



# City of San Antonio

## Agenda Memorandum

**File Number:**

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**Agenda Item Number:** 19

**Agenda Date:** April 20, 2023

**In Control:** City Council A Session

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**DEPARTMENT:** Finance Department

**DEPARTMENT HEAD:** Troy Elliott

**COUNCIL DISTRICTS IMPACTED:** Citywide

**SUBJECT:**

Authorizing CPS Energy's FY2024 New Series Commercial Paper Program ("Companion CP Program") to house the previously approved \$300M of additional CP capacity and maintain advantageous pricing under the current credit agreements

**SUMMARY:**

CPS Energy requests authorization to execute a Companion CP Program in an amount not to exceed \$1,000,000,000 when combined with CPS Energy's existing commercial paper program to maintain current favorable terms.

**BACKGROUND INFORMATION:**

CPS Energy issues revenue debt periodically to finance new capital construction and capital improvement projects and/or to refinance, defease, or restructure outstanding revenue debt. CPS Energy has a Debt Management Plan (the "Plan") providing guidelines under which financings and debt transactions are managed. The Plan focuses on lowering debt service costs by refunding outstanding debt to achieve savings, utilizing alternative financing methods to capitalize on favorable market conditions, outlining an optimal capital structure, and maintaining favorable financial ratios.

### **Companion CP Program Creation and Approval of Related Documentation:**

CPS Energy has historically maintained a CP Program to provide taxable and tax-exempt interim financing for various purposes. The CP Program currently permits commercial paper (“CP”) to be issued from time to time and continues to be a low interest rate option for capital plan financing. On December 1, 2022, City Council approved the expansion of CPS Energy’s CP Program from \$700,000,000 to \$1,000,000,000. CPS Energy’s current credit agreements are locked in for multiple years at advantageous pricing. In order to forego renegotiating agreements that could expose CPS Energy to higher costs due to current market conditions, CPS Energy is seeking to establish a companion program to house the previously approved additional CP capacity of \$300,000,000, pursuant to a Companion CP Program ordinance (the “Companion CP Ordinance”). CPS Energy plans to transition liquidity agreements into the Companion CP Program upon the related expiration of each liquidity agreement. Thereafter, CPS Energy no longer plans to have active liquidity agreements under the existing CP program. At no time will the two programs exceed the Council authorized capacity limits on a combined basis.

### **Procedures Applicable to the Foregoing Transactions:**

The Ordinance contains a delegation of authority, pursuant to Chapter 1371, as amended, Texas Government Code, that allows CPS Energy’s Designated Financial Officers, such as the President & CEO or CFO, as defined in the Companion CP Ordinance, the flexibility to effectuate the transactions at the times when market conditions are most favorable to CPS Energy. This delegation authorization permits the adoption of the Companion CP Ordinance without stating the applicable interest rates, which will be formally set, within pricing parameters specified in the Companion CP Ordinance pursuant to the Plan, upon the execution of an Approval Certificate related to the foregoing by CPS Energy’s Designated Financial Officers. This practice permits CPS Energy to avail itself of advantageous market conditions, maintain current liquidity providing advantageous pricing, and allowing the greatest opportunity to provide savings to ratepayers. The Companion CP Ordinance allows transactions to be completed over a one-year period to fully accomplish its purpose. The amounts disclosed for the transactions discussed herein, as well as the pricing and execution dates, are preliminary and subject to change based on actual market conditions.

### **COMPANION CP PROGRAM TRANSACTION SCHEDULE:**

<u>Date</u>	<u>Action</u>
April 20, 2023	Approve Companion CP Ordinance pursuant to a delegated authority
TBD	Within 12 months, execute the establishment of the Companion CP Program

### **ISSUE:**

CPS Energy requests authorization to execute on the new series commercial paper program, combined with the existing commercial paper program, in an amount not to exceed \$1,000,000,000, and approval of all related documentation.

**ALTERNATIVES:**

The City could wait to adopt the Companion CP Ordinance at any time in the next twelve months. However, due to (1) a volatile interest rate environment, and (2) to maintain the current advantageous agreement provisions under the current CP Program, it is advisable to proceed with adopting the Companion CP Ordinance now. Adoption on April 20, 2023 allows CPS Energy, in consultation with its Co-Financial Advisors, to determine when to execute the Companion CP Program transaction in accordance with market conditions that will ensure financial savings to the City and CPS Energy.

**FISCAL IMPACT:**

The debt service from the FY2024 Companion CP Ordinance is within the current rate structure approved by City Council and will have no fiscal impact on the City.

**RECOMMENDATION:**

The CPS Energy Board of Trustees, the Supervisor of Public Utilities, and City Staff recommend approval of the FY2024 Companion CP Ordinance.