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S & P Assigns A-1+ Short-Term Rating to New Braunfels Utilities Commercial Paper Notes and Affirms AA Long-Term Debt Rating

(New Braunfels, TX – April 26, 2019) – On April 18, 2019, Standard and Poor's (S & P) Global Ratings, a leading index provider and data source of independent credit ratings, assigned its A-1+ short-term credit rating to New Braunfels Utilities (NBU) commercial paper notes, series 2019A and 2019B, while at the same time affirmed its AA' long-term and underlying ratings on NBU's combined utility senior-lien debt, determining the outlook on the senior-lien debt is stable.

The NBU five-year capital program requires in excess of \$483 million to address the rapid growth and aging infrastructure needs of the community. This planned investment will require debt-financing of an expected \$250 million. Historically, NBU has issued long-term debt to finance improvements to the utility system. As part of NBU's plan to efficiently manage the issuance of debt, NBU elected the use a commercial paper program in the amount of \$75 million. Commercial Paper is a short-term debt instrument, usually backed by a line of credit with a bank, which has a maximum maturity of 270 days.

"The use of commercial paper allows NBU to remain flexible and to access funds quickly when needed," said Chief Financial Officer, Dawn Schriewer. "The five-year capital improvement projects that are either in process, or are planned to begin, will benefit from access to funds at the normally lower short-term interest payment rates associated with the commercial paper program. New Braunfels Utilities could possibly save \$3 million in interest expense over the initial program term," added Schriewer.

The A-1+ short-term credit rating, and affirmation of the AA long-term rating, reflects S & P's opinion of NBU's very strong enterprise risk and financial risk profiles. Key rating drivers include a growing service area, which presents substantial capital needs, rate increases, and the ability to layer in additional debt as needed. New Braunfels Utilities' very competitive rates and low debt levels, along with projected rate increases, position NBU to absorb the greatest impact while maintaining the robust financial metrics that underpin its current strong rating. Additionally, very strong operational and management assessment, highlighted by robust financial planning and policies, have positioned NBU to respond to growth in a credit-supportive manner. New Braunfels Utilities' extremely strong market position, due to weighted average revenue per kilowatt hour (kWh) that is just 84 percent of the state average, as well as low water and wastewater rates bolster NBU's enterprise risk profile.



“New Braunfels Utilities financial policies and sound fiscal practices, aligned with Board of Trustees oversight, have allowed NBU to be considered as a strong, stable utility, earning the coveted A-1+ short term credit rating by one of the world’s leading ratings institutions,” reported NBU’s chief executive officer, Ian Taylor. “Over the next five-years, NBU’s service debt is expected to double as our capital projects are completed, which must be done in order to be compliant with the Texas Commission on Environmental Quality standards. We are confident that the policies, combined with the checks and balances included within the prudent strategic planning our management team has worked hard to put into place, NBU will be able to maintain this excellent credit rating which will save both NBU and our customers money in the years ahead,” noted Taylor.

New Braunfels financial risk profile reflected in S & P’s credit assessment stated that NBU’s very strong coverage metrics, including fixed charge coverage levels averaged 1.56x in fiscal years 2016 – 2018, with projections suggesting coverage levels that will continue to support the current assessment. Strong liquidity and reserves are reflected in NBU’s \$43 million in available cash measuring 138 days of operating expenses in 2018.

“New Braunfels Utilities has a very strong debt and liabilities profile, as was recognized in S & P’s assessment,” offered Taylor. “New Braunfels Utilities’ debt measured 28 percent of total capitalization; however, to cover the costs of NBU’s \$478 million five-year capital improvement projects, we expect that debt ratio to rise to just over 40 percent. We recognize that rate increases for essential services will be necessary to sustain our excellent credit rating and to continue to provide services. Through sensible planning, NBU customers will continue to benefit from competitive rates.”

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About New Braunfels Utilities:

Dedicated to excellence in service, New Braunfels Utilities is one of 2,000 community-owned, nonprofit public power electric utilities in the nation. The mission of New Braunfels Utilities is to enhance the quality of our community by providing innovative, essential services. Governed by a Board of Trustees comprised of local residents appointed by the New Braunfels City Council, New Braunfels Utilities is committed to being a recognized and trusted community partner, providing electric, water, and waste water services. Utility revenues are continually invested back into the systems of the customers, which benefits the community. New Braunfels Utilities makes an annual transfer to the City of New Braunfels, which in turn helps to pay for services such as fire, police, and parks. Follow NBU on Facebook at facebook.com/newbraunfelsutilities, on Twitter at [@nbutility](https://twitter.com/nbutility), and to learn more visit nbutexas.com.