



## Questions from Rate Advisory Committee Meetings



**General**  
(CPS Energy & Industry)

**Question asked by:** Michael Kennick

**Date question asked:** June 10, 2021

**Date question answered:** October 18, 2021

**Question:** What is the difference between R&R and O&M?

**Answer:** The R&R Account (R&R) refers to CPS Energy's Repair & Replacement Account, and O&M represents Operating and Maintenance expenses.

The R&R Account is essentially a savings account. It was created by our Bond Ordinance to ensure reinvestment back into our utility by reducing the need for debt funding. Capital expenditures that are paid from the R&R Account are for larger items that meet the requirements of CPS Energy's Capitalization Policy, such as buildings, powers plants, transmission lines, substations, office facilities, vehicles, equipment etc. and/or expenditures towards the betterment/improvement of any fixed capital assets.

The R&R fund is used to fund projects. For example, if we are building widgets for \$100, we use the R&R fund to pay for \$40 and borrow the other \$60 from the bank. If we don't have any funds in the R&R account, we have to borrow more and therefore pay higher interest cost.

The R&R account is an asset on our Balance Sheet (Statement of Net Position).

The Operating & Maintenance expenses (O&M) are the costs associated with operating and managing the day-to-day business. O&M represents an expense reported on the Income Statement (Statement of Revenues, Expenses and Changes in Net Position).