MW
IN 2018

BEYOND CITY LIMITS, A TOTAL OF
673MW

Emma Pabst, Clean Energy Associate, Environment Texas
Councilwoman Shirley Gonzalez
Cris Eugster, Chief Operating Officer



RESIDENTIAL SOLAR

Chris Velasquez is excited to be part of the growing number of customers in our community putting solar on their rooftops. Chris had been a big fan of renewable energy for quite some time, but he wasn't sure about the cost. After researching the pros and cons for about three years and learning more about our solar rebate program, he decided to go solar.

Seeing the 22 solar panels installed on his rooftop in December was a dream come true. Chris says he noticed right away that his home felt cooler with the panels shading his roof from direct sunlight. The renewable energy powering his home has helped lower his bills. He's using the savings to pay off the panels.

"It will take about 15 years to pay off the panels, but I see it as an investment," said Chris. "It's like buying your own home instead of renting. I can use the savings I get on my monthly energy bill to pay off the panels and build equity in my home."

San Antonio was in the top 10 in the nation for solar capacity and first in Texas, according to Environment Texas Research and Policy Center's 2018 and 2019 Shining Cities Reports.

*"Each year we harness more and more of the enormous solar energy potential in Texas," said **Emma Pabst**, Clean Energy Associate of Environment Texas. "We still have a long way to go, but leaders like San Antonio and CPS Energy are taking the steps necessary to power more homes, schools and businesses with clean energy from the sun."*

*"It is important that the entire San Antonio community work together to keep this city we call home a great place to live for generations to come," said **Councilwoman Shirley Gonzales**. "I am beyond proud to be talking about San Antonio's leadership in clean energy on a global, national, and state level."*



CPS Energy Customer Chris Velasquez thanks Rene Rodriguez, Engineering Specialist, for his advice on rooftop solar panels. Chris is one of our many enthusiastic customers who has taken advantage of our rebate programs to tap into solar.

ROOFTOP SOLAR CUSTOMERS

Residential 14,275
Commercial 549
Community Solar 248
Solar Host 599



SERVING CUSTOMERS

When a neighbor is out of town, you keep an eye on their house. If a neighbor borrows your lawn mower, you expect it returned. It's what good neighbors do.

It's the same at work. When someone reports a problem, you help find a solution. When someone shows you a better way, you pass it along to other people.

Serving customers is a people business. It's our business to serve our customers - to serve you.

You wanted it to be easier to reach someone in our offices, so we simplified our phone systems and made it easier for you to get in touch with us.

We're listening and trying new things. We're here for you.

EA LIVE CHAT PILOT



We're using technology to streamline the customer experience.

WE'RE ANSWERING MORE CALLS FASTER TO SAVE TIME AND SERVE YOU BETTER.

88% → 91%

91% OF CALLS ARE ANSWERED BY A PERSON WITHIN 30 SECONDS

AVERAGE SPEED OF ANSWER
12 SEC.
DOWN FROM 23 SECONDS



In January, we launched our **Energy Advisor Live Chat (EA Live Chat)** pilot at our Northside Customer Service Walk-in Center (NSCSC). EA Live Chat allows our customers to have virtual face-to-face interactions with our Energy Advisors. Customers still receive the great service they know and expect using video chat technology. Unlike most chat functions, EA Live Chat uses face-to-face video.

A representative is available to assist customers with the tool. You can video chat in either English or Spanish. EA Live Chat will reduce the time customers wait to interact with an Energy Advisor by making a larger pool of our experts available across our multiple locations, and you can actually see who you are talking to!

SIMPLY SAVING ENERGY

Our **Simple Summer Savings** campaign helped our community understand the importance of conservation and helped our customers use energy efficiently. The campaign used clever word plays on summer sayings, such as 'This Summer — Take Time to Unplug.'

We hosted more than 1,600 neighbors at 12 Simple Summer Savings customer events. The events were held in key locations in San Antonio, 10 City Council districts, as well as in several of our suburban cities. We hosted another series of events during the fall, bringing our total to 3,600 neighbors hosted throughout the year.



Olivia Gomez, Analyst General Business, shares information about our solar programs.

STEPPING UP TO DEMAND RESPONSE

Demand response is a customer voluntarily reducing their energy use to help when the power grid is experiencing high demand. Participants receive a rebate for reducing use when we send them a notification.

Your participation in our demand response and energy efficiency rebate programs reduces energy usage, reduces greenhouse gas emissions, and puts dollars back into your pocket.

Who doesn't like getting a big check? The longest tenured school district in our Commercial & Industrial Demand Response program, **Judson Independent School District (JISD)**, pictured below, has earned more than \$1.3 million in incentive payments since 2013.

"This is our sixth year participating in CPS Energy's Demand Response Program," said **JISD District Energy Manager David Oehler**. "By participating in the program, we receive year-end incentives and rebates that save thousands on energy

costs, allowing more funds to be invested into resources for students."

Our demand response programs are an integral part of our **Save for Tomorrow Energy Plan (STEP)**. STEP is on track to reduce the growth in our community's demand for electricity by 771 megawatts (MW) by 2020 – that equals the output of a large power plant, and improves air quality in the San Antonio area.

SUCCEEDING WITH ENERGY EFFICIENCY

\$5.12M Demand Response Payments | **3,608** Homes Weatherized
225MW SAVED | **15MW SAVED**



THE WAY FORWARD

We're moving forward to power our future. We need to be flexible.

We need input. We'll do it together.



CPS ENERGY'S FLEXIBLE PATH

We're optimizing the best of what we have today, and are developing the things we need for tomorrow. It's part managing current assets, and part tapping into emerging technologies. Sometimes, the innovations aren't physical plant or digital connections, but are achieved through partnerships.

"It's not a plan that we have; it's a path because we are going to make updates with your input and the changing of technology," President & CEO Paula Gold-Williams told an audience at our second public input session on Nov. 27. *"We want to make sure that we are paying attention. We listen to you and make sure that all of our activities are focused on this community."*



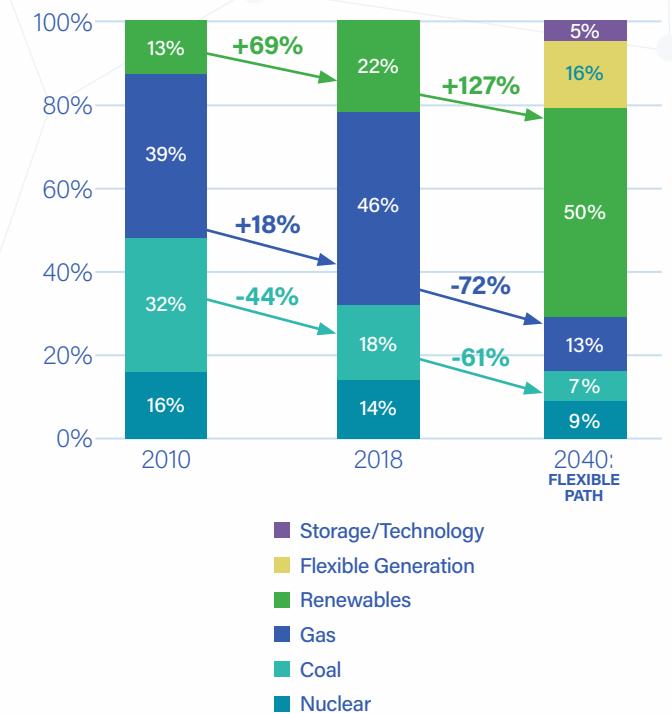
We engaged our community in learning about our **Flexible Path** at more than 40 presentations in 2018.

The path vs. plan approach is based on an understanding that we need to stay flexible to continuously meet the needs of our community and how we use our assets.

The **Flexible Path** approach enables us to integrate new and emerging technologies into our generation portfolio, like battery storage and electric vehicles. We'll continue to expand our solar and wind resources, add more programs and services, as well as energy efficiency and demand response.

Last year, we took an important step and closed our coal-fired plants, Deely Units 1 & 2. Reducing our fossil generation will make way for an ultimately more effective, cleaner, and brighter future. We are responsibly managing a diverse energy portfolio.

INCREASE IN RENEWABLES GENERATION AND DECREASES IN COAL AND GAS



Flexible Path makes us more... well, flexible. We're always mindful of how energy generation impacts the lives and health of the people in our community. Your thoughts on driving better energy solutions, while ensuring affordability and reliability of these solutions, are important to us.

It's the way forward. Strategic and operational flexibility allows us to remain successful as we move into the future.

- A diverse generation portfolio provides value and reliability to our customers.
- Our focus on the environment and improving air quality for our community remains top priority.

- Our traditional generation assets continue to be an important bridge to the future to ensure value and reliability to our customers.
- This **Flexible Path** positions us to embrace the changing global utility landscape.
- We continue to invest in smart grid technology to support reliability, efficiency and energy management tools for our customers.
- Partnerships and flexibility are keys to the future. We'll do this together.



SOLAR ENERGY PLUS BATTERY STORAGE

Partnering with **Southwest Research Institute (SwRI)**, we broke ground on a \$16.3 million solar energy and battery storage project.

This innovative venture can transition from being a 5 MW system with a 2-hour battery duration to being a 10 MW, 1-hour duration system. It's a major step towards producing

emissions-free clean energy, storing it, and then using it later when our customers need this power most.

What we learn from this project will lead us further along our **Flexible Path** of future energy solutions.

While keeping the lights on today, we're imagining and test-driving all the possibilities for the future.



EMPLOYEES

Nobody rolls out of bed each day to enter data, connect a wire, or climb into a bucket truck unless that work means something to somebody. No, people don't roll out of bed for a job. They do it because they are passionate about what they do and they enjoy making a positive impact on the community. They do it because they put People First!

BUILDING LANDMARKS

"We have a great team of highly skilled workers who love what they do," said **Patrick Treviño, Director of Integrated Underground Construction & Maintenance** team, as he spoke about our crews working on the Frost Tower project in downtown San Antonio. Dozens of CPS Energy employees from various departments worked together to complete the 14-week project.

One crew built an important piece of the tower's utility equipment from scratch. The custom-built equipment works like a power strip and contains a series of conductors that deliver electricity from the transformers. A team of Cable Splicers spent several weeks bending, punching, and assembling equipment in our shop before installing it in the vault at Frost.

Once the equipment was in place, other crews used a 140-foot crane to safely move the 27,000-pound transformers into the underground vault.



An Integrated Underground Construction & Maintenance Crew working safely.

REWARDING CAREER PATHS

EMPLOYEES 3,100+ INTERNS 70+

Our team members love what they do and the people they work with. Some love it so much that they work here for 25, 30 or even 40 years. With a good track record of long-tenured employees, it's vital to retain and train team members so they can quickly step into roles where they can make a difference.

*"Developing our workforce starts with investing in our current employees, ensuring that they have opportunities to learn new skills and keep up with changing technology," said **Lisa Lewis, Vice President of People & Culture**. "This is one reason we hire people for careers, in a day and age where the average employee stays with an employer for three to five years — and why we have an average tenure of 15 years at CPS Energy."*

We're bolstering our ranks with new talent from our own community. Our educational partnerships and summer internships help us identify talented students we can invest in, and eventually hire. We hired 10 team members in the last four years through our internship program, **Students Interested in Technical Education (SITE)**. The program has expanded over the years, and now includes Alamo Academies, Electrical Systems Technology Apprenticeship at MacArthur High School, and Construction Careers Academy at Warren High School.

*"Our educational partnerships have made a positive impact companywide," said **Cristina Duarte, Manager of Education & Mentoring Programs**. "Our partnerships have created many opportunities for team members to share their valuable knowledge and skills with students."*

Last summer, **Justin Rutkoski**, pictured below, became the first intern to be hired as a Distribution Trainee through SITE. Justin received hands-on experience with our overhead linemen and quickly discovered his dream job.

"It was an incredible opportunity," said Justin. "I have loved the job every day I've come here. I can guarantee that I'll be learning something new every day years down the road."

Justin, along with six other distribution trainee interns, got a chance to learn from experienced professionals like **Line Crew Foreman Will Schneider**.

"It's blood, sweat, and tears out here, but it's a rewarding career," said Will, who has more than 25 years of service. "We started the internship program because we need to strike an interest with the next generation."

When valuable team members like Will decide to retire, we have a plan in place to attract new talent like Justin to keep us on track with serving our growing community.

*"Year after year, CPS Energy has deepened its partnership and support of SA Works. As a critical employer, CPS Energy provides meaningful work-related experiences to hundreds of youth through job shadows and internships that have directly impacted students' career awareness in the energy sector, as well as honing in on their employability skills, contributing to growing a skilled workforce in San Antonio." — **Romanita Matta-Barrera, Executive Director of SA Works**.*



PREPARING OUR WORKFORCE FOR CHANGE

Everything changes. That can be good if you know how to adapt. Changes happen in our industry and we are adapting.

Last year, our Power Generation team was well prepared for change. We transitioned 67 team members to new work locations after the closure of Deely Units 1 & 2. The process started in 2012 shortly after we announced the plant would be closing.

*"The transition has gone very well," said **Joey Goode, Power Plant Director**. "The majority of our team members are doing the same job, just at different locations."*

In the months leading up to the closure, **Paula Gold-Williams** and our senior leaders encouraged team members to continue enhancing their skills and have regular conversations with their managers about their careers. She wants to see team members support and encourage each other to succeed.

"You can work with management to inquire about learning opportunities offered at CPS Energy and to help you obtain an opportunity to job shadow a department that you're interested in," said Paula. "Consider furthering your skillset by obtaining a certification and/or a degree in a field you're interested in. Our leaders, as well as the People & Culture team, are here to help you succeed."

With this kind of encouragement coming from the top, we're in good hands.



PARTNERSHIPS

Our community is growing at a rapid pace. New technology is making us think differently about energy. Good partnerships are helping us find innovative solutions to serve our growing population while staying on track with constant changes in the energy industry. At the same time, partnerships are creating more jobs and opportunities for families.

SUPPORTING OUR MILITARY

San Antonio is considered Military City USA, so it's only fitting that our largest customer is the U.S. Military. Our **Military Strategic Cooperation & Support (MSCS)** team oversees our partnership with **Joint Base San Antonio (JBSA)**. The team works with military personnel at each installation to ensure energy security, resilience, growth, development, and energy efficiency.

Last year, the team completed projects that reduced energy demand and improved electric reliability and capacity. Through our maintenance of JBSA's energy infrastructure, we're allowing San Antonio-based men and women in uniform to focus on the important work they do every day to defend our freedom.

Along with JBSA, we partner with several organizations, including the **Uniformed Service Program (USP)** in our city to promote career opportunities at our company for those who have left, or are preparing to leave, the military.

"In a lot of respects, CPS Energy and the military share some of the same values – hard work, commitment, and integrity," said **James Carter, Manager of Special Assignments**, who served five years in the U.S. Army.

About 10 percent of our team members have served in the military. These veterans now serve our utility in all sorts of roles; including lineworkers, construction scheduling, engineering, finance, and administration, to name a few.

EVERYONE WINS WITH THIS PARTNERSHIP

We signed a three-year office supplies contract with **San Antonio Lighthouse for the Blind & Vision Impaired**. The partnership supports local jobs and services for people who are blind or vision impaired. The local non-profit 501(C)(3) small business employs more than 480 employees, nearly half being vision impaired.

Raul Gamez and several of his family members who were diagnosed with retinitis pigmentosa, a rare, genetic disorder, have found rewarding careers at the non-profit.

"It's really a blessing because CPS Energy is local," said Raul. "It's great that they'll be buying our products and supporting us. It will get the word out to more big corporations in the city, or those that want to move here, that these good, quality products are made right here in San Antonio."



NEW ECONOMIC OPPORTUNITIES FOR OUR GROWING COMMUNITY

Our **New Energy Economy (NEE)** is an ecosystem of partnerships with businesses that share our vision for clean energy, innovation, and energy efficiency. Since the NEE's inception in 2013, our partners have made a huge local economic impact — more than \$5 billion cumulatively. Each year they provide an average of 600 local jobs.

Our NEE partnership with **Greenstar** is a shining example. You've probably noticed the LED lights brightening streets in your neighborhood and on your drive home from work. Greenstar expanded its operation, moving into a new 50,000 square

foot facility last year. They currently have a staff of about 50 employees based locally.

NEE partnerships are helping us leverage low-carbon and renewable energy resources to stimulate economic and educational development within our community. We're fostering job growth, economic development, and educational opportunities with a long-term goal of establishing San Antonio as a hub for clean energy and innovation.



EPIcenter: CREATING INNOVATIVE PARTNERSHIPS WITH STARTUPS

Speaking of innovation, **EPIcenter** is our community's innovation hub for researching and promoting new ideas featuring energy. EPI stands for **Energy, Partnerships, and Innovation**.

The nonprofit organization is helping us forge powerful partnerships with entrepreneurs to provide reliable energy for the future of our community and carry out our role in building a Smart City. They support emerging businesses through their **EPIcenter Energy Incubator and Accelerator (EEIA)**. EEIA offers services and resources to startups focused on the advancement of new energy innovation and technology.

EPIcenter launched a lecture series in June to bring global new energy thought leaders together. **Lynn Abramson, PhD, President of the Clean Energy Business Network**, kicked off the series, discussing national trends and local opportunities in the New Energy Economy. In December, EPIcenter continued the series with **Chief Operating Officer and EPIcenter board chair Cris Eugster** and **industry expert Tanuj Deora** engaging in a fireside chat. They discussed ways the electric power grid is changing and why business owners and the public should pay attention since they will be more empowered in the future.

*"Hundreds have attended our events and engaged in important conversations around energy," said **Kimberly Britton, EPIcenter's Chief Executive Officer**. "The EEIA, in its first year, took on seven clients for incubation and acceleration. The future brings the expansion of current programs and adds elements, including research and publication around energy topics, mapping*

a fabrication ecosystem for the startups, and widening the circle of impact far beyond our own region."

Companies like Go Smart Solar and Drones of Prey receive coaching and mentoring from local subject matter experts to serve their specific business needs.

EPIcenter helps us advance conversations about our future with our community's leaders.

87% OF STARTUPS THAT GRADUATE FROM AN INCUBATOR STAY IN BUSINESS VS THE 44% SURVIVAL RATE OF THOSE THAT GO WITHOUT INCUBATION SUPPORT-

International Business Innovation Association (InBIA)

THOUGHT LEADERSHIP — THINK GLOBALLY, ACT LOCALLY

In February, we held our second annual **Future of Energy Symposium at Texas A&M University - San Antonio.**

Executives and energy leaders from around the country discussed a variety of diverse topics, such as using data to meet customers' needs and expectations, protecting data, and tying smart grids to smart city initiatives.

During the event, global law firm, Dentons, announced our **President & CEO Paula Gold-Williams** as a Dentons Smart Cities/Communities Think Tank Energy industry co-chair. The Think Tank houses legal, business, and policy thought leaders and advises stakeholders on "14 Pillars of Success" for a Smart Cities/Communities program. Paula serves as co-chair of the Energy Pillar along with **former Secretary of Energy, Dr. Ernest Moniz, Anne Pramagoire, CEO of Exelon Utilities, and Julia Hamm, President and CEO of the Smart Electric Power Alliance (SEPA).**

In July, Paula took part in the Dentons Smart Cities/Communities Summit in Washington D.C. with leaders from across the country, discussing policy solutions for the future of American communities.

"Our connection is to the community and ties to water, energy, and transportation solutions, and to bring more people into the dialogue about the benefits of a digital community," said Paula.

Paula also shared our company's strategic vision overseas at the **BIXPO 2018 International Conference in Korea.** The event, hosted by **Korea Electric Power Corporation (KEPCO)**, drew more than 70,000 visitors from around the world, including leaders and professionals from government entities and electric power utilities, as well as energy experts and innovators.

Here at home, we're making sure that local businesses understand our strategic approach for the future, so they can thrive. We'll have a great opportunity to do so with Paula as the chair of the San Antonio Chamber of Commerce. She began serving in January 2019 after being elected in October 2017 to take over for outgoing **Chamber Chair Shaun Kennedy.**



WORKING TOGETHER FOR CLEANER AIR

Leave a place better than how you found it. Your parents probably said it, and we agree it's the right thing to do regarding the environment.

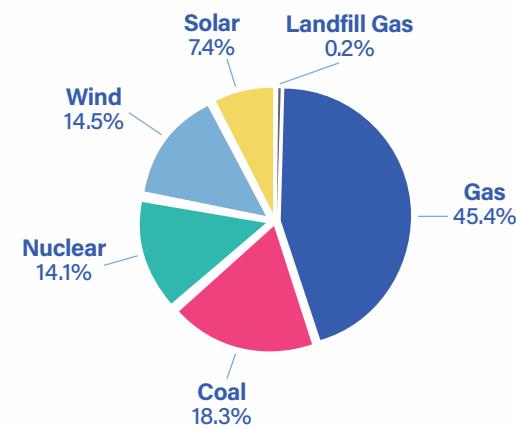
Our team members have attended 150 meetings on **San Antonio's Climate Action & Adaptation Plan (CAAP).** In partnership with the **City, the University of Texas at San Antonio and Navigant**, CAAP developed recommendations on how to reduce greenhouse gas emissions in San Antonio. The CAAP continues to evolve as the City continues to gather more community input.

We have a long history of collaborating for the good of our environment. Our collaboration with the **San Antonio Water System (SAWS)** has helped us avoid depleting the Edwards Aquifer. Instead of using the aquifer, we use recycled water that comes from SAWS' sewage treatment plants to operate our power plants. A case study released by the **Environmental Defense Fund** highlighted how well our two companies work together to conserve energy and water.

Kim Stoker, Senior Director of Environment Planning & Compliance, has seen partnerships make a positive impact on the environment throughout her 30 years of service.

"We have long-time working relationships on air quality and other environmental issues," said Kim. "We all want to educate and share information with our customers about our environmental and sustainability programs, energy generation, energy conservation, and how CPS Energy continues to lower our carbon intensity to reduce our impact on the environment."

ELECTRIC GENERATION



In 2011, we made a commitment to you to close our first and oldest coal plant, Deely, at the end of 2018. Before the clock struck midnight to ring in 2019, the plant officially shut down.

We plan to continue diversifying our energy sources and lowering emissions through our **Flexible Path**. We believe in the power of sustainability.



Nearly 70 CPS Energy employees received skills training to transition into other positions at CPS Energy. Everyone who worked at Deely still works for CPS Energy in another capacity.



HYBRID FORD F-150s FLEET

Texas is truck country. But trucks haven't always been known for their fuel efficiency, and that's something we take seriously.

While looking at upgrading our fleet of vehicles, we want them to be more efficient while still packing enough power to safely weather any storm. Specifically, we partnered with Ford for a fleet of plug-in hybrid trucks. We purchased **34 XLP Plug-in Hybrid Electric Ford F-150s**, the largest purchase of any utility or private company at the time.

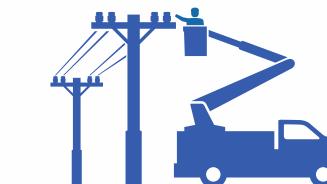


Now, when you see us coming down the road, you can rest assured that our carbon footprint is smaller, and we are spending dollars wisely.



Our fleet of plug-in hybrid trucks gets 50 percent better fuel economy and reduces emissions by just as much.

CPS ENERGY FLEET RATED (#31) TOP 50 MUNICIPAL FLEETS



**ADDED 5
HYBRID ALTEC
BUCKET TRUCKS**

**RATED TOP 100
FLEETS (#24)**



**SUPPORTING ELECTRIC VEHICLES
IN OUR COMMUNITY** 
150+ CHARGING PORTS  **AT VIA'S STONE OAK PARK & RIDE**



Gaston is speeding up our natural gas distribution system maintenance and helping get the word out about gas safety.

Gaston, our Smart Sniffer, gets a lot of attention from kids and adults alike.

"It's funny. People pose for pictures, wave and smile," said **Joel Settles**, a 20-year employee who says Gaston is 10 times faster than our old foot patrol way of detecting natural gas.

Gaston is our four-wheeled "watchdog" with a nose for detecting gas. We worked with Picarro to get a 2017 Ford Explorer outfitted with laser technology that pinpoints areas with potential risk of escaping natural gas. Now we can patrol our service area of Greater San Antonio and seven counties faster. Gaston covered more than 3,800 miles for surveys and is 75% more efficient than traditional foot routes.

When someone reported a gas odor in a neighborhood in Pecan Valley, Gaston helped our crews narrow the search from a 500 square-foot area to 4 feet in a fraction of the time. With Gaston's intel, the crew quickly stepped in to make repairs and keep homes safe.



TERRITORY COVERED

Driven more than 3,884 miles in a survey mode. Locations surveyed took half the time of traditional surveying.



HOURS/ MILES

On average, Gaston is driven 8 hours, 4 nights per week.



DATA

Successful in locating damaged easements, plastic service areas, repair needs, and performing emissions surveys.

COMMUNITY

Whether you grew up here or just recently moved in, you're our neighbor. Our neighbors' dreams inspire our work, and sometimes those dreams are interrupted by hardships. But as neighbors do, we reach out to one another, come together, and see it through.

PARTNERSHIPS HELP NEIGHBORS IN HARDSHIPS

Our **Residential Energy Assistance Partnership (REAP)** program between our company, the **City of San Antonio**, and **Bexar County** is helping our neighbors endure hardships. The partnership provides those in need with bill assistance twice a year. It provides some peace of mind that basic needs can be

met. Last year, more than 8,000 households benefited from this partnership for a total of \$2.5 million in assistance. Knowing financial challenges can impact our neighbors, we contribute \$1 million per year to the partnership.

GRILLSGIVING

The positive outcomes from the **REAP** program inspire us to do more through **GrillsGiving**. The proceeds from this unique family-friendly BBQ cook-off go to help neighbors through the partnership.

Somewhere along the way, we became pit masters – and good ones! We're talking fall-off-the-bone, tender, smoky ribs



GrillsGiving raised \$32,000 for customers in need of bill payment assistance and featured our first all-female grill team - GirlsGiving.



PARTNERS IN POWER

CPS Energy, and more than a dozen of our community partners, work together to improve the quality of life for our customers. To strengthen our relationship with our partners, we held the first-ever **Partners in Power** event. We hosted **San Antonio Water System (SAWS)**, **Bexar County** and city officials, and nonprofit organizations like **SAMMinistries**. The goal – share information about products and assistance services across agencies.

"There is more power when you bring more community agencies together," said **Maria Garcia, Vice President of Community Engagement & Corporate Responsibility**. "When we work together, we're able to make a greater difference."

VOLUNTEERING TO HELP OVER \$1M UNITED WAY CAMPAIGN INCLUDING

\$128,000 UNITED WAY GOLF TOURNAMENT BENEFITTING SAMMinistries

**1,354 EMPLOYEES
22,733 HOURS**

**48 BLOOD DRIVES
1,036 UNITS OF BLOOD**

950 CHILDREN GIFTED THROUGH ANGEL TREE TOY DRIVE

**4,729 LBS. SCHOOL SUPPLIES
+\$900 DONATED**

SAFE AT WORK

We look out for one another. We cross the road together. We remind our friends to buckle up. Safety and security are an everyday part of life.

Electricity and natural gas are essential services that our customers use every day. These services play a major role in keeping our homes, businesses, and lives running smoothly, but it's important to remember they can also be dangerous.

We offer community education and valuable online and in-person training resources unique to contractors, first responders, teachers and students, and other interested organizations.



"We want all of our employees and customers to be safe around our equipment, so we go out to the community – schools, businesses, and neighborhoods and present on electric and natural gas safety and energy conservation," said **Willie Davis, Community Outreach Specialist**, pictured.

PHYSICAL & CYBERSECURITY

Whether you're going out or logging on, there are some risks. But it's entirely possible to be prepared and have a good time. We're doing our part to help protect you both online and at major events.

For major events like the **NCAA Final Four**, our security teams collaborate with others on security detail to safeguard you and your loved ones at the game. Gaston, our Smart Sniffer, patrolled the area to help make sure it was safe. About 100 of our team members from various departments collaborated and worked together to ensure safe, reliable service for this national event.



About 100 employees from these departments - Our Underground Integrated Operations, Substation, Security, Gas Delivery, System Test & Technical Support, Resource Management, Executive Account Management and Customer Reliability teams were committed to keeping the power flowing for this big event.

DRONES

Shortly after **Craig Fewox** started at our company as a Reliability Engineer, he learned that we were standing up a drone program. It officially lifted off the ground last May. Whereas most people "ooh" and "aah" over drones for their cool factor, Craig is passionate about how they're able to keep our team members safe.

"Our employees don't have to get near energized equipment to inspect a line," said Craig, now an Engineering Associate. "When they do go up on a pole to make a repair, they know exactly what they're looking for and what needs to be done."

Students from the School of Math, Science and Engineering at the **University of the Incarnate Word (UIW)** are partnering with us by doing research on the regulatory landscape for our **Unmanned Aerial System Program**, best practices, and the best type of drones for our use.

We're flying high to improve reliability and safety.



A drone in flight during a demonstration.

LIFESAVERS

Distribution Trainee James Avila and Journeyman Serviceman Faustino Sanchez, pictured below, were driving down Hackberry Street last summer when they noticed a pedestrian who seemed disoriented. Within just a few moments, the person stumbled and fell to the ground. The pair recognized the pedestrian was experiencing a heat-related illness, called 911, and pulled the person to a shaded area and out of harm's way.

James and Faustino stayed with the individual until EMS arrived.

*"As part of our summer readiness, we share heat-related safety information with our crews because they're having to work outside in the sweltering heat," said **Rudy Garza, Senior Vice President of Distribution Services & Operations**.*

"We emphasize the importance of staying hydrated and how to prevent and recognize heat-related illnesses such as heat exhaustion and heat stroke. I'm extremely proud of how James and Faustino utilized their training and showed compassion in this emergency situation that unfolded right in front of them. Their response and quick actions possibly saved this person's life."



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.

2018 AWARDS

CPS ENERGY

- Excellence in Public Power Communications Awards (Award of Merit) | American Public Power Association (APPA)
- Energy Innovator Award | APPA Demonstration of Energy & Efficiency Developments (DEED)
- Fortnightly Top Innovator | Public Utilities Fortnightly
- Commercial Partner of the Year | San Antonio Lighthouse for the Blind & Vision Impaired
- Residential Customer Champion (3 years) | Escalent, formerly Market Strategies-Morspace
- Environmental Champion (3 years) | Escalent
- Most Trusted Brand (3 years) | Escalent
- Expanding Excellence Award – Innovation in People & Process | CS Week
- Corporate Partner of the Year (2 years) | Communities in Schools
- Award of Excellence – Power, Finalist | S&P Global Platts
- Energy Company of the Year, Finalist (2 years) | S&P Global Platts
- Corporate Social Responsibility Award – Diversified Program, Finalist | S&P Global Platts
- Business of the Year Finalist | San Antonio Business Journal (SABJ)
- Corporate Philanthropy Award | SABJ
- Eagle Ford Excellence Award for Environmental Stewardship | South Texas Energy & Economic Roundtable (STEER)
- Purpose Driven Utility Award | SAP
- Superintendent's Award | Northside Independent School District (NISD)
- Most Improved Interactive Voice Response (IVR) Systems | IVR Doctors
- 100 Best Fleets in the Americas (#24) | The 100 Best Fleets

PRESIDENT & CEO PAULA GOLD-WILLIAMS

- Champion Award | Women's Council on Energy and the Environment
- Tribute to Women Business Leaders Award | San Antonio Chamber of Commerce and Ford Motor Company
- Keystone Leadership Award | Keystone Policy Center
- Energy Thought Summit Thought Leader of the Year | Zpryme
- Transparency/Accountability Award | Fair Contracting Coalition
- Chief Executive of the Year, Finalist | S&P Global Platts
- Excellence in Leadership Award | Greater San Antonio Builders Association (GSABA)

SENIOR CHIEFS

- C-Suite Award | Awarded to Dr. Cris Eugster, Chief Operating Officer | San Antonio Business Journal
- Top Latinos in Energy | Awarded to Frank Almaraz, Chief Administrative & Business Development Officer | Latin Leaders Magazine



REPORT OF MANAGEMENT

The Fiscal Year 2019 (Feb. 1, 2018 through Jan. 31, 2019) financial audit was successful. Based on procedures they conducted, our external auditors, Baker Tilly Virchow Krause, LLP; and C.C. Garcia & Co., P.C., Certified Public Accountants, 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

Paula Gold-Williams
President & CEO

Delores Lenzy-Jones
Chief Financial Officer & Treasurer

THREE- YEAR HIGHLIGHTS - UNAUDITED

	Fiscal Year Ended January 31,		
	2019	2018 ¹	2017 ¹
(Dollars in thousands)			
FINANCIAL SUMMARY			
Revenue			
Electric	\$ 2,576,715	\$ 2,439,858	\$ 2,299,504
Gas	167,444	180,411	165,814
Nonoperating	55,914	33,938	29,438
Total revenue	\$ 2,800,073	\$ 2,654,207	\$ 2,494,756
Operation and maintenance expenses ²	\$ 1,623,409	\$ 1,602,506	\$ 1,507,608
Total payments to City of San Antonio	373,117	350,175	336,082
OTHER FINANCIAL DATA			
Decommissioning Trusts	\$ 567,688	\$ 589,470	\$ 546,703
Repair and Replacement Account	703,423	617,848	514,907
Total assets	10,961,876	10,948,173	10,570,642
Net position	3,514,027	3,493,564	3,383,825
DEBT			
Outstanding			
Bonds	\$ 5,479,405	\$ 5,484,975	\$ 5,182,985
Commercial paper	205,000	160,000	360,000
Flexible rate revolving note	-	-	25,200
Weighted-average interest rate			
Senior lien fixed-rate bonds	4.042%	4.065%	3.992%
Senior and junior lien fixed-rate bonds	4.146%	4.165%	4.132%
Variable-rate instruments ³	1.811%	1.490%	1.640%
Debt service ⁴			
Senior lien bonds	\$ 259,726	\$ 270,080	\$ 290,264
Junior lien bonds	148,179	120,996	98,996
Other interest and debt-related costs ⁵	11,114	6,074	5,443
Debt service coverage ⁶			
Senior lien bonds	4.62x	3.84x	3.46x
Senior and junior lien bonds	2.94x	2.65x	2.58x
RATINGS - Bonds and Commercial Paper			
Fitch	- Senior lien bonds - Junior lien bonds - Commercial paper	AA+ AA+ F1+	AA+ AA+ F1+
Moody's	- Senior lien bonds - Junior lien bonds - Commercial paper	Aa1 Aa2 P-1	Aa1 Aa2 P-1
S&P	- Senior lien bonds - Junior lien bonds - Commercial paper	AA AA- A-1+	AA AA- A-1+

¹ Balances for 2018 and 2017 have been restated for implementation of GASB 83.

² Excludes depreciation and amortization expenses.

³ Variable-rate instruments include commercial paper, flexible rate revolving note and floating rate bonds.

⁴ Debt service on senior and junior lien bonds is calculated net of the Build America Bonds ("BABs") direct subsidy.

⁵ Other interest and debt-related costs includes interest on commercial paper and the flexible rate revolving note.

⁶ Debt service coverage is calculated net of the BABs direct subsidy.

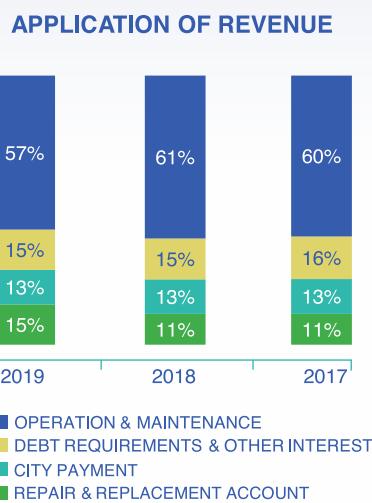
THREE- YEAR HIGHLIGHTS - UNAUDITED

	Fiscal Year Ended January 31,		
	2019	2018	2017
CAPITAL ASSETS (in thousands)			
Capital assets, net	\$ 8,154,670	\$ 8,190,356	\$ 8,053,304
Depreciation and amortization	445,227	425,260	426,760
New construction and net removal costs	605,590	571,020	673,303
FUNDING FOR NEW CONSTRUCTION and NET REMOVAL COSTS (in thousands)			
Debt	\$ 339,758	\$ 350,789	\$ 328,114
Repair and Replacement Account	215,978	178,856	291,577
Contributed capital and other	49,854	41,375	53,612
ELECTRIC GENERATION (MWh)			
Generation	28,068,705	24,380,687	23,459,310
Renewables and other energy purchases	4,488,199	4,919,017	4,914,085
Total generation and other power	<u>32,556,904</u>	<u>29,299,704</u>	<u>28,373,395</u>
Capacity (MW)			
Gas	3,339	3,325	3,316
Coal	1,345	2,185	2,185
Nuclear	1,036	1,036	1,064
Wind	1,069	1,059	1,059
Solar	546	496	446
Landfill gas	14	14	14
Total capacity	<u>7,349</u>	<u>8,115</u>	<u>8,084</u>
ELECTRIC PEAK DEMAND (MW)			
	5,081	4,866	5,017
DISTRIBUTION GAS PURCHASES (MMCF)			
	26,349	23,962	21,820
RESIDENTIAL AVERAGES (unbilled revenue not included)			
Electric			
Revenue per customer	\$ 1,489.73	\$ 1,472.41	\$ 1,443.05
kWh per customer (average)	13,464	13,406	13,425
Revenue per kWh	11.06¢	10.98¢	10.75¢
Gas			
Revenue per customer	\$ 283.08	\$ 286.27	\$ 273.74
MMCF per customer	31.8	28.1	26.6
Revenue per MMCF	\$ 8.91	\$ 10.18	\$ 10.30
RELIABILITY INDICES			
System Average Interruption Duration Index (SAIDI) (in hours)	0.908	0.900	0.957
System Average Interruption Frequency Index (SAIFI)	0.840	0.830	0.802

THREE- YEAR HIGHLIGHTS - UNAUDITED

	Fiscal Year Ended January 31,		
	2019	2018	2017
OPERATING REVENUE¹ (in thousands)			
Electric			
Residential	\$ 1,096,862	\$ 1,058,224	\$ 1,015,038
Commercial and industrial	884,043	867,021	831,662
Public authorities	229,523	229,645	220,861
Sales for resale	27,682	28,048	32,404
Street lighting and ANSL	22,182	21,877	21,101
Unbilled revenue	(25,896)	19,359	(6,170)
Other	16,653	16,794	17,751
Subtotal Retail	<u>2,251,049</u>	<u>2,240,968</u>	<u>2,132,647</u>
Wholesale			
Total	\$ 2,576,715	\$ 2,439,858	\$ 2,299,504
Gas			
Residential	\$ 93,398	\$ 92,882	\$ 87,877
Commercial and industrial	61,288	68,726	65,788
Public authorities	14,519	16,662	13,010
Unbilled revenue	(3,295)	609	(2,702)
Other	1,534	1,532	1,841
Total	\$ 167,444	\$ 180,411	\$ 165,814
SALES			
Electric (MWh)			
Residential	9,913,513	9,634,693	9,442,880
Commercial and industrial	9,584,259	9,416,836	9,389,924
Public authorities	2,792,584	2,813,559	2,832,861
Sales for resale	441,601	460,061	462,027
Street lighting and ANSL	90,460	93,208	95,806
Unbilled	(37,910)	101,360	(62,124)
Subtotal Retail	<u>22,784,507</u>	<u>22,519,717</u>	<u>22,161,374</u>
Wholesale			
Total	<u>31,340,607</u>	<u>28,016,830</u>	<u>27,103,468</u>
Gas (thousands of MCF)			
Residential	10,488	9,126	8,533
Commercial and industrial	12,218	11,315	11,119
Public authorities	2,885	3,049	2,390
Unbilled	145	286	(540)
Total	<u>25,736</u>	<u>23,776</u>	<u>21,502</u>
NUMBER OF CUSTOMERS (at year-end)			
Electric			
840,750	821,675	804,675	
Gas			
352,585	347,408	343,754	

¹ Includes unbilled electric and gas revenues.



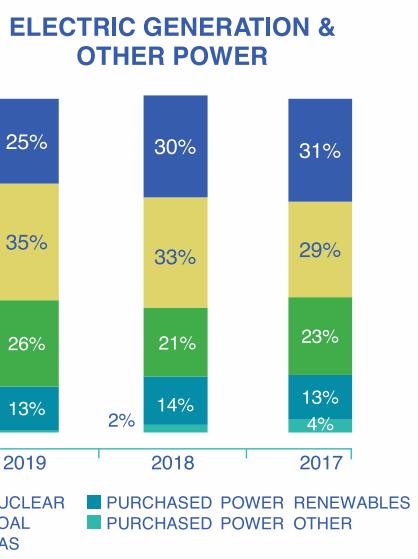
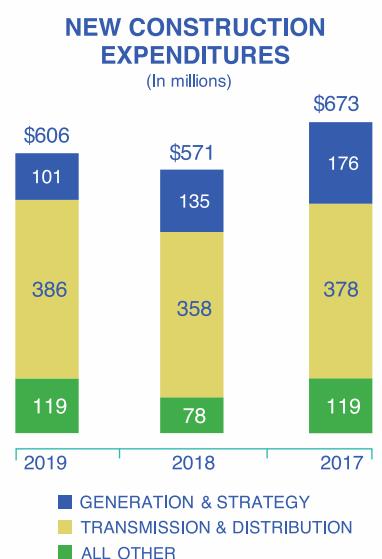
Paula Gold-Williams
President & Chief Executive Officer
(CEO)



Cris Eugster
Chief Operating Officer
(COO)



Felecia Etheridge
Chief Customer Engagement Officer
(CCEO)



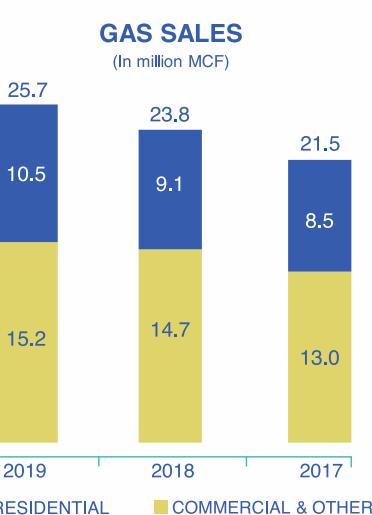
Fred Bonewell
Chief Security, Safety & Gas Operations Officer
(CSSGO)



Vivian Bouet
Chief Information Officer
(CIO)



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



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



Frank Almaraz
Chief Administrative & Business Development Officer
(CABDO)

BOARD OF TRUSTEES

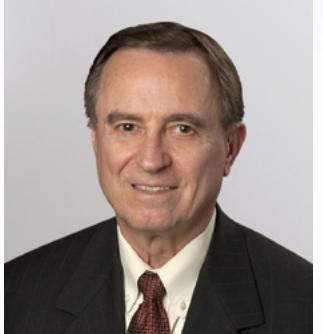
BUILDING FOR THE FUTURE



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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

We continue to make great progress on our new **McCullough Building**, which will become our main Downtown location in the fall of 2020. The McCullough Building will give CPS Energy a safe, modern, and attractive home for years to come. It will be instrumental in attracting top talent to work at our company, and will act as a model of energy efficiency for the community. Our future move will help add to the fabric of the Broadway corridor as we bring additional employees from other locations in the city to Downtown. This will also bring a positive economic impact to this specific area and Downtown as a whole. The project is on schedule and on budget.



Enhanced Customer
Services



Reliability &
Resilience



Community
Growth



Technology
Enablement



Sustainability



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