

# Utility Information

## Questions and Answers



## PCRA (Power Cost Recovery Adjustment)

### Do other utilities have a PCRA?

Other utilities do have a PCRA; it may just not be called that, exactly. For example, it could be referred to as:

- Power Cost Adjustment Charge, Fuel Adjustment, Temporary Storm Surcharge, or it could be included in another line item on the bill.

New Braunfels Utilities is a municipally owned utility, whereas other surrounding utilities' are electric cooperatives. New Braunfels Utilities is subject to different regulatory and legal oversight, and for that reason, each entity has its own unique contracts and contract terms.

### Who does NBU buy its power from?

New Braunfels Utilities purchases power from various sellers, markets, and resource types, including Hydro, Biogas, wind and solar, in an effort to provide the most cost-effective and reliable power.

In 2021, NBU bought approximately 69% of its power from sellers in the open market as well as the ERCOT Market. These sellers include AEP, Calpine, Citigroup, EDF, GP&L, NextEra, and Shell. The remaining 31% of NBU's power came from long-term power purchase agreements for renewable energy. The breakout of these resources is 0.6% Hydro, 1.3% Biogas, 10% wind, and 19% solar.

### What is hedging, and who provides guidance for the program?

Hedging is buying power in advance to protect against market volatility. It is a form of insurance used to reduce the impact of a negative event such as Winter Storm Uri.

New Braunfels Utilities' Power Supply Hedging Program considers:

- How far in advance we purchase energy
- Who we purchase energy from
- The markets we participate in
- The type of energy purchased

The program protects against a variety of potential risks but does not remove risk all together. The hedging strategy is not intended to profit or "beat-the-market," but instead is focused on reducing the impact of the extreme price volatility in the energy market.

New Braunfels Utilities' Power Supply Hedging Program operates under the authority and direction of NBU's Board of Trustees. The program is overseen by a Risk Oversight Committee (ROC) made up of NBU Executive Leadership who have oversight of the Power Supply Program.

## Over the past four years, has the hedging program been successful?

As of July 2022, the past four years of NBU's hedging program have resulted in \$184 million in savings to customers when compared to the ERCOT Day-Ahead Market (DAM).

	DAM	NBU	NBU Premium / Discount
	Total Cost	Total Cost	
2018	\$ 64,000,000	\$ 69,000,000	8%
2019	\$ 79,000,000	\$ 77,000,000	-3%
2020	\$ 42,000,000	\$ 62,000,000	48%
2021	\$ 300,000,000	\$ 101,000,000	-66%
2022	\$ 77,000,000	\$ 69,000,000	-10%
Total	\$ 562,000,000	\$ 378,000,000	-33%

\* NBU costs listed are for energy only

\*\* DAM costs listed assume NBU bought 100% of energy needed in ERCOT Day-ahead Market

\*\*\* 2022 figures are through 7/31/2022

\*\*\*\* Figures are rounded to the nearest million

## How is the war in Ukraine affecting electricity costs?

The price of electricity in Texas is set largely by the price of natural gas. This is because generators fueled by natural gas represent approximately 44% of available generation in the state. (Source: ERCOT)

Record high international prices for natural gas are being driven by significantly reduced natural gas exports from Russia to Europe. The reduction in exports began in 2020, but dropped significantly in early 2022, which correlates to the timing of the war. Electricity rates across Texas have increased dramatically and as of late August, 2022, energy prices across the U.S. were at the highest level in nearly 15 years. (Source: EIA)

## Can NBU own its own generation plant?

New Braunfels Utilities made the decision not to own generation, because historically, it was not cost-effective. In other words, the cost of investing in generation was higher than the return and would have resulted in higher power costs for NBU customers.

## Would staying in a long-term contract with the Lower Colorado River Authority (LCRA) have kept customers from paying high electric rates?

In 2011, when NBU was evaluating the renewal of its contract with LCRA, the cost of power was more competitive through open market contracts versus a long-term contract. Over the last ten-year period, NBU has maintained one of the lowest costs of power in the state.

When commodity markets go up, as ERCOT is now doing, long-term hedges provide a lower price. However, when markets go down, long-term hedges lock in a higher price. The goal of NBU's hedging program is to balance the mix of long- and short-term hedges to reduce volatility and provide the best value over the long-term.

## Why is NBU charging for the fuel that an electric generation company used to make electricity?

New Braunfels Utilities buys electricity from sellers in the open market. These sellers pass through their cost of fuel to wholesale customers like NBU. New Braunfels Utilities then passes this cost to customers with no mark-up.

## What is the formula for calculating NBU's PCRA? Is the formula the same for all customers?

New Braunfels Utilities electric rates include base rates for generation and transmission. The PCRA is a variable rate that reflects the total cost of power above what is collected through the base rates. In other words, the PCRA equals NBU's total cost of generation and transmission, minus total revenue from the generation and transmission base rates. The PCRA also allows helps NBU maintain its cash reserves.

Electric transmission costs are established by the Public Utility Commission of Texas (PUCT) annually. Since the PUCT typically increases the costs every year, NBU's PCRA has a base rate for transmission and the increase is reflected in the transmission portion of the PCRA, called the Transmission Cost Recovery Factor (TCRF).

The generation portion of the PCRA is called the Generation Cost Recovery Factor (GCRF). The base rate for power plus the GCRF reflects the total cost NBU pays to electric generators for power. If the PCRA were capped below what NBU paid for power, NBU would be in default for non-payment.

That formula is the same for all residential and commercial customers.

## Is the PCRA formula an industry standard?

Yes, power is bought and sold from a commodity market. It is an industry standard to have a variable portion of an electric rate reflect market volatility.

## Is the PCRA a new charge or has NBU always had it in place?

The PCRA is not a new charge and has always been included to show the variable cost of power.

## What happens if too much money is collected for PCRA?

The money is credited back to customers through a negative PCRA charge.

## Does NBU have any ability to keep the PCRA from being so high?

The PCRA reflects the cost of power in the ERCOT market. When the market goes down, the PCRA will follow. The NBU hedging program has prevented the PCRA from being higher than it currently is through purchases that have shielded the community from recent volatility.

New Braunfels Utilities can change the rate at which we replenish reserves – or suspend replenishment, as we did in August through October, 2022. However, cash reserves protect the community from extreme events such as Winter Storm Uri.

## We've had high natural gas costs before and it didn't mean high bills... what has changed?

The last time that natural gas prices were higher, we weren't using nearly as much natural gas in our fuel "mix" to create electricity, which also included a much higher use of coal and nuclear generation. Since then, the demand for electricity, specifically in the NBU market has grown by 27%. Meanwhile, the use of coal and nuclear decreased by 36%. Renewable generation has increased by 629% but remains a relatively small portion of the overall mix. Natural gas generation has increased to fill the gap, up 24%. In brief, this means natural gas is now the dominant fuel source in ERCOT. As a result, our market is now much more sensitive to natural gas price hikes, which can increase the base cost of electricity.

Summer 2022 also factored in to the increase in higher bills. Texas experienced extreme heat and NBU customers' average energy usage increased by 32%, specifically in July. Additionally, significant regulatory changes have been made by the PUCT and ERCOT, which have shifted focus from assuring low-cost power for consumers to assuring reliable power for consumers. The overall cost of power in ERCOT has increased as a result. These factors, together, are driving the higher cost of power.

## Winter Storm Uri and Its Financial Impact

### Was NBU prepared for the power costs that Winter Storm Uri created?

New Braunfels Utilities, like most utilities, was prepared for an extreme weather event based on what was known about the ERCOT market leading up to the storm. New Braunfels Utilities had recently increased the level of cash reserves for our power supply program to \$43 million. The severity and duration of Winter Storm Uri and the lack of weatherization of the ERCOT electric generation fleet and natural gas infrastructure was beyond what was anticipated.

The event was so unusual that the Texas Legislature quickly passed new legislation and overhauled the PUCT and ERCOT. New Braunfels Utilities used \$43 million in reserves and took out \$50 million in short-term debt to cover the costs of the storm.

### Could we have bought lower cost power sooner or bought more of it ahead of time before the price started going up?

Actually, about 89% of the power used during Winter Storm Uri had been purchased earlier at a lower cost. That lower-cost power was blended with the power that hit extreme prices during the storm to alleviate the increase in cost to our customers.

The extreme cold temperatures brought record-breaking demand for power to provide heat, and, in turn, NBU had to purchase more energy. As weather forecasts were updated, NBU's Power Supply team purchased additional power to meet customer needs. These purchases reduced potential power costs by approximately \$70 million for customers.

Energy is not the only product NBU is required to buy from the ERCOT market. We are also required to purchase Ancillary Services, which are products used by ERCOT to help support grid reliability minute-by-minute. During the storm, there was no cap on the price for Ancillary Services and prices reached over \$20,000 per megawatt hour. New Braunfels Utilities' cost for Ancillary Services was approximately \$54.7 million. This represented approximately 58% of NBU's total cost from the storm (approximately \$93 million in total). There is limited ability for NBU to hedge these costs without owning power plants.

### How much did NBU have to pay for electricity during Winter Storm Uri? How does that compare to normal months?

New Braunfels Utilities paid approximately \$93 million during the month of February 2021 due to Winter Storm Uri. That amount is what an entire year's worth of power typically costs for our market.

### What was our total power cost for 2021, with Winter Storm Uri, compared to 2020 and 2022?

**2020** – \$96.4 million

**2021** – \$172.3 million

**2022** – \$120.6 million (unaudited; preliminary)

(Based on fiscal years Aug-Jul; includes Purchased Power cost only)



## **Did NBU apply for and/or receive any winter storm recovery grants?**

New Braunfels Utilities applied for and has been awarded some of the eligible funding from FEMA to reimburse costs for physical damage caused by the winter storm. New Braunfels Utilities is expecting to receive a total of approximately \$483,000 from FEMA in reimbursements for Winter Storm Uri-related expenditures. Unfortunately, FEMA does not allow reimbursements for the cost of power. That \$483,000 in FEMA reimbursements pales in comparison to the \$93 million in power costs from Winter Storm Uri.

## **What changes has ERCOT made that have created additional costs for NBU?**

Since Winter Storm Uri, changes to the electric market have been made to prioritize reliability. While this is important for the state, it comes with additional costs. One example of this is, ERCOT implementing more "conservative operations" by purchasing significantly more reserves of energy on a daily basis. According to the Independent Market Monitor, purchasing additional reserves has cost the market approximately \$400 million in 2021 and an additional \$210 – \$385 million in 2022, thus far.

## **Short Term Loan and Reserve Fund**

### **Why can't the cost of power be absorbed by NBU?**

New Braunfels Utilities buys power from electric generators and passes the cost to customers with no mark-up. New Braunfels Utilities would be in default if those generators were not paid. As a non-profit entity, it is not possible to "absorb" costs without increasing revenue.

### **Why didn't NBU customers get to vote on whether or not a short-term loan was taken out or on past and future rates?**

New Braunfels City Council has retained the authority to approve changes to rates and issuing debt for NBU.

### **Does NBU undergo a real-time annual audit?**

New Braunfels Utilities undergoes an annual financial audit, performed by an external certified public accounting firm. The audit report is presented to the NBU Board of Trustees and the auditor's opinion is included in NBU's Annual Comprehensive Financial Report.

## **What percentage of the PCRA is due to NBU's short-term loan and what percentage represents the cost NBU is being charged for fuel and transmission?**

As of July 2022, for the average residential customer, approximately 14% of the total bill was due to Winter Storm Uri and the required short-term loan, and approximately 36% was due to increased costs of power such as fuel and transmission.

## **Why did NBU choose to take out a short-term loan to pay for electricity costs incurred during Winter Storm Uri rather than spreading it out over 30 years?**

The expenses that NBU incurred during Winter Storm Uri, although significant, did not justify taking out a longer-term note. Funding the Winter Storm Uri costs via the short-term note saved NBU and its customers approximately \$44 million in interest expenses when compared with a long-term loan.

## **What does "reserve fund" mean? What is the benefit of having a reserve fund?**

Reserves are like the money families set aside for emergencies. New Braunfels Utilities' reserve funds are set aside in a separate account, for operating and capital-related costs. Reserves can help reduce the need for future rate increases in response to unexpected operating expenses. In addition, reserves can reduce NBU's borrowing costs by helping to maintain strong and/or improve weaker credit ratings. A utility's financial strength remains a key aspect of a strong rating, and rating agencies review reserve levels as part of their ratings criteria. Having a strong credit rating means NBU can borrow money on better terms, further helping reduce costs for its customers.

## **How much was in the reserve fund and went cover Winter Storm Uri expenses?**

Leading up to Winter Storm Uri, \$43 million in cash on hand was in the reserve fund, which at the time, represented just under six months of power costs.

## **Who decided how much money needed to be in the reserve fund?**

The NBU Board of Trustees approved the reserve fund amount upon recommendation from NBU staff. The recommended reserve fund amount was determined based on historical operating expenses, previous emergency events, the reserve policies of comparable utilities, and the ability to maintain a competitive bond rating.

## How much is in NBU's reserve fund currently?

As of August 31, 2022, the current balance in the Power Stabilization Fund is \$753.57. New Braunfels Utilities will begin to replenish the Power Stabilization/Reserve Fund in October 2022. In the meantime, NBU has access to short-term liquidity – money we can get quickly – in the event of an emergency.

## What will be the new target for the reserve fund?

The new target for the Power Stabilization/Reserve Fund is 365 days cost of power, which currently equates to \$125 million. This calculation is reviewed and approved annually by the NBU Board of Trustees.

## How long will it take to build up the reserve fund?

New Braunfels Utilities originally planned to refill reserves by 2026, but extended the target date to 2030 to lessen the financial impact to its customers from increased costs in the ERCOT market. The rate at which the reserves are filled also decreases each year from \$0.013/kWh in the current fiscal year 2023 to \$0.0075/kWh in fiscal years 2024 through 2030.

## How are lower income customers taken into consideration when rates are being discussed?

New Braunfels Utilities is designing its next rate plan. The needs of lower-income customers are a key area being addressed. For many years, NBU has funded a Utility Bill Assistance Program, which is managed by the New Braunfels Food Bank. In recent years, NBU also implemented a discount on water bills for those that qualify. All of these areas and more are being evaluated for consideration and the New Braunfels City Council will review and approve the next NBU rate plan.

## How much will show up on my bill to pay for the new HQ? What about the Headwaters...why should I pay for that project?

In 2014, the NBU Board of Trustees committed to funding 50% of the Headwaters at the Comal capital project. The Headwaters at the Comal is NBU's conservation legacy project and is demonstration of the importance of protecting water resources. The amount NBU has funded so far is \$8.4 million for Phase I construction, which was authorized in 2016, with an additional \$1.7 million coming from outside funding including grants and community contributions. In the current financial operating plan (FY23-FY27), NBU plans to make a final contribution of \$4 million for Phase II construction, with the rest of the project being funded through grants and contributions. Headwaters at the Comal personnel and other Operations and Maintenance have been funded by NBU for a total of \$2.3 million.

New Braunfels Utilities has an estimated \$141.3 million in the financial operating plan for a new headquarters. This estimate includes land acquisition and build-out of a combined facility for all employees. The amount will be offset by the sale of the FM 306 property and the Main Plaza property, which will total approximately \$15 million.

## Bonds and Rating Agencies

### On July 21, 2022, Fitch downgraded NBU's approximately \$124 million utility system revenue bonds, series 2004, series 2015, series 2016, and 2018, from AA to AA-. Will that mean extra costs to pay off the bonds? Aren't the rates for those bonds already in place?

Annually, Fitch reviews NBU's revenue bonds. The bonds are fixed rate bonds that are already in place. The interest rates on these bonds are final, so the costs of existing debt will not increase. The Fitch rating downgrade may potentially affect any future debt issuances.

### How much more in bonds is NBU going to try and get?

Due to the growth in the NBU service territory, there are certain capital needs that NBU cannot delay. The current budget is calculating that NBU will need to issue \$600M in debt over the next five years.

### Why can't we use low-cost bonds to pay for the capital projects instead of adding it to our rates?

New Braunfels Utilities' debt is paid by the net revenues of its utility system. New Braunfels Utilities has pursued lower-cost debt financings at lower interest rates, with institutions such as the Commercial Paper Program and the Texas Water Development Board bonds. New Braunfels Utilities is tasked with trying to find a balance that both eases costs on customers and keeps NBU strong financially.

### Is there other revenue that is typically used to pay for the capital plan?

New Braunfels Utilities' capital plan is funded by revenue, impact fees, grants, contributions, and debt.

### What about all the money that NBU got from the Lower Colorado River Authority (LCRA) lawsuit?

New Braunfels Utilities received approximately \$20M from the LCRA lawsuit. Half of that was used to install electric AMI metering and the other half was put into reserves. The reserves were used to pay for power that NBU purchased during Winter Storm Uri.

## Can impact fees go towards the short-term loan or be used to build up the reserve fund?

Impact fees are legally restricted in the manner in which they can be used by the Texas Government Code.

An Impact Fee is used to generate revenue for funding or recovering the costs of capital improvements or facility expansions necessitated by and attributable to a new development.

## Infrastructure/ Capital Programs

### Why are we doing so many capital projects all of a sudden?

The City of New Braunfels was reported to be the fifth fastest growing city in the nation, according to the most recent census, and has been growing at an exceptional pace for the past 10 years. The growth has required NBU to make significant capital investments to prevent non-compliance with various regulatory agencies, yet the NBU capital program has remained proportional to the number of customers. Expenditures are not increasing exponentially, but staying steady with growth.

### Can any of these capital projects be delayed or canceled?

New Braunfels Utilities performs extensive capital planning for all of its lines of business. Master plans are completed on a regular schedule that determine the size, location, and necessity of each capital project. The projects that are included in the plan are needed to keep up with growth, rehabilitate aging infrastructure, and prevent non-compliance with various regulatory agencies. New Braunfels Utilities adjusts its capital plan annually to appropriately pace each project based on regularly updated growth projections.

### Are all of NBU's capital projects geared towards the growth over the past several years?

Not all projects are for the growth we've been facing. A significant portion of the capital plan is dedicated to replacing or rehabilitating aging infrastructure that serves NBU's existing customers.

### Who pays for growth?

Growth pays for itself through Impact Fees. Impact Fees are paid by developers and are authorized under Chapter 395 of the Texas Local Government Code. An Impact Fee is used to generate revenue for funding or recouping the costs of capital improvements or facility expansions necessitated by and attributable to a new development.

## What is a Municipal Utility District, and how do they impact NBU?

A Municipal Utility District (MUD) is an entity that functions independently from local governments. The purpose of a MUD is to provide a property developer an alternate way to finance infrastructure, such as water, sewer, drainage, and road facilities. Managed by a board, elected by the property owners within the MUD, a MUD may issue bonds to reimburse a developer for authorized improvements. Then the MUD will utilize property tax revenues and user fees received from water and sewer services operated by the MUD to repay the debt.

While municipal utilities like NBU can provide water and wastewater service to a MUD, currently NBU does not provide services to any MUDs. Impact fees collected by NBU fund infrastructure for NBU customers, and all NBU monies are managed separately from any fees or taxes a MUD collects to fund their own independent infrastructure.

## Why are these capital projects so expensive? Does NBU incentivize contractors to save money?

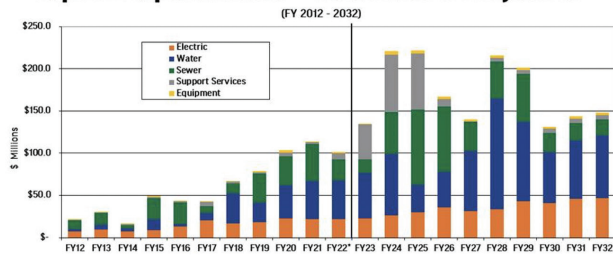
New Braunfels Utilities pays contractors primarily by work completed rather than paying by hours worked. This incentivizes contractors to complete projects as efficiently as possible. New Braunfels Utilities' capital projects typically involve high levels of civil engineering and equipment and as a result are capital-intensive. The cost of construction materials normally increases annually due to inflation (an issue that NBU faced even prior to the pandemic). However, the inflation that accompanied the pandemic has been significantly higher and has largely impacted construction costs.

New Braunfels Utilities is a municipally-owned utility, and as a result must follow the competitive bidding requirements in Chapter 252 of the Local Government Code. Selecting contractors through a competitive sealed bid proposal process protects NBU from unfair or above-market construction costs.

## When will customers start seeing the majority of these capital projects finished?

Supply chain challenges and difficulties securing land rights have introduced an average delay of 12 months to existing projects. Based on current growth projections and project schedules, NBU anticipates capital spending to peak in FY 24 and 25. This will be followed by smaller peaks timed with the periodic expansions of NBU's water and wastewater treatment plants, which will be needed to maintain adequate capacity within the system to serve existing and future customers.

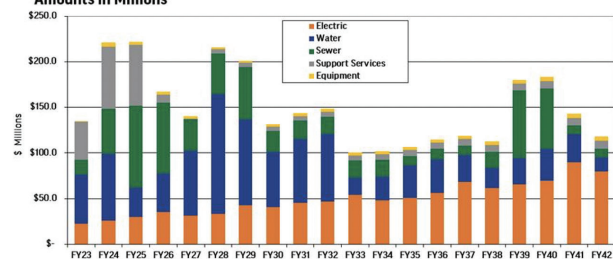
## Capital Expenditures – Historical & Projected



**NBU** NEW BRAUNFELS UTILITIES

\*Forecast (actual amounts through April)

## Capital Projects – 20-Year Financial Forecast



**NBU** NEW BRAUNFELS UTILITIES

## Why are water and wastewater rates increasing so much? Can those rate hikes be lowered and stretched out over a longer period of time?

The NBU Board of Trustees has set a financial policy that requires a balance between debt, service coverage, and capitalization. These ratios must be satisfied in order to maintain a favorable bond rating, which allows NBU to issue bonds at the best possible interest rates, potentially saving millions of dollars for its customers. Delaying rate increases would not meet the required balance, and would negatively impact NBU's bond rating; thus, leading to higher interest rates and fees for the bonds NBU requires for future capital projects; costs that would need to be passed on to customers.

## I only have electric service with NBU. Are my electric rates helping to pay for water and wastewater projects?

No. New Braunfels Utilities' lines of business (electric, water, and wastewater) are financially independent.

## Once the projects that our rates are helping to fund are completed, will our rates go down?

Even when all current capital projects are complete, the current rates will be necessary to fund capital maintenance and to replace aging infrastructure as necessary. New Braunfels Utilities does not anticipate any rate decreases.

## What is the biggest risk if NBU did not do these projects?

First, NBU would not be able to support any new growth. Second, the reliability of NBU's systems would decrease, resulting in higher risk of service interruptions. Additionally, NBU would be non-compliant with regulatory requirements and would be subject to fines and other enforcement actions.

## Why do some NBU capital project costs change over time?

It is typical that long-term capital projects (three years out or more) are re-estimated as they become short-term projects (two years out or less). Also, NBU has adjusted forecasts as a result of the impacts of inflation on material and construction costs.

## Why does NBU maintenance often require disruption of streets and traffic?

Both water and sewer lines are typically buried in the public right-of-way, and repair or replacement of them requires street excavation. New Braunfels Utilities works with the City of New Braunfels, where possible, to align repair and replacement work with the city's street maintenance planning.

# Conservation

## With all the news of water restrictions, why are we allowing new homes and apartments to be built? Can NBU put a moratorium on developments?

New Braunfels Utilities has enough water supplies to meet the growth of New Braunfels, but must continue with additional infrastructure expansion to maintain appropriate service expectations for the citizens of New Braunfels and NBU customers. A moratorium is a function of the local government and would require a shortage of essential public facilities which New Braunfels does not currently have.

## Why are apartments charged a fixed cost per gallon for water, rather than the increasing scale used for other residential customers?

Apartment water rates are set in the New Braunfels Code of Ordinances. The reason for the difference is that apartment buildings do not have individual water meters for each unit, but rather a master meter for the complex that gets divided up evenly between all of the tenants at the end of the month. Individual apartment dwellings generally use less indoor water each month than single family residences use (500-1,500 gallons vs. 6,000 gallons).



Additionally, the apartment cost per 1,000 gallons is higher than the tier-1 residential rate, and when applied to these typical usages, results in average water bills within \$1 of each other. Irrigation rates for all NBU customers that live in apartment complexes are the same.

## Why are car washes allowed to operate during severe droughts?

Similar to other water use activities in times of drought, car washes in New Braunfels are required to adhere to water conservation requirements spelled out in the City's Drought Ordinance and are enforced year-round, regardless of stage restrictions. These water conservation requirements are as follows:

- Must reuse 50% of water for rinsing processes
- If car washes use a reverse osmosis system (generally for spot-free rinses), they must reuse unused chemicals for subsequent washes.
- Manual/self-serve car wash spray wands cannot use more than three gallons of water per minute.

Under escalated drought conditions, the city considers restrictions that include washing cars at home and potential additional regulation on commercial car washes.

New Braunfels Utilities strongly encourages residents to wash vehicles only when necessary and to utilize commercial car wash facilities to maximize the conservation of water during all times of the year. Washing vehicles at home will generally use more water due to hose spigots using 5-10 gallons per minute with no measures to collect any of the wastewater for reuse.

## Why do existing customers have to pay for new water supplies?

Finding new sources of water to add to the NBU water resources plan benefits all customers by enhancing diversification, which increases the reliability and resiliency of the water supply system. Water rates not only include future water supply purchases to better increase dependability, but also support the repair and replacement of older water infrastructure to maintain reliability. New construction is funded through impact fees that are collected when a new development is built and are not funded through regular rates. Diversification of sources reduces the risk of supply disruption if any one of NBU's sources goes offline for any reason.

## Why is there a different water rate for winter than for summer?

Landscape irrigation usage increases during the summer due to the heat, which increases the overall demand on the water infrastructure, and is the main contributing factor for lower water levels across the area. Cooler winter weather causes many landscapes to go dormant and lawn watering decreases, as does water demand.

## Ordinance Location

- NB Code of Ordinances; Chapter 130, Article IV, Div. 3, Sec. 130-167 – Water Rates

## Why has New Braunfels enacted Stage 3 restrictions, while other local areas have not?

While other municipalities have different strategies for water conservation during times of drought, all have the same goal based on their water supply contracts. New Braunfels has an unique responsibility to ensure that the Comal River spring flows are maintained. The Comal Springs are essentially an overflow for the Edwards Aquifer's San Antonio Pool and the NBU wells, in the immediate vicinity, have a direct impact on river flow. New Braunfels can ensure flow for the community and the endangered species within the river by reducing pumping city-wide. This comes in the form of more restrictive landscape watering rules.

## How much water does our community use during the winter (off-peak) and summer (peak) seasons?

The NBU infrastructure currently has a maximum pumping capacity of 36 million gallons per day (MGD). We have averaged around 18 MGD for the past five summers (June-September), or "peak" season. The winter (October-May), or "off-peak" season, usage decreases to an average of 12 MGD.

For a more local perspective, an average family in New Braunfels uses approximately 6,000 gallons per month for indoor usage and 6,000 gallons per month for landscape irrigation usage. These usages fluctuate throughout the year with lawn watering and school holidays when there may be more people at home. Also, extreme weather events such as heatwaves or hard freezes can potentially cause issues such as plumbing leaks, which lead to additional water usage.

## How does NBU decide which rebates are offered and how they will be structured?

Each year, the NBU Conservation and Customer Solutions team reviews all the rebates and evaluates them for participation, effectiveness, and return on investment. If any issues are found, the programs are modified to increase the overall performance to benefit both the customer and NBU's conservation goals. Additionally, the Conservation team collects public input via NBU surveys and by speaking with customers over the year to consider their needs. New Braunfels Utilities also researches new rebate ideas and compares them with industry standards and peer utilities to identify any opportunities or pitfalls that a potential rebate program might have.



New Braunfels Utilities uses rebate programs to incentivize customers to conserve water and energy by choosing more efficient appliances, devices, and practices when they might not have the financial means to do so. Many of these appliance or landscaping rebate programs save several thousand gallons per year for the customer and help our community save water.

## **Why do we have to conserve water if we have adequate water supplies?**

Conservation is not just about water supply protection. It also reduces demand on infrastructure, such as stress on water pumps, and helps to keep long-term infrastructure investments down. Several state and national water plans are now considering conservation as the cheapest form of water supply protection. New Braunfels Utilities' water conservation program offers customers options to lower their monthly bills by reducing water usage – by significant amounts in many cases.

In addition, water conservation strives to protect our local natural resources such as the Comal River, the Edwards Aquifer, the Guadalupe River, and Canyon Lake. This type of community stewardship also helps the local economy by maintaining river flow and protecting the endangered species that live in the springs. Additionally, NBU's conservation efforts recognize the needs of downstream users of the river systems, since these flows are critical for our neighbors to the south during times of drought.

## **Why does the Parks Department get to water every day?**

The City's Parks are mandated to follow the same watering guidelines as all other water customers. An exception is made when they operate large community parks (Landa Park, Prince Solms Park, and Fisher Park only). There, watering is split over several days to cover all zones. This does not allow them to water the same areas multiple times per week.

## **Are new developments required to put in drought tolerant landscapes and how does NBU enforce that?**

New developments are required to adhere to the City's Drought Ordinance regarding drought tolerance landscaping for new homes. These builders are required to offer a drought tolerant landscape package on at least one of their model homes per subdivision and offer the same package to prospective home buyers. New Braunfels Utilities enforces this requirement on an annual basis and processes violations for non-compliance.

## **What does NBU do with the money it collects from water violations?**

Water violation surcharges are funneled into the NBU general account to help fund additional conservation programs and staffing. The ultimate goal of water violations is not to collect money, but to ensure code compliance – especially in times of drought. In fact, 92% of all violations are warnings without a fine, and less than 1% make it to the highest-level violation. All NBU water customers are held to the same standards, without exception, to ensure fairness, compliance, and water conservation across the entire customer base.

First offenses are cited as warnings and all violations remain on accounts for a 12-month rolling lifecycle.

## **How does conservation benefit everyone?**

The NBU conservation rebate program benefits more than just the rebate recipient. The goal of the rebates is to reduce the homeowner's energy or water consumption. If enough rebates are redeemed, the entire energy and water demand on NBU's infrastructure is reduced. This has the potential to keep NBU energy costs low for future years.

## **Are electric cars and charging stations driving up our electric usage and costing us all more money? Who is paying for that?**

In 2022, the number of customers who operate electric cars is still extremely low – around 1% of all vehicles in Comal County. Additionally, there are no publicly or municipally owned high voltage DC chargers in New Braunfels that would require special equipment, as most electric vehicle (EV) owners charge at home and are assessed the same fees as they would be for using any other electric appliance.

At-home level-2 EV chargers pull a maximum of 40 amps. In comparison, many homes in New Braunfels have two or more air conditioning systems that have the potential to pull between 30-60 amps per unit and for a significantly longer period of time. However, with the advancement of technology, electric vehicle ownership is predicted to increase in the next 5-10 years. New Braunfels Utilities is developing a strategy to accommodate the increase in private EV ownership without impacting the rest of the NBU electric customer base. Programs such as off-peak charging prices may actually benefit the electric grid. Public charging ports and banks are also vetted before they are installed to avoid overloading the system.

## Solar

### Does NBU support solar? Why are there so many requirements to install a system?

New Braunfels Utilities is pleased to partner with hundreds of customers to bring locally produced solar energy to New Braunfels. In fact, we have more than 400 systems in our territory right now. Rooftop solar, batteries, and other forms of distributed energy work through our electric system differently than traditional forms of energy. To maintain the quality and safety that our customers depend on, there are important system requirements that must be met, including installing a second meter. You can learn more about system requirements and much more by visiting <https://www.nbutexas.com/solar-energy/>.

Currently, NBU staff are reviewing the solar program to ensure customers can easily install solar and ensure reliability, safety, and longevity of the system.

### Why doesn't NBU buy back my extra solar generation?

Currently, NBU provides a one-to-one credit for energy produced from rooftop solar for customer energy use; however, we are considering options to compensate customers for energy production during our high use times, when purchasing power from the market is most costly.

### Why does a solar project take so long to complete?

Just like constructing an addition to your home or building a pool, the process for installing rooftop solar can take a long time. To ensure reliability, safety, and longevity of the system, it is important that the necessary review and inspection processes take place. New Braunfels Utilities performs reviews and takes part in inspection processes as efficiently as possible. The demand for solar is increasing, creating a backlog. New Braunfels Utilities is diligently working to improve internal processes and adding support staff to meet this demand. To minimize wait times, customers are encouraged to research and select their solar installer carefully. Installers that submit incomplete applications result in longer wait times.

### Will NBU help me determine if solar is a good choice?

New Braunfels Utilities provides a review of solar installation proposals. This includes return on investment time frames, opportunity cost comparisons, "real-world" estimates of system production, and the value of that production. Ultimately, the customer must decide whether to proceed.

### How does the solar rebate program benefit everyone?

Solar rebates are an important tool that utilities use to lower the total cost of electricity for customers. Local production of energy through solar or batteries is less expensive to the customer base than power that is purchased from the electric market, especially during peak use periods. When a customer installs solar on their home or business, their investment allows them to supplement their overall energy cost by producing their own power. This benefits all customers by reducing the amount of energy NBU will need to buy during peak (highest cost) demand.

## Bill Amounts/Electric Usage

### Why has my utility bill gone up so much?

There is an average increase of 32% in customer consumption, paired with increases to natural gas prices and changes in the ERCOT market. Customers are experiencing bill increases across the nation.

### What is the average usage for water and electricity during the summer?

**Electric** – approximately 1,800kWh/month

**Domestic** (essential use) Water – 6,000 gallons/month

**Irrigation Water** – 6,000 gallons/month

### How can I access my bill history from the NBU website or set up a one-time payment?

Visit [myinfo.nbutexas.com](https://myinfo.nbutexas.com) to obtain billing information. Under the "Billing" section of the website, you can access the following:

- e-Bill
- Balance History
- Billing History
- Bill Analyzer
- Deposit Information
- View Bill

New Braunfels Utilities uses a third-party payment system called Invoice Cloud. It is designed to allow you to access your payment history; however, Invoice Cloud data is limited to a two-year span.

One-time payments cannot be scheduled for future dates at this time.

## The bill is hard to understand. Can the bill be simplified?

New Braunfels Utilities is always open to suggestions for bill improvements. New Braunfels Utilities uses a third-party vendor for bill printing. Their software limits the degree to which we can customize the format of the bill.

A bill summary is available on the NBU Website. Click on the "Understanding Your Bill" to obtain detailed explanations. New Braunfels Utilities acknowledges changing information on your bill, rather than viewing this on [nbutexas.com](http://nbutexas.com), could provide additional clarity and has committed to making improvements to the bill later this year (2022).

## How do I ensure my meter is working properly?

If abnormalities appear in meter readings conducted by NBU, our teams will ensure the account is further investigated. As an additional safeguard, customers can go to the NBU Customer Portal to set up electric and water consumption alerts, as well receive notifications by text or email. New Braunfels Utilities offers this video for step-by-step instructions: [www.youtube.com/watch?v=8ODELSKRGvQ](https://www.youtube.com/watch?v=8ODELSKRGvQ).

## How can I set up a payment plan? What are my options?

Payment plans are available on a case-by-case basis by speaking with Customer Service:

- **In person** – 263 Main Plaza, New Braunfels, TX 78130
- **By phone** – 830.629.8400
- **By email** – [customerservice@nbutexas.com](mailto:customerservice@nbutexas.com)

## Can I enroll in Budget Billing?

Yes, residential and small commercial customers can enroll in Budget Billing, but must be on auto-draft to enroll.

## If I'm already enrolled in Budget Billing, is my monthly cost going to increase dramatically and if so, when?

For customers participating in the Budget Billing program, the monthly cost will vary depending on usage. Customers should monitor their monthly statements to stay aware of usage, bill increases or decreases, which can impact changes to the Budget Billing amount. Bi-annual evaluations of customers' accounts are conducted in an effort to avoid large increases in billed amounts.

## What if I can't afford my bill?

Customers who experience a hardship and cannot make a payment are encouraged to contact Customer Service to discuss options and resources.

- **In person** – 263 Main Plaza, New Braunfels, TX 78130
- **By phone** – 830.629.8400
- **By email** – [customerservice@nbutexas.com](mailto:customerservice@nbutexas.com)

## What if the New Braunfels Food Bank does not have funds available?

Additional community resources are available if the New Braunfels Food Bank does not have funds available. Customers are encouraged to contact Customer Service for more information.

- **In person** – 263 Main Plaza, New Braunfels, TX 78130
- **By phone** – 830.629.8400
- **By email** – [customerservice@nbutexas.com](mailto:customerservice@nbutexas.com)

The McKenna Foundation and the City of New Braunfels, together with the New Braunfels Food Bank, the Family Life Center, Community Council and the Salvation Army have partnered to assist income-constrained households within the New Braunfels city limits with their utility bills. These agencies will consider requests for assistance through the application on [comalcountycare.com](http://comalcountycare.com).

## Are NBU employees getting their utilities for free?

No, NBU employees do not receive any discounts or services for free. Just like NBU customers, employees, can participate in the rebate program (if they are a customer of NBU).

## Does the City of New Braunfels have to pay for utilities?

Yes, the City of New Braunfels pays for its utilities. New Braunfels Utilities also pays for its electric, water, wastewater that is used throughout its facilities.

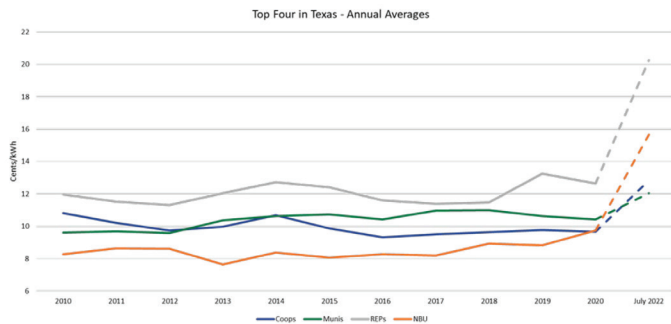
# Deregulation

## Why doesn't New Braunfels have a choice of electric providers?

In 1999, when the Texas energy market was deregulated, municipalities were given the option to opt-out of deregulation. At that time, the New Braunfels City Council decided not to opt-in to deregulation.

## How do NBU bills compare to other electric suppliers?

When comparing NBU cost of energy over the last ten years to other electric providers, NBU's cost of power is extremely competitive and one of the lowest in the state. Even in current market conditions, NBU's cost of power is below most major retail energy providers that offer energy plans in deregulated areas.



## Where can I find information about electric rates for other companies?

You can visit the websites of other electric generation companies, visit the PUCT website, or visit Power To Choose | Home for a view of the retail energy provider market.

## Why doesn't the PUCT have control over NBU?

New Braunfels Utilities is a municipally owned electric utility and is considered a non-opt in entity or (NOIE), just like several neighboring utilities.

## What is the process for allowing competition for another electric provider in New Braunfels?

For NBU to opt-in to electric competition, the NBU Board of Trustees must pass a resolution indicating its decision to provide customer choice. The decision to participate is irrevocable. Following the adoption of this resolution, the New Braunfels City Council would call a city charter election to amend Section 11.09 of the New Braunfels City Charter. At this time, the City Council could also decide whether to continue with the current structure of NBU as an entity with a separate governing body.

If NBU opted-in to competition, then NBU would likely begin serving as a transmission and distribution utility (TDU). Current NBU customers would select a retail electric provider (REP) to sell electricity to them. A REP buys wholesale generation of electricity and would also pay a TDU, like NBU, for transmission and distribution charges for the use of NBU's poles and infrastructure.

Neither the NBU Board of Trustees nor the New Braunfels City Council will have authority over the rates that customers pay once NBU opts into competition.

Tex. Util. Code § 40.051

## What would change if NBU had competition?

New Braunfels Utilities would still be the utility provider for the New Braunfels' service area and provide electric, water, and waste-water services. New Braunfels Utilities would still be the owner and operator of the local electric and water distribution systems; however, would no longer be the provider of Power Supply Services.

## Communication/Miscellaneous

### Why were the bill increases not communicated sooner?

We apologize comprehensive communication didn't happen sooner, and organizationally, we have put steps in place to help with timely, advance information. New Braunfels Utilities is committed to communicating more timely in the future.

### What is the strategy for answering customer questions on social media?

Individual comments are reviewed and common themes are identified. General themes help NBU to identify future posts and links opportunities that will be beneficial and offer valuable resources to NBU customers.

### Are there any updates planned to make paying your bill and reviewing usage online more user-friendly?

Improving the customer experience is a continuous item on the NBU customer satisfaction roadmap. New Braunfels Utilities is actively researching third-party vendor opportunities to expand the interactive customer portal of the website to improve customer experience. New Braunfels Utilities offers video tutorials that can help customers set usage alerts as well as other helpful tools.

### How does NBU show its dedication to its customers and community?

New Braunfels Utilities' employee volunteers have contributed more than 11,886 hours of their time to community service since 2001. Employee volunteers proudly served their community. New Braunfels Utilities' employees contributed more than 444 hours of service during FY 2022. In addition, employees contributed more than \$60,000 to United Way of Comal County, for FY 2022. Employees of NBU have a heart of service, and collectively, NBU has ranked as a top-10 United Way of Comal County donor for the past 17 years.

### What has NBU done to save money and be efficient?

New Braunfels Utilities strives to be good stewards of its funds. Fiscal responsibility has helped NBU maintain a strong bond rating. That allows NBU to borrow money and pay it back at a lower interest rate, saving customers thousands of dollars. Each NBU department is responsible for maintaining an approved budget and spending those funds to further the mission of NBU, which is strengthening our community by providing resilient essential services to its customers.



## Why is NBU ordering so many new vehicles?

The NBU fleet is aging. Some vehicles have been on the road since 1999 and are costly to repair, and in some cases, parts are not available. New Braunfels Utilities is working to replace those vehicles as inventory becomes available.

## Governance

### What is NBU's relationship to the City?

New Braunfels Utilities is owned by the City of New Braunfels. A municipally owned utility, or (MOU), is a city-owned and run utility provider. Municipally owned utilities are governed either by a municipality's governing body or a board of trustees. In New Braunfels, residents have opted to delegate the management and control of the utility system to the NBU Board of Trustees through City Charter.

#### Ordinance Locations

- TEX. GOVT CODE § 1502.070
- New Braunfels City Charter § 11.09

### Who is eligible to serve on the NBU Board of Trustees?

The New Braunfels City Council appoints the members of the NBU Board of Trustees. The Board is composed of four residents of the City of New Braunfels and the mayor. Texas law requires that the mayor is one of the members of the NBU Board.

### What are the terms of office for NBU Board members?

New Braunfels Utilities' board members are appointed to serve a five-year term of office. The terms are staggered and begin on December 1 following appointment by the New Braunfels City Council in November. Board members may be appointed for more than one term.

New Braunfels City Code § 130-26(b)

### Who appoints the NBU CEO?

The NBU Board of Trustees appoints the CEO of NBU.

New Braunfels City Code § 130-29

### Who sets utility rates?

State law gives the governing body of a municipality the authority to set rates for a municipally owned utility. In New Braunfels, the City Council sets electric, water, and wastewater rates.

TEX. UTIL. CODE § 40.055(a)

TEX. LOC. GOVT CODE § 552.001

### Does state law specify how rates are set?

State law does not prescribe how rates are set by the governing body of each Municipally Owned Utility. However, state law prohibits NBU from providing free utility service. New Braunfels Utilities is required to impose and collect charges for services that are sufficient to pay:

- (1) all operating expenses,
- (2) for an interest and sinking fund for bonds that are issued, and
- (3) outstanding debt of the utility.

### I live outside the New Braunfels city limits and can't vote for the members of the City Council. What is my remedy for challenging rates?

The Texas Public Utilities Commission has appellate authority over electric rates set by City Council for customers who live outside of the New Braunfels city limits.

TEX. UTIL. CODE § 33.101

These customers can file a petition with the PUC to appeal rates that the City Council sets. Customers outside the New Braunfels city limits may also appeal water rate changes to the PUC.

TEX. WATER CODE § 13.043(b)(3)

After the City Council passes an ordinance setting rates, customers who live outside the New Braunfels city limits have 90 days from the effective date of the rate change to file a petition with the PUC.

16 TEX. ADMIN. CODE § 24.101(b)

### Why is the Mayor on the NBU Board?

This is a duty and responsibility of the elected Mayor. Section 11.09 of the New Braunfels Code of Ordinances mandates that the Mayor will serve on the public utility board.

### How much does the NBU Board get paid?

The NBU Board of Trustee members, excluding the Mayor, are paid a stipend of \$100 monthly, up to \$1,200 per year. The Board of Trustee members can and have waived receiving the stipend.

New Braunfels City Code § 130-30

### Why are NBU Board meetings at 1:00 p.m. instead of in the evening?

The NBU Board of Trustees is responsible for setting its meeting day and time. The NBU Board may change its regular meeting day and time.

### **What is the Rate Advisory Committee (RAC)?**

The Rate Advisory Committee (RAC) is a special-purpose advisory committee. The RAC is tasked with providing community input on rate structure and design to ensure NBU rates are in line with the cost to provide service and that the rate structure reflects the community's values and objectives.

### **Who decided on the members of the RAC?**

Membership of the RAC reflects a balanced representation of the various customer types within the NBU service territory. The NBU Board of Trustees appointed the 18-member Committee, seven of which were nominated by each New Braunfels City Council member. Each Rate Advisory Committee member represents a constituency and facilitates the flow of ideas and concerns from the community to NBU Management and the Board of Trustees.

### **How much are the RAC members being paid?**

Each member of the Rate Advisory Committee is an unpaid volunteer. They represent a cross-section of our community and NBU customer constituencies. To learn more about them and their responsibilities, visit the NBU RAC web page.

### **How is the RAC keeping NBU accountable with rates?**

The purpose of the Rate Design Study and the RAC is to allow transparency and ensure that rates are in line with the cost to provide service and that the rate structure reflects NBU's and the community's values and objectives. The Committee serves in an advisory capacity only. As they meet with NBU's staff and consultants to learn how rates are structured currently and look for opportunities for improvement, the Committee will make recommendations to the NBU Board of Trustees and leadership based on their conclusions. As a non-profit entity, NBU sets rates to cover its costs. Higher rates do not equal increased profits for NBU.

### **Is NBU required to have a RAC?**

No. State law does not require NBU or the City Council to appoint a committee to advise on rates. State law is silent on how a governing body should set utility rates.

### **Are RAC meetings open to the public?**

Yes. The RAC complies with all Texas Open Meetings Act requirements. Rate Advisory Committee meetings are open to the public and each meeting allows for public comment. The RAC schedule and agenda for RAC meetings can be found at <https://nbutexas.municodemeetings.com>.