

AN ORDINANCE 97263

APPROVING AN ECONOMIC INCENTIVE RIDER, RIDER E16, PROVIDING FOR A DISCOUNT TO THE SUPER LARGE POWER (SLP) ELECTRIC RATE OF UP TO FIFTY PERCENT (50%) OF DEMAND CHARGES, DEPENDING ON THE SIZE OF THE ELECTRIC LOAD ADDITION, FOR A TERM OF UP TO SEVEN (7) YEARS FOR THOSE CUSTOMERS WHO MEET REQUIREMENTS AS SET OUT IN THE RIDER.

* * * * *

WHEREAS, this action authorizes City Public Service (“CPS”) to implement the Economic Incentive Rider, Rider E16, to help attract new large industrial customers or encourage the growth of existing large industrial customers served under the Super Large Power Electric Service Rate (“SLP”); and

WHEREAS, Rider E16 will provide significant rate reductions to customers who establish or add at least 10,000 KW of electric demand and modifies the existing Super Large Power rate (“SLP”) by offering a reduction of up to 50% of demand charges, dependent upon size of the electric load addition, for a term of up to seven (7) years; and

WHEREAS, eligible customers may be required to meet minimum targets as established by the City for full-time employment, purchase of local goods and services and location; and

WHEREAS, CPS’ current ratepayers will not be affected by the implementation of these discounts; and

WHEREAS, the CPS Board of Trustees approved Rider E16 on February 24, 2003; **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 does hereby adopt the Economic Incentive Rider, Rider E16, for addition to the tariffs offered by the San Antonio Electric and Gas Systems operated by CPS. A copy of the CPS Rider E16 Economic Incentive Rider is attached hereto and incorporated herein for all purposes.

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

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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 furnishings of electric and gas service.

SECTION 4. This Ordinance shall become effective on the tenth (10th) day after the date of passage hereof.

PASSED AND APPROVED THIS 27th day of February, 2003.

M A Y O R
EDWARD D. GARZA

ATTEST: *Jolanda L. Ledezma*
City Clerk

APPROVED AS TO FORM: *M. Zetuche*
for City Attorney

03-08

ALAMODOME
ASSET MANAGEMENT
AVIATION
CITY ATTORNEY
MUNICIPAL COURT
REAL ESTATE (FASSNIDGE)
REAL ESTATE (WOOD)
RISK MANAGEMENT
CITY MANAGER
SPECIAL PROJECTS
CITY PUBLIC SERVICE – GENERAL MANAGER
CITY PUBLIC SERVICE – MAPS AND RECORDS
CODE COMPLIANCE
COMMERCIAL RECORDER
COMMUNITY INITIATIVES
CONVENTION AND VISITORS BUREAU
CONVENTION CENTER EXPANSION OFFICE
CONVENTION FACILITIES
COUNCIL OFFICES
CULTURAL AFFAIRS
CUSTOMER SERVICE/311 SYSTEM
DEVELOPMENT SERVICES
HOUSE NUMBERING
LAND DEVELOPMENT SERVICES
TRAFFIC & DRAINAGE PLAN REVIEW
ECONOMIC DEVELOPMENT
ENVIRONMENTAL SERVICES
SOLID WASTE
EXTERNAL RELATIONS
PUBLIC INFORMATION OFFICE
FINANCE - DIRECTOR
FINANCE – ASSESSOR
FINANCE – CONTROLLER
FINANCE – GRANTS
FINANCE – PUBLIC UTILITIES SUPERVISOR
FINANCE- TREASURY
FIRE DEPARTMENT
HOUSING AND COMMUNITY DEVELOPMENT
HUMAN RESOURCES (PERSONNEL)
INFORMATION SERVICES
INTERNAL REVIEW
INTERNATIONAL AFFAIRS
LIBRARY
MANAGEMENT & BUDGET (OFFICE OF) OMB
MAYOR'S OFFICE
METROPOLITAN HEALTH DISTRICT
MUNICIPAL CODE CORPORATION
MUNICIPAL COURT
NEIGHBORHOOD ACTION
PARKS AND RECREATION
MARKET SQUARE
YOUTH INITIATIVES
PLANNING DEPARTMENT –NEIGHBORHOOD PLNG; URBAN DESIGN/HISTORIC PRESERVATION
DISABILITY ACCESS OFFICE
POLICE DEPARTMENT
GROUND TRANSPORTATION
PUBLIC WORKS DIRECTOR
CAPITAL PROJECTS
CENTRAL MAPPING
ENGINEERING
PARKING DIVISION
REAL ESTATE DIVISION
TRAFFIC ENGINEERING
PURCHASING AND GENERAL SERVICES
SAN ANTONIO WATER SYSTEMS (SAWS)
VIA

AGENDA ITEM NUMBER: 22

DATE: FEB 27 2003

MOTION: Moorhouse Perez

ORDINANCE NUMBER: 97268

RESOLUTION NUMBER: _____

ZONING CASE NUMBER: _____

TRAVEL AUTHORIZATION: _____

NAME	ROLL	AYE	NAY
BOBBY PEREZ District 1		<i>absent</i>	
JOHN H. SANDERS District 2		/	
ANTONIETTE "TONI" MOORHOUSE District 3		/	
ENRIQUE "KIKE" MARTIN District 4		/	
NORA X. HERRERA District 5		/	
ENRIQUE M. BARRERA District 6		/	
JULIAN CASTRO District 7		/	
BONNIE CONNER District 8		/	
CARROLL SCHUBERT District 9		<i>absent</i>	
DAVID CARPENTER District 10		/	
EDWARD D. GARZA Mayor		/	

03-08

CITY PUBLIC SERVICE BOARD OF SAN ANTONIO

RIDER E16

ECONOMIC INCENTIVE RIDER

This rider is available only in conjunction with existing customers served under SUPER LARGE POWER SERVICE ELECTRIC RATE (SLP) or new customers eligible for service under that rate. The following requirements must be met:

1. The Customer must be engaged in a basic manufacturing industry, and construct or expand a manufacturing plant with a single point of service within the City Public Service Electric Service Area.
2. The Customer must demonstrate, to the satisfaction of CPS, that new load or additional load must have a minimum build out capacity of 10,000 KW to be achieved within the eligible contract term allowed under this rider.
3. The new manufacturing plant or plant expansion must meet the minimum permanent full-time employment target as agreed with the City of San Antonio.
4. The Customer must demonstrate a minimum level of purchases in parts, supplies, and/or services from businesses located within the Greater San Antonio Metropolitan Area, as agreed with the City of San Antonio, within eligible contract term allowed under this rider.
5. Service supplied under this rider is subject to the same terms and conditions of the SLP Rate, except as specifically indicated in this rider, and the Customer’s Application and Agreement for Electric Service.

BILLING DISCOUNT

A customer served under this rider will be eligible for billing discount amounting to a percentage reduction of demand charges for the applicable minimum electric demand as indicated in the following table.

Minimum New or Additional Load KW	Contract Year Discount			
	1st	2nd	3rd	4 th
10,000+	10%	10%	N/A	N/A
20,000+	25%	25%	25%	N/A
30,000+	50%	50%	50%	50%

For each subsequent addition of 10,000 KW, the contract term shall be subject to an extension of one year, subject to a total term limit of seven years.

APPLICABLE ELECTRIC DEMAND

The billing discount will be computed for the applicable electric demand determined as follows:

1. For an existing customer, the applicable electric demand will be determined as the increase in additional electric demand, as measured from summer and non-summer period average actual demands for a consecutive twelve month base period immediately preceding the month that service is requested under this rider, or as mutually agreed upon by the customer and CPS.
2. For a new customer, the billing discount will be applied to all electric demand.

PENALTY FOR NON-COMPLIANCE

Compliance with agreed upon load, employment, and local business purchase commitments will be subject to annual verification by CPS and the City of San Antonio. Failure to meet build out load, employment targets, or local business purchase commitments, by the end of the contract period will result in customer being rebilled at the rate which would otherwise be applicable. Determination of customer load will be based upon the average of the two highest monthly actual demands.

TERM OF ELGIBILITY

A customer will be eligible for economic incentive discounts under the provisions of this rider for an initial period, of up to four years, as indicated for the amount of load to be added, and subject to the customer meeting load, employment, and local business targets at full operation. The term may be extended for three additional years if the customer demonstrates additional electric load, increased employment targets, and additional purchases of local business goods or services. For such an extension period, the billing discount will be applied to the originally agreed upon base period electric demands. In any case, a customer will only be eligible for this rider for a maximum period of seven years.

OTHER PROVISIONS

The Customer remains eligible for any other rider(s), which are applicable to the customer's load.

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OTHER PROVISIONS

The Customer remains eligible for any other rider(s), which are applicable to the customer's load.

**Finance Department
Interdepartmental Correspondence Sheet**

TO: Mayor and City Council
FROM: Ben Gorzell Jr. CPA, Public Utilities Supervisor/Assistant Director, Finance Department; Stephen L. Bartley Director of Regulatory Relations, City Public Service
THROUGH: Terry M. Brechtel, City Manager
COPIES: Melissa Byrne Vossmer, Assistant City Manager; Christopher J. Brady, Assistant City Manager; Milo Nitschke, Director, Finance Department; Milton B. Lee, P.E., General Manager and Chief Executive Officer, City Public Service; File
SUBJECT: An Ordinance Authorizing City Public Service to Implement an Economic Incentive Rider, Rider E16, to the Super Large Power (SLP) Electric Rate

DATE: February 27, 2003

SUMMARY AND RECOMMENDATION

This Ordinance approves an Economic Incentive Rider, Rider E16, providing for a discount to the Super Large Power (SLP) Electric Rate of up to 50% of demand charges, depending on the size of the electric load addition, for a term of up to seven years for those customers who meet requirements as set out in the rider.

Staff recommends approval of this Ordinance.

BACKGROUND INFORMATION

City Public Service has submitted a rate package to the City for consideration and approval. The proposed Ordinance authorizes CPS to implement the Economic Incentive Rider, Rider 16, to help attract new large industrial customers, or encourage major growth among existing large industrial customers. Rider E16 will provide significant rate reductions to customers who establish or add at least 10,000 KW of electric demand. The rider modifies the existing SLP Rate by offering a reduction of up to 50% of demand charges, depending on the size of the electric load addition, for a term of up to seven years. Eligible customers may also be required to meet minimum targets as established by the City for full-time employment, targets for purchases of local goods and services, and location in an economic targeted area.

Industrial sized electric customers are valuable to CPS, not only for the revenue they generate for the utility, but also for their impact in generating additional load and revenue for the utility by attracting related industries and nearby service businesses. The multiplier effect of such customers has a significant permanent impact on the local economy by promoting additional investment in taxable property and the creation of jobs. Thorough analysis has determined that the level of discounts allowed to such a customer will still allow CPS to recoup incremental costs associated with distribution facilities required to extend service. Additionally, this rider will be useful in furthering the economic development goals of the City of San Antonio, and generating economic benefit not only for San Antonio, but the entire CPS service area.

The proposed economic incentive rider would provide a discount to the demand charge based on minimum new or additional load created. Customers served under this rider will receive a discount of up to fifty percent of SLP demand charges, and a waiver from the non-summer period minimum billing demand provision of 80 percent of the previous summer peak demand. This rider will allow CPS to participate with the City of San Antonio and other municipalities within the CPS service area to attract large industrial sized customers to the San Antonio metropolitan area. Discounts offered in the rider will enable CPS to offer rates that are competitive with some of the lowest cost electric energy providers in the nation.

The rider is available to existing or new customers and is designed to offer greater incentives to larger customers who make greater investments and consequently have a greater impact on the local economy. A customer who demonstrates that its load will increase by 10,000 KW would have its demand charges discounted by 10 percent for a period of two years. For a customer with a load increase of 15,000 KW, the amount of the discount increases to 25 percent for three years; and for a load increase of 25,000 KW or greater, the discount increases to 50 percent for four years. For each subsequent addition of 10,000 KW, the contract term shall be subject to an

extension of one year at the original discount level, subject to a total term limit of seven years. The minimum targets reflected in the rider and their accompanying discounts are as follows:

Minimum New or Additional Load KW	Contract		Year	
	1st	2 nd	3rd	4th
10,000+	10%	10%	N/A	N/A
15,000+	25%	25%	25%	N/A
25,000+	50%	50%	50%	50%

FISCAL IMPACT

The fiscal impact of this rider is difficult to quantify and will depend upon particular new facilities that will be required to serve the new load of a qualifying customer as well as the level of new or additional load. However, based on the analysis conducted, CPS remains able to recover the incremental costs associated with the extension of service to qualifying customers meeting the additional load characteristics outlined above. As such, CPS current ratepayers will not be affected by the implementation of such discounts. Additionally, with the utilization of this rider as a tool to complement the City's economic development efforts, the addition of new load and customers which might not otherwise occur will also positively impact the City's payment from CPS.

COORDINATION

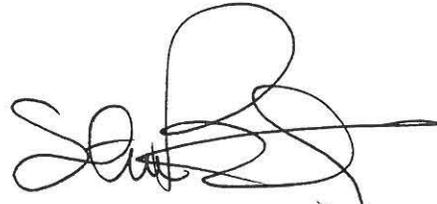
This request for Ordinance has been coordinated with City Public Service. City Public Service Board of Trustees approved Rider E16 on February 24, 2003.

SUPPLEMENTARY COMMENTS

The requirements of the City's Ethics Ordinance are not applicable.



Ben Gorzell, Jr., CPA
Public Utilities Supervisor/
Assistant Director of Finance
City of San Antonio

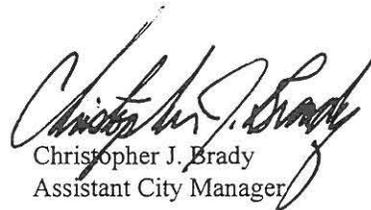


Stephen L. Bartley
Director of Regulatory Relations
City Public Service

Approved:



Melissa Byrne Vossmer
Assistant City Manager



Christopher J. Brady
Assistant City Manager



Terry M. Brechtel
City Manager

DO NOT TYPE IN THIS SPACE		CITY OF SAN ANTONIO Request For Ordinance/Resolution	For CMO use only	
Approval			Date Considered	
Finance	Budget		Consent <input type="checkbox"/> Individual <input type="checkbox"/>	
Legal	Coordinator	Item No.		
		Ord. No.		

Date: Thursday, February 20,	Department: Finance	Contact Person/Phone #: Ben Gorzell 207-8652
Date Council Consideration Requested: Thursday, February 27, 2003	Deadline for Action: n/a	Dept. Head Signature

SUMMARY OF ORDINANCE

This Ordinance approves an Economic Incentive Rider, Rider E16, providing for a discount to the Super Large Power (SLP) Electric Rate of up to 50% of demand charges, depending on the size of the electric load addition, for a term of up to seven years for those customers who meet requirements as set out in the rider.

Council Memorandum Must be Attached To Original

Other Depts., Boards, Committees Involved (please specify):
This request for Ordinance has been coordinated with City Public Service. City Public Service Board of Trustees approved Rider E16 on February 24, 2003.

Contract signed by other party Yes No

FISCAL DATA (If Applicable)

Fund No. n/a	Amt. Expended n/a	Funds/Staffing Budgeted Yes <input type="checkbox"/> No <input type="checkbox"/>
Activity No. n/a	SID No. n/a	Positions Currently Authorized n/a
Index Code n/a	Project No.	Impact of future O & M n/a
Object Code	n/a	

Comments:

If positions added, specify class and no.

Coordinator - White
Legal - Green
Budget - Canary
Finance - Pink
Originator - Gold



**Presentation
on Economic Incentive
Rider, E16**

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February 27, 2003
City Council

Background

- **Economic Incentive Rider to SLP Rate developed to attract major industrial electric customers and promote major plant expansions for existing customers**
- **Rider consistent with economic development goals of City of San Antonio**
- **Rider assures recovery of CPS incremental investment to serve new customer load**
- **Multiplier impact of large industrial customers attracts more industrial customers**

E16 Features

- **Rider Availability**
 - Customers must qualify for the SLP Rate
 - Minimum new or added load of 10,000 KW
 - Minimum targets for employment and local purchases of goods and services
- **Billing Discounts**
 - SLP demand charge discount varies from 10% to 50% depending on size of load addition
 - Discount term limited to 2 - 4 years depending on size of load
 - Discount term may be extended to a maximum of 7 years for further load additions
- **Penalty for non-compliance**

E16 Features

- The minimum targets and their accompanying discounts are as follows:

Minimum New or Additional Load KW	Contract Year			
	1 st	2 nd	3 rd	4 th
10,000 +	10%	10%	N/A	N/A
15,000 +	25%	25%	25%	N/A
25,000 +	50%	50%	50%	50%

Staff Recommendations

- **CPS Board of Trustees approval on February 24, 2003**
- **Recommend approval of this Ordinance**