

ORDINANCE

2022-01-13-0001

AUTHORIZING CPS ENERGY TO ESTABLISH A REGULATORY ASSET FOR ITS 2021 SEVERE WINTER WEATHER COSTS (AS DEFINED BELOW) TO BE AMORTIZED OVER A MAXIMUM OF 25 YEARS AND RECOVERED THROUGH A RETAIL BILL ADJUSTMENT; AND AUTHORIZING CPS ENERGY TO RECOVER THE FINANCING, LEGAL AND OTHER ALLOWABLE COSTS RELATED TO THE REGULATORY ASSET.

* * * * *

WHEREAS, “2021 Severe Winter Weather Costs” are defined as power and natural gas charges, related legal, interest, interim financing, and other costs related to Winter Storm Uri; and

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, 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, Winter Storm Uri was a severe winter storm that impacted the continental United States during the period from February 12, 2021 through February 19, 2021 causing severe strain on the Texas power grid and resulting in CPS Energy being charged extraordinary power and natural gas costs, some of which CPS Energy has alleged were egregious and illegitimate; and

WHEREAS, CPS Energy continues to fight for its customers and community by disputing approximately \$587 million of the 2021 Severe Winter Weather Costs it believes were egregious, and illegitimate; and

WHEREAS, CPS Energy has incurred approximately \$418 million in legitimate 2021 Severe Winter Weather Costs and seeks authorization to begin recovery of these costs through a retail bill adjustment; and

WHEREAS, CPS Energy’s financial statements are prepared in accordance with Generally Accepted Accounting Principles (“GAAP”), as prescribed by the Governmental Accounting Standards Board (“GASB”); and

WHEREAS, CPS Energy is subject to existing GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which describes regulatory accounting methods available to rate-regulated entities that would allow CPS Energy to record its 2021 Severe Winter Weather Costs as a Regulatory Asset; and

WHEREAS, CPS Energy recommends that approval be granted for the establishment of a Regulatory Asset for the 2021 Severe Winter Weather Costs, not to exceed \$1.005 Billion, to be amortized over a maximum of 25 years and recovered through a retail bill adjustment; and

WHEREAS, the purpose of the Regulatory Asset is to mitigate the customer bill impact of the 2021 Severe Winter Weather Costs, by amortizing the costs over time; and

WHEREAS, City Council approval is required for the establishment of a Regulatory Asset and the associated retail bill adjustment; and

WHEREAS, CPS Energy will brief City Council on the resolution of the disputed charges, return to Council for approval to issue long-term debt to finance the resolved fuel charges, if any, the cost of which will be recovered from customers, and the Supervisor of Public Utilities and his staff will review the financing transaction and provide input to City Council; and

WHEREAS, in an effort to maintain customer affordability, the City supports an exemption from City Payment for the revenues from the retail bill adjustment related to recovery of the Regulatory Asset; **NOW THEREFORE**,

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

SECTION 1. After public hearing and consideration, CPS Energy is hereby authorized to establish a Regulatory Asset for its **2021 Severe Winter Weather Costs**, (defined as power and natural gas charges, related legal, interest, interim financing, and other costs related to Winter Storm Uri) not to exceed \$1.005 billion, to be amortized over a maximum of 25 years and recovered through the fuel adjustment component of customer bills.

SECTION 2. CPS Energy shall follow the Regulatory Asset Funding Accountability Procedures attached to this Ordinance as **EXHIBIT A** and incorporated herein for all purposes.

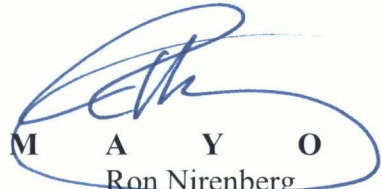
SECTION 3. Rate recovery for the first \$418 million tranche of the Regulatory Asset through a customer bill adjustment is approved and will commence on March 1, 2022.

SECTION 4. The City hereby waives its right under the City Public Service Bond Indenture to receive the portion of City Payment attributable to revenues from the retail bill adjustment related to the Regulatory Asset for the 2021 Severe Winter Weather Costs.


SECTION 5. This Ordinance is effective immediately upon receipt of eight affirmative votes; otherwise, it is effective 10 days after passage.

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

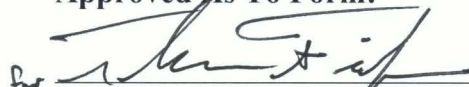
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1/13/2022
Item No. 5


M A Y O R
Ron Nirenberg

Attest:


Debbie Racca-Sittre, Acting City Clerk

Approved As To Form:


for Andrew Segovia, City Attorney



City of San Antonio

City Council Meeting January 13, 2022

5.

2022-01-13-0001

Ordinance authorizing CPS Energy to establish a Regulatory Asset for its 2021 Winter Weather fuel costs to be amortized over a maximum of 25 years and recovered through a Retail Bill Adjustment; and authorizing CPS Energy to recover the financing, legal and other allowable costs related to the Regulatory Asset. [Ben Gorzell Jr., Chief Financial Officer; Troy Elliott, Deputy Chief Financial Officer]

Councilmember Rocha Garcia moved to approve. Councilmember Pelaez seconded the motion The motion prevailed by the following vote:

Aye: Nirenberg, Bravo, Viagran, Rocha Garcia, Cabello Havrda, Sandoval, Pelaez, Courage, Perry
Nay: McKee-Rodriguez, Castillo

EXHIBIT A

Regulatory Asset Funding Accountability Procedures

1. As resolution of the disputed fuel charges occurs, CPS Energy will brief City Council and, if applicable, provide a plan for financing and recovery of those charges.
2. The City's Public Utilities Division will review the impact of any proposed plan on the fuel adjustment and on the average residential customer bill and will provide input to City Council.
3. CPS Energy will request City Council approval to issue long-term debt to finance the resolved fuel charges, the cost of which will be recovered from customers.
4. All funds collected for the recovery of the Regulatory Asset from the retail bill adjustment must be accounted for separately.
5. As part of the monthly retail bill adjustment review, City Staff at the City of San Antonio Public Utilities Division will monitor the recovery through the retail bill adjustment.
6. On a monthly basis, CPS Energy will calculate the amount of (under) or over recovery, and the retail bill adjustment will be adjusted annually to ensure that total recoveries over the years equal and do not exceed the Regulatory Asset.
7. CPS Energy shall provide the City staff with an annual report showing the over and (under) recoveries of the Regulatory Asset, including any re-amortization and the reason for re-amortization that impacts the recovery.
8. CPS Energy must maintain documentation of all **2021 Severe Winter Weather Costs** added to or subtracted from the Regulatory Asset that may require updating the retail bill adjustment. This documentation will be made available to City Staff upon their request.