



**Meeting Date:** March 25, 2021      **Agenda Type:** Items from Staff

**From:** Kimberly Huffman      **Reviewed by:** Dawn Schriewer

**Submitted by:** Dawn Schriewer      **Approved by:** Ian Taylor  
Chief Executive Officer

**RECOMMENDED ACTION:** Review Financial Update and Report – February 2021

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## **BACKGROUND**

The severe weather during the month of February, including snowstorms and the reporting of historical low temperatures, is revealed in many aspects of our financial reporting this month. In order to adhere to fundamental accounting principles, expenses and associated revenues need to be reflected in the same period. NBU experienced record power costs during the week of the winter weather event. These expenses are visible in our electric purchase power cost. The matching principle appears in the increase in electric revenue. The revenue is booked as a receivable from our customers, which will be offset as NBU recovers the power costs over a period of time. NBU's service territory experienced lower rainfall and lower temperatures during the month of February. For the month of February, the average temperature was 51.7 degrees, which was 2.6 degrees less than the historical average temperature of 54.3 degrees. Rainfall totaled 0.72 inches for the month of February, which was 1.28 inches lower than the historical average rainfall of 2.0 inches.

For the month of February 2021, NBU recorded a change in net position after contributions CNPAC of \$596,000, which represents an increase of \$1,017,000 compared to the budgeted monthly CNPAC of (\$421,000). Operating service revenues of 92,105,000 were greater than budget by \$79,746,000, or 645%, for the month of February. A \$79,871,000 increase in electric revenue, \$130,000 decrease in water revenue, and a \$5,000 increase in wastewater revenue, contributed to the overall increase in service revenues. Other operating revenues of \$309,000 were less than budget by \$92,000 for the month of February. Purchased power costs were \$81,686,000 greater than budget. A decrease in other operating expenses of \$1,930,000 resulted in total operating expenses to be \$79,756,000, or 632%, greater than the budgeted amount of \$12,611,000. The net revenue and operating expense variances contributed to an unfavorable net operating income variance of \$102,000 from budget. Net non-operating items had a \$115,000 favorable variance compared to budget. Impact fees were greater than budget by \$969,000, services income was greater than budget by \$103,000, and capital participation fees were less than budget by \$68,000. February 2021 Year-to-Date (YTD) CNPAC was \$26,108,000, which was \$28,858,000 greater than the budgeted amount of (\$2,750,000).

## **FINANCIAL IMPACT**

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### **Electric**

The Electric Line of Business reported total operating revenues of \$88,903,000, a \$79,794,000 increase, or 876%, from the February budgeted amount of \$9,109,000. The net rate realized per kWh was \$0.7304, which was 929% greater than the budgeted rate of \$0.0710. February kWh sales were 121.3 million kWh, a 2.2 million kWh decrease, or 2%, in comparison to the budgeted amount of 123.5 million kWh. Purchased power costs totaled \$87,198,000, which was \$81,686,000 greater than the budgeted amount of \$5,512,000. The winter storm this month contributed to the increased power costs and amount of recorded revenues to be collected from our customers. Other operating expenses were less than budget by \$600,000. These items resulted in the Electric Line of Business reporting net operating income of (\$201,000), which was \$1,292,000 less than the budgeted amount of \$1,091,000. Net non-operating items provided a favorable variance from budget of \$95,000. Services income was greater than budget by \$89,000. The Electric Line of Business reported February 2021 CNPAC of (\$676,000) and YTD CNPAC of \$13,396,000. These amounts were \$1,108,000 less and \$10,312,000 greater than their respective February 2021 Month-to-date (MTD) and February 2021 YTD budget amounts.

### **Water**

The Water Line of Business reported total operating revenues of \$1,647,000, a \$144,000 decrease, or 8%, from the February budgeted amount of \$1,791,000. In February, water gallons sold of 291,514,000 was greater than the budgeted amount of 259,107,000 (a 32,407,000 gallon variance from budget, or 13%). NBU's net realized price per 1,000 gallons in February was \$5.56, which was less than the budgeted amount of \$6.75. Operating expenses for February were \$1,808,000, which was \$617,000 less than the budgeted amount of \$2,425,000. The net effect of lower revenues and lower operating expenses contributed to Water's net operating income of (\$161,000) being \$473,000 greater than the budgeted amount of (\$634,000). Net non-operating items provided a favorable variance of \$143,000 from budget. Impact fees of \$1,222,000 were greater than budget by \$804,000, and services income was greater than budget by \$2,000. The Water Line of Business reported February 2021 CNPAC of \$829,000 and YTD CNPAC of \$9,394,000. These amounts were \$1,422,000 and \$12,368,000 greater than their respective February 2021 MTD and February 2021 YTD budget amounts. NBU applied a credit to all customer accounts. NBU made a one-time adjustment to residential and commercial customer water and wastewater customer accounts to aid customers who may have higher bills due the freeze-related leaks or unusually higher usage for faucet dripping. NBU compared the current usage versus the previous usage and billed at the lower of the two. If the billed amount for the current month was higher than the previous month, a credit was applied to the customer's account. This is indicative of the higher gallons sold during the month, but with seeing a decline in revenues.

### **Wastewater**

The Wastewater Line of Business reported total operating revenues of \$1,864,000, a \$4,000 increase, or <1%, from the February budgeted amount of \$1,860,000. Total operating expenses of \$1,455,000 were \$713,000 less than the budgeted amount of \$2,168,000. As a result, the Wastewater Line of Business reported net operating income of \$409,000, which was \$717,000 greater than the budgeted amount of (\$308,000). Net non-operating items provided an unfavorable variance of \$123,000 from budget. Impact fees were greater than budget by \$165,000, services income was greater than budget by \$12,000, and capital participation fees were less than budget by \$68,000. The Wastewater Line of Business reported February 2021 CNPAC of \$443,000 and YTD CNPAC of \$3,318,000. These amounts were \$703,000 and \$6,178,000 greater than their respective February 2021 MTD and February 2021 YTD budget amounts.

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## **LINK TO STRATEGIC PLAN**

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### **Maintain a Competitive Bond Rating**

#### **EXHIBITS**

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1. YTD 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