



City of San Antonio

Agenda Memorandum

File Number:

Agenda Item Number: 1

Agenda Date: November 8, 2023

In Control: City Council B Session

DEPARTMENT: Finance Department

DEPARTMENT HEAD: Troy Elliott

COUNCIL DISTRICTS IMPACTED: Citywide

SUBJECT:

CPS Energy Proposed Rate Increase

SUMMARY:

CPS Energy staff will provide a briefing on the business case for a proposed rate increase and the establishment of a regulatory asset for pension expense.

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. Those recommendations are based on a comprehensive review of the business case supporting a rate request performed by the Supervisor of Public

Utilities 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, the City, and the community. During this time, City staff have been working collaboratively with the CPS Energy team on the proposed rate request and business case. This work is ongoing and anticipated to be completed by Friday, November 3rd. However, based on the work done to date, the preliminary rate increase is 4.25% as of the date of this memo. This compares to a forecasted increase of 5.5% provided with the last rate request from CPS Energy in the fall of 2021. The proposed rate increase and business case will be presented by CPS Energy in the B-Session on November 8, 2023.

The rate request has the following two components: 1) a base rate increase; and 2) the establishment of a regulatory asset for pension expense. The base rate increase will support CPS Energy's operations and maintenance expenses, capital plan, and associated financing plan. In the last rate request, the Public Utilities Supervisor recommended CPS Energy review the treatment of pension expense in the rate model in order to smooth volatility caused by swings in pension plan asset values. The establishment of the regulatory asset implements that recommendation.

The formal process for City Council consideration of a rate request is anticipated to begin with a formal briefing to the CPS Energy Board of Trustees the morning of November 8th. The following table reflects the schedule for consideration of a rate request by the City from CPS Energy.

Date	Agenda	Description
November 8, 2023	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 pension expense.
November 30, 2023	Special Session	Briefing from City's Public Utilities Supervisor on recommendations related to the requested rate increase and establishment of the regulatory asset for pension expense; follow-up from the B-session of November 8th for continued discussion and responses to questions posed.
December 7, 2023	A Session	Consideration by City Council of Ordinances for a proposed rate increase and establishment of regulatory asset for pension expense.

ISSUE:

CPS Energy staff will present information related to CPS Energy's revenue requirements, proposed rate increase, operations and maintenance budget, capital budget, finance plan, and establishment of a regulatory asset for pension expense.

ALTERNATIVES:

Item is for briefing purposes only.

FISCAL IMPACT:

Item is for briefing purposes only.

RECOMMENDATION:

Item is for briefing purposes only.