



# CPS Energy Rate Request

Public Utilities Supervisor Recommendation

January 13, 2022

Presented by: Ben Gorzell, Jr., Chief Financial Officer

# Summary of Request

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## Item #5

### Establish Regulatory Asset

- Up to \$1.005 Billion
- Winter Storm Uri Fuel and Other Related Costs
- Pay for Over a Period of Time through Debt Financing
- Debt Financing of Only Costs Paid to Date (\$418 Million) with Recovery Through Fuel Charge
- Approximately 0.8% Average Residential Bill Impact

## Item #6

### Base Rate Increase

- 3.85%
- Addresses Immediate Financial Pressures
- Supports Operations & Maintenance Expenses, Capital Plan, and Associated Financing Plan

# Comprehensive Review

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Rate Model

Sales Forecast

Revenue Requirements

Operations & Maintenance  
Budget

Capital Plan

Financing Plan

Financial Metrics

Credit Considerations

Financial Statements

Rate Design

Affordability Programs

Bill Impacts

# Regulatory Asset

Establish a Regulatory Asset up to \$1.005 Billion Related to Fuel and Other Related Costs from Winter Storm Uri

- CPS Energy was Invoiced Over \$1 Billion
- Paid \$418 Million in Fuel and Other Related Costs
- Balance of Cost Continues to be Disputed

Allows for Debt Financing of Costs Paid to Date Amortized Over 25 Years with Recovery of Debt Service Through Fuel Adjustment Beginning March 1, 2022

Recovery is Exempt from City Payment



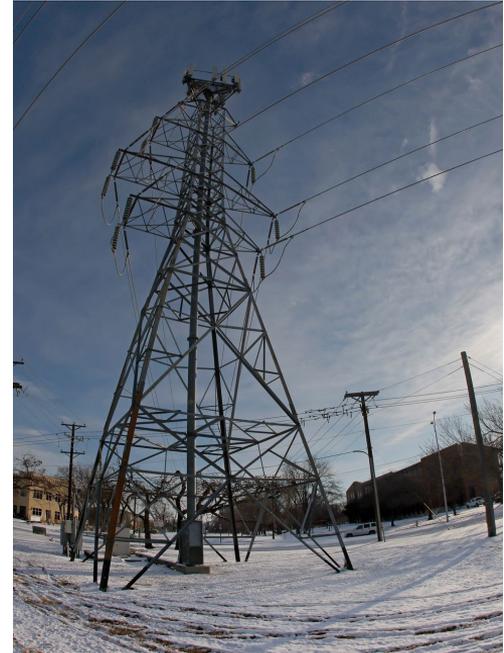
# Procedures for the Potential Recovery of Amounts Disputed

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CPS Energy to Brief City Council on the Resolution of the Disputed Cost Related to Winter Storm Uri

City's Public Utilities Division to Review the Impact on the Fuel Adjustment and Average Residential Customer

CPS Energy would Request City Council Approval to Issue Long-Term Debt to Finance any Further Winter Storm Uri Costs



# Five-Year Rate Plan

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System	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Electric	3.85%	0.00%	5.50%	0.00%	5.50%
Gas	3.85%	0.00%	5.50%	0.00%	5.50%

Future Base Rate Increases Projected in FY 2025 and FY 2027 are not Under Consideration at this Time

The Rate Model will Continue to be Updated for Factors such as Changing Conditions, Financial Information, Economic Activity, Execution of Planning Decisions, and More Clarity on Outstanding Issues



# Revised Rate Strategy

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## Focus on Immediate Financial Pressures

- Business Case/Justification
- Support Financial Stability of CPS Energy
- Known Information
- Align Rate Model Assumptions
- Multi-Year Rate Plan For Flexibility
- Recover Fuel and Other Related Costs Paid to Date for Winter Storm Uri

# Benefits of Revised Rate Strategy

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## Benefits

- Addresses Immediate Financial Pressures
- Allows Time for Robust Analysis and Dialogue on Policy Issues
- Areas of Uncertainty Evolve and Gain More Clarity

## Potential Future Impacts

- Post-Pandemic Realities
- Pandemic Bad Debt
- Winter Storm Uri Disputed Fuel Costs
- Generation Planning Decisions
- Technology Project Costs and Implementation
- Rate Design
- Future Conservation Programs

# City Fiscal Impact

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No City Payment Will Be Applied to Recovery of CPS Energy Fuel and Other Related Costs for Winter Storm Uri Through the Regulatory Asset

- Projected Value of Waiver is Approximately \$98 Million Over the Proposed 25-Year Bond Financing

The City will Receive the 14% City Payment on the Proposed Base Rate Increase

Net City Fiscal Impact if New Rates are Implemented on March 1, 2022:

- \$5.2 Million projected increase for the Remainder of the City's FY 2022
- City Payment Projected to Increase by Approximately \$8.98 Million Beginning in FY 2023

# Staff Recommendation

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Proposed 3.85% System-Wide Increase in Electric and Gas Base Rates 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 and Other Related 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

# Staff Recommendation

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Develop a Timeline for Discussion of Generation Planning Options with the CPS Energy Board of Trustees and the Rate Advisory Committee Given the approaching Retirement of Several Generation Plants along with Upcoming Key Capital Investment Decision Points for Existing Generation Assets

Develop a Timeline for the Review of Rate Design with the CPS Energy Board of Trustees and the Rate Advisory Committee

Study Total Compensation Levels to include Pension and Benefit Plans to Provide for Total Compensation that Allows CPS Energy to Recruit and Maintain Talent while also Recognizing that it is a Public Utility

# Staff Recommendation

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Review the Treatment of GAAP Determined Pension Expenses within the Rate Model

After Additional Information is Obtained, Assess the Proposed Plan and Timeline for CPS Energy's Digital Enterprise Resource Planning (DERP) System

Participate in the City's Ready to Work Workforce Program

Develop a Public Budget Document which Outlines CPS Energy's Financial Plans for the Upcoming Fiscal Year

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