



Meeting Date: May 30, 2024 **Agenda Type:** Items from Staff

From: Kimberly Huffman **Reviewed by:** Ashley Van Booven
Accounting Manager Director of Finance

Submitted by: Dawn Schriever **Approved by:** Ryan Kelso
Chief Financial Officer Chief Executive Officer

RECOMMENDED ACTION: Financial Update and Report, Including an Update on the Filing of the NBU Transmission Cost of Service Application with the Public Utility Commission of Texas

BACKGROUND

NBU’s service territory experienced higher temperatures and lower rainfall during the month of April than historically. The average temperature was 72.4 degrees, which was 3.6 degrees higher than the historical average temperature of 68.8 degrees. Rainfall totaled 2.3 inches for the month of April, which was 0.6 inches lower than the historical average rainfall of 2.9 inches.

For the month of April 2024, NBU recorded a change in net position after contributions (“CNPAC”) of \$1,382,000, which represents an increase of \$1,781,000 compared to the budgeted monthly CNPAC of (\$399,000). Operating service revenues of \$16,742,000 were less than budget by \$3,512,000, or 17%, for the month of April. A \$2,244,000 decrease in electric revenue, a \$764,000 decrease in water revenue, and a \$504,000 decrease in wastewater revenue contributed to the overall service revenues. Other operating revenues of \$443,000 were greater than budget by \$23,000 for the month of April. Purchased power costs were \$4,281,000 less than budget for April 2024 and \$446,000 less for Year-to-Date (“YTD”). A decrease in other operating expenses of \$562,000 resulted in total operating expenses to be \$4,843,000, or 23%, less than the budgeted amount of \$21,049,000. The net revenue and operating expense variances contributed to a favorable net operating income variance of \$1,353,000 from budget. Net non-operating items had a \$265,000 favorable variance compared to budget. Impact fees were greater than budget by \$311,000, services income was less than budget by \$80,000, and capital participation fees was less than budget by \$66,000. April 2024 YTD CNPAC was \$37,502,000, which was \$22,231,000 greater than the budgeted amount of \$15,271,000.

FINANCIAL IMPACT

Electric

The Electric Line of Business reported total operating revenues of \$11,303,000, a \$2,255,000 decrease, or 17%, from the April budgeted amount of \$13,558,000. The net rate realized per kWh was \$0.0930, which was 2% less than the budgeted rate of \$0.0949. April kWh sales were 117.9 million kWh, a 21.3 million kWh decrease, or 15%, in comparison to the budgeted amount of 139.2 million kWh. Purchased power costs totaled \$7,192,000, which was \$4,281,000 less than the budgeted amount of \$11,473,000.

Electric gross margin, which is total operating revenues minus purchased power, resulted in the amount of \$4,111,000 for the month of April and \$46,345,000 YTD. These amounts were \$2,206,000 greater and \$4,644,000 greater than the budgeted amount of \$2,085,000 Month-to-Date (“MTD”) and \$41,701,000 YTD. Other operating expenses were less than budget by \$357,000. These items resulted in the Electric Line of Business reporting net operating income of \$1,498,000, which was \$2,384,000 greater than the budgeted amount of (\$886,000). Net non-operating items provided an unfavorable variance from budget of \$206,000. Services income was less than budget by \$177,000. The Electric Line of Business reported April 2024 CNPAC of \$559,000 and YTD CNPAC of \$20,733,000. These amounts were \$2,001,000 greater and \$11,212,000 greater than their respective April 2024 MTD and April 2024 YTD budget amounts.

Water

The Water Line of Business reported total operating revenues of \$3,026,000, a \$738,000 decrease, or 20%, from the April budgeted amount of \$3,764,000. In April, water gallons sold of 310,742,000 was less than the budgeted amount of 370,784,000 (a 60,042,000-gallon variance from budget, or 16%). NBU’s net realized price per 1,000 gallons sold in April was \$9.47, which was less than the budgeted amount of \$10.00. Operating expenses for April were \$3,749,000, which was \$167,000 less than the budgeted amount of \$3,916,000. The net effect of less revenues and less operating expenses than budgeted resulted in the Water’s net operating income of (\$723,000), which was less than budget. Net non-operating items provided a favorable variance of \$160,000 from budget. Impact fees of \$1,041,000 were greater than budget by \$25,000, and services income was greater than budget by \$96,000. The Water Line of Business reported April 2024 CNPAC of \$150,000 and YTD CNPAC of \$8,748,000. These amounts were \$291,000 less than and \$6,999,000 greater than their respective April 2024 MTD and April 2024 YTD budget amounts.

Wastewater

The Wastewater Line of Business reported total operating revenues of \$2,856,000, a \$496,000 decrease, or 15%, from the April budgeted amount of \$3,352,000. Total operating expenses of \$2,653,000 were \$36,000 less than the budgeted amount of \$2,689,000. As a result, the Wastewater Line of Business reported net operating income of \$203,000, which was \$460,000 less than the budgeted amount of \$663,000. Net non-operating items provided a favorable variance of \$311,000 from budget. Impact fees were greater than budget by \$286,000, and capital participation fees were less than budget by \$66,000. The Wastewater Line of Business reported April 2024 CNPAC of \$673,000 and YTD CNPAC of \$8,021,000. These amounts were \$71,000 greater than and \$4,020,000 greater than their respective April 2024 MTD and April 2024 YTD budget amounts.

LINK TO STRATEGIC PLAN

Financial Excellence

EXHIBITS

1. Overview Comparison to Budget and Prior Fiscal Year
2. Financial Statements
3. Capital Expenditure Summary
4. Statistics - Electric (Provided separately due to competitive matters)
5. Statistics - Water
6. Statistics - Wastewater