



City of San Antonio

Agenda Memorandum

File Number:21-2355

Agenda Item Number: 4A.

Agenda Date: 3/18/2021

In Control: City Council A Session

DEPARTMENT: Finance

DEPARTMENT HEAD: Troy Elliot, Deputy Chief Financial Officer

COUNCIL DISTRICTS IMPACTED: Citywide

SUBJECT:

An Ordinance authorizing CPS Energy revenue obligations in aggregate not to exceed \$500,000,000 and a Resolution in support of protecting CPS Energy customers from excessive charges for electricity and fuel.

SUMMARY:

Approval of the following items relating to matters of the City Public Service Board ("CPS Energy"):

- A) An Ordinance authorizing the issuance of obligations (collectively, the "Obligations") designated as City of San Antonio, Texas Electric and Gas Systems Revenue Obligations in one or more series in an aggregate amount not to exceed \$500,000,000.

The Ordinance authorizes issuance of one or more series of Revenue Obligations (within parameters outlined in the Ordinance), and includes a delegation of authority by the Council to CPS Energy's Designated Financial Officers, as defined in the Ordinance, to approve the terms of each series of Revenue Obligations (within the parameters outlined in the Ordinance), as permitted by Chapters 1371, 1431, and 1502, as amended and as applicable, Texas Government Code, respectively, and to undertake necessary matters relating to the foregoing and approve and authorize the use of related transaction documents.

- B) A Resolution in support of protecting CPS Energy customers from unlawful, illegitimate, charges for electricity and fuel. (A copy of the Resolution is attached to this item.)

BACKGROUND INFORMATION:

During the February 2021 Extreme Winter Weather Event, CPS Energy worked intensely every day to purchase sufficient fuel & power to serve our customers and community during this devastating unprecedented disaster. To achieve this important goal, CPS Energy incurred significant costs associated with natural gas for gas distribution and gas-fired electric generation needs, as well as purchased power. CPS Energy's first priority is to serve its customers and protect them from unlawful, unconscionable or illegitimate costs that are being charged for purchased natural gas and power during this event. CPS Energy will utilize all available options to reduce these significant costs to a fair, reasonable and legitimate level to the benefit of the customers. Once those avenues are exhausted, the remaining net obligations from the 2021 Extreme Winter Weather Event will be funded from existing liquidity sources

(including cash reserves and borrowings under the Commercial Paper and the Flexible Rate Revolving Note Programs). The addition of the requested short-term financing tool will provide CPS Energy with additional liquidity in the interim, which will only be accessed as and if needed. This will help ensure adequate operational liquidity until a long-term and affordable financing plan for the remaining reasonable costs and the related recovery plan is formalized and communicated, which will also require Council approval before being pursued.

REVENUE OBLIGATIONS (ORDINANCE):

The Ordinance authorizes CPS Energy to issue debt not to exceed \$500,000,000 in one or more series of revenue obligations and as further designated by series, style, lien priority, tax treatment, time of delivery, and method of calculating interest rate (whether fixed or variable) for the purpose of providing funds to finance the costs associated with acquiring, purchasing, constructing improving, repairing, extending, equipping, renovating, fueling, and (to the extent permitted by law) operating the Systems and paying the related costs of issuance. This Ordinance provides that CPS Energy will deposit proceeds of sale into a construction fund to finance the costs associated with the purposes detailed previously.

Procedures Applicable to the Foregoing Transactions:

The delegation of authority, pursuant to Chapter 1371, as amended, Texas Government Code, allows CPS Energy's Designated Financial Officers, such as the President & CEO or CFO, as defined in the Ordinance, the flexibility to issue and set pricing terms on the Obligations. This delegation authorization permits the adoption of the Ordinance authorizing the issuance of the Obligations without stating the interest rate or sales price in the Ordinance, both of which will be formally set, within pricing parameters specified in the Ordinance, upon the execution of an Approval Certificate related to each series of Obligations by CPS Energy's Designated Financial Officers.

OBLIGATIONS' COMBINED TRANSACTION SCHEDULE:

<u>Date</u>	<u>Action</u>
March 18, 2021	Approve Ordinance pursuant to a delegated authority
March - April 2021	Finalize documents & agreements
Mid-April 2021	Finalize agreements with credit providers, activating access to available borrowing source

ALTERNATIVES:

The City could wait to adopt the Ordinance; however, adoption of the Ordinance on March 18, 2021, allows CPS Energy to establish an additional liquidity source as described above to allow flexibility as a long-term and affordable recovery plan for the protection of CPS Energy customers is developed (which could prove critical to these recovery efforts). The City Council could also choose to not adopt the Resolution at this time.

FISCAL IMPACT:

There are no immediate plans to borrow under this short-term financing tool, but it would be a prudent additional tool to help maintain smooth operations for CPS Energy customers. Approval of this capacity will not have any immediate financial impact on the City. If borrowed under, the terms will allow interest-only until a long-term solution is developed. This interim debt service, as well as any credit reservation fees, can be accommodated within CPS Energy's current financial plan.

RECOMMENDATION:

City Staff recommends approval of Items A and B.

On March 1, 2021, the CPS Energy Board of Trustees approved the Plan of Finance included in Item A and forwarded the item to the City for consideration by the City Council.