



Meeting Date: December 14, 2023 **Agenda Type:** Consent Items For Action

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

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

RECOMMENDED ACTION: Approve the Guadalupe-Blanco River Authority Canyon Hydroelectric Cost Reconciliation for Fiscal Year 2023

BACKGROUND

Pursuant to Section X (C) (2) of the Amended Hydroelectric Supply Agreement (the “Agreement”) dated December 21, 2012, between Guadalupe-Blanco River Authority (“GBRA”) and New Braunfels Utilities (“NBU”) relating to electrical generation produced from Canyon Hydroelectric facility, GBRA has submitted the fiscal year 2023 year-end budget to actual reconciliation. The Agreement stipulates that NBU will review the year-end adjustment of budget to actual energy sales versus operational expenses. Once the adjustment has been accepted by the NBU Board of Trustees, NBU will pay GBRA if costs are under-recovered and GBRA will pay NBU for amounts over-recovered. Cost recovery is based on kWh sales, and it is trued-up at the end of each GBRA fiscal year, which ends on August 31. As described below, and based on the report GBRA submitted, NBU owes \$237,882.50 to GBRA. NBU will be required to pay this amount in December 2023.

Production: Pursuant to the Agreement, NBU pays GBRA monthly the amount equal to the estimated debt service plus \$0.0133 per kWh purchased. The fiscal year 2023 budget contained annual operating and maintenance costs of \$307,813.

In fiscal year 2023, the Canyon Hydro Plant experienced no electrical generation, which was due to the lack of water released at a rate that would allow generation. In fiscal year 2023, Canyon Hydro generated zero kWh, which generated no sales revenue. This resulted in GBRA under-recovering operating revenue from NBU of \$307,813 for electricity purchases not made throughout the fiscal year.

Expenses: In fiscal year 2023, operating expenses were \$69,930 less than the budgeted amount. Operating expenses were budgeted at \$307,813, while actual expenses recorded were \$237,883. The primary reason for the decrease in expenses was lower electrical generation. Because the plant was not generating, maintenance costs were also lower.

Renewable Energy Credits (RECs): Texas (the “State”) state law was changed in 2008, which allowed the Canyon Hydro Plant to participate in the State’s Renewable Energy Credit program. NBU had no realized revenue from the sale of RECs from Canyon Hydro in fiscal year 2023.

Net Fund and Debt Service Requirement: The GBRA debt obligation was paid off in April 2014, and as a result there was no debt service reserve requirement in fiscal year 2023. The original cost of the hydroelectric plant was \$13,990,000.

FINANCIAL IMPACT

The amount owed GBRA for fiscal year 2023 is summarized as follows:

Revenue shortfall due to actual production vs. required production	\$307,813
Lower operating expenses than budget	(69,930)
Increase in miscellaneous income/Renewable Energy Credits	-
Net fund and debt service requirements less than budget	-
Net Amount Owed to GBRA	<u>\$237,883</u>

LINK TO STRATEGIC PLAN

People and Culture

Financial Excellence

EXHIBITS

None