



# Short Term Obligations

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City Council Meeting

March 8, 2021

# Financial Implication of Winter Weather Event

- NBU was financially impacted by the weather event
- Cost of power estimated at \$82M for the month of February
- Cost of power budgeted at \$88.5M for the fiscal year
- Unknown items: uplift charges, legislative action, PUC action, additional liquidity interest costs
- Utilizing reserves to pay for power
- Reserves will not cover the full cost
- NBU requires additional liquidity until the cost can be recovered
- Additional liquidity will help NBU smooth electric rates to customers by lengthening time to collect
- Recommending a Taxable Note Purchase Agreement with J.P. Morgan

# Rating Agency Updates – NBU

- S&P Global Ratings
  - February 24, 2021 – Discussion on Financial Impact
  - March 3, 2021 – Placed NBU on Credit Watch Negative
  - Full review due within 90 days
- Fitch Ratings
  - February 23, 2021 – Placed all Texas Utilities on Rating Watch Negative
  - March 19, 2021 – Discussion on Financial Impact
- Moody's
  - March 1, 2021 – Review for Rating on Short Term Obligations
  - March 10, 2021 – Anticipate Rating for Short Term Obligations

# Rating Agency Updates – Other Entities

- ERCOT
  - March 4, 2021 – Downgraded one notch by Moody’s from Aa3 to A1 with a negative outlook
  - Concerns: Future ability to socialize nonpayment from market participants and increased regulatory risks
- CPS Energy
  - March 4, 2021 – Downgraded two notches by Fitch from AA+ to AA- with a negative outlook
  - Concerns: Magnitude of the cost, uncertainty in the timing of the recovery of the cost, long-term debt levels, City Council’s unwillingness to approve any rate increase

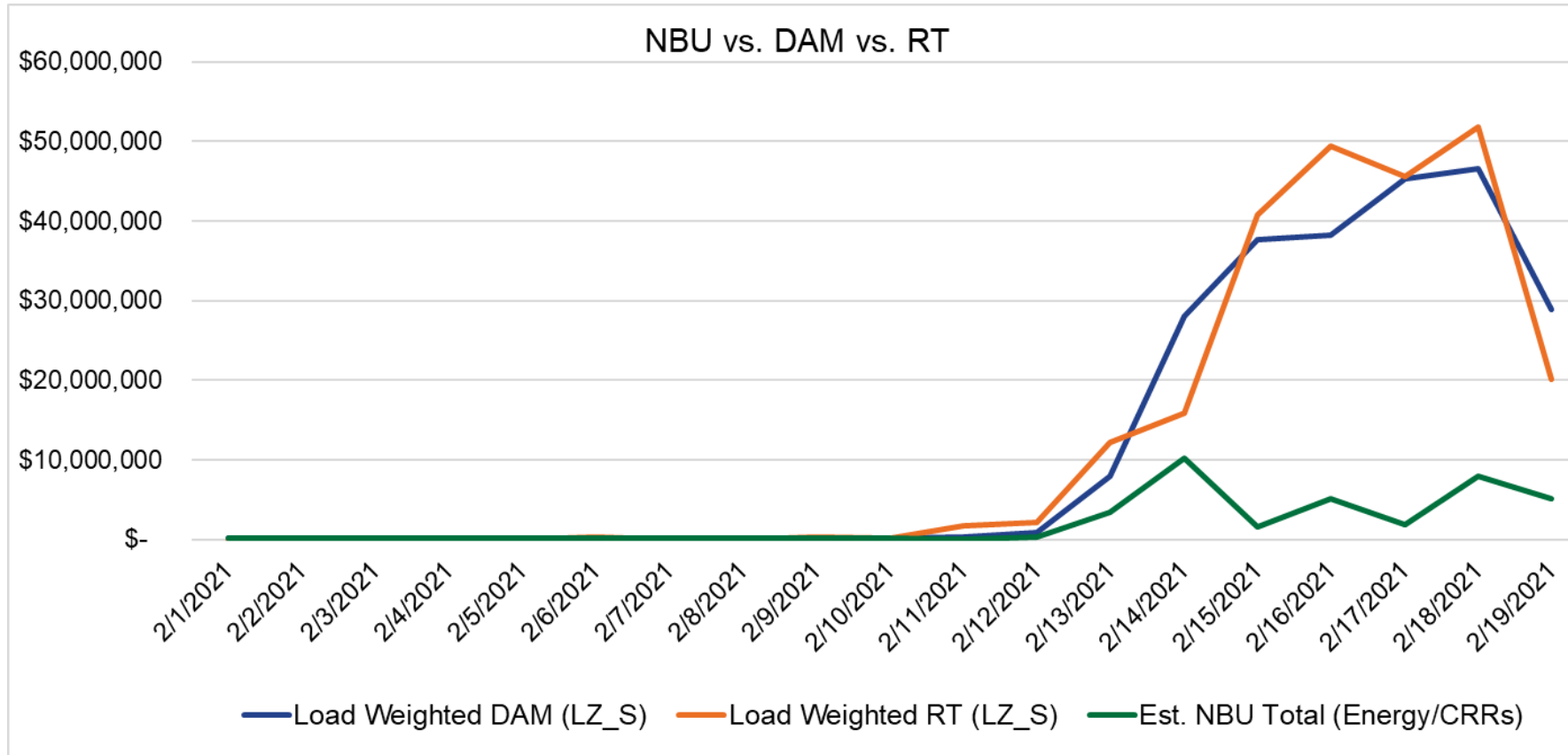
# Residential Electric Bill Percent by Component – FY 2021 (Average Residential 1,200 kWh)

Bill Component	FY 2021 Bill	Percent By Component
Generation	\$52.00	41.64%
GCRF	\$36.40	29.15%
Delivery	\$15.48	12.39%
Fixed Charge	\$14.77	11.83%
Transmission	\$6.24	5.00%
<b>Total Bill</b>	<b>\$124.89</b>	<b>100.00%</b>

# Generation Cost Recovery Factor (GCRF)

- The GCRF is a factor that is used by all electric utilities to recover costs due to the volatility in the ERCOT market. It is a pass through cost.
- There is volatility in the ERCOT market due to the wide range of prices for power per MWh.
- Prices range from a minimum of (\$250)/MWh to a maximum of \$9,000/MWh

# NBU vs. DAM vs. RT (Energy and CRRs only)



DAM (Load Weighted)	
\$/MWh	Total Cost
\$ 2,456	\$234,945,390
RT (Load Weighted)	
\$/MWh	Total Cost
\$ 2,518	\$240,887,732
NBU	
\$/MWh	Total Cost
\$ 385	\$ 36,796,987

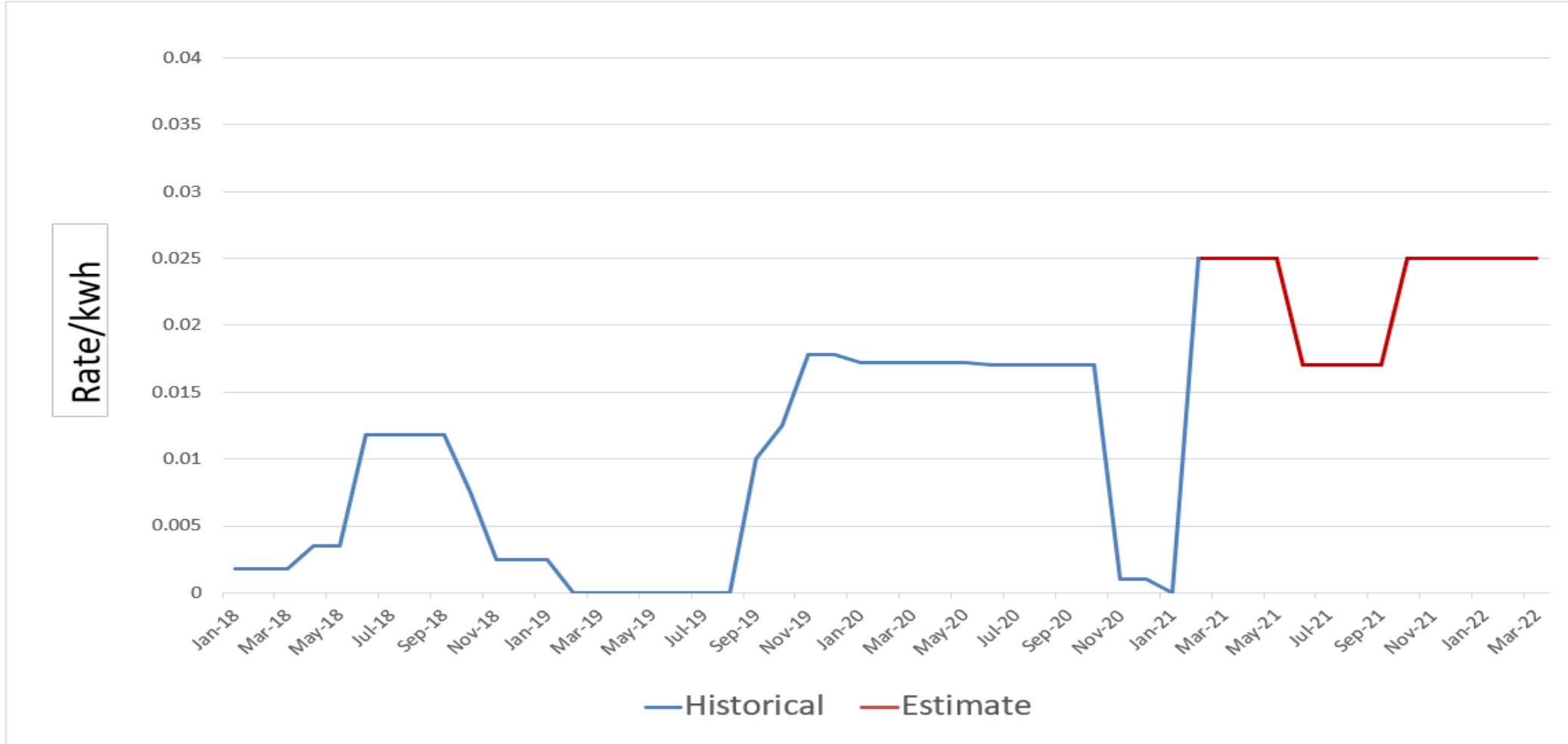
\*As of 2/19/2021

# GCRF Ordinance

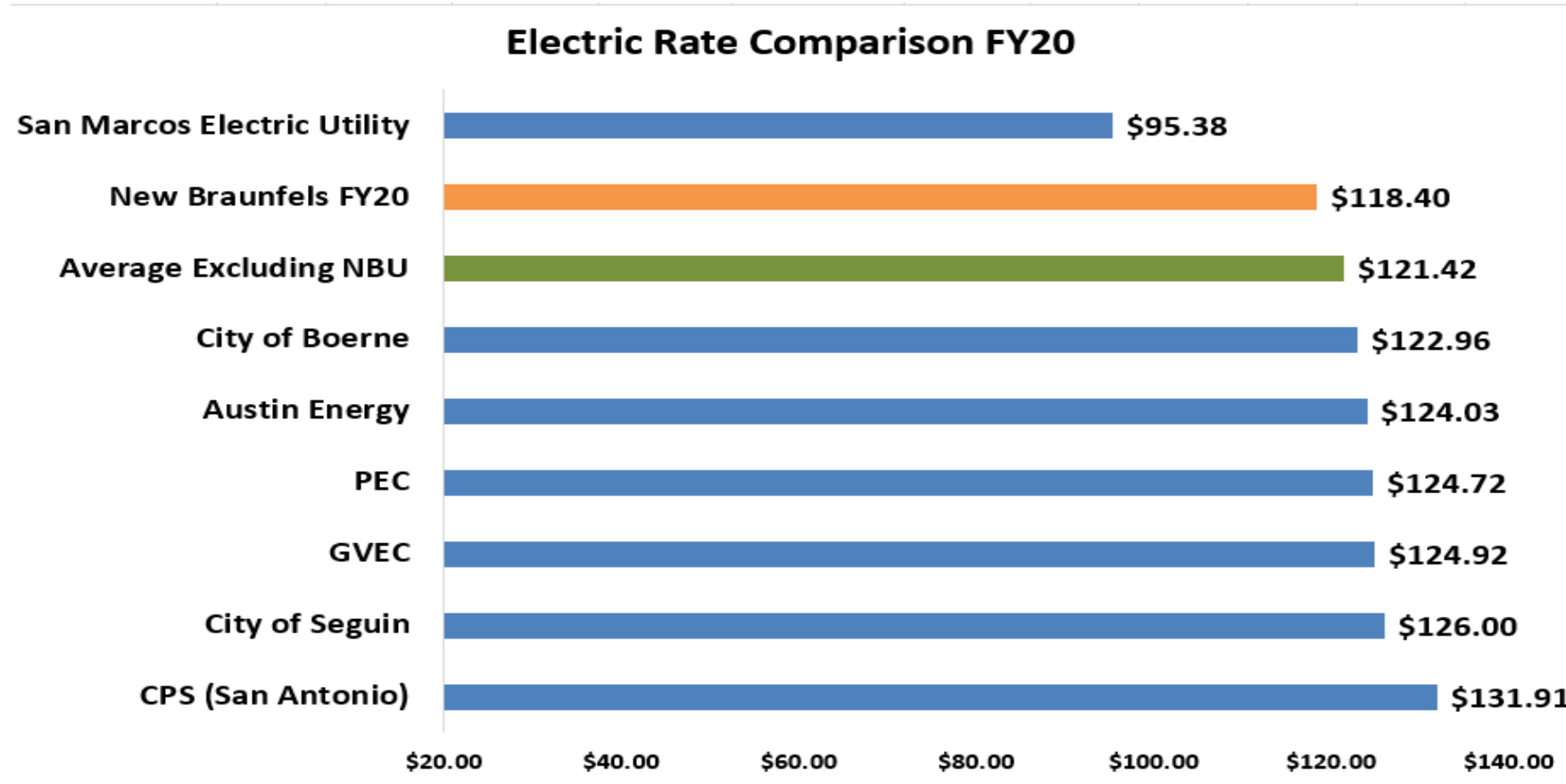
- Municode Sec. 130-58: The GCRF is the generation cost recovery factor expressed as dollars per kWh, to be multiplied by the energy (kWh) sold during a billing period to each customer.
  - It is a calculation based on the change in estimated cost of generation compared to the actual cost of generation.
  - NBU applies a billing adjustment to electric sales for over-collection and/or under-collection of revenues. This is passed through to customers in future sales through an adjustment in the Generation Cost Recovery Factor (GCRF).



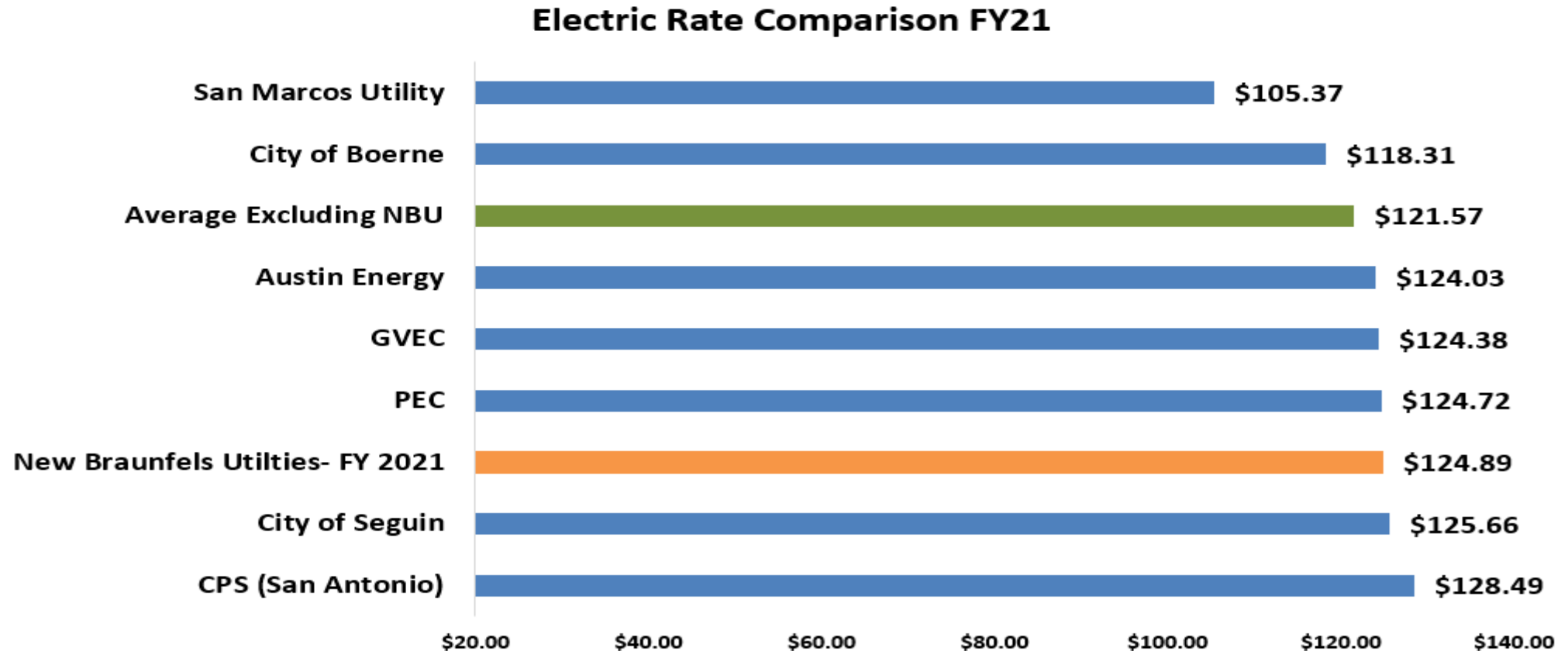
# GCRF Historical & Estimated



# Average Residential Electric Bill Comparisons 1,200 kWh - FY20 NBU Average



# Average Residential Electric Bill Comparisons 1,200 kWh – FY21 NBU Average



# Note Purchase Agreement

- Short term note program designed similarly to the Series 2019 CP Note program
- Differences from original
  - Taxable
  - Will allow the purchase of power as a qualified use of proceeds
- Two Year Program
- Program will allow NBU to repay the short term notes or refund the notes into long term financing if, and as, needed.
- Can access funds on short notice
- Will have optionality to end the program if no longer needed

# Timeline

- J.P. Morgan received approval to move forward from their credit committee on 2/25/21
- NBU met with Moody's on 3/1/21 to get a rating
- NBU is seeking City Council approval today
- Funding anticipated the week of March 15<sup>th</sup>



# Discussion

