



FY 2011 Financial Report & 10-Year Financial Performance

(Unaudited)

**February 2011
Board Information**

Statistical Summary

FY 10 - 11

Twelve Months Ended January 31

<i>(Dollars in Millions)</i>	PLAN		ACTUAL		LAST YEAR	
Net Income (Loss)	\$ 27.8	↑	\$ 86.0	↑	\$ 70.8	←
Total Operating Revenue	\$ 1,946.2	↑	\$ 2,077.5	↑	\$ 1,930.9	
Total Operating Expenses	\$ 1,516.3	↑	\$ 1,579.6	↑	\$ 1,510.0	
Nonfuel Operating Expenses ¹	\$ 512.7	↓	\$ 507.6	↑	\$ 474.6	←
Total Electric System Sales (TWh)	20.322	↑	20.768	↑	20.393	←
Total Electric Off-System Sales (TWh)	4.193	↑	4.487	↑	2.619	←
Total Generation and Other Power (TWh)	25.608	↑	26.316	↑	24.558	
Total Gas Sales (millions of MCF)	23.058	↑	23.977	↑	22.777	
City Payment (w/o additional transfers)	\$ 248.3	↑	\$ 277.0	↑	\$ 260.6	←
City Payment Effective Rate (w/o additional transfers)	12.6%	↑	13.2%	=	13.2%	
R&R Account Balance	\$ 332.1	↑	\$ 416.2	↑	\$ 290.9	
Additional R&R Deposit	\$ 43.6	↑	\$ 92.7	↑	\$ 53.8	←
Capital Spending	\$ 554.2	↓	\$ 492.4	↓	\$ 895.0	
Electric Customers (Average)	720,434	↓	713,390	↑	701,465	
Gas Customers (Average)	326,597	↓	323,525	↑	321,600	
Debt Percentage	60.7%	↓	60.1%	↑	58.3%	
Current Ratio	1.65	↓	1.42	↑	1.34	
Inventory Turnover Ratio (includes spares)	3.50	↑	3.78	↑	3.01	

¹ Nonfuel Operating Expenses include CPS O&M and STP O&M; exclude STEP, Grant Program, Fuel, and Decommissioning Expenses

One TWh (Terawatt hour) = One Billion kWh



NET INCOME SUMMARY

10-Year History – Fiscal Years Ended January 31, 2002-2011

(Dollars in Millions)

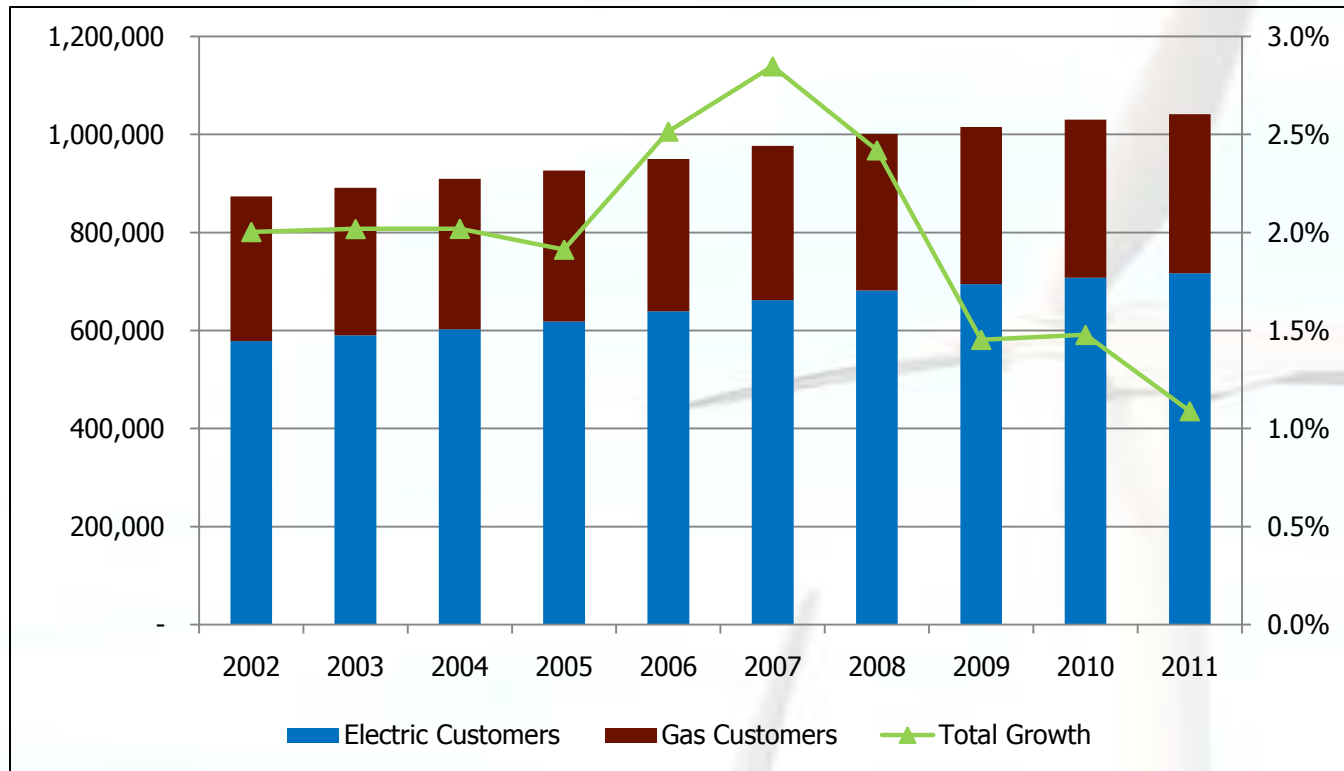
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Total Operating Revenue	\$ 1,201	\$ 1,301	\$ 1,504	\$ 1,422	\$ 1,683	\$ 1,770	\$ 1,861	\$ 2,151	\$ 1,931	\$ 2,077
Operating expenses										
Electric fuel and gas	350	369	534	492	639	660	701	899	689	671
STP O&M, including decommissioning	92	99	101	86	112	148	147	161	167	165
CPS Energy O&M ⁽¹⁾	237	273	275	268	271	294	325	337	332	378
Regulatory Assessments	17	22	46	42	37	29	23	31	36	43
Depreciation	189	217	229	237	246	262	265	283	286	322
Total operating expenses	885	980	1,185	1,125	1,305	1,393	1,461	1,711	1,510	1,580
Operating income	316	321	319	297	378	377	400	440	421	498
Nonoperating income (expense)										
Interest and other income	52	43	67	50	57	104	117	72	44	39
Interest and debt	(164)	(159)	(149)	(143)	(154)	(157)	(158)	(139)	(134)	(174)
Payments to City	(168)	(172)	(206)	(195)	(227)	(236)	(248)	(282)	(261)	(277)
Net Income ⁽²⁾	36	33	31	9	54	88	111	91	71	86
Sales data										
Electric (million MWH)	17.2	17.4	18.3	18.8	20.1	22.1	22.9	23.1	23.0	25.3
Gas (million MCF)	23.8	24.3	23.2	22.4	21.1	22.5	22.6	21.2	22.8	24.0

(1) CPS Energy O&M includes STEP Expenses and Weatherization Stimulus Grant Program Expenses.

(2) 2002-2006 includes Employee Benefit Plans and Decommissioning Trusts as component units.

CUSTOMER GROWTH

10-Year History – Fiscal Years Ended January 31, 2002-2011

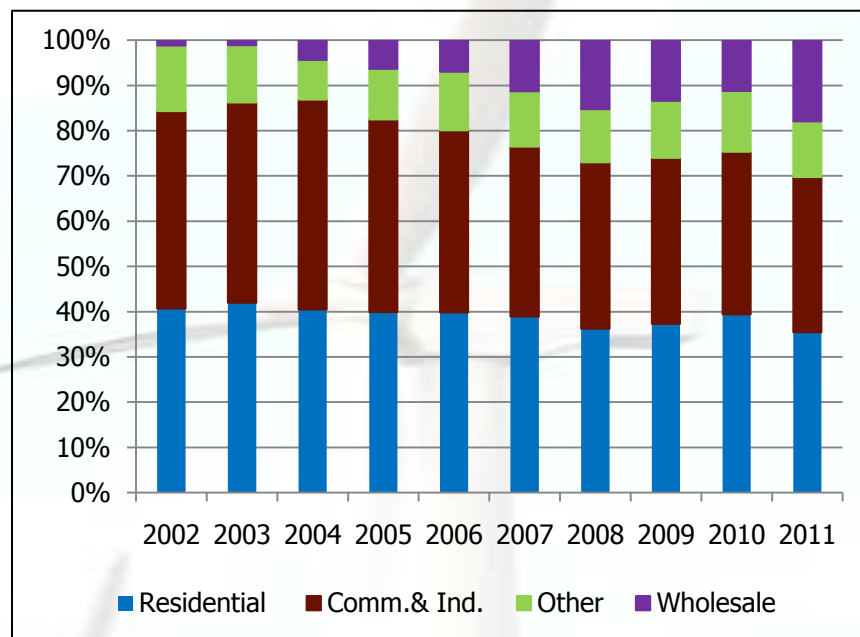
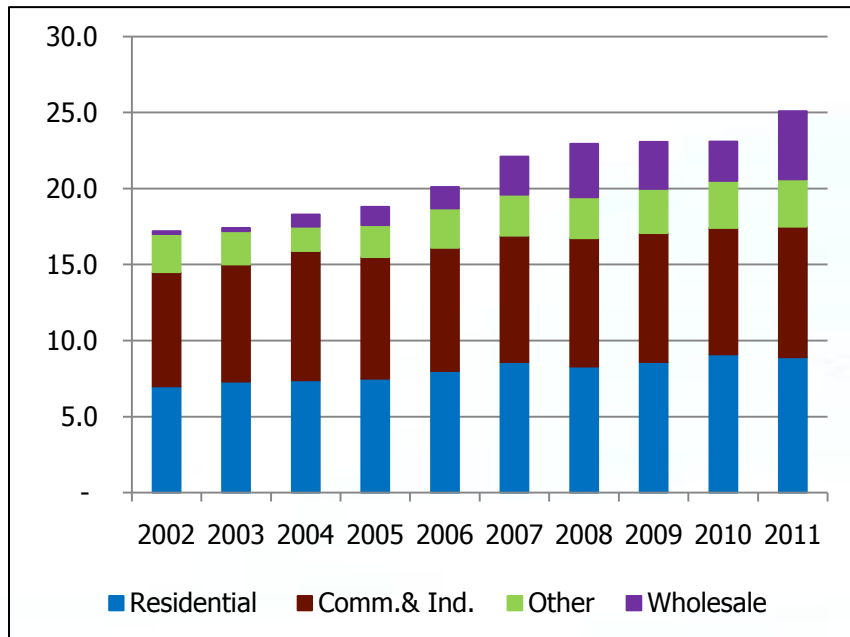


- **Added over 11,000 electric & gas customers in FY11**
- **Over the 10-year period, total customer growth has averaged 2.0%**

ELECTRIC SALES

10-Year History – Fiscal Years Ended January 31, 2002-2011

(Terawatt Hours)

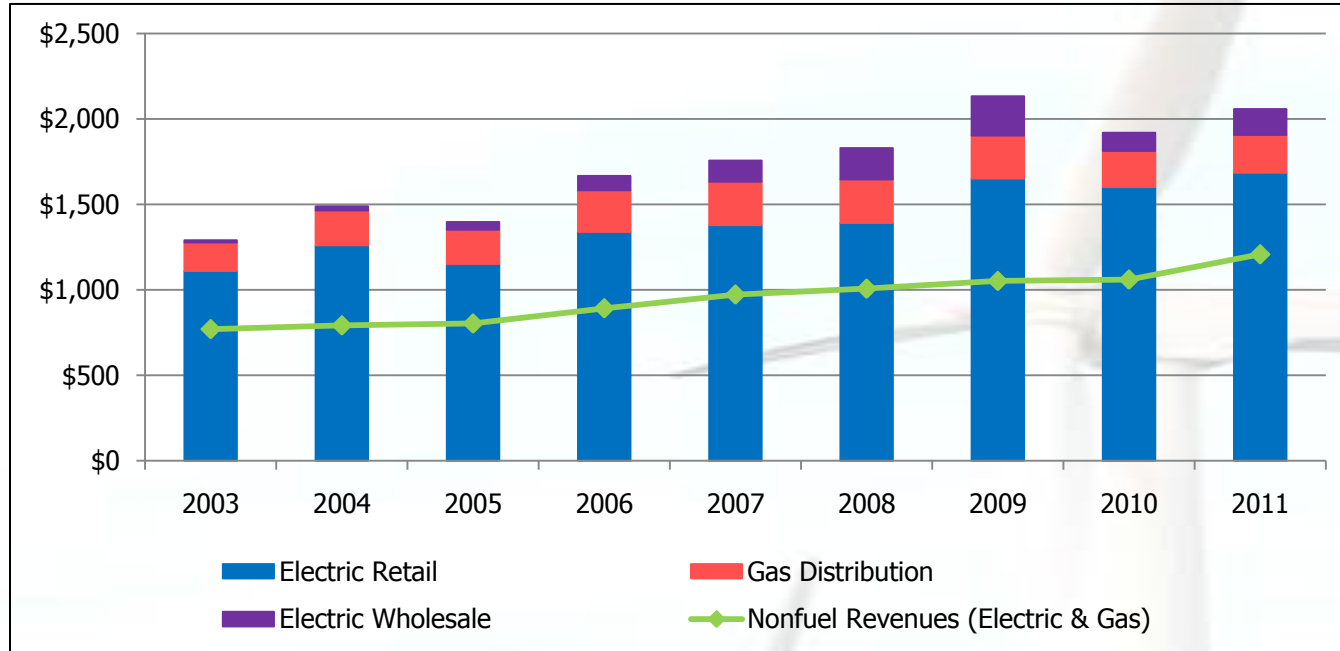


- Over the 10-year period, electric sales volume growth is primarily attributable to Residential and Wholesale
- In FY11, electric sales volume increase attributable to Wholesale activity

OPERATING REVENUES

10-Year History – Fiscal Years Ended January 31, 2002-2011

(Dollars in Millions)

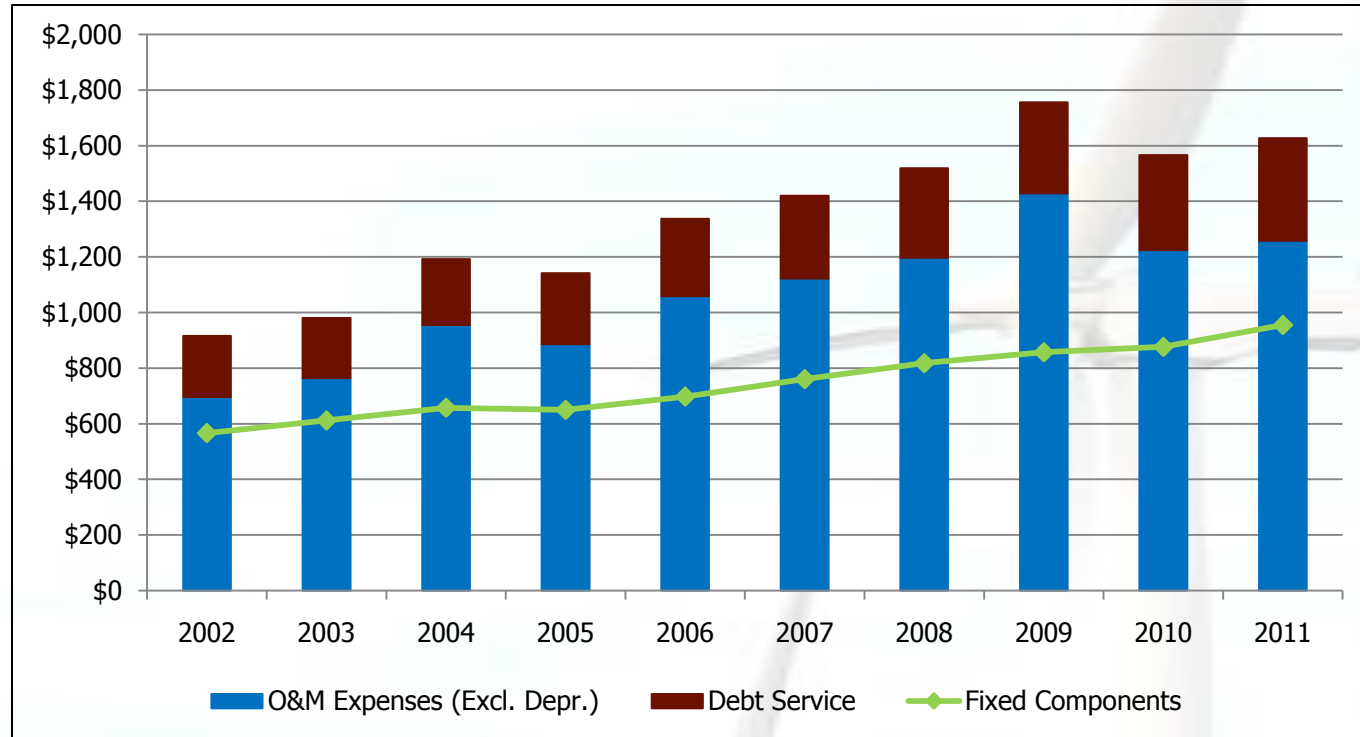


- **Total Operating Revenues for FY11 were greater than \$2.0 billion, with Electric Retail continuing to account for the majority of revenue**
- **Nonfuel revenues have increased steadily due to customer growth and recent rate support**

EXPENSE & DEBT SERVICE

10-Year History – Fiscal Years Ended January 31, 2002-2011

(Dollars in Millions)

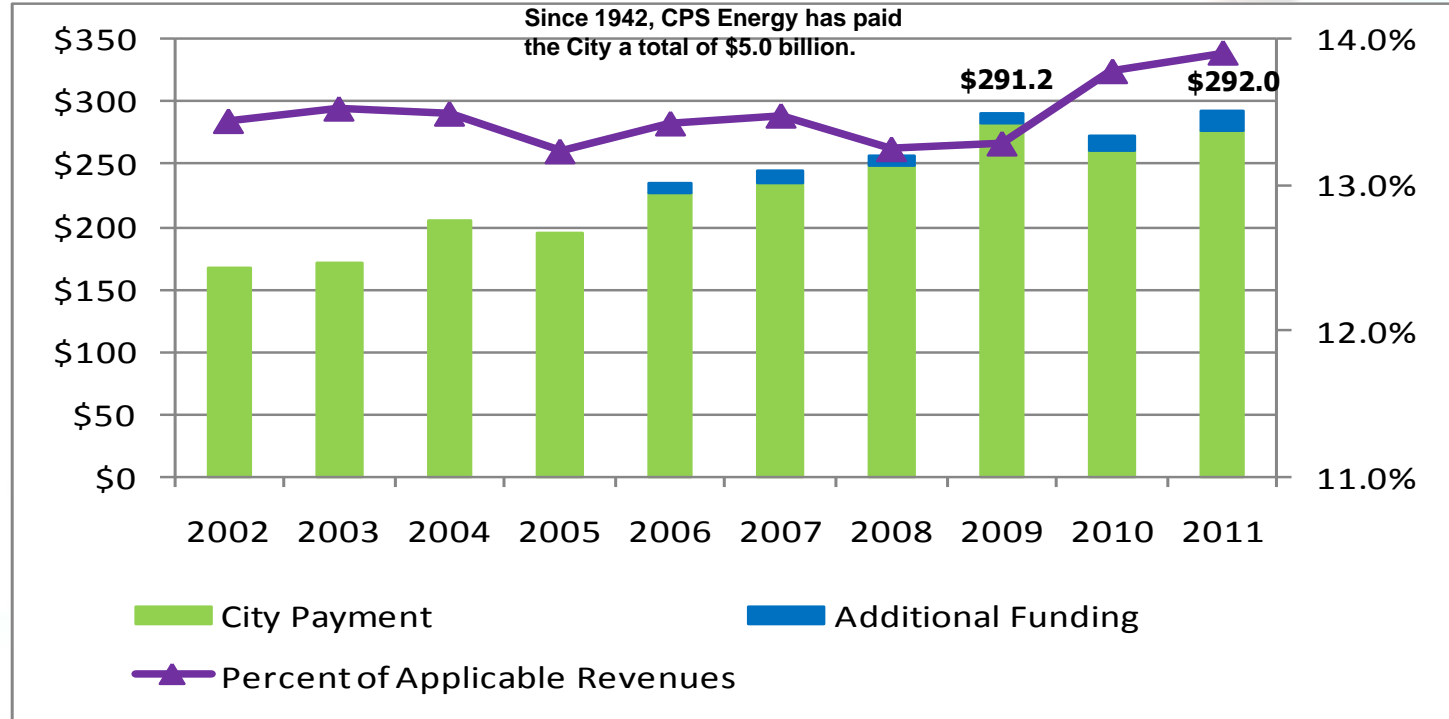


- **Total Operating Expense, which can be impacted by the volatility of fuel prices, and Debt Service have steadily increased**
- **Excluding the effects of fuel, the fixed components have been steadily increasing due to Debt Service and employee-related costs**

CITY PAYMENT

10-Year History – Fiscal Years Ended January 31, 2002-2011

(Dollars in Millions)

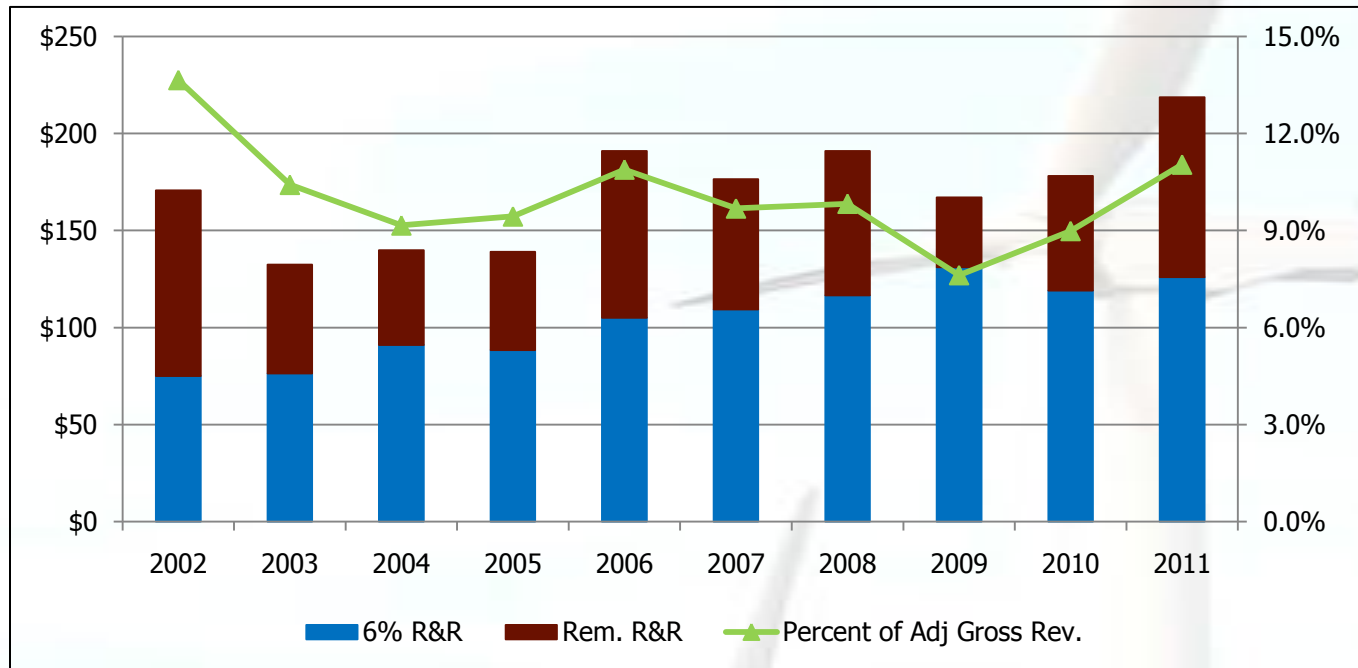


- In FY11, general fund transfers to the City were \$292 million, which included \$15 million of additional transfers
- Increase in City Payment has been attributable to revenue growth, including the impact of fuel

REPAIR & REPLACEMENT (R&R) ADDITIONS

10-Year History – Fiscal Years Ended January 31, 2002-2011

(Dollars in Millions)

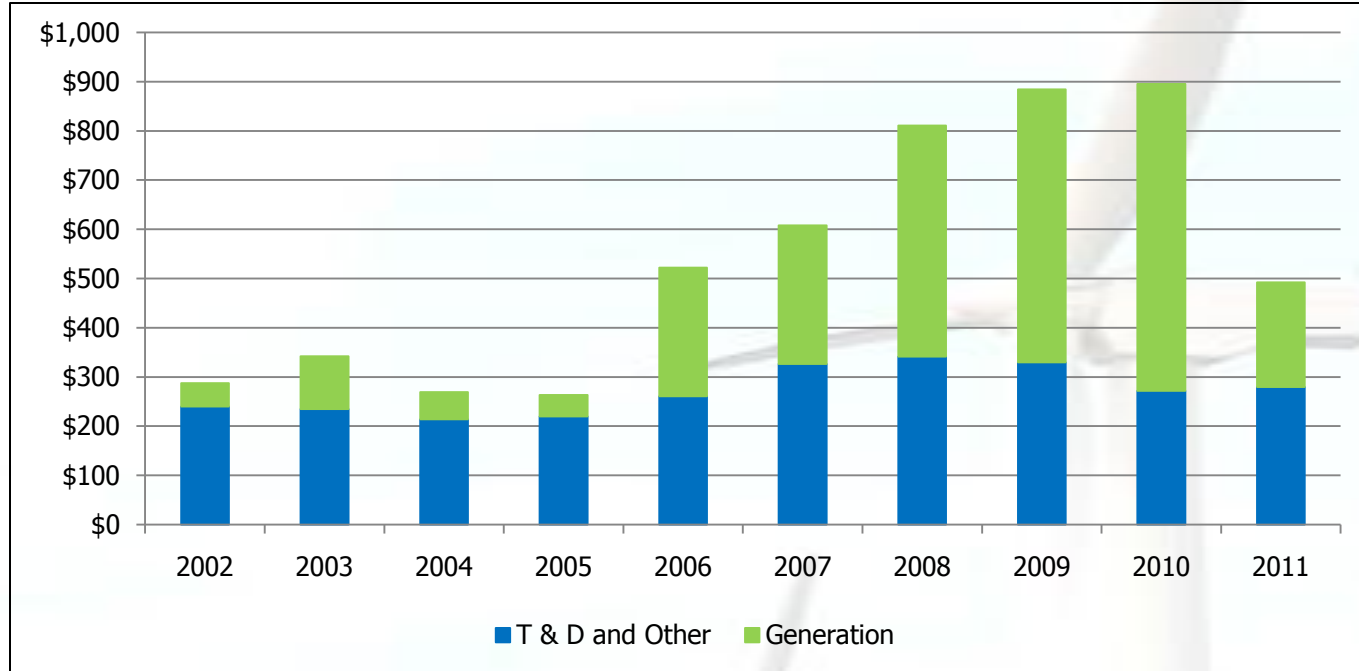


- R&R is used to support the capital program
- In FY11, additional R&R additions were \$92.7 million, and total R&R additions were \$218.7 million
- FY11 is the first year of the 2-year rate plan

CAPITAL PROGRAM

10-Year History – Fiscal Years Ended January 31, 2002-2011

(Dollars in Millions)

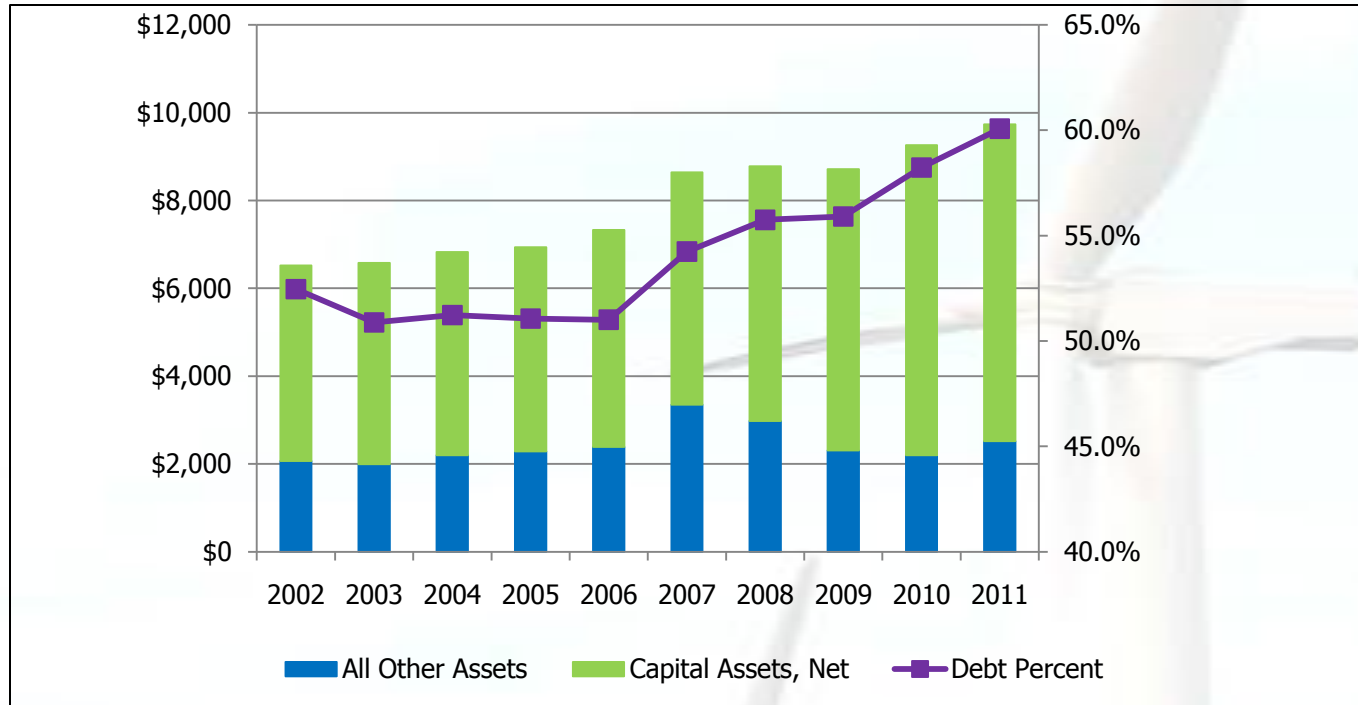


- **FY11 capital expenditures were \$400 million less than FY10 due to completion of Spruce 2, Braunig peaker projects, STP 3&4 settlement**
- **Capital expenditures have primarily been driven by the need for additional generation capacity and environmental projects**

BALANCE SHEET & DEBT PERCENT

10-Year History – Fiscal Years Ended January 31, 2002-2011

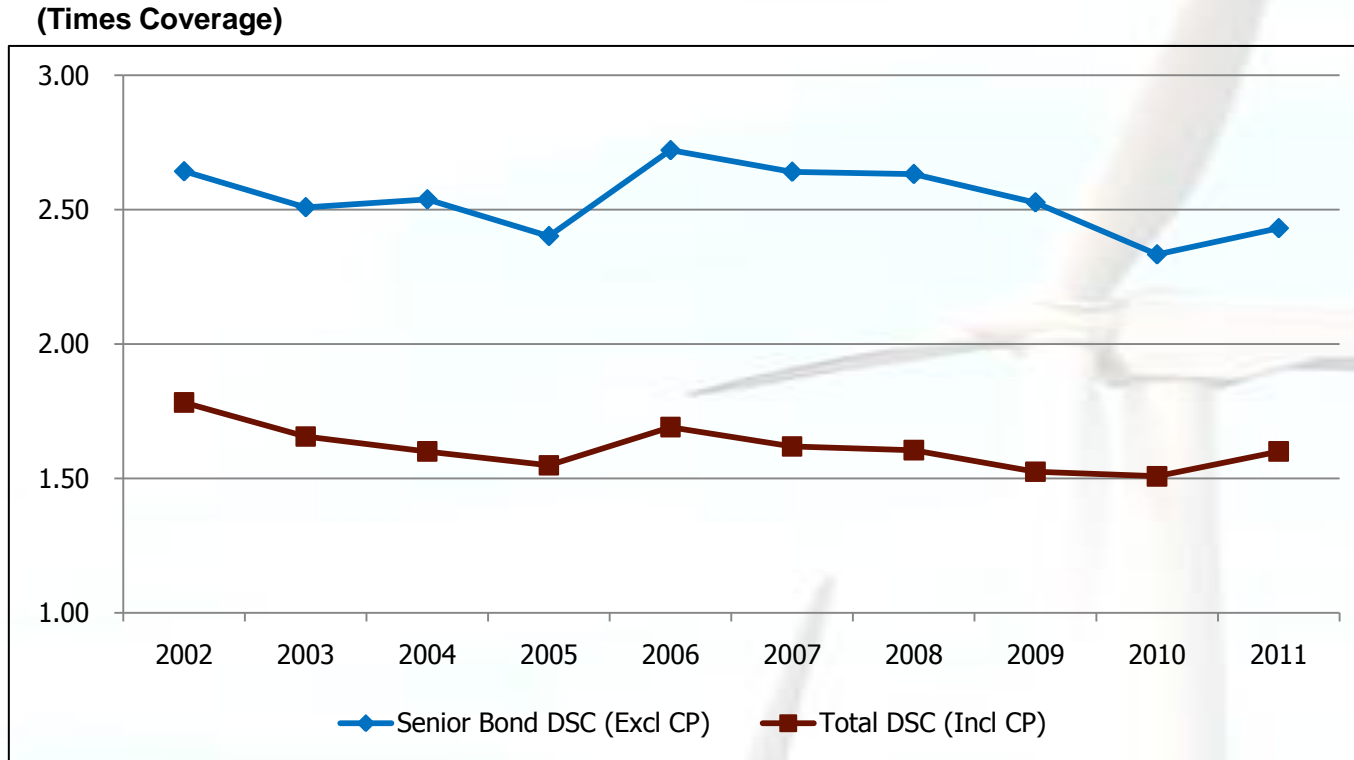
(Dollars in Millions)



- Increase in capital expenditures over the last few years has resulted in an increase in capital assets
- Funding for these capital additions has primarily come from debt issuances, resulting in an increase in debt percentage

DEBT SERVICE COVERAGE

10-Year History – Fiscal Years Ended January 31, 2002-2011



- Increase in debt with the capital program has put steady pressure on debt coverage ratios
- Additional revenues from the rate increase in FY11 helped reverse the trend

Recap

- **FY11 – Solid Financial Year**
- **Strong Sales Volumes – all segments**
- **Expenditures – cognizant of our rate commitment, making adjustments as necessary**
- **Improvement Opportunities – continuing to identify operationally and financially**

Questions?