

State of New Braunfels Utilities

City Council



November 16, 2023

Overview

- State of NBU
 - Strategy
 - Finances
 - Operations
 - Workforce
 - Community Outreach
 - Competitiveness
- Future Outlook

STRATEGY

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



— **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

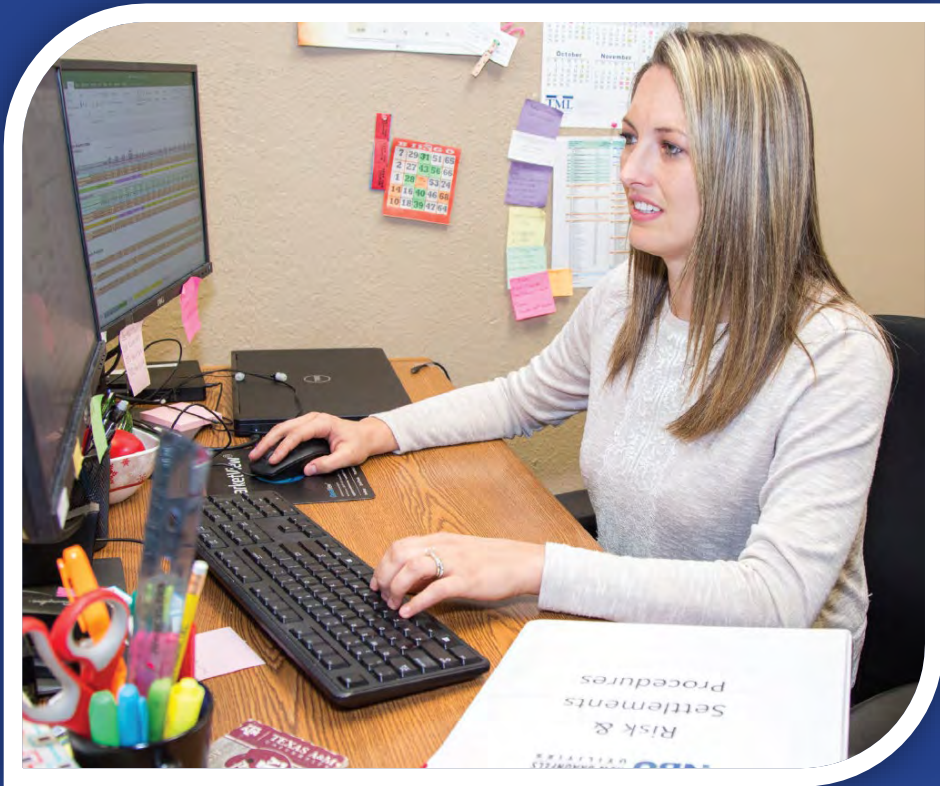
Financial Excellence

Safety and Security

Stewardship



FISCAL YEAR 2024 ANNUAL PRIORITIES



Electric Transportation (ET) Program Creation

Water Efficiency

Integrated Resource Plan

Power Supply (The Energy Authority) Roadmap

Enterprise Asset Management

Enterprise Project Management

NBU Headquarters

Emergency Management



FINANCES

Board Financial Policy Compliance

September 2023 YTD

	FY 2023 Actual**	FY 2024 Budget	Financial Policy	FY 2024 Actual*
Debt to Capitalization (lower is better)	44.5%	47.4%	≤55.0%	38.6%
Debt Service Coverage (higher is better)	5.44	4.28	≥2.40	6.12
Days Cash on Hand (higher is better)	162	228	≥140	143
Days Liquidity on Hand (higher is better)	352	N/A	N/A	323

NBU's Bond Ratings

“The 'AA-' rating and Stable Outlook are supported by NBU's prudent financial management practices of regular rate increases and Fitch's expectation that the utility will continue to experience strong growth.”

“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.” ~Standard & Poor's

“Expected capital spending is significant and driven by growth and capacity needs, primarily within the water and wastewater systems.” ~Fitch

*“A return to stability is dependent on the utility's ability to return to pre-storm liquidity and debt service coverage levels.”
~ Moody's*

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

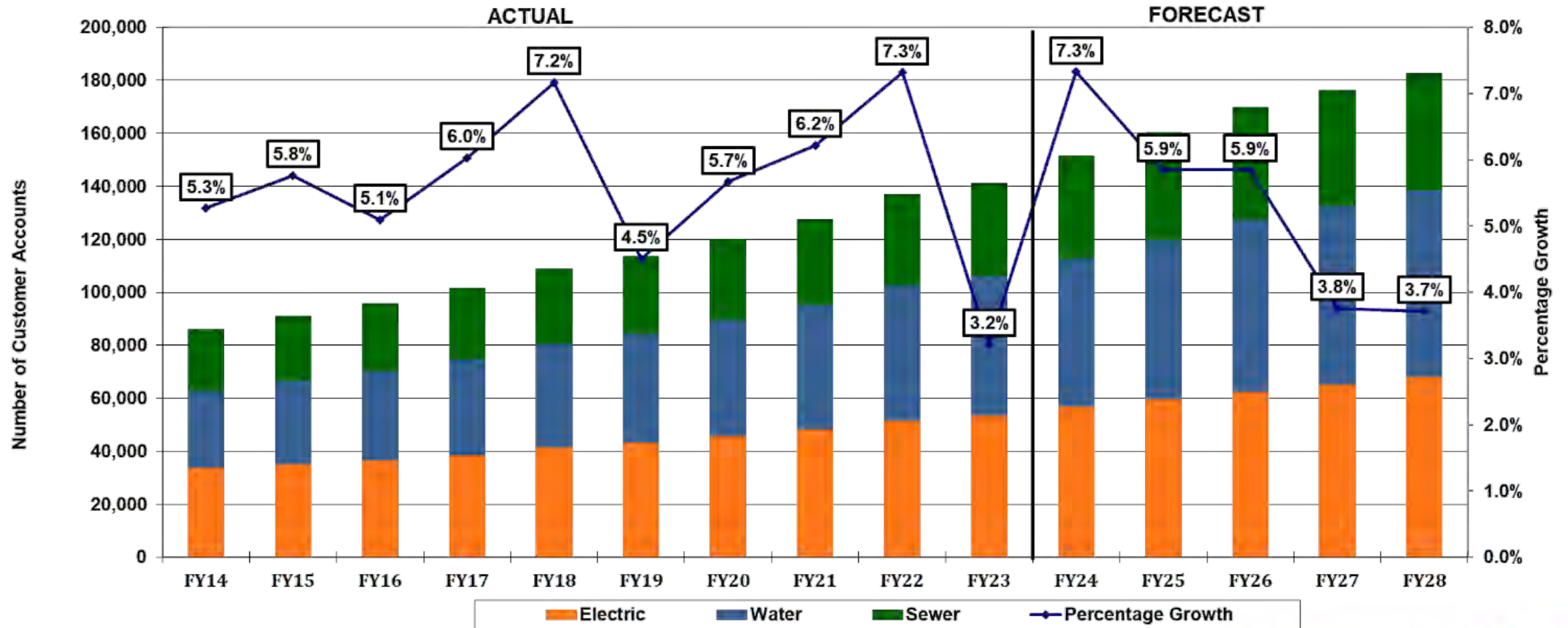
Growth, Interest Rates & the Economy

According to a recent economist report, growth is slowing

NBU is continuing to monitor the economy and its potential impact on our current and future financial position

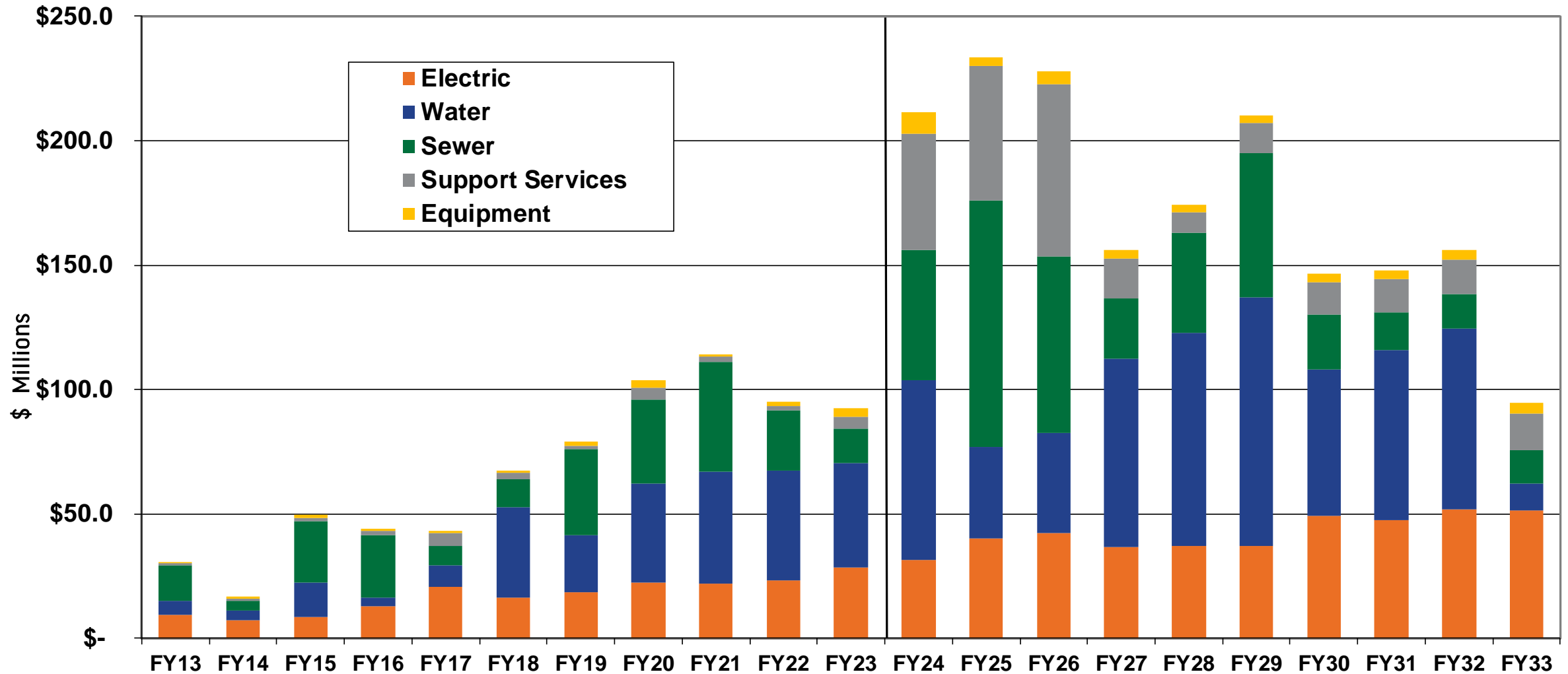


Combined Customer Growth



Capital Expenditures – Historical & Projected

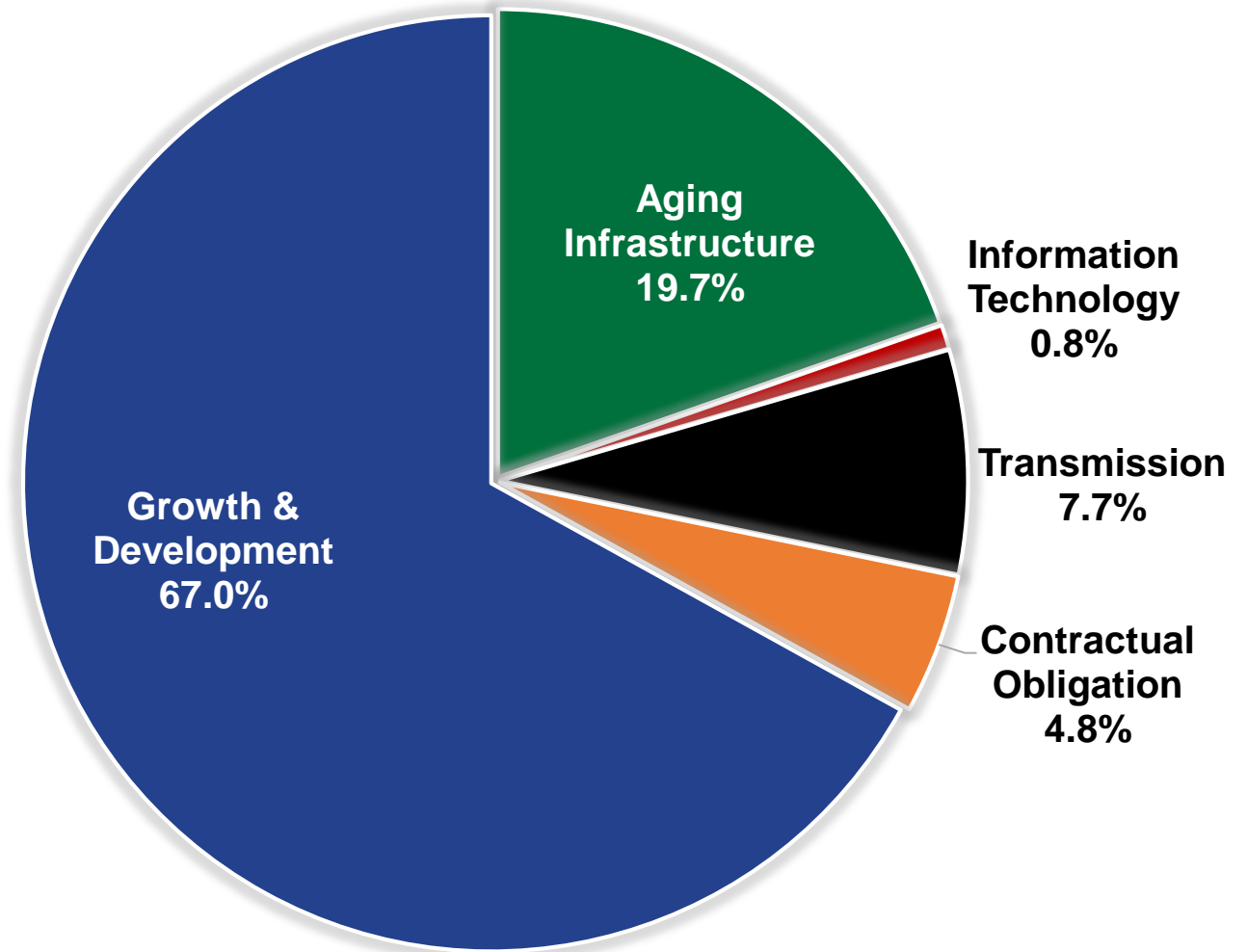
Historical and Projected Capital Expenditures (FY 2013 - 2033)



Electric Capital Plan

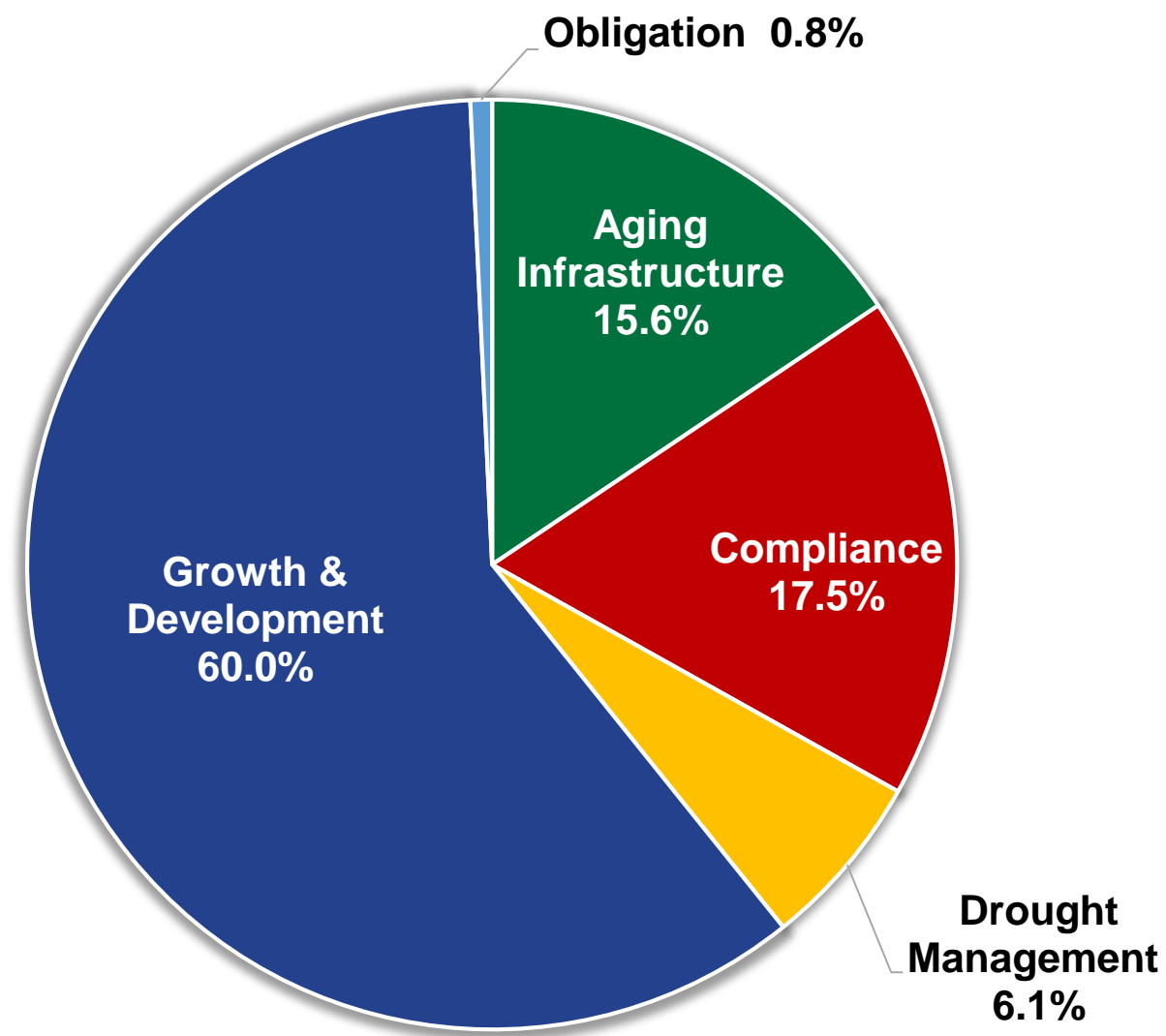
ELECTRIC CIP BY CATEGORY

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



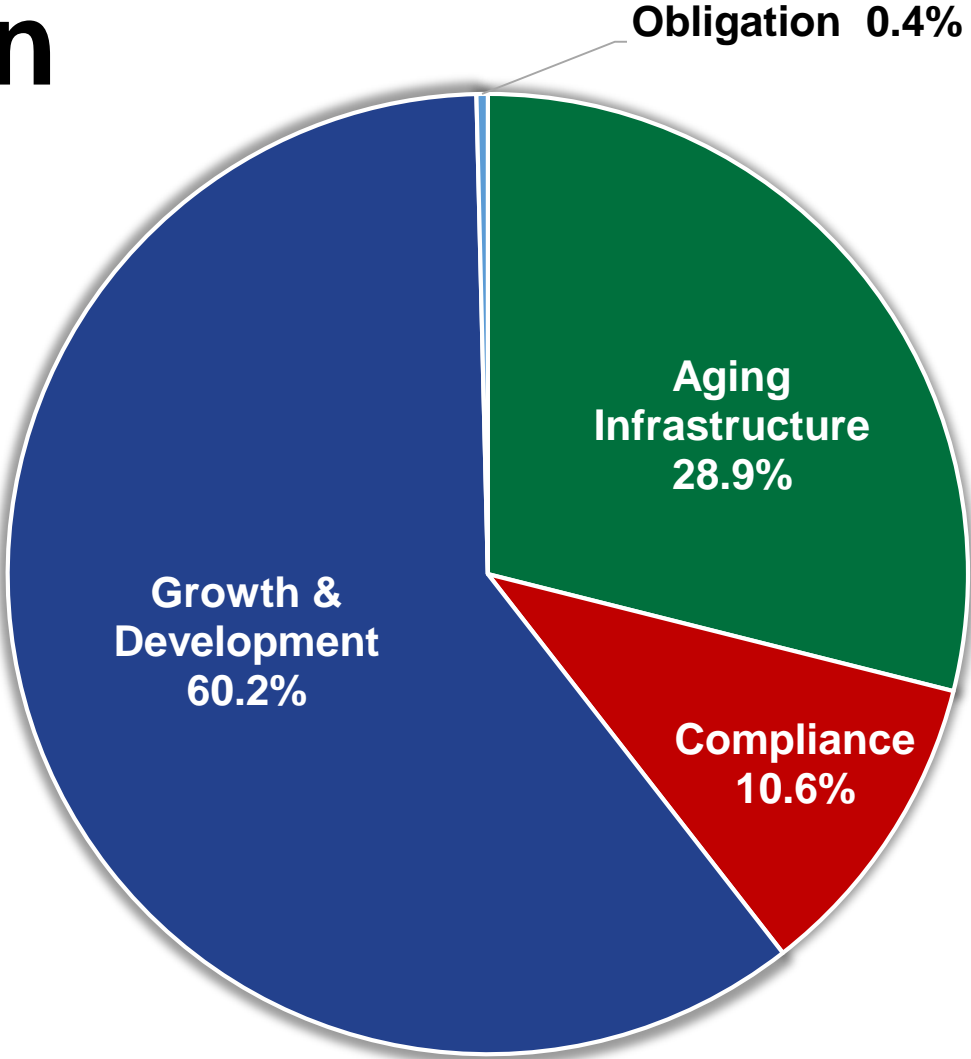
Water Capital Plan

WATER CIP BY CATEGORY	
Aging Infrastructure	\$48,292,107
Compliance	\$54,289,593
Drought Management	\$18,970,093
Obligation	\$2,338,223
Growth & Development	\$185,920,378
Total 5-Year Plan	\$310,443,296



Wastewater Capital Plan

WASTEWATER CIP BY CATEGORY	
Aging Infrastructure	\$82,795,325
Compliance	\$30,195,983
Obligation	\$1,084,372
Growth & Development	\$172,166,518
Total 5-Year Plan	\$286,581,482



Key Risks

Revenue

Impact Fee Funding

Developer Contributions

Supply Chain

Reserves

Volatile Power Market



Mitigating Risk with Reserves

Strategy: Build adequate reserves to mitigate extreme events

	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

OPERATIONS

Levels of Service & KPIs



DRIVE-THRU AMERICA · Published 6 hours ago

Chick-fil-A worker leaps through drive-thru window to save choking boy



- NBU is aware of deficiencies in levels of service
- New framework will allow us to identify and address those deficiencies

KPI Examples

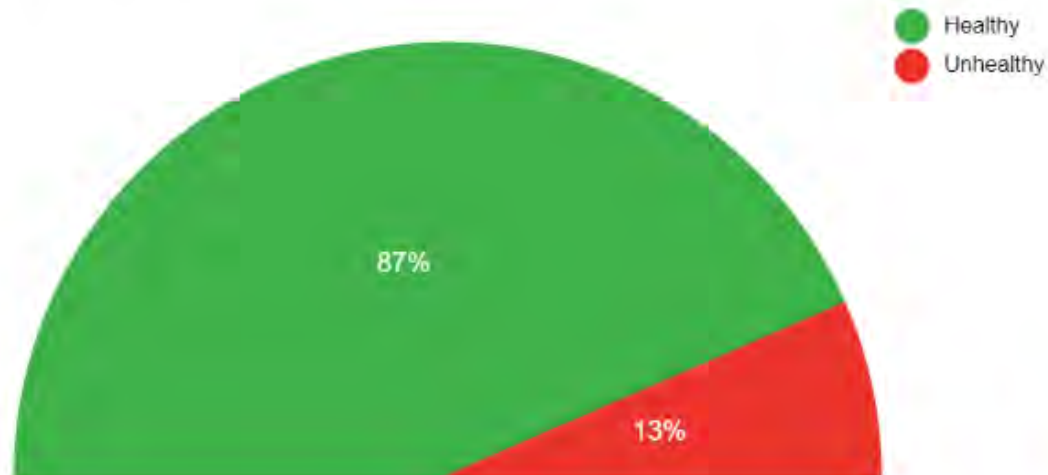
KPI	Target	Actual
W/WW Plan Review Time	<15 Business Days	15 Days
SAIDI	<52.56 Minutes	35.08 Min

KPI Examples

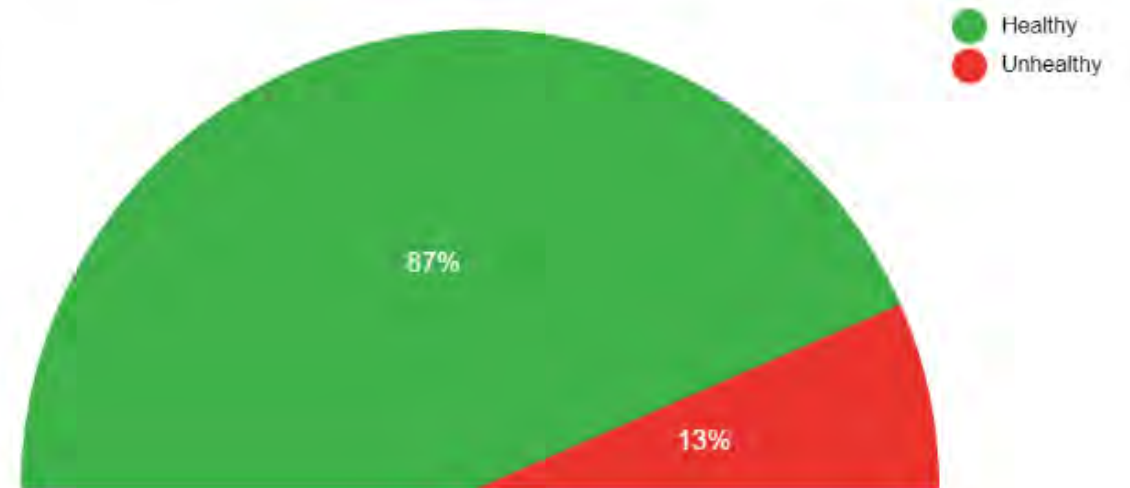
KPI	Target	Actual
Solar Interconnection Review Time	<15 Days	23 Days
Customer Service Max Call Hold Time	<30 Minutes	129 Min

Dashboards & Reporting

LOS Health



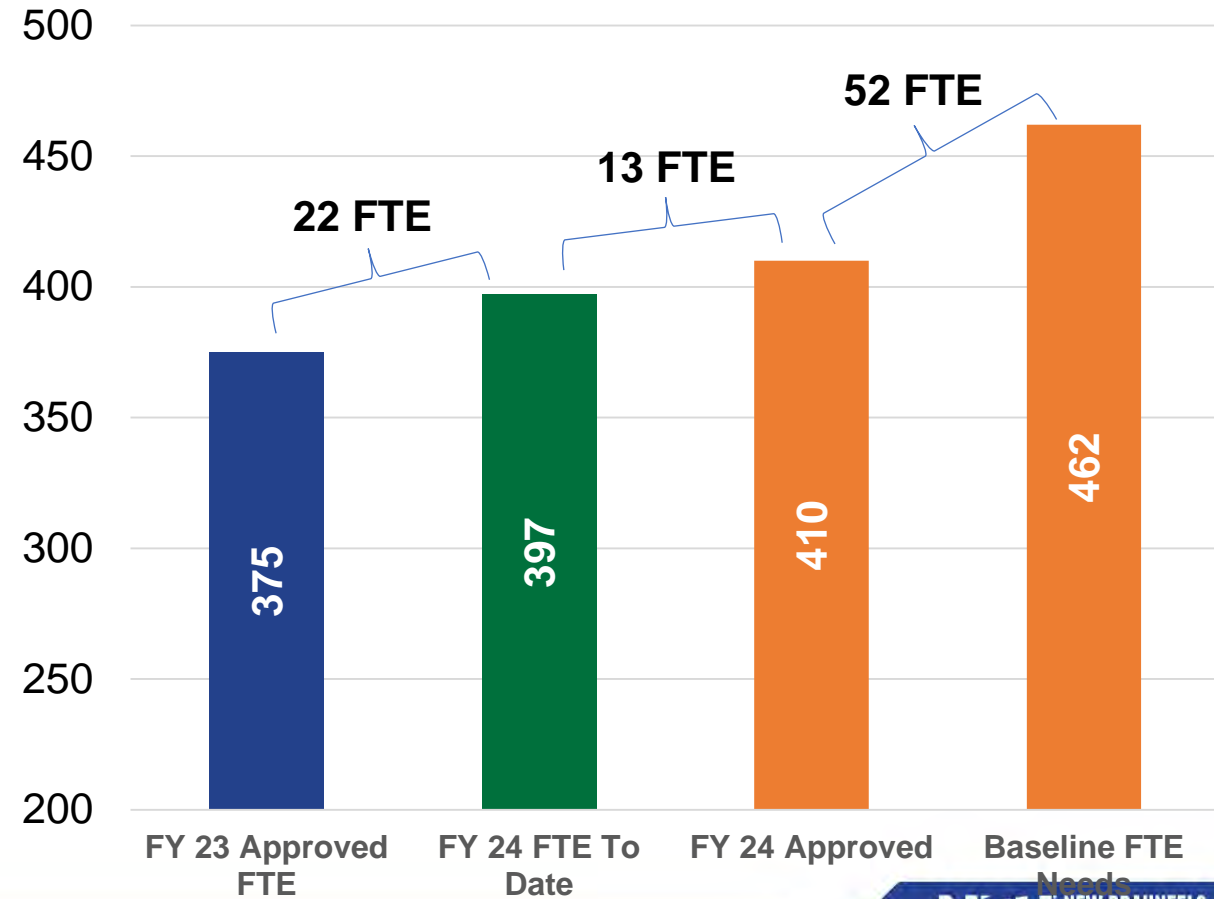
KPI Health



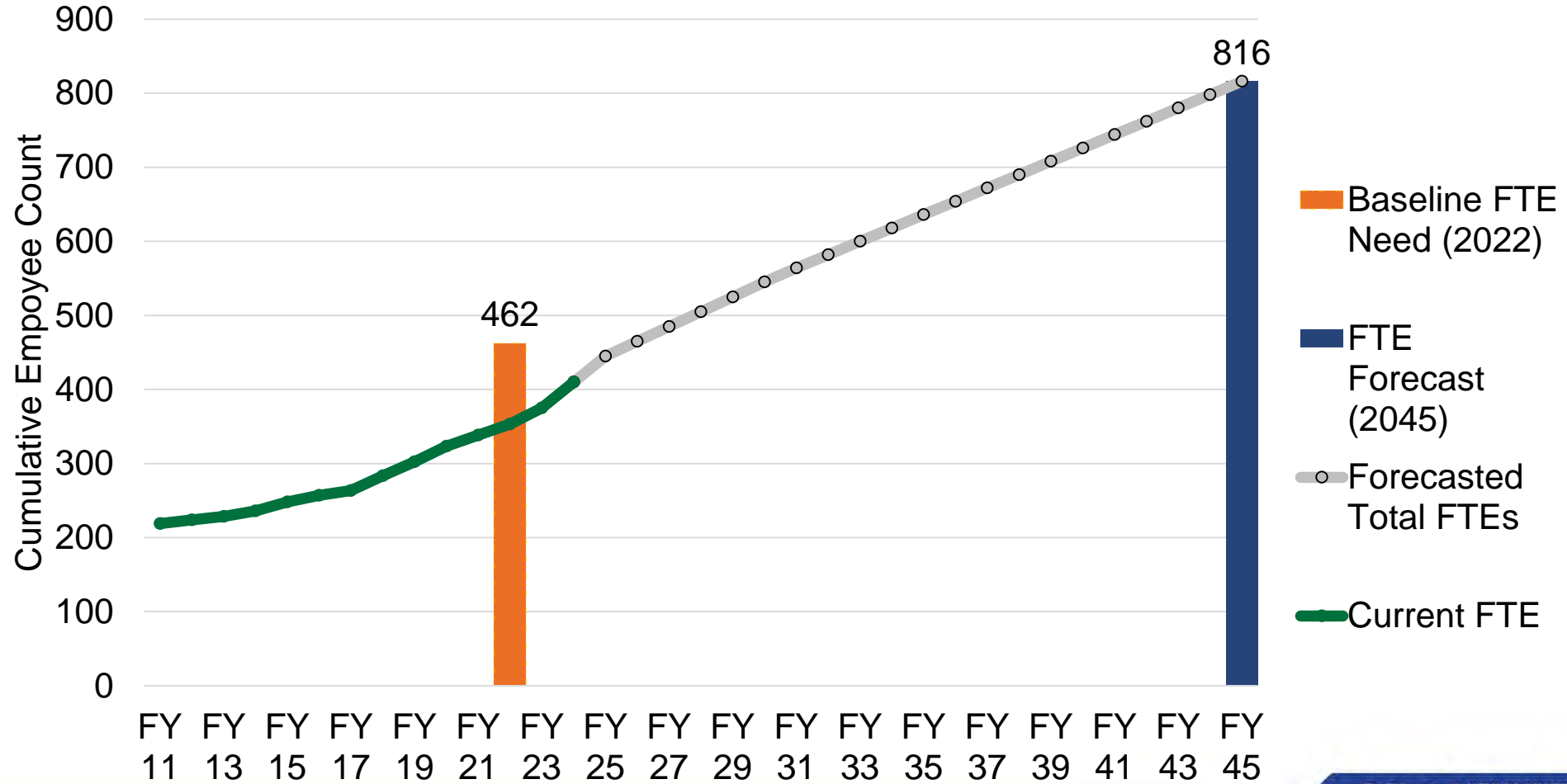
WORKFORCE

Workforce Update

- NBU remains ~14% understaffed
- NBU plans to be fully staffed in the next 5 years



Workforce FTE Forecasts 2022-2045



Employee Engagement Strategies



Onboarding



Career
Development



Empower
Employee
Potential



Appreciation



Communication



Employee
Wellbeing

COMMUNITY OUTREACH



Community Advisory Panel (CAP)

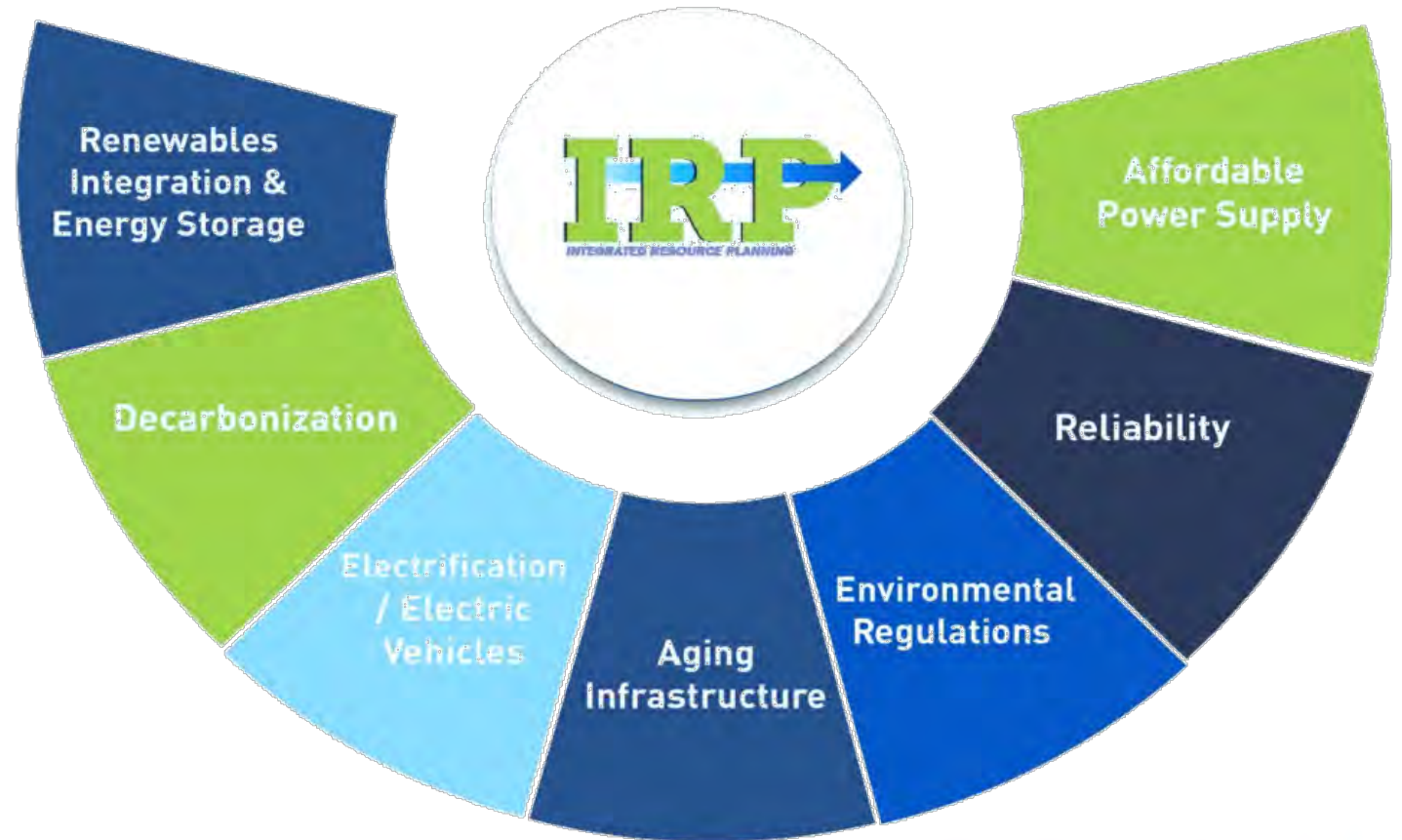


Topics for CAP Consideration/Discussion

- 1. Integrated Resource Plan (IRP)**
- 2. Drought Ordinance and Plan Update**
- 3. Rate Design FY 2026-2027**

Integrated Resource Plan (IRP)

- Assessment of the future electric needs of New Braunfels and a plan to meet those future needs
- It is “integrated” in that it looks at both demand side (conservation, energy efficiency, etc.) and supply side (generation)



Major Revisions Planned

- 5-year Plan update as required by TCEQ in 2024
- Plan effort to kick off in spring of 2024
- Community engagement
- Plan to include
 - Water Supply and Drought Condition Analysis
 - Vulnerability Assessment
 - Drought Response Criteria
 - Supply Management and Water Use Restrictions



Headwaters at the Comal
Spring Run
August 2023

FY 2026-2027 Rate Plan

Milestone	Status/Date
Project Charter	Completed
RFP for Consultant	In Progress
CAP Meetings	February and March 2025
Budget Workshop/Revenue Requirements	May 12, 2025
NBU Board Approval of Rates	May 27, 2025
New Braunfels City Council Approval of Rates	June 2025
Training and Communications	June through August 2025
Effective Date of New Rates	August 1, 2025

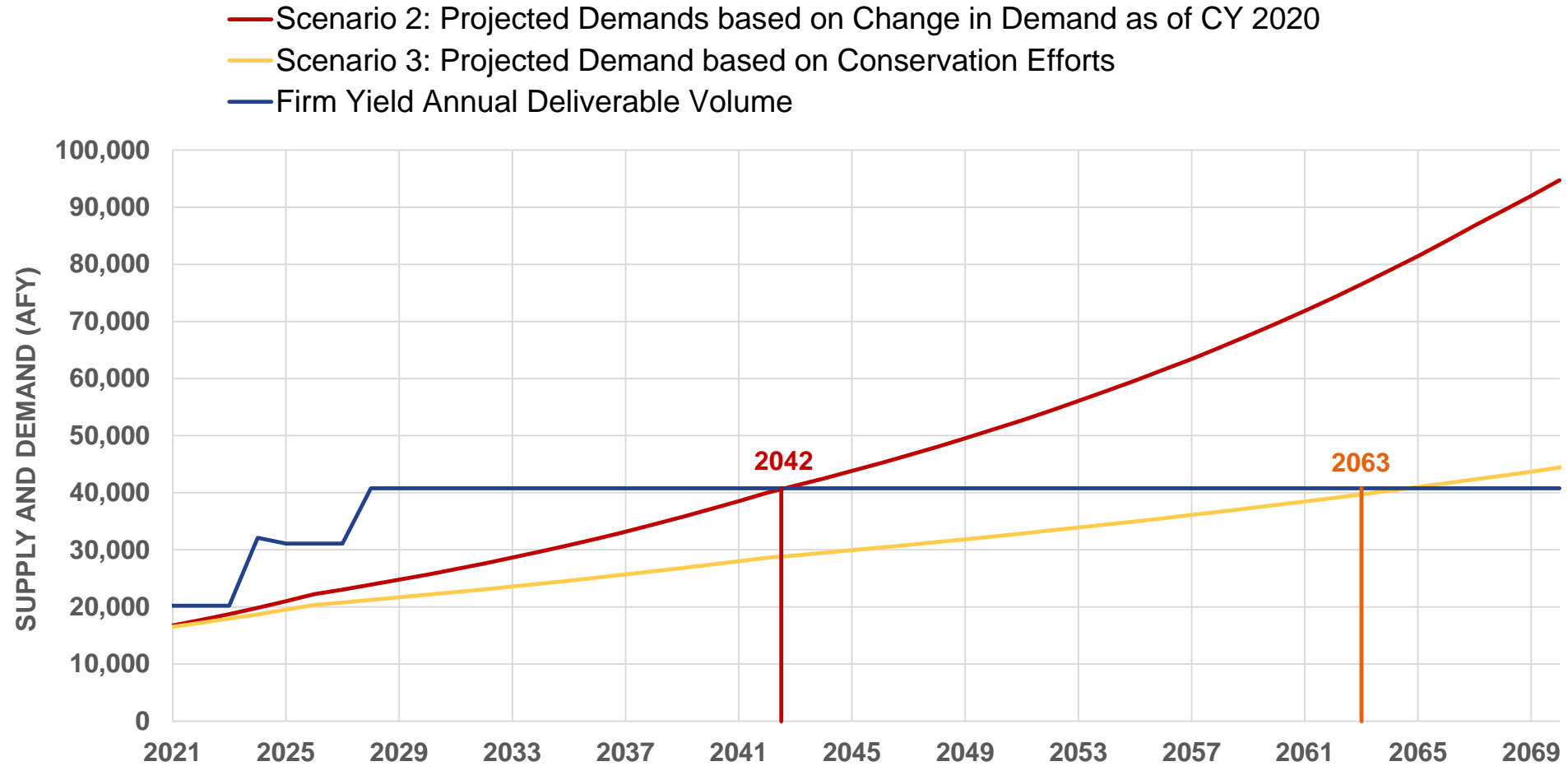
Community Road Show



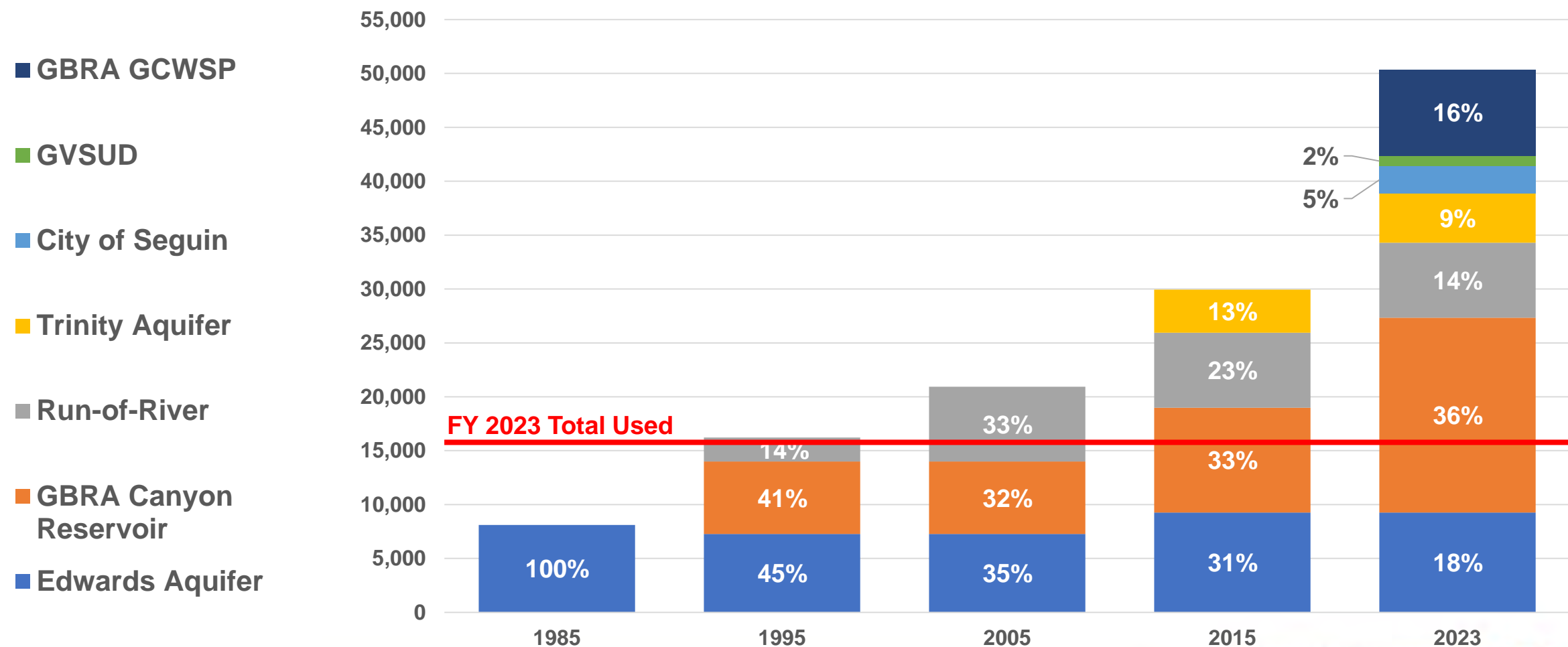
NBU's Water Supply

- August 21st – Chamber Board Meeting Presentation
- August 23rd – NB Herald Zeitung
- September 12th – KGNB Radio Station
- September 18th – City Council
- September 27th – Greater NB Home Builders Association
- November 7th – NB Downtown Association

Annual Firm Yield Supply Versus Demand



Water Supply Diversification



COMPETITIVENESS

Energy Market Sentiment

“Historically, our market has focused on affordability first, reliability second, but now, reliability is first.”

Peter Lake, Former PUCT Chairman, July 2021.

Energy Market Sentiment

“Changes to how ERCOT manages the state’s grid could add \$1.5 billion to customer bills this year, and it isn’t clear those costs are justified.”

IMM to Texas Legislature Committee, June 2022.

Energy Market Sentiment

“ERCOT’s increase in online reserve procurements with the introduction of ECRS likely raised real-time market energy value by ~\$8-10 billion in three months.”

IMM Director Carrie Bivens, [September 22, 2023](#).

Energy Market Sentiment

“The latest effort by the operator of Texas’s electricity grid to ensure reliability has created an artificial scarcity of supply and likely raised wholesale [energy] costs by about \$8 billion, according to a new analysis”

[Houston Chronicle September 15, 2023](#)

Regulatory Changes

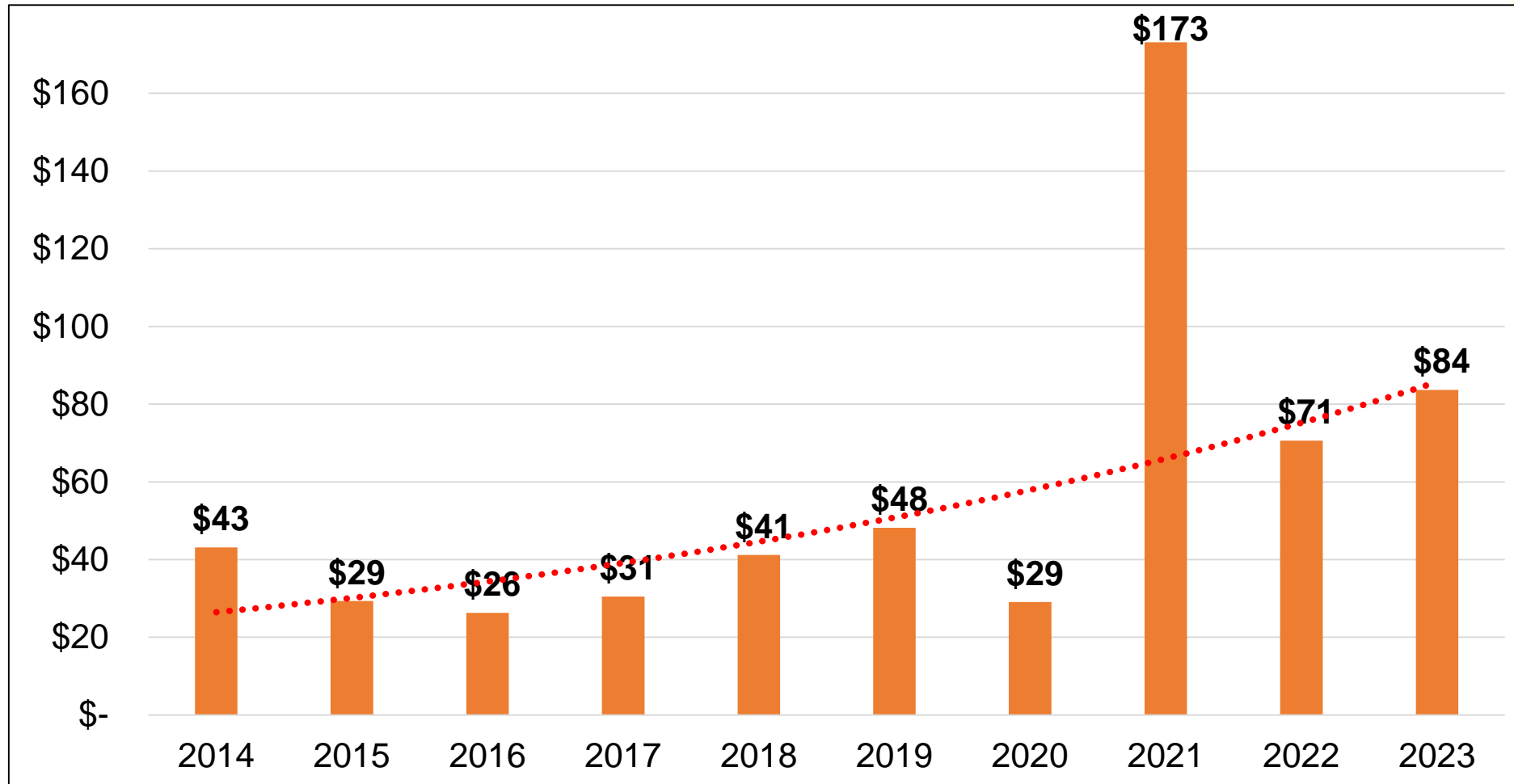
“Performance Credit Mechanism” or “PCM” is a new market mechanism to help ensure grid reliability, requiring purchase of “**performance credits**” earned by generators based on their availability during hours of greatest risk. Will take ~3 years to implement.

Bridging Solution for the Performance Credit Mechanism (PCM):

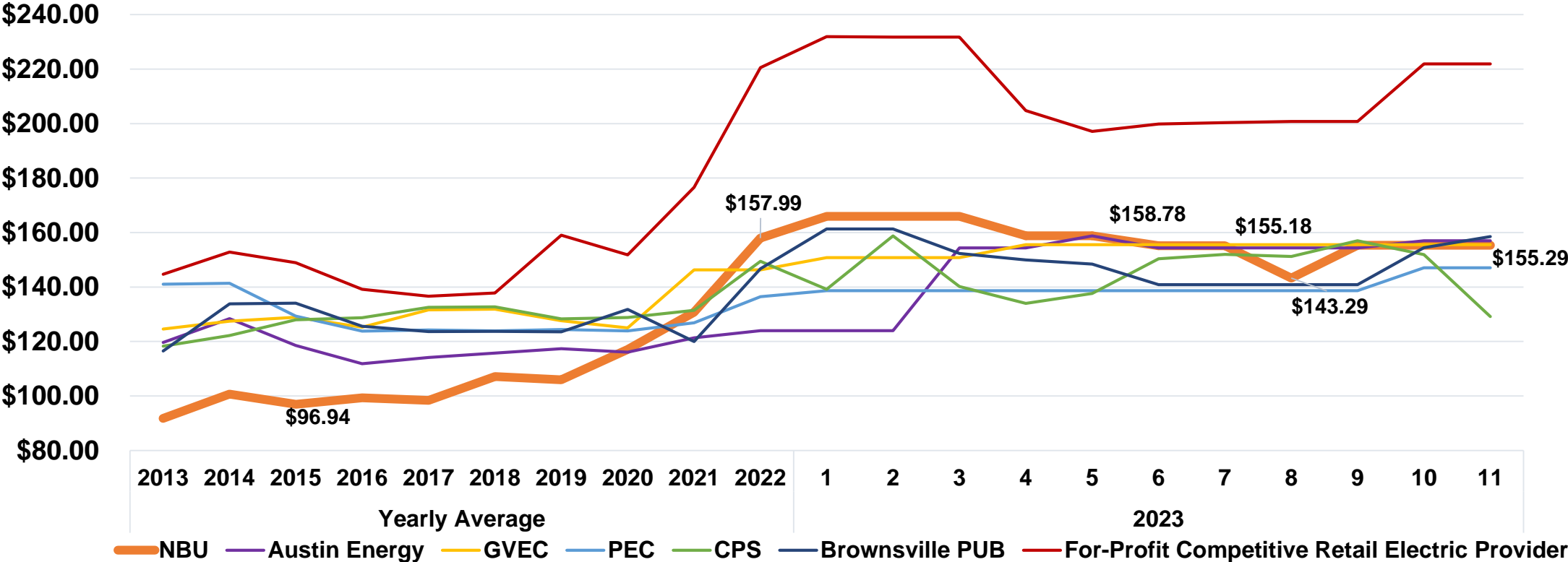
- **ERCOT created a Multi-Step Floor price** to the Operating Reserve Demand Curve (ORDC) will increase the price floor based on the reserve levels by \$10-\$20
- The PUC has approved the ORDC Multi-step floor and it was implemented **11/1/2023**



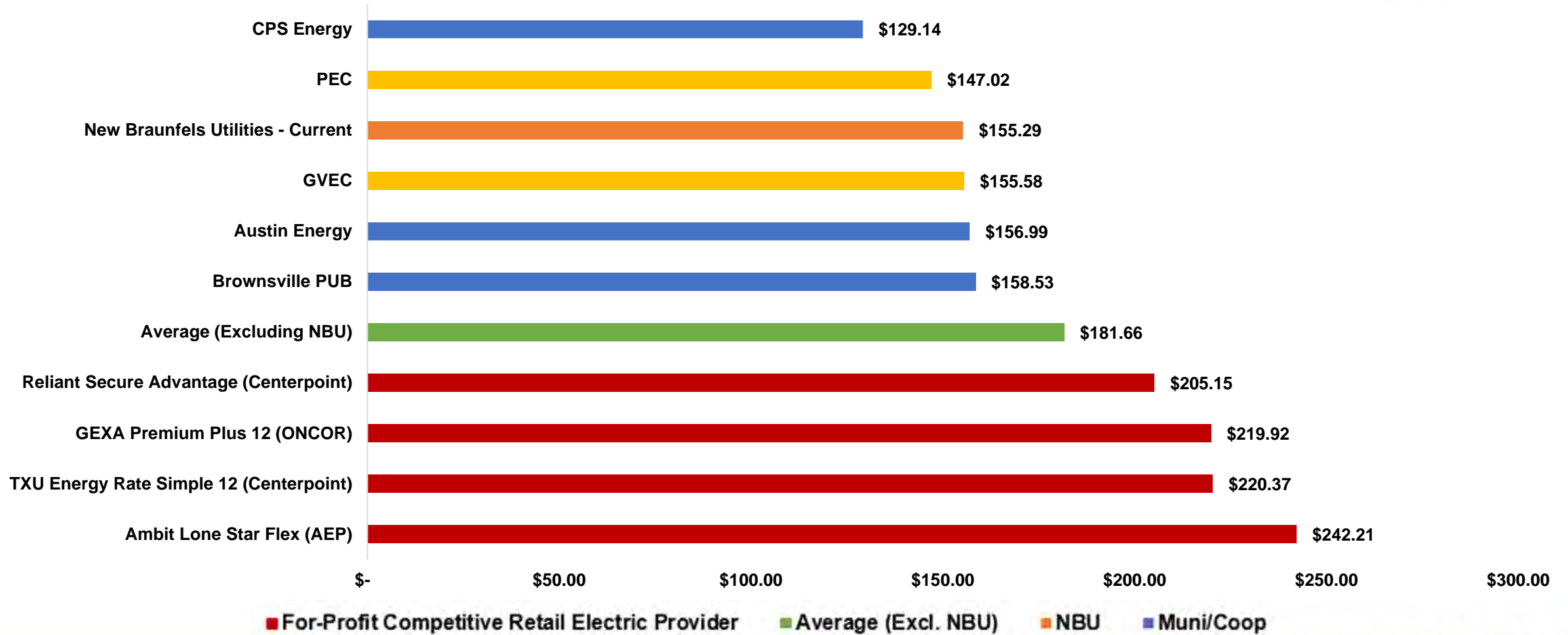
Annual Average Day Ahead Market \$/MW



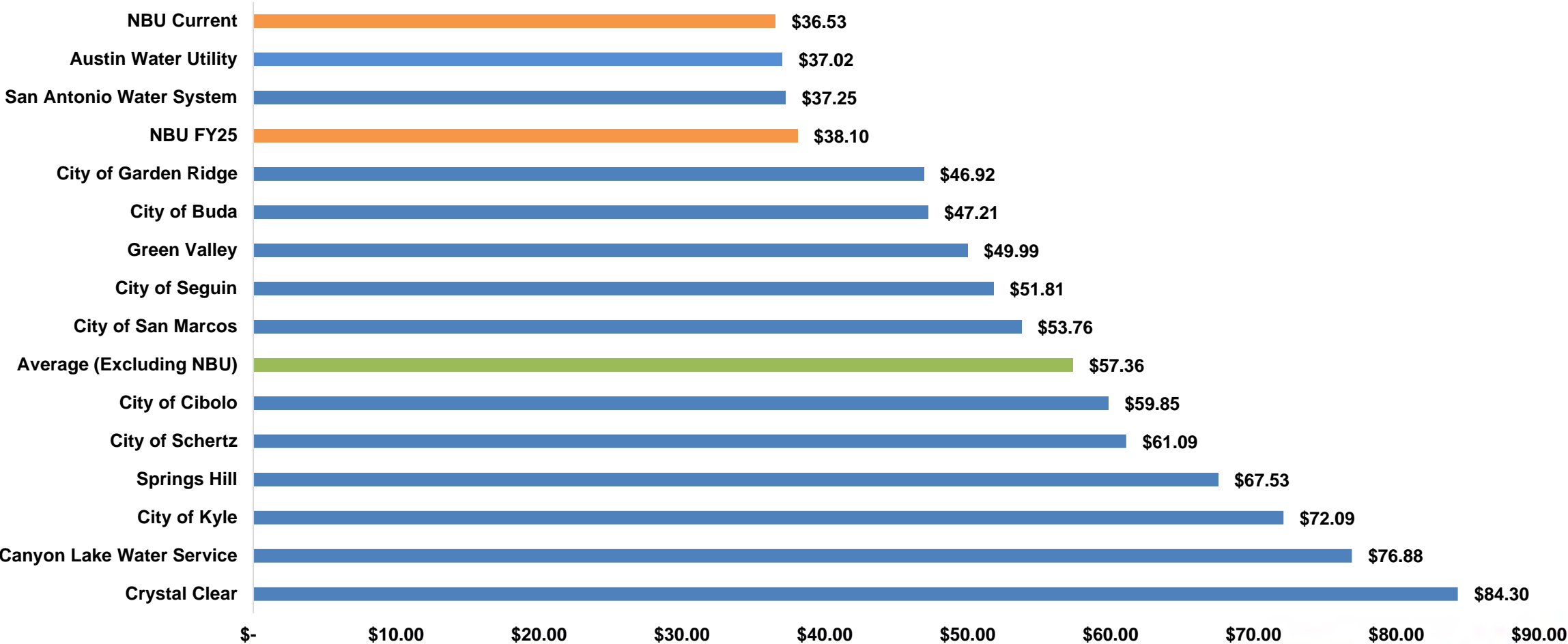
Monthly Electric Bills – 1,200 kWh



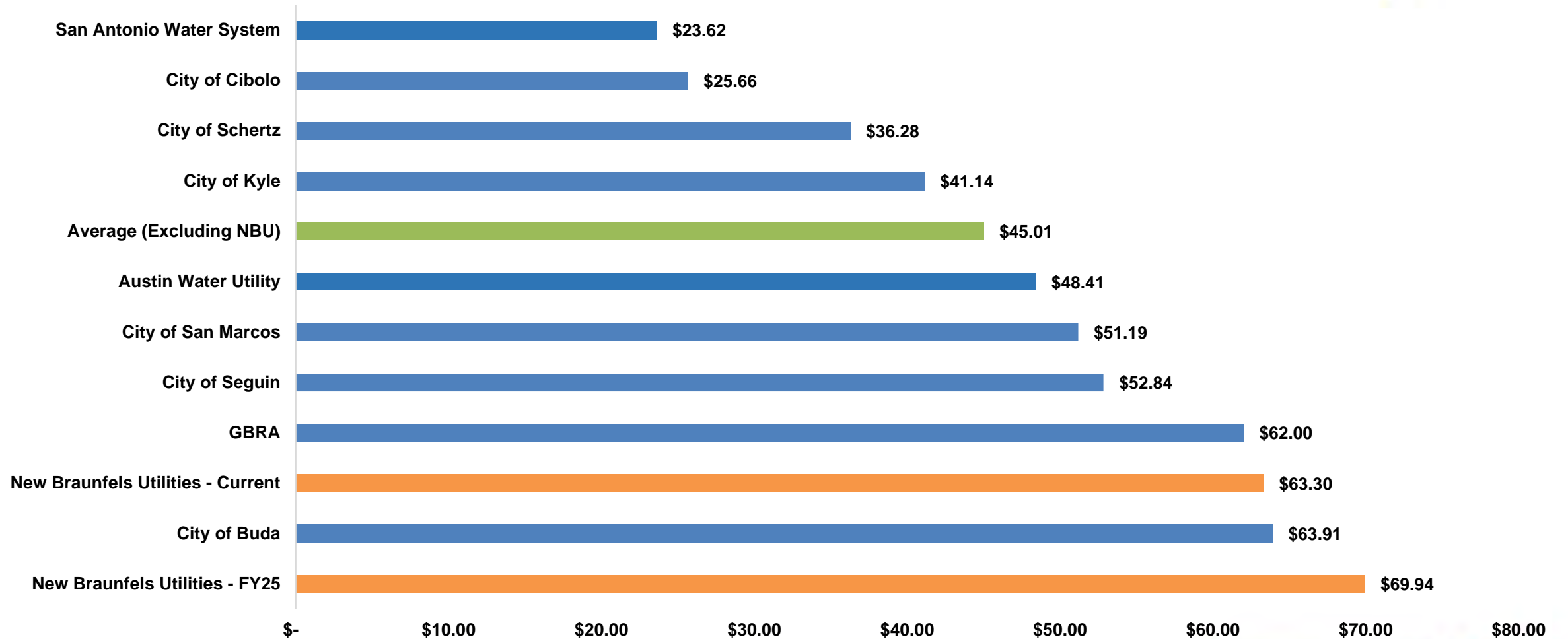
Residential Electric Bill Comparison - 1,200 kWh



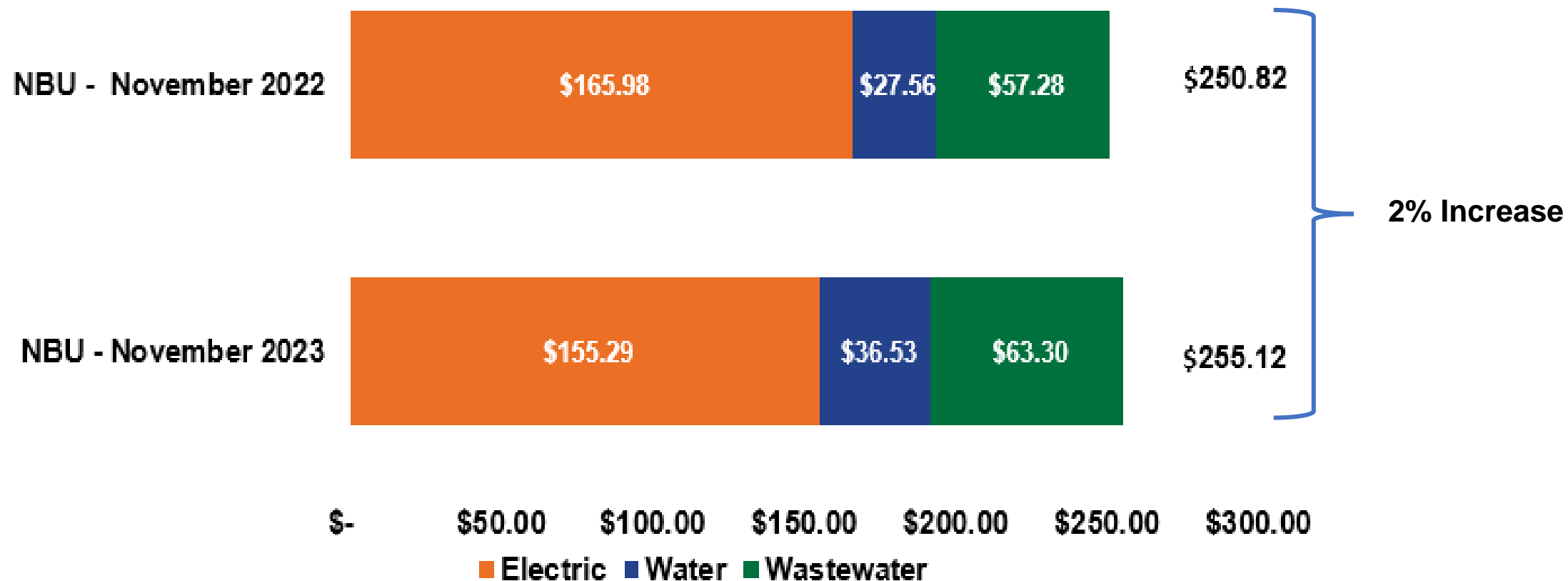
Residential Water Bill Comparison – 6,000 Gal



Residential Wastewater Bill Comparison – 4,600 Gal

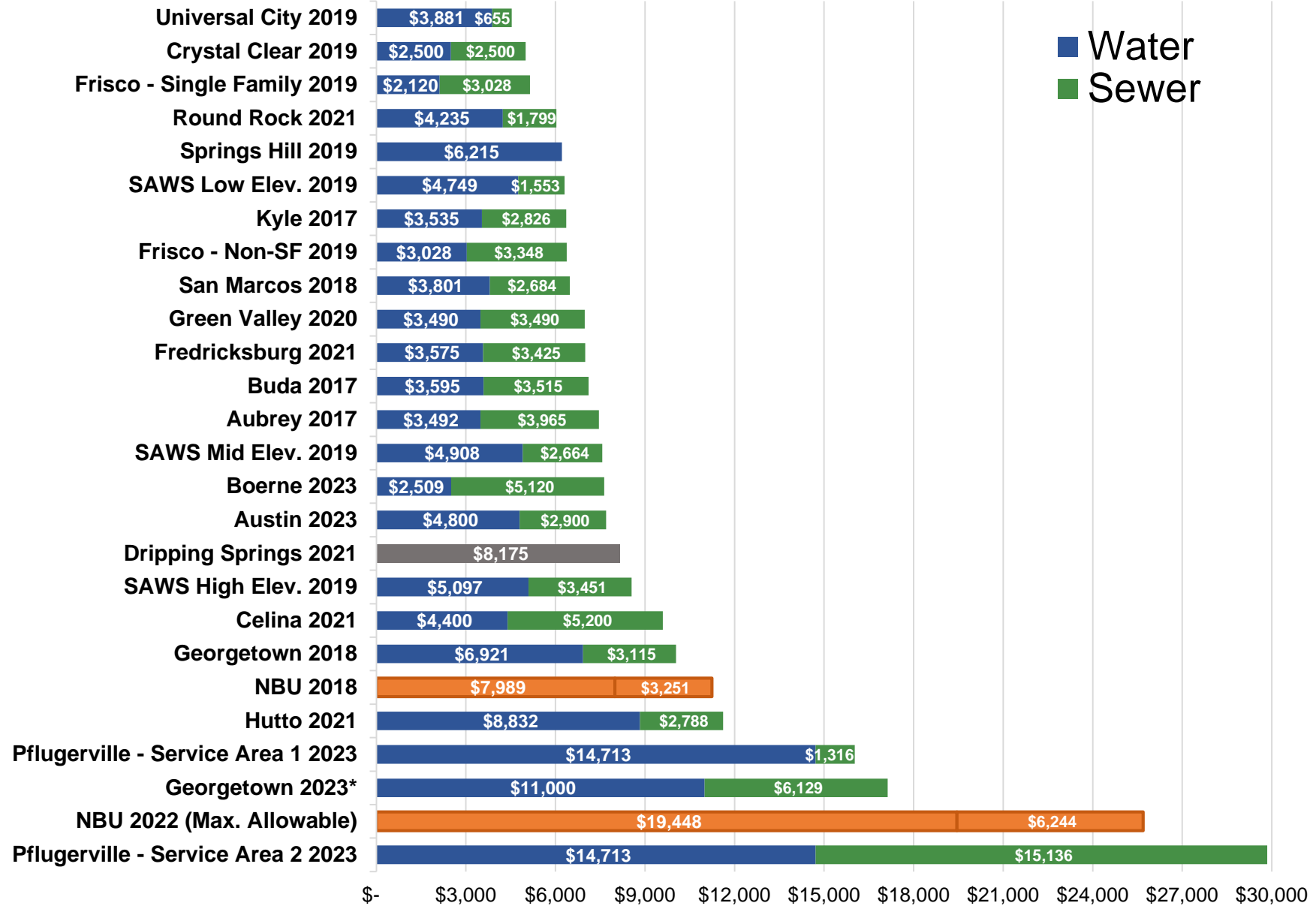


Total Bill Comparison YOY

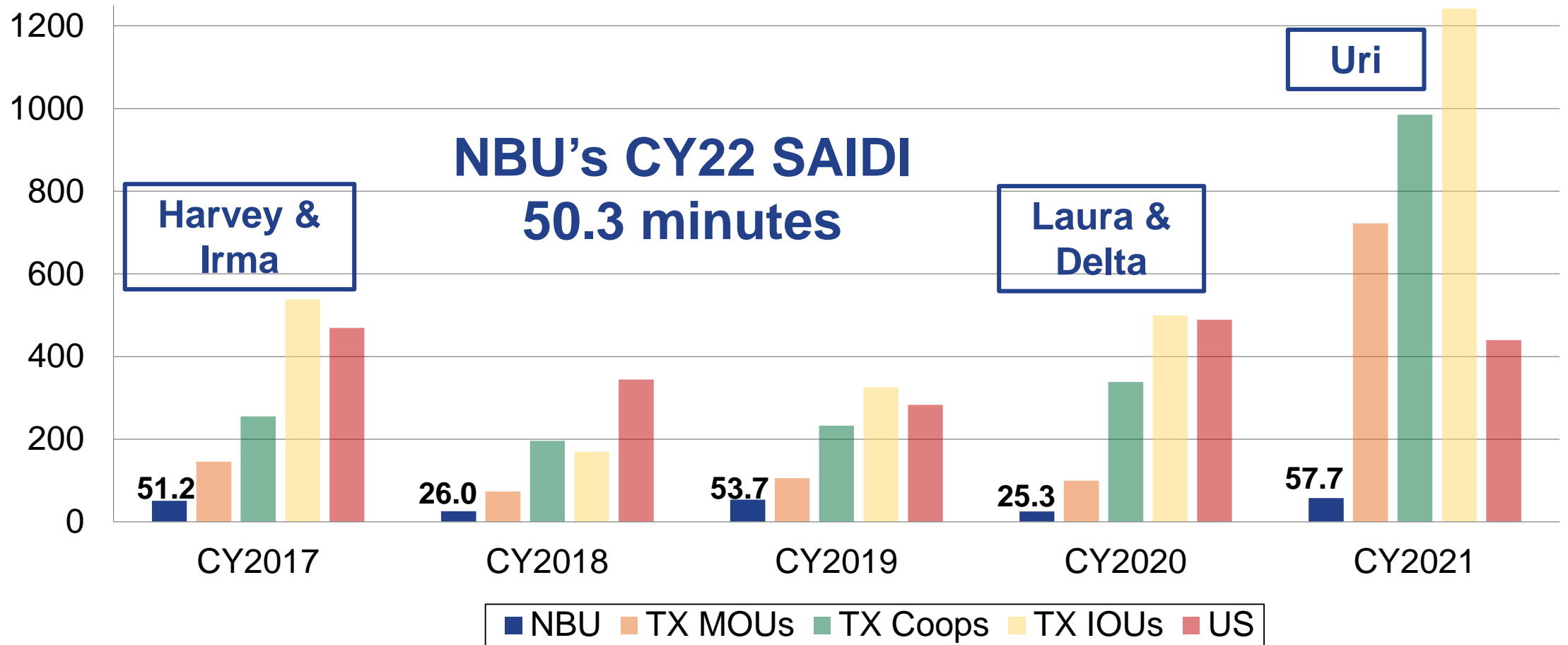


**Assumes 1,200 kWh for electric, 6,000 gallons for water, and 4,600 gallons for wastewater*

Impact Fee Comparisons



Electric Reliability Bar Graph, SAIDI (Lower is better!)



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

FUTURE OUTLOOK

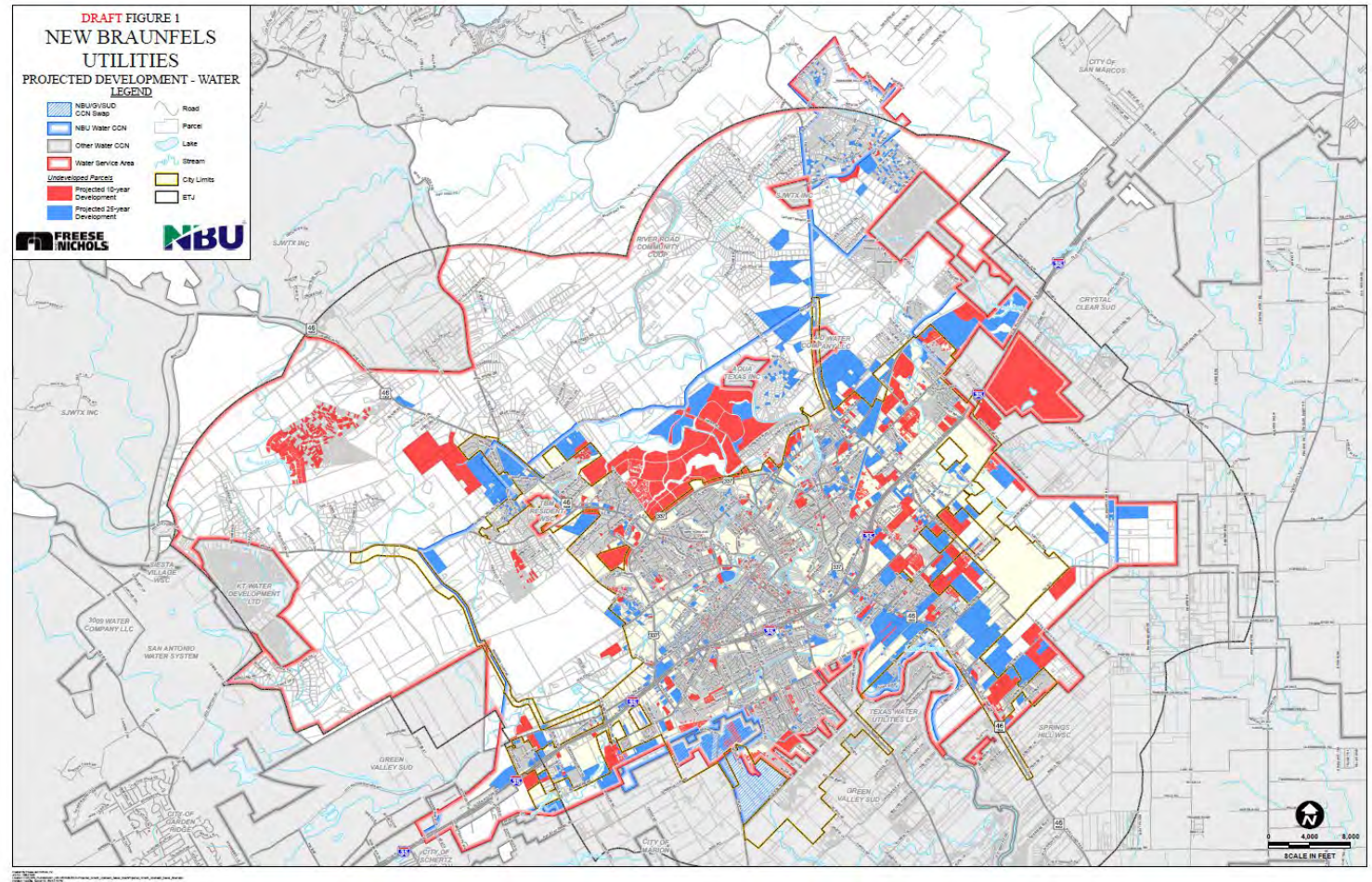
Connecting with Our Customers



Defining our Service Area Boundaries

Key to Determining:

- Water Supply
- Power Supply
- Infrastructure
- Staffing
- Growth
- Levels of Service



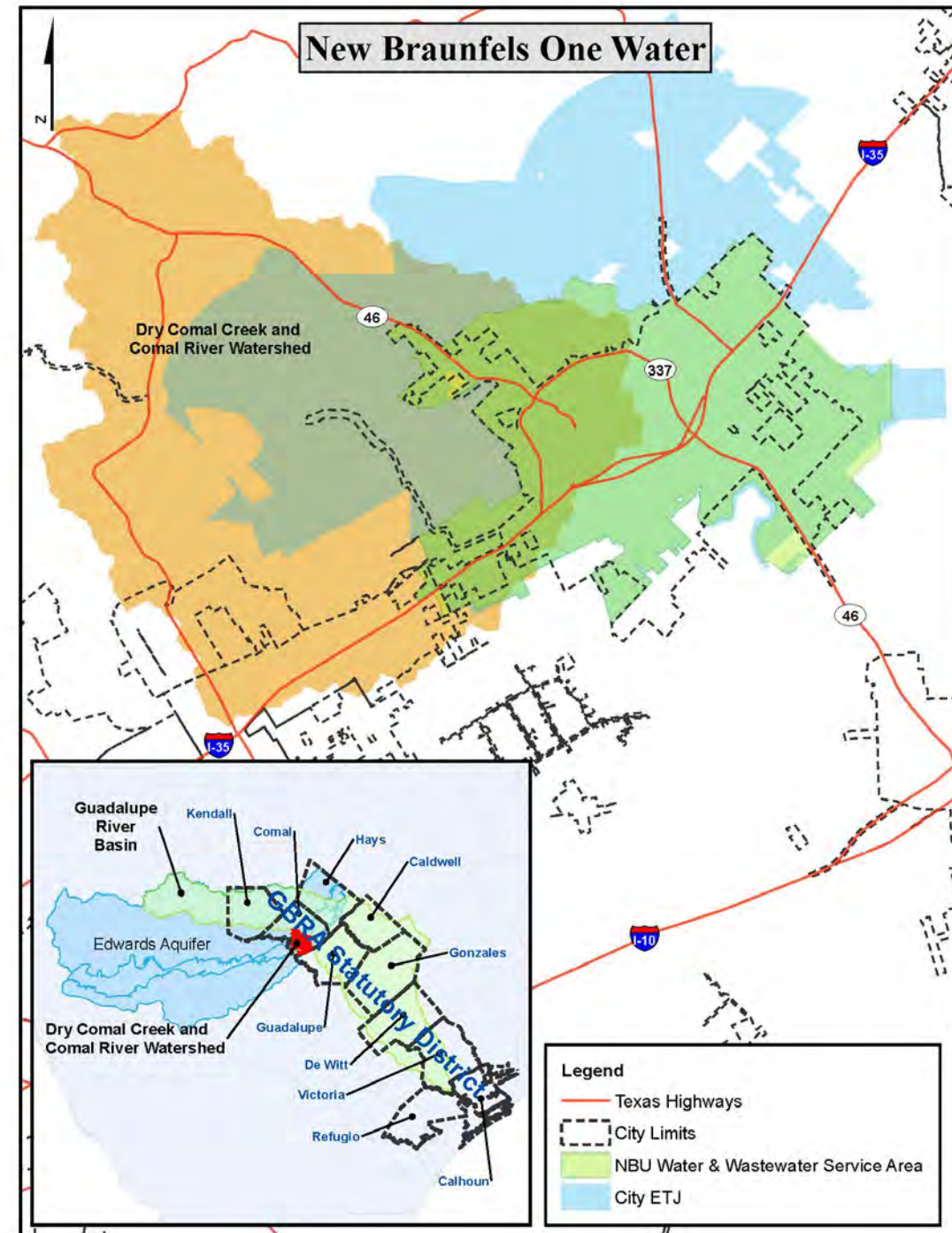
Improve the “Development Process”

transparency
commitments time money
difficult
reviews obstacle
reasonableness
resolution
accountability
responsiveness
process
onerous distrust
partnership flexibility

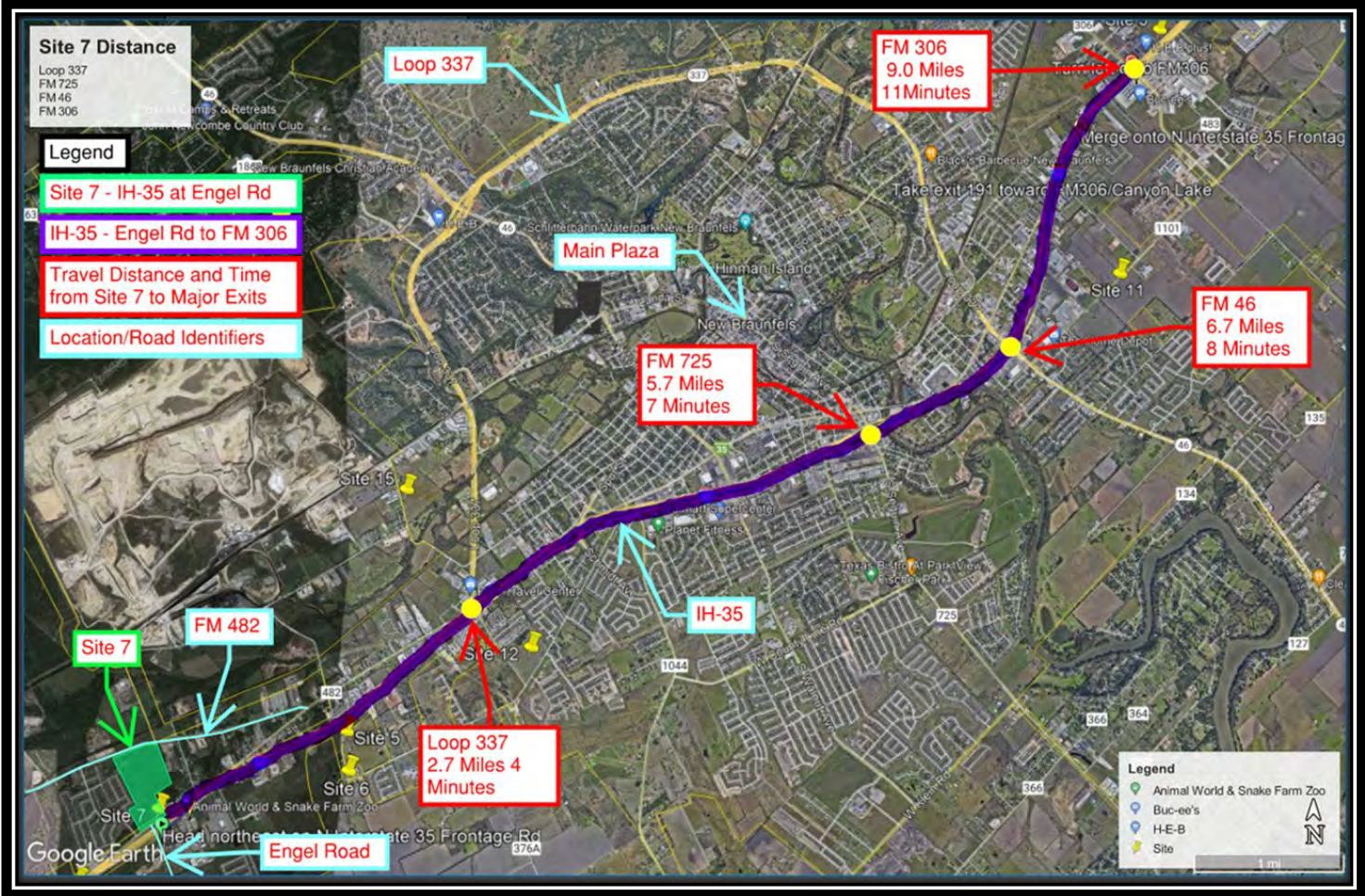
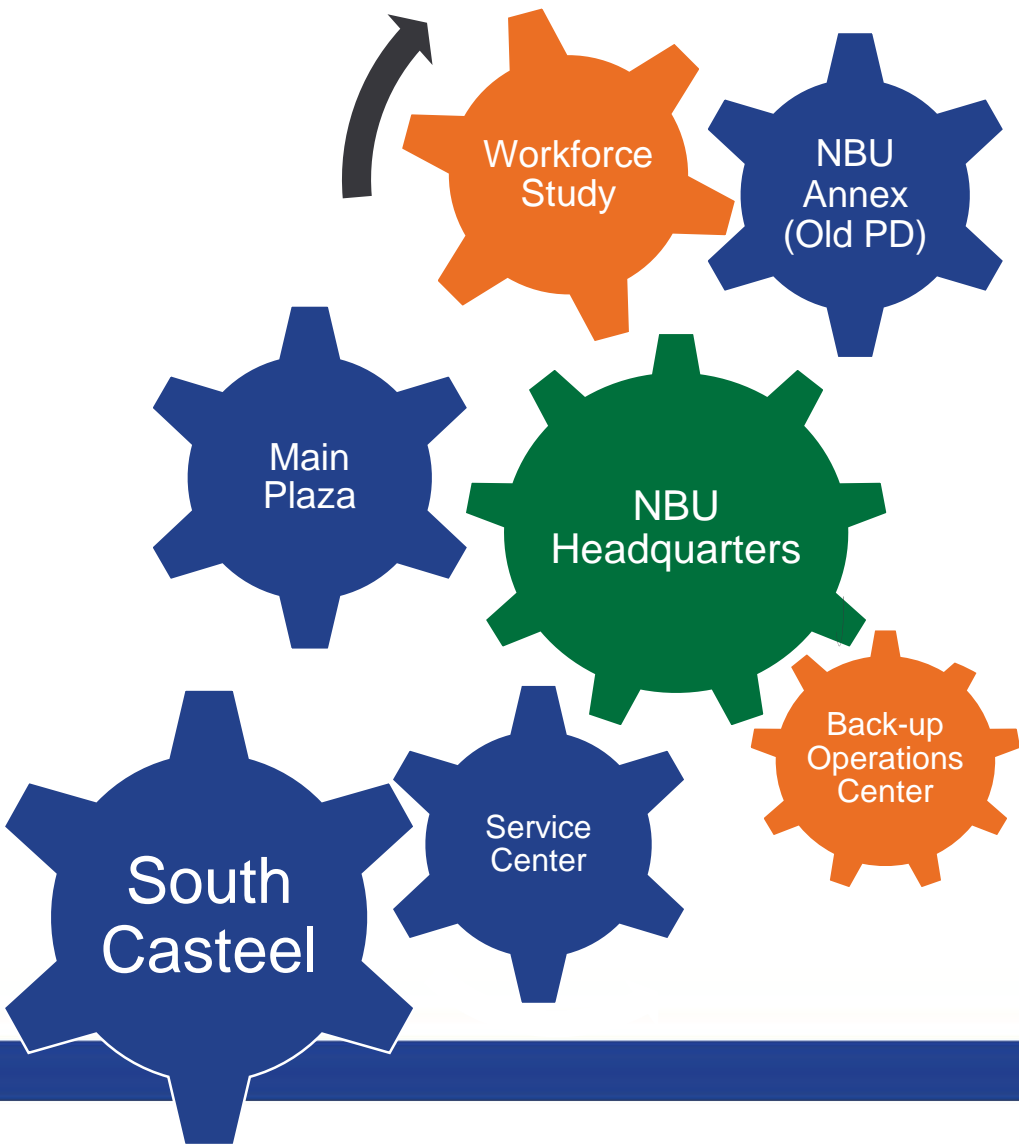
One Water

An integrated planning and implementation approach to managing finite water resources for long-term resilience and reliability, meeting both community and ecosystem needs.

Water Research Foundation (WRF)



Build a New Headquarters



QUESTIONS?

Thank you!