

Electric Forum



NBU Electric Bills, PCRA and Power Supply


August 24, 2022

What is on my NBU electric bill?

THE ELECTRIC GRID AND NBU'S BILL

ELECTRIC GRID

GENERATION



TRANSMISSION



DISTRIBUTION



CURRENT BILL ITEMS

- Purchased Power
- Power Cost Recovery Adjustment (PCRA)

- Delivery Charge
- Availability Charge

PROPOSED BILL ITEMS

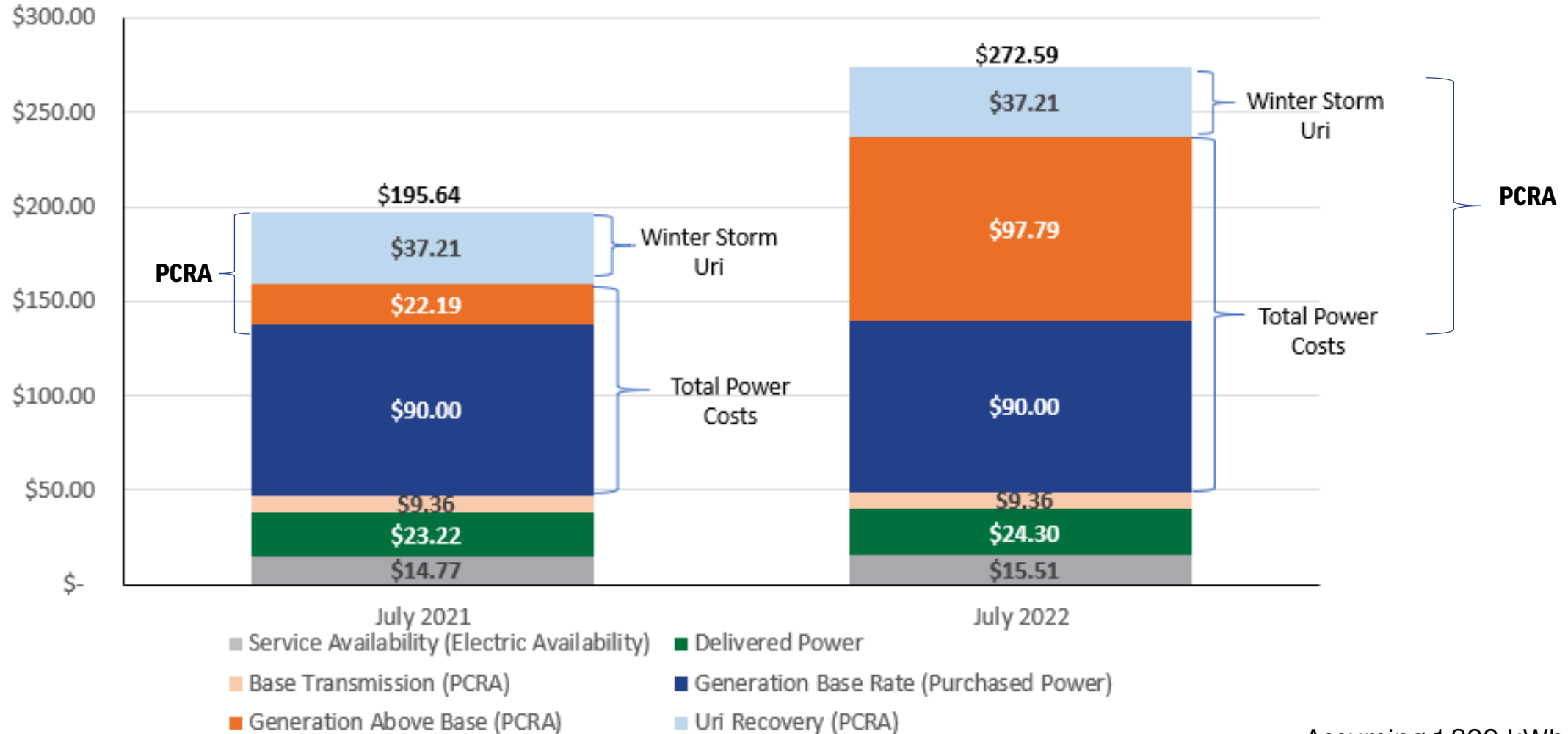
- Generation Base Rate
- Generation Above Base Rate

- Replenish Reserves

- Transmission Costs

- Delivery Cost
- Service Availability Cost

Residential Bill Breakdown: July 2021 vs 2022

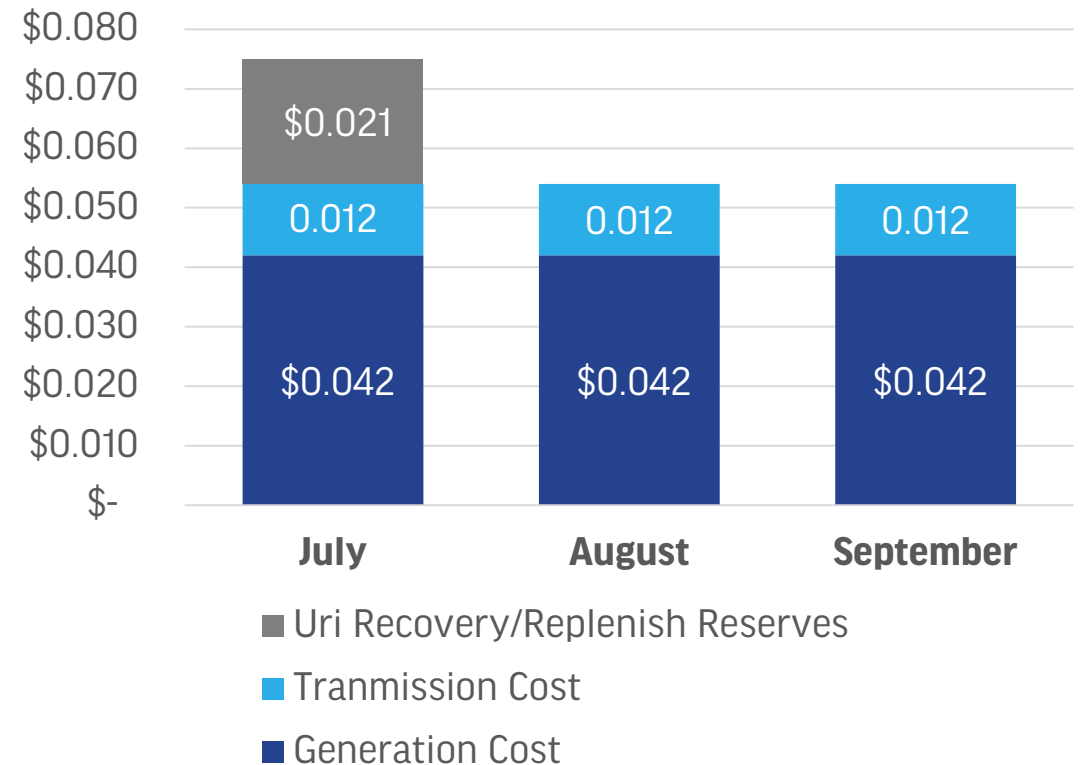


• Assuming 1,800 kWh usage

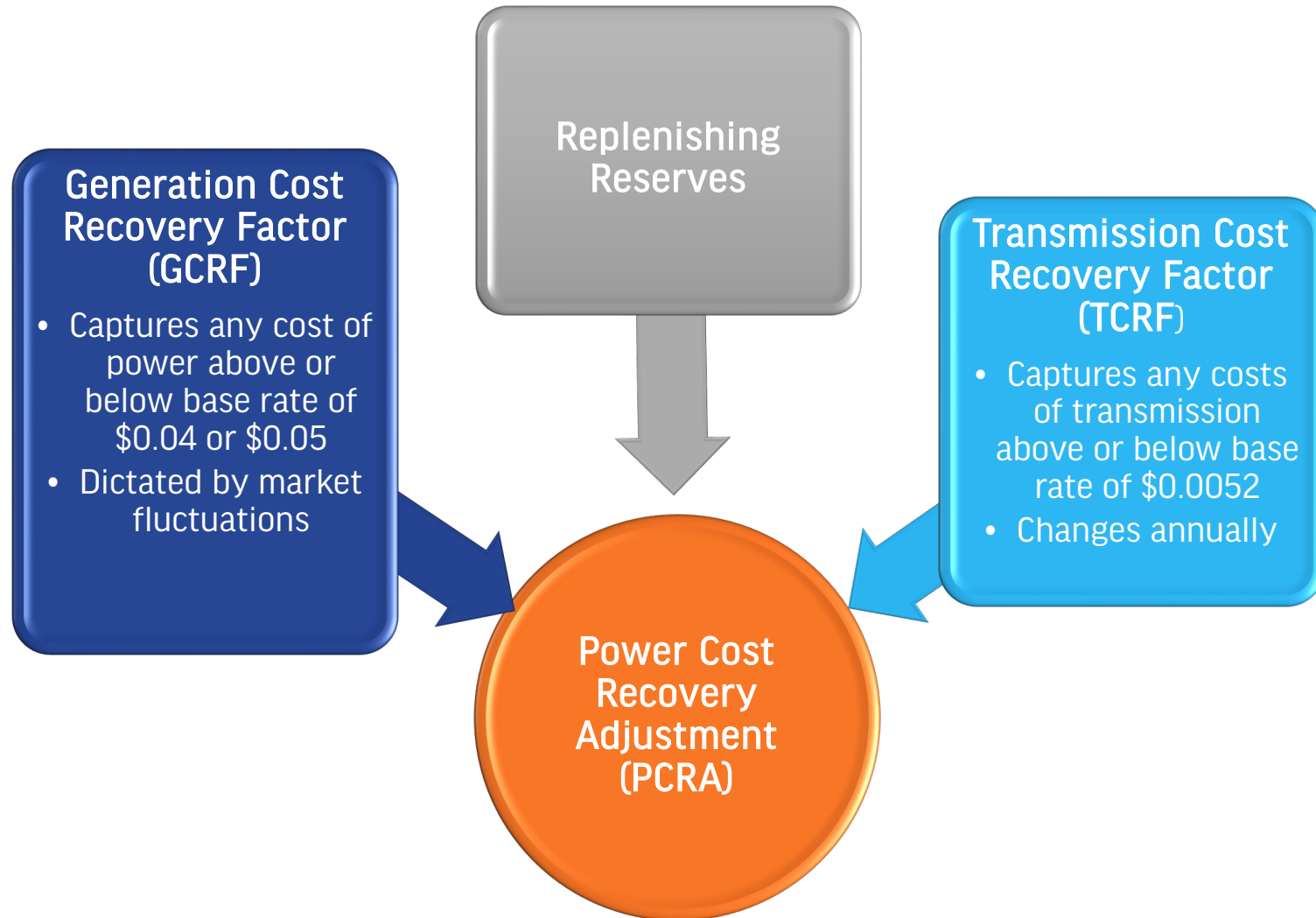
Power Cost Recovery Adjustment (PCRA)

- The PCRA is a variable rate that includes:
 - The total cost of power above what is collected through the base rate
 - The cost of electric transmission, which is set by the Public Utility Commission of Texas, annually
 - Uri recovery/replenishing reserves

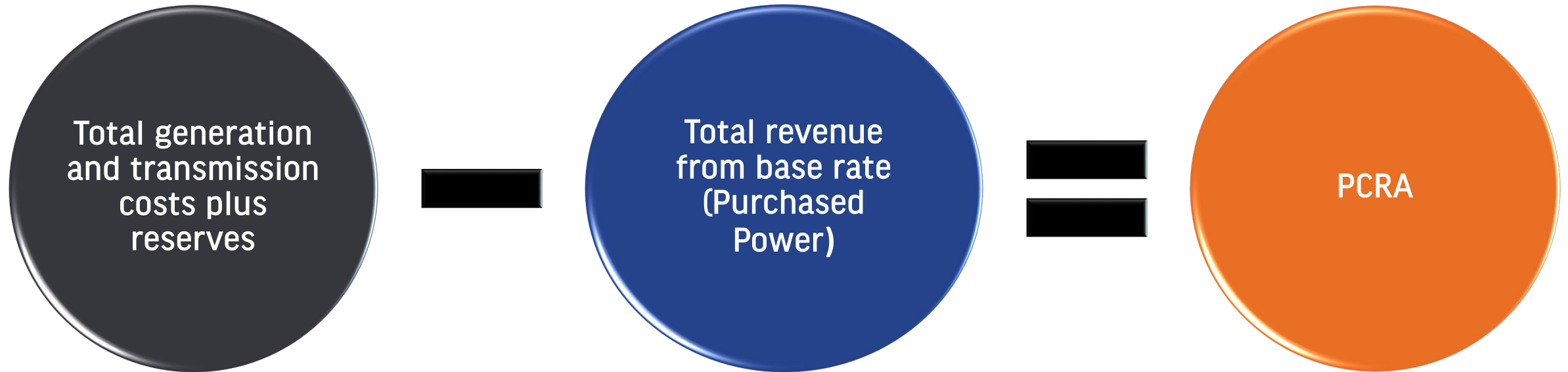
July and August 2022 PCRA Rate



What is the Power Cost Recovery Adjustment?



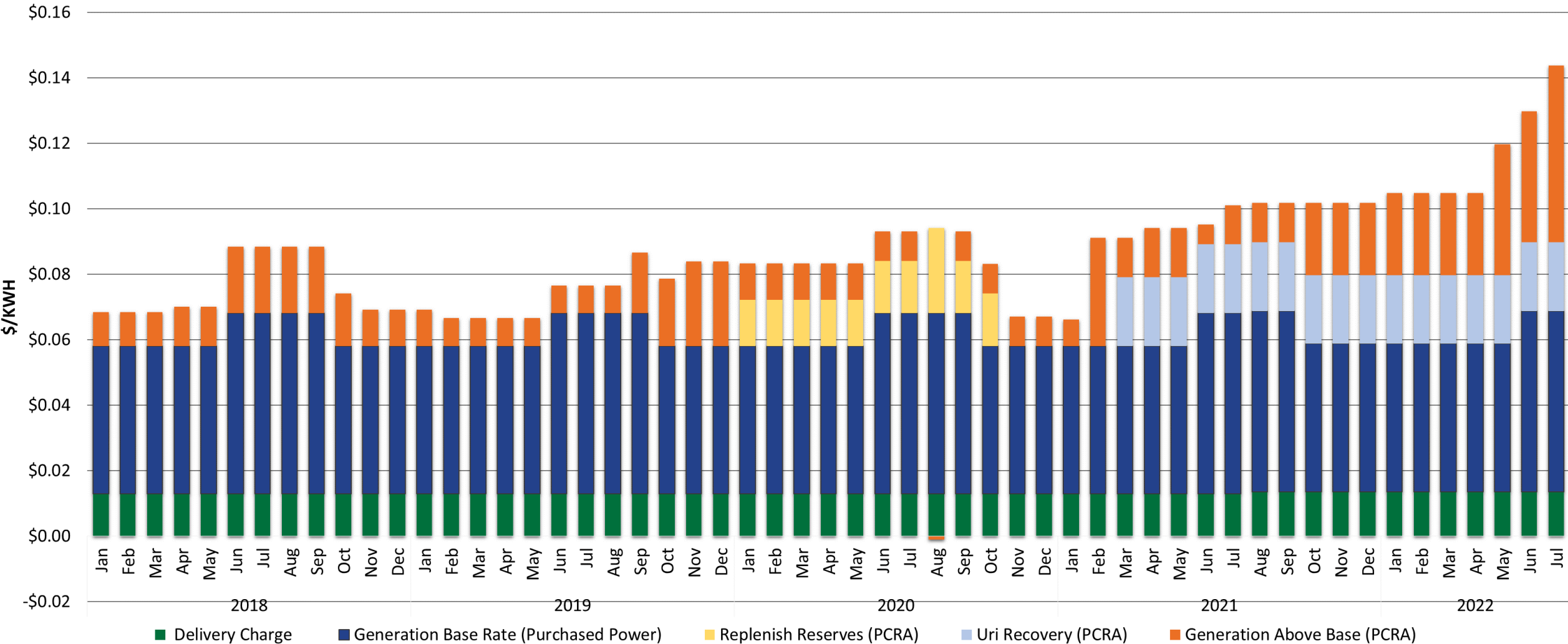
What is the PCRA Formula?



Why Doesn't NBU Cap The PCRA?

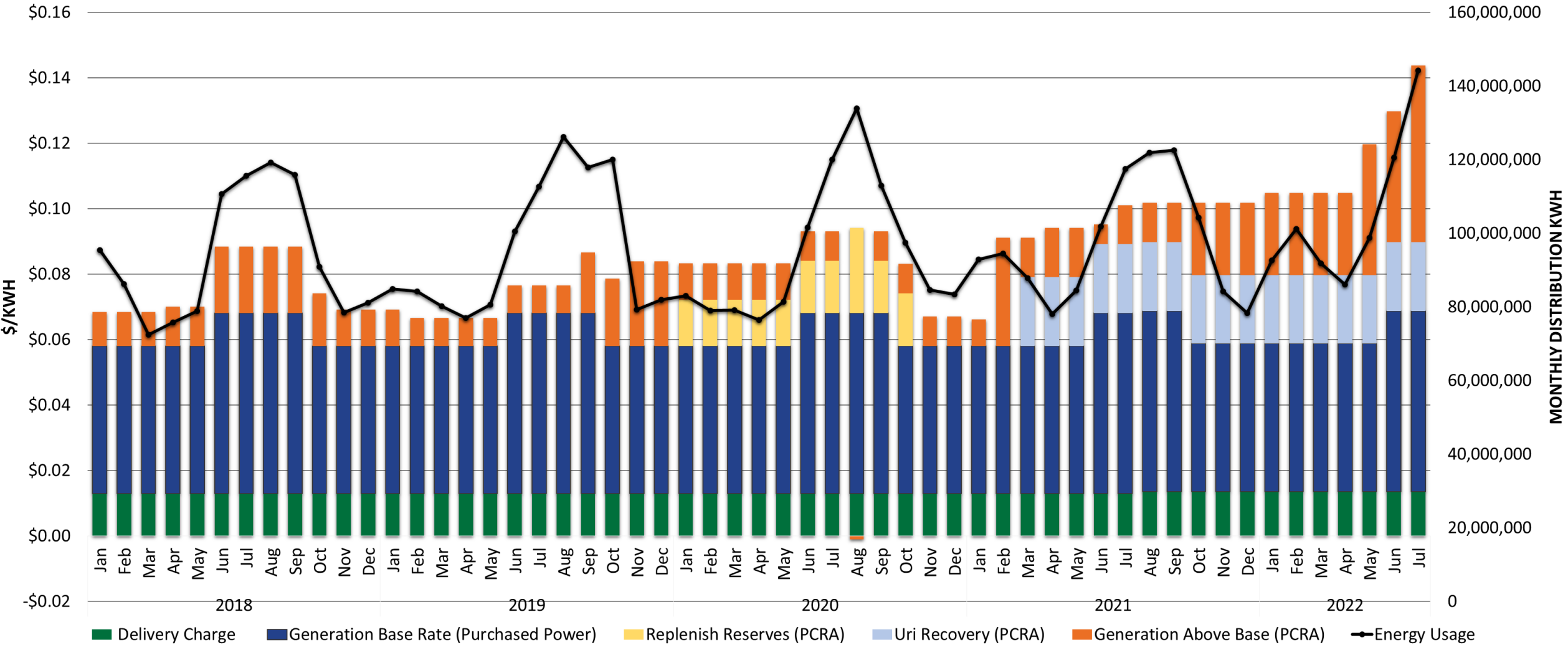
- The PCRA, along with the base rate, reflects the total cost NBU pays electric generators for power
- If the PCRA were capped below what NBU paid for power, NBU would be in default for non-payment
- NBU can change the rate at which it replenishes reserves, but reserves protect the community from significant events such as Winter Storm Uri

NBU Monthly Electric Costs Per kWh



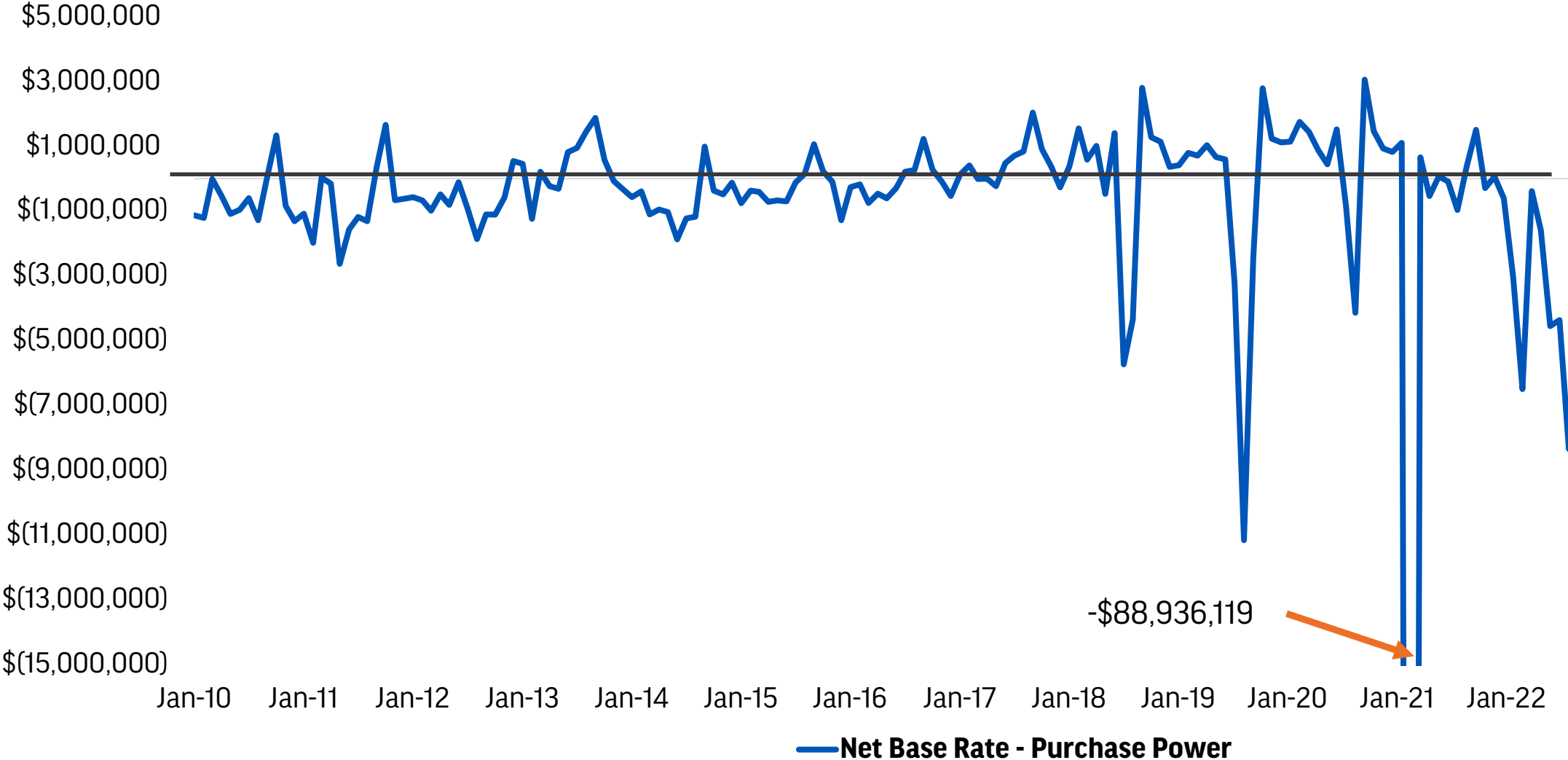
Notes: 1. This table does not include monthly Availability Charge, which is currently \$17.06 per residential address

NBU Monthly Electric Costs Per kWh

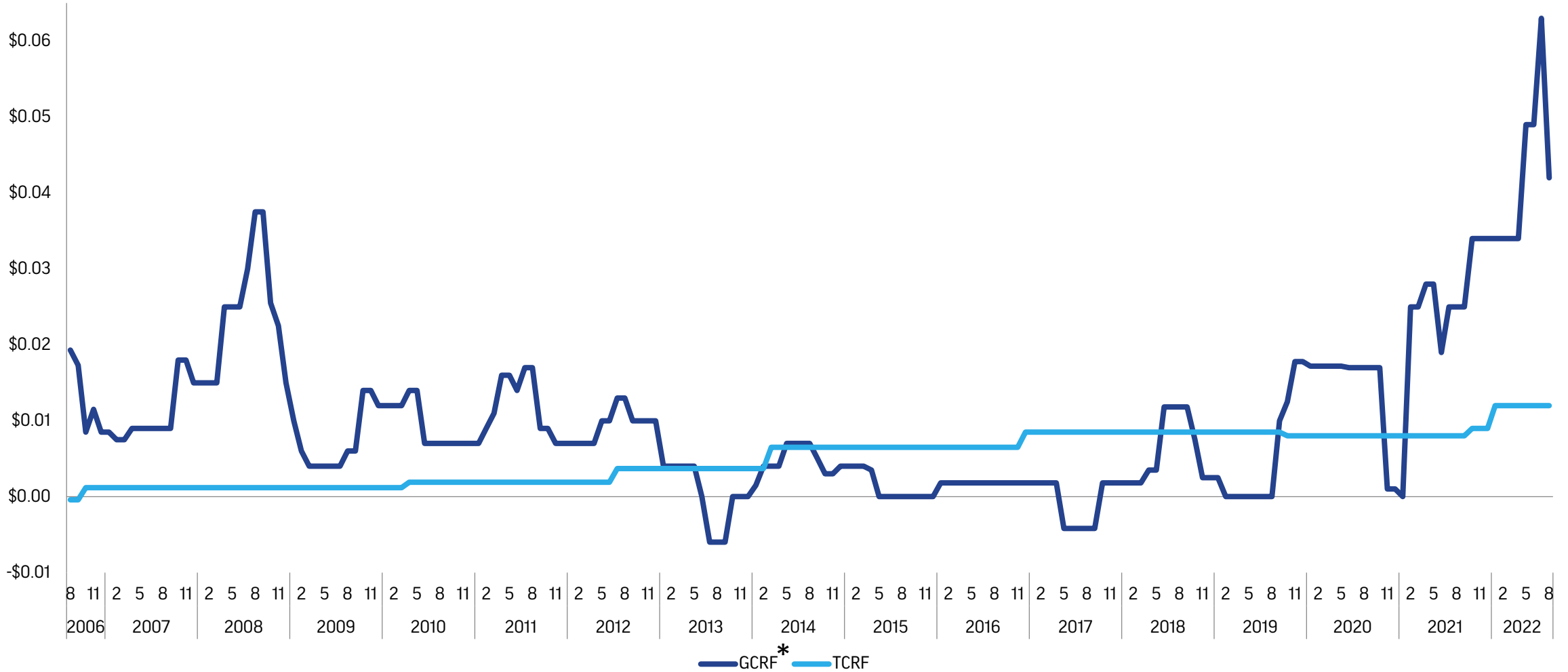


- Notes:
1. This table does not include monthly Availability Charge, which is currently \$17.06 per residential address
 2. Distribution kWh includes all customer classes excluding Transmission level customers

Base Rate Coverage



History GCRF & TCRF



***GCRF includes Uri recovery amounts of \$0.021 beginning 3/21 through 7/22**

URI Recovery

Winter Storm Uri

- A year's worth of power costs in one week.

Week of February 14-20, 2021 Power Costs

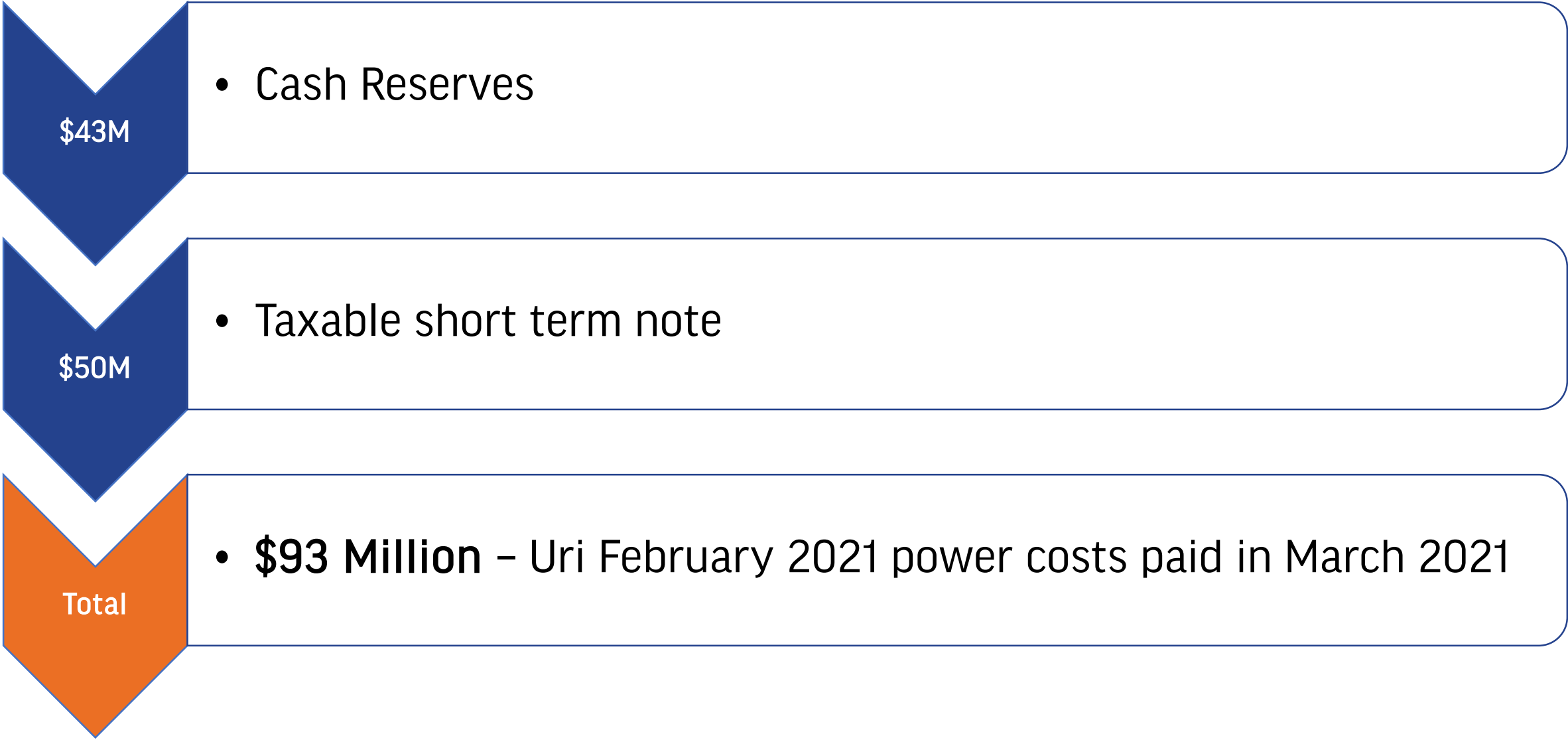
~\$87,993,263

FY 21 Annual Power Cost Budget

~\$86,600,000

Excess energy costs for the ERCOT market are estimated between \$16 – \$26 Billion. [Forbes 6/21](#)

Winter Storm Uri Cost Funding



Recovery Plan

As of Date	April 2021	April 2022	August 2022
Target \$50M Taxable Note Collected	March 2022	July 2022	July 2022
Target Power Stabilization Fund at \$20M**	Nov. 2022	Nov. 2022	July 2023
Target Power Stabilization Fund Full*	FY2026	FY2026	FY2030***

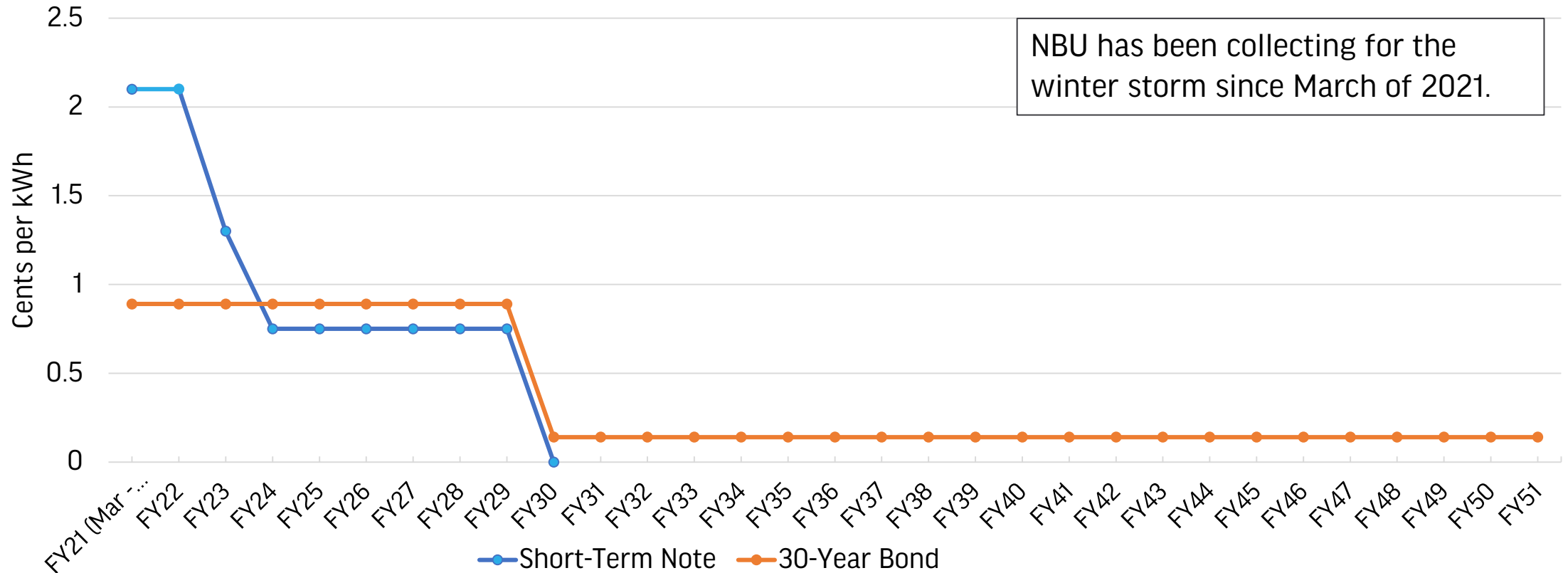
*Target fund 365 days power cost

**Original target \$35M by end of FY 23, current target \$20M FY 23

***Original target five years, current target eight years

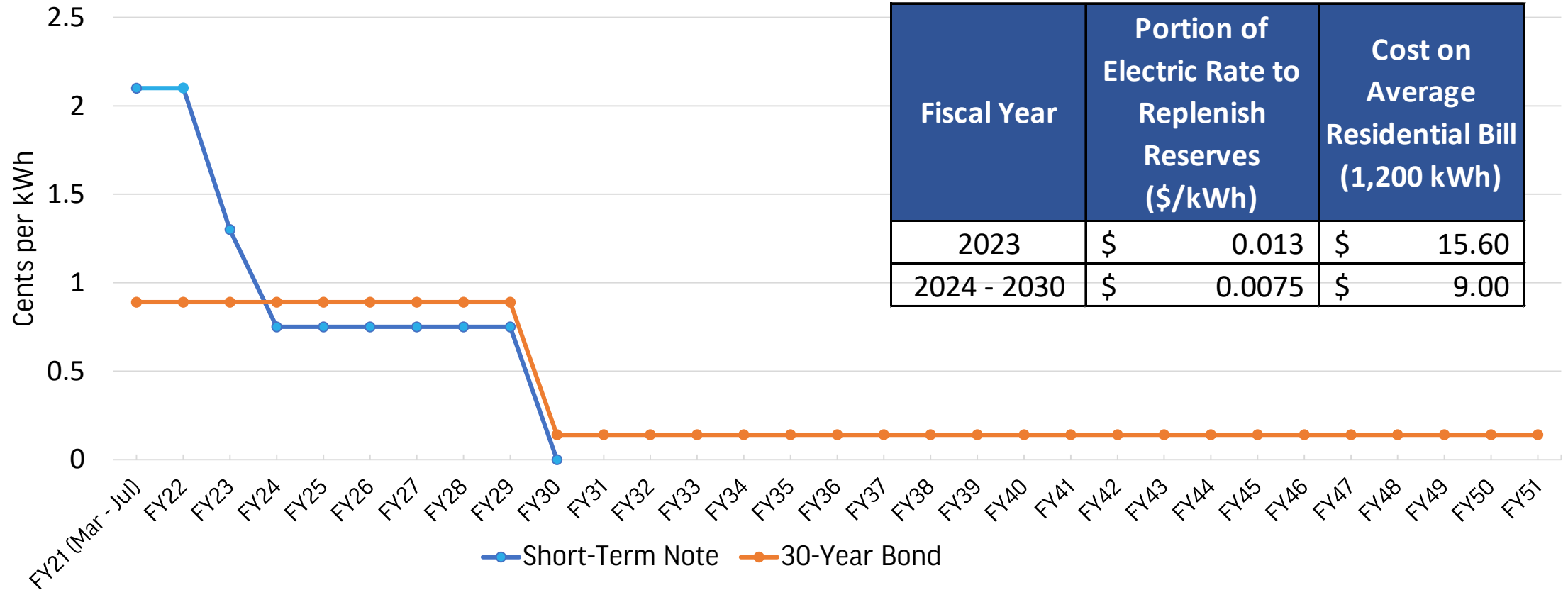
Recovery Plan- Short Term vs Long Term

NBU has been collecting for the winter storm since March of 2021.



- By funding the Winter Storm Uri as NBU chose to do, it saved NBU customers ~\$44 Million dollars in interest

Recovery Plan- Short Term vs Long Term



Fiscal Year	Portion of Electric Rate to Replenish Reserves (\$/kWh)	Cost on Average Residential Bill (1,200 kWh)
2023	\$ 0.013	\$ 15.60
2024 - 2030	\$ 0.0075	\$ 9.00

- By funding the Winter Storm Uri as NBU chose to do, it saved NBU customers ~\$44 Million dollars in interest

What is NBU's bond rating?

NBU's Credit Ratings

Agency	Pre-Summer Rating	Pre-Summer Outlook	Current Rating	Current Outlook
S&P	A+	Negative	A+	Negative
Fitch	AA	Negative	AA-	Stable
Moody's	Aa1	Negative	Aa1	Negative

S&P: "We believe that ERCOT's demand and price volatility, and NBU's growth pressures necessitate extraordinary levels of liquidity, and so we view the prospective improvement in liquidity as necessary to maintain the current rating."

Moody's: "A return to stability is dependent on the utility's ability to return to pre-storm liquidity and debt service coverage levels."

Bond Ratings Comparison

Public Power - Retail Systems Peer Comparisons	Total Operating Revenue (Millions)	Debt Service Coverage (x)	Days Cash on Hand	Debt to Capitalization
"AA+" Median	\$ 458	2.62	411	62%
"AA" Median	\$ 299	2.39	275	54%
Austin Energy	\$ 1,374	0.90	222	48%
NBU - Per Fitch Report as of June 2021 (FY 2020 data)	\$ 181	3.53	171	67%
NBU - FY 2023 Projected (Based on FY 2023 Financial Operating Plan)	\$ 249	1.79	193	45%
NBU - FY 2027 Projected (Based on FY 2023 Financial Operating Plan)	\$ 313	2.87	286	54%
"AA-" Median	\$ 215	2.04	238	63%
Bryan Utilities City Electric System	\$ 186	2.01	247	51%
CPS Energy	\$ 2,510	1.66	232	38%
Garland Power & Light	\$ 298	1.63	511	42%
Pedernales Electric Cooperative	\$ 643	1.62	8	48%
"A+" Median	\$ 206	2.17	171	49%
Brownsville Public Utilities Board	\$ 198	1.81	215	59%
City of Denton	\$ 287	1.29	383	52%
Guadalupe Valley Electric Cooperative	\$ 240	2.92	71	56%
"A" Median	\$ 140	1.81	88	53%
"A-" Median	\$ 56	1.57	189	49%
Seguin Utility Fund	\$ 56	2.87	277	60%

Source: U.S. Public Power Peer Review, June 21, 2021, Fitch Rating, Inc.

**Why are bills higher this
summer?**

State of Texas Response to Winter Storm Uri

The Public Utility Commission of Texas and ERCOT are redesigning the market to prioritize reliability over price.



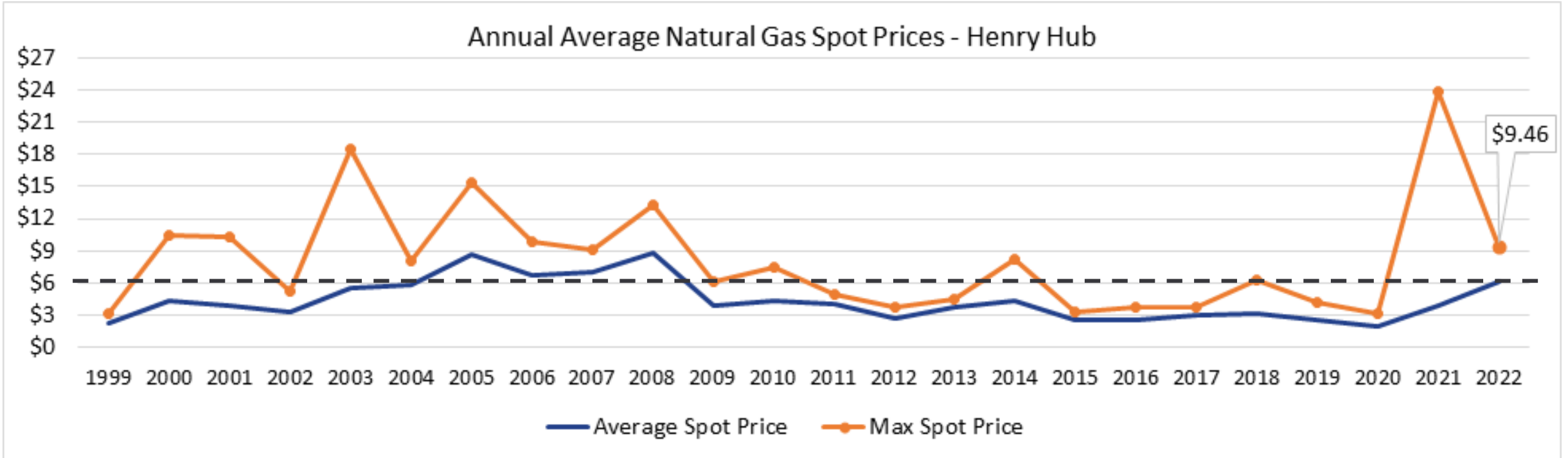
The ERCOT Independent Market Monitor estimates:

- Changes to the policies on the maximum price of electricity have **raised costs by \$490 million for the first half of 2022**
- Increased purchasing of power reserves cost the market approximately **\$400M in 2021** and, as of May 31, 2022, an additional **\$210-\$385M in 2022**

Firm Fuel Supply Service:

- This new service would pay electric generators to keep a supply of fuel onsite to enable them to produce power in times of fuel shortages
- **The annual budget for this service has been set at \$54M/year**

Annual Average Texas Natural Gas Spot Prices



$$\text{Power (\$)} = \text{Natural Gas (\$)} * \text{Heat Rate}$$

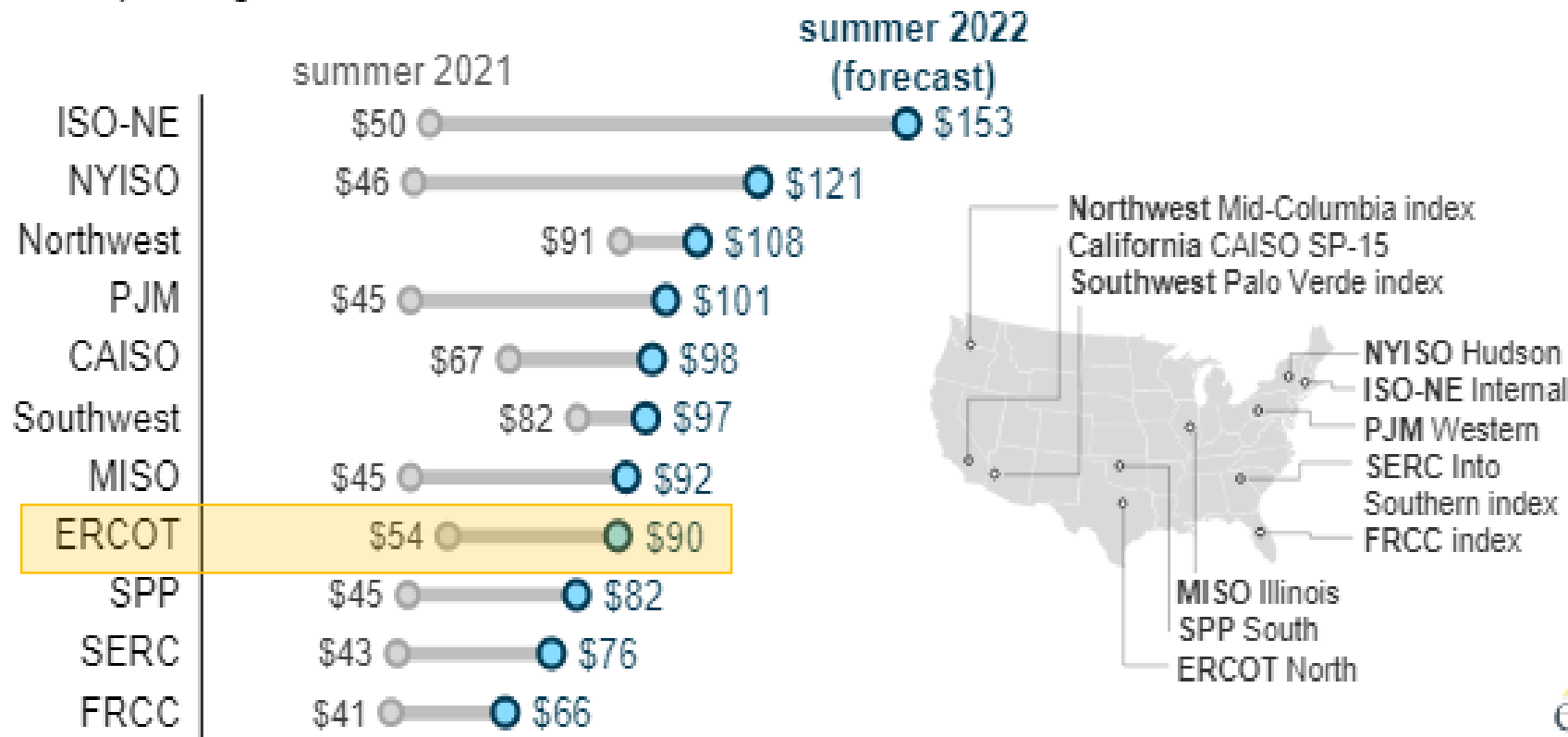


Source: [U.S Energy Information Administration](https://www.eia.gov)

*2022 Data is estimated through July 26, 2022

Energy Prices Forecasted to Increase Nation Wide

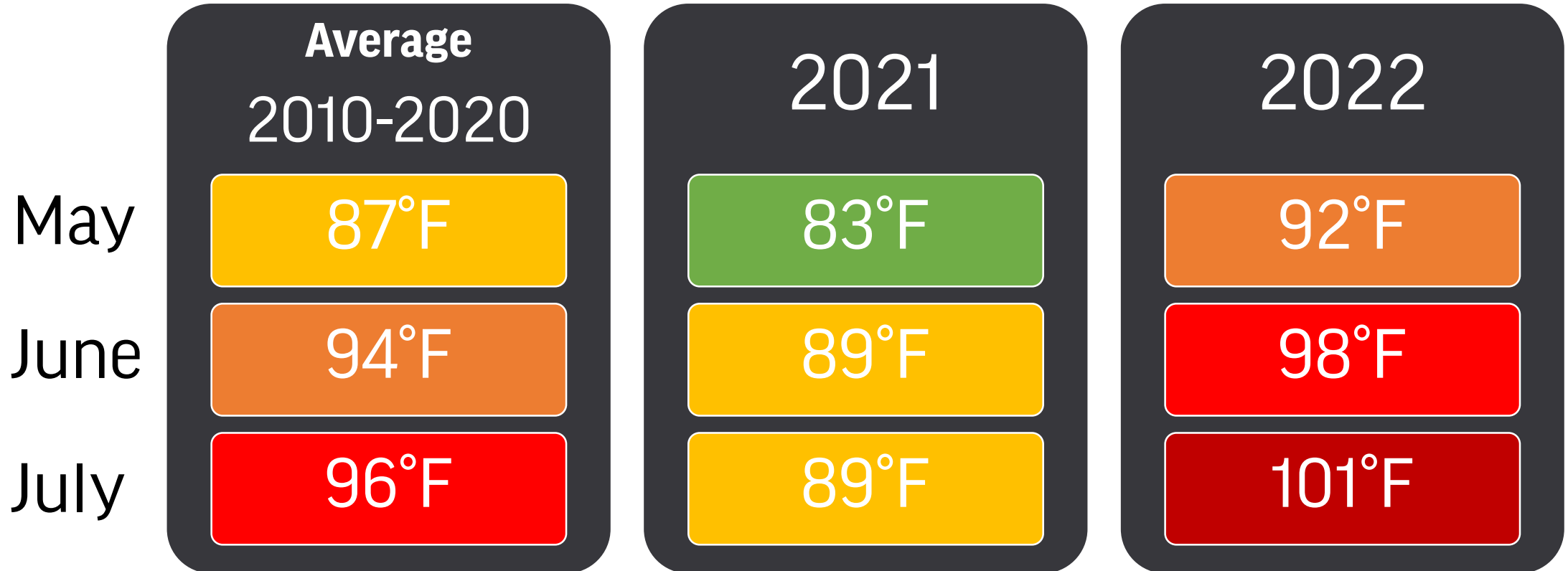
Summer average wholesale electricity prices at selected price hubs (Jun–Aug, 2021–2022)
dollars per megawatthour



In June, the EIA released a prediction that Energy Prices across the united states would increase, siting the cost of fossil-fuel as an Important driver.



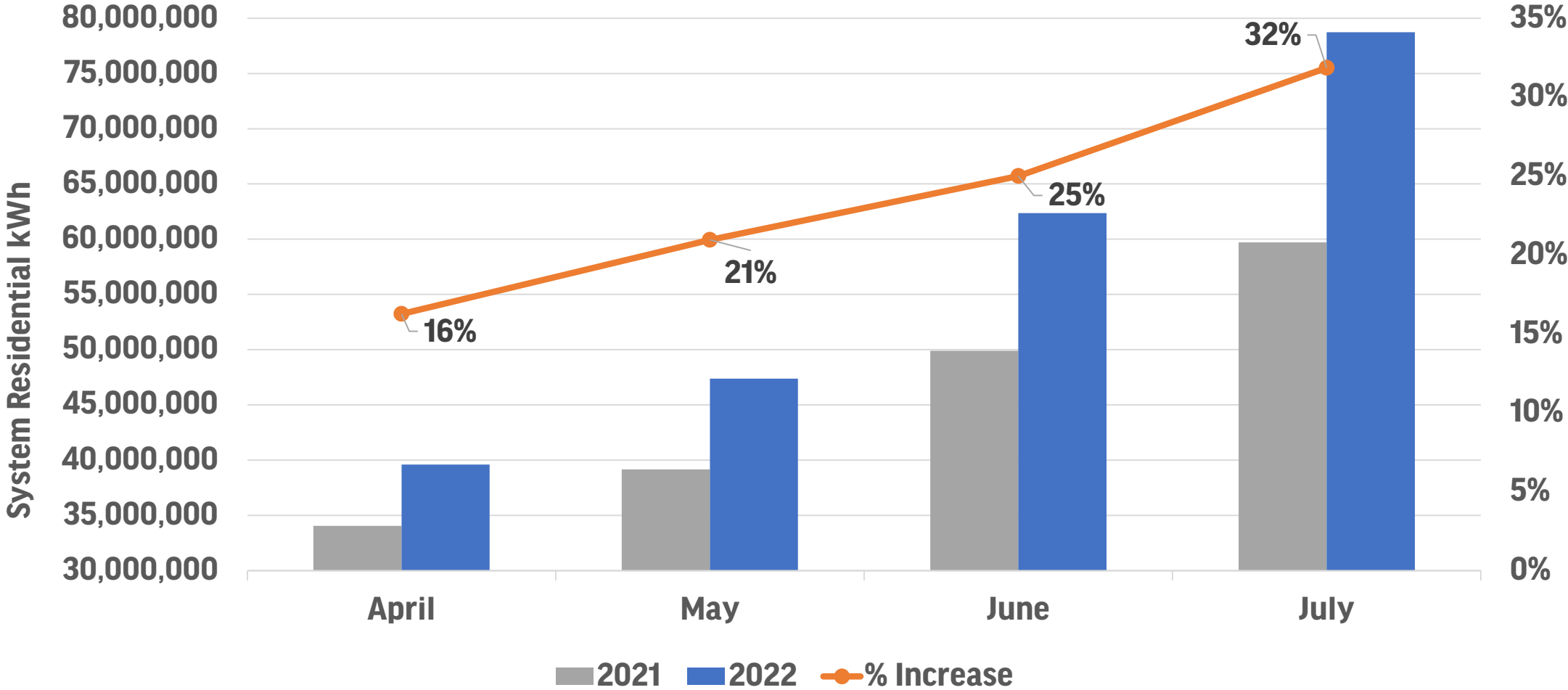
Average Area High Temperatures



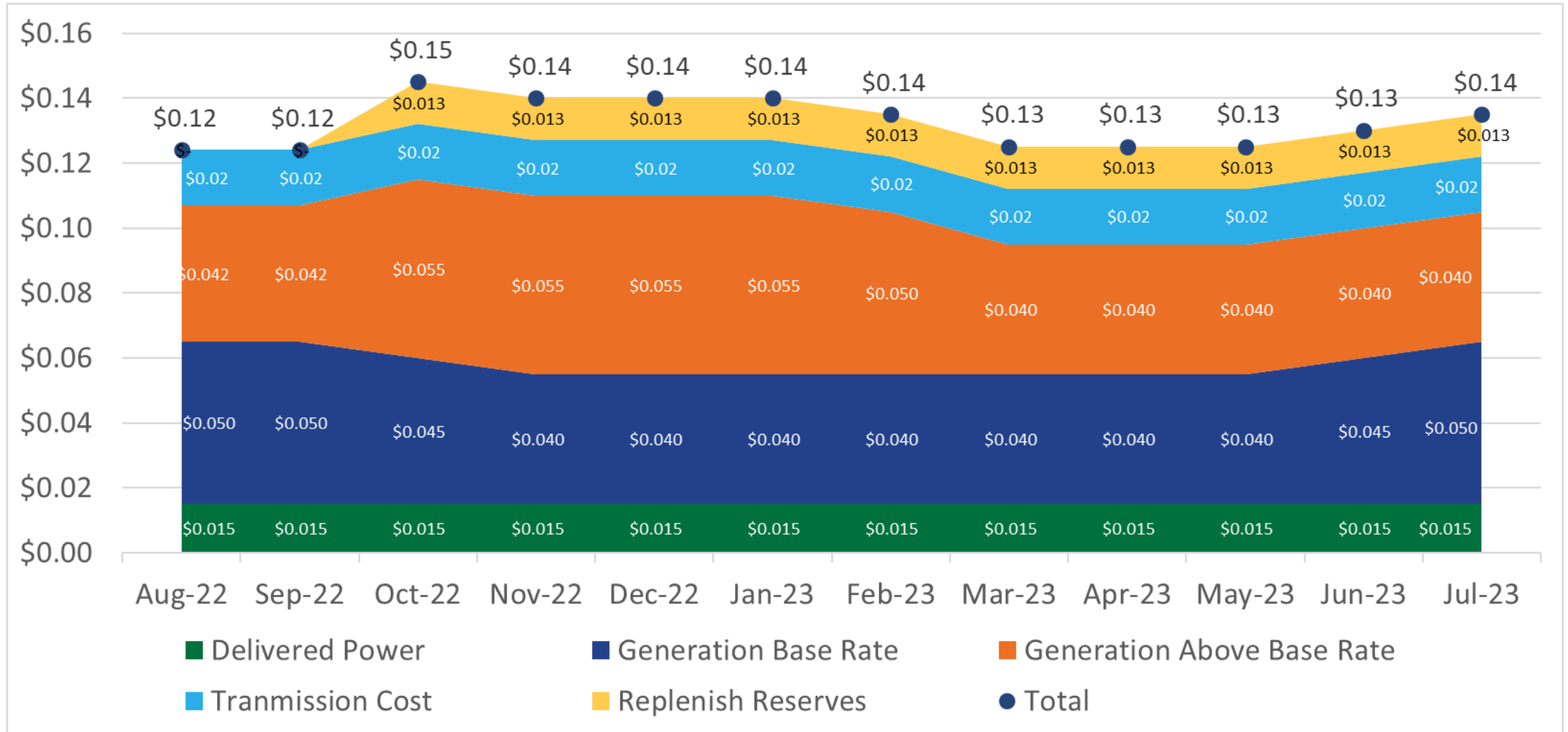
-5°F from 2010-2020

+5°F from 2010-2020

NBU System Wide Residential Electric Usage Increased with Temperatures



Forecasted Cost of Power

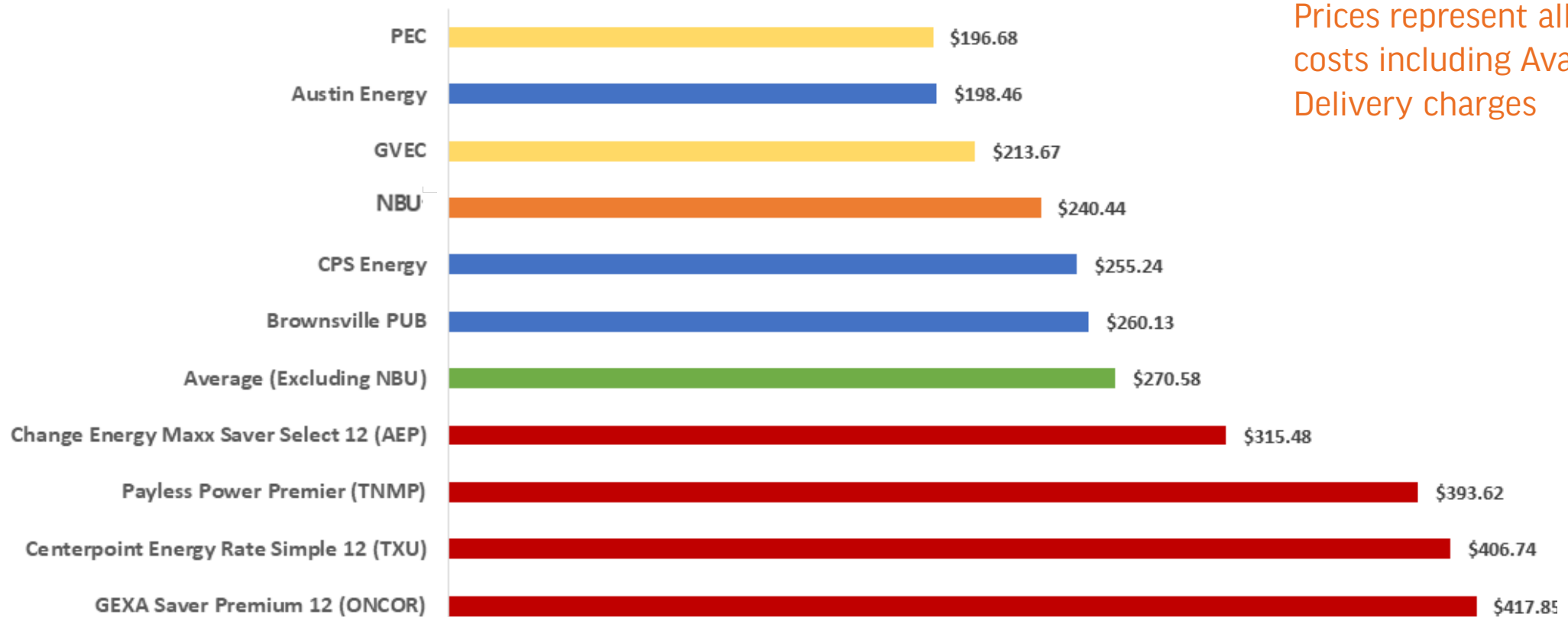


Forecasts only – Prices are subject to change based on market conditions.

**How do NBU's retail prices
compare?**

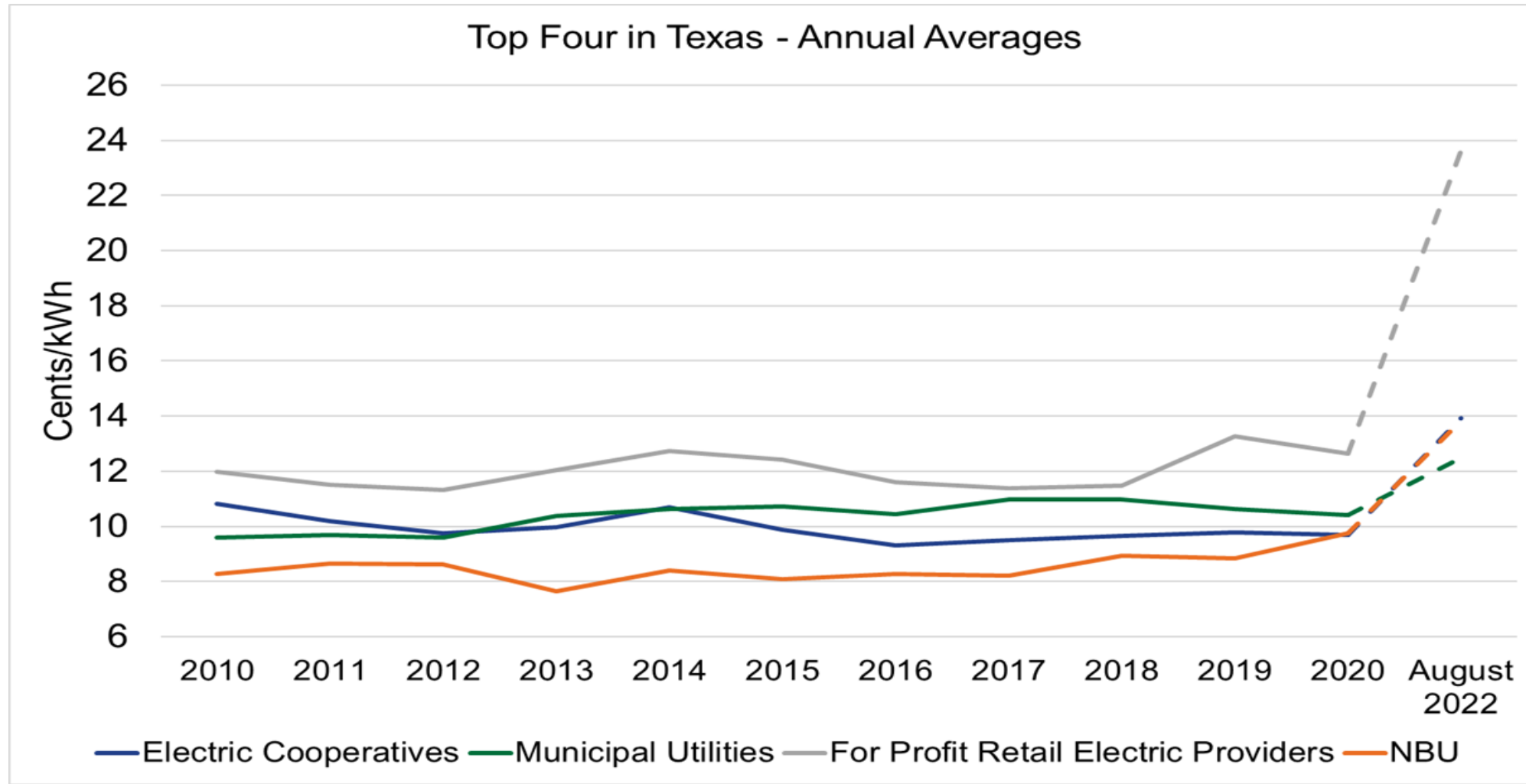
NBU's Retail Electric Price Comparison – August 2022

(1,800 kWh July 2022 residential average usage)



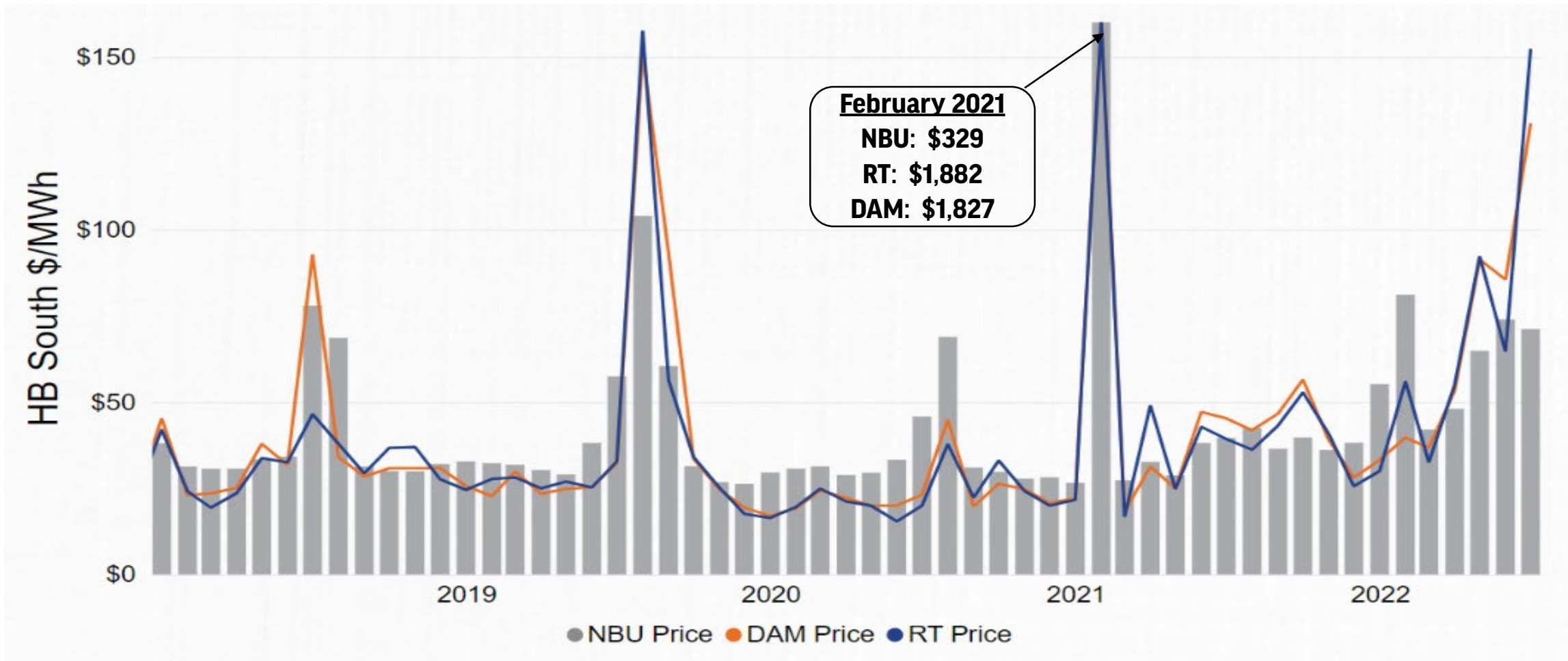
Prices represent all electric bill costs including Availability and Delivery charges

NBU's Residential Power Price Comparison



* Data from U.S. Energy Information Administration and respective utility websites

NBU Electric Costs vs. ERCOT Day-Ahead & Real-Time Markets



Note: Costs on slide are strict energy costs and do not include transmission, delivery, ancillary services, other power-related costs, or service charges

Price Comparison - 2015-2021

	2015-2021 Average \$/kWh	2015-2021 Average Bill
New Braunfels Utilities	\$ 0.090	\$ 108.00
Austin Energy	\$ 0.095	\$ 113.52
PEC	\$ 0.095	\$ 114.12
GVEC	\$ 0.099	\$ 118.80
CPS Energy	\$ 0.100	\$ 119.64
Direct Energy Services	\$ 0.120	\$ 144.00
Just Energy	\$ 0.130	\$ 156.00
TXU Energy Retail Co LP	\$ 0.130	\$ 156.00
Reliant Energy Retail Services	\$ 0.130	\$ 156.00

Assuming 1,200 kWh usage

Price Comparison - August 2022

	August 2022 \$/kWh	August 2022 Average Bill
Austin Energy	\$ 0.103	\$ 123.60
PEC	\$ 0.115	\$ 138.00
GVEC	\$ 0.126	\$ 150.72
New Braunfels Utilities	\$ 0.138	\$ 165.96
CPS Energy	\$ 0.141	\$ 169.08
Just Energy	\$ 0.175	\$ 210.00
TXU Energy Retail Co LP	\$ 0.222	\$ 266.40
Direct Energy Services	\$ 0.269	\$ 322.80
Reliant Energy Retail Services	\$ 0.279	\$ 334.80

Assuming 1,200 kWh usage

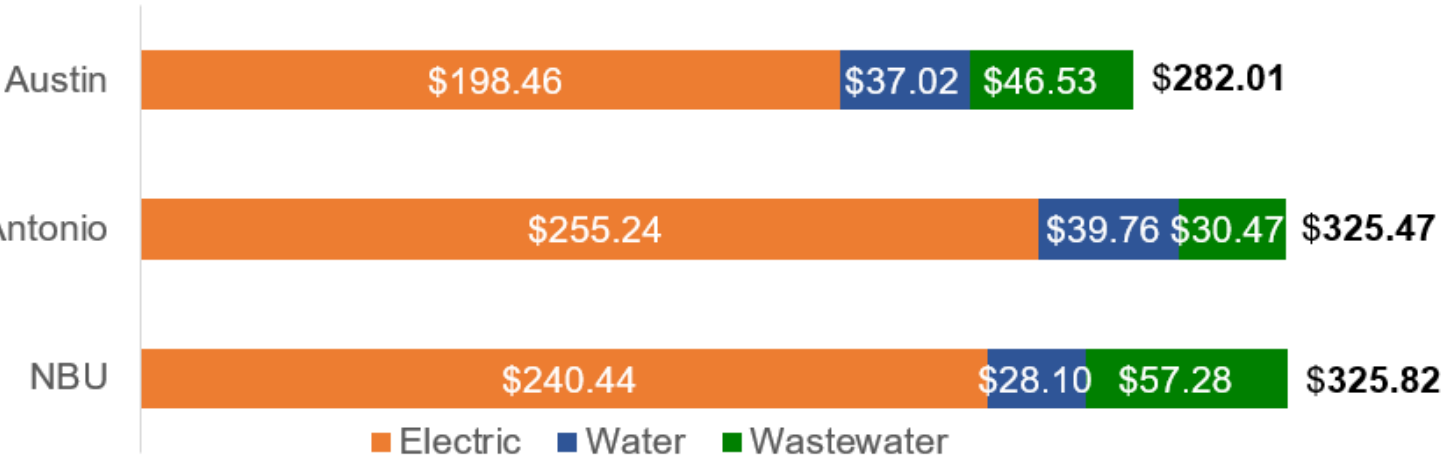
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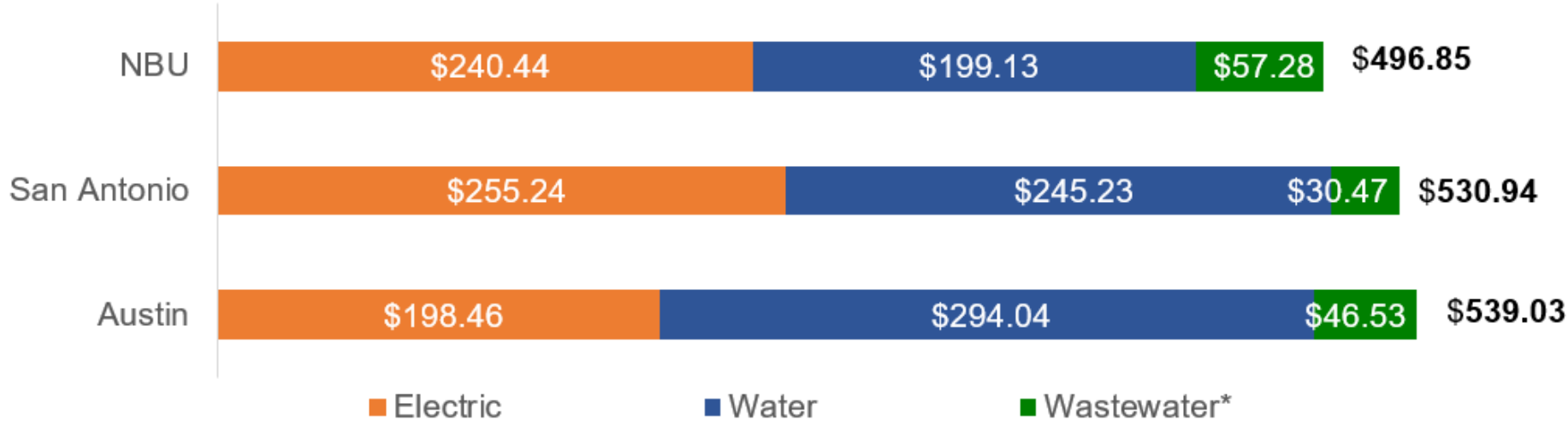
Assuming 1,200 kWh usage

Residential Bill Comparison - August 2022

(Average Residential - 1,800 kWh, July 2022)



Scenario 1:
 Electric: 1,800 kWh
 Wastewater: 4,000 Gallons
 Water Usage: 6,000 Gallons
 (**Without** lawn watering)



Scenario 2:
 Electric: 1,800 kWh
 Wastewater: 4,000 Gallons
 Water Usage: 25,000 Gallons
 (**With** lawn watering)

**Why doesn't NBU have to compete
for its customers?**

What would happen if NBU opted-in to Retail Electric Competition

- This is an irreversible decision that would be made by City Council
- All of NBU's electric customers would need to select and contract with a for-profit Retail Electric Provider to supply power to their home or business
- NBU could choose to compete for customers across ERCOT or discontinue its power supply program
- NBU would still own, operate, and maintain the electric transmission and distribution infrastructure for our community
- NBU's water and wastewater businesses would remain unchanged

What are power costs as a percentage of operating costs?

FY 2022 Total Estimated Expenses (August 1, 2021 - July 31, 2022)

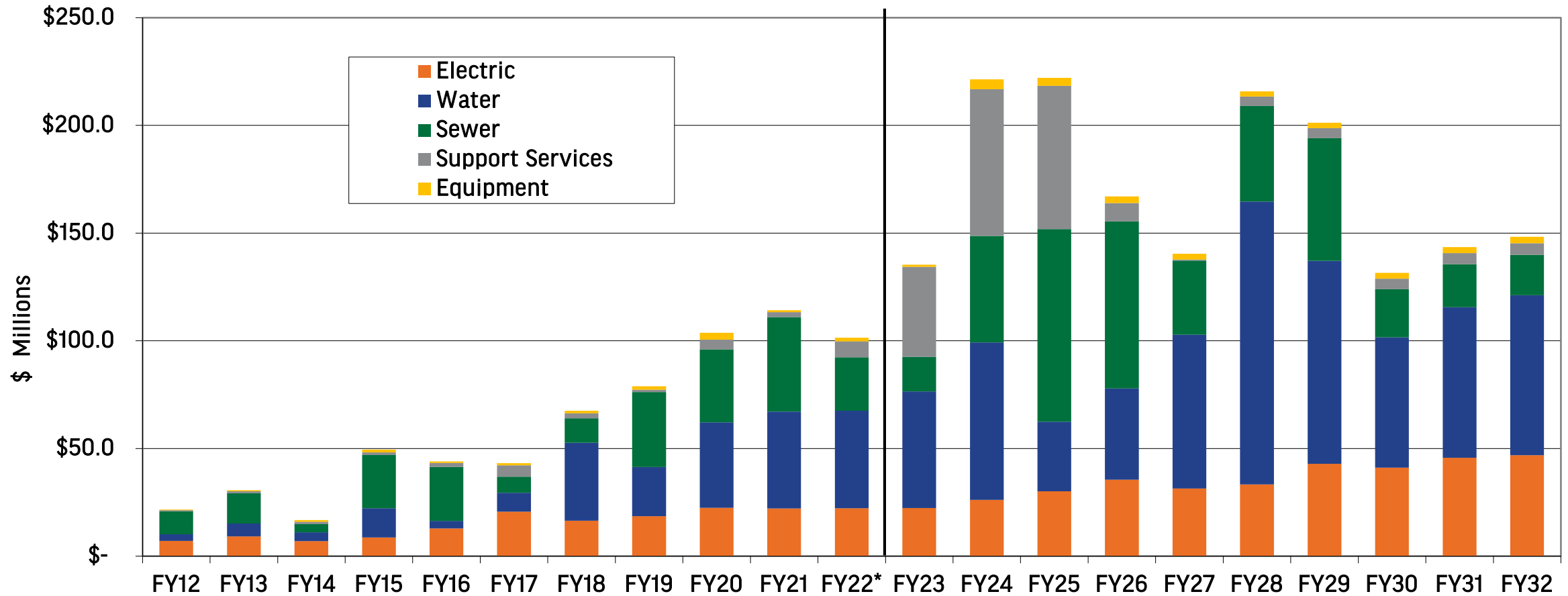
NBU Operating Expenses		
Purchased Power Costs (Base Cost + PCRA)	\$ 120,637,000	62%
Depreciation Expense	\$ 30,033,000	15%
Personnel	\$ 26,329,000	14%
Operating Expenses (Non-personnel)	\$ 10,945,000	6%
Purchased Water Costs	\$ 6,595,000	3%
Total Operating Expenses	\$ 194,539,000	100%

- Power cost is the largest item in NBU's operating expenses, annually
- NBU budgeted power cost for the same period at \$86.6M

Capital Programs

Capital Expenditures – Historical & Projected

(FY 2012 - 2032)



*Forecast (actual amounts through April)

Capital Projects FY 2023-FY 2027

ALL LINES OF BUSINESS COMBINED	Budget	Forecast				Total
	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	5-Yr. Plan
TOTAL CAPITAL PROJECTS - ELECTRIC	\$ 22,361,808	\$ 26,191,013	\$ 30,092,549	\$ 35,568,717	\$ 31,403,817	\$ 145,617,906
TOTAL CAPITAL PROJECTS - WATER	54,129,081	73,004,972	32,340,287	42,277,844	71,368,733	273,120,916
TOTAL CAPITAL PROJECTS - WASTEWATER	16,100,238	49,443,875	89,481,153	77,652,444	34,476,137	267,153,846
TOTAL CAPITAL PROJECTS - SUPPORT	41,721,664	68,138,993	66,475,038	8,475,038	465,000	185,275,733
TOTAL CAPITAL PROJECTS - COMBINED	\$ 134,312,792	\$ 216,778,853	\$ 218,389,027	\$163,974,043	\$ 137,713,687	\$ 871,168,401

Rate Advisory Committee

What is The Role of the Rate Advisory Committee (RAC), and Who Serves on it?

- The role of the RAC is to review, discuss, and analyze rate design alternatives and provide comments to the NBU Board of Trustees and City Council.
- The RAC consists of:
 - Total of 18 community members appointed by the NBU Board of Trustees
 - 11 members nominated by the NBU Board of Trustees
 - Seven members, nominated by each member of the City Council
- RAC members represent a cross-section of customer types to represent the interests of their customer segment
- RAC members serve on a voluntary basis
- The RAC will wrap up its work in late 2022 for consideration by the NBU Board of Trustees and then City Council in winter/spring 2023

**What is NBU doing to help
customers?**

What is NBU doing to help our customers?

We care about our customers and are working one-on-one to assist in any way we can:

- **PCRA:** Lowered PCRA rate for August and September – delayed replenishment of reserves
 - **Late fees:** Late Fees will be waived through September
 - **Extension Plans:** NBU is offering flexible payment plans and extensions
 - **Disconnections:** No disconnects for non-payment
 - **Budget Billing:** Level utility bills to an average payment per month
 - **Utility Bill Assistance Program** – Has continued to be funded. Strategy in place to maintain funding from outside resources if needed
- Coordinating with McKenna Foundation and other organizations to bring all available resources together

Other Resources Available

- **Automatic Alerts:** From the NBU website, customers can set automated alerts based on usage and dollar triggers.
- **Conservation:** Tips and videos are available to take control of energy usage.
- **Home Assessments:** Free home energy and water assessments are available, including a detailed usage analysis and ways to save.
- **Rebates:** NBU offers energy-saving rebates such as \$40 towards an AC checkup or up to \$1,150 for an AC and heat pump installation.

Going Forward

Communication: NBU is committed to doing a better job communicating with customers – in advance - about changes in the ERCOT market and their impact on electric bills.

Bill Redesign: The line items on the bill are confusing. NBU is redesigning the bill so customers can more clearly understand what it all means and how to manage costs.

Market Changes: NBU has been active and engaged in the regulatory changes being made to the ERCOT market. We will continue our efforts to protect our customers and community.

Outside Expertise: NBU has a team of three market experts we are consulting with to navigate the changing market conditions to shield customers from increased power costs.

NBU Power Supply Review: NBU commissioned a third-party evaluation of all aspects of its Power Supply program. Results will be presented publicly when complete in fall 2022.