

An aerial photograph of a city landscape. In the foreground, a wide, dark blue river flows through a lush green area with many trees. To the left, there are several baseball fields with orange dirt. In the background, a multi-lane highway with traffic is visible, along with various buildings and more greenery. The sky is clear and blue.

A Resilient Tomorrow Requires Investment Today

Your Guide to Understanding
NBU's New Rate Plan

Special Edition | SUMMER 2023

NBU® NEW BRAUNFELS
UTILITIES



Beginning August 1,

New Braunfels Utilities (NBU) will implement a new two-year rate plan. The rate adjustments are necessitated by key factors, such as compliance and public health, the cost of service, and the evolving levels of customer service expectations.

The need to ensure public health drives more than 160 Capital Improvement Projects (CIPs) over the next five years. These projects will accommodate the city's rapid growth and continue to meet regulatory requirements, such as those set by the Texas Commission on Environmental Quality (TCEQ).

The rates are structured to cover the costs of providing essential services. To ensure equity, NBU's first-ever Rate Advisory Committee reviewed the cost of services with the support of third-party consultants and staff. This review focused on studying and updating the rate allocations for each customer type and classification, resulting in the two-year rate plan that reflects updates to each NBU line of business.

In response to the evolving community, NBU recognizes the significance of meeting service level expectations. To achieve this, the newly approved rate plan enables the implementation of a range of enhanced customer solutions.

The new rate plan was carefully crafted to prioritize the delivery of reliable, essential, and enhanced services, meeting the expectations of NBU's valued customers.

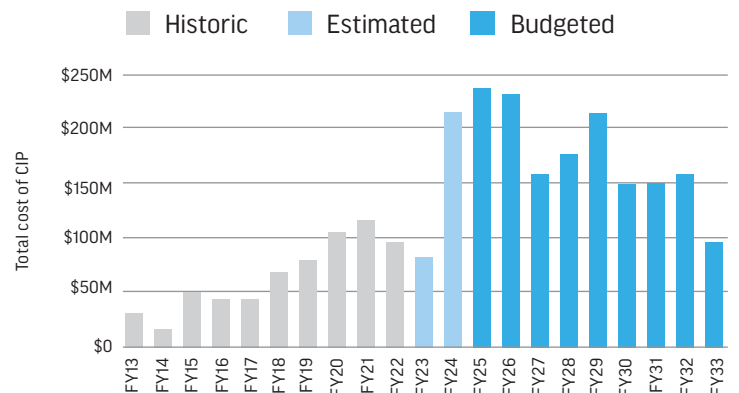
Factors Necessitating Increases

1. Compliance and Public Health

Over the past decade, the City of New Braunfels has undergone remarkable growth, increasing by 66% from 2012 to 2022. The population boom has necessitated the development of new and improved systems capable of accommodating the tens of thousands of new residents. The new rate plan will allow NBU to maintain regulatory compliance to ensure the protection of public health and fund the CIPs.

HISTORIC CAPITAL IMPROVEMENT PLANS

A CIP is defined as any major improvement to utility facilities and infrastructure. The new rate increases will position NBU to fund 161 CIPs over the next five years.



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BRUNFELS UTILITIES

Rate Plan at a Glance

■ Electric
 ■ Water
 ■ Wastewater

FY 2024

4.8%

9.1%

7.3%

FY 2025

5.9%

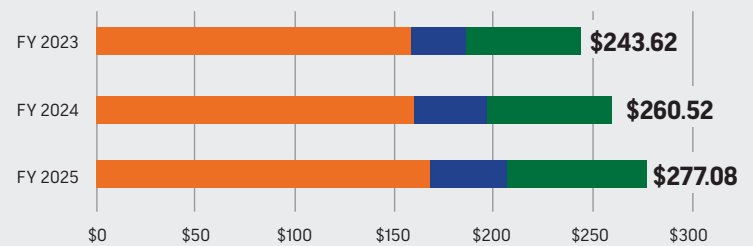
13.4%

7.3%

Note: These percentages represent the average increases each line of business will see across all customer classes.

Cost of Average NBU Utility Bill

Below is an example of what an average utility bill might look like for an NBU customer once the new rate plan takes effect August 1.



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

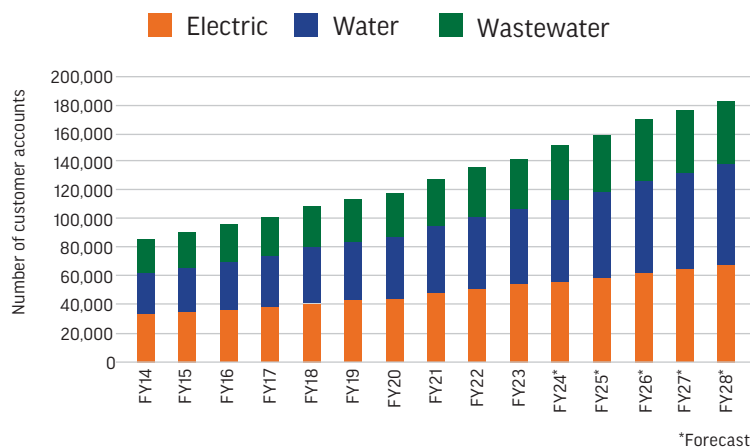
2. Cost of Service

New Braunfels Utilities' rates are designed to cover the cost of providing essential services, unlike investor-owned utilities, which are created to include a profit. A comprehensive cost of service and rate design study for electric, water, and wastewater was conducted over the past two years. Freese and Nichols, Inc. and sub-consultant NewGen Strategies and Solutions, LLC, thoroughly examined NBU's present and future costs as well as the necessary revenue to sustain those costs. The study also scrutinized the proper allocation of rates to different customer classifications, ultimately providing the recommendations that contributed to the new rate plan.

3. Service Level Expectations

New Braunfels Utilities recognizes that the utility industry continues to evolve in ways that require us to adapt to meet increasing customer expectations. Technologies have advanced rapidly in the areas of distributed energy resources - such as solar, batteries, and electric vehicles, and NBU is committed to developing new and enhanced customer solutions in these areas.

CUSTOMER GROWTH



*Forecast

Community Involvement

To bring New Braunfels' community values into the rate design process, the NBU Board of Trustees formed an 18-member Rate Advisory Committee, seven of whom were each specifically nominated by each City Council member. Since June 2022, the Rate Advisory Committee has provided feedback to NBU and engaged the New Braunfels community through a series of more than 15 public meetings with the goal of representing each customer rate category.

Seven Key Policies

The Rate Advisory Committee spent one year learning about NBU's operations before organically ideating seven key policy areas for the two-year rate design, which were instrumental in identifying focus areas at NBU. The seven key policy areas are as follows:

- **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**

Understanding Impact Fees

Governed by state laws, impact fees are an essential tool in funding infrastructure projects necessitated by new development. Developers are required to pay impact fees as a part of the development approval process. Impact fees allow NBU to reduce the burden on ratepayers and ensures new growth helps pay for the infrastructure to support it.

In November 2022, the New Braunfels City Council voted for the maximum impact fee amount allowed by state statute. The NBU Board of Trustees voted to assess the impact fees at 100% of the maximum amount at its December 2022 meeting with an effective date of February 1, 2023. The maximum fee for a residential 5/8 inch meter is \$19,448 per Living Unit Equivalent (LUE) for water and \$6,244 per LUE for wastewater. An LUE is a standardized measure used to quantify the estimated water usage and wastewater generation of a residential unit. Impact fees are estimated to provide approximately \$142 million in funds, alleviating about 15% of the CIP requirements in NBU's FY 2024 financial operating plan.

Determining impact fees involves hiring third-party engineers who assess projected growth, estimate infrastructure needs, and calculate the fees required to support the anticipated demand. While it is only required every five years, a third-party consultant for NBU typically conducts impact fee studies every three years. Additionally, a waiver policy exempts certain developments in New Braunfels from these fees, such as affordable housing projects. The NBU Board of Trustees regularly evaluates the fees based on growth changes.

WATER



Impact Fee Eligible:
19.8% or
\$61,575,968

WASTEWATER



Impact Fee Eligible:
12.7% or
\$36,520,103

New Revenue and Cost-Cutting

After undergoing a comprehensive analysis of costs and new revenue opportunities, NBU has implemented various strategies to generate new revenue and implement cost-cutting measures. These efforts showcase NBU's commitment to providing reliable utility services at reasonable costs to the community.

NEW REVENUE:

- 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**
- Guadalupe-Blanco River Authority 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

COST CUTTING:

- Commercial Paper Program – **\$500K in savings**
- Electric Line Sensors – **\$300K in Value of Lost Load**
- Satellite Leak Detection – 140.9 million gallons saved **totaling \$29K**
- Customer Side Leak Detection – More than 300 million gallons saved resulting in **\$269K customer savings**
- Advanced Metering Infrastructure – **\$742K saved** and 156,000 truck rolls avoided since Sept. 1, 2016
- Texas Water Development Board Funding – **\$484K interest savings for FY 2024**
- No health care premium increases for **10th straight year** due to education and employee wellness programs

FY 2024 TOTAL SAVINGS – \$2.3M



Electric

Electric service rates will increase on average 4.8% for FY 2024 and 5.9% for FY 2025. These increased rates will take effect on August 1 in 2023 and 2024.

AVERAGE RATE INCREASE	FY 2024	FY 2025
	4.8%	5.9%

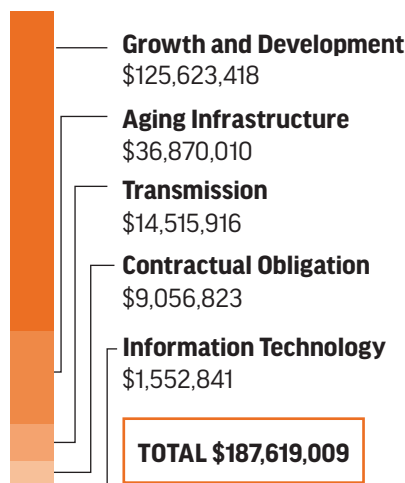
Despite the rate increase, it is important to note that customers can expect a decrease in the cost of power during August and September. This reduction in cost is primarily driven by lower natural gas prices and decreased costs in the ERCOT market. New Braunfels Utilities is also taking steps to lower its rate of reserve replenishment. As a result, customers using an average of 1,200 kWh in August and September 2023 can anticipate savings of approximately \$11.89 during these months.

New Braunfels Utilities provides quarterly forecasting of what electric rates are expected to look like for the next three months to help better prepare customers. There are a number of factors that may affect NBU's forecasting and prompt changes, such as extreme weather and energy market changes.

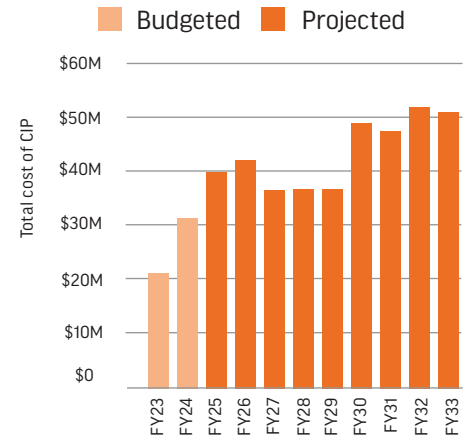
RATE CHANGES

Charge Description	Through July 31, 2023	Effective August 1, 2023 (FY 2024)
Generation, per kWh	\$0.0730	\$0.0585
Transmission, per kWh	\$0.0172	\$0.0172
Delivery Charge, per kWh	\$0.0149	\$0.0195
Replenish Reserves, per kWh	\$0.0130	\$0.0075
Electric Service Availability Charge (static)	\$17.06	\$20.00

FIVE-YEAR CAPITAL PLAN



CAPITAL IMPROVEMENT PROJECT FUNDING



Top Three Capital Improvement Projects



System Extensions, Meters, and Transformers

This suite of projects consists of providing extensions to new residential, commercial, and industrial customers across NBU's 160 square mile electric service territory. Electrical connections are expected to increase by about 26.4% over the next five years. By investing in system extensions, meters, and transformers now, NBU will ensure a resilient electric system for the future.

Cost: \$79.2 million



Aging Infrastructure

While NBU customers experience exceptional electric service, as reflected by the ranking among top performers nationwide in the System Average Interruption Duration Index, replacing aging infrastructure will help to maintain customer service expectations and keep NBU resilient. This project will replace items such as utility poles, overhead wire, transformers, and underground cable.

Cost: \$22.5 million



Kohlenberg Substation and Feeders

New Braunfels Utilities' eastern service territory along IH 35 and Kohlenberg Road continues to expand. The Kohlenberg Substation will be NBU's 14th substation and will serve residents in the Heatherfield Subdivision, Creekside Terrace, and the Mayfair development. As this area continues to expand, this project will improve system resiliency for both residents and businesses in the area.

Cost: \$11.4 million



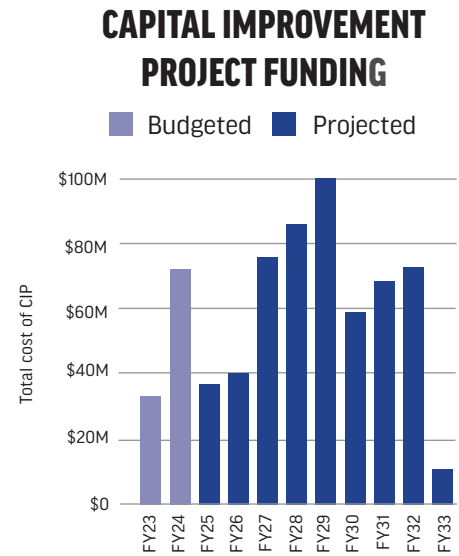
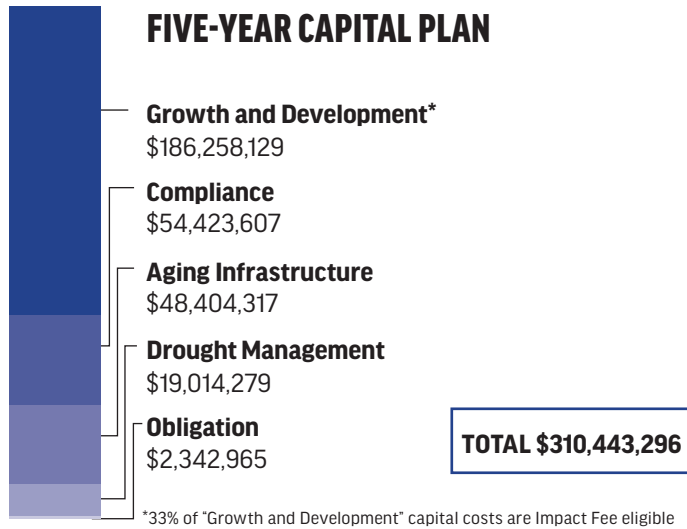
Water

Water service rates will increase on average 9.1% for FY 2024 and 13.4% for FY 2025. These increased rates will go into effect August 1, in 2023 and 2024.

AVERAGE RATE INCREASE	FY 2024	FY 2025
	9.1%	13.4%

While NBU has access to a diverse water supply, it is crucial to recognize the value of this precious natural resource and everyone's responsibility in conserving it. Introducing new water supplies to a community incurs significant costs associated with the necessary infrastructure for water delivery. By practicing water conservation, residents reduce the need for NBU to purchase additional water supplies.

Choosing conservation is economically wise and environmentally friendly. The Rate Advisory Committee recognized the significance of conservation earlier this year by including it as one of their key policy areas. The new rate plan clearly encourages conservation efforts. Customers prioritizing water usage for essential daily needs rather than lawn irrigation will notice their bills reflect their conservation practices.



Top Three Capital Improvement Projects



Surface Water Treatment Plant Expansion

The Surface Water Treatment Plant treats up to eight million gallons of water daily and provides safe, clean drinking water for the community. By doubling the capacity to treat drinking water, the plant will continue to serve the community with superior quality water for generations to come.

Cost: \$51.2 million

6



Trinity Wellfield and Treatment Plant Expansion

The northwest portion of NBU's service territory continues to expand, so the ability to pump available groundwater remains a top priority. The Trinity Wellfield and Treatment Plant Expansion will enable NBU to meet regulatory requirements, ensuring the health of the community and providing safe drinking water to this growing area of New Braunfels.

Cost: \$25.6 million



Senate Bill 3 - Generators

In response to Winter Storm Uri, the Texas Legislature enacted Senate Bill 3, which mandates water providers in Texas to install adequate back-up generation to ensure water pressure is maintained through extreme weather events. This project includes the installation of permanent generators at approximately 20 NBU water facilities.

Cost: \$20.8 million



A COMMITMENT TO AFFORDABILITY

Water is essential to our daily living - and ensuring affordability for customers committed to conservation and for those on a fixed-and low-income were important factors that went into the new rate design. New Braunfels Utilities has taken a proactive approach to ensure Tier 1 water rates remain among the lowest in Texas for customers' essential domestic use. Tier 1 represents the base usage level for residential customers, and by keeping these rates low, NBU prioritizes affordability for essential use and provides equitable access to water services for all residents.

In response to valuable feedback from the Rate Advisory Committee and to highlight affordability for essential-use water customers, NBU has made strategic changes to the tier structure and rates. Effective August 1, 2023, Tier 1 will be modified to span from zero to 3,000 gallons, with Tier 2 ranging from 3,001 to 6,000 gallons.

RESIDENTIAL/DOMESTIC WATER USE

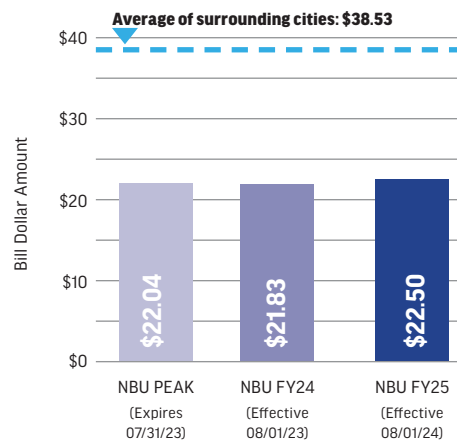
Usage Brackets	Tier Range	FY 2023		FY 2024	
		Off Peak, Oct-May (per 1,000 gal)	Peak, Jun-Sept (per 1,000 gal)	Tier Max	Volume Rate (per 1,000 gal)
Tier 1	0-7,500	\$1.93	\$2.02	0-3,000	\$1.95
Tier 2	7,501- 15,000	\$4.87	\$5.25	3,001-6,000	\$4.90
Tier 3	15,001- 25,000	\$6.65	\$7.98	6,001-12,000	\$7.65
Tier 4	25,001-50,000	\$9.15	\$11.90	12,000+	\$11.50
Water Supply Fee	Tiers 2-4	\$2.79	\$2.79	Tiers 3-4	\$1.84

SERVICE AVAILABILITY CHARGE (FIXED MONTHLY RATE)		
Per Meter	FY 2023	FY 2024
5/8 in	\$11.80	\$15.98
1 in	\$14.32	\$28.00
1.5 in	\$18.72	\$32.00
2 in	\$19.97	\$40.00
3 in	\$31.20	\$57.50
4 in	\$37.44	\$68.00

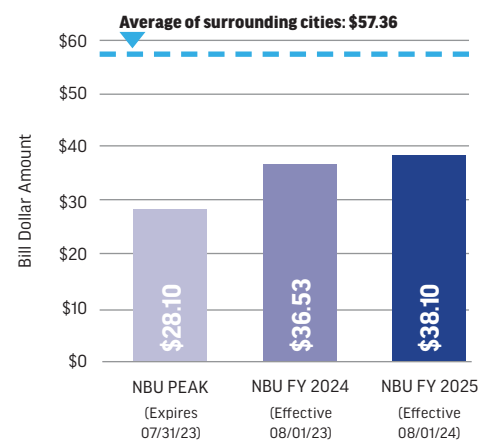
WATER BILL COMPARISON

Residents who use zero to 6,000 gallons will still find that their bill is significantly below the average utility bill of surrounding cities.

Essential Use - 3,000 Gallons



Essential Use - 6,000 Gallons



See how your usage compares in the new rate plan: nbutexas.com/rate-design.



LANDSCAPE IRRIGATION - A DISCRETIONARY LUXURY

When it comes to water conservation, it is important to recognize that landscape irrigation falls under non-essential use and is a discretionary luxury. Just like you would expect to pay more for driving a luxury car, the same principle applies to maintaining a beautiful yard.

In many cases, irrigation systems significantly contribute to increased water consumption, often operating during late night or early morning hours, going unnoticed. Even if residents follow conservation practices, those with irrigation systems may unknowingly enter higher water usage tiers until they receive their monthly bill.

New Braunfels Utilities actively promotes conservation through customer education and offers rebates to encourage a reevaluation of irrigation needs. For instance, if an irrigation zone serves no practical purpose other than watering trash cans or other unnecessary objects, NBU provides rebates for removing unneeded grass and irrigation zones. This allows customers to reduce water usage and lower their bills.

Native plants and water-efficient landscaping techniques, such as xeriscaping, offer visually appealing alternatives with reduced water usage. New Braunfels Utilities strives to inspire customers to rethink their irrigation practices and provide support in making more sustainable choices.

For information about NBU's rebates, visit nbutexas.com/rebates.

IRRIGATION USE

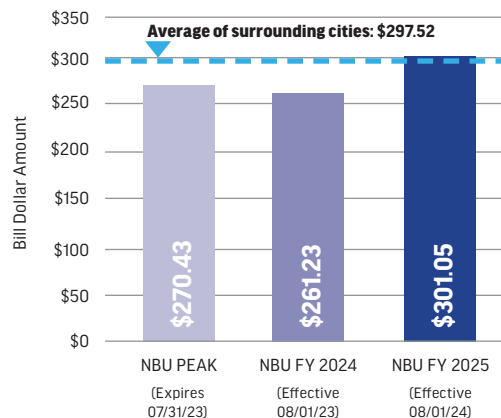
Usage Brackets	FY 2023			FY 2024	
	Tier Max	Off Peak, Oct-May Volume rate (per 1,000 gal)	Peak, Jun-Sept Volume rate (per 1,000 gal)	Tier Max	Volume Rate (per 1,000 gal)
Tier 1	7,500	\$5.23	\$6.54	6,000	\$6.50
Tier 2	25,000	\$6.39	\$7.99	20,000	\$7.75
Tier 3	25,001+	\$8.80	\$11.02	20,001+	\$10.35
Water Supply Fee	All Tiers	\$2.79	\$2.79	All Tiers	\$1.84

SERVICE AVAILABILITY CHARGE (FIXED MONTHLY RATE)		
Meter Size	FY 2023 Rates	FY 2024 Rates
5/8 in	\$11.80	\$15.98
1 in	\$14.32	\$28.00
1.5 in	\$18.72	\$32.00
2 in	\$19.97	\$40.00
3 in	\$31.20	\$57.50
4 in	\$37.44	\$68.00

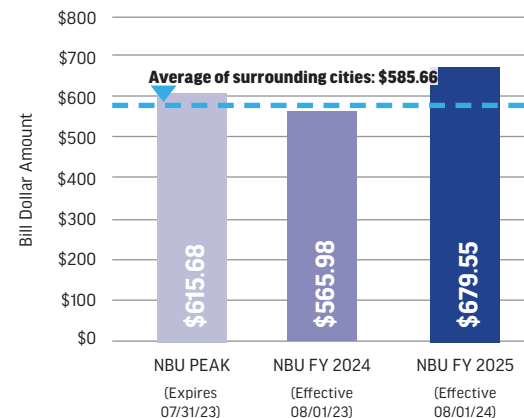
WATER BILL COMPARISON

As a pricing signal from the Rate Advisory Committee to encourage conservation, NBU's irrigation water rates are increasing, yet they are in line with the average surrounding utilities.

Assuming 25,000 Gallons Use



Assuming 50,000 Gallons Use



Wastewater

Wastewater rates will increase on average 7.3% for FY 2024 and 7.3% for FY 2025. These increased rates will take effect on August 1 in 2023 and 2024.

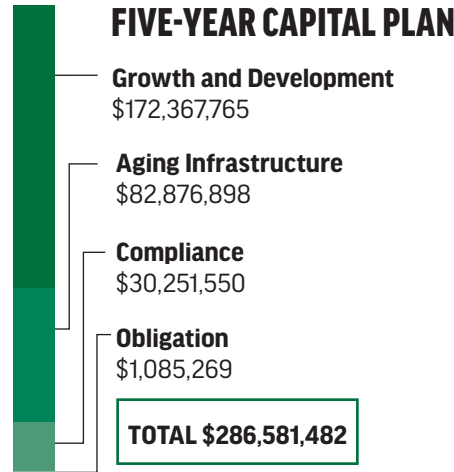
AVERAGE RATE INCREASE	FY 2024	FY 2025
	7.3%	7.3%

New Braunfels Utilities' wastewater services are essential for promoting public health and environmental sustainability. New Braunfels Utilities prioritizes regulatory compliance to uphold the highest standards of water quality and safeguard the community against potential risks. As the New Braunfels community continues to thrive, investing in infrastructure becomes imperative to meet the growing demands for wastewater management. By doing so, NBU ensures the well-being of residents and the preservation of the environment for future generations.

RATE CHANGES

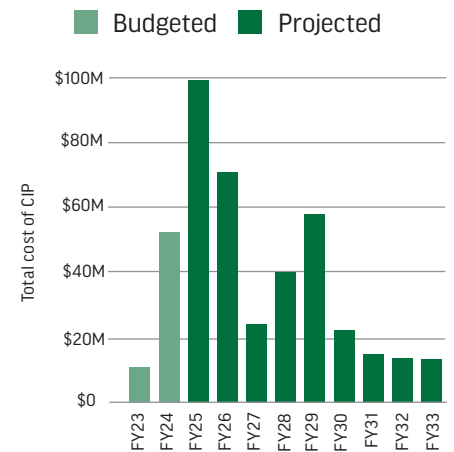
Charge Description	FY 2023	FY 2024
Availability Charge	\$27.52	\$30.41
Rate per 1,000 gallons	\$6.47	\$7.15
Maximum Monthly Charge	\$147.86	\$163.40
Non-NBU Water Service (Flat Fee)	\$78.34	\$86.57

FIVE-YEAR CAPITAL PLAN



*21% of "Growth and Development" capital costs are Impact Fee eligible

CAPITAL IMPROVEMENT PROJECT FUNDING



Top Three Capital Improvement Projects



McKenzie Water Reclamation Facility Expansion

The McKenzie Water Reclamation Facility is currently at 80% of its design capacity. The McKenzie facility collects wastewater in the rapidly growing I-35 and Highway 46 area. To meet future growth in the area and ensure compliance with regulatory requirements, treatment capacity will be increased from two and half million gallons per day to five million gallons per day.

Cost: \$66.6 million



McKenzie Interceptor Upgrade

To accommodate new growth in the I-35 and Highway 46 area, existing 21 and 24 inch sewer interceptors will be replaced with larger sewer lines to convey more sanitary sewage to the McKenzie Water Reclamation Facility. Without the upgrade in sewer lines, NBU would not be able to meet regulatory requirements and the possibility of sanitary sewer overflows would increase.

Cost: \$49.1 million



Aging Infrastructure - Kuehler Water Reclamation Facility

Upgraded in the early 1980s, the North and South Kuehler Wastewater Treatment Facilities are reaching the service life expectancy of the equipment and infrastructure needed to successfully treat sewage and maintain compliance. Replacement of this aging equipment and infrastructure will ensure NBU can meet regulatory compliance in the future.

Cost: \$43.3 million



How to minimize costs and conserve

REBATE PROGRAMS

New Braunfels Utilities is dedicated to promoting conservation and minimizing costs by providing a range of tools and rebate programs to its customers. Residents can also find NBU representatives at community outreach events offering special rebates and promotions.

By offering rebates for everything from energy-efficient appliances to water-conserving lawn care practices, NBU encourages customers to make environmentally conscious choices while also saving on their utility bills. Rebates not only benefit individual customers but also contribute to the overall conservation efforts in the community.

To take advantage of NBU's rebates, visit nbutexas.com/rebates.

MY ACCOUNT PORTAL

Customers can register for My Account, an account portal at nbutexas.com. Within the portal, customers can access account information and view a utility comparison report that displays historical and current average utility usage. Other conveniences include automated threshold alerts, allowing residents to easily monitor water usage and receive notifications when they approach or exceed specific consumption thresholds. Additionally, customers can customize settings to receive automated alerts regarding electric and water consumption patterns via text or email.

Residential Rebates:

- Air Conditioner Check-up
- Comal County Gardening Guide
- Drought Tolerant Tree
- Ultra High-Efficiency Toilet
- Ultra High-Efficiency Washing Machine

Commercial and Residential Rebates:

- Air Conditioner and Heat Pump
- Artificial Turf
- Grass Removal
- Healthy Soil
- Irrigation Zone Removal
- Programmable Thermostat
- Rain Barrel
- Smart Thermostat
- Solar

COMING SOON!

New customer portal and mobile app coming late 2023

- Access your account anytime on any device
- Stay up-to-date on billing, consumption, and outages
- View bills, make payments, and see payment history
- Use self-help tools to lower consumption
- Customize portal to fit your needs





ASSISTANCE PROGRAMS

New Braunfels Utilities is committed to providing assistance and support to its customers, offering multiple resources to help with utility bill costs.

In response to feedback from the Rate Advisory Committee, NBU has increased the funds in the NBU Bill Assistance Program to align with the upcoming rate increases. Over the fiscal years 2024-2028, NBU plans to incrementally raise the available funds by 5.3% each year, starting with \$441,000 in FY 2024 (August 1, 2023).

Applying for assistance is simple, and applications are available in both English and Spanish. If customers have any questions or concerns about their bills, they are encouraged to reach out to NBU. The Customer Service department is conveniently located at NBU's Main Plaza Office in downtown New Braunfels, at 263 Main Plaza. As members of the New Braunfels community, NBU employees understand the impact of rate changes and are here to help.

To enhance customer convenience, NBU offers various tools and services, including a bill calculator, utility consumption reports, one-on-one consultations, home assessments, and valuable conservation tips.

NBU Utility Bill Assistance and Comal County Emergency Relief Fund

- The New Braunfels Food Bank manages the funds provided by NBU and administers the application system. Funds can help with electric, water, and wastewater charges. This application can be found online at nbfoodbank.org. Once the application is accepted, the Food Bank will administer the funds and let NBU know how much money the customer was given. The City of New Braunfels donated \$500,000 to the Comal County Emergency Relief Fund through American Rescue Plan Act funds to help citizens of New Braunfels pay their utility bills. The Comal County Emergency Relief Fund is managed through the McKenna Foundation.

Texas Utility Help Program

- This assistance program is funded by the state government and is separate from the NBU Utility Bill Assistance Program. To apply, residents complete an application, and once it is processed, NBU receives a voucher number attached to a check and applies it to the resident's account.

Texas Homeowner Assistance Program

- This program is also funded by the state government, but only residents who have been impacted by COVID-19 may qualify. A hardship is defined by the program as a loss of income or increase in living expenses that has created or increased a risk of mortgage delinquency, mortgage default, or foreclosure. The program provides financial assistance to qualified Texas homeowners who have fallen behind on their mortgage, utility payments, and related expenses.

**TO LEARN MORE
ABOUT UTILITY
BILL ASSISTANCE
PROGRAMS,
SCAN THIS QR CODE.**





Take Control of Your Utility Charges

Learn how to make your home more efficient by exploring these free conservation tools and resources:

- Home Assessments
- After-Hours One-On-One Consultations
- Automated Threshold Alerts
- Bill Assistance Program
- Bill Calculator
- Budget Billing
- Conservation Tips
- Conservation Videos
- DIY Videos
- Leak Detection Checklist
- Rebates
- Track and View Interval Usage
- Understanding Your Bill
- Utility Consumption Reports

Scan this QR code, or visit nbutexas.com/conservation to learn more.

