

# **Bond Case Briefs**

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## **Texas Cities Fret as Power Bills Mount in Wake of Blackouts.**

- **Denton bought \$207 million of power in the span of a few days**
- **Outsize bills could pull down credit ratings without aid**

The power supply shortages that slammed Texas last week drove spot electricity prices sky-high for some locally owned utilities, with one town on the hook for more than \$200 million and other municipalities anxiously awaiting their bills.

Denton, northwest of Dallas, racked up at least \$207 million in power purchases over the span of a few days, more than triple its entire electrical power costs for fiscal year 2020. It left the city of 140,000 without enough cash to keep buying power at market rates and said in regulatory filing it may need to borrow more money to cover the costs.

Across the state, local utilities that were forced to buy power at prices as high as \$9,000 a megawatt-hour when a deep freeze hobbled the state's power grid are potentially facing outsize debts that could wreck their credit rating and linger on their balance sheets for years.

"I continue to wait for other shoes to drop," said Kit Konolige, a senior utilities analyst at Bloomberg Intelligence.

CPS Energy, a municipally owned utility in San Antonio, said it expects its costs from the winter storm to be "substantial" and is considering ways to limit the impact on its 840,750 electric customers.

"While fuel charges are normally passed on to customers, our team will pursue every financing tool within our ability to spread the financial impact over years," the utility said in a statement. "Spreading out the costs, if approved, will minimize the impact to customer affordability, which is important since the community has already been through a very difficult time."

Fitch Ratings on Wednesday placed all retail and wholesale electric utilities operating within the Electric Reliability Council of Texas, the grid operator known as Ercot, on rating watch negative. It cited concerns regarding funding requirements and liquidity in the near term, and cost recovery and the potential for increased financial leverage over the medium term.

The Kerrville Public Utility Board, a community-owned, not-for-profit electric company that serves 23,000 customers northwest of San Antonio, also said it is facing "significant and unexpected" energy costs.

"KPUB is working to fully calculate the financial impact we are facing due to these events," the utility said in a statement. "However, the exposure is very significant even though our utility has reasonable hedges in place to mitigate such cost spikes."

S&P Global Ratings placed Rayburn Country Electric Cooperative Inc. on watch for downgrade after it fully drew its \$250 million syndicated line of credit, and entered into a \$300 million bilateral line of credit with National Rural Utilities Cooperative Finance Corp.

Some utilities, however, managed to dodge unexpected costs. San Angelo, a West Texas town on the outskirts of the Chihuahuan Desert saw a record-shattering 10.1 inches of snow on Feb. 1. But it had fixed price contracts before the storm hit. "The good news is, we were a city who did have a guaranteed contract," San Angelo Mayor Brenda Gunter said.

Still, many other local utilities remain unsure what the disaster cost them. Officials in Bridgeport northwest of Dallas said they have yet to received a power bill. The city owns its utility but has no generating capacity, so it buys its power from a unit of Exelon Corp.

"Right now, I guess we're in the dark," said Chester Nolen, the city manager. "I don't know if that's good or bad."

## **Bloomberg Green**

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