



City Council Workshop
October 11, 2021

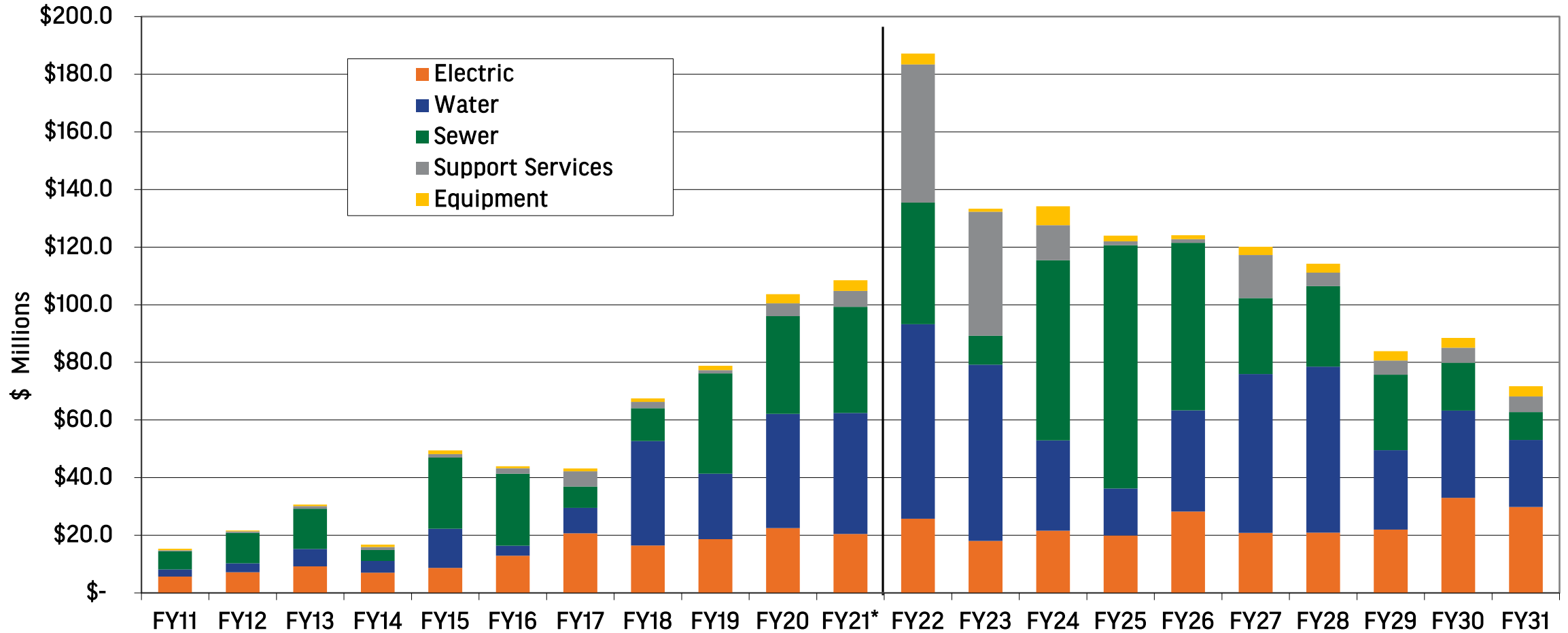
Overview

- Capital Projects
- Water Supply
- NBU Facilities
- Winter Storm Uri
- ERCOT and PUCT
- Rates

CAPITAL PROJECTS

Capital Expenditures – Historical & Projected

Historical and Projected Capital Expenditures (FY 2011 - 2031)

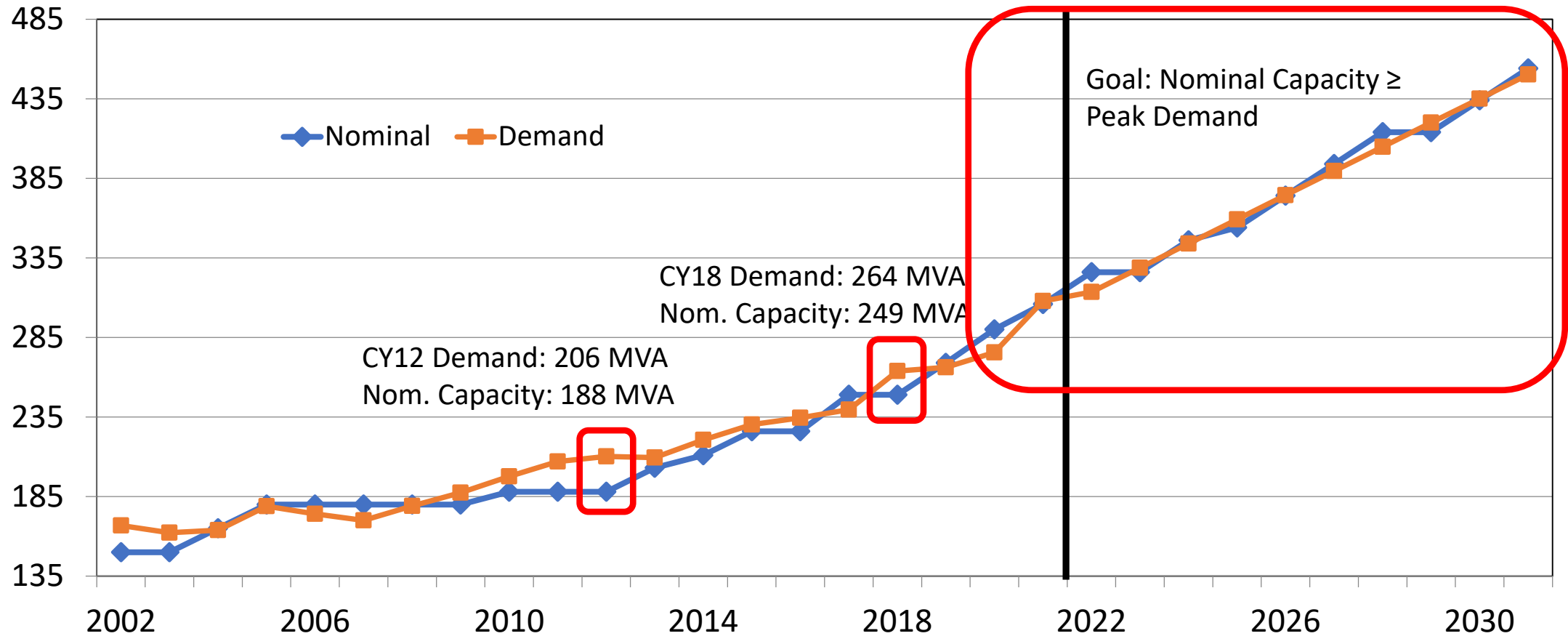


*Forecast (actual amounts through February)

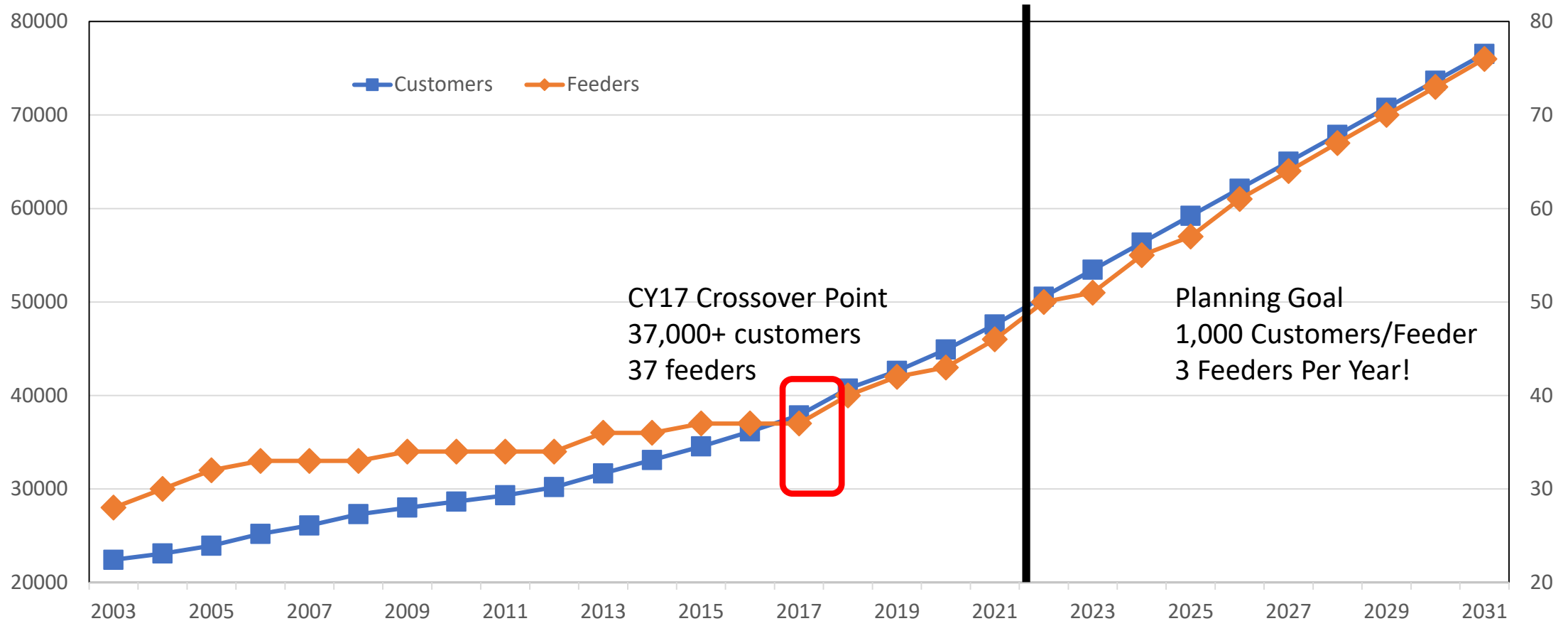
Electric

System Demand vs. Nominal Capacity

Demand in MVA, Full Growth Outlook



Customer Count vs. Feeder Count Full Growth Outlook



Key Electric Projects – Completed



Loop 337 Feeder Exits



New Feeder Additions



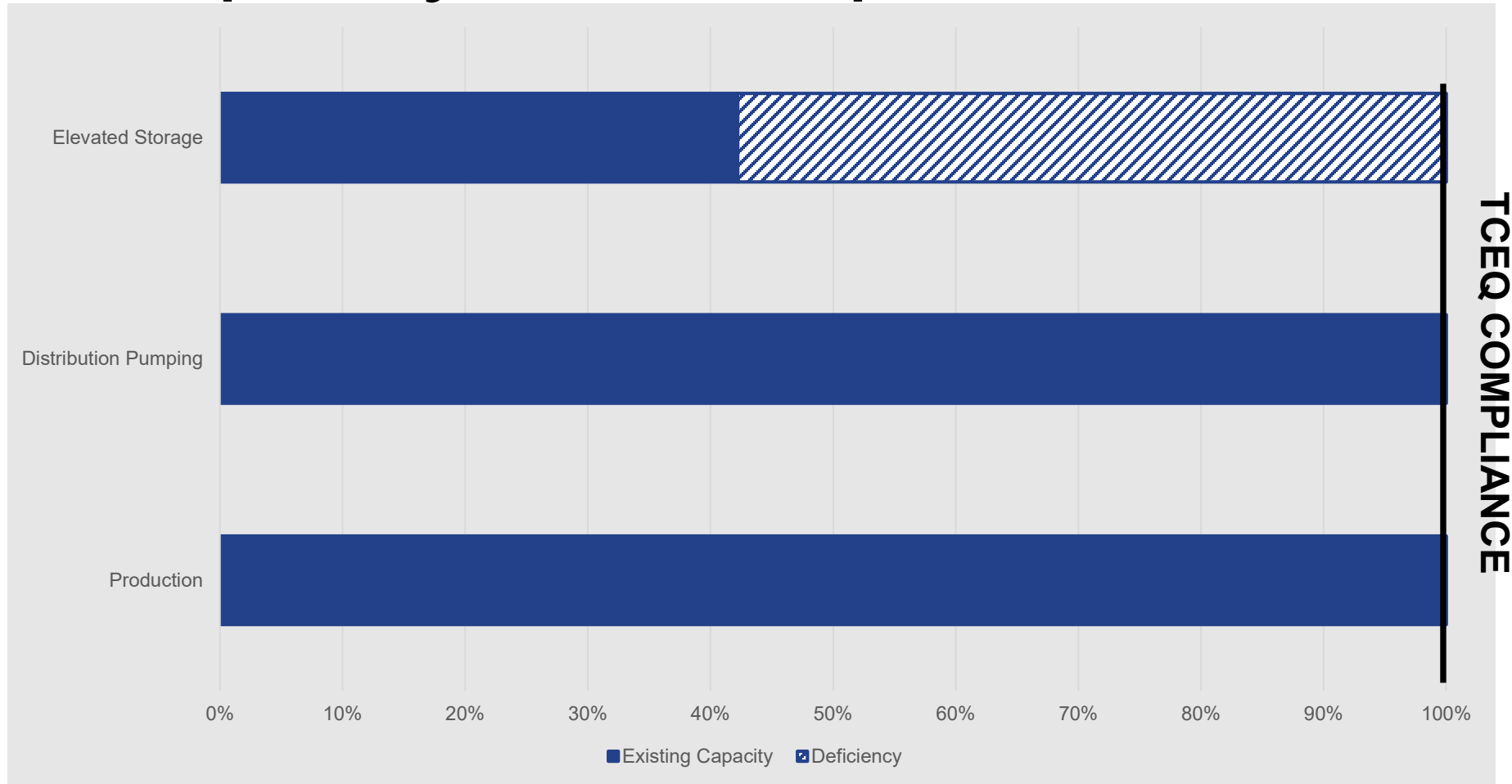
TXI T1 Replacement

Key Electric Projects – In Progress

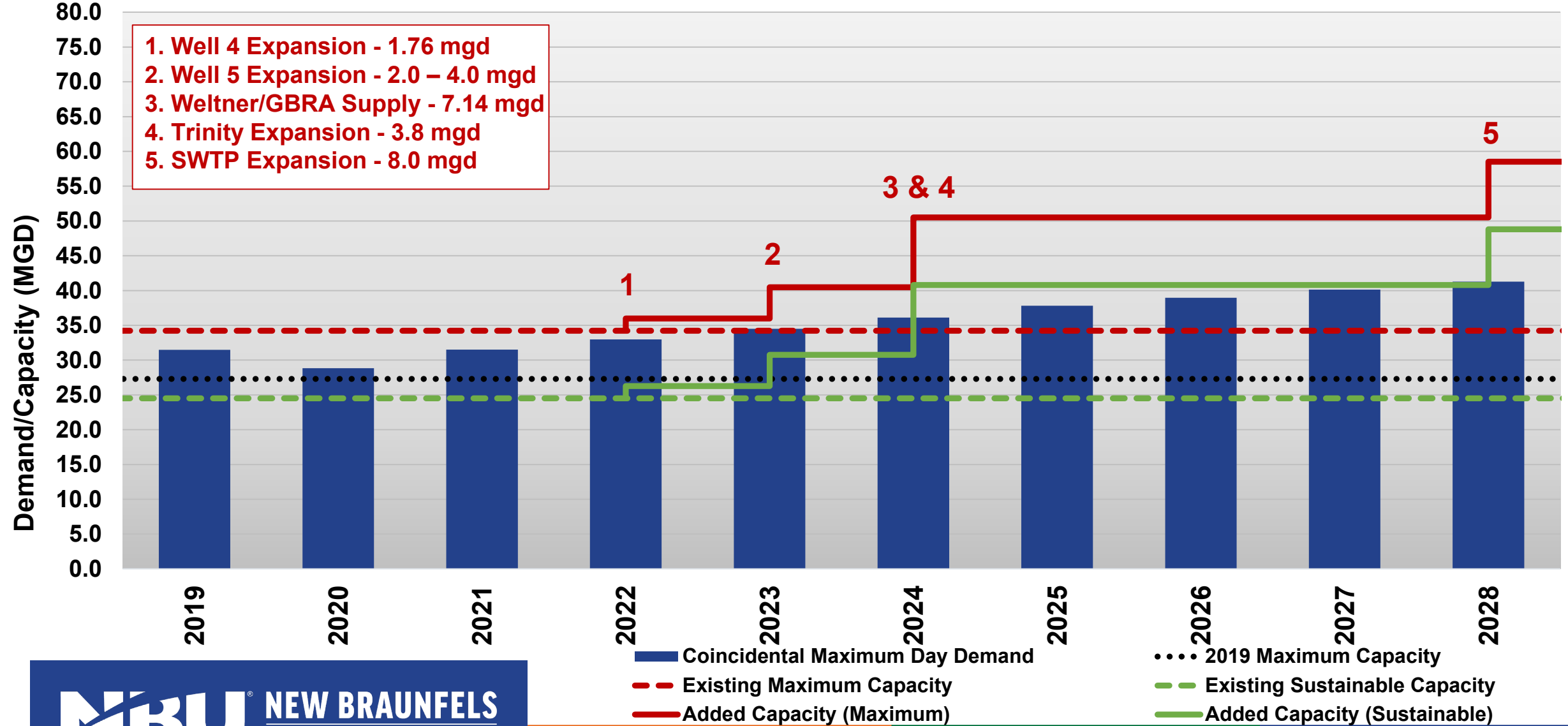


Water/Wastewater

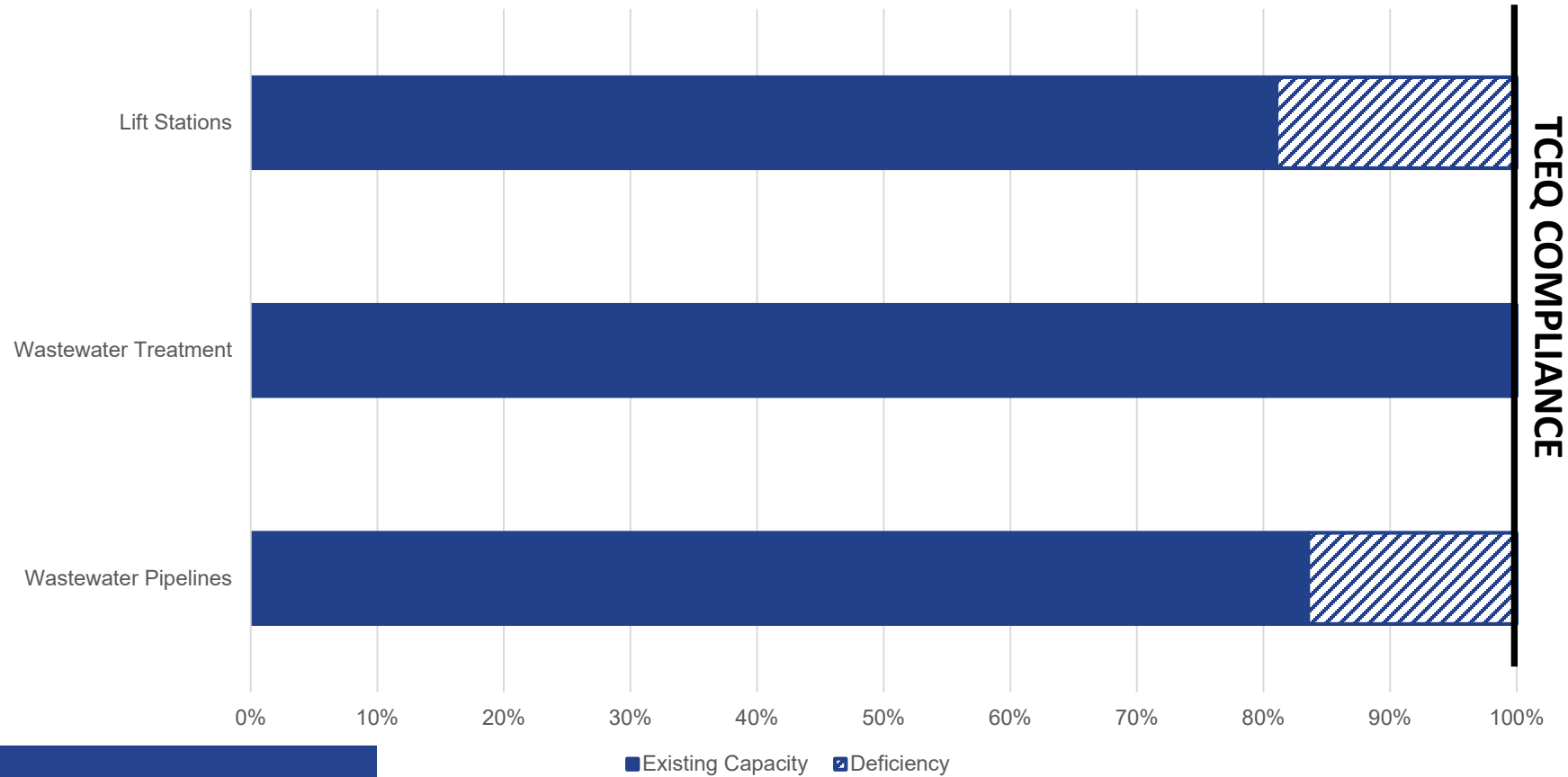
Capacity vs. Compliance – Water



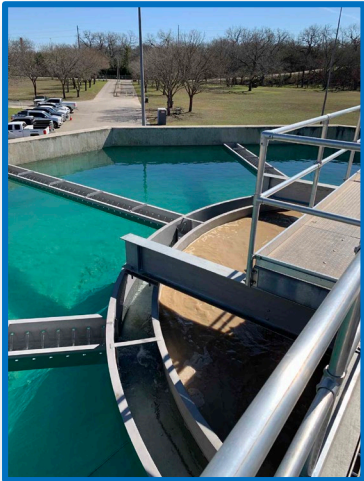
Water Production Evaluation



Capacity vs. Compliance – Wastewater



Completed W/WW Projects



SWTP Clarifier No. 1 & 2
\$2.8M



San Antonio St Rehab, Ph 2 (CNB)
\$3.1M



AWIA Risk Assessment



Green Valley PS
\$2.0M

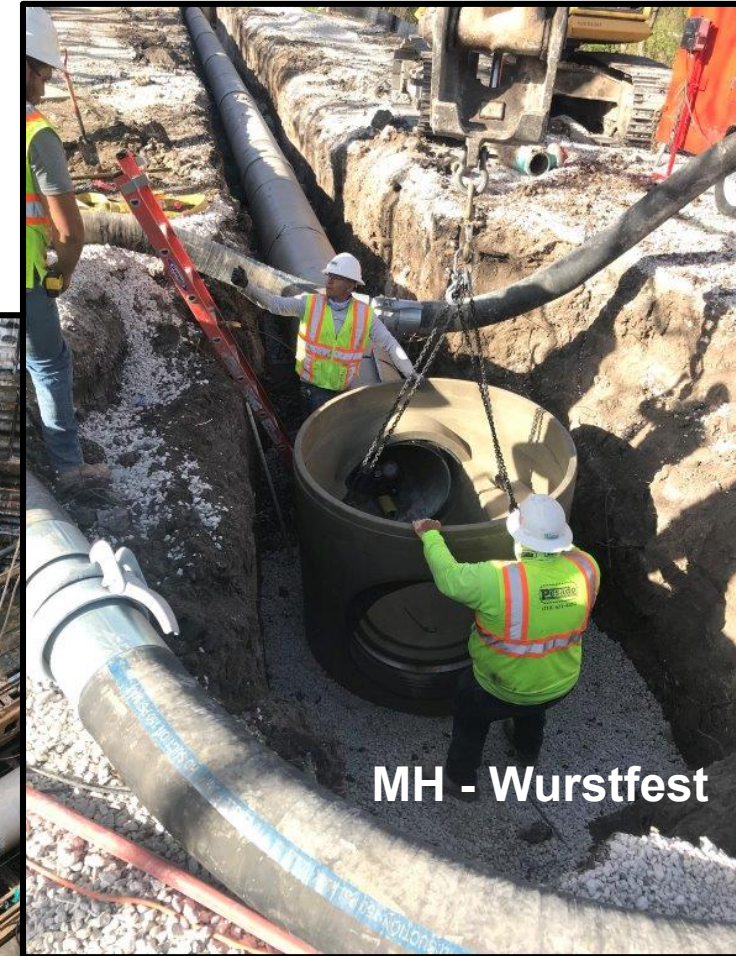


Elizabeth Ave WL
\$258K



Alves W/WW Improvements (CNB)
\$2.5M

Ongoing W/WW Projects



N. Kuehler 30"/33" Interceptor
Phase 2

Ongoing W/WW Projects

Castell Avenue Water Main



Ongoing W/WW Projects



**Bretzke Water Supply Project
(BP1 - Tank & Pump Station)**

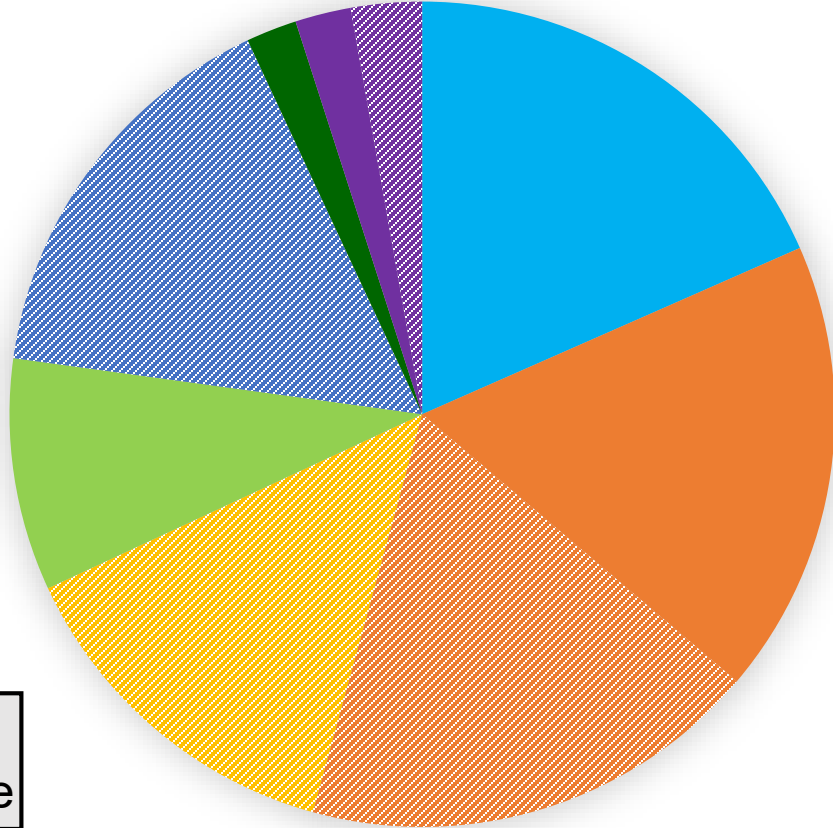
Ongoing W/WW Projects

Oakbrook EST
&
Veramendi EST



WATER SUPPLY

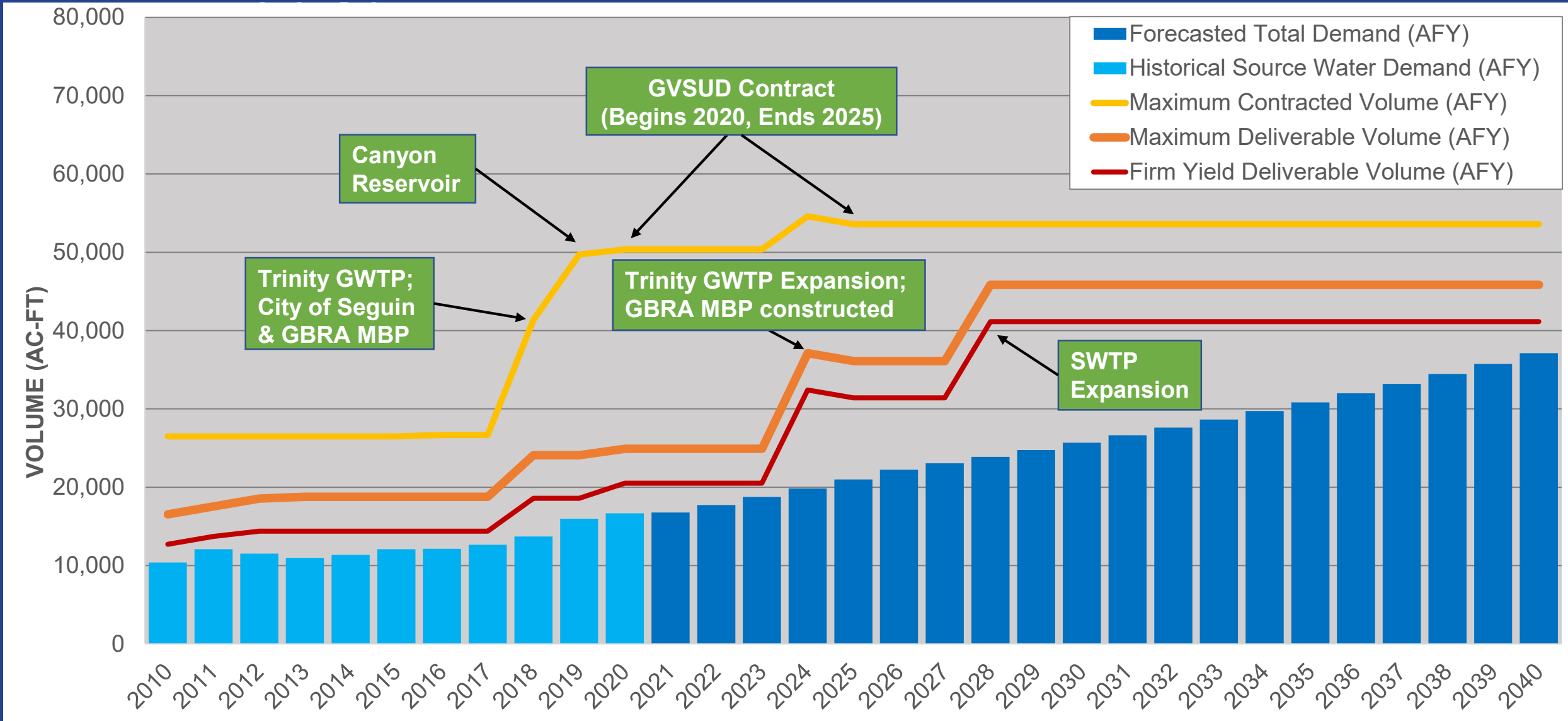
Water Supply Portfolio



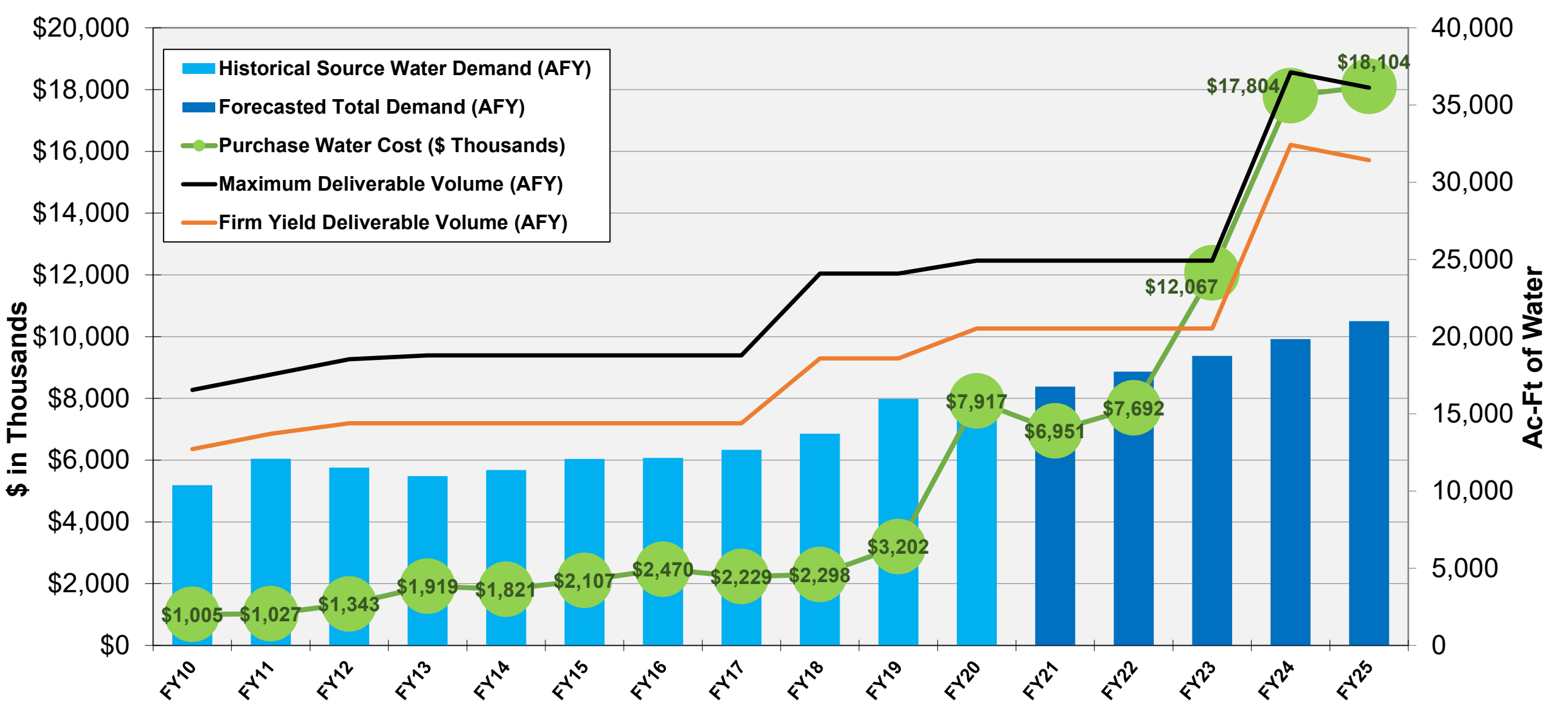
Hatched =
Undeliverable

- Edwards Aquifer (\$207 per ac-ft) = 18%
- Canyon Reservoir (\$529 per ac-ft) = 36%
- Run of River (\$390 per ac-ft) = 14%
- Trinity Aquifer (\$499 per ac-ft) = 9%
- GBRA Mid-Basin (\$1470 per ac-ft) = 16%
- GVSUD (\$207 per ac-ft) = 2%
- City of Seguin (\$1039 per ac-ft) = 5%

NBU Water Supply – 2010 through 2040



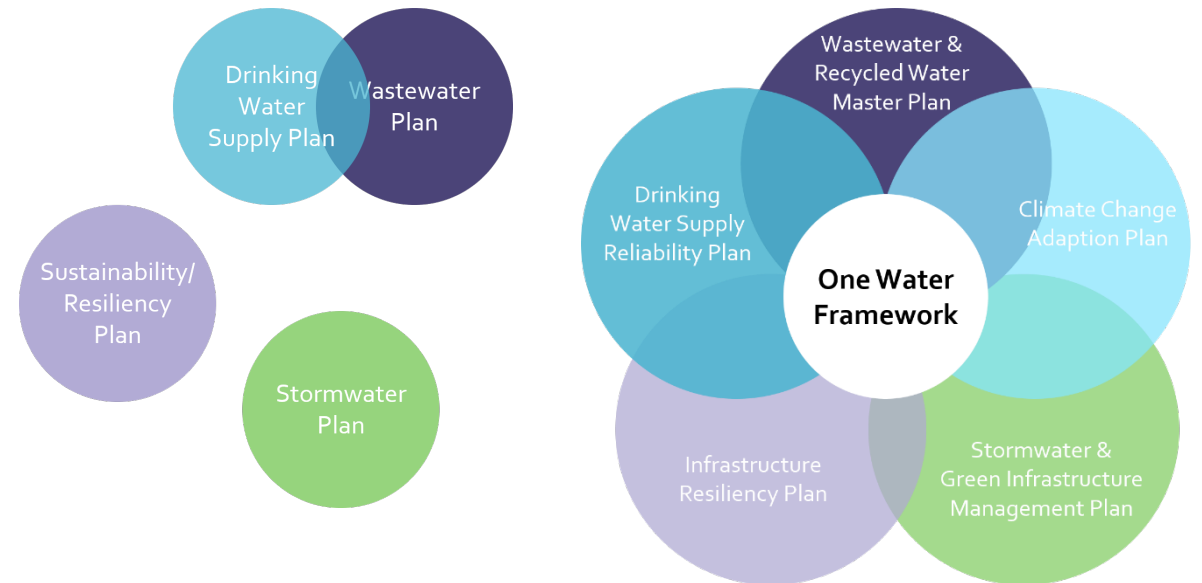
NBU Water Supply Costs



One Water

- One Water is an integrated planning and implementation approach to managing finite water resources for long-term resilience and reliability, meeting both community and ecosystem needs.
- In June, 2021 a presentation was made to the NBU Board on the cumulative efforts of The City, GBRA and NBU staff to create a One Water roadmap for the New Braunfels area.

Traditional versus One Water Approach



NBU FACILITIES

NBU Main Plaza

3/23/2020 - Overlay District Approved

1/11/2021 - Issued Request for Qualifications (RFQ)

3/17/2021 - Shortlisted three respondents

5/24/2021 - Issued Request for Proposals (RFP)

7/28/2021 - Proposals Received

10/20/2021 - Interviews/make selection



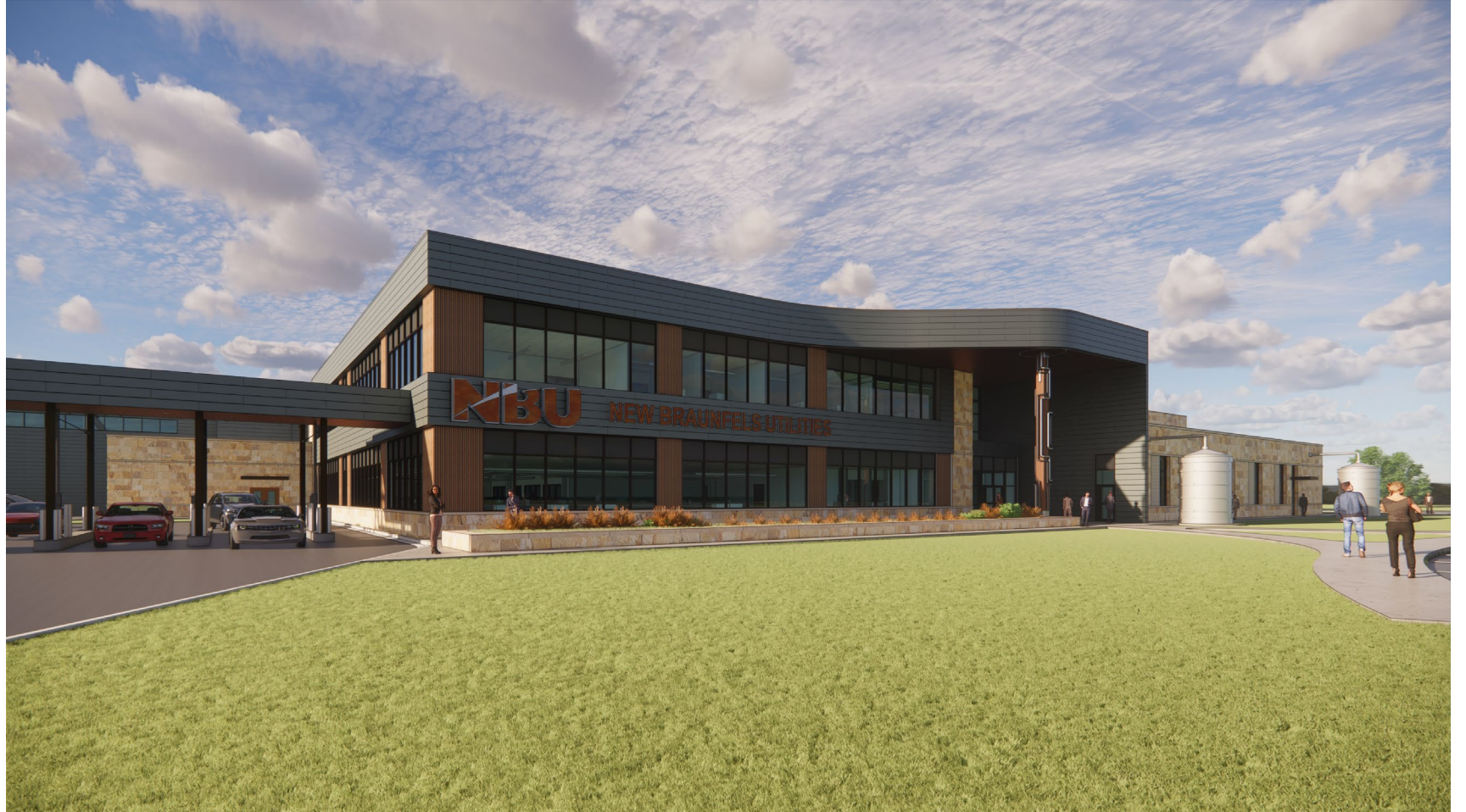
Service Center



Construction coordination is ongoing with the City of New Braunfels for Fire Station #7 and Fire Training. Anticipate construction start in 2022.

NBU Headquarters

- Currently in Design
- Anticipate Construction Starting in Spring 2022



Coreth Caverns



WINTER STORM URI

Update on Uri Recovery

- \$94M in storm cost recovery planned through March, 2022
- \$124M funding of Power Stabilization Fund planned through 2026
 - Built into budget and financial operating plan
- Adoption of short-term hedging framework
 - Mitigates some risk of hedging in the ERCOT market

Bond Rating Action - Winter Storm Uri

ERCOT Operating Risk Revealed by Extreme Weather and Price Volatility

- Heightened risk and frequency of extreme weather events in winter and summer
- Potential for power price volatility related to scarcity pricing for RT and DAM
- Insufficient incentive to add reserve capacity to meet surges in demand
- Lack of interconnectivity to the rest of the US power grid which challenges the ability of participants to respond to ERCOT disruptions
- Entities will face increased financial pressures due to these events
- Entities must plan for, mitigate, or adapt to these risks
- Necessitates increased levels of liquidity

Bond Rating Action - Winter Storm Uri

Bond Ratings

- 08/26/2021: S&P affirmed NBU's A+ rating; outlook negative
- 08/05/2021: Fitch affirmed NBU's AA rating; outlook negative
- 04/19/2021: S&P downgraded NBU's rating from AA to A+; credit watch negative
- 03/09/2021: Moody's affirmed NBU's Aa1 rating; outlook negative
- 02/24/2021: Fitch placed NBU's AA rating on rating watch negative

Fitch Bond Rating Comparisons - Winter Storm Uri

Entity	Pre Winter Storm Uri	Post Winter Storm Uri
Austin Energy	AA	AA
New Braunfels Utilities	AA	AA
Bryan	AA-	AA-
CPS Energy	AA+	AA-
Garland	AA	AA-
Lower Colorado River Authority	AA-	AA-
Pedernales Electric Cooperative	AA-	AA-
Brownsville	A+	A+
Guadalupe Valley Electric Cooperative	AA-	A+
Denton	A+	A
Seguin	A+	A-

ERCOT AND PUC

ERCOT and Public Utility Commission of TX (PUCT)

- ERCOT Reliability Roadmap
- Market Design Reform
 - PUCT and ERCOT are taking a reliability first approach to market design
 - PUCT hopes to have a market design blueprint by end of year
- ERCOT prices will most likely rise as the market adopts changes and the risk premium is absorbed
- Rating Agencies: “Legislative reforms insufficient to eliminate ERCOT risks”

NBU RATE PLAN

FY 2022-2023 Current Rate Plan

Water Rate Design

- FY 2022-2023 Base Rate Increase: 8.0%, 8.0%
- FY 2022-2023 Water Supply Fee (WSF): \$2.49, \$2.79 (per thousand gallons)
- Removed WSF from Residential Essential Use (first 7,500 gallons)

Sewer Rate Design

- FY 2022-2023: 13.0%, 13.0%
- Updated Chemical Oxygen Demand (COD) & Total Suspended Solids (TSS) Surcharges

Electric Rate Design

- FY 2022-2023: 1.7%, 3.3%
- Distribution Component (which includes delivery and customer charges)

Next Rate Plan

Inputs to Rate Plan

- Electric/Water/Wastewater Cost of Service Studies
- Workforce Planning Study
- Water Resource Plan
- Water/Wastewater Master Plan
- Impact Fee Study
- Asset Management Plan
- Technology Roadmap
- Project Resource Plan
- 20-Year Forecast (Growth, Revenue, Expense, and Funding)

Timeline

- October 2021- March 2023: Develop all inputs
- April 2023: City Council Consideration of Rate Plan
- August 1, 2023: Rates effective

Preliminary Long Term Revenue Requirements

	Electric	Water	Wastewater
FY 2022	1.70%	22.00%	13.00%
FY 2023	3.30%	22.00%	13.00%
FY 2024	2.50%	22.00%	12.00%
FY 2025	2.50%	17.50%	6.00%
FY 2026	0.00%	17.50%	6.00%
FY 2027	0% - 2%	0% - 2%	0% - 2%
FY 2028	0% - 2%	0% - 2%	0% - 2%
FY 2029	0% - 2%	0% - 2%	0% - 2%
FY 2030	0% - 2%	0% - 2%	0% - 2%
FY 2031	0% - 2%	0% - 2%	0% - 2%
FY 2032	0% - 2%	0% - 2%	0% - 2%
FY 2033	0% - 2%	0% - 2%	0% - 2%
FY 2034	0% - 2%	0% - 2%	0% - 2%
FY 2035	0% - 2%	0% - 2%	0% - 2%
FY 2036	0% - 2%	0% - 2%	0% - 2%
FY 2037	0% - 2%	0% - 2%	0% - 2%
FY 2038	0% - 2%	0% - 2%	0% - 2%
FY 2039	0% - 2%	0% - 2%	0% - 2%
FY 2040	0% - 2%	0% - 2%	0% - 2%
FY 2041	0% - 2%	0% - 2%	0% - 2%

Questions?

Thank you!