

AN ORDINANCE

99823

MODIFYING THE CITY PUBLIC SERVICE (CPS) RETAIL ELECTRIC RATE SCHEDULES FOR ALL RETAIL CLASSES OF SERVICE BY REDUCING THE PER KILOWATT HOUR (kWh) FUEL COMPONENT CHARGE OF THE BASIC RATE STRUCTURE FROM \$0.016 TO \$0.01416 AND MODIFYING THE WHOLESALE OFF SYSTEM (OS) RATE SCHEDULE AND WHOLESALE SPECIAL CONTRACT (WSC) RATE SCHEDULE TO GRANT ADDITIONAL FLEXIBILITY IN PURSUING WHOLESALE OFF-SYSTEM SALES.

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WHEREAS, this request for a base rate adjustment to the City Public Service (CPS) electric tariffs is related to the acquisition of an additional 12% interest in the South Texas Project (STP) by CPS; and

WHEREAS, the STP is comprised of two 1,250 MW units and the current ownership in the project is as follows: Texas Genco (fka HL&P/Reliant) 30.8%; CPS 28%; AEP Texas Central Co. (fka CP&L) 25.2%; and Austin Energy 16%; and

WHEREAS, on March 1, 2004, AEP Texas Central Co. (AEP) notified CPS of its intention to sell its 25.2% ownership interest in STP to Cameco South Texas Project, LP, and, in accordance with the joint ownership agreement, the three other partners in the project have the Right-of-First Refusal (ROFR) to match the sales price of a bona fide offer; and

WHEREAS, on May 26, 2004, the CPS' Board of Trustees voted to exercise the ROFR and directed CPS' management to proceed with the purchase of at least an additional 12% share of STP; and

WHEREAS, in order to successfully exercise the ROFR, CPS must work in good faith to obtain the necessary regulatory approvals; and

WHEREAS, CPS will incur costs related to operations, maintenance and debt service related to capital costs, and, therefore, an electric base rate adjustment is necessary to fund these additional costs, effective so as to associate the new rates with the closing of the purchase by CPS; however, this base rate adjustment is expected to be offset by fuel savings resulting from the additional available nuclear generation resulting in overall savings to CPS ratepayers; and

WHEREAS, additionally, the nuclear generation will provide CPS the opportunity to increase off-system electric sales generating additional revenues; and

WHEREAS, Public Utilities staff has reviewed the proposed base rate adjustment with the following objectives: (a) a determination of the rate adjustment necessary to specifically address costs related to the acquisition of the additional ownership interest; and (b) a determination of costs to be recovered; and

WHEREAS, this Ordinance will also approve modifications to the Wholesale Off System (OS) and the Wholesale Special Contract (WSC) rate schedules to update the language to correspond to operation in

the current wholesale market; however, the potential grant of additional flexibility to pursue wholesale off-system sales will be addressed during a future City Council meeting; and

WHEREAS, the adjustment to the fuel component charge of the basic rate structure for retail rates is anticipated to generate an additional \$40.9 million in gross revenue for CPS during CPS fiscal year 2006 which begins February 1, 2005 and ends January 31, 2006, and off-system sales are projected to increase for this same period by \$12.0 million while fuel costs (billed revenues for fuel costs) are estimated to be reduced by \$86.6 million; and

WHEREAS, the estimated total reduction in CPS gross revenues is approximately \$33.7 million and the impact to the City is estimated to be a reduction in City payment for this same period of time of approximately \$4.7 million; however, the City's FY 2005 Adopted Budget of \$189.5 million is a conservative estimate and does not require adjustment; and

WHEREAS, the CPS Board of Trustees approved the proposed modifications on August 30, 2004;
NOW THEREFORE:

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF SAN ANTONIO:

SECTION 1. In the exercise of its governmental regulatory authority, the City Council of the City of San Antonio does hereby amend and change the electric rate schedules for all retail classes of service by reducing the per kilowatt hour (kWh) fuel component charge of the basic rate structure from \$0.016 to \$0.01416 and modifying the Wholesale Off-System (OS) rate schedule and Wholesale Special Contract (WSC) rate schedule by making proposed changes to the language of the tariff to recognize the current electric market. These changes support the San Antonio Electric System and the San Antonio Gas System operated by CPS, and are made in order to provide for rates described in Attachment I, which is incorporated and approved herein for all purposes.

SECTION 2. The foregoing shall be the maximum rates to be uniformly applied in determining the charges for electric service to each customer.

SECTION 3. Said rates have been adopted after a complete investigation of facts bearing upon them, and based on such investigation and hearing, the City Council of the City of San Antonio hereby finds and determines that said rates are fair and reasonable, are equal and uniform and nondiscriminatory, are necessary to meet the operating and maintenance expenses and provide for depreciation and replacement of the electric and gas systems, to provide for reasonable extensions and additions thereto in order to render efficient service to pay principal and interest on revenue bonds and to provide benefits and payments to the City; and that said rates and charges are sufficient to provide only a reasonable and proper return upon the fair value of the electric and gas systems' properties dedicated to the furnishing of electric and gas service.

SECTION 4. This Ordinance shall become effective on the tenth (10th) day after the date of passage hereof. The effective date for all retail rate schedules approved herein shall be the first day of the billing period in which the closing date for CPS' purchase occurs, so that the next retail electric bill for each customer reflects the rate design approved herein; provided that CPS files the retail rate schedules with the precise effective date on or immediately after the date of closing.

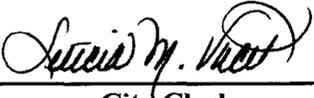
SECTION 5. Any language contained in any other ordinance that may be in direct conflict with this Ordinance is hereby repealed.

PASSED AND APPROVED THIS 30th day of September, 2004.



M A Y O R

EDWARD D. GARZA

ATTEST: 
City Clerk

APPROVED AS TO FORM: 
for City Attorney

Agenda Voting Results

Name: 26. **99823**

Date: 09/30/04

Time: 02:44:06 PM

Vote Type: Multiple selection

Description: An Ordinance modifying the City Public Service (CPS) Retail Electric Rate Schedules for all retail classes of service by reducing the per kilowatt hour (kWh) fuel component charge of the basic rate structure from \$0.016 to \$0.01416 and modifying the Wholesale Off System (OS) rate schedule and Wholesale Special Contract (WSC) rate schedule to grant additional flexibility in pursuing wholesale off-system sales. [Presented by Ben Gorzell, Jr., Public Utilities Supervisor/Assistant Director, Finance; Melissa Byrne Vossmer, Assistant City Manager]

Notes: Motioned: RICHARD PEREZ Seconded: CHIP HAASS Notes:

Voter	Group	Status	Yes	No	Abstain
ROGER O. FLORES	DISTRICT 1	Not present			
JOEL WILLIAMS	DISTRICT 2	Not present			
RON H. SEGOVIA	DISTRICT 3		x		
RICHARD PEREZ	DISTRICT 4		x		
PATTI RADLE	DISTRICT 5		x		
ENRIQUE M. BARRERA	DISTRICT 6		x		
JULIAN CASTRO	DISTRICT 7		x		
ART A. HALL	DISTRICT 8		x		
CARROLL SCHUBERT	DISTRICT 9		x		
CHIP HAASS	DISTRICT_10	Not present			
MAYOR ED GARZA	MAYOR		x		