



**REVISED**  
**CPS ENERGY BOARD OF TRUSTEES SPECIAL MEETING**  
**TO BE HELD ON DECEMBER 4, 2023 AT 3:30 PM**  
**LOCATION: CPS ENERGY BOARD ROOM (500 MCCULLOUGH AVE)**

*At any time during the Board Meeting, the Board may go into an executive session as permitted by the Texas Open Meetings Act, (Chapter 551 of the Texas Government Code) regarding any item on this agenda.*

**AGENDA**

ITEM	TOPIC	ACTION	PRESENTER/ SPONSOR
1	<b>CALL TO ORDER</b>	Execute	Ms. Janie Gonzalez
2	<b>SAFETY MESSAGE, INVOCATION &amp; PLEDGE OF ALLEGIANCE</b>	Execute	Mr. Chad Hoopingarner
3	<b>PUBLIC COMMENT</b> Pre-Registration is from Wednesday, November 29, 2023 5:00 PM – Friday, December 1, 2023 1:00 PM. Dial (210) 353-4662 or email <a href="mailto:PublicCommentRegistration@CPSEnergy.com">PublicCommentRegistration@CPSEnergy.com</a>	Discuss	Ms. Janie Gonzalez
4	<b>CHAIR’S REMARKS</b>	Discuss	Ms. Janie Gonzalez
5	<b>BASE INCREASE &amp; MULTI-YEAR RATE PLAN AND REGULATORY ASSET REQUEST FOR APPROVAL</b> (Ms. Elaina Ball & Mr. Cory Kuchinsky)	Vote	Ms. Janie Gonzalez
6	<b>RESOLUTION ON BASE INCREASE &amp; MULTI-YEAR RATE PLAN AND REGULATORY ASSET</b>	Vote	Ms. Janie Gonzalez
7	<b>REVIEW OF ACTION ITEMS</b>	Discuss	Ms. Shanna Ramirez
8	<b>EXECUTIVE SESSION:</b> A. Attorney-Client Matters (§551.071) & Competitive Matters (§551.086)	Discuss	Ms. Janie Gonzalez
9	<b>ADJOURNMENT</b>	Execute	Ms. Janie Gonzalez

If the Board meeting has not adjourned by 5:30 PM, the presiding officer may entertain a motion to continue the meeting, postpone the remaining items to the next Board meeting date, or recess and reconvene the meeting at a specified date and time.



# DELIVERING FOR CUSTOMERS AND COMMUNITY

## FY2025 RATE REQUEST

*PRESENTED BY:*

**ELAINA BALL**

CHIEF STRATEGY OFFICER

**CORY KUCHINSKY, CPA**

CHIEF FINANCIAL OFFICER

**December 4, 2023**

*Approval Requested*



# AGENDA

- **Multi-Year Strategy**
- **Delivering on Community Commitments**
- **FY2025 Rate Request**
- **Benefits to our Community**
- **Past Due Accounts**
- **Competitive Bill Comparison**
- **Impact of Rate Support on Financial Health**
- **Regulatory Asset for Accounting**
- **Multi-Year Rate Plan**
- **Request for Approval**

We are aligning our strategic and financial plans with community needs and goals.

# MULTI-YEAR STRATEGY

WE ARE AN EVOLVING COMMUNITY-OWNED UTILITY



## New Generation Plan

 Accelerate decarbonization through innovative technology and strategic purchases

 Increase sustainability while maintaining reliability

 Improve resiliency

## Digital Transformation

 Improve cyber security

 Enhance data-analytics and decision making

 Enable customer and employee experience enhancements

 Enable more functions and grid reliability

## Customer Experience

 Enhance understanding of customer preferences

 Enable better communications

 Launch new products and services

 New rate designs

## Support Responsible Growth

 Rates better aligned to cost of service

 Enable more distributed energy resources

 Support reliable grid management

 Grant funding and new revenue streams



# DELIVERING ON COMMUNITY COMMITMENTS

- ✓ Set New Power Generation Plan
- ✓ Approved New Sustainable Tomorrow Energy Plan (STEP)
- ✓ Growing Community Solar Options
- ✓ Expanded Equity-Focused Programs and Outreach
- ✓ Identified Customer-Level Energy Burden
- ✓ Collected Community Input on Rates and Generation Planning from the Rate Advisory Committee (RAC)
- ✓ Completed Operational Efficiency Review
- ✓ Completed Organizational Culture Assessment
- ✓ Refined Future-State Technology Platform Plan
- ✓ Stabilized Staffing Levels
- ✓ Stabilized Investment Volatility for Employee Benefits
- ✓ Participating in the City's Ready to Work Program
- ✓ Increased Transparency and Clarity of Communications

We are listening to the community's needs and goals.



# DELIVERING FOR CUSTOMERS AND COMMUNITY

## FY2025 RATE REQUEST

PRESENTED BY:  
**CORY KUCHINSKY, CPA**  
CHIEF FINANCIAL OFFICER

**December 4, 2023**

*Approval Requested*

# FY2025 RATE REQUEST

## AMOUNT AND RESIDENTIAL BILL IMPACT



**\$85M**

Annual revenue increase required to meet community needs

**4.25%**

Base rate increase<sup>1</sup>

**\$4.45**

Average<sup>2</sup> residential bill impact per month (~\$53 annually)

**\$2.42**

Average Affordability Discount Program (ADP) participant bill impact per month (~\$29 annually)

1. Applies only to base portion of bill and does not apply to fuel and regulatory charges.  
2. This average bill impact reflects usage of 1,094 kWh and 23 CCF; to estimate bill impacts at different usage levels, visit our website at [https://www.cpsenergy.com/en/my-home/savings-programs/rate\\_estimator\\_residential.html](https://www.cpsenergy.com/en/my-home/savings-programs/rate_estimator_residential.html)



# BENEFITS TO OUR COMMUNITY



## Reliability & Resiliency

*Reinforce our power plants, wires, and poles; new power generation plan*

Reduced likelihood and impact of outages

Development of new power sources



## Technology & Security

*Replace 20 yr. old legacy system*

Customer communication capabilities

Protects against growing threats

Foundation for future products and service options



## System Growth

*Upgrade grid and equipment; increase customer service support*

Sufficient power to meet community needs

Better located operations centers for improved customer response



## People = \$85M

*Hire and train new workforce to prepare for 30% retiring team members*

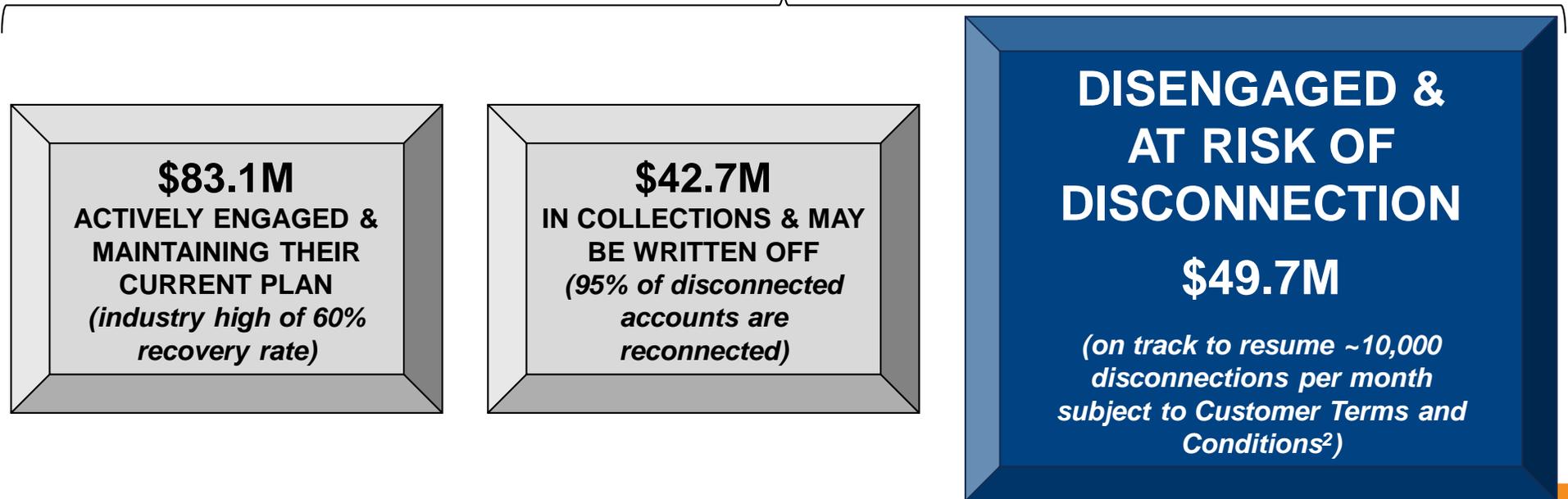
Trained, knowledgeable staff prepared to meet customer needs and provide quality customer service

# PAST DUE ACCOUNTS



We are actively managing the overall past-due balance of \$175.5M, with a strategic focus on the \$49.7M that holds the most significant potential for resolution through payment plans or account closure.

**\$175.5M Total Past-due Balance<sup>1</sup>**



1. Data as of October 31, 2023
2. Our terms and conditions preclude us from disconnecting customers during extreme weather conditions.

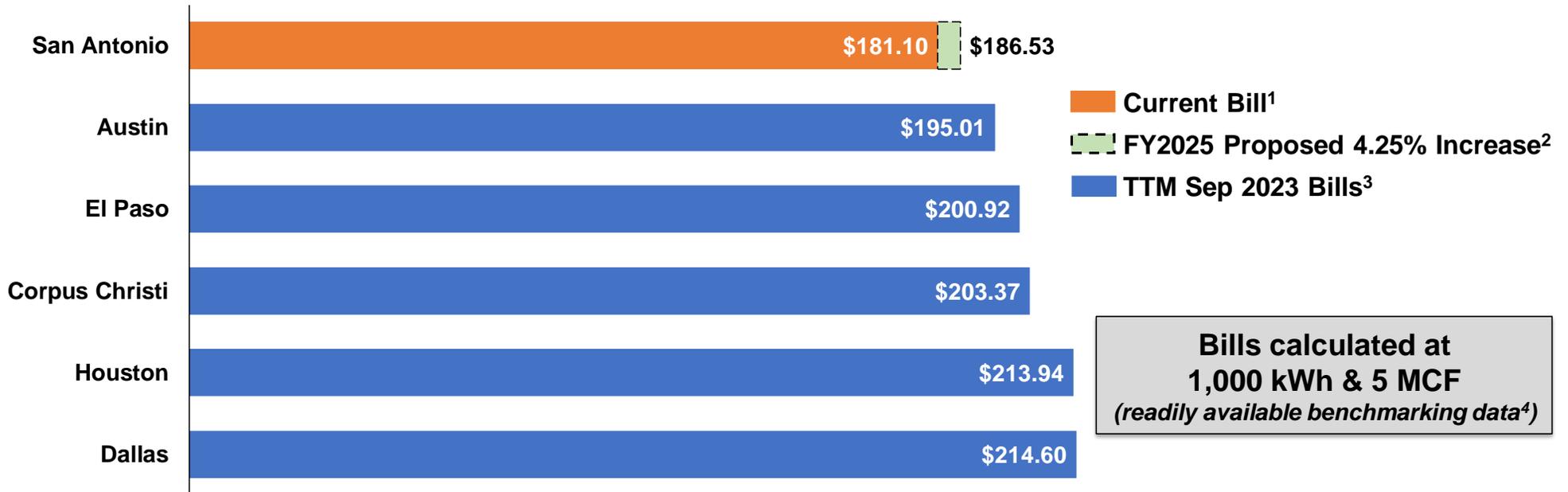


# COMPETITIVE BILL COMPARISON

## RESIDENTIAL BILLS BEFORE & AFTER RATE INCREASE



### Combined Residential Electric & Gas Bills



Even with the rate increase, our combined bills remain among the lowest in Texas.

1. Current bill reflects the trailing twelve months ending September 2023; 2. FY2025 proposed increase reflects the proposed pricing for the 4.25% base rate increase which is currently under review and requires CPS Energy Board of Trustees and City Council approval; 3. Other utility bills held constant to the trailing twelve months ending September 2023 (the latest information available); 4. The Public Utility Commission utilizes standard usage levels to compare utility pricing

# IMPACT OF RATE SUPPORT



	<u>FY2024 Latest Estimate*</u>	<u>FY2025</u>	<u>FY2026</u>
<b>Debt Service Coverage Ratio</b> <small>(Higher is Better)</small>	<b>2.00</b>	<b>1.67</b>	<b>1.77</b>
<b>Debt Capitalization Ratio</b> <small>(Lower is Better)</small>	<b>61.0%</b>	<b>61.7%</b>	<b>62.9%</b>
<b>Days Cash On Hand</b> <small>(Higher is Better)</small>	<b>200</b>	<b>188</b>	<b>176</b>

Additional revenue generated from rate support helps the stability of our utility and keeps the cost of borrowing competitive.

\*As of October 31, 2023

## REGULATORY ASSET FOR ACCOUNTING

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- We are updating our accounting procedures to ensure the costs recovered in rates are aligned with actuarially calculated cash contributions to employee benefits plans.
- This approach has been benchmarked against peer utilities, determined to be best practice, and reviewed by our external auditor.
- Requires City Council authorization.
- ***This change does not increase the cost of employee benefits, and it will not increase customer bills.***



# MULTI-YEAR RATE PLAN

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FY2025	FY2026	FY2027
4.25%	-	Up to 5.5%

- Vision 2027 is supported by a financial plan that includes a rate evaluation every two years to reconcile future needs
- The rate plan after FY2025 is subject to change base on strategic plan and proforma outcomes

# REQUEST FOR APPROVAL



- Item #5:**     *We respectfully request your approval to*
- 1. Implement a regulatory asset\* for employee benefits accounting and*
  - 2. Increase base rates by 4.25%*

With your approval, we will seek City Council approval on December 7, 2023.

\*This regulatory asset has no impact on bills or the rate request. It is only an accounting update that will help with future budgeting.



**THANK YOU**



# APPENDIX

# TOUCHPOINTS OVERVIEW



(DATE RANGE: AUGUST 2023 – NOVEMBER 2023)

**CPS ENERGY EVENTS**

<b>13</b> Community Events	<b>900+</b> Community Event Attendance
<b>45</b> Partner Events	<b>1,800+</b> Partner Events Attendance

**COMMUNITY AWARENESS INITIATIVES**

**886,000+**  
Total Customer Value Letters Distributed

**3,000+**  
Neighborhood Block Walking/  
Door Knocking

**MEDIA COVERAGE**

**30+**  
News Stories

**EMPLOYEE ENGAGEMENT**

**1,600 views**  
Employee Town Halls

**TOTAL TOUCHPOINTS\*:**

**1,600,000+**

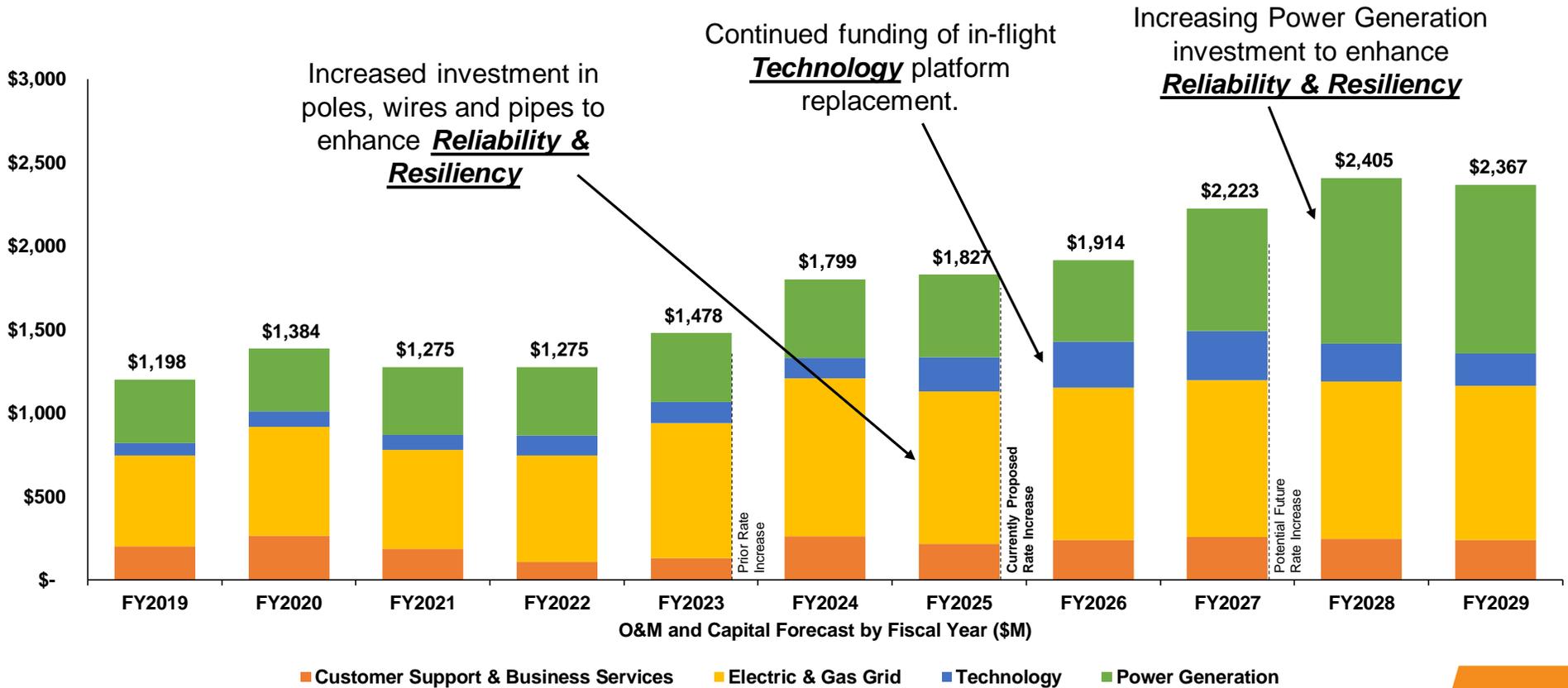
<b>77,000</b>	Social Media Impressions & Reach
<b>4,500</b>	Rate Request Webpage Visits
<b>2,000</b>	Community Input Working Group Webpage Visits
<b>5,000</b>	3 Rate Request Digital Toolkits Distributed to 1,600+ organizations

\*Preliminary total as our engagement process is not yet complete



# CONTINUED FUNDING NEEDS

## O&M AND CAPITAL FORECAST BY FISCAL YEAR



Note: FY2024 is the latest estimate of our Operations & Maintenance (O&M) and Capital spend



# FY2025 NON-FUEL O&M

**\$890M**

<b>45% - \$398M</b>	<b>Labor</b> Salaries, wages, and benefits.
<b>31% - \$280M</b>	<b>Power Sustainability and Resiliency</b> Generation fleet overhauls and seasonal readiness maintenance to maximize plant availability and minimize downtime.
<b>11% - \$94M</b>	<b>Technology</b> Maintain and assess enterprise technology systems and design future state of technology platforms.
<b>8% - \$75M</b>	<b>Electric and Gas Infrastructure Reliability</b> Electric and Gas distribution and transmission infrastructure maintenance, work to minimize quantity and duration of customer outages.
<b>5% - \$43M</b>	<b>Customer &amp; Community Engagement and Shared Services</b> <ul style="list-style-type: none"><li>• Investment in programs that promote engagement with customers and stakeholders</li><li>• Key business areas critical to core operations, including Administration, Financial Services, Legal and Integrated Security.</li></ul>

Our O&M budget supports key strategic initiatives including Customer Growth and Outreach, Technology Improvements and Reliability.



# FY2025 CAPITAL

**\$937M**

**38% - \$355M**

## Electric and Gas Infrastructure Reliability

Electric and Gas distribution and transmission infrastructure projects, work to minimize quantity and duration of customer outages.

**34% - \$321M**

## System Growth

Upgrading and extending service to new customers including new meters, subdivision and commercial services.

**15% - \$138M**

## Power Sustainability and Resiliency

Generation fleet overhauls, planned upgrades and new generation projects to ensure proper generation capacity, maximize plant availability and minimize downtime.

**8%- \$74M**

## Technology

Projects to address physical security risk, computer system upgrades and computer based communication.

**5% - \$49M**

## Customer & Community Engagement and Shared Services

Key business areas critical to core operations, including Administration, Financial Services, Legal and Customer. Including Fleet vehicles and Real Estate Master Plan projects.

Our Capital budget addresses continued customer growth, while providing a reliable electric and gas system to our customers.

# CUSTOMER BILL IMPACTS

EFFECTIVE FEBRUARY 1, 2024 IF APPROVED



	% Change Per Month	\$ Change Per Month	\$ Change Per Year
<b>Residential Combined</b>	~-2.7%	~\$4.45	~\$53.40
Residential Electric	~-2.7%	~\$3.62	~\$43.44
Residential Gas	~-2.8%	~\$0.83	~\$9.96
<b>Commercial Electric</b>			
Small Commercial	~-2.9%	~\$18	~\$213
Large Commercial	~-3.0%	~\$364	~\$4,368
Extra Large Commercial	~-3.0%	~\$2,970	~\$35,642
Super Large Commercial	~-3.0%	~\$17,127	~\$205,525
<b>Commercial Gas</b>			
Small Commercial	~-3.1%	~\$7	~\$79
Large Commercial	~-2.8%	~\$824	~\$9,889



# RESIDENTIAL BILL IMPACTS

EFFECTIVE FEBRUARY 1, 2024 IF APPROVED



kWh	CCF	\$ Impact Per Month	\$ Impact Per Year	% Impact
500	10	\$2.66	\$31.92	~3.2%
1,000	20	\$4.71	\$56.52	~3.1%
1,500	35	\$6.84	\$82.08	~3.1%
2,000	50	\$8.96	\$107.52	~3.1%

# ASSISTANCE PROVIDED



## AFFORDABILITY DISCOUNT EXPANDED

	<u>Electric</u> (per month)	<u>Gas</u> (per month)	<u>Combined</u> (per month)
<b>Current Discount</b>	<b>\$11.67</b>	<b>\$4.47</b>	<b>\$16.14</b>
<b>Additional Discount</b>	<b>+\$1.81</b>	<b>+\$0.41</b>	<b>+\$2.22</b>
<b>Proposed Discount</b>	<b>\$13.48</b>	<b>\$4.88</b>	<b>\$18.36</b>

- Proposed Changes to ADP Include:**
1. Expand eligibility to severely energy burdened\* customers
  2. Increase discount for all participants to offset 50% of the rate increase
  3. Increase the number of customers assisted by 15,000

Note: Residential electric and gas customers pay **~83¢ per month** to fund the program

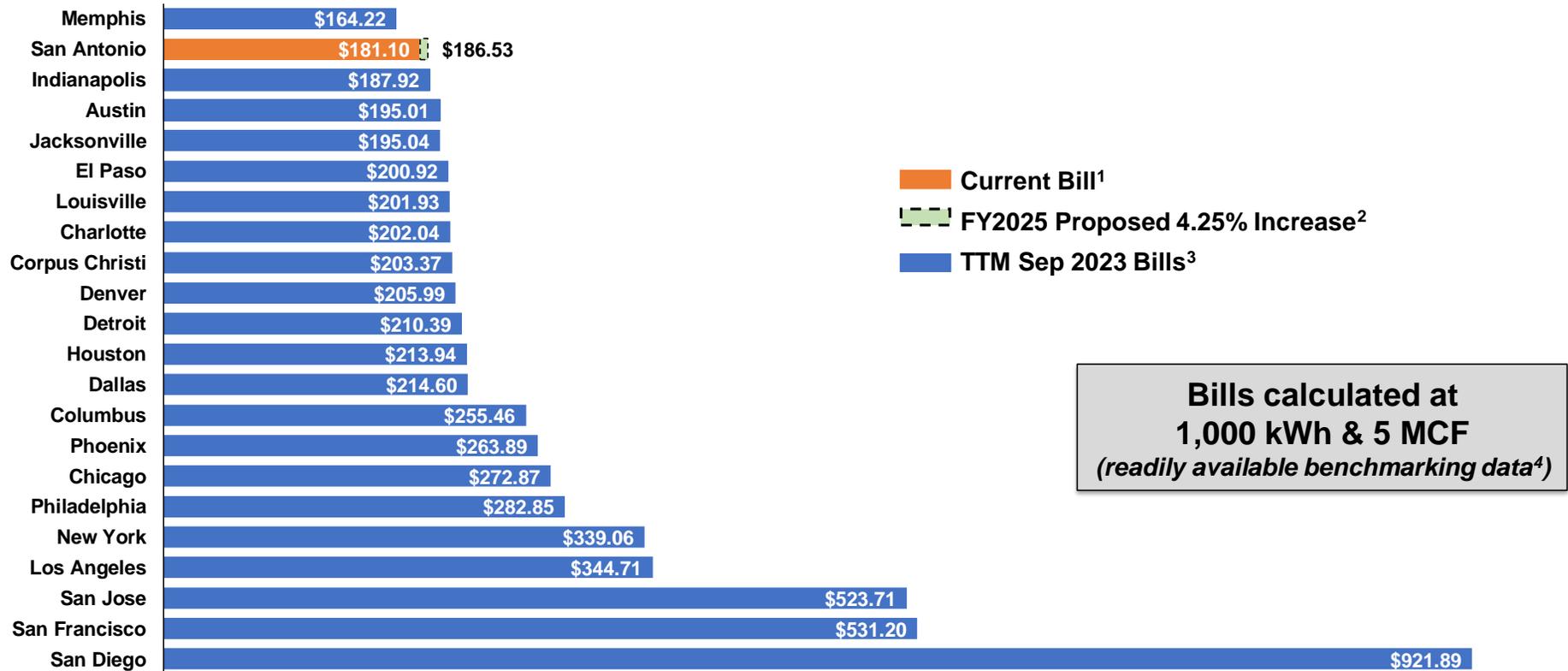
This recommendation expands eligibility to include those with severe energy burden (cost of energy is more than 10% of income).

\*Severe Energy Burden is defined as customers whose annual energy bill is more than 10% of their annual household income



# TOP 20 & TEXAS CITIES RESIDENTIAL BILL COMPARISON

TRAILING TWELVE MONTHS ENDING SEPTEMBER 2023



**Bills calculated at  
1,000 kWh & 5 MCF  
(readily available benchmarking data<sup>4</sup>)**

1. Current bill reflects the trailing twelve months ending September 2023; 2. FY2025 proposed increase reflects the proposed pricing for the 4.25% base rate increase which is currently under review and requires CPS Energy Board of Trustees and City Council approval; 3. Other utility bills held constant to the trailing twelve months ending September 2023 (the latest information available); 4. The Public Utility Commission utilizes standard usage levels to compare utility pricing



# BASE RATE INCREASE ON THE RESIDENTIAL BILL

## Current Rate

Electric Bill

Service Availability Charge	\$9.10
Energy Charge (1,000 kWh x 7.2¢)	\$72.00
Fuel Adjustment (1,000 kWh x 2.2¢)	\$22.00
Reg. Adjustment (1,000 kWh x 1.4¢)	\$14.00
<b>Total Electric Bill</b>	<b>\$117.10</b>

## Proposed Rate

Electric Bill

Service Availability Charge	\$9.50
Energy Charge (1,000 kWh x 7.5¢)	\$75.00
Fuel Adjustment (1,000 kWh x 2.2¢)	\$22.00
Reg. Adjustment (1,000 kWh x 1.4¢)	\$14.00
<b>Total Electric Bill</b>	<b>\$120.50</b>

Base Portion  
of the Bill  
Increases  
~4.25%

The base rate increase applies to the Service Availability Charge and Energy Charge on the bill.

**CITY PUBLIC SERVICE BOARD OF SAN ANTONIO  
RESOLUTION APPROVING ADJUSTMENTS TO THE ELECTRIC AND GAS BASE RATES AND  
APPROVING AMENDMENTS TO THE AFFORDABILITY DISCOUNT PROGRAM;  
AUTHORIZING A PENSION REGULATORY ASSET**

**WHEREAS**, CPS Energy is the municipally owned utility that operates the City of San Antonio’s electric and gas systems (the “Systems”), providing retail services to customers within the City of San Antonio and the surrounding area; and

**WHEREAS**, CPS Energy is required by law and its bond ordinances to impose and collect charges for the electric and gas services it provides in amounts at least sufficient to pay all operating, maintenance, depreciation, replacement, improvement, and interest charges in connection with the Systems; and

**WHEREAS**, in 2022, CPS Energy developed a 5-year strategic plan, Vision 2027 – An Evolving Utility, to guide CPS Energy through a transformation in the rapidly changing utility industry and a period of high growth in San Antonio; and

**WHEREAS**, Vision 2027 sets strategic objectives with goals and key initiatives in five areas: (1) operational evolution, (2) financial stability, (3) customer experience, (4) an engaged and service-oriented culture, and (5) community partnership & growth; and

**WHEREAS**, to achieve these key commitments in Vision 2027, CPS Energy developed a multi-year rate plan, determining this cycle of growth and investment, as with other historical periods, requires high investment and corresponding revenue support, and

**WHEREAS**, per the multi-year rate plan, CPS Energy proposes a 4.25 percent increase in its electric and gas base rates (the “FY2025 Rate Adjustments”) to be effective February 1, 2024; and

**WHEREAS**, this reflects the community commitments in Vision 2027, including the development of a community informed generation plan with the CPS Energy Rate Advisory Committee, and

**WHEREAS**, the combined gas and electric rates for CPS Energy customers will remain among the lowest in the State even after the FY2025 Rate Adjustments; and

**WHEREAS**, CPS Energy maintains an Affordability Discount Program (“ADP”) available to customers who have income at or below 125 percent of federal poverty guidelines and meet one of the following criteria: are elderly; are disabled; use life-sustaining medical equipment; or have children under the age of 18 years; and

**WHEREAS**, CPS Energy proposes expanding the ADP eligibility criteria to include customers experiencing severe energy burden, defined as those whose cost of energy is more than 10% of their annual household income; and

**WHEREAS**, the recommended FY2025 Rate Adjustments would equate to an estimated \$4.45 per month increase on the average residential customer bill, and CPS Energy proposes increasing the discount of the Affordability Discount Program by \$2.22 per month to mitigate the impact of the FY2025 Rate Adjustments on low-income customers who qualify for the ADP; and

**WHEREAS**, CPS Energy proposes the following adjustments to the ADP (the “FY2025 ADP Adjustments”): (1) increase electric customer monthly Affordability Discount from \$11.67 to \$13.48; and

(2) increase gas customer monthly Affordability Discount from \$4.47 to \$4.88, for a cumulative increase of \$2.22 per month;

**WHEREAS**, the tariffs, effective February 1, 2024, once prepared, will be attached to this resolution as Exhibit A; and

**WHEREAS**, this resolution and the revised tariffs to be attached as Exhibit A will be presented to the San Antonio City Council for review and approval on December 7, 2023; and

**WHEREAS**, subject to and upon the City Council's approval of the FY2025 Rate Adjustments and the FY2025 ADP Adjustments, such adjustments will be documented within the appropriate CPS Energy records and the FY2025 Rate Adjustments will be communicated to and charged to all customers effective February 1, 2024; and

**WHEREAS**, CPS Energy reviewed the treatment of Government Accounting Standards Board ("GASB") determined pension expenses in the rate model, with the intent to avoid rate volatility due to swings in the market value of Pension Plan investments, and to instead use the actuarially calculated cash contributions to Pension and other post-employment benefits ("OPEB") Plans; and

**WHEREAS**, on December 7, 2023, CPS Energy will also seek San Antonio City Council approval of a regulatory asset, in accordance with GASB Statement No. 62, for pension and OPEB expenses to ensure the costs recovered in rates are aligned with actuarially calculated cash contributions to the various Pension and OPEB Plans.

**NOW THEREFORE BE IT RESOLVED:**

1. The recitals and Exhibit to this resolution are hereby incorporated by reference.
2. The CPS Energy Board of Trustees hereby approves and adopts the FY2025 Rate Adjustments and the FY2025 ADP Adjustments described in this resolution for submittal to the San Antonio City Council for approval, and delegates to the President and CEO the authority to implement such adjustments consistent with this resolution and the San Antonio City Council's approval.
3. The CPS Energy Board of Trustees authorizes the use regulatory accounting, in accordance with GASB Statement No. 62, for pension and OPEB expenses and delegates to the President and CEO the authority to implement such adjustments consistent with this resolution and the San Antonio City Council's approval.

**EXHIBIT A**

**[Tariffs to be attached]**

I, Shanna M. Ramirez, Secretary of the Board of Trustees of CPS Energy, do hereby certify that the foregoing is a true and exact copy of a resolution which was passed and approved at the meeting of the Board of Trustees of CPS Energy, held on December 4, 2023, at which a quorum was present.

**WITNESS MY HAND AND SEAL OF THE CPS ENERGY BOARD OF TRUSTEES on the \_\_ day of**  
\_\_\_\_\_ **202\_.**

\_\_\_\_\_  
Shanna M. Ramirez  
Secretary of the Board