



# FY2026 BUDGET UPDATE

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*Informational Update*

# FY2026 BUDGET THEMES

## CONTINUED EXECUTION OF OUR PLAN

### GENERATION

- Execute Board-approved generation plan

### TRANSMISSION

- Adding transmission lines to support customers and ERCOT

### DISTRIBUTION

- Continue investing in electric & gas systems and supporting growth

### TECHNOLOGY

- Continue approved implementation of new ERP system

**CPS Energy's FY2026 budget builds on recent successes and enables continued execution of plans developed with input from the community.**

# CAPITAL BUDGET

## FY2026 BUDGET OF \$1,501M

**42% - \$638M**

### Electric and Gas Infrastructure Reliability

- Electric and Gas distribution and transmission infrastructure projects
- Minimize the quantity and duration of customer outages

**20% - \$296M**

### Customer Growth

- Upgrade and extend service to new customers
- New meters, subdivisions, and commercial services

**25% - \$368M**

### Power Sustainability and Reliability

- Generation fleet overhauls, planned upgrades, and new projects

**9% - \$136M**

### Technology & Security

- Address physical security risks, computer system upgrades, and computer-based communication

**4% - \$63M**

### Customer and Community Engagement and Shared Services

- Invest in Critical Support Operations - Administration, Financial Services, Legal, Customer, Fleet, and Real Estate Master Plan projects

**Our Capital budget addresses continued customer growth, while providing a reliable electric and gas system for our customers.**

# NON-FUEL O&M BUDGET

## FY2026 BUDGET OF \$982M

46% - \$450M	<b>Labor</b> <ul style="list-style-type: none"> <li>Salaries and Wages, Benefits, Other Compensation</li> </ul>
31% - \$305M	<b>Power Sustainability and Resiliency</b> <ul style="list-style-type: none"> <li>Generation fleet overhauls and seasonal maintenance to maximize plant availability and minimize downtime</li> </ul>
10% - \$100M	<b>Technology &amp; Security</b> <ul style="list-style-type: none"> <li>Maintain and assess enterprise technology systems, execute cyber security initiatives, and design future state of technology platforms</li> </ul>
8% - \$82M	<b>Electric and Gas Infrastructure Reliability</b> <ul style="list-style-type: none"> <li>Electric and Gas distribution and transmission infrastructure maintenance minimize the quantity and duration of customer outages</li> </ul>
5% - \$45M	<b>Customer and Community Engagement and Shared Services</b> <ul style="list-style-type: none"> <li>Investment in programs that promote engagement with customers and stakeholders</li> <li>Invest in Critical Support Operations, including Administration, Financial Services, and Legal</li> </ul>

**Our O&M budget supports key strategic initiatives, including Customer Growth and Outreach, Technology Improvements, and Reliability.**

# **FY2026 FINANCING PLAN**

## **SUPPORTING OUR CAPITAL BUDGET**

- Supporting our Capital Plan (\$1.5B)
  - Refunding of outstanding interim financing and / or new money
- Fiscal Flexibility (\$500M)
  - Renew / replace existing commercial paper liquidity as well as increase capacity
- Opportunities to Save Money (\$3.05B)
  - Refunding: NS 2009C, 2010A, Series 2010A, Ref. NS 2015, NS 2015, Series 2018, & Series 2020
  - Tender of taxable and tax-exempt bonds
  - Refunding authority of maximum EMCP outstanding

**Refinancing opportunities may generate debt service savings of \$13M - \$79M.**

# FY2026 BUDGET SUMMARY

	<u>FY2023</u> <u>Actual</u>	<u>FY2024</u> <u>Actual</u>	<u>FY2025</u> <u>Plan</u>	<u>FY2026</u> <u>Plan</u>
Fiscal Resiliency Score $\geq 3.0$			✓	✓
Adjusted Debt Service Coverage (ADSC) Ratio	1.66	2.21	1.60 - 1.99x	1.60-1.99x
Debt Capitalization Ratio	61.8%	60.8%	55% - 64%	55.01% - 64.99%
Days Cash On Hand (DCOH)	166	201	150 - 199	150 - 199
Days Liquidity on Hand (DLOH)	305	432	$\geq 275$	200 - 274
Capital	\$789M	\$1,005M	\$937M	\$1,501M
Non-Fuel O&M	\$689M	\$788M	\$890M	\$982M
R&R Fund Additions	\$385M	\$557M	\$320M	\$449M

This plan maintains financial health, supports strong credit ratings, and keeps borrowing costs low.



**THANK YOU**



# APPENDIX

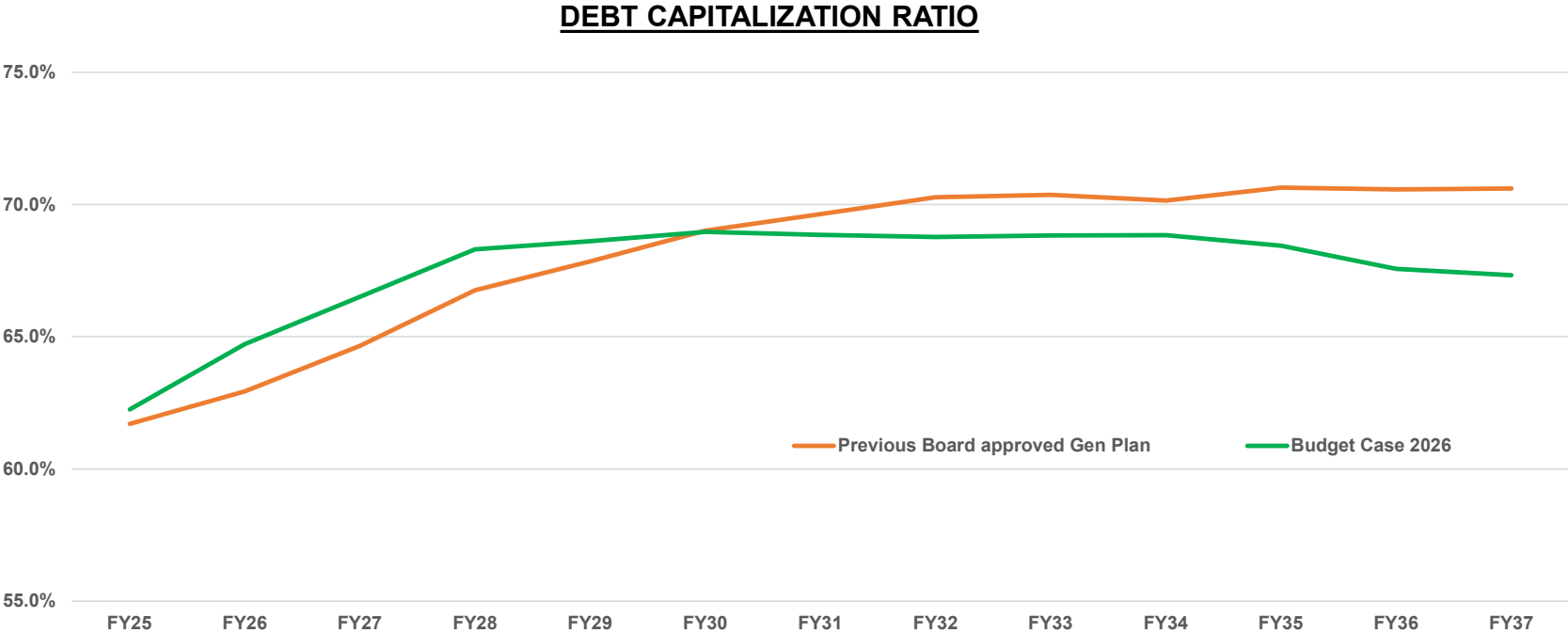


# GLOSSARY / DEFINITIONS



ACRONYM OR WORD	DEFINITION	ACRONYM OR WORD	DEFINITION
Adjusted Debt Service Coverage Ratio (ADSC)	Measurement of available cash flow to pay current debt obligations	FY	Fiscal Year
Days Cash on Hand (DCOH)	Represents the number of days a company can continue to pay its operating expenses with current cash available	NS	New Series, designation for Senior Lien bonds
Days Liquidity on Hand (DLOH)	Represents the number of days a company can continue to pay its operating expenses with no revenues using current cash and available lines of credit	O&M	Normal costs incurred to keep business operations ongoing (Operating & Maintenance)
Debt Capitalization Ratio	Measurement that shows the proportion of debt a company uses to finance its assets, relative to the amount of cash (equity) used for the same purpose	R&R	A restricted cash account which may be used to fund construction costs (Repair & Replacement account)
Debt Service	In the Flow of Funds, the annual amount of principal and interest payments due to bond holders	Tender	Bond issuer makes offer to buy their bonds from the bondholders
EMCP	Extendible Municipal Commercial Paper		
ERCOT	Electric Reliability Council of Texas		
ERP	Enterprise Resource Planning		
EV	Electric Vehicles		

# LONG-TERM FINANCIAL HEALTH



Our FY2026 Budget includes the value provided by the strategic acquisition of natural gas plants. This investment results in lower leverage in the long run.