



Meeting Date: March 30, 2023 **Agenda Type:** Action Items

From: Ashley Van Booven **Reviewed by:** Ashley Van Booven
Director of Finance Director of Finance

Submitted by: Dawn Schriever **Approved by:** Ian Taylor
Chief Financial Officer Chief Executive Officer

RECOMMENDED ACTION: Discuss and Consider Receiving the Electric, Water, and Wastewater Utility Revenues, Revenue Requirements, Cost of Service, Rates Report, including Rate Advisory Committee Feedback, from Freese & Nichols, Inc., NewGen Strategies & Solutions, LLC, and the NBU Rate Advisory Committee

BACKGROUND

In October of 2021, the New Braunfels Utilities (“NBU”) Board of Trustees directed staff to assemble a Rate Advisory Committee (“RAC”) to review NBU’s rate structure and provide feedback to the Board for the 2022-2023 Cost of Service and Rate Design Study. On February 24, 2022, the Board approved a Professional Services Agreement with Freese and Nichols, Inc. (“FNI”) to conduct a comprehensive rate study, including a cost of service analysis, and to oversee the RAC. On April 28, 2022, the Board approved Resolution #2022-157 establishing the RAC, approving the RAC Bylaws, and appointing eighteen (18) RAC members.

Since its conception, the RAC held nine (9) public meetings, in addition to a public forum. During those meetings, the RAC discussed topics including (i) an overview of NBU’s water, wastewater, and electric systems; (ii) NBU’s revenues, revenue requirements, and projected operating results for the water, wastewater, and electric utilities; (iii) NBU capital project funding; (iv) the electric energy market and ERCOT; (v) NBU bond ratings and target ratios; (vi) cost of service results for the water, wastewater, and electric utilities; and (vii) recommended rate structures for the water, wastewater, and electric utilities.

Additionally, RAC members broke into subcommittees and made recommendations to NBU staff and consultants based on the following seven (7) key policy areas:

- 1) Low/Fixed Income Customers
- 2) Equity and Fairness in Rate Making
- 3) Conservation and Renewables
- 4) Revenue Sufficiency
- 5) Accommodating Growth
- 6) Utility Stability and Financial Strength
- 7) Simple to Understand and Easy to Implement

Simultaneously to the RAC, NBU staff and consultants were conducting the 2022-2023 Cost of Service Study. Staff worked vigorously to finalize the Fiscal Year 2024 Budget and Financial Operating Plan in order to incorporate the results of the cost of service and RAC processes. The ultimate deliverable for FNI is a report on the findings of the cost of service study, including an overview of the RAC process and feedback, which is attached as Exhibit 1.

NBU staff requests that the Board of Trustees accept the report as presented.

FINANCIAL IMPACT

None

LINK TO STRATEGIC PLAN

Customers and Community

EXHIBITS

1. Electric, Water and Wastewater Utility Revenues, Revenue Requirements, Cost of Service and Rates
– Final Report Prepared by Freese and Nichols, Inc. and NewGen Strategies and Solutions, LLC
March 2023
2. Acknowledgement Letter