



RATE REQUEST & REGULATORY ASSET RECOMMENDATION

PRESENTED BY:

Rudy Garza
Interim President & CEO

January 13, 2022

AGENDA



- **RATE REQUEST**
- **USE OF ADDITIONAL FUNDS**
- **WINTER STORM URI IMPACT & REGULATORY ASSET**
- **CUSTOMER IMPACT & ASSISTANCE**
- **LOOKING FORWARD**
- **ALIGNMENT WITH OUR OWNER & REGULATOR**
- **COMMUNITY OUTREACH**
- **ADVISORY COMMITTEE INPUT**
- **CLOSING COMMENTS**

OVERCOMING OBSTACLES & CREATING STABILITY



+125k Electric Customers & +36k Gas Customers



+222 MW Peak System Demand



+\$1 Billion in Assets



Aging Technology Platforms



~300 Fewer Employees

The proposed rate request creates stability so that we may better serve our community.

RATE REQUEST



Base Rate
Increase⁽¹⁾

3.85%

Revenue
Increase⁽²⁾

~\$73M

Rate increase planned for March 1, 2022 effective date.

(1) Applies only to base portion of bill & does not apply to fuel & regulatory charges.

(2) Represents annualized amount. FY2023 actual revenue increase of ~\$67M due to start in March (only 11 months).

WHAT IS INCLUDED IN THE \$73M?



Infrastructure *Resiliency* \$31M

- Enhanced customer communications
- Improved experience during controlled outages
- Upgraded freeze protection at power plants
- Alternative fuel sources for generation



Technology \$15M

- Assess current state of software system & define business requirements to meet customer needs
- Design plan to deliver required technology to support future operations



Growth \$14M

- Substation additions & expansions
- Re-routing electric lines to accommodate new construction
- Additional poles, wires & meters



People \$13M = Total \$73M

- Fill ~400 vacant positions & resume normal staffing
- Raise minimum wage to \$18/hr.
- Market adjustments to attract & retain talent
- Reinstate annual merit-based salary adjustments

WINTER STORM URI COSTS



We have paid \$418M in reasonable, validated costs for Winter Storm Uri. We propose recovering these costs over 25 years beginning on March 1, 2022 through the fuel adjustment on bills.

**Annual
Cost**

~\$24M

**Residential
Bill Impact⁽¹⁾**

~\$1.26/mo.

Future costs will be reviewed & validated before being passed on to customers through the fuel adjustment.

(1) Paid Winter Storm Uri costs will be recovered as a kWh/CCF adder; bill impact depends on usage.

TOTAL AVERAGE RESIDENTIAL BILL IMPACT



	<u>Bill Impact</u> \$	<u>Bill Impact</u> % ⁽¹⁾
Base Rate Increase: <i>(3.85% base rate increase equivalent to ~\$73M annual revenue)</i>	~\$3.84/mo.	2.5%
Winter Storm Uri Costs:	~\$1.26/mo.	0.8%
Total Bill Impact⁽²⁾:	~\$5.10/mo.	3.3%

If approved, these changes will be reflected on bills beginning March 1, 2022.

(1) Includes base revenue + fuel & regulatory revenue
(2) Represents system average bill impact to residential electric & gas customer

AFFORDABILITY DISCOUNT PROGRAM (ADP)

Recommendation: Offset proposed base rate increase

- Increase enrollment funding by ~**14,000 customers** to 65,000
- Increase customer discount to **\$16.14 per month**

Proposed Discount Statistics:

	Electric	Gas	Combined	
			Month	Year
Current Discount	\$8.55	\$3.75	\$12.30	\$147.60
Additional Proposed Discount	<u>\$3.12</u>	<u>\$0.72</u>	<u>\$3.84</u>	<u>\$46.08</u>
Total Proposed Discount	\$11.67	\$4.47	\$16.14	\$193.68

The ADP discount will be increased to mitigate the impact of the potential rate increase on ADP customers.

RESIDENTIAL BILL IMPACTS

INCLUDING WINTER STORM URI RECOVERY



kWh	CCF	\$IMPACT	%IMPACT
500	10	\$2.32	~3.0%
1,000	20	\$4.57	~3.3%
1,500	35	\$6.97	~3.4%
2,000	50	\$9.35	~3.5%

COMMERCIAL TOTAL BILL IMPACTS

INCLUDING WINTER STORM URI RECOVERY



Customer Group	Average Change/Month	
Electric	%	\$
Small Commercial	~3.6%	\$20
Large Commercial	~3.7%	\$412
Extra Large Commercial	~3.7%	\$2,730
Super Large Commercial	~3.8%	\$16,581
Gas	%	\$
Base Commercial	~5.4%	\$9
Class B	~5.7%	\$60
Large Volume	~4.8%	\$801

CUSTOMER OUTREACH

OUR GOAL IS TO REACH ALL CUSTOMERS



Commercial & Local Partners

Managed & Military Accounts meeting & webinar, Solar Stakeholder Meeting (solar installers), School Districts, TX Energy Managers Assn.



Bexar County Commissioners Court

Community Non-Profit

SA Business & Economic Society, ROW Assn. SA Chapter, Partners in Power Agency Consortium, LULAC - Small/Medium Outreach, Town Hall for Nonprofits



Business Associations

Real Estate Council SA, Greater SA Builders Assn., SA Manufacturers Assn., SA Restaurant Assn.

Suburban Cities Summit

Including participants from Selma, Alamo Heights, Leon Valley, Castroville, Converse, Helotes, Castle Hills, Kirby, LaCoste, Schertz, China Grove, Balcones Heights & others



Customer Communication

Town Halls in every City Council District, Tele-Town Halls, Public Input session; 2.2 million customer contacts via email, phone calls & text. Customer letter & social media

Media Coverage

Local Broadcast & print coverage including SA Express-News Editorial Board, TX Public Radio-The Source, SA Report, KTSA, KENS, KSAT, WOAI/KABB, Univision



Chambers of Commerce

North Chamber Lunch & Infrastructure Council; SA Chamber Exec. Committee, Board of Directors, Public Policy Council; Hispanic Chamber Alex Briseno Leadership Program

Primary Feedback: The funding provided from this rate increase is targeted at the right areas.

ADVISORY COMMITTEE INPUT



Citizens Advisory Committee (CAC)

Rate Advisory Committee (RAC)

Regulatory Asset:

Unanimous Support⁽¹⁾

Unanimous Support

Rate Increase:

Unanimous Support⁽¹⁾

Voted 12 – 6 *in support* of the rate increase⁽²⁾

Both advisory committees have provided valuable input into this process.

(1) Two CAC members were absent & did not vote.
(2) Two RAC members abstained & did not vote on this issue.

LOOKING FORWARD



FY2023	FY2024	FY2025	FY2026	FY2027
3.85%	-	5.5%	-	5.5%

- Our proposed financial plan includes a rate evaluation every two years
- We will monitor issues that may impact future rate requests such as:
 - Inflation, interest rates, supply chain challenges
 - Disputed fuel costs from Winter Storm Uri
 - Past due customer balances resulting from the pandemic
 - Decisions about our future generation sources
 - Our long-term technology needs
 - Rate designs

FEEDBACK FROM CITY LEADERS



- Accountability
- Corporate culture
- Public engagement
- Communication with City leaders & customers
- Board of Trustees engagement with City Council
- Affordability
- Reliability & resiliency
- Transparency
- Collaborative generation planning & rate design

We will continue to listen & respond to your concerns.

IN CLOSING



- We have avoided rate increases for 8 years by saving & operating more efficiently, despite rising costs
- The requested rate increase ensures financial stability & addresses immediate needs
- We have increased awareness efforts about the need for a rate increase, & we believe the community understands the uses of the incremental funding
- Customer assistance has been increased to mitigate the impact on our community's most vulnerable citizens
- Approval of a regulatory asset is needed to spread Winter Storm Uri cost recovery over time; our Board & the City Council will have oversight of financing & cost recovery

The RAC, CAC, Board of Trustees, & the CoSA Office of Public Utilities have all voiced their support of the rate request.



Thank You



Appendix



FINANCIAL STABILITY



	<u>FY2023</u>	<u>FY2024</u>	<u>Subsequent Trend</u>
Debt Service Coverage Ratio	1.79	1.67	
Debt Capitalization Ratio	61.66%	62.28%	
Days Cash On Hand	170	170	<i>Flat</i>

The additional revenue generated from this level of rate increase ensures our financial health continues.

WHAT IS NOT INCLUDED IN THE RATE INCREASE?



Early Collection of Pandemic Bad Debt	CoSA contributed \$20M in American Rescue Plan Act (ARPA) funding to help our customers. Resuming the disconnection process will likely drive additional revenue.
Disputed Fuel Costs from Winter Storm Uri	\$587M in Winter Storm Uri fuel costs remain in dispute. Once resolution occurs, we will communicate if there is any additional impact to customers.
Future Generation Decisions	Shoring up our financials now will allow the Board, RAC, CAC & broader community to engage in thoughtful discussion & analysis on future generation decisions.
Other Assumed Costs	Future large expenditures will not be included in our budget until their costs are known.
Rate Design Changes	No rate design changes are included, allowing additional time to work with the RAC to evaluate optimal rate designs.