NBU Budget Workshop

March 27, 2023

NEW BRAUNFELS UTILITIES

Overview

- State of NBU
- Strategic Plan
- Growth, Assumptions, Risks, and Key Outcomes
- Capital Plan
- Water Supply
- Operating Expenses
- Funding Sources
- Revenue Requirements
- Cost of Service & Rate Design Study
- 20-Year Financial Forecast

STATE OF NBU

Looking Back

As the 2nd fastest growing city, resource scarcity limited our focus to basic needs: regulatory compliance, systems capacity, procurement, etc.

Although we grew the workforce by 40%, we are still understaffed by 1/3. Yet, we made significant and historic accomplishments:

- Master planned every critical function
- Implemented a capital plan that grew by 300%
- Increased our water supply portfolio by 60% while more than doubling the number of sources
- Maintained electric reliability that outperforms every sector of the industry

Looking Back

Select Recognitions

- American Public Power Association (APPA) Certificate of Excellence in Electric Reliability
- APPA Reliable Public Power Provider (RP3) Diamond Level (highest) – for dedication to reliability, safety, workforce development and system improvement. NBU has held the highest level of designation (Diamond) since 2020
- APPA Excellence in Public Power Communication in print, digital, web, and social
- American Water Works Association (AWWA) Opflow Journal profiled NBU's Satellite Leak Detection Program
- Texas Commission on Environmental Quality (TCEQ) Texas Environmental Excellence Award for NBU Customer Leak Detection Program
- Award of Achievement for Excellence in Financial Reporting for 32 consecutive years

NBU NEW BRAUNFELS UTILITIES

Looking Forward

We're not growing the organization, <u>we are having to scale</u>

- Business planning and resource allocation are shifting focus from meeting basic needs to meeting Service Level Expectations
- Historic changes in the Electric Reliability Council of Texas (ERCOT) market and the electric industry (electric transportation, solar, battery storage, etc.) are driving innovation and will lead to new customer solutions
- Increases in severity, duration and frequency of drought and other significant weather events are opportunities to mature our emergency management and conservation efforts

NBU NEW BRAUNFELS UTILITIES

Looking Forward

- Modern customer payment portal with mobile app – Fall 2023
- Capital plans will add capacity for compliance and resiliency, but also put pressure on rates:
  - 27% increase in electric substation capacity
  - 20% increase in wastewater treatment capacity
  - 58% increase in water production capacity
- Proposed two-year rate plan to meet needs

NBU NEW BRAUNFELS UTILITIES

STRATEGIC PLAN

MISSION

Strengthening our community by providing resilient essential services

CORE VALUES

Safety, Team, Integrity, Culture, and Stewardship

VISION

Be a trusted community partner dedicated to excellence in service

Guiding Principles and Definitions

ONE UTILITY, ONE TEAM

Place organizational success above individual priorities and work together to maintain a team-oriented culture.

SPEAK UP, LEAD, AND CARE FOR ALL

Lead and foster an environment of shared responsibility where everyone feels valued and empowered to perform their job.

KNOW AND DO THE RIGHT THING

Uphold the trust and confidence of the community and the organization.

Guiding Principles and Definitions

CONTINUOUSLY IMPROVE

Plan thoughtfully, set realistic expectations,
and learn when things do not turn out as expected.

BE CONVENIENT

Anticipate expectations and provide a positive experience.

BE FLEXIBLE AND INNOVATIVE

View challenges as opportunities and pursue new solutions.

BE RESILIENT

Be prepared to adapt to and recover from disruptions.

STRATEGIC GOALS

- Customers and Community
- People and Culture
- Infrastructure and Technology
- Financial Excellence
- Safety and Security
- Stewardship

NBU NEW BRAUNFELS UTILITIES

FY 2024 ANNUAL PRIORITIES

Mission-Critical Priorities Designed to Achieve Our Strategic Goals

Distributed Energy Resources (DER) Program Creation	One Water
Emergency Management	Power Supply Roadmap
Enterprise Asset Management	Integrated Resource Plan
Enterprise Project Management	SAS Budget Model
Electric Transportation (ET) Program Creation	Back Up Operations Center
Physical Security Master Plan	NBU HQ
Fiber Network	Water and Wastewater SCADA (Supervisory Control and Data Acquisition) Solutions

NBU NEW BRAUNFELS UTILITIES

FY 2024 ANNUAL PRIORITIES

ANNUAL PRIORITIES	MEASUREMENTS
Distributed Energy Resources (DER) Program Creation	• Develop and present roadmap to the NBU Board by the end of the Fiscal Year
Emergency Management	• Merge Senate Bill 3 requirements (PUCT and TCEQ Emergency Operations Plans) with the NBU Emergency Management Plan, including reformatting associated NBU annexes to align with Emergency Operations Plans' structure
Enterprise Asset Management	• Develop asset management implementation plan
Enterprise Project Management	• Begin Stage 3B implementation for Water and Electric Engineering
Electric Transportation (ET) Program Creation	• Develop and present roadmap to the NBU Board by the end of the Fiscal Year
Physical Security Master Plan	• Complete a draft of the NBU Physical Security Master Plan

NBU NEW BRAUNFELS UTILITIES

FY 2024 ANNUAL PRIORITIES

ANNUAL PRIORITIES	MEASUREMENTS
Fiber Network	• Prepare the DRAFT of the interlocal agreement • Finalize master planning to include Back Up Operations Center and Headquarters site • Prepare approved governance document detailing design requirements, requirements for capital projects, and departmental responsibilities • Design independent runs to Back Up Operations Center and Headquarters site
One Water	• Provide NBU Board with a report outlining the activities of the One Water Advisory Group • Launch at least one community education program
Power Supply Roadmap	• Implement Phase 1 items of the roadmap
Integrated Resource Plan	• Complete resource plan and present to the NBU Board

NBU NEW BRAUNFELS UTILITIES

FY 2024 ANNUAL PRIORITIES

ANNUAL PRIORITIES	MEASUREMENTS
SAS Budget Model	• Complete the testing phase • Complete the implementation phase
Back Up Operations Center	• Once the new Headquarters site is confirmed, validate location and proceed with finalizing design
NBU Headquarters	• Close on the property and restart the design, and integrate NBU safety and security standards
Water and Wastewater SCADA Solutions	• Complete system evaluation • Select vendor for integration • Complete governance documents

NBU NEW BRAUNFELS UTILITIES

Levels of Service (LOS)
& Key Performance Indicators (KPI)

- Scarcity and growth have focused resources on meeting basic needs – i.e. regulatory compliance, systems capacity, procurement
- In the next 5 years, focus turns to meeting service expectations
- Current and expected LOS, along with KPI assigned to every functional area of NBU
- KPIs will inform how and where to find efficiencies and add/deploy resources

NBU NEW BRAUNFELS UTILITIES

Current Service Level Deficiencies

Examples Include:

- Electric Vehicles/Electric Transportation – No program exists for system readiness, customer solutions, power supply/rate integration
- Distributed Energy Resources – Current program is frustrating for installers and customers (lead times unacceptable)
  - Evaluation needed to ensure rebates incentivizing solar
  - No power supply/rate integration
- Underground W/WW Utility Locates – Only staffed to complete 50% of requests
- Water Operations Backlog (repair of water leaks/sewer issues) – 2 years as of March 2023

NBU NEW BRAUNFELS UTILITIES

Current Service Level Deficiencies

- GIS Backlog – Current backlog is more than 4 weeks, or 50% of total unresolved monthly tickets
- Predictive Maintenance Backlog – Basic maintenance activities to prevent asset failure have been suspended due to lack of resources
- Asset Management – No program exists to optimize Operations & Maintenance (O&M) and capital investments over asset life to meet reliability expectations
- Developer Submittal Review – Plan review meeting 15 day goal 90% of the time, but no goal exists for Letter of Certification (LOC) or plat review
  - Need seamless integration with City of NB processes (FY23 first year with dedicated Real Estate/Right of Way (ROW) Manager)

NBU NEW BRAUNFELS UTILITIES

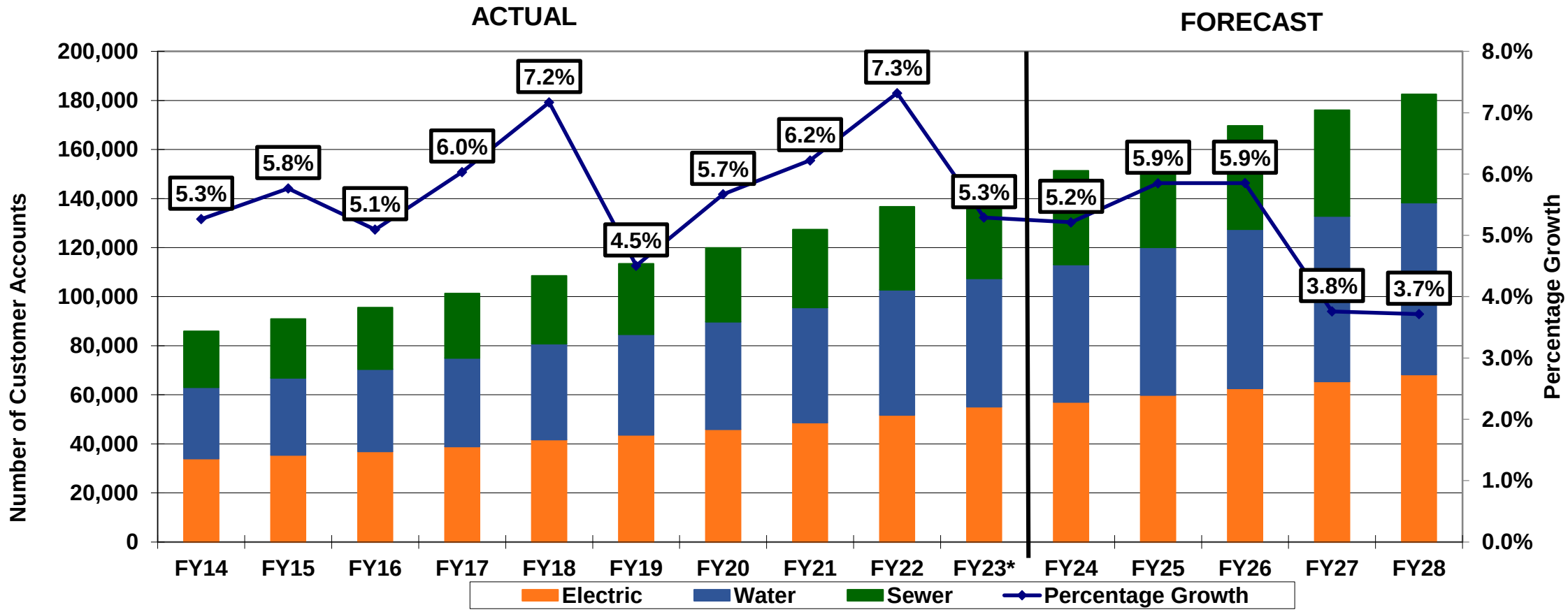
GROWTH, ASSUMPTIONS, RISKS & KEY OUTCOMES

Growth, Interest Rates & The Economy

- Interest rate increases have significantly slowed growth
- NBU consulted with multiple outside resources including a real estate investment firm, financing firm, engineering firms, developers and builders for insight on forecasting growth
- Consensus was on a near term slow down (~1 year), with high growth returning
- NBU growth rates are forecasted by customer class and by line of business (water, sewer and electric territories are not identical)
- Growth Assumptions included in NBU Five-Year Plan
  - Combined customer growth for FY2024 = 5.2%
  - Combined average customer growth over the five year plan = 4.9%

NBU NEW BRAUNFELS UTILITIES

Combined Customer Growth



*Forecast (actuals through November)

Assumptions

- Includes $169M in Impact Fees over 5-Year Plan; reduced Impact Fees by 25% in FY24 due to transformer shortage/impact to growth
- O&M Non-Personnel includes 2% inflation in FY24, 8% in FY25 and 6% thereafter
- Power Stabilization Fund at $95M by FY28
  - No change to Power Stabilization Fund collection within 5 year plan
  - Target balance decreased from $142M to $95M based on statistical analysis conducted by The Energy Authority

NBU NEW BRAUNFELS UTILITIES

Assumptions

- Capital contributions of $102M over five years with $66.5M coming from one developer
- Increase Electric revenues to achieve 50% cash funded for capital by FY27
- Increased Water revenues for a positive net available for Capital funding
- Community Assistance Program increases each year per Rate Advisory Committee recommendation

NBU NEW BRAUNFELS UTILITIES

Key Risks

Revenue

- Developer Capital Contributions and Development Fee
- Supply Chain / Transformer Shortage
- Impact Fee Funding and Assumptions

Reserves

- Power Stabilization Fund

Mitigating Risk with Reserves

Strategy: Increase Days Cash on Hand (DCoH)

- Power Stabilization Fund target balance based on statistical analysis of risk. Equivalent to 69% of annual power supply budget (FY24)
- Contingency Fund target balance is 120 days operating expenses (industry best practice)

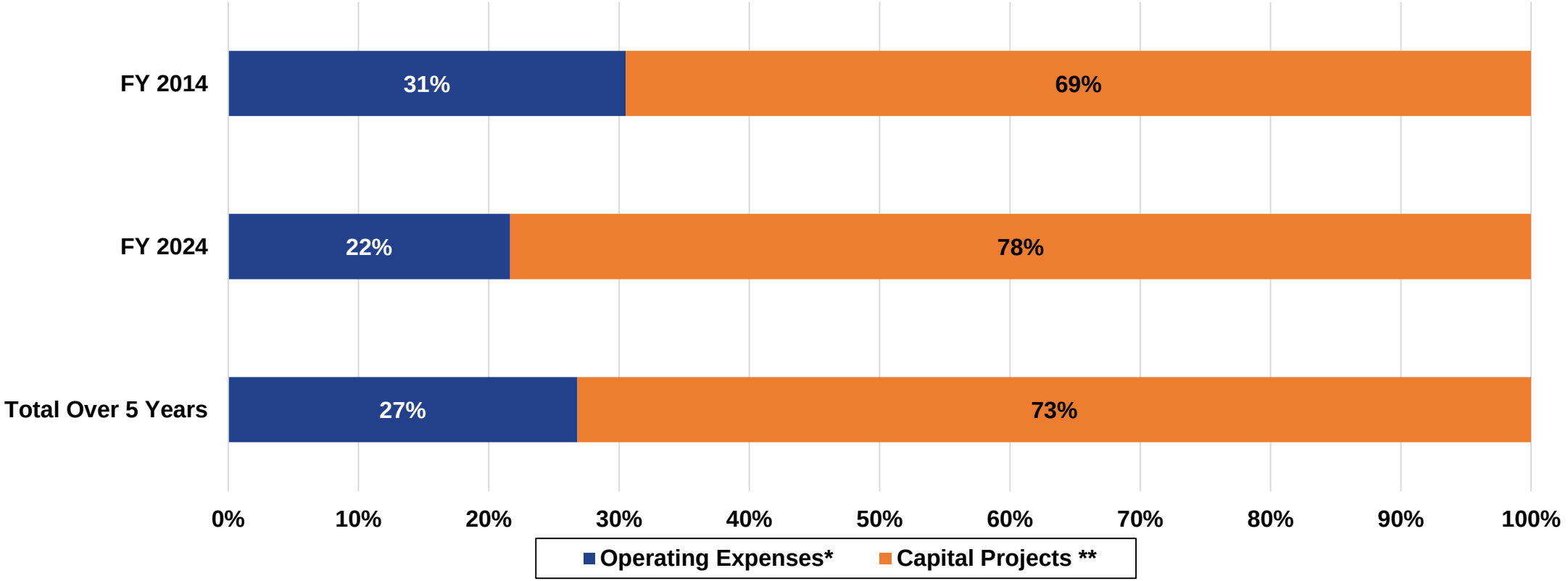
	Beginning Balance	FY24	FY25	FY26	FY27	FY28	Ending Balance
Power Stabilization Fund	$20,000	$15,000	$15,000	$15,000	$15,000	$15,000	$95,000**
Contingency Fund	$23,834	$3,528	$3,411	$3,484	$3,555	$3,549	$41,361
DCoH		228	261	287	305	322	

*Dollar amounts in thousands

**Power Stabilization Fund adds 163 days to Days Cash on Hand (DCoH) when filled

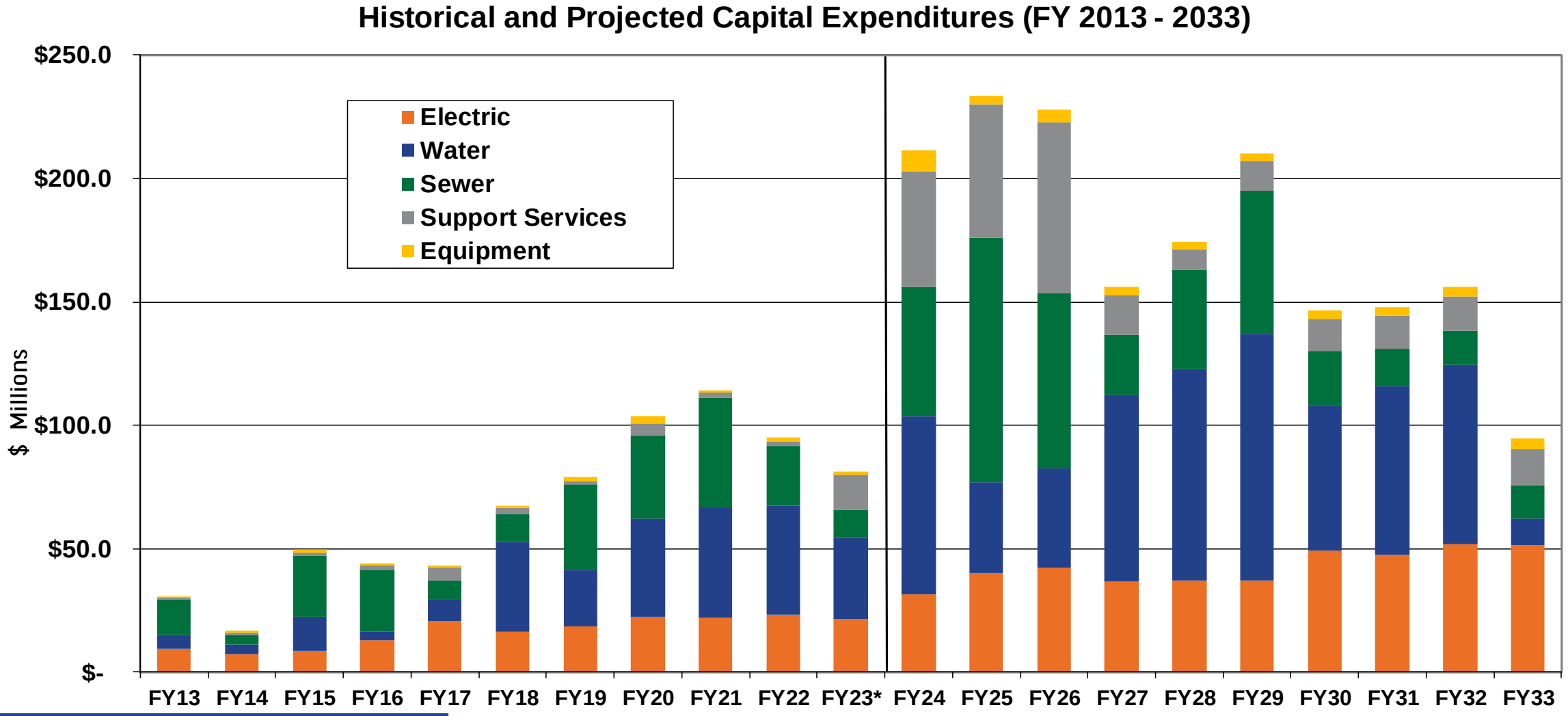
CAPITAL PLAN

Budgeted Sources of Expenditures



*Does not include purchased power, purchased water, and depreciation
** Capital includes equipment and capital projects

Capital Expenditures – Historical & Projected



*Forecast

CAPITAL PLAN

ELECTRIC INFRASTRUCTURE

Drivers for Electric System Improvements

Regulatory Compliance

- Design electric infrastructure to meet or exceed National Electrical Safety Code (NESC) and National Electrical Code (NEC) requirements
- Achieve all NERC (North American Electric Reliability Corporation) & ERCOT (Electric Reliability Council of Texas) requirements with NBU's transmission system.

Proactive Operations

- Maintain a 3 year rolling average SAIDI (System Average Interruption Index) in top quartile for Texas utilities or 3 year rolling average SAIDI < 52.56 minutes (99.99% reliability)
- SAIFI < 1.0 Interruptions (System Average Interruption Frequency Index)
- Customer Count per Feeder < 1,050 Customers
- Nominal Capacity > System Demand
- Rehab/Replace aging infrastructure prior to failure

NBU NEW BRAUNFELS UTILITIES

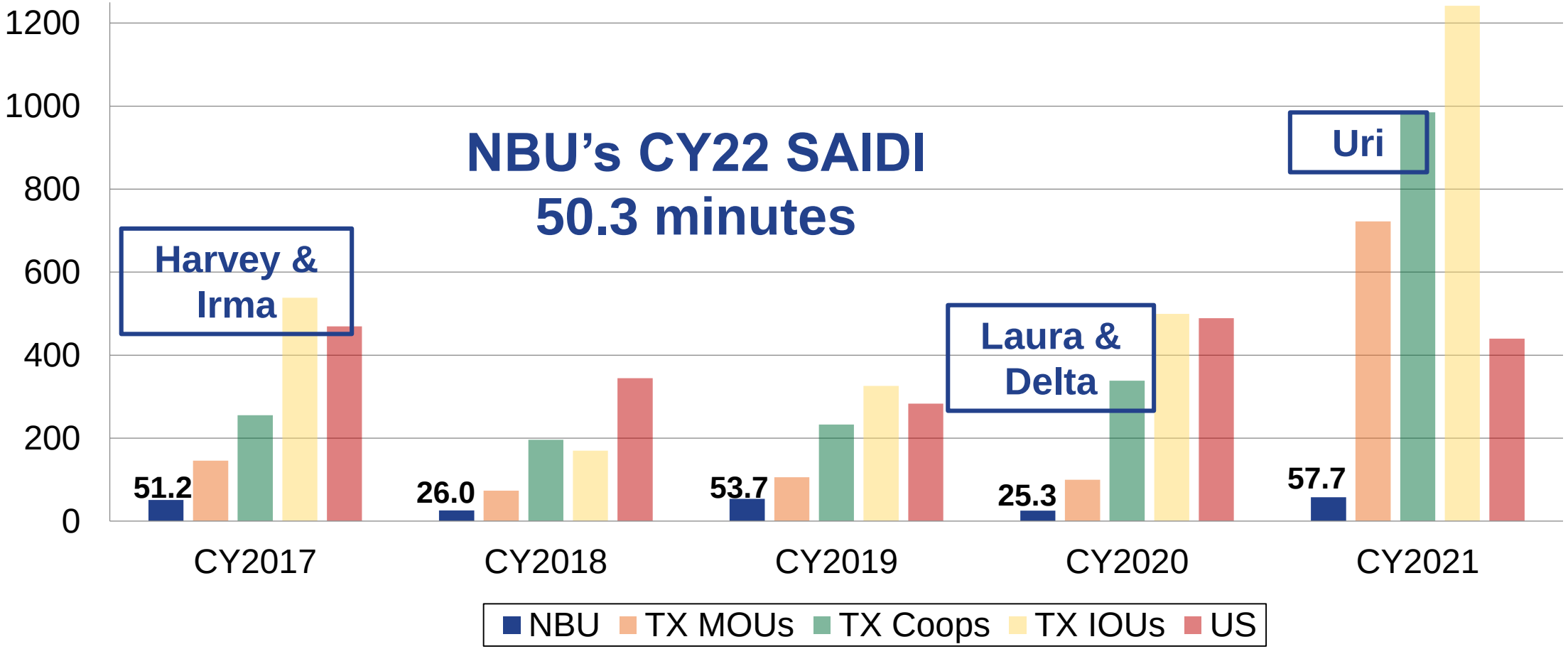
ELECTRIC

DISTRIBUTION

TRANSMISSION

SUBSTATION

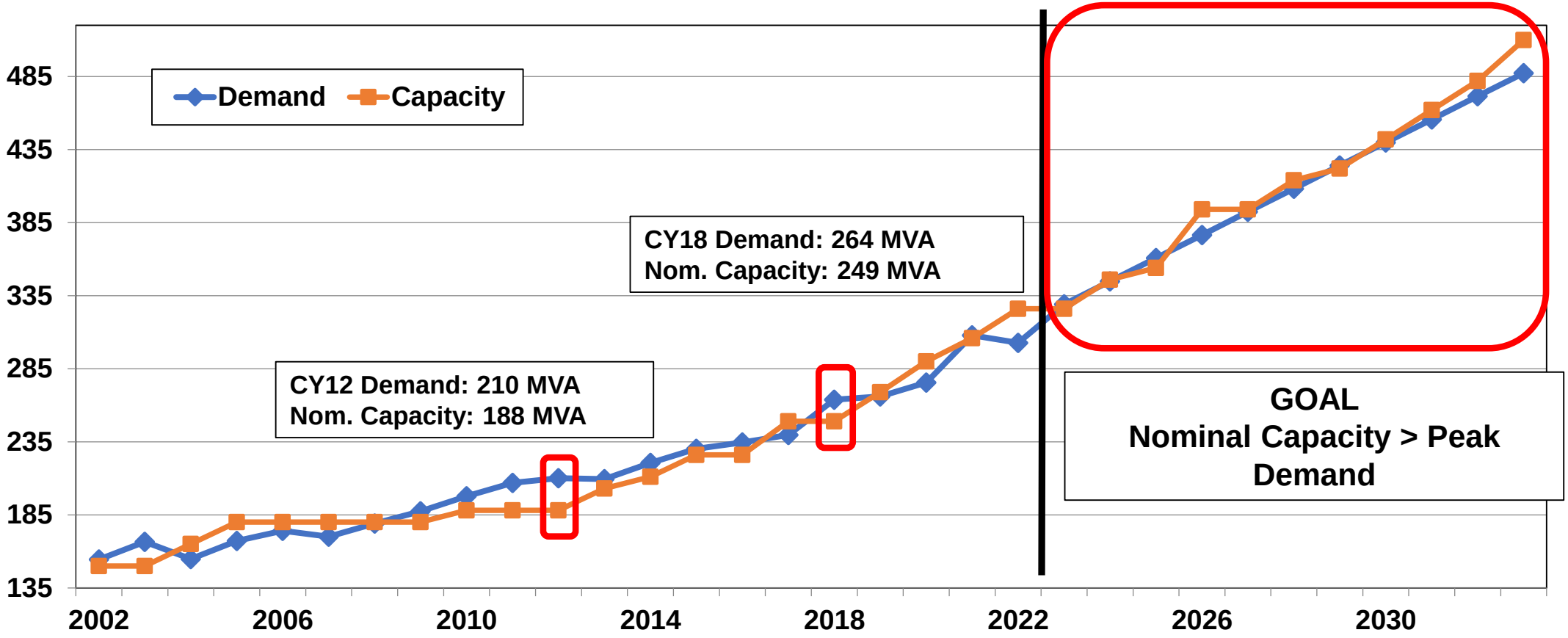
Reliability Bar Graph, SAIDI (Lower is better!)



Source: U.S. Energy Information Administration https://www.eia.gov/electricity/data/eia861/

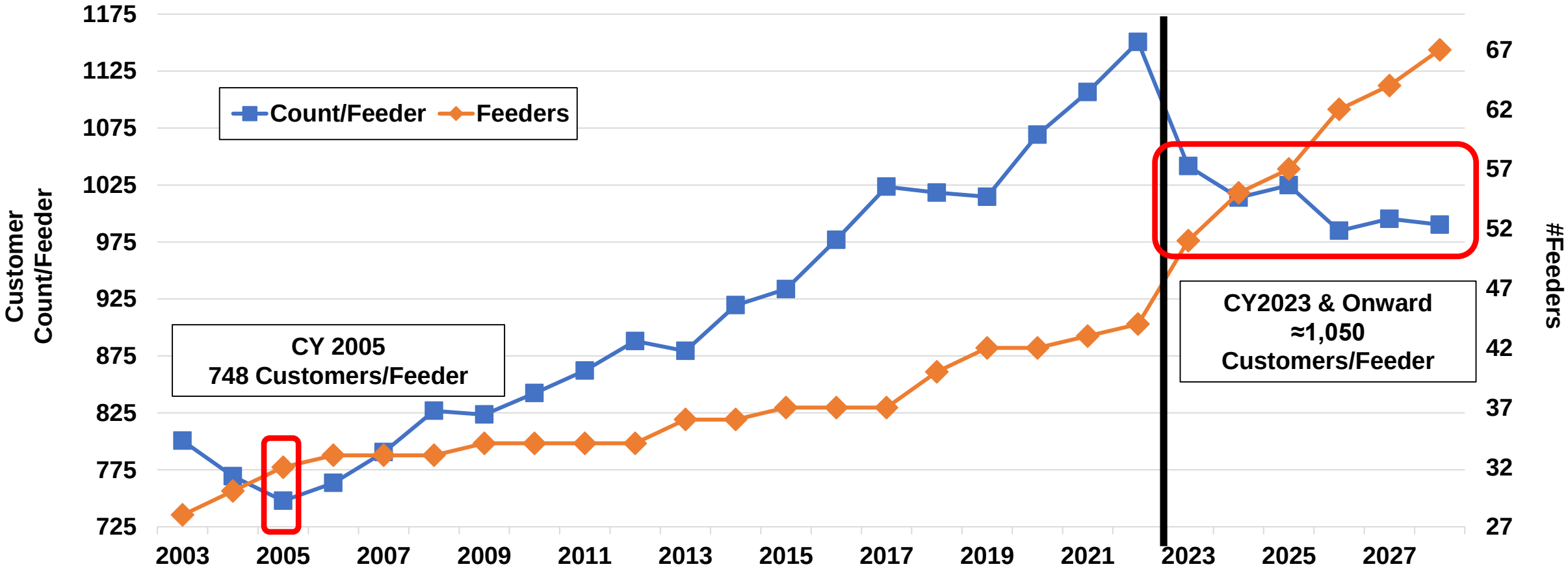
System Demand vs. Nominal Capacity

Demand in Megavolt–Amperes (MVA)



NBU NEW BRAUNFELS UTILITIES

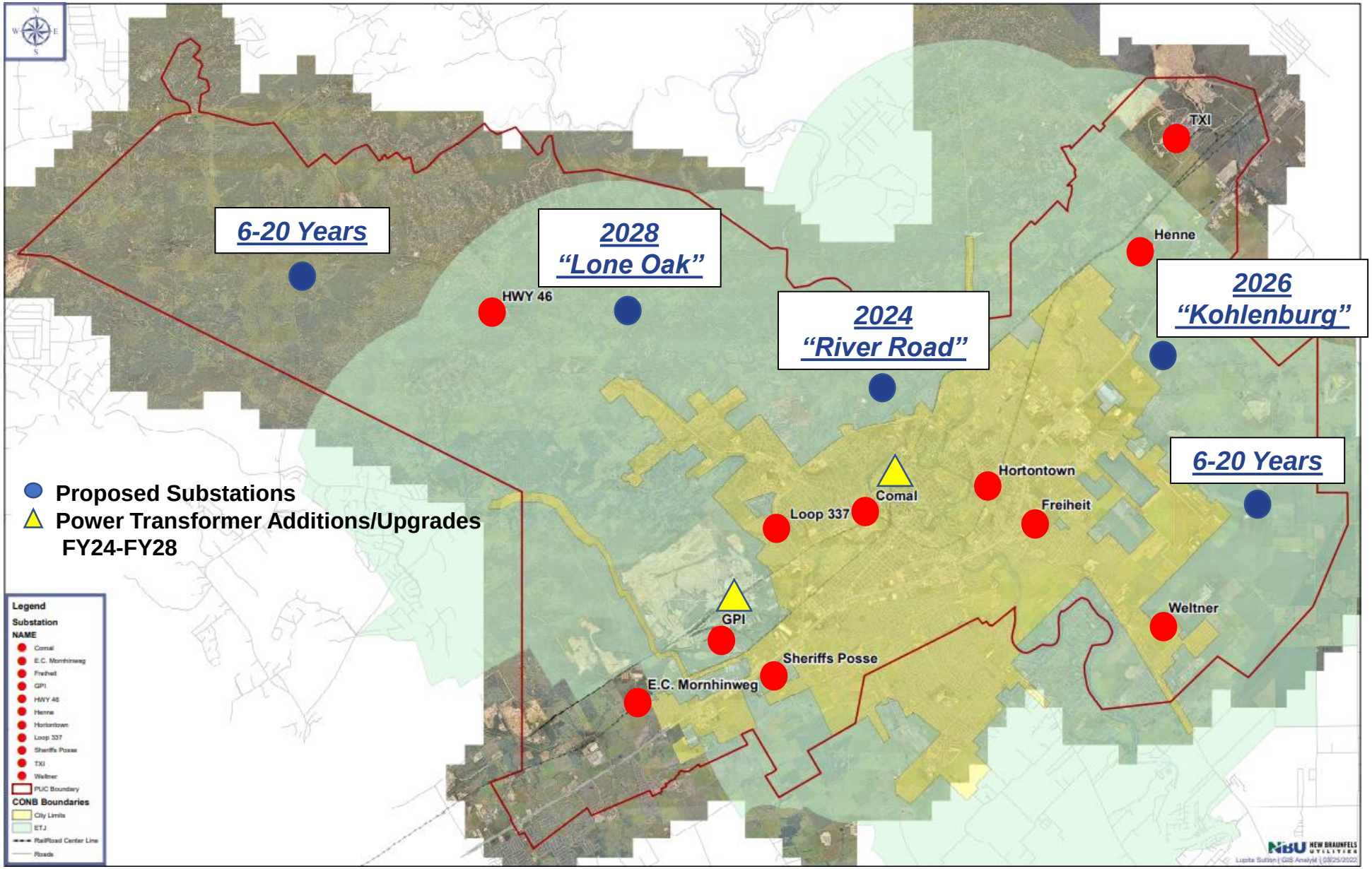
Customer Count per Feeder



NBU Electric Substations

Over the past **25 years**, NBU has added **5 substations**.

The proposed budget calls for the addition of **3 substations** in the next **5 years.**

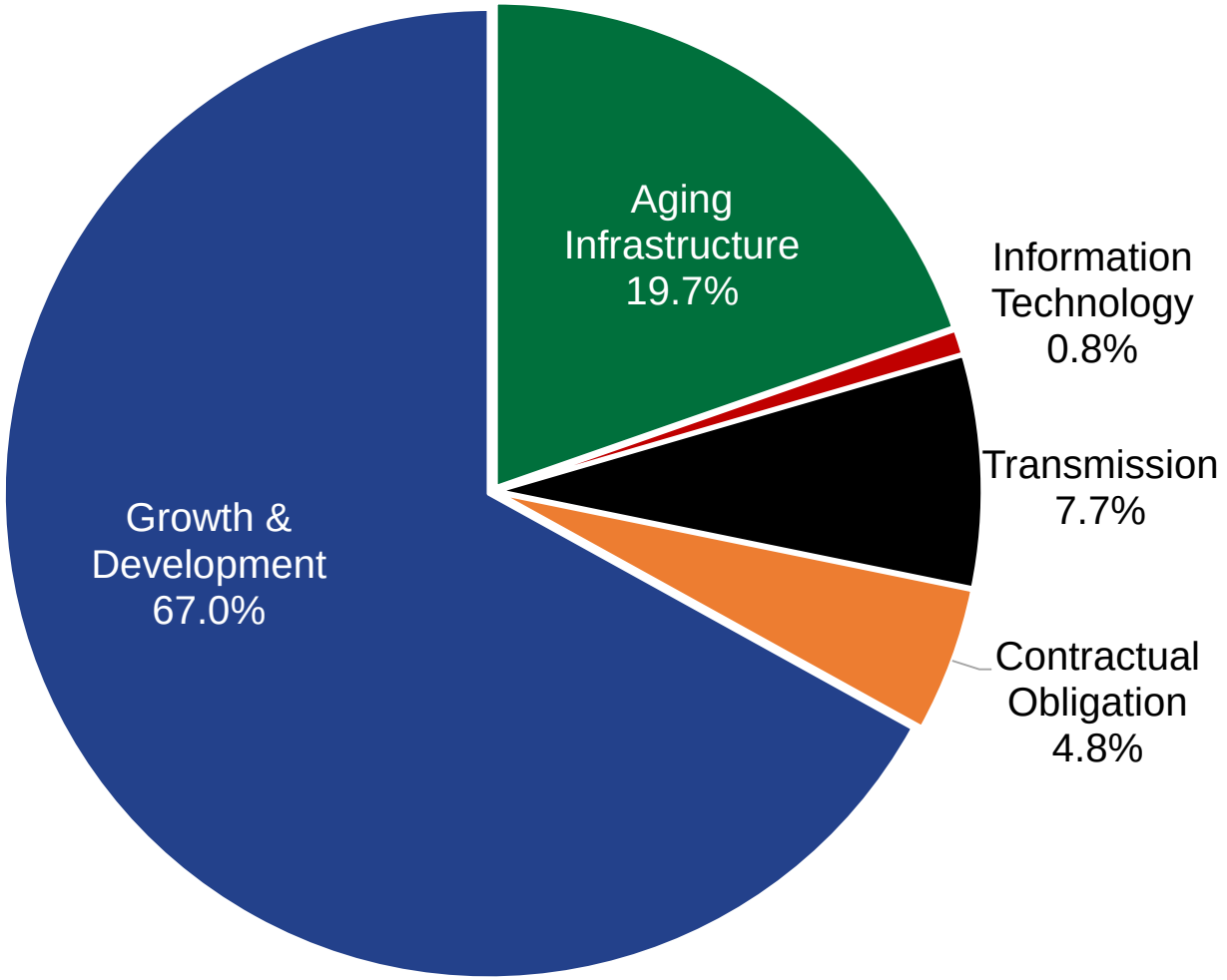


Significant 5 Year CIP Projects

Year	Project	Budget	Substation	Transmission	Distribution
2024	River Road Substation & Feeders	$9,136,827	X		X
	Freiheit Breaker Additions & Control House	$2,371,748	X		
	Three-Phase Extensions (FM 2722)	$1,806,177			X
2025	Comal Substation T3 & Feeder CO33	$3,644,220	X		X
	HE11 Conrads Rd. Feeder	$1,864,032			X
	Henne Substation Breaker & Half	$2,419,085	X	X	
2026	Kohlenberg Rd. Substation	$11,414,536	X		X
	T-340 Transmission Line Upgrade	$5,552,686		X	
	HW14 to FM 3009 Extension Phase 2	$3,589,375			X
	HW23 Fallen Oak Feeder	$2,449,407			X
	Industrial Substation PWT Replacement	$2,069,535	X		
2027	TxDOT Road Widening	$6,799,829			X
	Residential OH to UD Conversion	$3,203,846			X
	GPI Substation Improvements	$2,147,200	X		
2028	Lone Oak Substation	$8,191,806	X		
	Comal Substation Breaker & Half	$3,451,483	X	X	

Electric Capital Plan

ELECTRIC CIP BY CATEGORY	
Growth & Development	$125,623,418
Aging Infrastructure	$36,870,010
Contractual Obligation	$9,056,823
Transmission	$14,515,916
Information Technology	$1,552,841
Total 5-Year Plan	**$187,619,009**



NBU NEW BRAUNFELS UTILITIES

CAPITAL PLAN

WATER INFRASTRUCTURE

Drivers for Water System Improvements

Regulatory Compliance

- TCEQ (Texas Commission on Environmental Quality) minimum water system requirements
- Supply, pumping, storage
- Protect public health

Proactive Operations

- Rehab/replace aging infrastructure
- Reduce risk of high consequence failures

NBU NEW BRAUNFELS UTILITIES

Water System Deficiencies

Regulatory Compliance

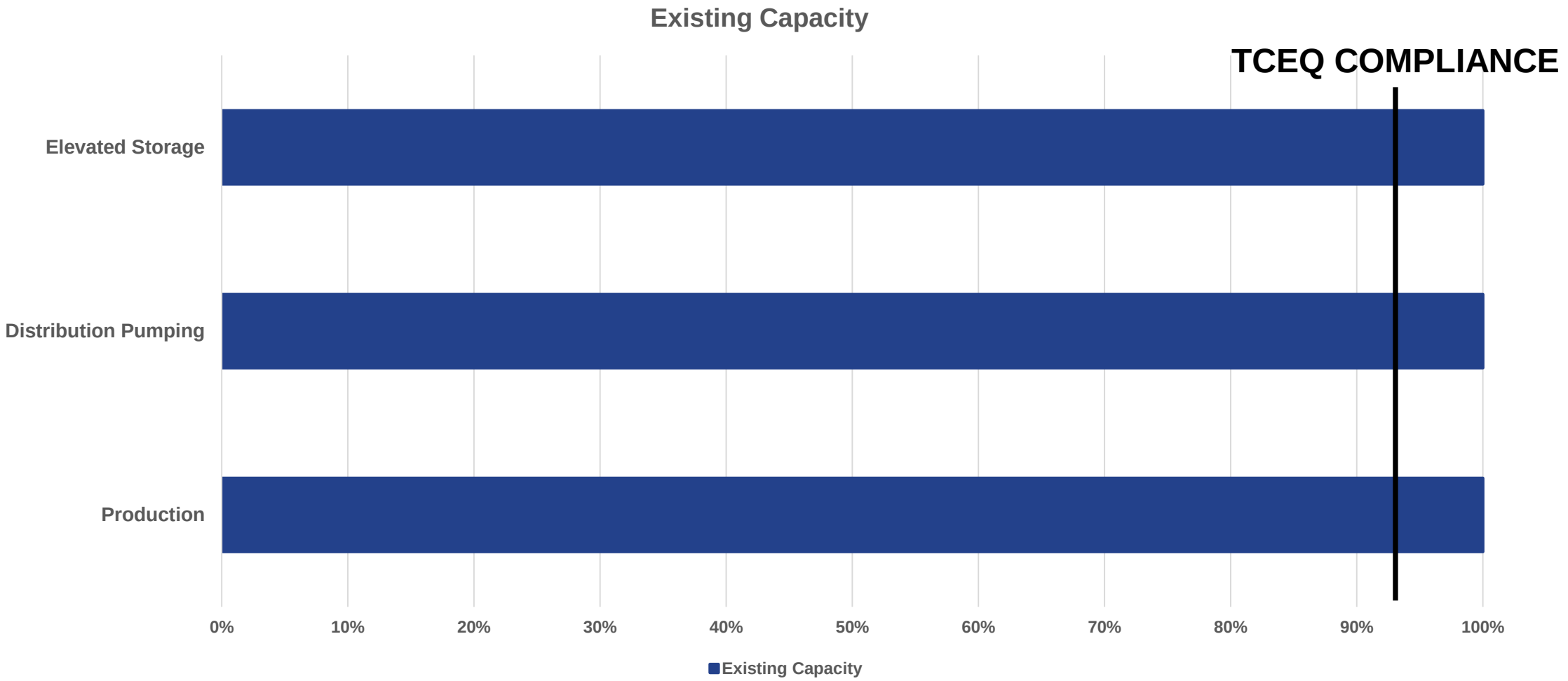
- None!
- As of December 2021, the NBU water system is TCEQ compliant

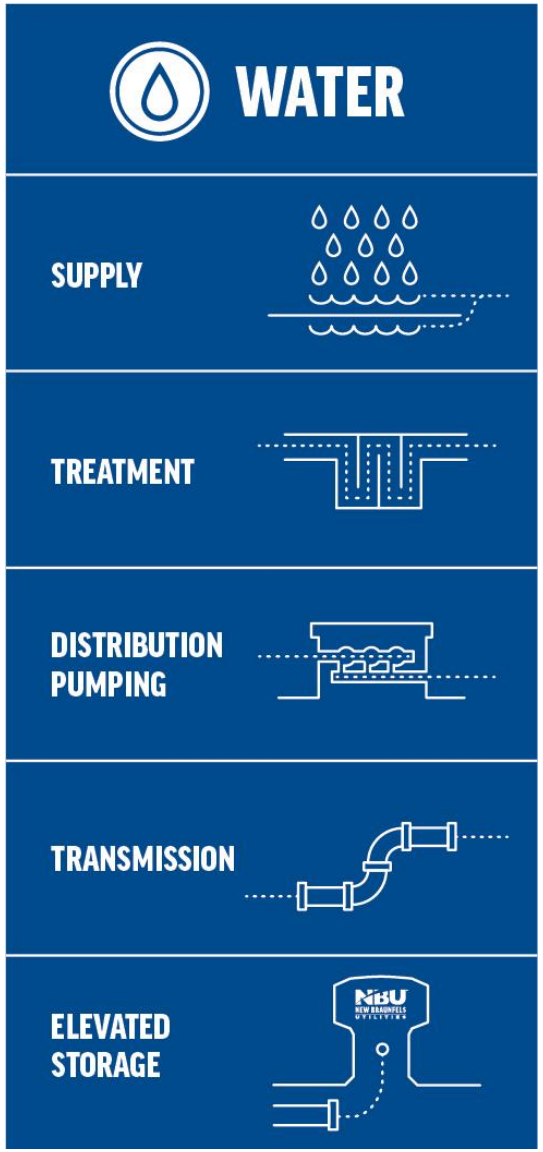
Operational

- Enterprise strategic asset management planning
- Water system capacity

NBU NEW BRAUNFELS UTILITIES

Capacity vs. Compliance





Grandview Discharge Line

Trinity WTP Exp

Landa Pump Station Expansion

SWTP Discharge Line

NBU NEW BRAUNFELS UTILITIES

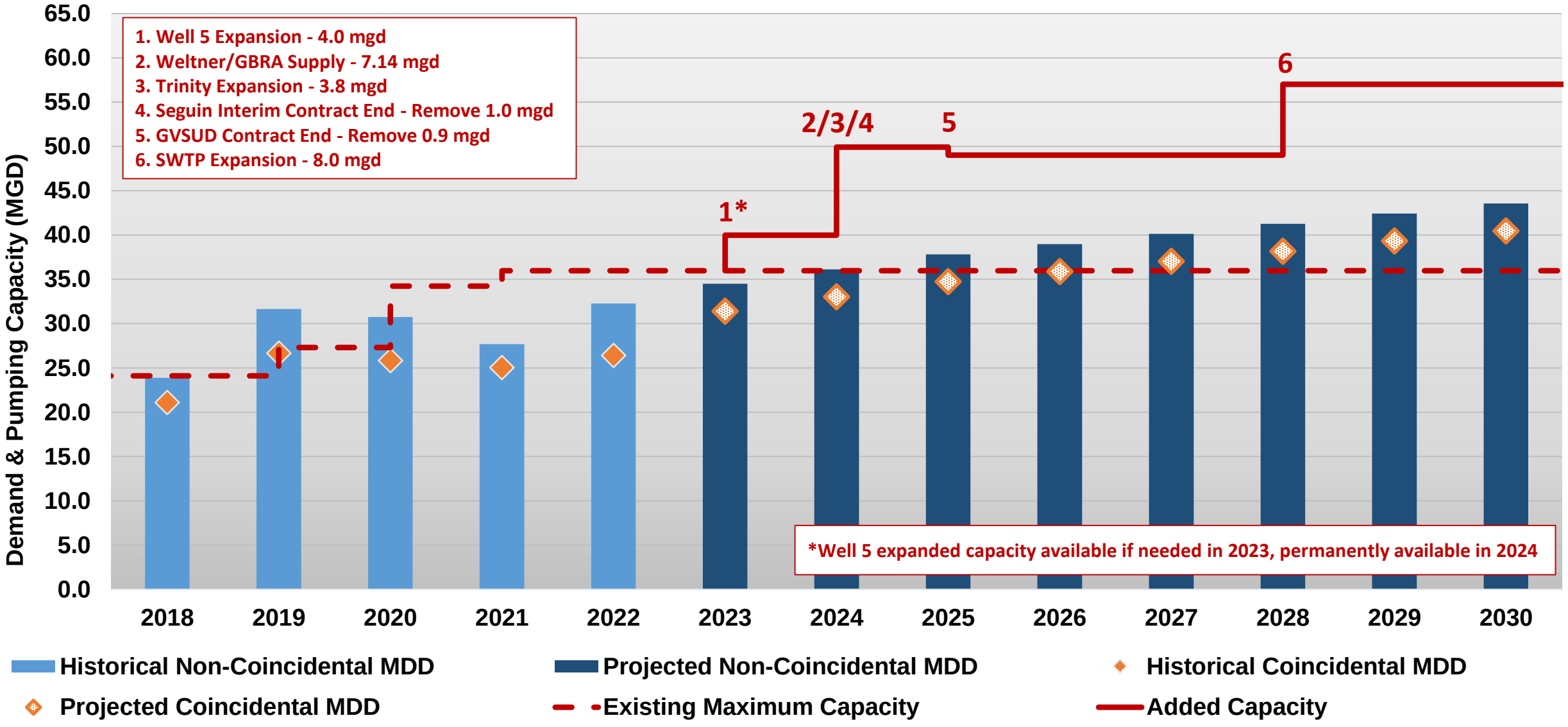
Water Elevated Storage Evaluation

Pressure Zone	Effective Elevated Storage Capacity (MG)	2023 Recommended Elevated Storage (MG)	2030 Recommended Elevated Storage (MG)	Additional Volume by 2030 (MG)	Planned Projects
River Chase	0.14	0.23	0.24	0.09	New River Chase EST – FY 2030
Hoffmann	0.24	0.09	0.09	0.00	-
Kohlenberg	0.72	1.18	2.04	1.32	Conrads EST – FY 2025
Downtown	2.88	4.74	5.31	2.43	PZ Conversions – FY 2028
Morningside	1.00	1.88	2.22	1.22	FM 1044 EST – FY 2026
Texas/Loop	0.99	0.30	0.93	0.00	-
Kerlick	1.36	0.82	1.07	0.00	-
Westpointe/Mission	1.22	0.31	0.38	0.00	-
Copper Ridge	0.40	0.11	0.18	0.00	-

Water Distribution Pumping Evaluation

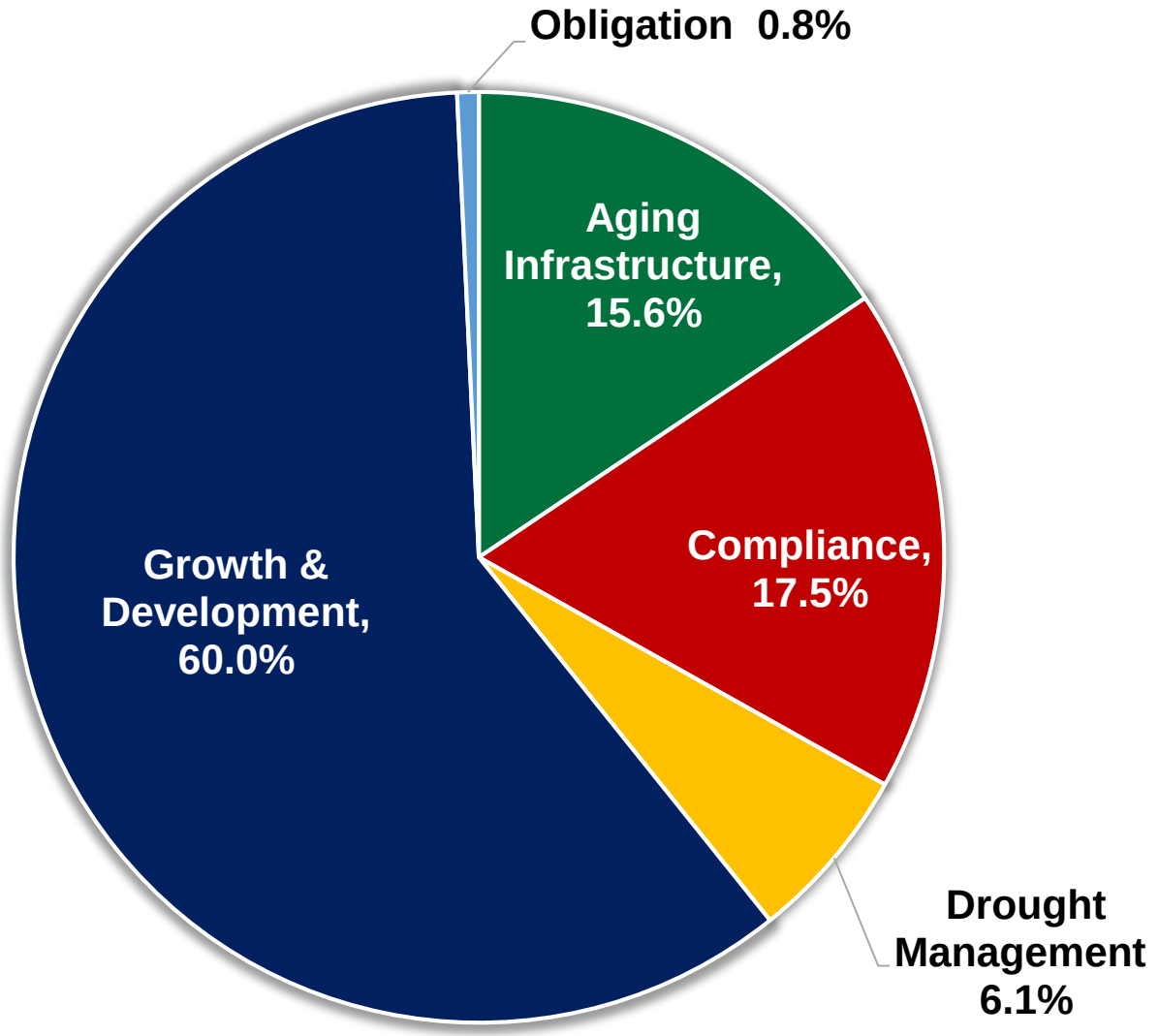
Pressure Zone	Firm Distribution Pumping Capacity (MGD)	2023 Recommended Firm Capacity (MGD)	2030 Recommended Firm Capacity (MGD)	Additional Capacity by 2030 (MG)	Planned Projects
River Chase	1.50	1.24 ✓	1.31 ✓	0.00	-
Hoffmann	1.60	1.71 ✗	1.78 ✗	0.18	Bretzke HM PS – FY2029
Kohlenberg	4.50	6.42 ✗	9.94 ✗	5.44	FM 306 PS Exp – FY2024 FM 1101 PS – FY2028
Bretzke	1.40	0.43 ✓	0.43 ✓	0.00	-
Downtown	24.40	31.29 ✗	38.53 ✗	14.13	SWTP Exp – FY2029 Weltner Rd PS – FY2023 Landa Park PS Exp – FY2024
Morningside	8.40	7.18 ✓	8.56 ✗	0.16	County Line PS Exp – FY2029
Texas/Loop	2.48	2.23 ✓	4.77 ✗	2.29	Decommission Texas PS – FY2024 Veramendi FCV from Kerlick PZ - TBD
Kerlick/Westpointe/ Mission	6.59	9.61 ✗	11.16 ✗	4.57	Grandview PS Exp – FY2023 Well 4 Exp – FY2023 Trinity Exp – FY2024 Mission/Westpointe PZ Connection – FY2024
Copper Ridge	2.22	1.15 ✓	1.44 ✓	0.00	Hwy 46 Phase 2 Expansion – FY2027

Water Production Evaluation



Water Capital Plan

WATER CIP BY CATEGORY	
Aging Infrastructure	$48,404,317
Compliance	$54,423,607
Drought Management	$19,014,279
Obligation	$2,342,965
Growth & Development*	$186,258,129
Total 5-Year Plan	**$310,443,296**



*33% of “Growth & Development” capital costs are impact fee eligible

CAPITAL PLAN

WASTEWATER INFRASTRUCTURE

Drivers for Wastewater System Improvements

Regulatory Compliance

- TCEQ requirements
- Sanitary sewer overflows
- Wastewater treatment plant discharge permit
- Protect public heath

Proactive Operations

- Rehab/replace aging infrastructure
- Reduce risk of high consequence failures

NBU NEW BRAUNFELS UTILITIES

Wastewater System Deficiencies

Regulatory Compliance

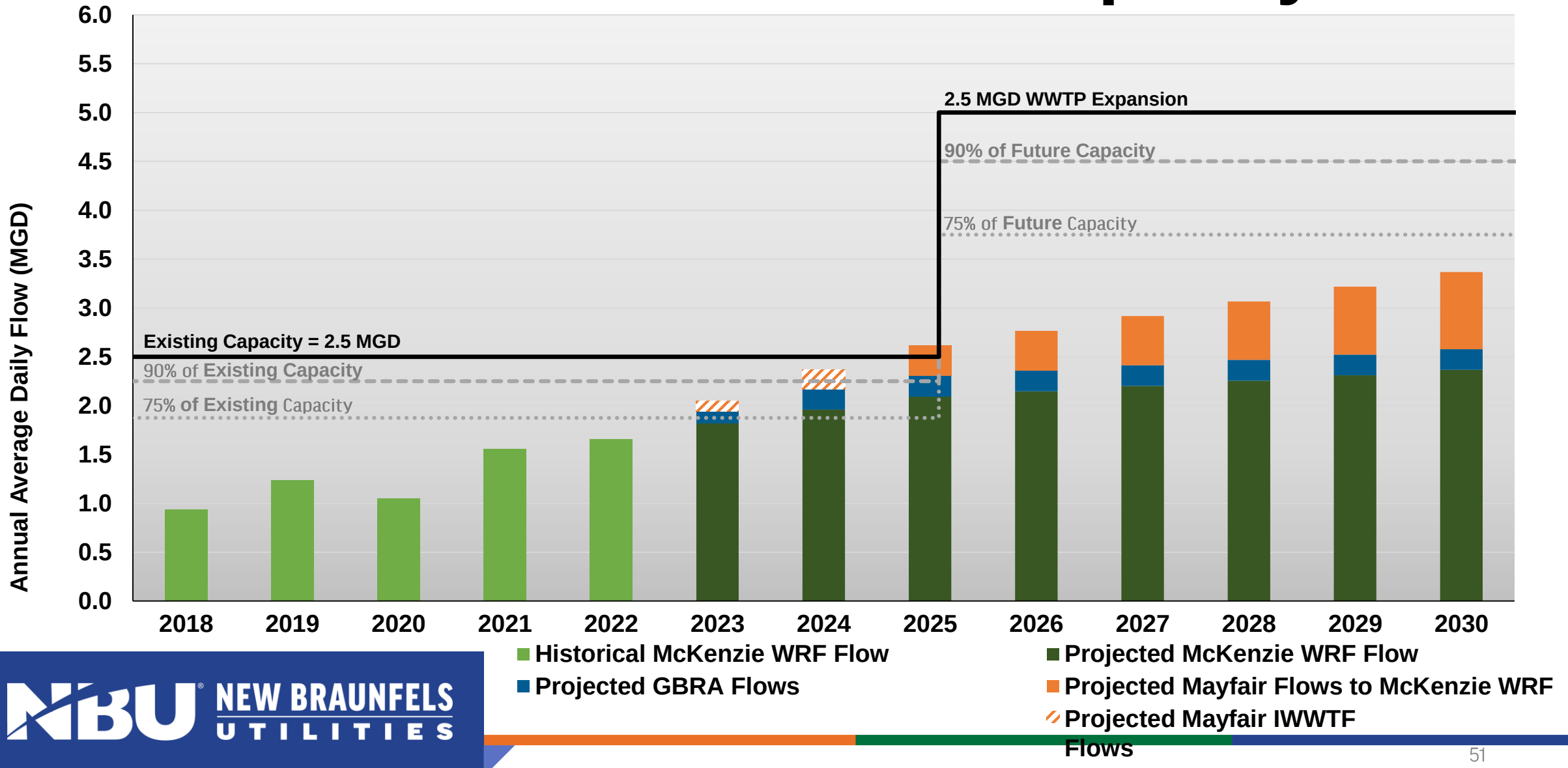
- Pipeline capacity that leads to sanitary sewer overflows

Operational

- Enterprise strategic asset management planning

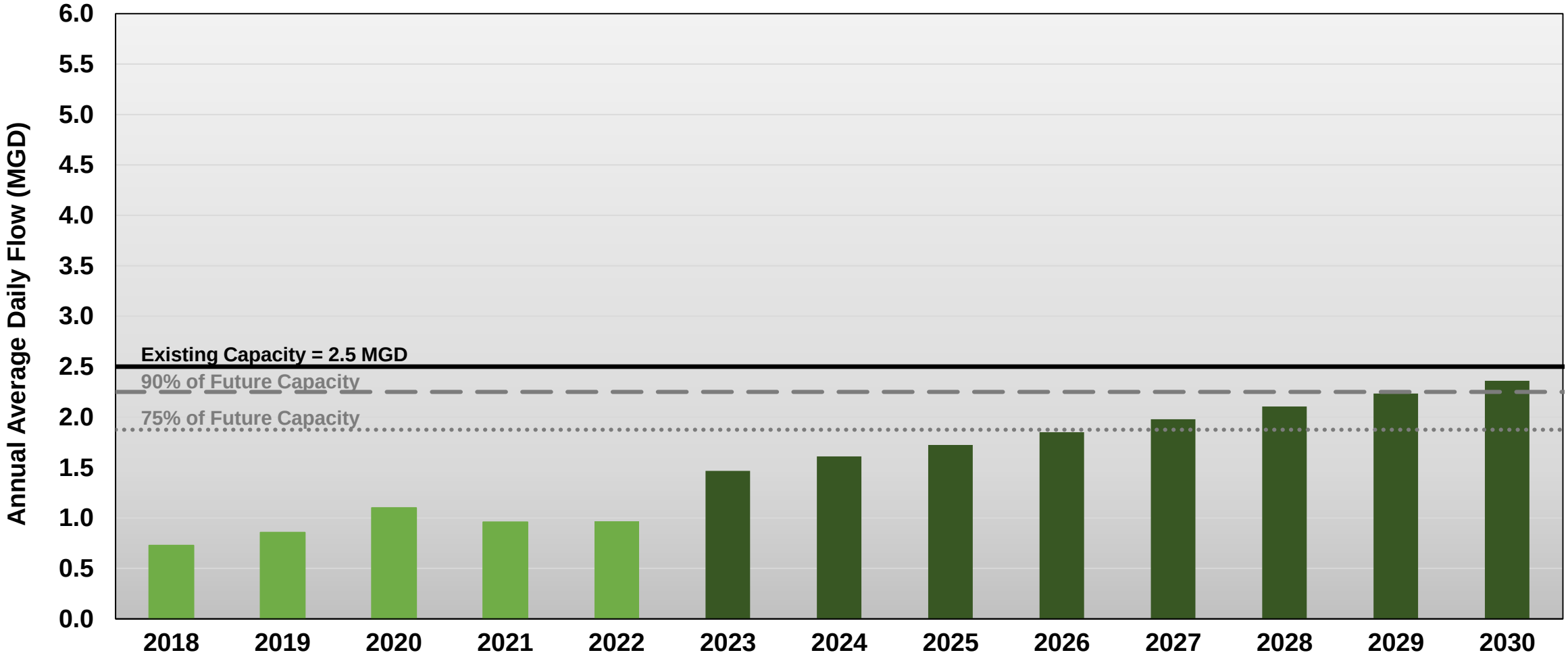
NBU NEW BRAUNFELS UTILITIES

McKenzie Treatment Capacity



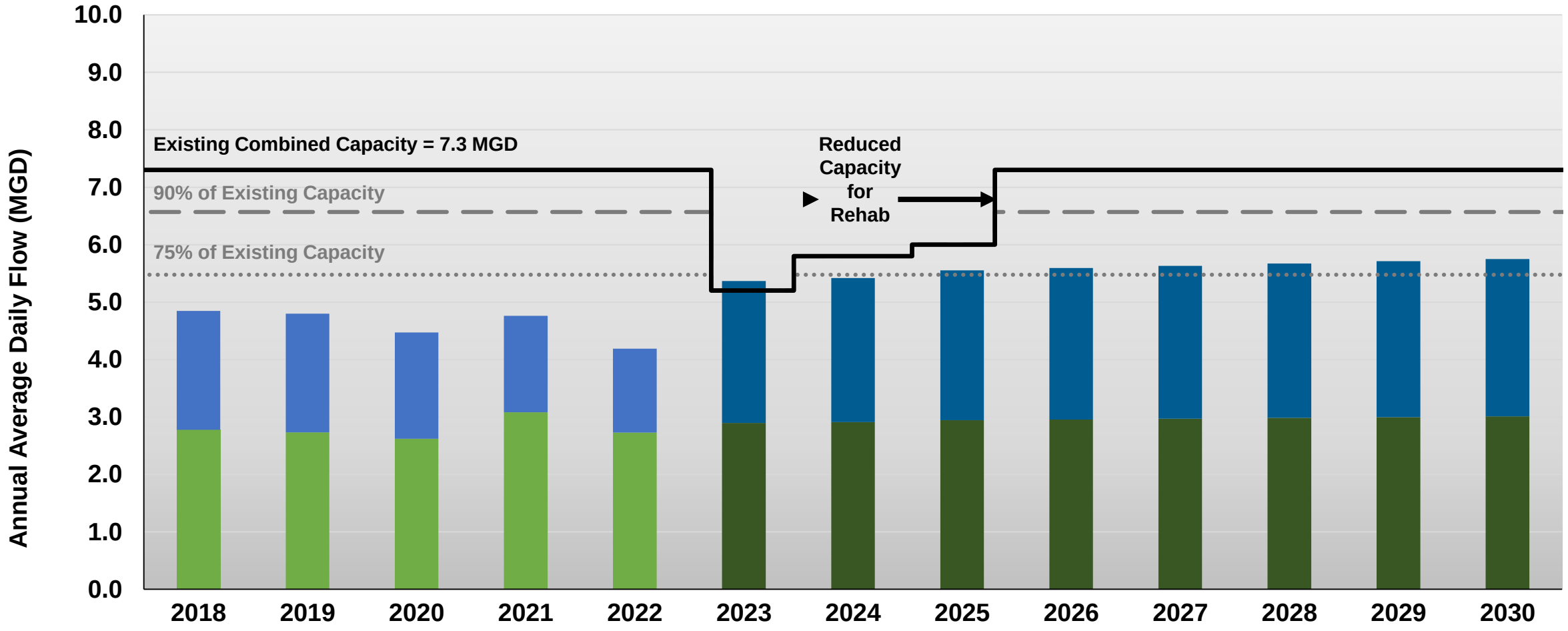
NBU NEW BRAUNFELS UTILITIES

Gruene Treatment Capacity



NBU NEW BRAUNFELS UTILITIES

Kuehler Treatment Capacity



NBU NEW BRAUNFELS UTILITIES

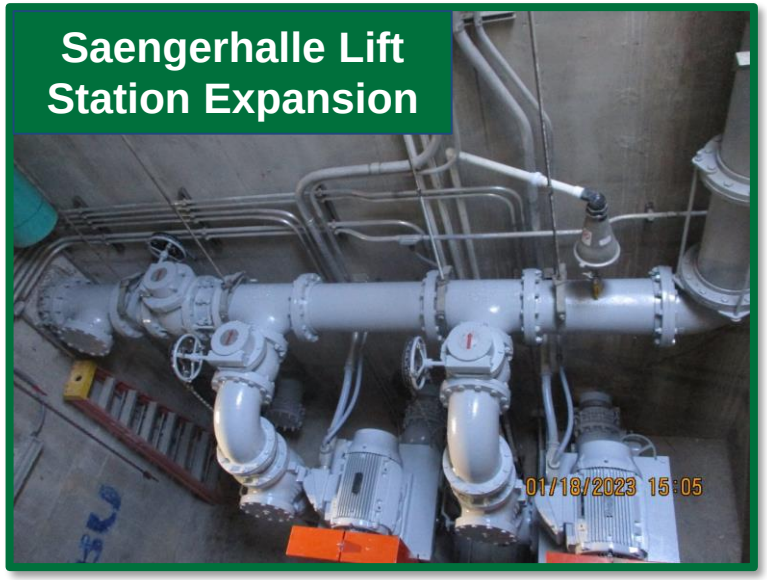
WASTEWATER

COLLECTION

TRANSMISSION

TREATMENT

Saengerhalle Lift Station Expansion



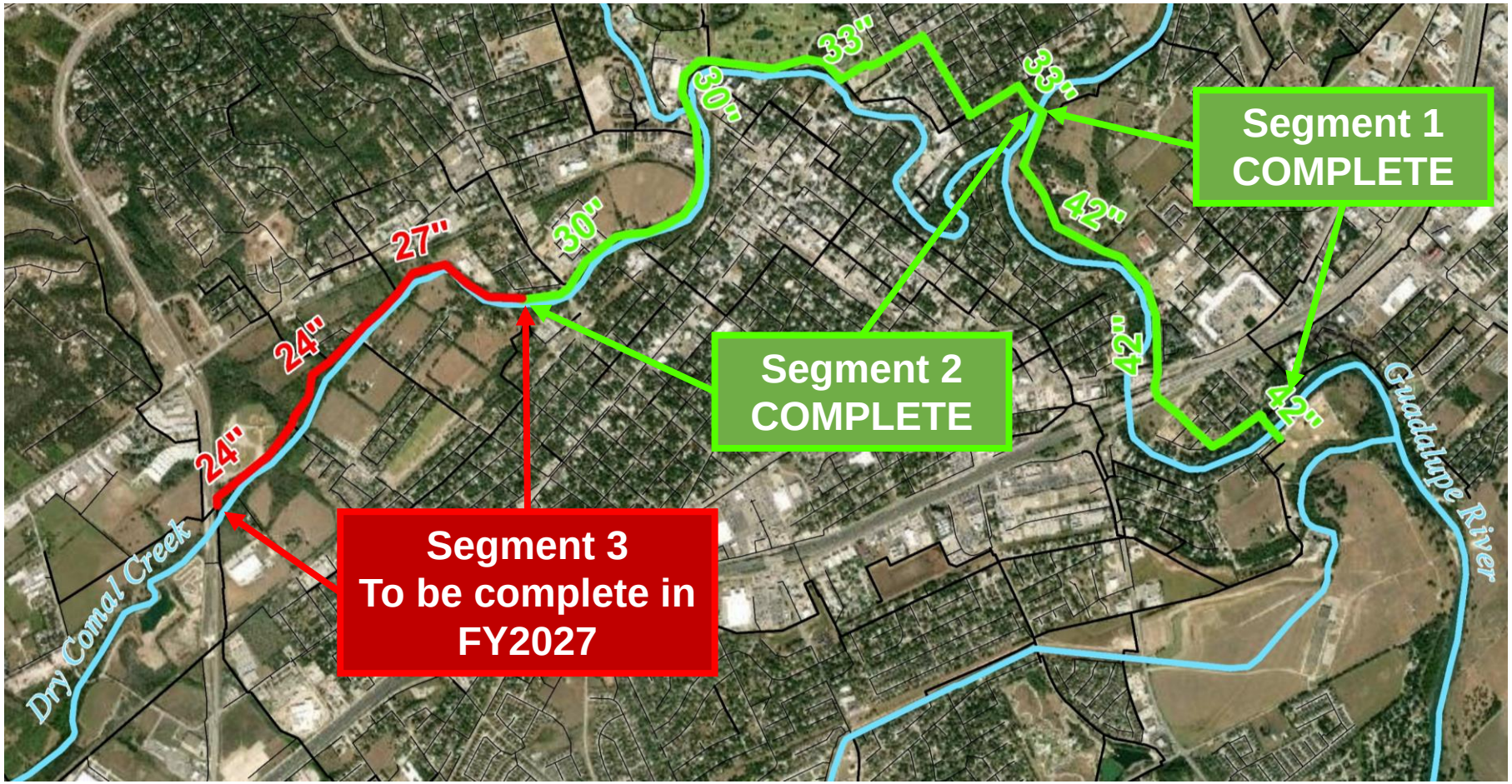
McKenzie WRF Expansion

Rio Lift Station Expansion

North Kuehler Interceptors

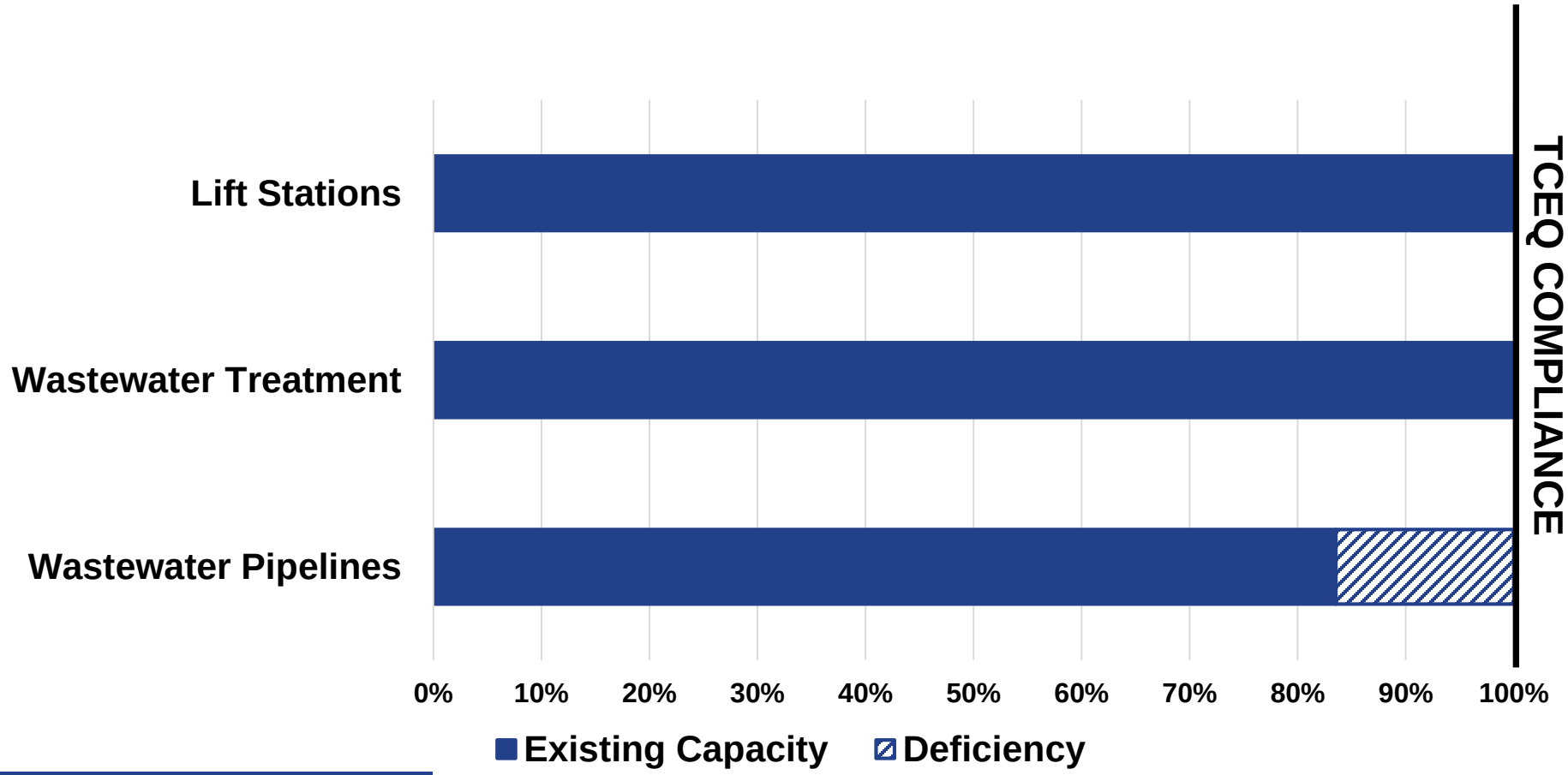
NBU NEW BRAUNFELS UTILITIES

North Kuehler Interceptor Alignment



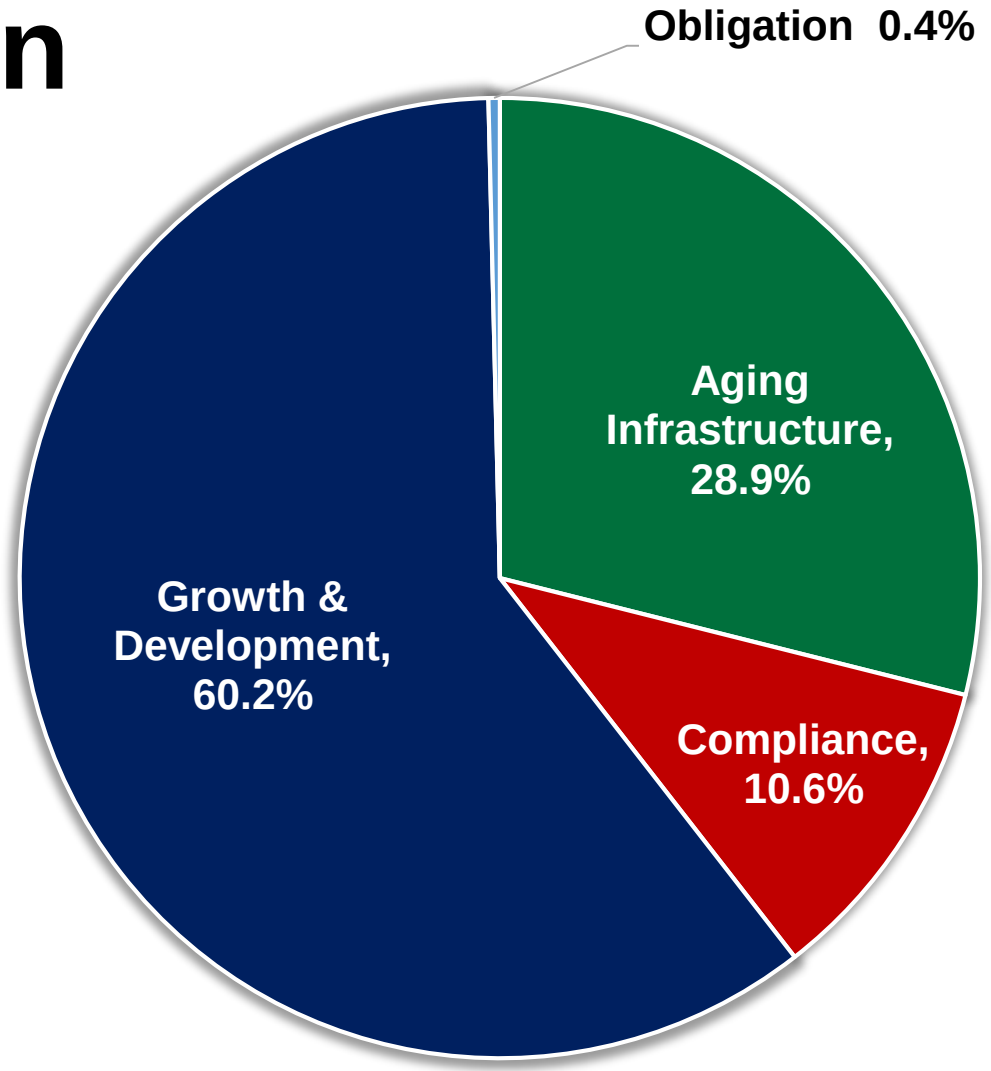
NBU NEW BRAUNFELS UTILITIES

Capacity vs. Compliance – Sewer



Wastewater Capital Plan

WASTEWATER CIP BY CATEGORY	
Aging Infrastructure	$82,876,898
Compliance	$30,251,550
Obligation	$1,085,269
Growth & Development*	$172,367,765
Total 5-Year Plan	**$286,581,482**



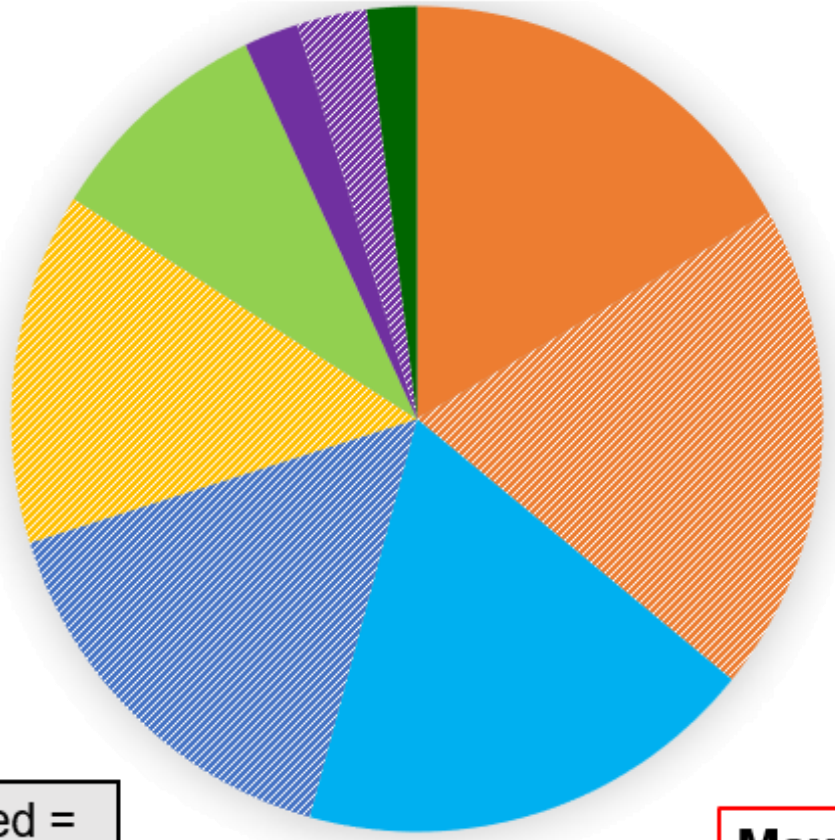
*21% of “Growth & Development” capital costs are impact fee eligible

WATER SUPPLY

Water Supply

Water Infrastructure

Water Supply Portfolio

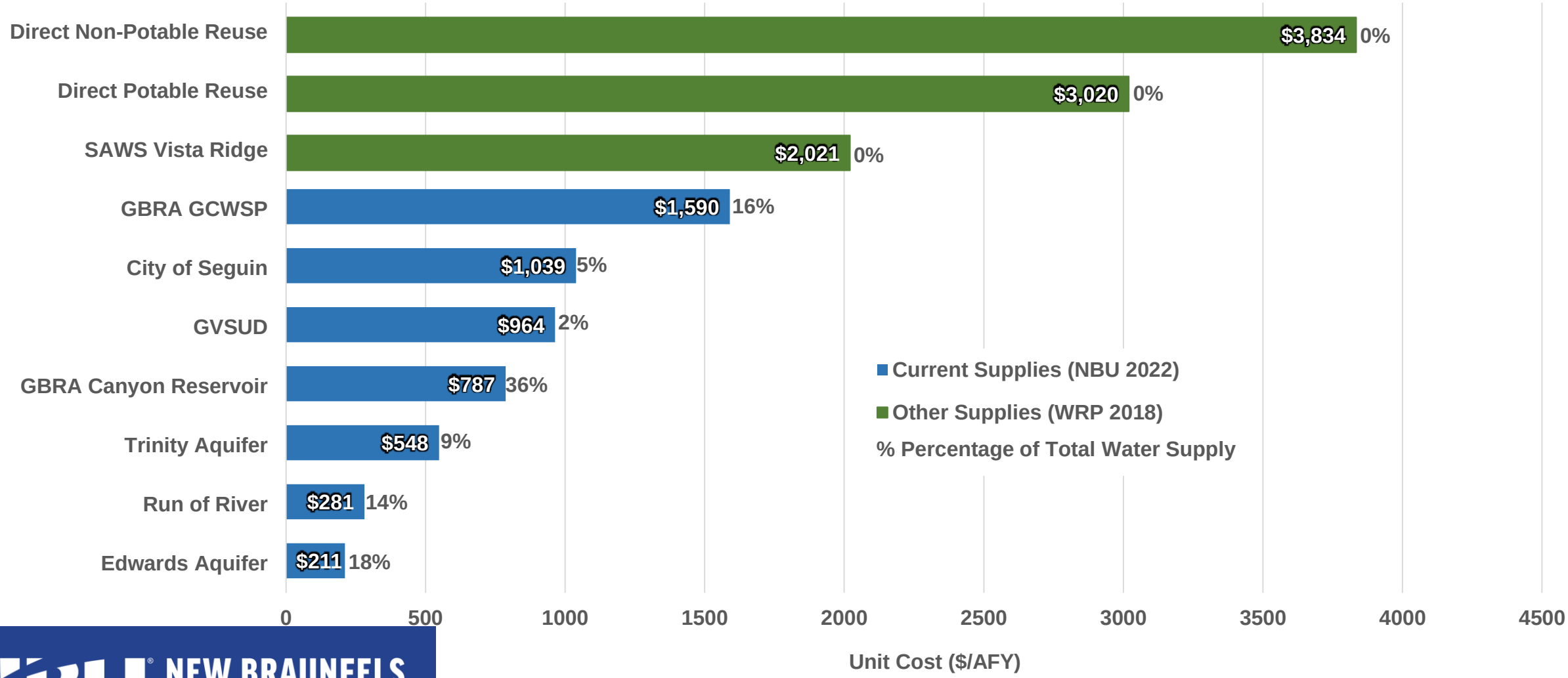


Hatched = Undeliverable

- Canyon Reservoir ($787 per ac-ft) = 36%
- Edwards Aquifer ($211 per ac-ft) = 18%
- GBRA GCWSP ($1590 per ac-ft) = 16%
- Run of River ($281 per ac-ft) = 14%
- Trinity Aquifer ($548 per ac-ft) = 9%
- City of Seguin ($1039 per ac-ft) = 5%
- GVSUD ($964 per ac-ft) = 2%

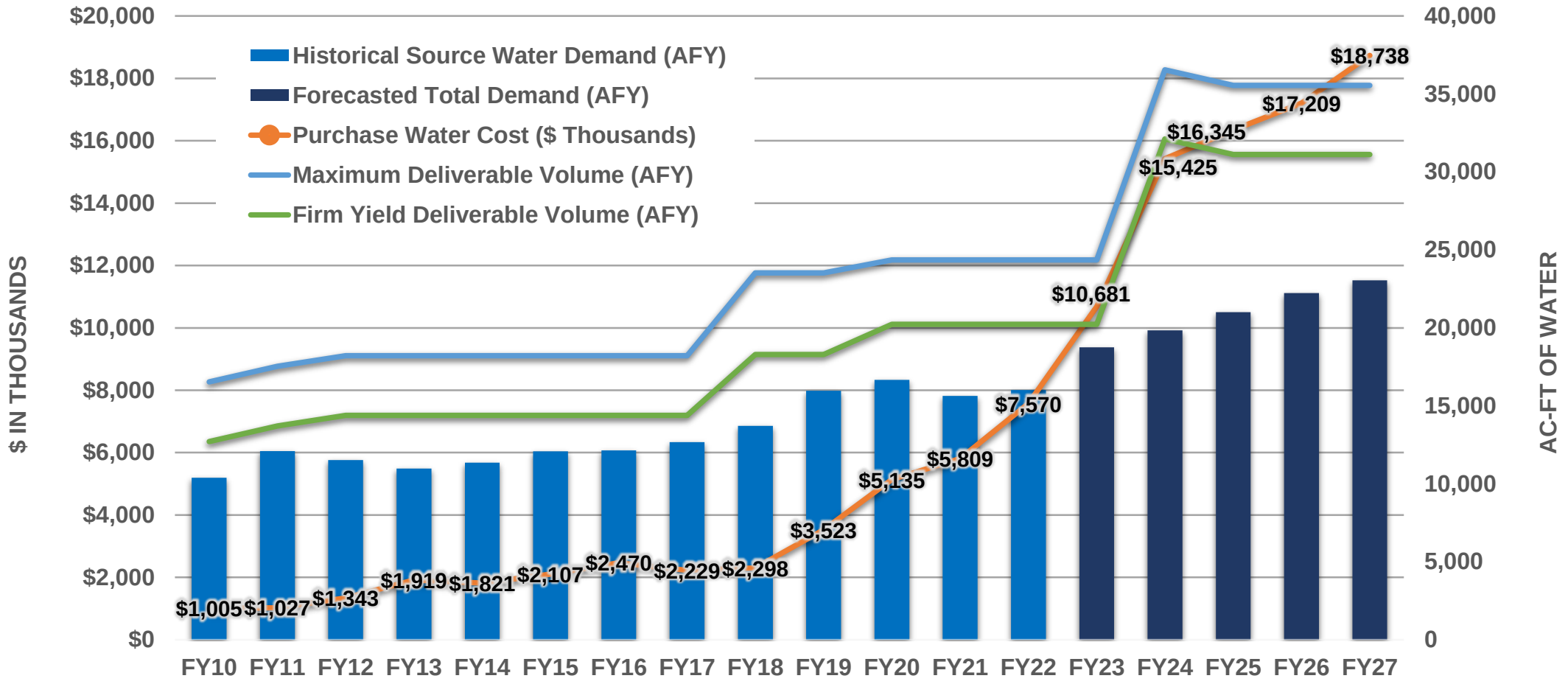
Max Volume Contracted, as of 2022 – 50,375 AFY
Max Volume Deliverable, as of 2022 – 24,353 AFY

Water Supply Cost Comparison



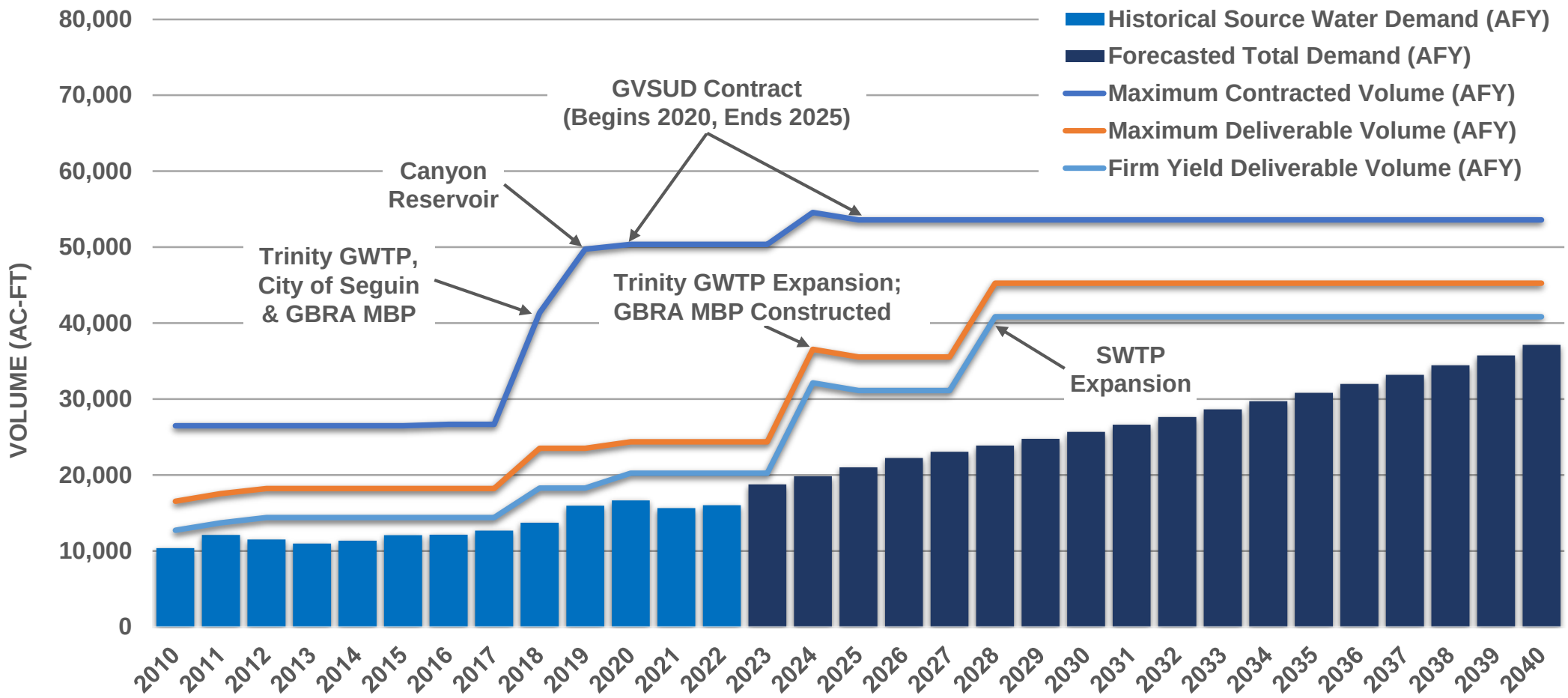
NBU NEW BRAUNFELS UTILITIES

Water Supply Costs



NBU NEW BRAUNFELS UTILITIES

Water Supply – 2010 through 2040



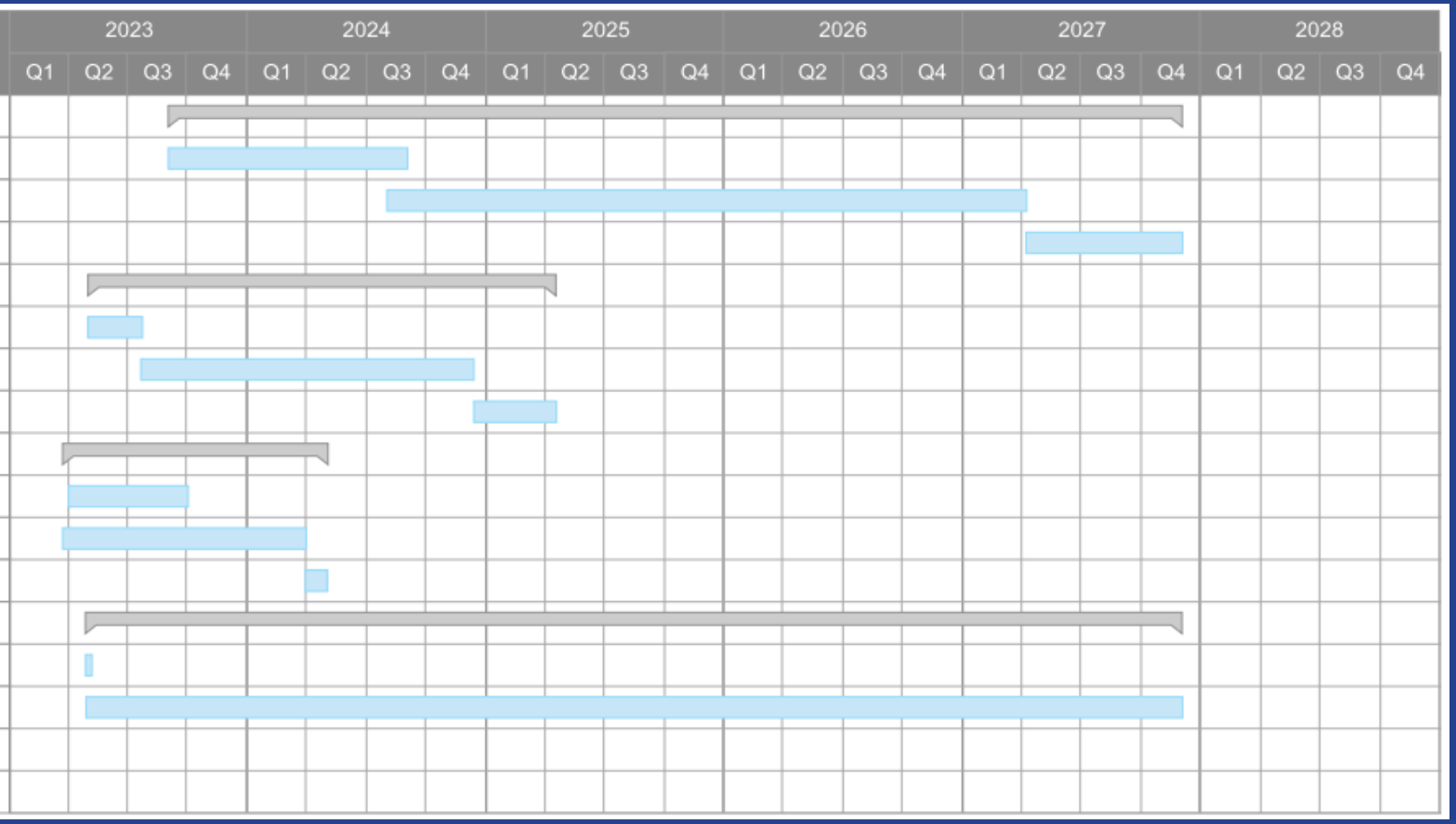
NBU NEW BRAUNFELS UTILITIES

CAPITAL PLAN

FACILITIES

Project Schedule

Task Name	Start	Finish
NBU HQ	09/01/23	12/01/27
Design	09/01/23	08/30/24
Construction	08/01/24	04/07/27
Move In	04/07/27	12/01/27
BOC	05/01/23	04/16/25
Design	05/01/23	07/21/23
Construction	07/21/23	12/12/24
Operational	12/12/24	04/16/25
New Office Space	03/23/23	04/30/24
Design	04/01/23	09/29/23
Construction	03/23/23	03/29/24
Move In	03/29/24	04/30/24
Service Center	04/27/23	12/01/27
Transfer Agreement	04/27/23	04/27/23
Move Out	04/28/23	12/01/27
Main Office		
TBD		



NEW BRAUNFELS UTILITIES

NBU HQ Cost Breakdown

	Life of Project	5-Year Plan
NBU Headquarters:	$133.6M	$127.6M
Back-up Operations Center:	$ 8.3M	$ 7.9M
New Office Space:	$ 3.6M	$ 3.6M
Proceeds from Service Center:	$ (10.2M)	$ (0.5M)
Proceeds from Main Office:	$ (5.0M)	$ (5.0M)
Total Minus Proceeds:	$130.3M	$133.6M

CAPITAL PLAN

SUPPORT

Support Capital 5-Year Plan

Facilities

- Office Space
  - NBU HQ – $122.1M (Net of Proceeds totaling $5.5M)
  - Other Office Space – $3.6M
- Backup Operations Center – $7.9M
- Other Facilities Projects – $9.8M

Headwaters

- Headwaters – $2.4M
  - Net of donations and grants totaling $13.9M

Technology

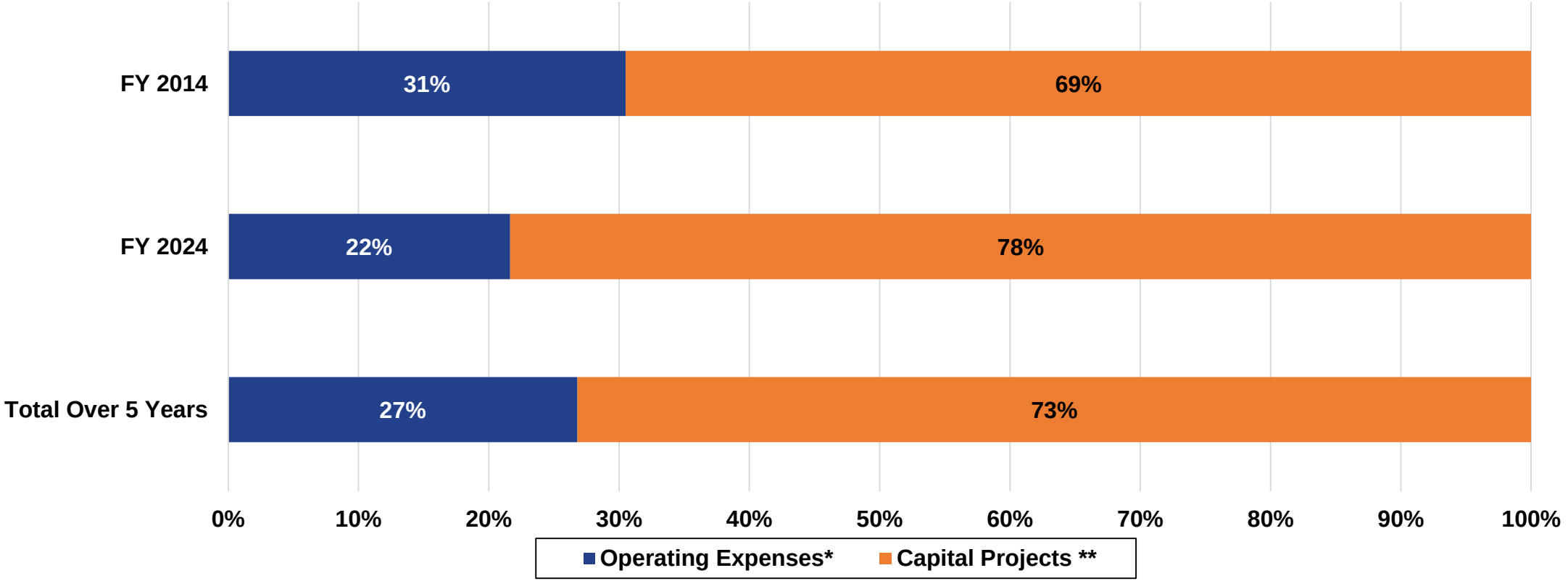
- System Technology Upgrades – $1.8M
- Digital Radio System & Kerlick Tower removal – $650K
- Cyber Security System – $1.4M
- Fiber Resiliency – $1.3M
- Infrastructure Equipment – $9.7M
- Data Strategy Projects – $4.4M
- CIS Functionality Upgrade – $1.5M
- Other Upgrades & Enhancements – $465K
- CityWorks Mobile Projects – $125K
- Mass Meter Change Out – $8M

NBU NEW BRAUNFELS UTILITIES

*Net of sale proceed, donations and grants

OPERATING EXPENSES

Budgeted Sources of Expenditures



*Does not include purchased power, purchased water, and depreciation
** Capital includes equipment and capital projects

Operating Expenses

FY24 Budget - NBU Operating Expenses	Expense	Percentage
Purchased Power Costs	$ 137,408,020	55%
Depreciation Expense	$ 42,641,749	17%
Personnel	$ 36,792,401	15%
Operating Expenses (Non-personnel)	$ 21,608,236	8%
Purchased Water Costs	$ 12,385,036	5%
Total Operating Expenses	$ 250,835,442	100%

NBU NEW BRAUNFELS UTILITIES

OPERATING EXPENSES

POWER SUPPLY

Third Party Power Supply Review

- “Our assessment is that NBU’s approach & methods in the business areas we reviewed (which included Front, Middle, and Back Office) represent a sound approach to Risk Management and are generally consistent with common utility practice.”
- “NBU is punching above its weight.”
- Currently implementing TEA recommendations for continued improvement and sophistication

TEA THE EnergyAuthority

NBU NEW BRAUNFELS UTILITIES

OPERATING EXPENSES

PERSONNEL

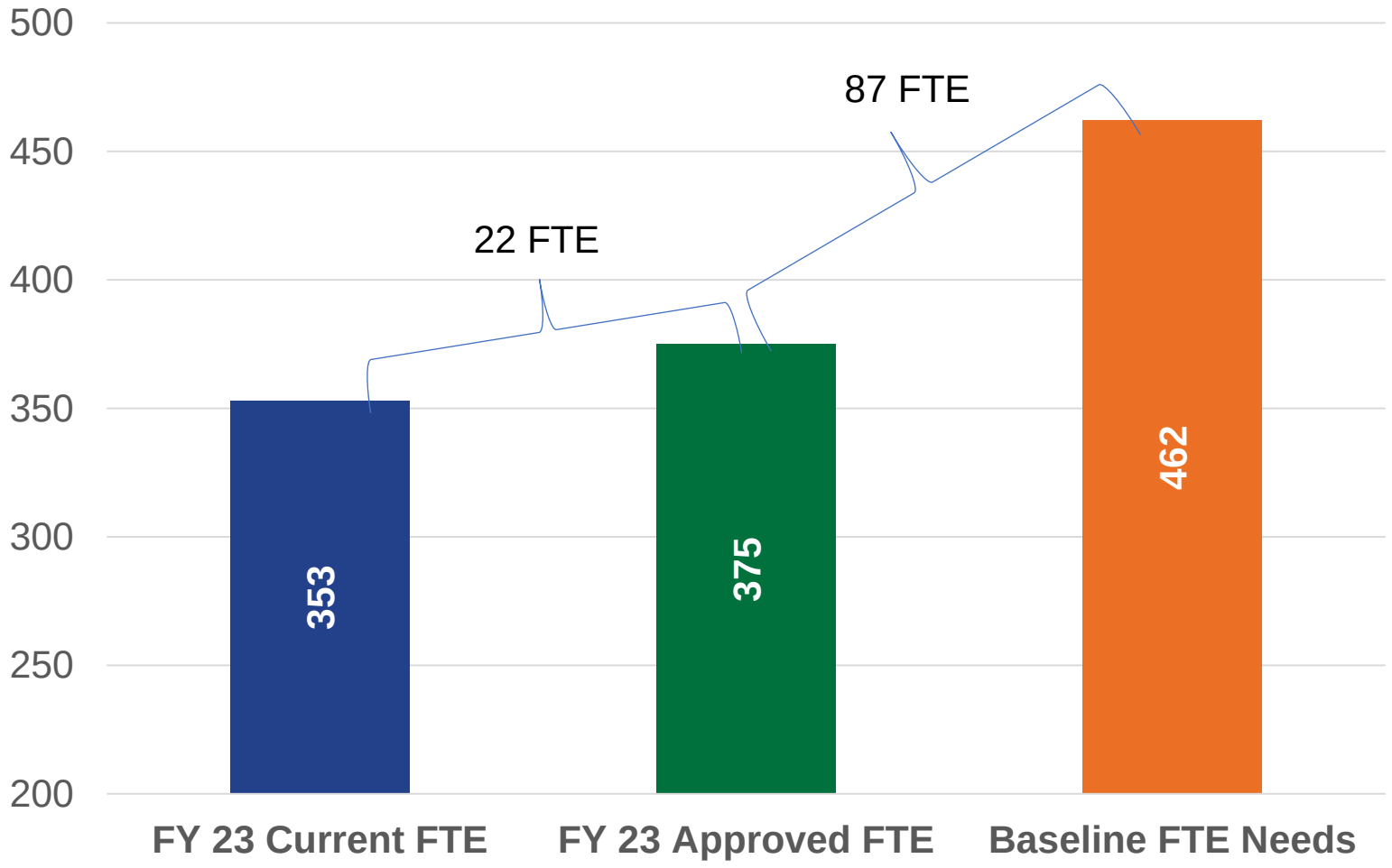
Workforce Planning Study

Study Purpose

Determine number of employees needed to meet current level of service expectations and forecast future needs

Findings

NBU has a ~30% deficit in Full Time Employees (FTE)



NBU NEW BRAUNFELS UTILITIES

Personnel Budget

FY 2023 Needs	462
Current FTEs	375
FY 2024	34
FY 2025	34
FY 2026	21
FY 2027	21
FY 2028	21
TOTAL	**506**

FY 2024 Full-Time Employee (FTE) Additions by Department:

- Water Operations – 9
- Electric Operations – 3
- Business Planning – 3
- Resource Planning – 2
- Water Treatment & Compliance – 2
- Data Strategy – 2
- Real Estate – 2
- Accounting – 1
- Conservation and Customer Solutions – 1
- Electric Substation – 1
- Executive Services – 1
- Finance – 1
- Information Technology – 1
- Legal – 1
- Public Affairs – 1
- Purchasing – 1
- Safety – 1
- Systems Control – 1

OPERATING EXPENSES

EXCLUDING PERSONNEL & POWER SUPPLY

Operating Expenses

Amounts in Thousands

	FY 2023 Budget	FY 2024 Budget	Variance	Percent Change
Personnel				
Salaries	$ 32,166	$ 37,707	$ 5,541	17.2%
Less: Power Supply Reclassed to Purchase Power	(813)	(870)	(57)	7.1%
Net Salaries	**$ 31,353**	**$ 36,837**	**$ 5,484**	**17.5%**
Benefits	$ 12,061	$ 12,591	$ 530	4.4%
Less: Power Supply Reclassed to Purchase Power	(297)	(289)	9	-3.0%
Net Benefits	**$ 11,764**	**$ 12,302**	**$ 539**	4.6%
TOTAL PERSONNEL COSTS	**$ 43,117**	**$ 49,139**	**$ 6,022**	**14.0%**
Non-Personnel				
Non-Personnel Costs	$ 25,425	$ 29,938	$ 4,512	17.7%
Less: Power Supply Reclassed to Purchase Power	(1,992)	(1,607)	385	-19.3%
TOTAL NON-PERSONNEL COSTS	**$ 23,433**	**$ 28,331**	**$ 4,897**	**20.9%**
Total O&M	**$ 66,550**	**$ 77,470**	**$ 10,920**	**15.2%**
Less: Contra to Capital	(17,068)	(19,069)	(2,001)	11.5%
Net O&M	**$ 49,482**	**$ 58,401**	**$ 8,918**	**16.4%**

NBU NEW BRAUNFELS UTILITIES

Operating Expenses – Key Initiatives

Annual Priorities	FY 2024 Budget
Enterprise Asset Management	$450,000
Enterprise Project Management	$250,000
Distributed Energy Resources (DER)	$204,992
SAS Budget Model	$154,472
Electric Vehicle Research	$50,000

Compliance Initiatives	FY 2024 Budget
Water Resource Plan Update	$1,013,138
Tree Trimming For Electric Overhead Lines	$770,028
Fire Hydrant Maintenance	$312,000
Power Supply Resource Planning	$300,000
Power Portfolio Management	$300,000
Hedge Strategy Review Implementation & Consulting	$134,800
PUC (Public Utility Commission) Rate Case (Transmission Cost of Service)	$120,000
Utilis Satellite Leak Detection	$100,000
Construction Specification Book	$100,000

NBU NEW BRAUNFELS UTILITIES

FUNDING SOURCES

Non-Core Revenue Sources and Cost Recovery for Fees

In FY2024:

- Comprehensive fee review planned with annual review going forward
- Impact Fee Program E - increase over Program D = approximately **$2.69M**
- Update to Electric Connection Policy – **$1M** per year
- GBRA Wholesale Wastewater – Capital Participation Fee – **$796K**
- Update to Water Fees – **$500K**
- Antenna Lease – **$213K**

Total Non-Core Revenue Sources and Cost Recovery for Fees – $5.2M

NBU NEW BRAUNFELS UTILITIES

Cost Savings

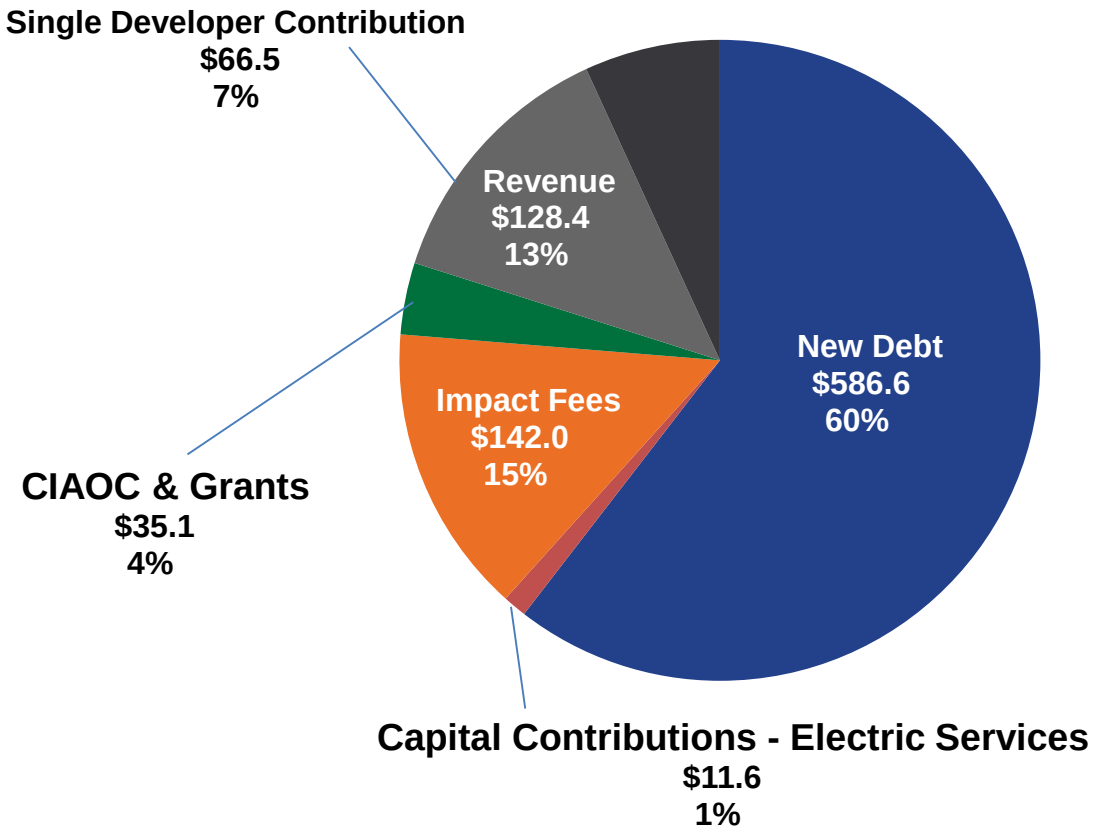
- Commercial Paper Program – **$500K** in savings
- Line Sensors – **$300K in Value of Lost Load (VoLL)**
- Satellite Leak Detection – **140.9 million gallons** saved totaling **$29K**
- Customer Side Leak Detection – **Over 300 million gallons** saved resulting in **$269K** customer savings (Lowest tier rates decreased Off-Peak not including Water Supply Fee)
- AMI – **$742K** saved and **156,000** truck rolls avoided since 9/1/2016
- TWDB Funding – **$484K** interest savings-FY24 (**$9.4M** over life of the project (30 years))
- No health care premium increases for **10th straight year** due to education and employee wellness programs

FY 2024 Total Savings – $2.3M

NBU NEW BRAUNFELS UTILITIES

Capital Funding by Source

Amounts in Millions



60% of capital requirements will be met with existing or new borrowings

Impact Fees are estimated to provide about $142M in funds or 15% of capital requirements

Internally-generated funds will provide about 13% of capital requirements

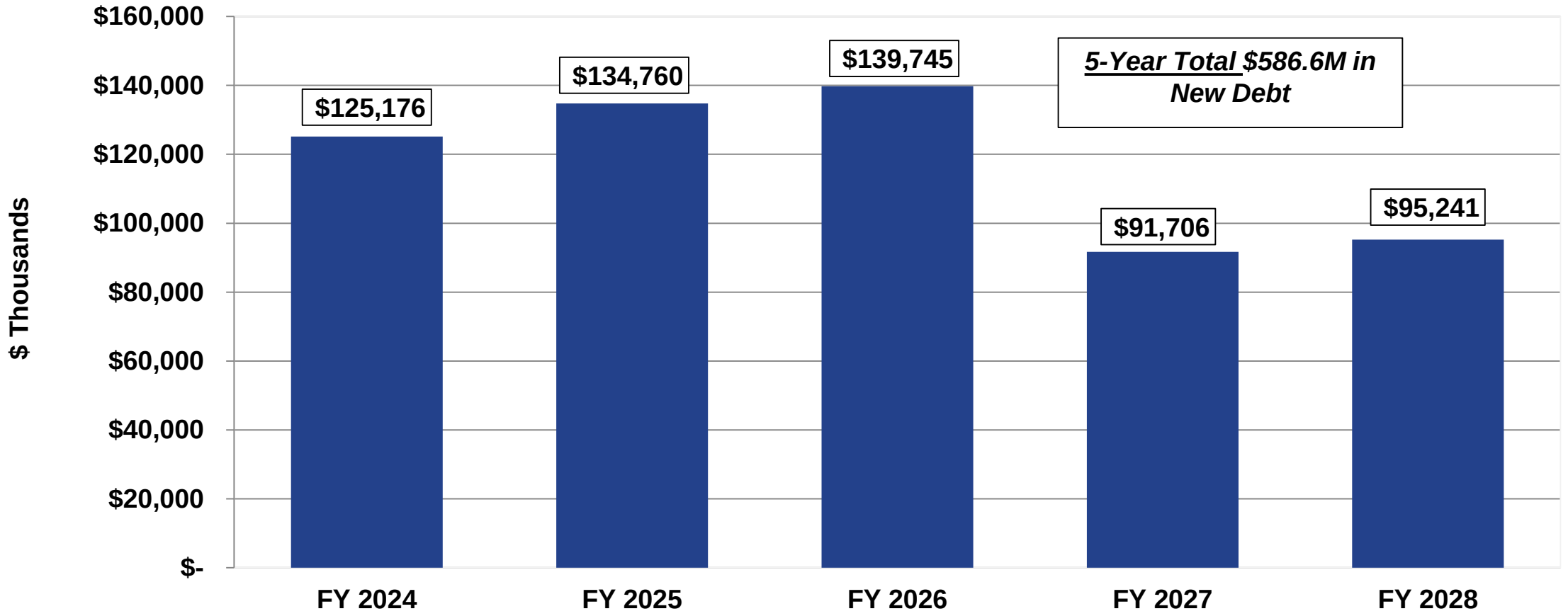
Other contributions and Grants will provide about 4% of capital requirements

Single Developer Contribution will provide about 7% of capital requirements

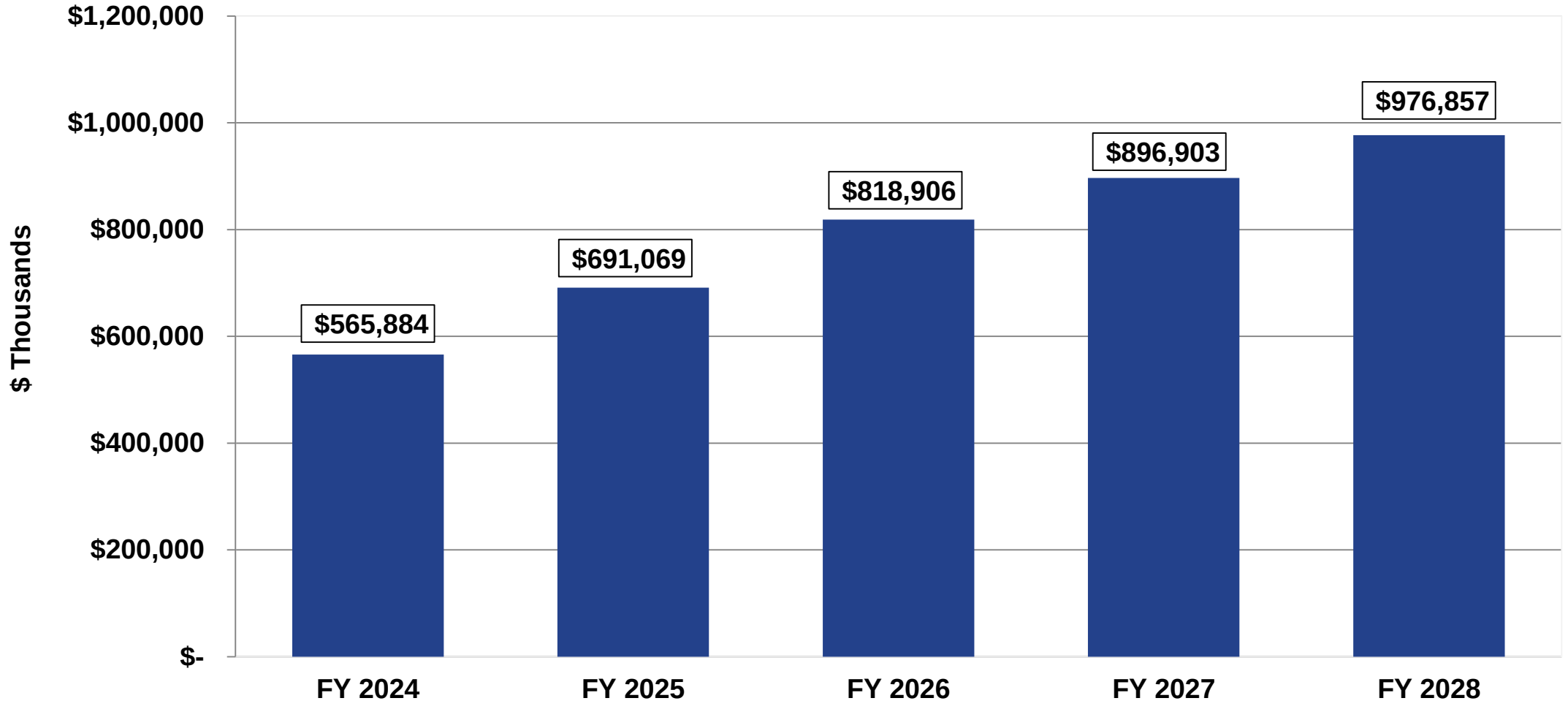
Electric Services Capital Contributions will provide about 1% of capital requirements

NBU NEW BRAUNFELS UTILITIES

Debt Funding Requirement
Long-Term Financing

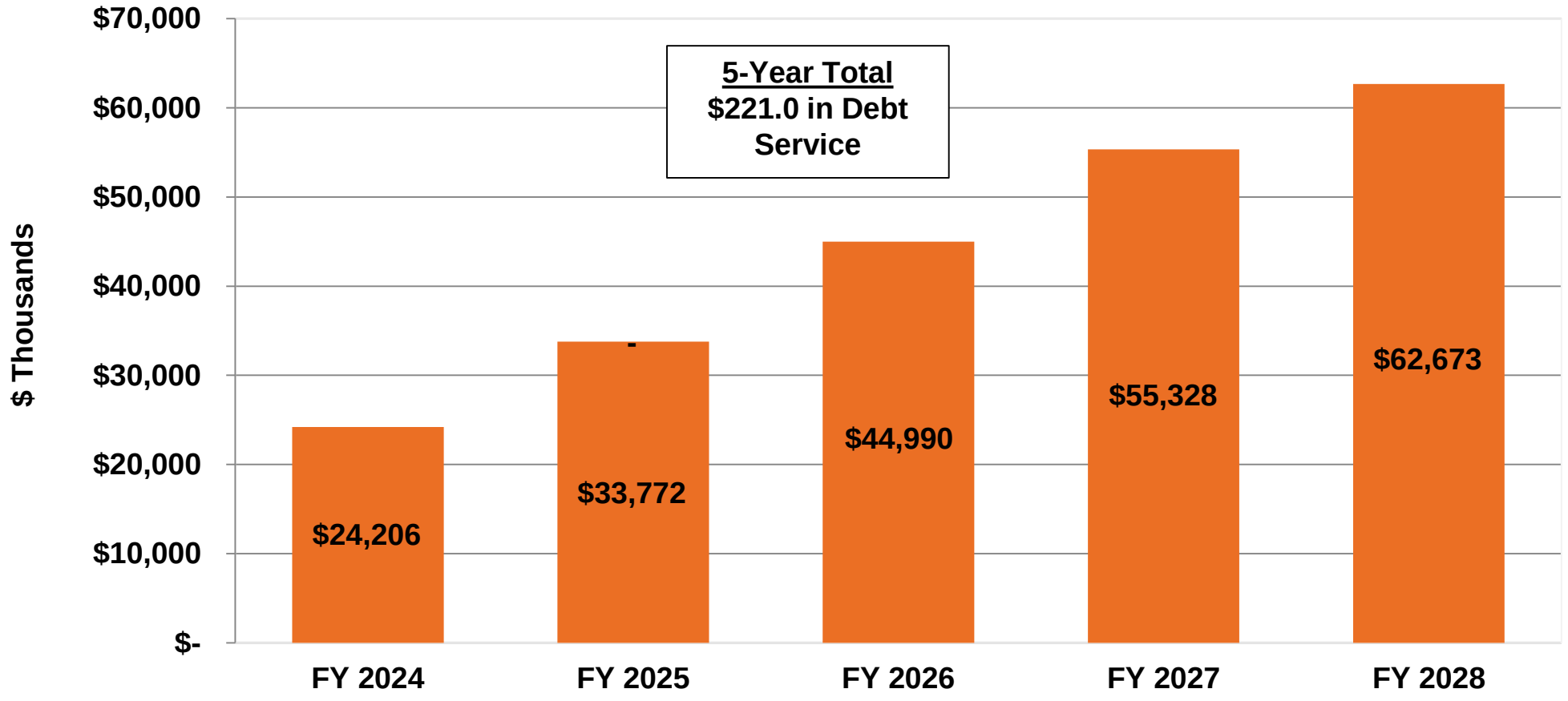


Total Debt



*Amounts are cumulative.

Debt Service



REVENUE REQUIREMENTS

Revenue Requirements

- Rates are driven by revenue requirements.
- Revenue requirements are determined by:
  - Cost of Service
    - Required to maintain regulatory compliance
    - Safe and reliable Water, Wastewater, & Electric Systems
    - NO PROFIT
  - Cutting costs and adding non-core revenue sources
  - Bond Rating
    - Debt Service Coverage
    - Days Cash on Hand
    - Debt to Capitalization

NBU NEW BRAUNFELS UTILITIES

Fitch Bond Rating Comparisons

Austin Energy	AA
New Braunfels Utilities	AA
Bryan Utilities City Electric System	AA-
CPS Energy	AA-
Garland Power & Light	AA-
Lower Colorado River Authority	AA-
Pedernales Electric Cooperative	AA-
Brownsville Public Utilities Board	A+
Guadalupe Valley Electric Cooperative	A+
City of Denton	A
Seguin Utility Fund	A-

NBU NEW BRAUNFELS UTILITIES

Source: U.S. Public Power Peer Review, June 13, 2022, Fitch Rating, Inc.

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."

Revenue Requirements & Results

Requirements Presented to the Rate Advisory Committee based on FY23 FOP					
FY24 Budget	FY24	FY25	FY26	FY27	FY28**
Electric*	4.0%	3.9%	3.9%	3.8%	N/A
Water	9.5%	9.5%	9.5%	7.8%	N/A
Wastewater	7.3%	7.3%	6.8%	5.8%	N/A

FY2028 Results		Policy
DSC	2.6	≥2.4X
Total New Debt	$615.3M	
Debt to Cap.	54.9%	<55%
Total Debt	$1,003.7M	

Requirements Needed to Achieve Goals based on FY24 FOP					
FY24 Budget	FY24	FY25	FY26	FY27	FY28
Electric*	4.8%	5.9%	4.6%	3.8%	1.2%
Water	9.1%	13.4%	13.6%	11.8%	11.8%
Wastewater	7.3%	7.3%	7.7%	7.7%	7.7%

FY2028 Results		Policy
DSC	2.9	≥2.4X
Total New Debt	$586.6M	
Debt to Cap.	52.9%	<55%
Total Debt	$976.9M	

Variance					
FY24 Budget	FY24	FY25	FY26	FY27	FY28
Electric*	0.8%	2.0%	0.7%	0.0%	N/A
Water	-0.4%	3.9%	4.1%	4.1%	N/A
Wastewater	0.0%	0.0%	0.9%	1.9%	N/A

*Electric rate increases are only applied to the Distribution and Customer Charge, which results in the corresponding percentage increases.
**FY28 rates not provided by Cost of Service Study.

NBU NEW BRAUNFELS UTILITIES

Financial Results

Amounts in Thousands

	Forecast FY 2023	Budget FY 2024	Forecast FY 2025	Forecast FY 2026	Forecast FY 2027	Forecast FY 2028	Policy Requirement
Total Debt	$ 412,529	$ 565,884	$ 691,069	$ 818,906	$ 896,903	$ 976,857	
Equity	589,598	627,860	708,901	777,856	827,483	870,545	
Capitalization	$ 1,002,127	$ 1,193,744	$ 1,399,970	$ 1,596,762	$ 1,724,386	$ 1,847,402	
Total Debt / Capitalization Ratio[1]	**41%**	**47.40%**	**49.36%**	**51.29%**	**52.01%**	**52.88%**	**55%**
Days Cash on Hand	**186**	**228**	**261**	**287**	**305**	**322**	**140**
Debt Service Coverage[2]	**4.75**	**4.28**	**3.84**	**3.29**	**2.96**	**2.86**	**2.40**
Debt Service Including Extraordinary[3] Event	**1.60**	**4.28**	**3.84**	**3.29**	**2.96**	**2.86**	**1.40**
Adjusted DSC Including Extraordinary[3] Event[4]	**1.40**	**3.74**	**3.46**	**2.99**	**2.70**	**2.60**	
Beginning Debt Balance	$ 447,529	$ 412,529	$ 565,884	$ 691,069	$ 818,906	$ 896,903	
							Total New Debt
New Long-Term Debt	**$ -**	**$ 125,176**	**$ 134,760**	**$ 139,745**	**$ 91,706**	**$ 95,241**	**$ 586,629**
Estimated Forecasted Debt Requirement		35,871					
Principal Payments - Current Debt		7,692	7,906	8,277	8,667	9,335	
Principal Payments - Liquidity NP	35,000	-					
Principal Payments - New Debt		-	1,669	3,633	5,041	5,952	
Total Debt	**$ 412,529**	**$ 565,884**	**$ 691,069**	**$ 818,906**	**$ 896,903**	**$ 976,857**	
CIAOC	$ 9,100	$ 14,712	$ 43,241	$ 26,750	$ 11,426	$ 5,442	
Beginning Equity	$ 556,033	589,598	627,860	708,901	777,856	827,483	
Change in Net Position Before Contributions	24,465	23,550	37,800	42,205	38,201	37,619	
Ending Equity	$ 589,598	$ 627,860	$ 708,901	$ 777,856	$ 827,483	$ 870,545	

[1]Total Debt / (Current Debt + Long-Term Debt + Equity)
[2]Net Available for Debt Service / Debt Service
[3](Net Available for Debt Service - Intergovernmental Expense) / Debt Service
[4]Debt Service Coverage for an extraordinary event (unusual & infrequent) for the fiscal year the impact of the event occurs, must at least meet the minimum requirements for the additional bonds test.

NBU NEW BRAUNFELS UTILITIES

Customer Bill Assistance

NBU funds an assistance and discount program for its customers

- Based on feedback from the RAC, NBU has increased its contribution to those funds for the FY24-FY28 plan by approximately 5.3% per year to closely align with the projected average bill increases

Community Assistance/Low Income Discount Program Budgeted $'s	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
FY2023 – Approved	$416,000	$416,000	$416,000	$416,000	N/A
FY2024 – Proposed	$441,000	$466,000	$489,000	$514,000	$543,000
Proposed – % Increase YoY	N/A	5.7%	4.9%	5.1%	5.6%

- NBU is in the process of realigning the two programs to better serve customers and will bring expanded recommendations to the Board in FY24

NBU NEW BRAUNFELS UTILITIES

Cost of Service & Rate Design Study

Cost of Service & Rate Design Study

- In October 2020, the New Braunfels City Council approved a three-year rate plan for NBU, which was effective November 2020 – July 2023
- In February 2022, NBU kicked off a Cost of Service and Rate Design Study for all three Lines of Business
- The Cost of Service Study is a utility best practice which functionalizes costs within each utility and then allocates the costs across customer classes based on how each class is driving costs
- Rates are then designed using the Cost of Service results
- The NBU Board of Trustees established a Rate Advisory Committee to oversee the process and provide feedback

NBU NEW BRAUNFELS UTILITIES

Rate Advisory Committee

RAC Public Meeting Recap

Date	Meeting	Topic
June 1, 2022	RAC Public Meeting	Initial Meeting for Establishment of RAC
August 10, 2022	RAC Public Meeting	Rates/Cost of Service 101
August 16, 2022	RAC Site Tour	NBU Facilities
September 14, 2022	RAC Public Meeting	Background and Intro to Revenue/Revenue Requirements
October 19, 2022	RAC Public Meeting	Revenue/Revenue Requirements
November 16, 2022	RAC Public Meeting	Water/Wastewater COS
December 7, 2022	RAC Public Meeting	Electric COS
December 14, 2022	RAC Public Forum	Public Forum
January 11, 2023	RAC Public Meeting	Electric Rates and Rate Design
January 18, 2023	RAC Public Meeting	Water/Wastewater Rates and Rate Design
February 1, 2023	RAC Public Meeting	Final Review and Wrap-Up

Rate Advisory Committee (RAC) Key Policy Areas

The RAC identified seven key policy areas to shape rate design:

- Low/Fixed Income Customers
- Equity and Fairness in Rate Making
- Conservation and Renewables
- Revenue Sufficiency
- Accommodating Growth
- Utility Stability and Financial Strength
- Simple to Understand and Easy to Implement

NBU NEW BRAUNFELS UTILITIES

Low/Fixed Income Customers Recommendations

Low/Fixed Income Customers
• The cost of NBU services should be equitably assessed across customer classes. • Deposits, fees and penalties should be reflective of the true cost of the activity or service. However, NBU should consider the financial strain on low/fixed income customers which are disproportionately impacted by deposits/fees/penalties and benchmark to other community-owned utilities. • NBU internal programs and external support of nonprofits should model the value of helping neighbors. • Levels of NBU financial support of low- and fixed-income customers should increase proportionately as rates increase.

NBU NEW BRAUNFELS UTILITIES

Low/Fixed Income Customers Implementation

INCORPORATED IN PROPOSED RATE DESIGN

- Costs were assessed by customer class, and any revenue requirements needed were allocated appropriately
- Created new low water tier to help customers control costs
- NBU has increased the amount that it is contributing to the Utility Bill Assistance Program for its upcoming five-year operating plan (FY24-FY28) by ~5.3% each year, compared to projected bill increases of ~5.3% on average

Community Assistance/Low Income Discount Program Budgeted $'s	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
FY2023 – Approved	$416,000	$416,000	$416,000	$416,000	N/A
FY2024 – Proposed	$441,000	$466,000	$489,000	$514,000	$543,000
Proposed – % Increase YoY	N/A	5.7%	4.9%	5.1%	5.6%

FUTURE CONSIDERATION

- Review of fees as it relates to scaling based on income level
- Additional support of non-profits

NBU NEW BRAUNFELS UTILITIES

Equity & Fairness in Rate Making Recommendations

Equity & Fairness in Rate Making
• Rates may not always align with cost-of-service results. • Consider sub-classes to recognize unique challenges. • Cross-subsidization between classes should prioritize and encourage sustainable practices and conservation. • Gradualism should be implemented through a transparent process that includes community perspective. • Consider forming a Community Advisory Board (CAB) to enrich community input and vet issues.

NBU NEW BRAUNFELS UTILITIES

Equity & Fairness in Rate Making Implementation

INCORPORATED IN PROPOSED RATE DESIGN

- NBU did not fully align with the COS results, especially if it put an undue burden on a particular customer class, but did trend in the right direction utilizing gradualism. The process was discussed and made transparent through the public RAC meetings
- NBU created a customer class for Large Commercial water customers. This allowed customers that utilized water in the course of business to not be penalized as discretionary use, i.e. hospitals
- NBU followed the RAC recommendation and encouraged sustainable practices by sending conservation pricing signals in water rates and adjusting the tier structure

FUTURE CONSIDERATION

- NBU's Board will continue to consider forming community advisory boards to vet important issues

NBU NEW BRAUNFELS UTILITIES

Conservation & Renewables Recommendations

Conservation & Renewables
• Promote the adoption of Distributed Energy Resources by removing barriers to entry and improving communication and customer experience. • Target 50% renewable energy. • Monitor electric vehicle adoption and plan for future rate options. • Consider variable, tiered and/or time-based rates. • Revise essential use volume and strengthen water conservation pricing signals by increasing irrigation rates and fines • It is important for NBU to have a clear position on these issues that aligns with their customers and to educate the public.

Conservation & Renewables Implementation

INCORPORATED IN PROPOSED RATE DESIGN

- NBU has revised the essential use water tier and revised all other tiers for both water and irrigation use to strengthen conservation pricing signals as part of this cost of service study
- NBU is working with solar installers and incorporating best practices to improve the customer experience for rooftop solar and other DER installations
- This year, NBU will conduct a study of potential impacts under a variety of electric vehicle adoption scenarios

FUTURE CONSIDERATION

- In FY 2024, NBU will update its power supply Integrated Resource Plan which will utilize community input to evaluate affordability, volatility mitigation, share of renewables, time of use rates as a resource, strategies for distributed energy resources (solar, battery storage, microgrids, electric vehicles, etc.) and related topics and strategies
- IN FY 2024, NBU will develop a Distributed Energy Roadmap, which will provide comprehensive program designs that will help NBU achieve the targets and provide best practice programs, pricing signals, incentives, educational materials, and resources to customers
- NBU will be reviewing and providing recommended adjustments to the City of New Braunfels Drought Ordinance to include fines or surcharges for violations to watering restriction rules

Revenue Sufficiency Recommendations

Revenue Sufficiency
• Consider internal and external economic headwinds and how an increase in rates will impact the community at large. • Pursue operational efficiencies and evaluate proper level of reserves • Consider all expenses/fees related to development

NBU NEW BRAUNFELS UTILITIES

Revenue Sufficiency Implementation

INCORPORATED IN PROPOSED RATE DESIGN

- The new rate design is within the “mid-range” category of the Fitch affordability benchmark and in the “strongest” category for fixed based charge recovery

- Regarding efficiencies, NBU’s recent nationwide workforce study showed that NBU is currently operating very lean with a 31% shortfall in full time employees

- NBU is in the process of evaluating all fees across the company to ensure they are covering costs. Water and Wastewater fee review is complete. Over the next 12 months, the remainder of the fees will be evaluated and placed on a review schedule to be approved by the Board of Trustees annually with the budget

- Prior to this rate design, electric capital would have been funded 100% with debt. The proposed design incorporates a portion to be funded by cash, which will be in alignment with NBU Board of Trustees policy and rating agency expectations

NBU NEW BRAUNFELS UTILITIES

Accommodating Growth Recommendations

Accommodating Growth
• NBU needs to be a partner with the development community. • NBU needs to maintain staffing levels sufficient to keep pace with growth and consistently meet published review timelines, utility availability requests and other items required for developers to complete projects. • Growth costs should be shared between growth customers and existing customers. • Do not subsidize utility rates for economic development

NBU NEW BRAUNFELS UTILITIES

Accommodating Growth Implementation

INCORPORATED IN PROPOSED RATE DESIGN

- NBU's Board of Trustees and City Council have voted to assess the maximum allowable water and wastewater impact fee allowed by state statute. Even with this decision, the statute does not allow impact fees to cover the full costs of growth related projects

- NBU does not have an economic development rate subsidization, but relies on City Council through the New Braunfels Economic Development Corporation (EDC) to provide incentives

- NBU is an active participant in the Chamber of Commerce, the New Braunfels Economic Development Foundation (EDF), the Economic Advisory Committee and helped create the community's current Economic Development Strategic Plan

FUTURE CONSIDERATION

- Over the next two months, NBU staff will be working with the Board of Trustees to establish Key Performance Indicators (KPI) and corresponding Levels of Service across the organization to include development related processes (review time, etc.) and provide proper resources to meet those KPIs through the budget which will be incorporated in the final rate design

NBU NEW BRAUNFELS UTILITIES

Utility Financial Stability & Strength Recommendations

Utility Stability & Financial Strength
• A significant reserve is necessary and beneficial to the community and should be will defined in policy • Reserve amount needs to consider the balance of the community needs and NBU's financial stability and should have a well-defined policy surrounding it. • Consider collecting reserve amounts in non-peak energy season.

Utility Financial Stability & Strength Implementation

INCORPORATED IN PROPOSED RATE DESIGN

- NBU has reserves in place that are established, used and refilled in accordance with credit rating criteria, NBU Board of Trustees policies and NBU's Enterprise Risk Management requirements

- One of those reserves, NBU's Power Stabilization Fund, is being evaluated using a risk-based analysis by a third party to inform the proper target fund balance. The analysis will consider the past performance of the ERCOT market and will also contemplate changes currently being made by the Public Utility Commission of Texas and the Texas Legislature. This work will be complete in time for the final rate design in March 2023

FUTURE CONSIDERATION

- NBU is evaluating the impact of delaying reserve collections during non-peak energy seasons in the development of its FY24 budget

NBU NEW BRAUNFELS UTILITIES

Simple to Understand & Easy to Implement Recommendations

Simple to Understand & Easy to Implement
• Detailed & easy to understand, graphically pleasing, concise and comprehensive. • Transparent (definition of rates and terms). • Searchable – by customer, if interested. • Multi-platform (dimensionality). • Proactive (crisis communications).

NBU NEW BRAUNFELS UTILITIES

Simple to Understand & Easy to Implement Implementation

INCORPORATED IN PROPOSED RATE DESIGN

- NBU revised its bill design in November 2022 to eliminate confusion that incorporated many of these recommendations
- NBU eliminated the On-Peak/Off-Peak water rate differential with this rate design proposal. The analysis showed that peak rates were not having an impact on water conservation, but were creating complexity
- NBU now has a Rate Breakdown page on its website and is forecasting and communicating electric rates on a quarterly basis across multiple media platforms
- NBU is in the process of upgrading its customer interface in FY24, which will improve its functionality to include searchability and multi-platform including a mobile app

FUTURE CONSIDERATION

- There are a number of other bill design recommendations that NBU will work to incorporate
- NBU will continue to evaluate communication effectiveness

Rate Design

Rate Design Recommendations

- NBU is pursuing a two-year rate plan for the years FY 2024 and FY 2025 (8/1/2023 – 7/31/2025)
- Rate recommendations provide sufficient revenues to
  - Meet cost of service requirements
  - Align with NBU's financial policies
  - Follow utility industry best practice
  - Support maintaining credit rating (thereby reducing cost of debt)
- Revenue changes can be attributed to both organic customer growth and rate design changes

<u>Electric:</u>

~67% of rate increases due to capital needs; ~<1% due to personnel; ~32% due to other O&M expenses

<u>Water</u>

~84% of rate increases due to capital needs; ~7% due to personnel; ~9% due to other O&M expenses

<u>Wastewater</u>

~87% of rate increases due to capital needs; ~4% due to personnel; ~9% due to other O&M expenses

NBU NEW BRAUNFELS UTILITIES

Electric Rate Recommendations

Revenue Sufficiency

Overall rates set to recover the total Cost of Service (COS) and Revenue Requirement

Equity and Fairness in Rate Making

Gradualism (phase-in of increases)

Similar rate increases for most classes. Existing rates align with COS results.

Utility Financial Stability and Strength

Moves to balanced 50/50 debt and rate funded capital

Reduced cost of debt; ensures financial strength, flexibility for NBU

NBU NEW BRAUNFELS UTILITIES

FY 2024/2025 Electric Rate Design

- Over five-year rate plan:
  - Positions NBU to cash fund a portion of capital improvements (rather than 100% debt), there are no surplus or excess funds
- Rate increases are not driven by ERCOT market prices; power supply and transmission costs are a direct pass-through.
- Bridge to ERCOT market redesign (timing)
- Average System Revenue Increase
  - 2024: 4.8% | 2025: 5.9%
- Drivers: ~67% capital; ~<1% personnel; ~32% other O&M

NBU NEW BRAUNFELS UTILITIES

Recommendations – Residential Electric Usage at 1,200 kWh

ELECTRIC - AVERAGE RESIDENTIAL BILL*			
	Current	FY 2024	FY 2025
Customer Bill	$158.78	$167.29	$175.64
YOY % Change		5.4%	5.0%

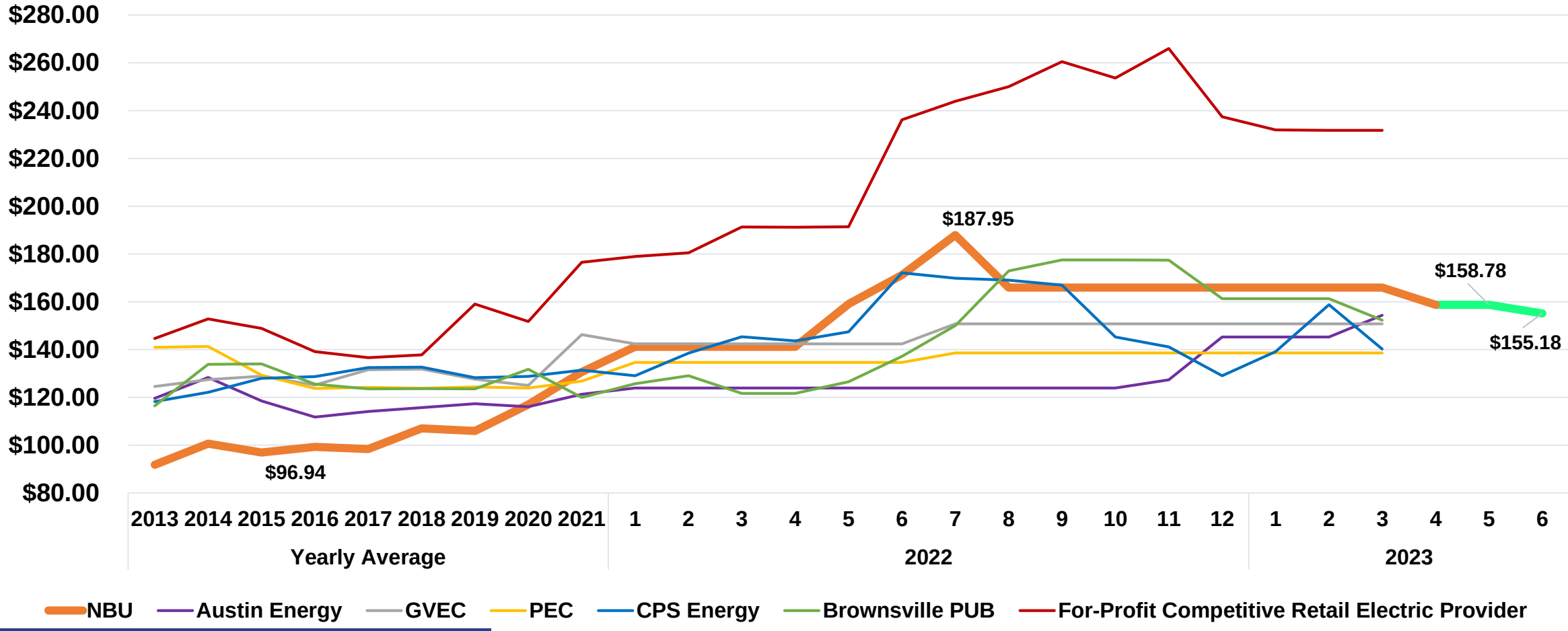
***Assuming winter generation rate and April 2023 GCRF**
Note: This bill comparison does not reflect the planned decrease to the Replenish Reserves rate in FY24 in order to show the impacts of the rate adjustments as a result of the rate design.

NBU NEW BRAUNFELS UTILITIES

Residential Electric Bill Comparison
Average Use – 1,200 kWh

**Assumes planned decrease in reserve replenishment* - March current monthly rates all entities, except NBU at April rate

Monthly Electric Bills – 1,200 kWh



NBU NEW BRAUNFELS UTILITIES

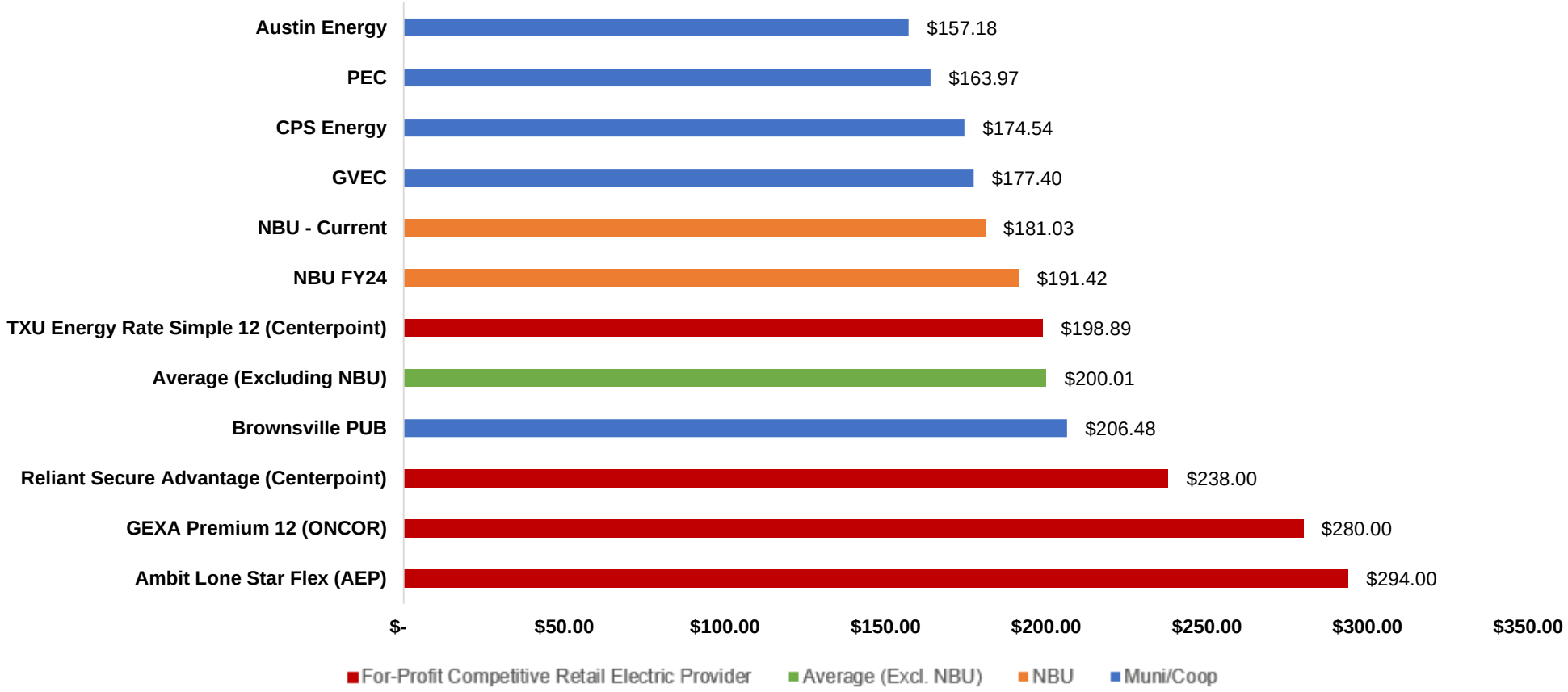
Recommendations – Small Commercial Electric Usage at 1,400 kWh

ELECTRIC - AVERAGE SMALL COMMERCIAL BILL*			
	Current	FY 2024	FY 2025
Customer Bill	$181.03	$191.42	$201.78
YOY % Change		5.7%	5.4%

***Assuming winter generation rate and April 2023 GCRF**

NBU NEW BRAUNFELS UTILITIES

Small Commercial Electric Bill Comparison Average Use – 1,400 kWh



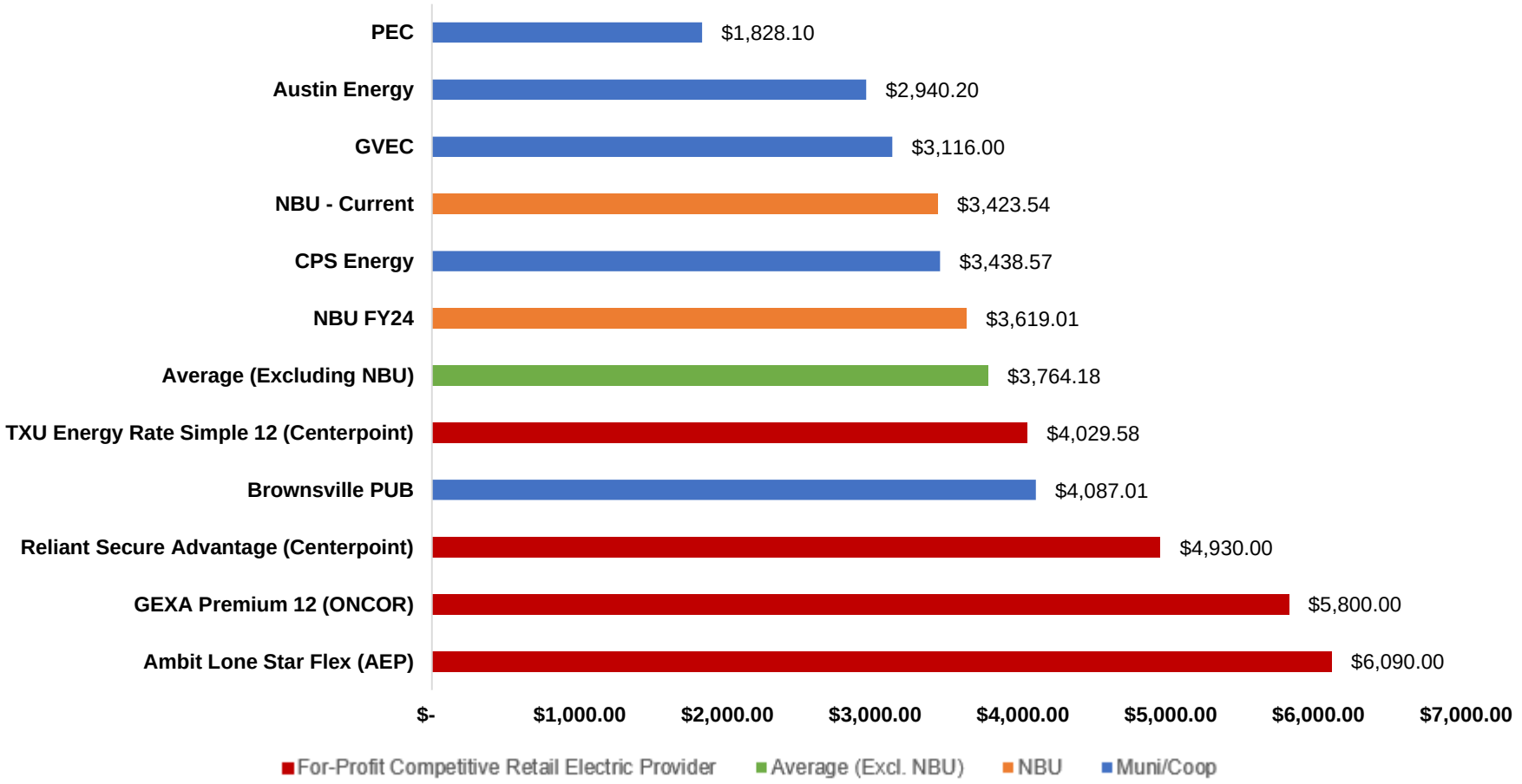
Recommendations – Large Commercial Electric Usage at 29,000 kWh & 84 kW

ELECTRIC - AVERAGE LARGE COMMERCIAL BILL*			
	Current	FY 2024	FY 2025
Customer Bill	$3,424	$3,619	$3,844
YOY % Change		5.7%	6.2%

***Assuming winter generation rate and April 2023 GCRF**

NBU NEW BRAUNFELS UTILITIES

Large Commercial Electric Bill Comparison Average Use – 29,000 kWh & 84 kW



NBU NEW BRAUNFELS UTILITIES

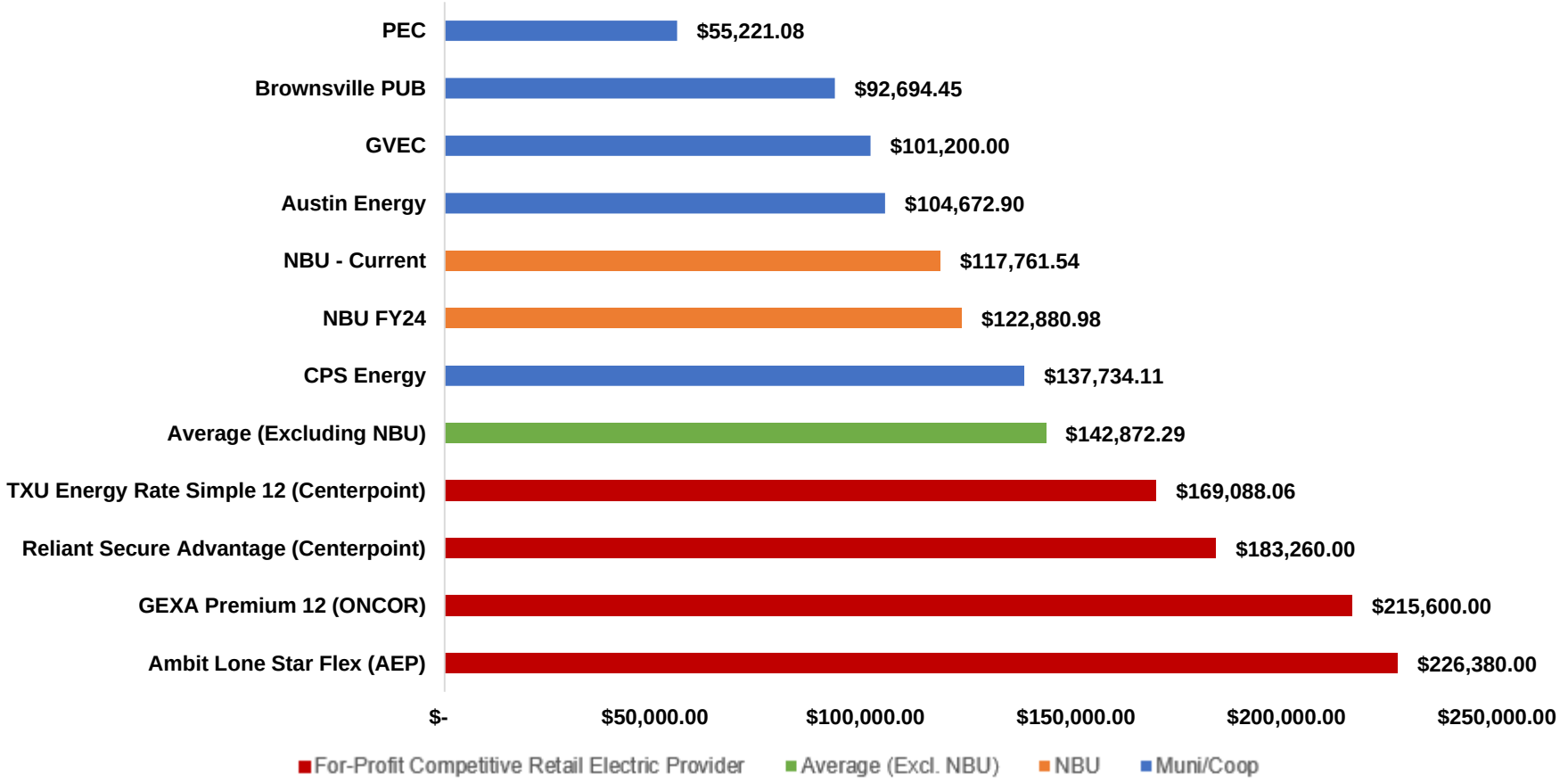
Recommendations – Very Large Power Electric Usage at 1,078 MWh & 2.5 MW

ELECTRIC - AVERAGE VERY LARGE POWER COMMERCIAL BILL*			
	Current	FY 2024	FY 2025
Customer Bill	$117,762	$122,881	$129,532
YOY % Change		4.3%	5.4%

***Assuming winter generation rate and April 2023 GCRF**

NBU NEW BRAUNFELS UTILITIES

Very Large Commercial Electric Bill Comparison Average Use – 1,078 MWh and 2.5 MW



NBU NEW BRAUNFELS UTILITIES

Water Rate Recommendations

On Peak/Off Peak

- Remove On-Peak/Off-Peak Differential
- Make FY2022 Revenue Neutral

General Service (GS) Class

- Split Commercial Class into Large GS and Small GS
- Move High Use Customers to Large General Service Class

Usage Tiers

- Establish Tiers to Reflect Usage Levels
- Create Tier to Allow for Low Usage Savings

NBU NEW BRAUNFELS UTILITIES

FY 2024/2025 Water Rate Design

- Remove On-Peak/Off-Peak Differential
- Split Commercial Class into Small General Service and Large General Service (LGS) to match customer usage patterns
  - Move Larger Usage Customers into Large Commercial Class
- Modified tiers in Residential and Small Commercial Class to match customer usage patterns
- Average System Revenue Increase
    - 2024: 9.07% | 2025: 13.43%
- Drivers: ~84% capital; ~7% personnel; ~9% other O&M

NBU NEW BRAUNFELS UTILITIES

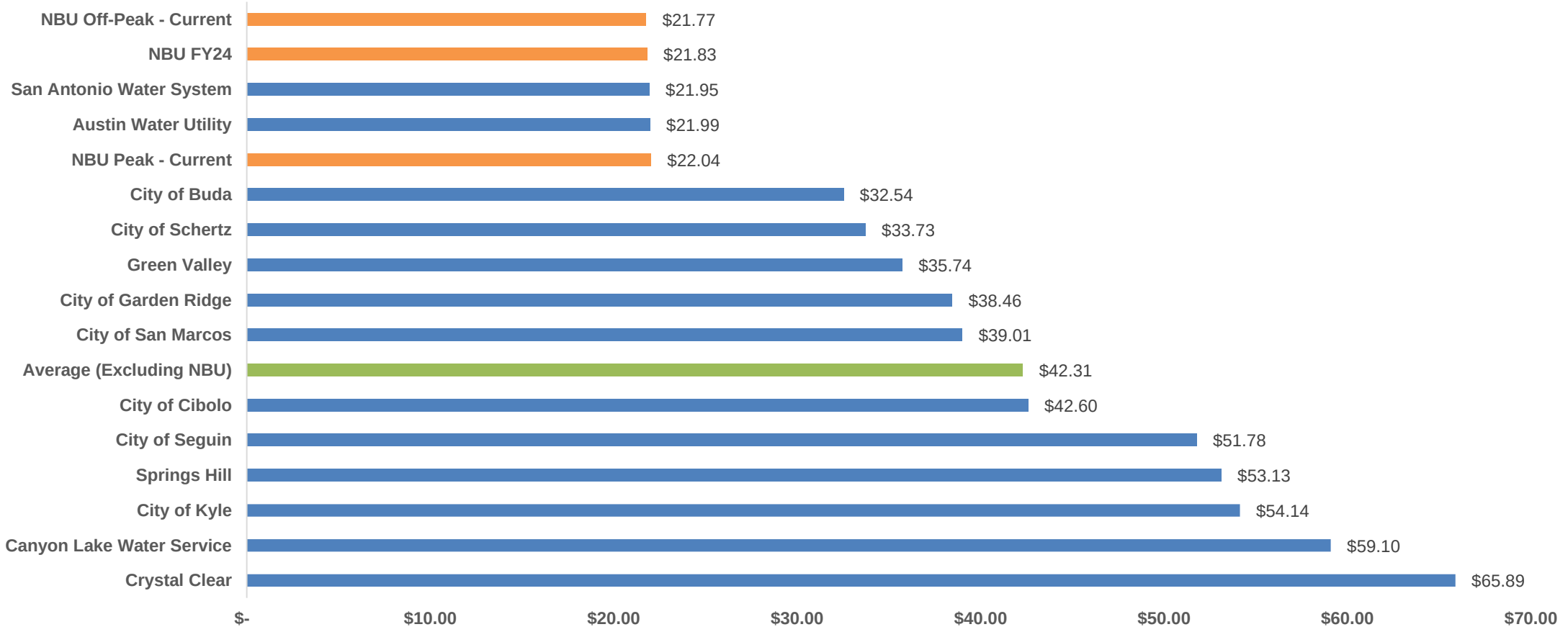
Recommendations – Residential Water Usage at 3,000 Gallons*

WATER - AVERAGE RESIDENTIAL BILL						
	Current**		FY24		FY25	
Customer Bill	$ 21.77		$ 21.83		$ 22.50	
YOY % Change				0%		3%

***37.4% of NBU water customers use 3,000 gallons or less on average per month**
****Assuming off-peak rate**

NBU NEW BRAUNFELS UTILITIES

Residential Water Bill Comparison
Essential Use – 3,000 Gallons



NBU NEW BRAUNFELS UTILITIES

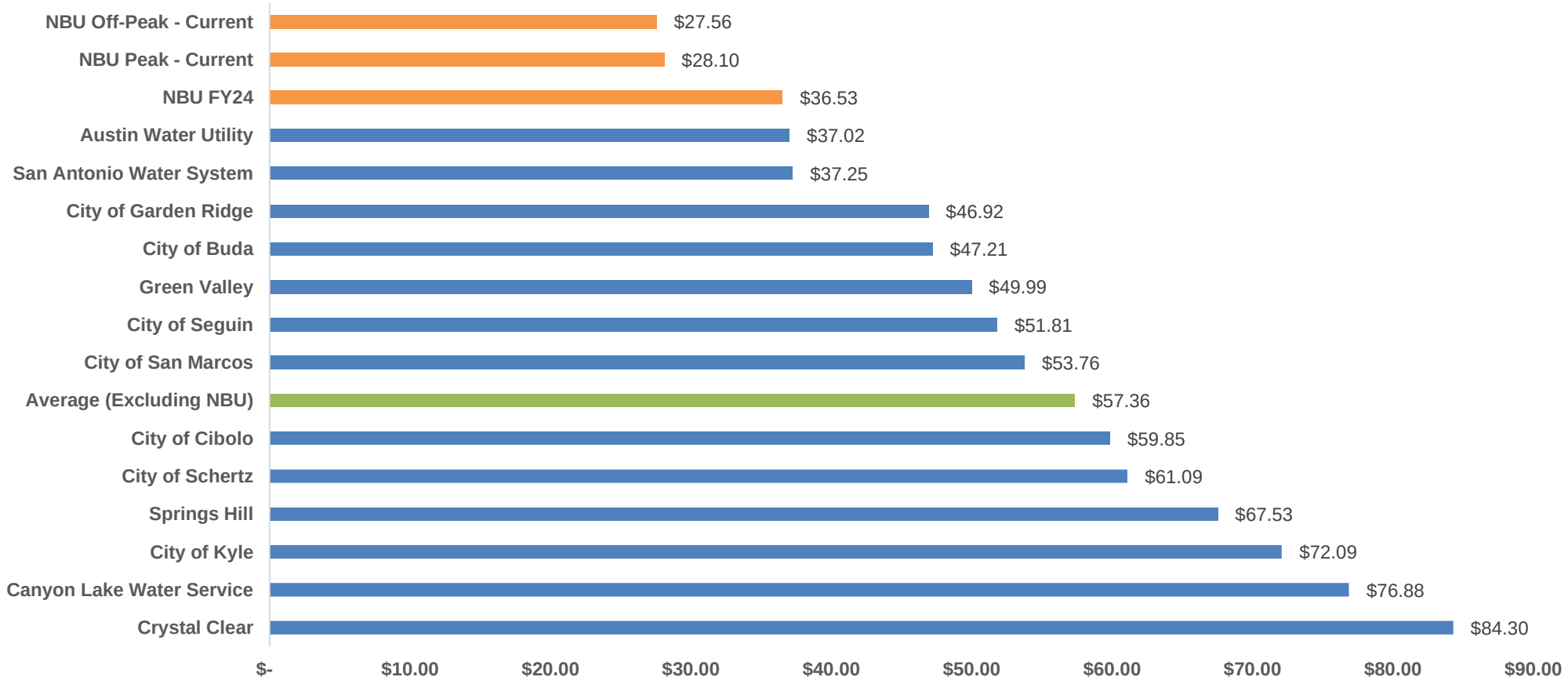
Recommendations – Residential Water Usage at 6,000 Gallons*

WATER - AVERAGE RESIDENTIAL BILL			
	Current**	FY24	FY25
Customer Bill $	27.56	$ 36.53	$ 38.10
YOY % Change		33%	4%

***71% of NBU water customers use 0 – 6,000 gallons on average per month**
****Assuming off-peak rate**

NBU NEW BRAUNFELS UTILITIES

Residential Water Bill Comparison
Essential Use – 6,000 Gallons



NBU NEW BRAUNFELS UTILITIES

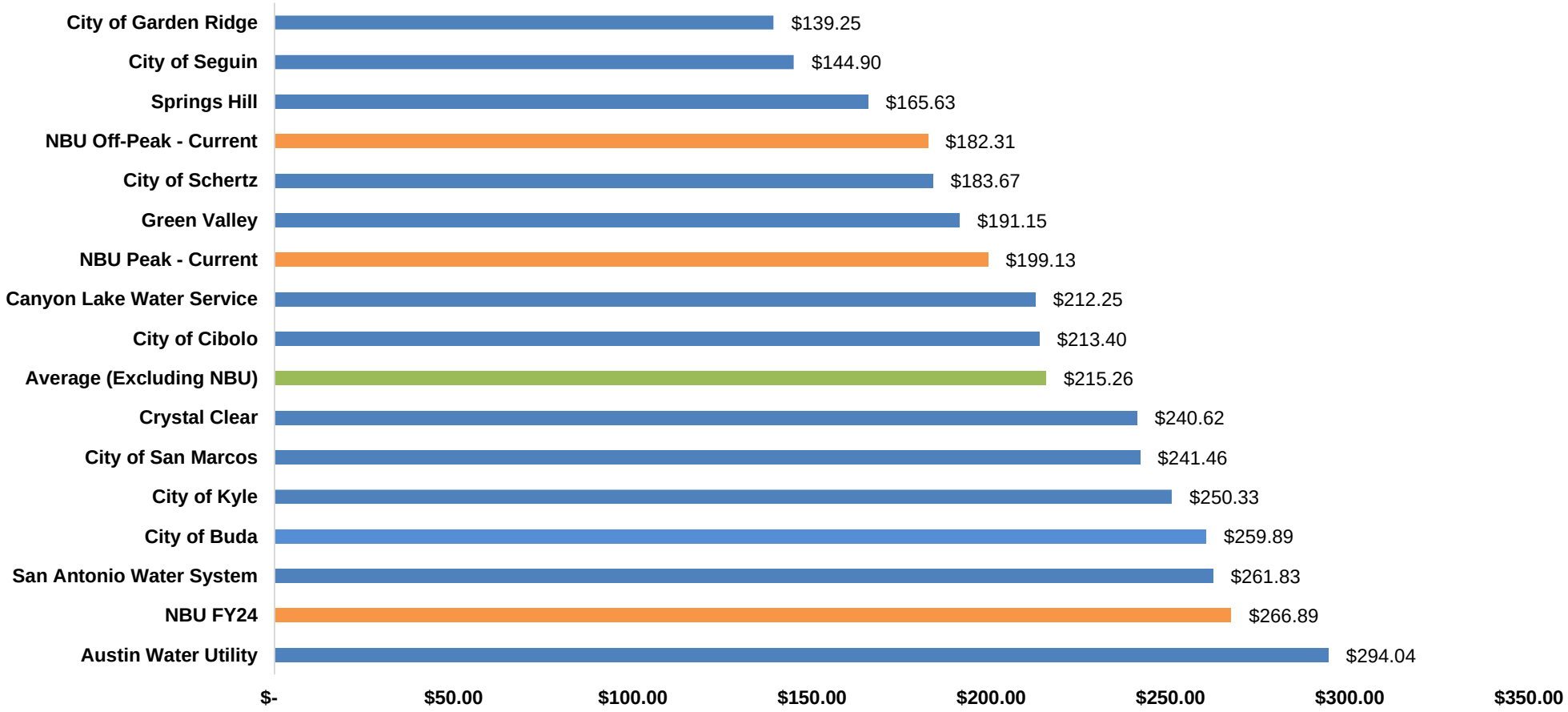
Recommendations – Residential Water Usage at 25,000 Gallons*

WATER - MODERATE RESIDENTIAL BILL			
	Current**	FY24	FY25
Customer Bill	$ 182.31	$ 266.89	$ 286.34
YOY % Change		46%	7%

***98% of NBU water customers use 0 – 25,000 gallons on average per month**
****Assuming off-peak rate**

NBU NEW BRAUNFELS UTILITIES

Residential Water Bill Comparison
Moderate Use – 25,000 Gallons



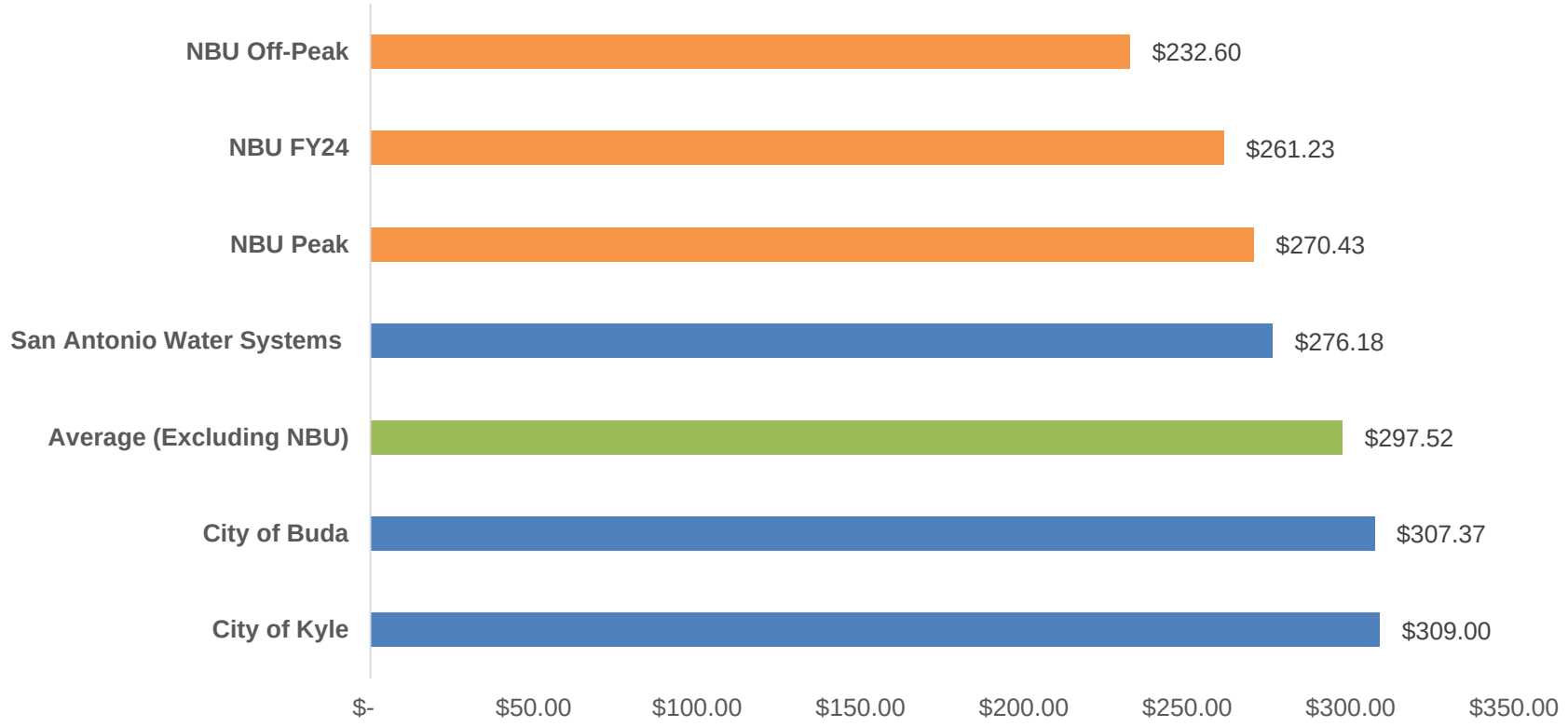
Recommendations – Irrigation
Water Usage at 25,000 Gallons

WATER - AVERAGE IRRIGATION BILL			
	Current*	FY24	FY25
Customer Bill	$ 232.60	$ 261.23	$ 301.05
YOY % Change		12%	15%

***Assuming off-peak rate**

NBU NEW BRAUNFELS UTILITIES

Irrigation Bill Comparison
Assuming 25,000 Gallons Use



*as of March 2023

NBU NEW BRAUNFELS UTILITIES

Recommendations – Multi-Unit Water Usage at 5,000 Gallons

WATER - AVERAGE MULTI-UNIT BILL			
	Current*	FY24	FY25
Customer Bill	$ 43.48	$ 42.93	$ 47.75
YOY % Change		-1%	11%

***Assuming off-peak rate**

NBU NEW BRAUNFELS UTILITIES

Multi Unit Water Bill Comparison - 5,000 Gallons

NBU NEW BRAUNFELS UTILITIES

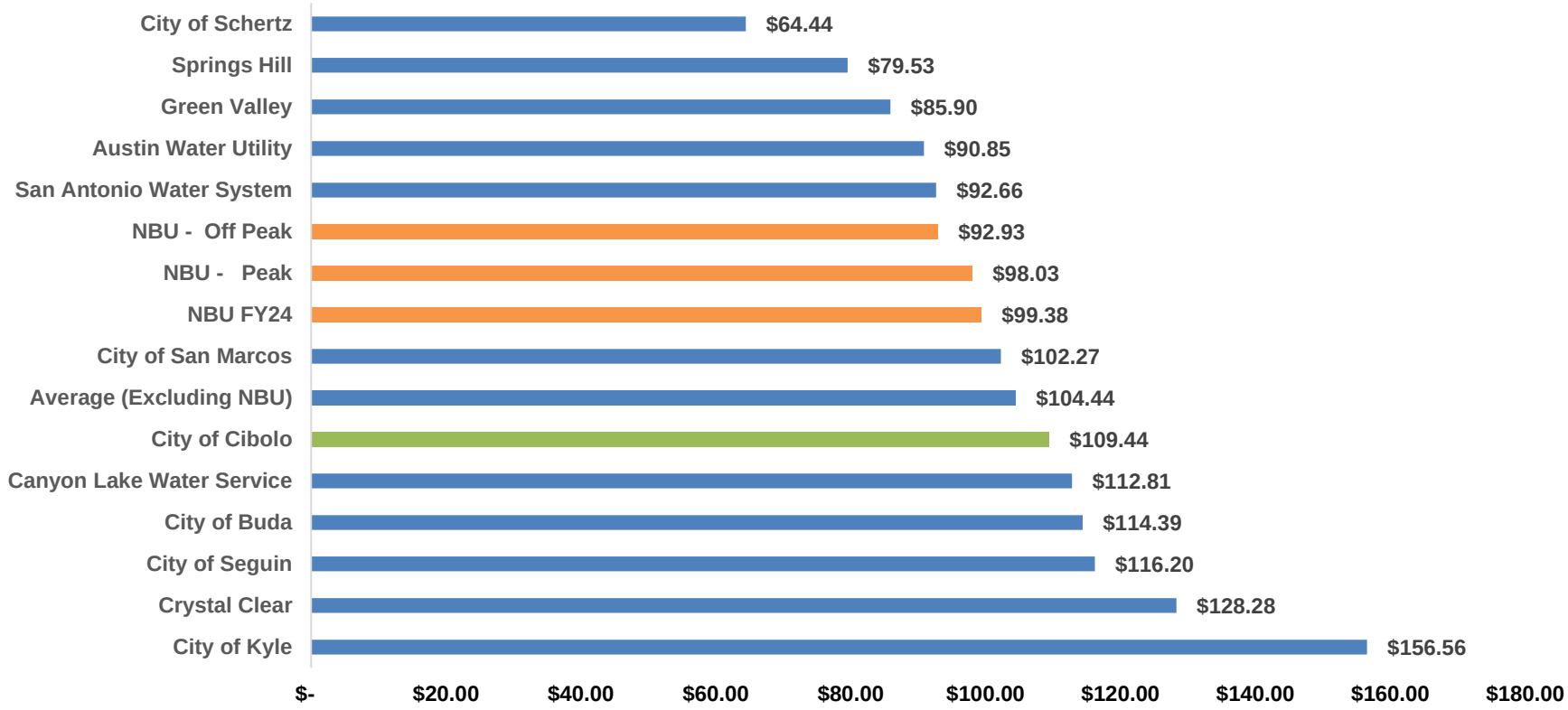
Recommendations – Small General Service Water Usage at 12,300 Gallons

WATER - AVERAGE SMALL GENERAL SERVICE BILL			
	Current*	FY24	FY25
Customer Bill $	92.93	$ 99.38	$ 105.36
YOY % Change		7%	6%

***Assuming off-peak rate, 5/8” meter**

NBU NEW BRAUNFELS UTILITIES

Small Commercial Water Bill Comparison Average Use – 12,300 Gallons



NBU NEW BRAUNFELS UTILITIES

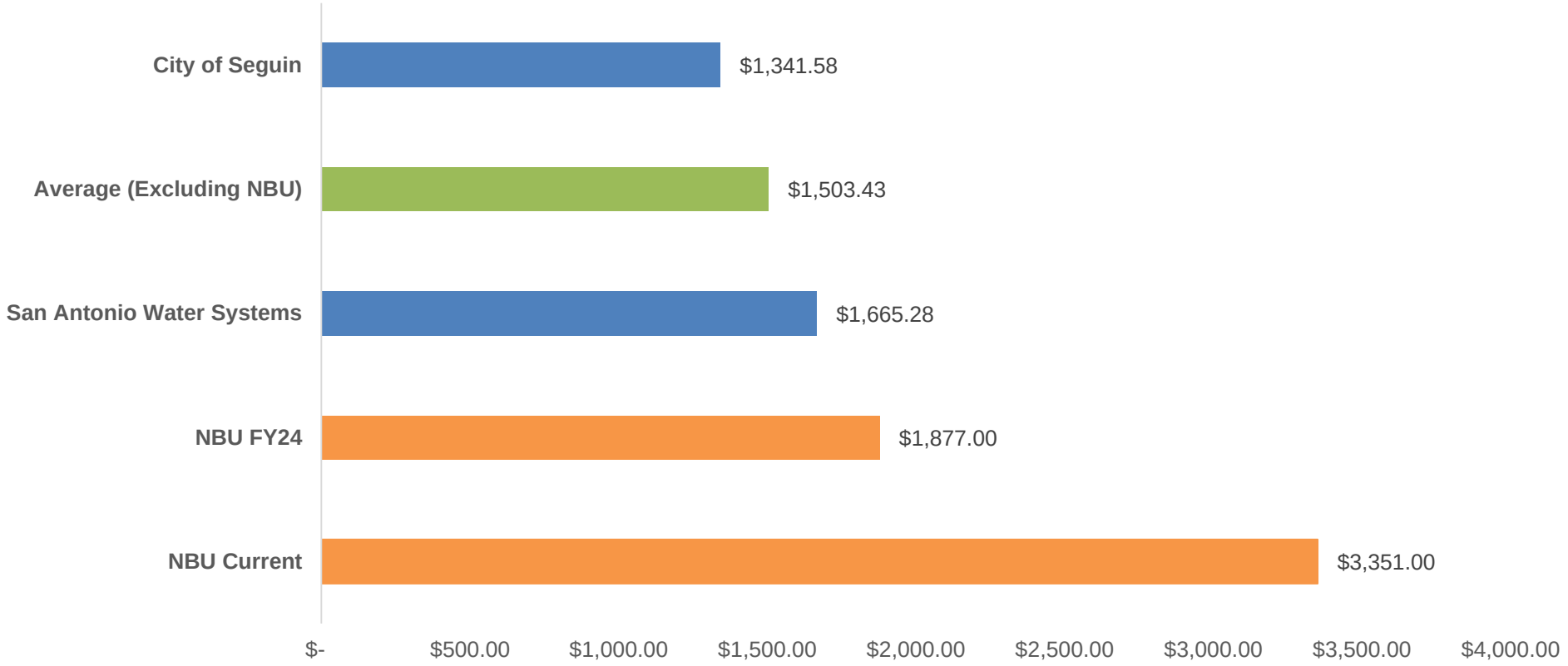
*For NBU, assuming 5/8” meter

Recommendations – Large General Service Water Usage at 300,000 Gallons

WATER - AVERAGE LARGE GENERAL SERVICE BILL			
	Current*	FY24	FY25
Customer Bill	$ 3,351	$ 1,877	$ 2,077
YOY % Change		-44%	11%

***Assuming off-peak rate**

LGS Bill Comparison
Assuming 300,000 Gallons Use



*as of March 2023

NBU NEW BRAUNFELS UTILITIES

FY 2024/2025 Sewer Rate Design

- No changes to customer classifications
- Average System Revenue Increase
  - 2024: 7.3% | 2025: 7.3%
- Drivers: ~87% capital; ~4% personnel; ~9% other O&M
- Sewer comprised of three classes: Residential, Multi-Family, Commercial, no change to any class but residential

NBU NEW BRAUNFELS UTILITIES

Recommendations – Residential Wastewater Volume at 4,600 Gallons

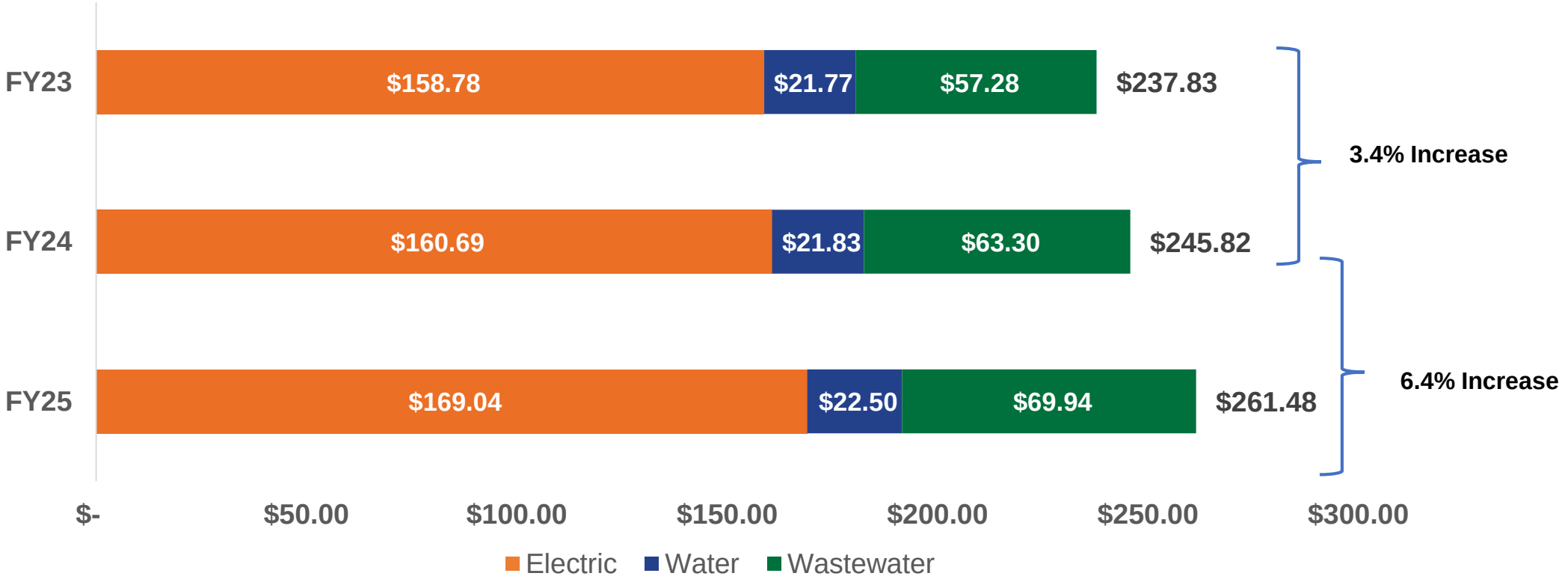
WASTEWATER - AVERAGE RESIDENTIAL BILL			
	Current	FY24	FY25
Customer Bill $	57.28	$ 63.30	$ 69.94
YOY % Change		11%	10%

Residential Wastewater Bill Comparison Average Use – 4,600 Gallons

NBU NEW BRAUNFELS UTILITIES

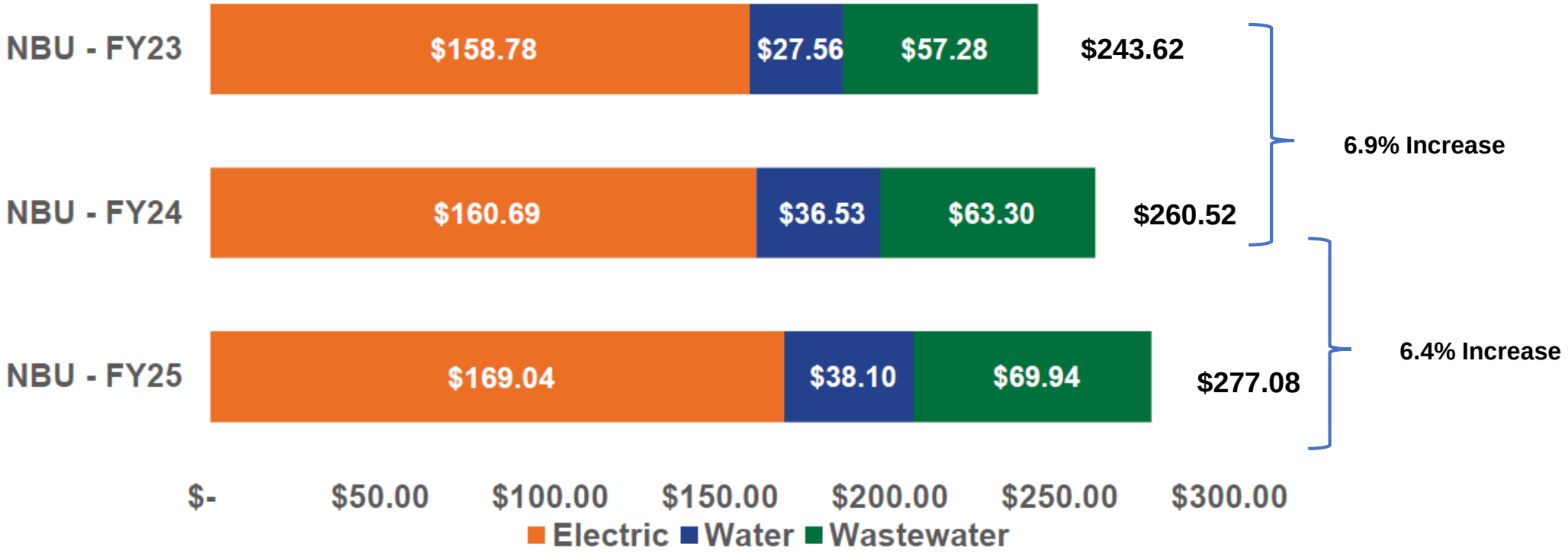
Note: Residential is the only rate class with a wastewater rate adjustment.

Residential Bill Yearly Increase – Low Water Use



Note: Based on 1,200 kWh for electric, 3,000 gallons for water, and 4,600 gallons for wastewater

Residential Bill Yearly Increase-Average Water Use



Note: Based on 1,200 kWh for electric, 6,000 gallons for water, and 4,600 gallons for wastewater

Fitch Ratings Comparisons

Fitch Affordability Benchmarks

Stronger

Residential charges for combined water/sewer utilities less than or equal to 1.2% of median household income (MHI)

Approximately 30% or more of revenues recovered from fixed base charges

Mid-range

Residential charges for combined water/sewer utilities less than or equal to 1.5% of MHI

Approximately 15% or more of revenues recovered from fixed base charges

Residential charges based upon 6,000 gallons for Water and 4,600 gallons for Wastewater.

	% of MHI	% from Fixed Charge
NBU	1.47%	35%
Stronger	<= 1.2%	>= 30%
Mid-Range	<= 1.5%	>= 15%

Ratio History & Projections

	Debt to Cap	DSC	DCoH	Total Debt	Debt Service	Depreciation Expense
2012	11%	6.8	71	$32,756,000	$3,793,104	$10,570,000
2017	23%	6.1	152	114,549,000	6,373,610	18,537,779
2022	42%	5.2	255	409,851,215	32,267,831	30,092,794
*2024**	*47%*	*4.3*	*228*	*565,884,159*	*24,206,340*	*42,641,749*
*2028**	*53%*	*2.9*	*322*	*976,856,968*	*62,673,459*	*72,928,059*

* *Projected*

NBU NEW BRAUNFELS UTILITIES

Water Supply Fee

Water Supply Fee (WSF)

- Cost assessed to customers who have a volumetric usage
- Cost of certain water supplies expressed as dollars per 1,000 gallons, multiplied by the gallons sold during a billing period to each customer
- Calculated and assessed annually based on estimated variables for the period
- Reconciled annually with actual costs and credits
- NBU Board apprised of any changes to the WSF

Current Water Rate Design – WSF

	FY 2021	FY 2022	FY 2023
WSF (Residential, Block 1)	$0.00	$0.00	$0.00
WSF (All Other Blocks / Customer Classes)	$1.05	$2.49	$2.79

NBU NEW BRAUNFELS UTILITIES

FY 2023 WSF Estimate

WSF Estimate	
Seguin	$2,130,903
GBRA Canyon - Coleto Creek	$ 872,025
GBRA Canyon - Womack	$ 451,868
GBRA GCWSP	$2,266,067
Green Valley	$ 987,329
Interim Seguin Interconnect	$ 164,780
Water Volume	2,904,086,975 gallons
Water Supply Fee	$2.06 per thousand gallons

NBU NEW BRAUNFELS UTILITIES

FY 2023 WSF Actuals

WSF Actuals	
WSF Revenue Collected	$7,363,884
WSF Revenue Required	$4,616,573
Fiscal Year Over/(Under) Collection	$2,747,310
Cumulative Over/(Under) Collection	$3,643,255 = WSF True-up

NBU NEW BRAUNFELS UTILITIES

FY 2024 and FY 2025 WSF Estimate

WSF Estimate		
Purchased Water	**FY 2024 WSF Estimate**	**FY 2025 WSF Estimate**
Seguin	$ 2,730,219	$ 2,798,474
GBRA Canyon - Coleto Creek	$ 952,875	$ 1,000,519
GBRA Canyon - Womack	$ 493,763	$ 518,451
GBRA GCWSP	$ 1,239,067	$ 2,140,547
Green Valley	$ 1,013,348	$ 1,038,681
Comal Trinity	$ 168,000	$ 168,000
Cumulative WSF True-Up	$ (3,643,255)	$ --
Water Supply Fee*	$1.84 per thousand gallons	$1.84 per thousand gallons

NBU NEW BRAUNFELS UTILITIES

* Proposed FY 2024 WSF and Proposed FY 2025 WSF pending NBU Board approval

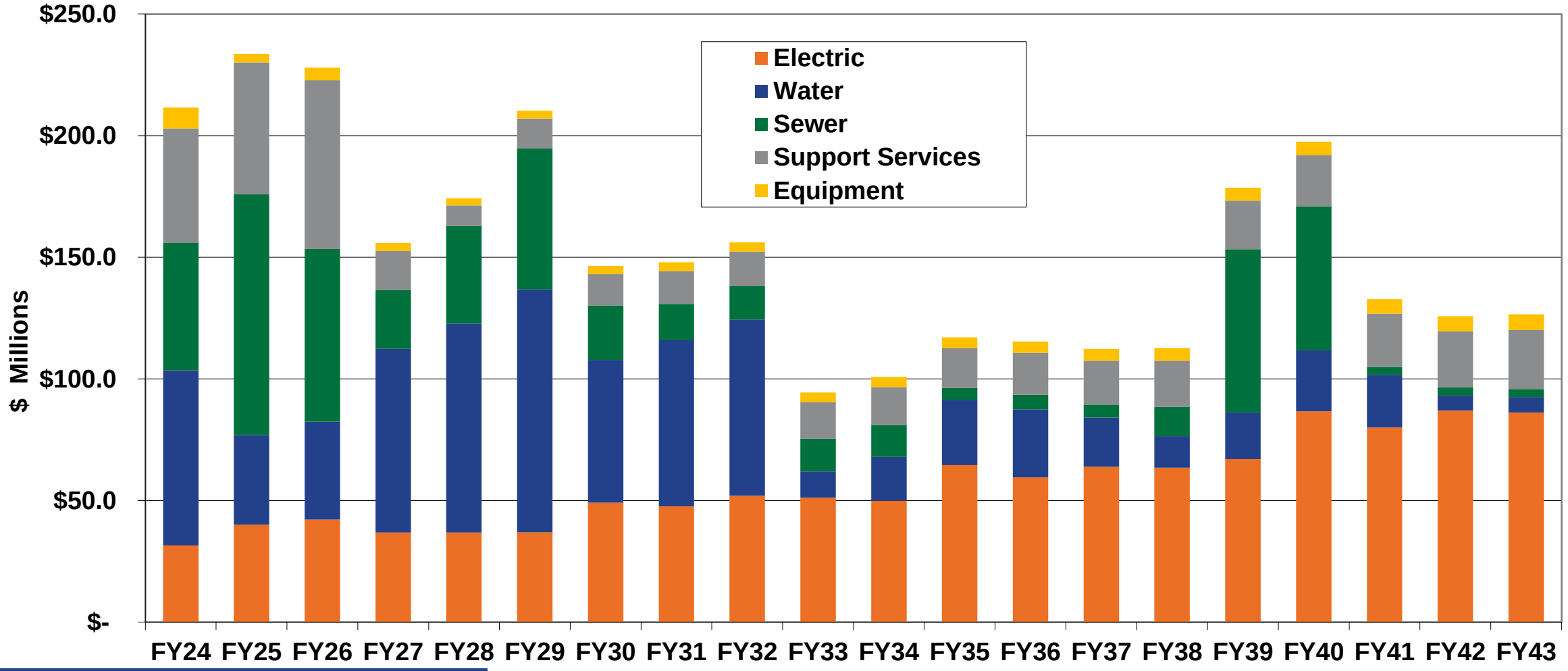
Proposed Water Rate Design - WSF

	FY 2024	FY 2025
WSF (Residential, Blocks 1 & 2)	$0.00	$0.00
WSF (All Other Blocks / Customer Classes)	$1.84	$1.84

20-YEAR FINANCIAL FORECAST

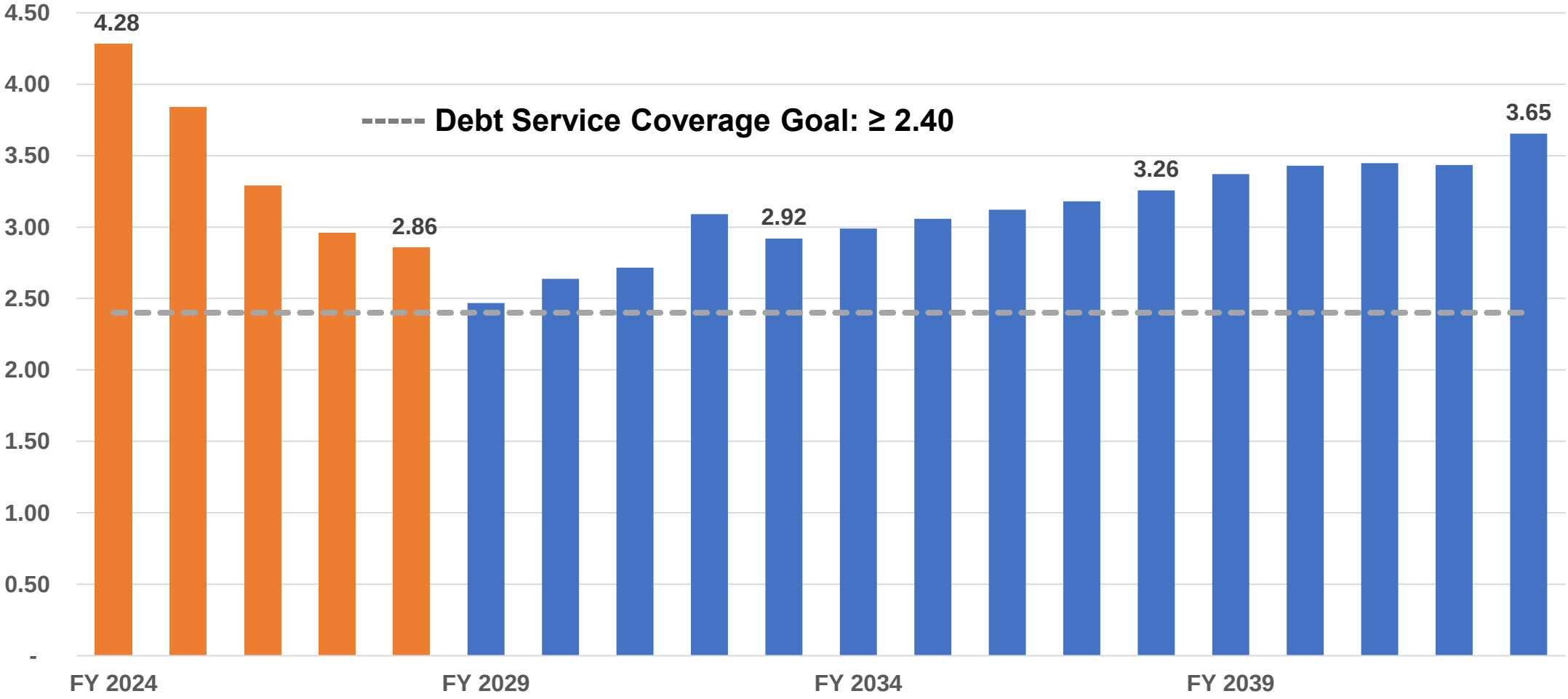
Capital Projects – 20-Year Financial Forecast

Amounts in Millions



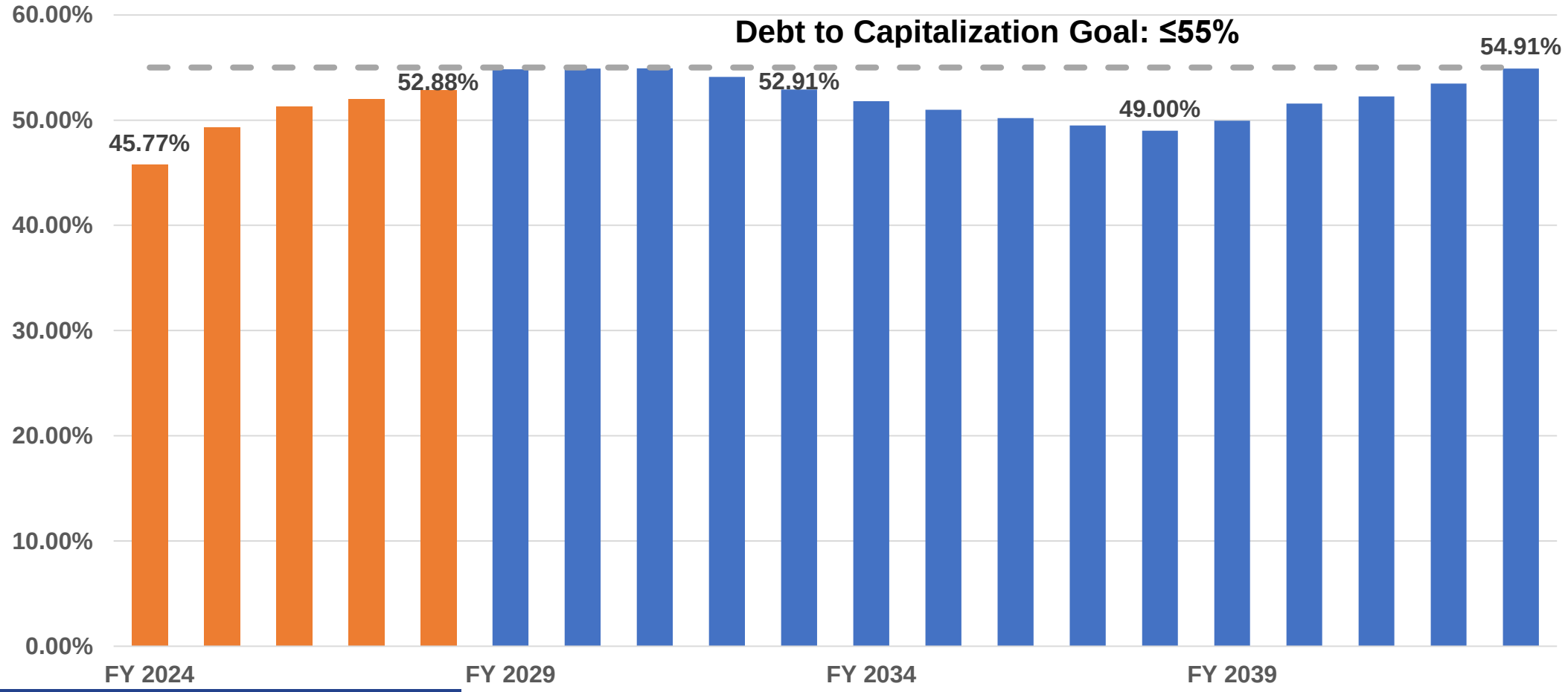
NBU NEW BRAUNFELS UTILITIES

Financial Results – 20-Year Financial Forecast
Debt Service Coverage



NBU NEW BRAUNFELS UTILITIES

Financial Results – 20-Year Financial Forecast
Debt to Capitalization



NBU NEW BRAUNFELS UTILITIES

Financial Results – 20-Year Financial Forecast Revenue Requirements

	Electric	Water	Wastewater
FY 2024	4.8%	9.1%	7.3%
FY 2025	5.9%	13.4%	7.3%
FY 2026	4.6%	13.6%	7.7%
FY 2027	3.8%	11.8%	7.7%
FY 2028	1.2%	11.8%	7.7%
FY 2029	1.3%	4.0%	4.0%
FY 2030	1.0%	3.0%	3.0%
FY 2031	0.7%	2.0%	2.0%
FY 2032	0.7%	2.0%	2.0%
FY 2033	0-3%	0-5%	0-5%
FY 2034	0-3%	0-5%	0-5%
FY 2035	0-3%	0-5%	0-5%
FY 2036	0-3%	0-5%	0-5%
FY 2037	0-3%	0-5%	0-5%
FY 2038	0-3%	0-5%	0-5%
FY 2039	0-3%	0-5%	0-5%
FY 2040	0-3%	0-5%	0-5%
FY 2041	0-3%	0-5%	0-5%
FY 2042	0-3%	0-5%	0-5%
FY 2043	0-3%	0-5%	0-5%

NBU NEW BRAUNFELS UTILITIES

Rate Design Milestones

Date	Action
March 27, 2023	NBU Budget Workshop
March 30, 2023	NBU Board Presentation for Approval
April 3, 2023	Public Hearing and First Reading of Ordinance Revision
April 10, 2023	Second Reading of Ordinance Revision
August 1, 2023	Effective Date of FY 2024 Rates
August 1, 2024	Effective Date of FY 2025 Rates

NBU NEW BRAUNFELS UTILITIES

QUESTIONS?

NBU Board Budget Workshop
Electric/Water/Wastewater Cost of Service and Rate Recommendations

March 27, 2023

Today's Topics

Rate/Cost of Service Overview

Cost of Service Process

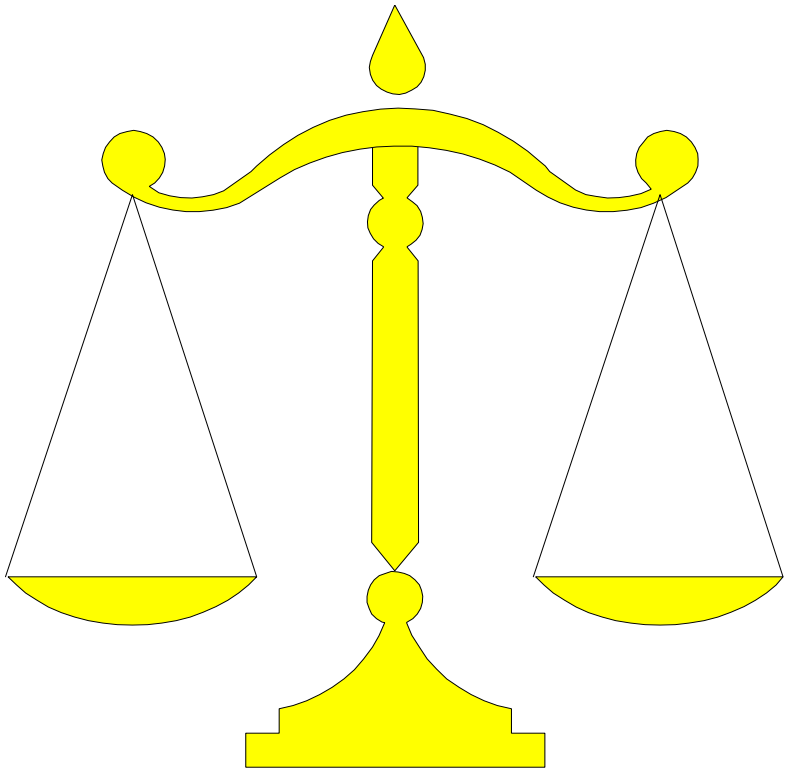
Review of Electric/Water/Wastewater Utility Cost of Service Results

Review of Electric/Water/Wastewater Utility Rate Design

Fitch Comparisons

Utility Rate Setting Goals and Process

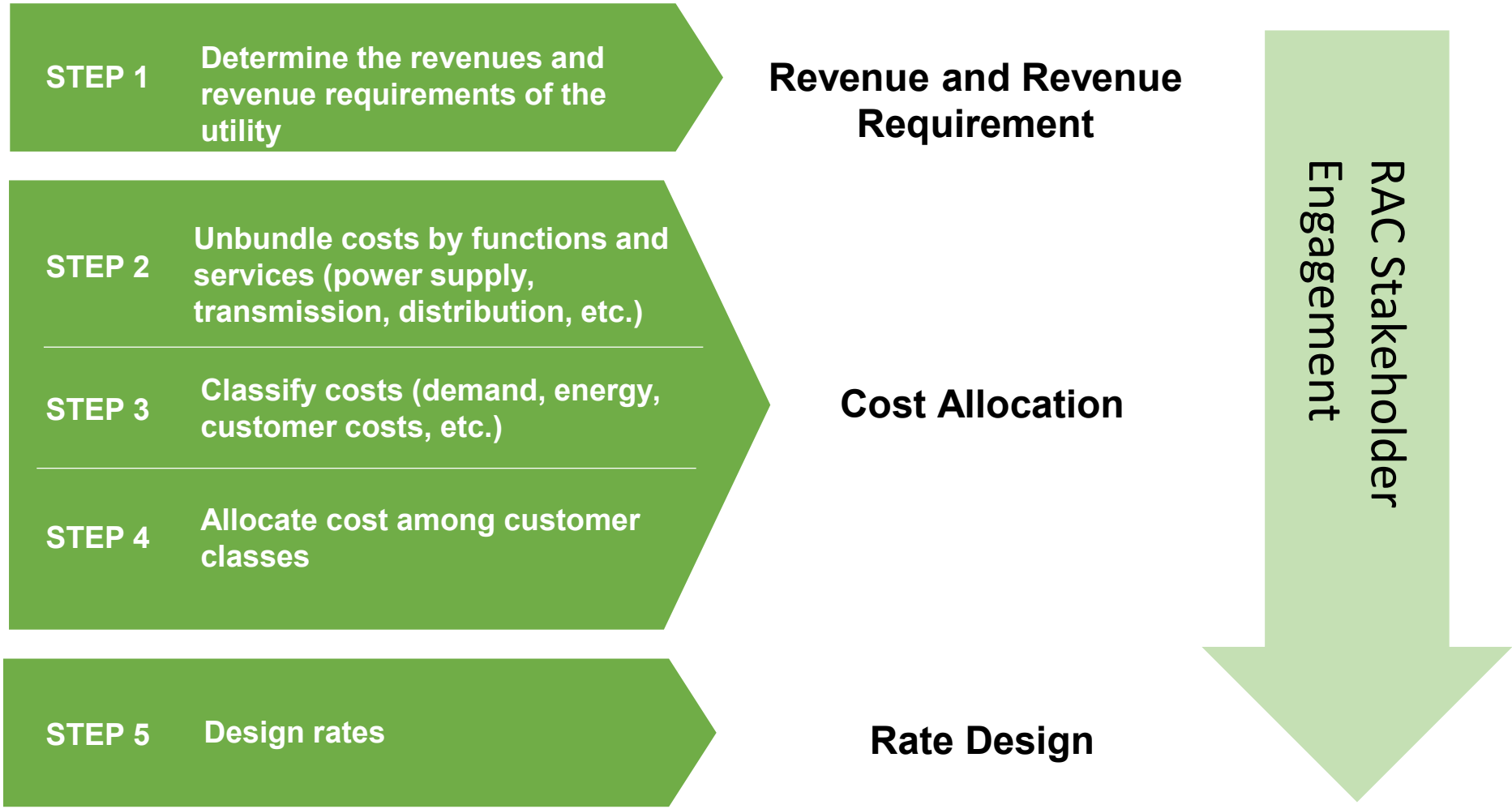
- Calculate the total costs to provide utility service, and equitably recover those costs from customers in rates
- Develop a rate strategy that aligns with NBU's long-term goals and strategy while maintaining financial stability
- Perform a cost-of-service analysis to determine if cost allocations are fair and equitable among the customer classes



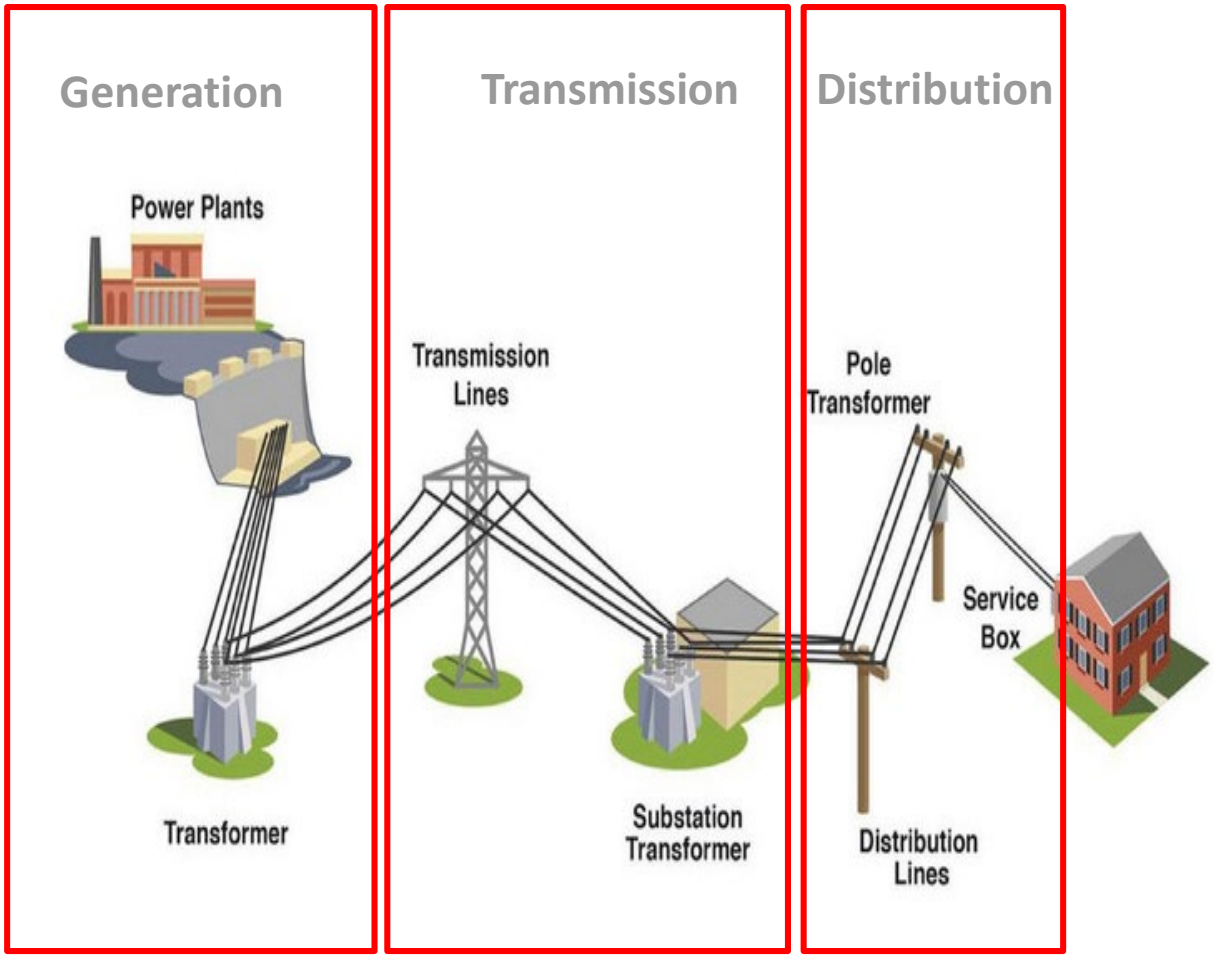
Policies/Targets and the Cost-of-Service Process

- The purpose of the Cost-of-Service study is to determine the cash required to fund operations and how to recover those funds
- Financial policies and targets are not determined through this process, they are set by the NBU Board
- Financial policies and targets are taken into consideration during the budget setting process and are approved by the Board
- Where possible, recommendations from the RAC were incorporated into the rate design process to address RAC and community concerns.

Cost of Service and Rate Making Process



Cost of Service – Electric Functions



Functions:

- Generation
- Transmission
- Distribution
- Customer (Accounting, Billing, etc.)

Cost of Service – Water And Wastewater Functions

Water Utility

Source of Supply

Pump Station

Water Treatment

Transmission and Distribution

Fire Protection

Wastewater Utility

Lift Station

Wastewater Treatment

Collection System

Electric Utility Cost of Service

Electric COS and Rate Results Agenda

1. Electric Financial Forecast and System Rate Increase Recommendations
2. Electric Cost of Service Results
3. Rate Recommendations and Impact of ERCOT Market Redesign

Key Outcomes and Results for Financial Forecast Analysis

- Growing overall capital needs at NBU and specific to electric infrastructure
- Increasing use of debt to spread costs over time, lessen rate impacts; however, this is essentially 80% of capital funded with debt early in forecast, moving towards 50% at end of forecast
- Currently includes $95M of cash reserve for power stabilization based on The Energy Authority analysis

Results

Revenue Sufficiency

Overall rates set to recover the total Cost of Service and Revenue Requirement

Equity and Fairness in Rate Making

Gradualism (phase-in of increases)

Similar rate increases for most classes. Existing rates align with COS results.

Utility Financial Stability and Strength

Moves to balanced 50/50 debt and rate funded capital

Reduced cost of debt; ensures financial strength, flexibility for NBU

Revenue Requirement – 1st Step in the COS Process Based on Financial Forecast

Revenue Requirement:

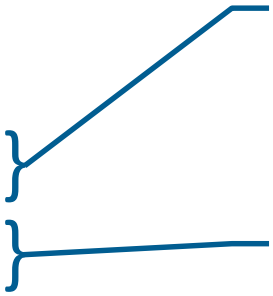
- The total costs to operate and deliver a utility service to customers that must be recovered in retail rates.
- These total costs to be recovered in rates are compared to revenues under current retail rates to determine revenue sufficiency (e.g., if current rates cover the total costs to deliver service).
- Cash based Revenue Requirement summary will look slightly different than financial operating results shown previously.

Item	Description
Operating & Maintenance (O&M) Expenses	Labor costs, materials, supplies, typical utility operations, etc.
Other Expenses / Revenues	Misc. Expenses, non-rate revenues/late fees, interest on cash reserves
Debt Service	Principal and interest on debt issuances for capital projects
Capital Improvements	Cash funded capital projects
PILOT, Franchise Fees, Transfers	City Transfers, payment in lieu of tax, use of right of way (what an IOU would have paid)
Contribution to Reserves	Increase cash reserve levels to meet utility targets/needs for ratings agencies

Electric Cost of Service Results

Revenue Requirement		Amount	
Purchased Power (Generation)	$	132,757,862	65%
Power Stabilization Funding	$	16,000,000	8%
Operating Expenses	$	27,125,835	13%
Total Operating Expenses	$	175,883,697	86%
Capital	$	14,939,275	7%
Debt Service	$	9,531,703	5%
City Transfer	$	9,499,107	5%
Other Expenses	$	373,400	0%
Other Revenues	$	(8,009,703)	-4%
Contribution to Reserves	$	2,872,125	1%
Total Revenue Requirement	**$**	**205,089,604**	

Revenue Requirement NBU Rate Structure				
Cost	Charges		Amount	
Generation	Gen & GCRF	$	131,404,246	64%
Transmission	Trans & TCRF	$	26,269,427	13%
Distribution	Delivery	$	37,670,461	18%
Customer	Availability	$	9,745,470	5%
Total Revenue Requirement		**$**	**205,089,604**	



Generation, Transmission & Reserve Charges on Bill

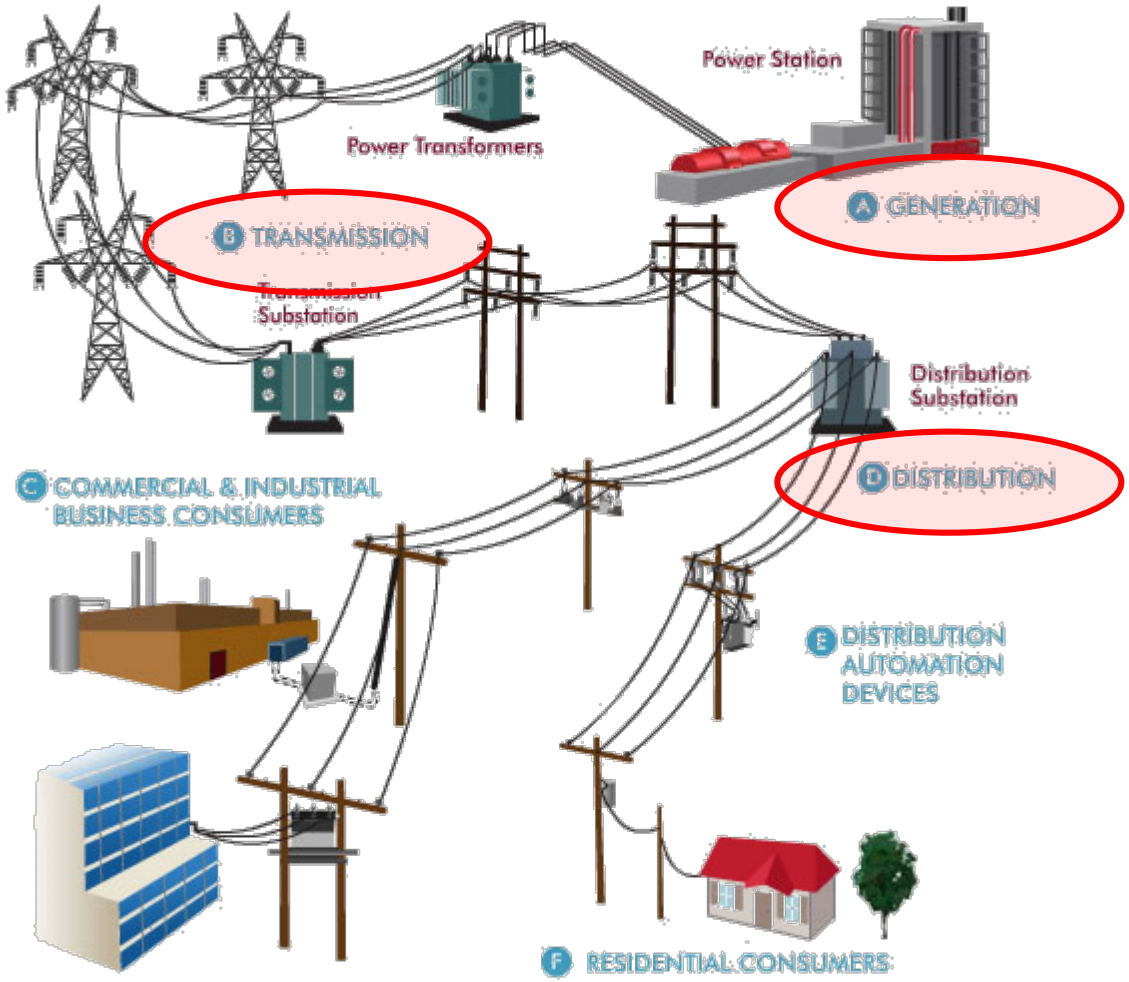
NBU Distribution Delivery & Availability Charges on Bill

Developing Cost of Service

STEP 2	Unbundle costs by functions and services (power supply, transmission, distribution, customer)
STEP 3	Classify costs (demand, energy, customer costs, etc.)
STEP 4	Allocate cost among customer classes

Cost Allocation

Electric Operations and Functions Step 2



Functions:

• Generation • Transmission	ERCOT
• Distribution • Customer (Accounting, Billing, etc.)	NBU

Electric Cost Classification
Step 3

Electric Functions	Electric Cost Classifications
Power Supply (Generation):	Demand-related (F) Energy-related (V)
Transmission:	Demand-related (F) Direct Assignments (F)
Distribution:	Demand-related (F) Customer-related (F) Direct Assignments (F)
Customer Service:	Customer-related (F)

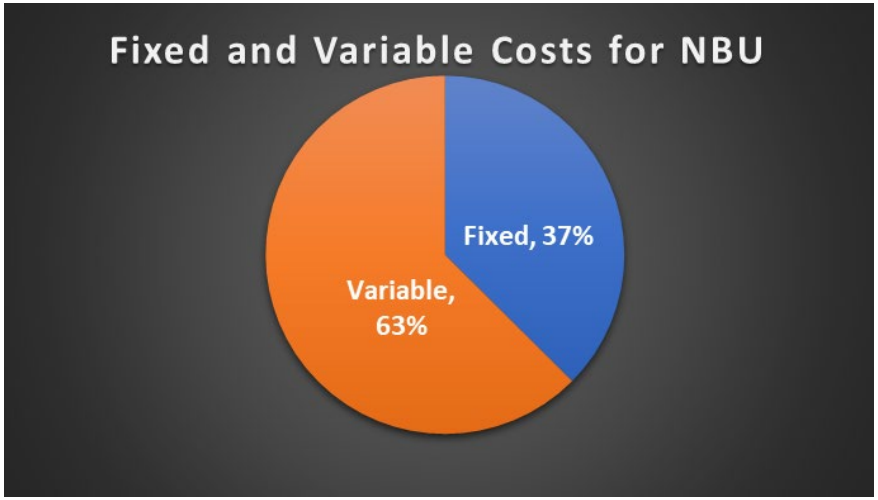
- Demand (Fixed)
  - Varies with kilowatt (kW) demand
- Energy (Variable)
  - Varies with kilowatt-hour (kWh)
- Customer (Fixed)
  - Varies with number of customers
- Direct Assignment (Fixed)
  - Assigned to a particular customer or customer group

Determines fixed and variable costs. Critical element in evaluating cost recovery (e.g., rate making).

Electric Cost of Service Results

Functional Costs		Amount	
Purchased Power (Generation)	$	125,318,014	61%
Transmission	$	27,067,077	13%
Distribution	$	38,743,282	19%
Customer	$	4,462,124	2%
Transfers	$	9,499,107	5%
Total Revenue Requirement	**$**	**205,089,604**	

Classified Costs		Amount	
Demand	$	66,811,291	33%
Energy	$	128,286,776	63%
Customer	$	9,991,538	5%
Total Revenue Requirement	$	205,089,604	



Electric Cost Allocation to Customer Classes - Step 4

Each classified cost is allocated to customer classes based on the class's consumption characteristics.

- Demand costs allocated on contribution to summer system or local distribution peak
- Energy costs allocated on energy purchased for the class's load
- Customer costs allocated on number of customers or weighted customers

Demand costs account for 33% of total costs

- Prior to AMI: customer contributions to system/local demand relied on load research (rarely done) or industry standard
- Post AMI: NBU's AMI system provides accurate, precise system peak data for cost allocations; highly defensible data to justify allocated costs

Electric Cost of Service Results

Line	Description	Allocated 2023-2027 Cost of Service	2023-2027 Rate Revenues	Revenue Over/(Under) Recovery		Percent Increase for Full Cost Recovery
				Amount	Percent	
		($)	($)	($)	(%)	(%)
	New Braunfels Utilities					
1	Residential Service (RE)	$ 91,775,510	$ 78,309,104	$ (13,466,406)	85%	17%
2	Small General Service (SGS)	$ 9,739,917	$ 8,471,099	$ (1,268,818)	87%	15%
3	Large General Service (LGS)	$ 51,125,637	$ 43,521,515	$ (7,604,122)	85%	17%
4	Very Large Power (VLP)	$ 14,336,047	$ 12,587,396	$ (1,748,651)	88%	14%
5	Transmission Service (TSR)	$ 37,747,765	$ 39,199,588	$ 1,451,824	104%	-4%
6	Lighting Classes	$ 364,728	$ 375,137	$ 10,408	103%	-3%
7	**Total**	**$ 205,089,604**	**$ 182,463,840**	**$ (22,625,764)**	**89%**	**12%**

COS results are consistent with current NBU rates. No customer classes are getting dramatically larger rate increases than another.

Water Utility Cost of Service

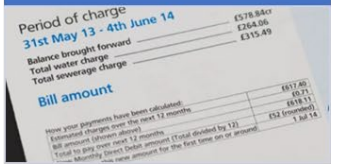
Cost of Service – Water Function and Classification

Function

Water Utility

Source of Supply	Pump Station	Water Treatment	Transmission and Distribution	Fire Protection
				

Drivers

Average Day	Max Day	Max Hour	Customer Billing	Adequate Fire Flow
				
Base Costs	Extra Capacity Costs		Customer Costs	Direct Costs

Water Cost of Service Results

Line	Customer Class	Allocated FY 2024 Cost of Service	2024 Existing Rate Revenues	Revenue Over/(Under) Recovery		% Increase for Full Cost
				Amount	Percent	
	New Braunfels Utilities					
1	Residential	$ 24,770,834	$ 17,149,911	$ (7,620,923)	69%	44%
2	Residential Irrigation	7,867,368	8,948,426	1,081,058	114%	-12%
3	Commercial	7,434,488	8,172,446	737,958	110%	-9%
4	Commercial Irrigation	2,483,532	3,514,251	1,030,719	142%	-29%
5	Multi-Unit Res 2-4	224,839	259,774	34,935	116%	-13%
6	Multi-Unit Res 5+	1,639,794	2,736,389	1,096,595	167%	-40%
7	Commercial - Re-Use Water	$ 133,962	$ 75,284	$ (58,678)	56%	78%
8	**Total**	**$ 44,554,817**	**$ 40,856,481**	**$ (3,698,336)**	**91.7%**	**9.1%**

Wastewater Utility Cost of Service

Cost of Service – Wastewater Function and Classification

Function

Lift Station

Wastewater Treatment

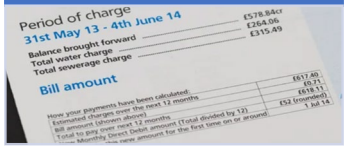
Collection System

Drivers

Contributed Flow

Infiltration / Inflow

Customer Billing



Chemical Oxygen Demand (COD)

Total Suspended Solids (TSS)

Wastewater Cost of Service Results

Line	Customer Class	Allocated FY 2024 Cost of Service	2024 Existing Rate Revenues	Revenue Over/(Under)		% Increase for Full Cost
				Amount	Percent	
	New Braunfels Utilities					
6	Residential	$ 23,518,324	$ 20,784,532	$ (2,733,791)	88%	13.15%
7	Commercial	12,162,439	12,324,783	162,344	101%	-1.32%
8	Multi-Unit 2-4	197,359	193,514	(3,845)	98%	1.99%
9	Multi-Unit 5+	$ 4,217,293	$ 4,064,752	$ (152,541)	96%	3.75%
10	**Total**	**$ 40,095,415**	**$ 37,367,581**	**$ (2,727,833)**	**93%**	**7.3%**

Electric Utility Rate Design

Rate Recommendations by Class

Total Rate / Bill Increase by Year

Class	FY 2024	FY 2025	FY 2026	FY 2027
Residential	6.3%	6.5%	4.9%	4.0%
Small Commercial	6.7%	6.7%	4.3%	3.4%
Large Commercial	7.3%	8.6%	5.9%	4.9%
Very Large Power	5.7%	7.3%	5.3%	4.3%
Transmission Service	0.0%	0.0%	0.0%	0.0%
Lighting	1.6%	1.6%	1.0%	0.7%
System Average	**4.8%**	**5.9%**	**4.6%**	**3.8%**

Rate Recommendations - Residential Average Bill Impact

Charge	FY 2024	Bill[1]	FY 2025	Bill
NBU Delivery				
Elec. Availability ($/Mo.)	$20.00	**$20.00**	$20.00	**$20.00**
Delivery ($/kWh)	$0.01954	**$23.45**	$0.0265	**$31.75**
Pass Through (PCRA)				
Gen Cost – Summer ($/kWh)	$0.0500	**$60.00**	$0.0500	**$60.00**
Transmission ($/kWh)	$0.0052	**$6.24**	$0.0052	**$6.24**
GCRF/TCRF ($/kWh)	$0.0299[2]	**$35.94**	$0.0299[2]	**$35.94**
Bill Total		**$145.63**		**$153.93**
Difference		**$8.51 (6.2%)**		**$8.30 (5.7%)**

Notes:
1. Assumes 1,200kWh per month average consumption
2. GCRF/TCRF combined and estimated at the average power and transmission costs for the 5-yr period

Rate Recommendations - Small Commercial Average Bill Impact

Charge	FY 2024	Bill[1]	FY 2025	Bill
NBU Delivery				
Elec. Availability ($/Mo.)	$29.05	**$29.05**	$35.46	**$35.46**
Delivery ($/kWh)	$0.01278	**$17.89**	$0.01560	**$21.84**
Pass Through (PCRA)				
Gen Cost – Summer ($/kWh)	$0.0500	**$70.00**	$0.0500	**$70.00**
Transmission ($/kWh)	$0.0052	**$7.28**	$0.0052	**$7.28**
GCRF/TCRF ($/kWh)	$0.0299[2]	**$41.93**	$0.0299[2]	**$41.93**
Bill Total		**$166.15**		**$176.51**
Difference		**$10.39 (6.7%)**		**$10.36 (6.2%)**

Notes:
1. Assumes 1,400kWh per month average consumption
2. GCRF/TCRF combined and estimated at the average power and transmission costs for the 5-yr period

Rate Recommendations - Large Commercial Average Bill Impact

Charge	FY 2024	Bill[1]	FY 2025	Bill
NBU Delivery				
Elec. Availability ($/Mo.)	$50.41	**$50.41**	$67.07	**$67.07**
Delivery ($/kW)	$7.50	**$627.93**	$9.98	**$835.53**
Pass Through (PCRA)				
Gen Cost – Summer ($/kWh)	$0.0500	**$1,450.00**	$0.0500	**$1,450.00**
Transmission ($/kW)	$1.15	**$96.28**	$1.15	**$96.28**
GCRF/TCRF ($/kWh)	$0.0299[2]	**$868.50**	$0.0299[2]	**$868.50**
Bill Total		**$3,093.12**		**$3,317.38**
Difference		**$194.89 (6.7%)**		**$224.26 (7.3%)**

Notes:
1. Assumes 29,000 kWh per month average consumption
2. GCRF/TCRF combined and estimated at the average power and transmission costs for the 5-yr period

Electric Rate Recommendations – Key Outcomes

- Two-year rate plan:
  - 2024: 4.8% | 2025 5.9% Average System Rate/Revenue Increase
  - Rate increases primarily driven by system capital and infrastructure needs
  - Rate increases are not driven by ERCOT market prices, power supply and transmission costs are a pass through
  - Rate increases consistent across Classes (e.g., no Customer Classes are getting significantly larger rate increases than others)

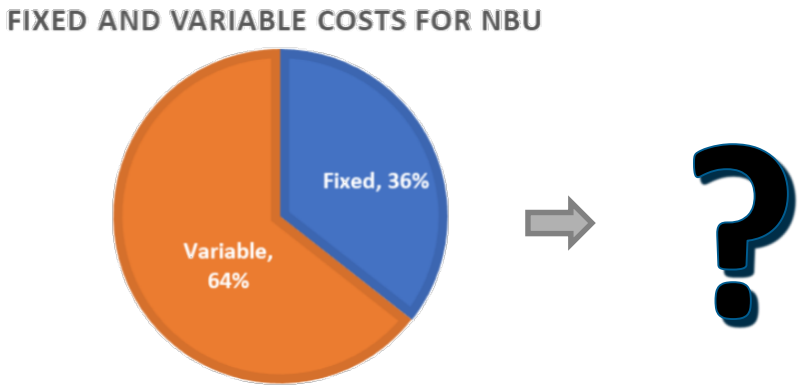
- Outcomes:
  - Over 2-yr rate plan
    - Rate increases meet NBU's cash needs
  - Over 5-yr rate plan:
    - Positions NBU to cash fund capital improvements (rather than 80%+ debt)
    - No longer heavily reliant on debt for capital, provides flexibility
  - Align with NBU Financial Policies
  - Follows utility industry practice
  - Supports improved credit rating (reduce costs of debt)
  - Bridges to ERCOT market redesign

Potential Impacts of ERCOT Market Redesign

Expected impacts (please note this is overly simplified):

- Load serving entities (like NBU) will be required to show they have the capacity to meet peak demand needs
- LSEs will purchase capacity or performance credits from generators or generation companies to meet its designated or calculated peak demands
- This is a new cost to LSEs which would be passed on to rate payers
- Once decided, it will take 1-2 years to implement

What does this mean to NBU?
Once a plan is adopted and implemented, NBU's costs will likely increase, and those costs will be fixed or capacity related not variable or energy. This may affect the cost structure of NBU (and all other utilities) in delivering service to customers.



Water Utility Rate Design

Recommended Changes to Water Rate Structures

On Peak/Off Peak

- Remove On-Peak/Off-Peak Differential
- Make FY2022 Revenue Neutral

General Service Class

- Define Break Point for GS Class
- Move High Use Customers to LGS Class

Usage Tiers

- Establish Tiers to Reflect Usage Levels
- Create Tier to Allow for Low Usage Savings

Recommendations - Water

- Remove On-Peak/Off-Peak Differential
- Split Commercial Class into Small General Service and Large General Service (LGS)
  - Move Larger Usage Customers into Large Commercial Class
- Modified tiers in Residential and Small Commercial Class
- Revenue needs are solely driven by capital projects required to be completed to maintain regulatory compliance
- Two-year rate plan:
  - Average System Revenue Increase
    - 2024: 9.1% | 2025: 13.4%

Recommendations - Water

Total Rate / Bill Increase by Year

Class	FY 2024 *	FY 2025	FY 2026	FY 2027
Residential**	35.1%	11.2%	14.4%	12.2%
Residential Irrigation	1.2%	16.7%	13.1%	15.4%
Small Commercial	-12.8%	12.3%	14.8%	9.0%
Small Commercial Irrigation	-6.1%	23.1%	12.1%	13.4%
Large Commercial		11.3%	13.4%	6.1%
Multi-Unit 2-4	-2.9%	18.9%	17.6%	11.3%
Multi-Unit 5+	-3.9%	11.8%	10.5%	5.1%
Commercial Re-Use Water		0.0%	0.0%	0.0%
Other Sales	9.0%	17.1%	13.3%	11.7%
Total Revenue Increase by Year	9.1%	13.4%	13.6%	11.7%

* Large increases in FY2024 are mainly due to adjustments in rate structure and not to increases in rates.

**Includes non-metered residential irrigation.

Residential Class Proposed Rates

Description	Units	FY 2023[1]	FY 2024	FY 2025	FY 2026	FY 2027
Availability Charge						
5/8" Meter	$/Month	$15.98	$15.98	$16.05	$16.30	$16.65
1" Meter	$/Month	27.17	28.00	29.10	31.00	32.15
1 1/2" Meter	$/Month	31.59	32.00	33.00	34.25	35.00
2" Meter	$/Month	38.56	40.00	40.00	40.50	41.25
3" Meter	$/Month	56.27	57.50	58.10	59.00	59.65
> 4" Meter	$/Month	66.34	68.00	68.50	69.50	71.00
Usage Charge[2]						
0 - 3,000 Gallons	$/1,000 Gallons	1.93 / 2.02[3]	1.95	2.15	2.50	2.85
3,001 - 6,000 Gallons	$/1,000 Gallons	1.93 / 2.02	4.90	5.20	5.85	6.15
6,001 - 12,000 Gallons	$/1,000 Gallons	4.87 / 5.25	7.65	8.00	8.70	9.25
> 12,000 Gallons	$/1,000 Gallons	6.65 / 7.98	11.50	12.25	12.95	13.45
Water Supply Fee						
0 - 3,000 Gallons	$/1,000 Gallons	-	-	-	-	-
3,001 - 6,000 Gallons	$/1,000 Gallons	-	-	-	-	-
6,001 - 12,000 Gallons	$/1,000 Gallons	2.79	1.84	1.84	1.84	1.84
> 12,000 Gallons	$/1,000 Gallons	$2.79	$1.84	$1.84	$1.84	$1.84

(1) *Current effective rate*
(2) *FY 2023 rates shown are from the current rate structure, which differs from the proposed rate structure shown here.*
(3) *FY 2023 usage rates show off-peak and on-peak rates, which are proposed to be eliminated in FY 2024.*
(4) *FY 2023 includes a Usage Charge tier of >25,000 gallons, with off-peak / on-peak rates of $9.15 / $11.90 not reflected int the table*

Residential Customer Bill Comparison at 3,000 Gallons

WATER - AVERAGE RESIDENTIAL BILL*			
	Current**	FY24	FY25
Customer Bill	$ 21.77	$ 21.83	$ 22.50
YOY % Change		0%	3%

*Based on 3,000 gallons

**As of January 2023, assuming off-peak rate

***This usage level (0 – 3,000 gallons) accounts for 37.4% of NBU water customers.

Residential Customer Bill Comparison at 6,000 Gallons

WATER - AVERAGE RESIDENTIAL BILL*			
	Current**	FY24	FY25
Customer Bill	$ 27.56	$ 36.53	$ 38.10
YOY % Change		33%	4%

*Based on 6,000 gallons

**As of January 2023, assuming off-peak rate

***This usage level (3,001 – 6,000 gallons) accounts for 33.5% of NBU water customers.

****With these structure changes, NBU is still in the lowest quartile in the region at this usage level.

Multi-Unit Class Proposed Rates

Description	Units	FY 2023 (1)	FY 2024	FY 2025	FY 2026	FY 2027
Availability Charge						
5/8" Meter	$/Month	$15.98	$15.98	$16.05	$16.30	$16.65
1" Meter	$/Month	20.84	28.00	29.10	31.00	32.15
1 1/2" Meter	$/Month	24.21	32.00	33.00	34.25	35.00
2" Meter	$/Month	29.57	40.00	40.00	40.50	41.25
3" Meter	$/Month	43.14	57.50	58.10	59.00	59.65
> 4" Meter	$/Month	50.87	68.00	68.50	69.50	71.00
Usage Charge						
All Usage	$/1,000 Gallons	2.71 / 3.12	3.55	4.50	5.40	5.75
Water Supply Fee						
All Usage	$/1,000 Gallons	2.79	1.84	1.84	1.84	1.84
Unit Charge						
All Units Over One	$/Unit	$12.48	$12.48	$12.48	$12.48	$12.48

(1) Current effective rate

Multi-Unit Customer Bill Comparison at 5,000 Gallons

WATER - AVERAGE MULTI-UNIT BILL*			
	Current**	FY24	FY25
Customer Bill	$ 43.48	$ 42.93	$ 47.75
YOY % Change		-1%	11%

*Based on 5,000 gallons
**As of January 2023, assuming off-peak rate

Small General Service Class Proposed Rates

Description	Units	FY 2023[1]	FY 2024	FY 2025	FY 2026	FY 2027
Availability Charge						
5/8" Meter	$/Month	$20.06	$21.50	$22.00	$23.50	$24.15
1" Meter	$/Month	22.59	23.50	24.25	25.75	26.15
1 1/2" Meter	$/Month	29.34	30.50	31.25	32.50	33.00
2" Meter	$/Month	37.29	39.00	40.00	41.25	41.85
3" Meter	$/Month	56.46	58.50	60.00	61.25	61.75
4" Meter	$/Month	85.86	87.00	91.00	92.15	92.85
6" Meter	$/Month	149.07	153.00	157.91	159.15	160.00
8" Meter	$/Month	149.07	175.00	185.00	187.00	188.50
> 10" Meter	$/Month	155.04	200.00	225.00	230.00	232.00
Usage Charge [2]						
0 - 5,000 Gallons	$/1,000 Gallons	2.98 / 3.27[3]	$3.75	$3.75	$4.70	$5.25
5,001 - 35,000 Gallons	$/1,000 Gallons	3.24 / 3.74	5.00	5.75	6.50	6.75
35,001 - 75,000 Gallons	$/1,000 Gallons	3.78 / 4.92	6.75	8.00	8.65	8.90
> 75,000 Gallons [4]	$/1,000 Gallons	3.78 / 4.92	8.00	12.00	12.80	12.95
Water Supply Fee						
All Usage	$/1,000 Gallons	2.79	1.84	1.84	1.84	1.84
Unit Charge						
All Units Over One	$/Unit	$12.48	$12.48	$12.48	$12.48	$12.48

(1) Current effective rate
(2) FY 2023 rates shown are from the current rate structure, which differs from the proposed rate structure shown here.
(3) FY 2023 usage rates show off-peak and on-peak rates, which are proposed to be eliminated in FY 2024.
(4) FY 2023 includes a Usage Charge tier of >200,000 gallons, with off-peak / on-peak rates of $4.67 / $6.53 not reflected int the table

Small General Service Customer Bill Comparison at 12,300 Gallons

WATER - AVERAGE SMALL GENERAL SERVICE BILL*			
	Current**	FY24	FY25
Customer Bill	$ 92.93	$ 99.38	$ 105.36
YOY % Change		7%	6%

*Based on 12,300 gallons
**As of January 2023, assuming off-peak rate

Large General Service Class Proposed Rates

Description	Units	FY 2023[(1)]	FY 2024	FY 2025	FY 2026	FY 2027
Availability Charge						
Flat Meter Charge	$/Month	$1,794.11	$350.00	$400.00	$425.00	$450.00
Usage Charge						
All Usage	$/1,000 Gallons	2.40	3.25	3.75	4.55	4.90
Water Supply Fee						
All Usage	$/1,000 Gallons	$2.79	$1.84	$1.84	$1.84	$1.84

(1) Current effective rate

Large General Service Customer Bill Comparison at 300,000 Gallons

WATER - AVERAGE LARGE GENERAL SERVICE BILL*			
	Current**	FY24	FY25
Customer Bill	$ 3,351.11	$ 1,877.00	$ 2,077.00
YOY % Change		-44%	11%

*Based on 300,000 gallons
**As of January 2023, assuming off-peak rate

Irrigation Service Class Proposed Rates

Description	Units	FY 2023 (1)	FY 2024	FY 2025	FY 2026	FY 2027
Availability Charge						
5/8" Meter	$/Month	$11.80	$15.98	$16.05	$16.30	$16.65
1" Meter	$/Month	14.32	28.00	29.10	31.00	32.15
1 1/2" Meter	$/Month	18.72	32.00	33.00	34.25	35.00
2" Meter	$/Month	19.97	40.00	40.00	40.50	41.25
3" Meter	$/Month	31.20	57.50	58.10	59.00	59.65
> 4" Meter	$/Month	37.44	68.00	68.50	69.50	71.00
Usage Charge (2)						
0 - 6,000 Gallons	$/1,000 Gallons	5.23 / 6.54(3)	6.50	7.75	8.75	10.00
6,001 - 12,000 Gallons	$/1,000 Gallons	6.39 / 7.99	7.75	9.00	10.00	11.00
> 12,000 Gallons	$/1,000 Gallons	6.39 / 7.99 8.80 / 11.02	10.35	13.30	13.90	14.40
Water Supply Fee						
All Usage	$/1,000 Gallons	$2.79	$1.84	$1.84	$1.84	$1.84

(1) Current effective rate
(2) FY 2023 rates shown are from the current rate structure, which differs from the proposed rate structure shown here.
(3) FY 2023 usage rates show off-peak and on-peak rates, which are proposed to be eliminated in FY 2024.

Irrigation Customer Bill Comparison at 15,000 Gallons

Average Residential Customer with and without an Irrigation Meter						
		Current*		FY24		FY25
Residential Customer without Irrigation Meter**						
Customer Water Bill	$	87.91	$	133.49	$	139.41
YOY % Change				52%		4%
Total Customer Bill	**$**	**87.91**	**$**	**133.49**	**$**	**139.41**
YOY % Change				52%		4%
Residential Customer with Irrigation Meter***						
Customer Water Bill	$	27.56	$	36.53	$	38.10
YOY % Change				33%		4%
Customer Irrigation Bill	$	85.72	$	94.79	$	106.11
YOY % Change				11%		12%
Total Customer Bill	**$**	**113.28**	**$**	**131.32**	**$**	**144.21**
YOY % Change				16%		10%

*Current effective rate, off-peak

**Without irrigation meter assumes Water - 15,000 gallons

***With irrigation meter assumes Water – 6,000 gallons, Irrigation – 9,000 gallons

Combined Average Residential Customer Bill

COMBINED - AVERAGE RESIDENTIAL CUSTOMER BILL**						
		Current*		FY24		FY25
Electric	$	137.12	$	145.63	$	153.93
YOY % Change				6%		6%
Water	$	27.56	$	36.53	$	38.10
YOY % Change				33%		
Wastewater	$	57.28	$	63.30	$	69.94
YOY % Change				11%		10%
Total Customer Bill	$	221.96	$	245.46	$	261.97
YOY % Change				11%		7%

*Current effective rate, off-peak

**Based on 1,200 kWh for electric, 6,000 gallons for water and 4,600 gallons for wastewater

Wastewater Utility Rate Design

Recommendations - Wastewater

- No changes to customer classifications
- Revenue needs are solely driven by capital projects required to be completed to maintain regulatory compliance
- Two-year rate plan:
  - Average System Rate Increase
    - 2024: 7.3% | 2025: 7.3%

Recommendations - Wastewater

Total Rate / Bill Increase by Year

Class	FY 2024	FY 2025	FY 2026	FY 2027
Residential	10.5%	10.5%	9.0%	7.0%
Multi-Unit Res 2-4	0.0%	0.0%	9.0%	7.0%
Multi-Unit Res 5+	0.0%	0.0%	6.8%	9.3%
Multi-Unit Res 5+ COD	0.0%	0.0%	0.0%	0.0%
Multi-Unit Res 5+ TSS				
Commercial	0.0%	0.0%	6.8%	9.3%
Commercial COD		0.0%	0.0%	0.0%
Commercial TSS		0.0%	0.0%	0.0%
Total System Revenue Increase from Rates	7.3%	7.3%	7.7%	7.7%

Residential Class Proposed Rates

Description	Units	FY 2023[(1)]	FY 2024	FY 2025	FY 2026	FY 2027
Availability Charge						
Flat Customer Charge	$/Month	$27.52	$30.41	$33.60	$36.62	$39.18
Usage Charge						
All Usage	$/1,000 Gallons	6.47	7.15	7.90	8.61	9.21
Residential WW Only	Flat $	78.34	86.57	95.66	104.27	111.57
Maximum Charge	$	$147.86	$163.40	$180.54	$196.79	$210.57

(1) Current effective rate

Residential Customer Bill Comparison at 4,600 Gallons

	Current	FY 2024	FY 2025
Customer Bill	$57.28	$63.30	$69.94
YOY % Change		10.5%	10.5%

*Based on 4,600 gallons

Multi-Unit 2-4 Class Proposed Rates

Description	Units	FY 2023[(1)]	FY 2024	FY 2025	FY 2026	FY 2027
Availability Charge						
Flat Customer Charge	$/Month	$27.52	$30.41	$33.60	$36.62	$39.18
Usage Charge						
All Usage	$/1,000 Gallons	6.47	7.15	7.90	8.61	9.21
Unit Charge						
All Units Over One	$/Unit	$16.37	$16.37	$16.37	$16.37	$16.37

(1) Current effective rate

Multi-Unit 2-4 Customer Bill Comparison at 4,600 Gallons

	Current	FY 2024	FY 2025
Customer Bill	$73.65	$79.67	$86.31
YOY % Change		8.2%	8.3%

*Assumes 2 units per bill with a 5/8" master meter

Multi-Unit 5+ Class Proposed Rates

Description	Units	FY 2023[1]	FY 2024	FY 2025	FY 2026	FY 2027
Availability Charge						
5/8" Meter	$/Month	$39.12	$39.12	$39.12	$41.76	$45.62
1" Meter	$/Month	42.45	42.45	42.45	45.32	49.51
1 1/2" Meter	$/Month	59.21	59.21	59.21	63.21	69.06
2" Meter	$/Month	75.31	75.31	75.31	80.39	87.83
3" Meter	$/Month	116.22	116.22	116.22	124.06	135.54
4" Meter	$/Month	167.40	167.40	167.40	178.70	195.23
6" Meter	$/Month	301.70	301.70	301.70	322.06	351.85
10" Meter	$/Month	520.66	520.66	520.66	555.80	607.21
Usage Charge						
0 - 7,000 Gallons	$/1,000 Gallons	8.18	8.18	8.18	8.73	9.54
7,001 - 25,000 Gallons	$/1,000 Gallons	8.18	8.18	8.18	8.73	9.54
25,001 - 300,000 Gallons	$/1,000 Gallons	8.18	8.18	8.18	8.73	9.54
> 300,000 Gallons	$/1,000 Gallons	8.18	8.18	8.18	8.73	9.54
Unit Charge						
All Units Over One	$/Unit	$16.37	$16.37	$16.37	$17.47	$19.09

Multi-Unit 5+ Customer Bill Comparison at 4,600 Gallons

	Current	FY 2024	FY 2025
Customer Bill	$1,138.90	$1,138.90	$1,138.90
YOY % Change		0%	0%

*Assumes 20 Units per bill with a 2" master meter

Small General Service Class Proposed Rates

Description	Units	FY 2023[1]	FY 2024	FY 2025	FY 2026	FY 2027
Availability Charge						
5/8" Meter	$/Month	$39.12	$39.12	$39.12	$41.76	$45.62
1" Meter	$/Month	42.45	42.45	42.45	45.32	49.51
1 1/2" Meter	$/Month	59.21	59.21	59.21	63.21	69.06
2" Meter	$/Month	75.31	75.31	75.31	80.39	87.83
3" Meter	$/Month	116.22	116.22	116.22	124.06	135.54
4" Meter	$/Month	167.40	167.40	167.40	178.70	195.23
6" Meter	$/Month	301.70	301.70	301.70	322.06	351.85
10" Meter	$/Month	520.66	520.66	520.66	555.80	607.21
Usage Charge						
0 - 7,000 Gallons	$/1,000 Gallons	8.18	8.18	8.18	8.73	9.54
7,001 - 25,000 Gallons	$/1,000 Gallons	8.18	8.18	8.18	8.73	9.54
25,001 - 300,000 Gallons	$/1,000 Gallons	8.18	8.18	8.18	8.73	9.54
> 300,000 Gallons	$/1,000 Gallons	8.18	8.18	8.18	8.73	9.54
Unit Charge						
All Units Over One	$/Unit	16.37	16.37	16.37	17.47	19.09
Commercial WW Only						
All Units	$/Unit	88.07	88.07	88.07	94.01	102.71
Private Well Service						
All Units	$/Unit	$35.82	$35.82	$35.82	$38.24	$41.78

(1) Current effective rate

Small General Service Customer Bill Comparison at 10,000 Gallons

	Current	FY 2024	FY 2025
Customer Bill	$157.11	$157.11	$157.11
YOY % Change		0%	0%

*Assumes a 2" master meter

Fitch Ratings Comparisons

Fitch Bond Rating Attributes

		% of MHI	% from Fixed Charge
Stronger			
Residential charges for combined water/sewer utilities less than or equal to 1.2% of median household income (MHI)	NBU	1.47%	35%
Approximately 30% or more of revenues recovered from fixed base charges	Stronger	<= 1.2%	>= 30%
Mid-range			
Residential charges for combined water/sewer utilities less than or equal to 1.5% of MHI	Mid-Range	<= 1.5%	>= 15%
Approximately 15% or more of revenues recovered from fixed base charges			

Residential charges based upon 6,000 gallons for Water and 4,600 gallons for Wastewater.
Assumes MHI of $76,890 per 2021 Census Data.

Questions and Discussions