

**THIS IS A DRAFT AND WILL BE REPLACED BY THE FINAL, SIGNED
ORDINANCE OR RESOLUTION ADOPTED BY CITY COUNCIL.**

ORDINANCE

**APPROVING AN INCREASE OF 3.85 PERCENT TO THE CPS ENERGY
ELECTRIC AND GAS BASE RATES (SYSTEM AVERAGE) EFFECTIVE
MARCH 1, 2022; TARIFF AMENDMENTS TO IMPLEMENT THE RATE
ADJUSTMENTS; AND AMENDMENTS TO THE AFFORDABILITY
DISCOUNT PROGRAM FOR QUALIFYING LOW-INCOME
CUSTOMERS**

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WHEREAS, pursuant to Chapter 1502 of the Texas Government Code, the City Council, acting in its regulatory capacity, has original jurisdiction over the rates of CPS Energy and shall establish rates that are equal and uniform; and

WHEREAS, Chapter 1502 requires City Council to set rates sufficient to cover all operating, maintenance, depreciation, replacement, improvements, and interest charges in connection with CPS Energy's utility system, and such rates shall cover all outstanding debt against the system, including any sinking funds established to pay outstanding public securities; and

WHEREAS, CPS Energy operates a combined electric and gas utility system on behalf of the City of San Antonio with management by the CPS Energy Board of Trustees as an independent body with control over the utility system's revenues and day-to-day operations; and

WHEREAS, the City Charter created the position of Supervisor of Public Utilities authorized to oversee the activities of CPS Energy and with regards to proposed rate adjustments, review and assemble the facts which are essential to the proper determination of cost of service necessary for the City Council to establish reasonable and prudent utility rates; and

WHEREAS, the City Council approved the last CPS Energy rate adjustment on November 7, 2013 - a 4.25 percent increase in electric and gas base rates; and

WHEREAS, on January 10, 2022, the CPS Energy Board of Trustees approved submitting to City Council a proposed 3.85 percent increase in its electric and gas base rates; and

WHEREAS, the proposed rate increase addresses CPS Energy's immediate financial pressures and establishes a base rate plan that will continue to get updated as decisions on policy issues are implemented and areas of uncertainty continue to evolve; and

WHEREAS, the proposed rate increase is also designed to assist CPS Energy in maintaining a strong financial position, attaining its long-term financial goals, meeting the capital and maintenance requirements of both the electric and gas systems, meeting the flow-of-funds

requirements as set out in the CPS Energy bond ordinances, and maintaining a strong credit rating; and

WHEREAS, the City Council held three meetings regarding the proposed rate increase: 1) the first meeting on December 1, 2021 to receive a briefing from CPS Energy relating to the utility system's revenue requirement; 2) the second meeting on December 8, 2021 to receive a briefing and recommendations from the City's Supervisor of Public Utilities; and 3) the third meeting on December 15, 2021 to continue discussion of the proposed rate increase; and

WHEREAS, the Supervisor of Public Utilities and his staff conducted a comprehensive analysis of the financial data supporting the proposed rate increase, including examination of the following information: (1) the economic/rate model; (2) sales forecast; (3) revenue requirements; (4) operations and maintenance budget; (5) capital plan; (6) financing plan; (7) financial targets and metrics; (8) credit considerations; (9) financial statements; (10) rate design; (11) affordability programs; and (12) bill impacts; and

WHEREAS, the Supervisor of Public Utilities' report on the results of the comprehensive review was presented to City Council on December 8, 2021 and is attached as **Exhibit A**; and

WHEREAS, based on the comprehensive review, the Supervisor of Public Utilities recommends a system average rate increase of 3.85 percent to CPS Energy electric and gas base rates to maintain the financial integrity of utility system and an adjustment to the Affordability Discount Program to mitigate increased costs on vulnerable residents; and

WHEREAS, CPS Energy maintains an Affordability Discount Program available to customers who have income at or below 125 percent of Federal poverty guidelines and meet one of the following criteria: are elderly; are disabled; use life-sustaining medical equipment; or have children under the age of 18 years; and

WHEREAS, a combined electric and gas base rate adjustment of 3.85 percent would equate to an estimated \$3.84 per month increase on the average residential customer bill, and CPS Energy proposes increasing the discount of the Affordability Discount Program by \$3.84 to mitigate the impact of increased costs on low-income customers; and

WHEREAS, CPS Energy proposes the following adjustments to the Affordability Discount Program: (1) increase electric customer average monthly Affordability Discount from \$8.55 to \$11.67, and (2) increase gas customer average monthly Affordability Discount from \$3.75 to \$4.47; and

WHEREAS, the City Council finds that the proposed rate increase to CPS Energy's system average electric and gas base rates, and the proposed amendments to the Affordability Discount Program are consistent with Section 1502.057 of the Texas Government Code; **NOW THEREFORE:**

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF SAN ANTONIO:

SECTION 1. After holding a public hearing for consideration of the CPS Energy proposed rate increase, the City Council, acting in its regulatory capacity, hereby approves a system average rate increase of 3.85 percent to electric and gas base rates, effective March 1, 2022.

SECTION 2. The revised tariff sheets attached as **Exhibit B and C**, which are incorporated herein for all purposes, are hereby approved to implement the rate increase among CPS Energy electric and gas customers effective March 1, 2022.

SECTION 3. The Affordability Discount Program, incorporated into **Exhibit B and C** as Rider E17 (electric service tariffs) and Rider G4 (gas service tariffs), is hereby approved, effective March 1, 2022.

SECTION 4. The City Council finds that the CPS Energy revenue requirement is reasonable, and the proposed expenditure of funds is prudent and necessary in order to maintain the current level of quality service to CPS Energy customers.

SECTION 5. The revised electric and gas rates have been adopted after consideration of relevant facts and policy issues, and based on such consideration, the City Council hereby finds that said rate increase is in the public interest, fair and reasonable, equal and uniform, nondiscriminatory, and necessary to meet the operating and maintenance expenses of the combined electric and gas system and pay the principal and interest on utility revenue bonds.

SECTION 6. The City Council hereby finds that the amendments to the Affordability Discount Program to provide discounts to low-income electric and gas customers is in the public's interest, fair and reasonable, and nondiscriminatory.

SECTION 7. This Ordinance shall become effective immediately upon passage by eight (8) or more votes of the City Council and if passed upon fewer than eight (8) votes after the tenth (10th) day after passage thereof.

PASSED AND APPROVED, this 13th day of January 2022.

M A Y O R
Ron Nirenberg

Attest:

Approved As to Form:

Debbie Racca-Sittre, Acting City Clerk

Andrew Segovia, City Attorney

EXHIBIT A

DRAFT

EXHIBIT B

EXHIBIT C