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San Antonio's CPS Energy may be closer to rate increase

Rye Druzin

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CPS Energy Board of Trustees member Ed Kelley said Friday the utility will likely have to face a rate case soon.

Photo: John Davenport /San Antonio Express-News

CPS Energy may be running out of options to cut costs and appears to be lurching toward a rate increase in the near future.

The city-owned utility has held off a rate increase for years by trimming expenses, but board Trustee Ed Kelley said Friday that "I think we've shot most, if not all, of our bullets."

"The only bullet we have left is a rate change," Kelley said during a board meeting. To reduce debt, "we're going to have to face that sooner rather than later."

He made his comments after learning that CPS will immediately write off the \$189 million value of the coal-fired J.T. Deely plant, which will shut down Monday. The move will reduce the overall value of the utility's assets.

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The original plan had been to spread the write-off over five years, but CEO Paula Gold-Williams said the utility would instead write down the value in one shot to ease future financial pressures.

The last time CPS asked for a rate increase was in 2013, when the City Council approved an increase of 4.25 percent for the price of electricity and natural gas. The increase went into effect the next year.

The current electricity rate for residential customers is 6.9 cents per kilowatt-hour. Homeowners and small business pay 49 cents per 100 cubic feet of natural gas, according to the utility's website.

CPS has been pushing to reduce its debt ratio — the amount of debt over the equity, or value of its assets such as power plants and power lines — below 60 percent, Gold-Williams said. The debt ratio has fallen from 63.7 percent in early 2016.

By reducing the value of CPS' assets, the Deely write-off will raise the agency's debt ratio to 62.4 percent.

CPS staffers are working on next year's budget. Until that work's complete, it's unclear whether the utility will seek a rate increase, spokesman Jonathan Tijerina said. CPS' next fiscal year begins Feb. 1.

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The shutdown of the 840-megawatt Deely is expected to save \$600 million in upgrades, which would have included installing sulfur dioxide scrubbers at the 1970s-era plant.

Also Friday, the board of trustees nominated Juanita Gonzalez, the 46-year-old CEO of San Antonio-based IT company Webhead, to replace outgoing trustee Homer Guevara as representative of the southwest quadrant of CPS' service area.

CPS fielded 17 applications for the position. Guevara is set to leave the board next month, when his second five-year term expires. Board members are limited to two terms.

The board is made up of five trustees, who, except for the mayor, are chosen by the board and ratified by the City Council.

The southwest quadrant is bounded by Culebra Road to the north; Interstate 35, Texas 16 and U.S. 281 to the east; and the Bexar County line to the south and west.

The board's responsibilities include approving projects, reviewing the utility's financial condition and approving the pay rate and bonuses for the CEO.

Rye Druzin is a San Antonio-based staff writer covering Texas energy. Read him on our [free site](#), [mySA.com](#), and on our [subscriber site](#), [ExpressNews.com](#). | rdruzin@express-news.net | Twitter: [@druz_journalo](#)

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