



City of San Antonio

Agenda Memorandum

File Number:

Agenda Item Number: 1

Agenda Date: December 8, 2021

In Control: City Council B Session

DEPARTMENT: Finance Department

DEPARTMENT HEAD: Troy Elliott

COUNCIL DISTRICTS IMPACTED: Citywide

SUBJECT:

Briefing from City's Public Utilities Supervisor on CPS Energy's requested rate increase and establishment of a regulatory asset.

SUMMARY:

City Council will receive a briefing from the City's Public Utilities Supervisor on recommendations related to CPS Energy's requested rate increase and establishment of the regulatory asset for fuel and other related costs associated with Winter Storm Uri.

BACKGROUND INFORMATION:

The position of Supervisor of Public Utilities is created under the City Charter and its responsibilities are currently combined with the City's Chief Financial Officer. This position has the responsibility to review requests to adjust rates and issue debt from the City owned utilities, CPS Energy and the San Antonio Water System, and provide recommendations to the City Manager and the Mayor & City Council. A comprehensive review is performed with the support of staff in the Public Utilities division of the Finance Department.

Over the past several months, CPS Energy staff have discussed the need for a potential rate increase with its Board of Trustees. Prior to formally initiating a rate review process with the City,

a draft proposed rate increase was submitted to the City's Public Utilities division in September 2021 to allow City staff to begin to review aspects of the proposed rate increase in detail. Subsequently, City staff proposed a revised rate strategy focusing solely on a proposed rate increase effective early next calendar year that provides CPS Energy with the funding to stabilize financially while also allowing the recovery of costs paid to date for Winter Storm URI. City and CPS Energy staff have collaborated on this revised rate strategy over the past several weeks culminating in a revised rate case. This revised proposed rate increase was presented in B-Session on December 1, 2021.

By focusing on immediate financial pressures, the revised approach provides time for important analysis and dialogue on key policy issues such as generation planning and the design of customer rates to occur with the Rates Advisory Committee, CPS Energy Board of Trustees, and others. Additionally, it also provides time for more clarity to be gained on areas such as bad debt related to the pandemic and fuel costs associated with Winter Storm URI.

The revised rate case proposes the following two components: 1) a base rate increase; and 2) the establishment of a regulatory asset related to CPS Energy's fuel cost from Winter Storm URI. The base rate increase will support CPS Energy's operations and maintenance expenses, capital plan, and associated financing plan. The establishment of the regulatory asset will allow CPS Energy to mitigate the impact of the fuel costs from Winter Storm URI on CPS Energy customers.

Public Utilities Staff completed a comprehensive review of CPS Energy's proposed rate case. A detailed report will be attached to this item and provided prior to the B-Session on December 8th. Based on this review, Staff's professional recommendation approval of the following. Additional recommendations are included in the detailed report and will also be presented during B-Session.

- Proposed 3.85% system-wide increase in electric and gas base rates to become effective March 1, 2022, to support CPS Energy's operations and maintenance expenses, capital plan, and associated financing plan.
- Establishment of a Regulatory Asset up to \$1.005 billion related to CPS Energy's fuel costs from Winter Storm Uri.
 - Debt financing of Winter Storm Uri fuel costs paid by CPS Energy through the end of calendar year 2021 (approximately \$418 million) over a 25-year period with recovery of the associated annual debt service requirements through the fuel adjustment component of customer bills beginning on March 1, 2022.
 - Procedures for the potential future recovery of amounts related to the approximately \$587 million in Winter Storm Uri fuel costs currently being disputed by CPS Energy as resolution to these costs occurs in the future.

The planned schedule of meetings on the rate request are as follows:

Date	Agenda	Description	
December 1, 2021	B-Session	Briefing from CPS Energy to include revenue requirements, proposed rate increase, operations and maintenance budget, capital budget, finance plan, and establishment of a regulatory asset for fuel costs associated with Winter Storm URI.	✓

December 8, 2021	B-Session	Briefing from City's Public Utilities Supervisor on recommendations related to the requested rate increase and establishment of the regulatory asset for fuel costs associated with Winter Storm URI.	
December 15, 2021	B-Session	Follow-Up from the work sessions on December 1 st and December 8 th ; Continued discussion and responses to questions regarding the requested rate increase and proposed regulatory asset.	
January 13, 2021	A-Session	Consideration by City Council of Ordinances for a proposed rate increase and establishment of regulatory asset for fuel costs associated with Winter Storm URI.	

ISSUE:

Item is for briefing purposes only.

ALTERNATIVES:

Item is for briefing purposes only.

FISCAL IMPACT:

Item is for briefing purposes only.

RECOMMENDATION:

Item is for briefing purposes only.