



City of San Antonio

Agenda Memorandum

File Number:14-345

Agenda Item Number: 20.

Agenda Date: 4/10/2014

In Control: City Council A Session

DEPARTMENT: Finance

DEPARTMENT HEAD: Troy Elliott

COUNCIL DISTRICT(S) IMPACTED: City Wide

SUBJECT:

CPS Memorandum of Understanding Amendment

SUMMARY:

CPS Energy Requests Council approval of an amendment to the Competitive Matter Memorandum of Understanding (MOU) between the City and CPS Energy as authorized by Ordinance No. 99907 on October 21, 2004, and as amended on June 6, 2012 by Ordinance No. 2012-06-07-0410.

BACKGROUND INFORMATION:

On October 21, 2004, the City Council approved the Competitive Matter Memorandum of Understanding between the City and CPS Energy via Ordinance No. 99907. The MOU allowed CPS greater flexibility in pursuing certain wholesale off-system sales. The subject matter of the MOU was deemed to be a competitive matter and as such, the MOU was discussed with the City Council in an Executive Session.

In April of 2012, CPS purchased the 800 megawatt (MW) Rio Nogales Gas Plant, located in Sequin, Texas. The acquisition of this plant will allow CPS to virtually replace 870 MW from its oldest coal plant, J.T. Deely, which is scheduled to be decommissioned in 2018. Until then, CPS intends to use some of Rio Nogales' output and sell the remainder to one or more third-party companies. In order to allow the purchase of the plant to be

rate neutral, the June 6, 2012 ordinance amendment contained provisions that modified the city payment calculation relative to the Rio Nogales Gas Plant acquisition.

CPS is requesting that the Competitive Matter Memorandum of Understanding be amended to allow additional time for the plant to be incrementally included in its electric rate base. In addition, the city payment related to off-system sales from the plant will occur upon completion of CPS Energy's fiscal year. The term of this amended MOU shall be from February 1, 2014 thru January 31, 2016.

ISSUE:

CPS Energy requests Council approval of an amendment to the Competitive MOU between the City and CPS Energy as authorized by Ordinance No. 99907, and as amended by Ordinance No. 2012-06-07-0410, to reflect changes intended to allow additional time for the Rio Nogales plant to be incrementally included in its electric rate base. In addition, the amendment authorizes CPS to remit the city payment related to off-system sales from the plant upon completion of its fiscal year.

ALTERNATIVES:

The City Council could elect not to approve the changes to the MOU.

FISCAL IMPACT:

The City Payment would be paid in accordance with the terms of the amended MOU.

RECOMMENDATION:

City Staff recommends approval of the changes to the MOU.