



City of San Antonio

Agenda Memorandum

File Number:13-869

Agenda Item Number: 5.

Agenda Date: 11/7/2013

In Control: City Council A Session

DEPARTMENT:

Finance

DEPARTMENT HEAD:

Troy Elliot

COUNCIL DISTRICTS IMPACTED:

City Wide

SUBJECT:

CPS Energy Proposed Electric and Gas Base Rate Adjustments

SUMMARY:

The proposed Ordinance authorizes approval of adjustments to the CPS Energy base electric and gas rates.

BACKGROUND INFORMATION:

CPS Energy has proposed to increase both its base electric and gas rates by 4.25%. The City hosted two City Council work sessions (September 18th and October 3rd) to allow CPS Energy to present its rate case and to provide an opportunity for the public to provide input on the proposed request. The CPS Energy Board of Trustees also held a public forum on September 9th to gather public input on the proposed increases.

The Public Utilities Staff ("Staff") of the Finance Department has been working with CPS staff to conduct a comprehensive review of the proposed Electric and Gas rate adjustments since August 2013. The review included areas such as:

- Economic/Rate Model
 - Flow of Funds Under the CPS Energy Bond Indenture
- Key Financial Targets
 - Debt Service Coverage

- Debt/Equity Ratio
 - Days Cash on Hand
 - Reserve Balances
 - Additional Repair and Replacement Funds
- Revenue Requirements
 - Proposed Capital Plan
 - Operations and Maintenance Budget
 - Financing Plan
 - Affordability Programs
 - Off-System Sales
 - Credit Considerations

The proposed electric rate adjustment will equate to an increase of 4.25% on base electric rates (system average) and approximately 3.24% on the average system-wide electric only bill. The estimated increase on the total system-wide bill (electric and gas) will be 3.21%. The table below reflects the projected rate plan over the next 10 years. It shows both the base rate increase as well as the estimated system average bill impacts.

Fiscal Year	Base Rate Increases		Est. System Avg. Bill Increase	
	Electric	Gas	Electric Only	Electric & Gas
2015	4.25%	4.25%	3.24%	3.21%
2017	5.25%	5.25%	3.80%	3.76%
2019	4.50%	4.50%	3.10%	3.05%
2021	2.00%	2.00%	1.30%	1.28%
2023	2.00%	2.00%	1.26%	1.24%

The combined electric and gas rate would equate to an estimated \$4.68 per month increase on the typical residential customer bill of \$145.54. To help mitigate the impact of the rate increase on low-income customers, a continuation of the affordability discount will be available for those who have income at or below 125% of Federal Poverty guidelines and meet one of the following criteria: are elderly; are disabled; or have children under the age of 18 years.

The initial electric discount of \$6.55 will increase by \$2.00 for a total of \$8.55 per month. The initial gas discount of \$3.15 will increase by \$.60 for a total of \$3.75 per month. The initial combined discount was \$9.70 and would increase to \$12.30 per month. The program currently has 40,000 electric customers and 30,000 gas customers enrolled in it. CPS

expects to increase enrollment in the program to 50,000 electric customers and 40,000 gas customers.

This discount is an addition to the following existing affordability programs which provide emergency assistance to qualifying customers who need help paying their CPS Energy bill: Residential Energy Assistance Program (REAP); and Project WARM. REAP currently provides utility assistance in the total amount of \$1 million annually.

ISSUE:

CPS Energy proposed capital plan and operational requirements necessitates the need for additional rate support to fund these requirements while maintaining the financial integrity of the System.

ALTERNATIVES:

If the rate support is not approved, it would significantly impact CPS Energy's Proposed Capital Plan and Operations Budget as well as the financial integrity of the System.

FISCAL IMPACTS:

The City receives approximately 14% of gross revenues from CPS Energy. If the new rates are implemented on February 1, 2014, additional revenue of approximately \$6.4 million will be generated for the remainder of the City's fiscal year. The City's utility expenses would also increase for the remainder of the current fiscal year in the amount of approximately \$897,000 resulting in an additional net projected increase to the General Fund of \$5.5 million. City staff recommends that these additional funds flow into the City's ending General Fund balance for Fiscal Year 2014. In the City's most recent General Obligation bond rating from Moody's, they raised a concern regarding the decline in the City's General Fund - Fund Balance. This action would assist by adding additional funds to the City's ending General Fund - Fund Balance in Fiscal Year 2014. For a full fiscal year (FY 2015), it is projected that the City's payment would increase by approximately \$9.15 million and the City's utility expenses would increase by \$1.32 million.

RECOMMENDATION:

Staff recommends approval of the proposed Ordinance adjusting the CPS Energy base electric and gas rates.