



City of San Antonio

Agenda Memorandum

File Number:

Agenda Item Number: 1

Agenda Date: December 1, 2021

In Control: City Council B Session

DEPARTMENT: Finance Department

DEPARTMENT HEAD: Troy Elliott

COUNCIL DISTRICTS IMPACTED: Citywide

SUBJECT:

Briefing by CPS Energy on a Proposed Rate Increase and Establishment of a Regulatory Asset

SUMMARY:

CPS Energy Staff will provide a briefing on the revenue requirements related to a proposed rate increase and the establishment of a regulatory asset.

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. A comprehensive review is performed 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. Prior to formally initiating a rate review process with the City, a draft proposed rate increase was submitted to the City's Public Utilities division in

September 2021 to allow City staff to begin to review aspects of the proposed rate increase in detail. Subsequently, City staff proposed a revised rate strategy focusing solely on a proposed rate increase effective early next calendar year that provides CPS Energy with the funding to stabilize financially while also allowing the recovery of costs paid to date for Winter Storm URI. City and CPS Energy staff have collaborated on this revised rate strategy over the past several weeks culminating in a revised rate case. This revised proposed rate increase will be presented in B-Session on December 1, 2021, and the draft presentation for this item will be distributed to the Mayor and City Council on Monday, November 29, 2021.

By focusing on immediate financial pressures, the revised approach provides time for important analysis and dialogue on key policy issues such as generation planning and the design of customer rates to occur with the Rates Advisory Committee, CPS Energy Board of Trustees, and others. Additionally, it also provides time for more clarity to be gained on areas such as bad debt related to the pandemic and fuel costs associated with Winter Storm URI.

The revised rate case proposes the following two components: 1) a base rate increase; and 2) the establishment of a regulatory asset related to CPS Energy's fuel cost from Winter Storm URI. The base rate increase will support CPS Energy's operations and maintenance expenses, capital plan, and associated financing plan. The establishment of the regulatory asset will allow CPS Energy to mitigate the impact of the fuel costs from Winter Storm URI on CPS Energy customers.

The City's process for the review of a rate request from CPS Energy or SAWS typically involves three separate B-Session briefings on the following topics: 1) Briefing from the Utility on the requirements for a rate increase; 2) Briefing from the Utility on any changes in the design of customer rates; and 3) Briefing from the City's Supervisor of Public Utilities on recommendations related to the rate request and any proposed changes in the design of customer rates.

Given that CPS Energy is not proposing any changes in the design of customer rates with the revised rate case, the City's process has been modified. Following is the proposed schedule:

Date	Agenda	Description
December 1, 2021	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 fuel costs associated with Winter Storm URI.
December 8, 2021	B-Session	Briefing from City's Public Utilities Supervisor on recommendations related to the requested rate increase and establishment of the regulatory asset for fuel costs associated with Winter Storm URI.
December 15, 2021	B-Session	Follow-Up from the work sessions on December 1st and December 8th; Continued discussion and responses to

Date	Agenda	Description
		questions regarding the requested rate increase and proposed regulatory asset.
January 13, 2021	A-Session	Consideration by City Council of Ordinances for a proposed rate increase and establishment of regulatory asset for fuel costs associated with Winter Storm URI.

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 fuel costs associated with Winter Storm URI.

ALTERNATIVES:

Item is for briefing purposes only.

FISCAL IMPACT:

Item is for briefing purposes only.

RECOMMENDATION:

Item is for briefing purposes only.