

FY 2026 Budget and Five-Year Financial Operating Plan

• May 15, 2025

Overview

- Strategic Plan
- Growth & Assumptions
- Capital Plan
- Water Supply
- Operating Expenses
- Funding Sources
- Revenue Requirements
- Water Supply Fee
- Bill Comparisons
- 20-Year Financial Forecast



Mission

Strengthening our community by providing resilient essential services



Vision

Be a trusted community partner dedicated to excellence in service



Core Values

Safety, Team, Integrity, Culture, and Stewardship

STRATEGIC PLAN

Mission, Vision, and Core Values

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Strategic Goals

Customers and Community

People and Culture

Infrastructure and Technology

Financial Excellence

Safety and Security

Stewardship

NBU NEW BRAUNFELS
UTILITIES



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NBU NEW BRAUNFELS
UTILITIES

FY 2026 Annual Priorities

ANNUAL PRIORITIES	MEASUREMENTS
Enterprise Asset Management	<ul style="list-style-type: none">• Establish NBU's Asset Data & Information Standards
Enterprise Project Management	<ul style="list-style-type: none">• Implement PMIS for capital projects for support services
Customer Experience	<ul style="list-style-type: none">• Implement targeted optimization CS initiatives on Response time, Quality Assurance, Operations/Technology Efficiencies and Communication Adoption
Technology Modernization	<ul style="list-style-type: none">• Select Customer Information System

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FY 2027 Annual Priorities

ANNUAL PRIORITIES	MEASUREMENTS
Technology Modernization	<ul style="list-style-type: none">• Implement Phase I of Customer Information System / Select Financial System
Strategic Plan	<ul style="list-style-type: none">• Update Strategic Plan
Customer Experience	<ul style="list-style-type: none">• Implement targeted optimization CS initiatives on Response time, Quality Assurance, Operation/Technology Efficiencies and Communication Adoption

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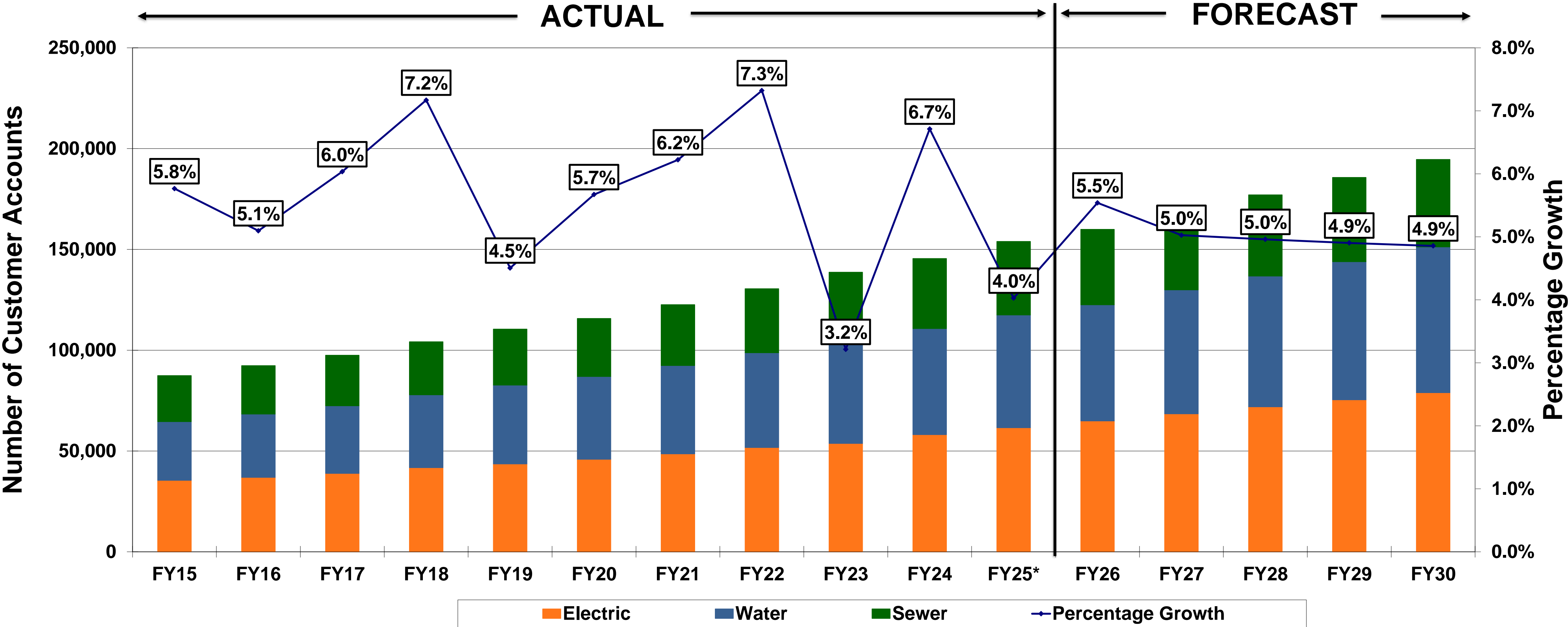


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GROWTH & ASSUMPTIONS

Combined Customer Growth



* Forecast (actuals through January 2025)

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Assumptions

- **\$142M** in impact fee revenue
- **2.2%** inflation on **O&M**
- **\$2.0M** reductions in **unspent wages/benefits**
- **28 FTE's** (FY26), **33 FTE's** (FY27), **18 FTE's** (FY28, 29 and 30) for **new positions**
- **5%** average merit increase in **personnel budget**
- **5.0%-5.5%** range on **interest rates** for long-term debt
- **\$15M** per year for the **Power Stabilization Fund** through **FY28**
- **\$2.65M** in total proceeds from **sale of the Main Office Plaza**

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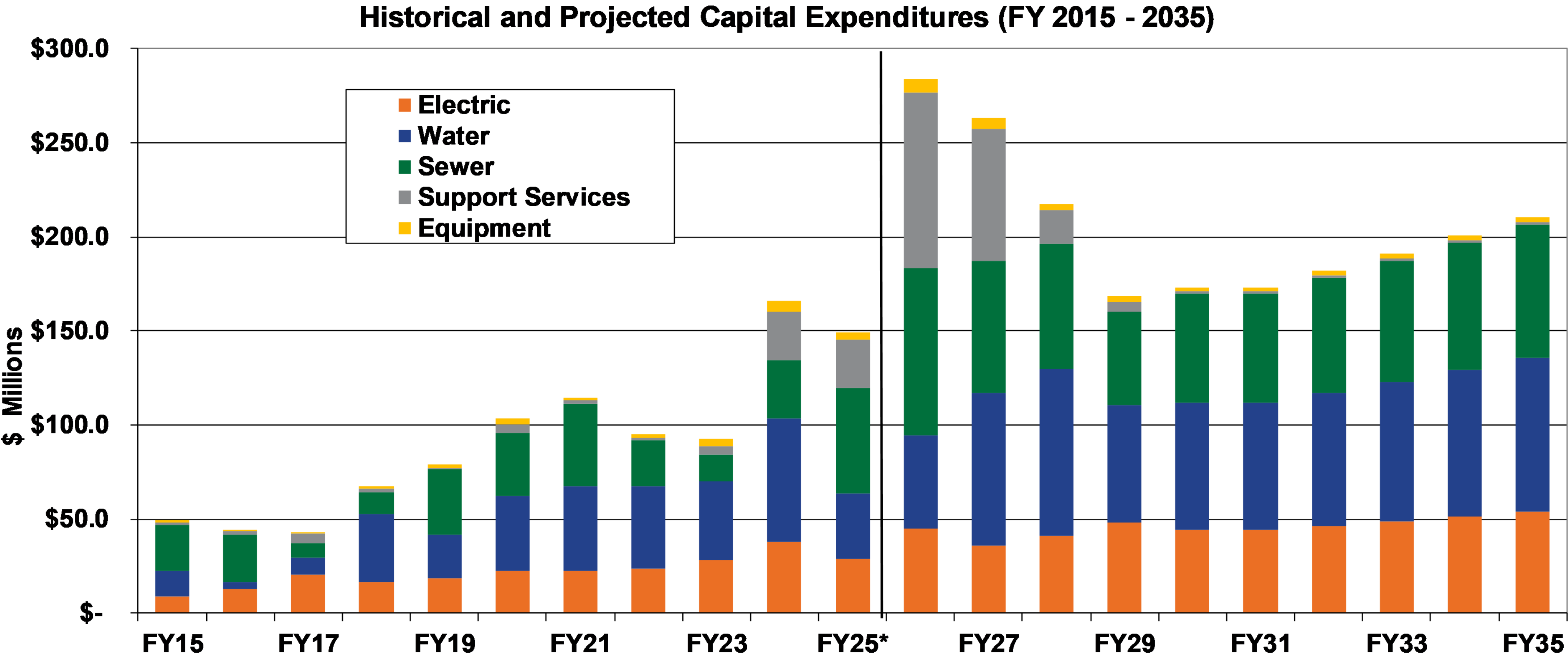


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CAPITAL PLAN

Capital Expenditures – Historical & Projected



* Forecast (actuals through January 2025)

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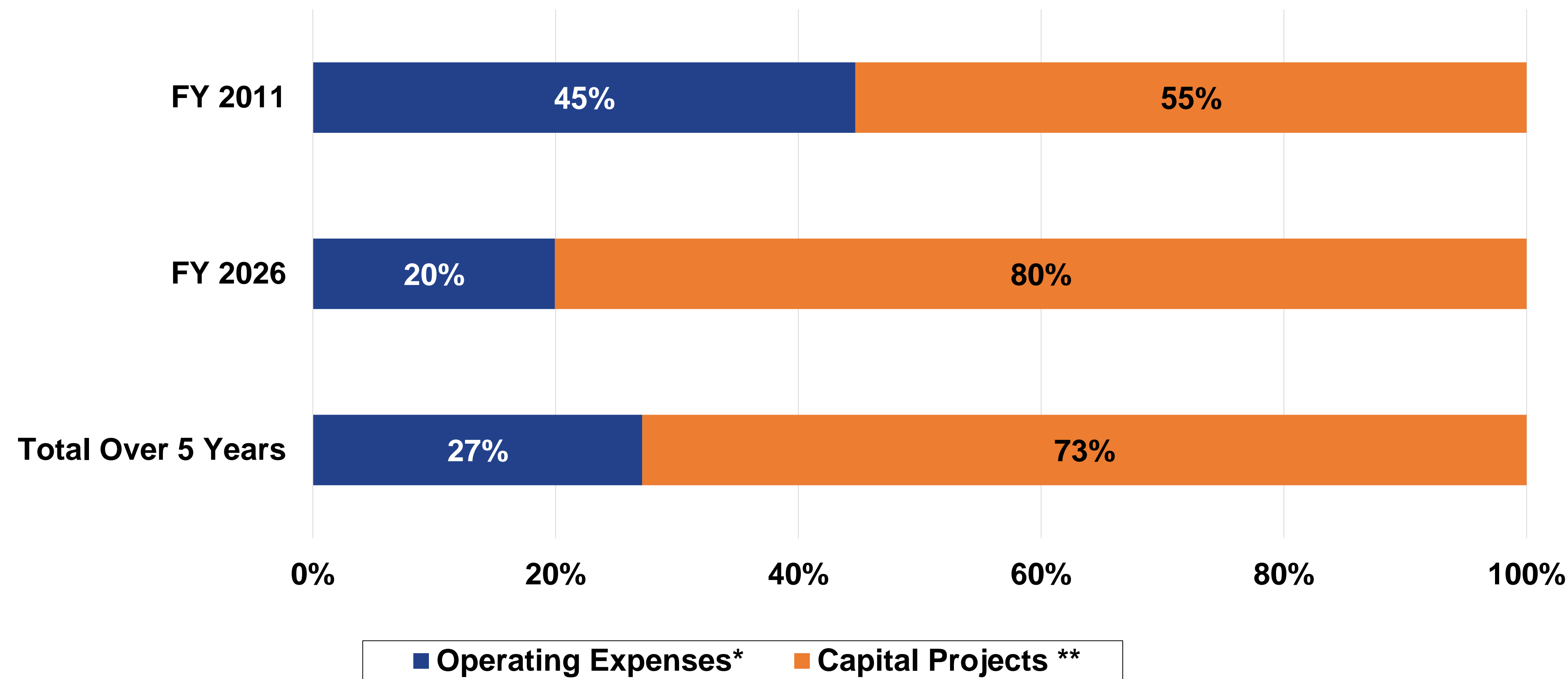
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Budgeted Sources of Expenditures



- *Does not include purchased power, purchased water, and depreciation.
- ** Capital includes projects and equipment.

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Drivers for Electric System Improvements

Regulatory Compliance

- Design electric infrastructure to meet or exceed National Electrical Safety Code (NESC) and National Electrical Code (NEC) requirements
- Achieve all NERC (North American Electric Reliability Corporation) & ERCOT (Electric Reliability Council of Texas) requirements with NBU's transmission system

Proactive Operations

- Maintain a 3 year rolling average SAIDI (System Average Interruption Index) in top 10% for Texas utilities or 3 year rolling average SAIDI < 52.56 minutes (99.99% reliability)
- SAIFI < 1.0 Interruptions (System Average Interruption Frequency Index)
- Customer Count per Feeder < 1,200 Customers Avg.
- Nominal Capacity > System Demand
- Rehab/Replace aging infrastructure prior to failure

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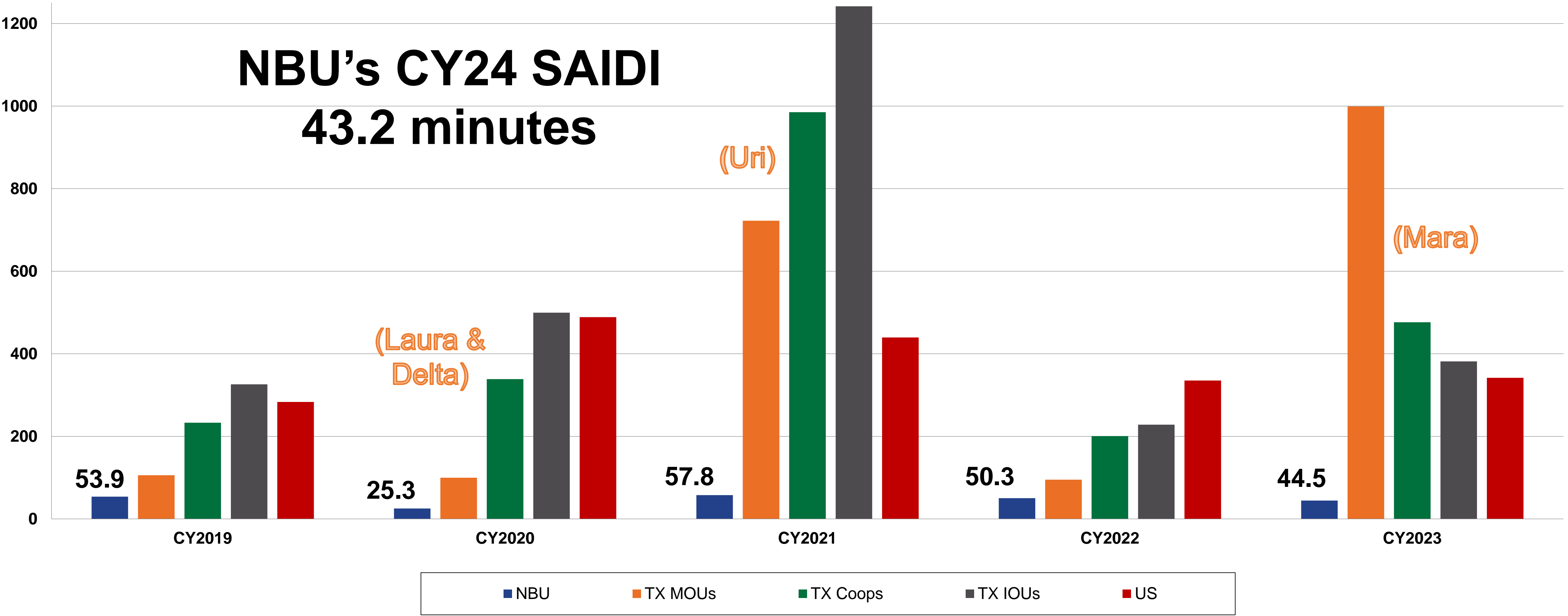
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Reliability Bar Graph, SAIDI (Lower is better!)



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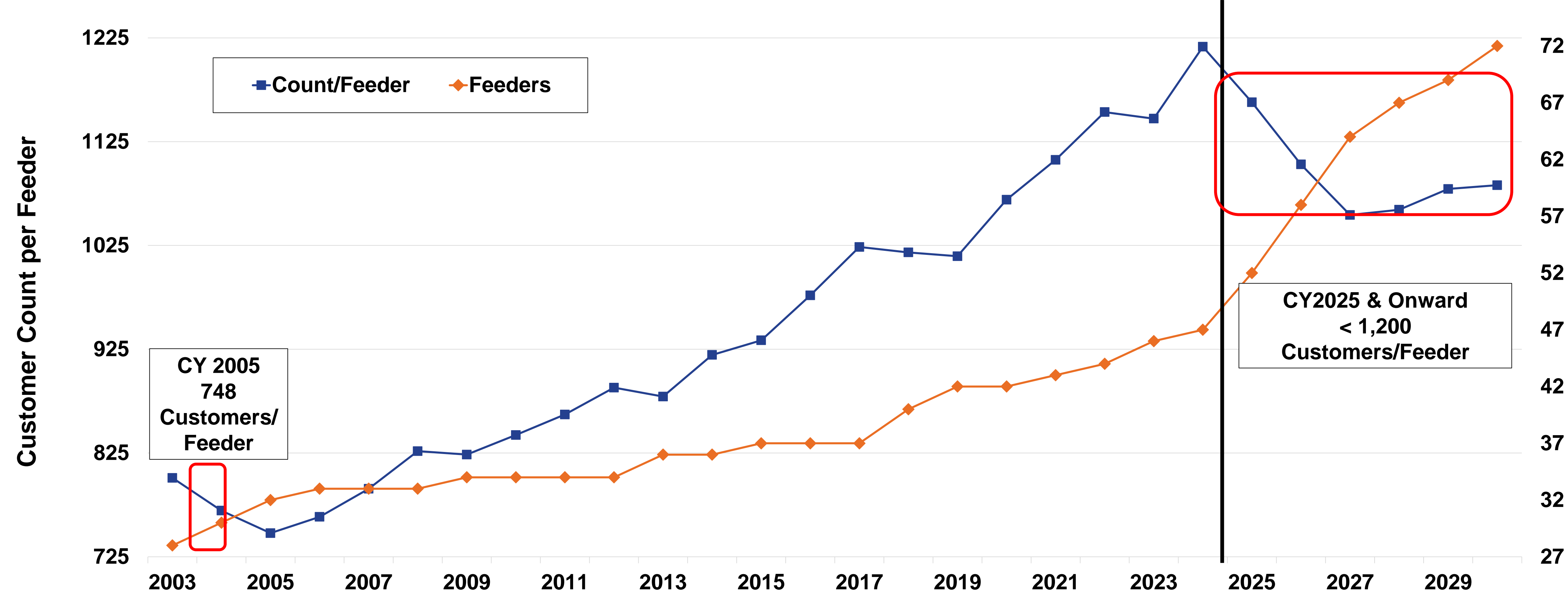
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Customer Count per Feeder



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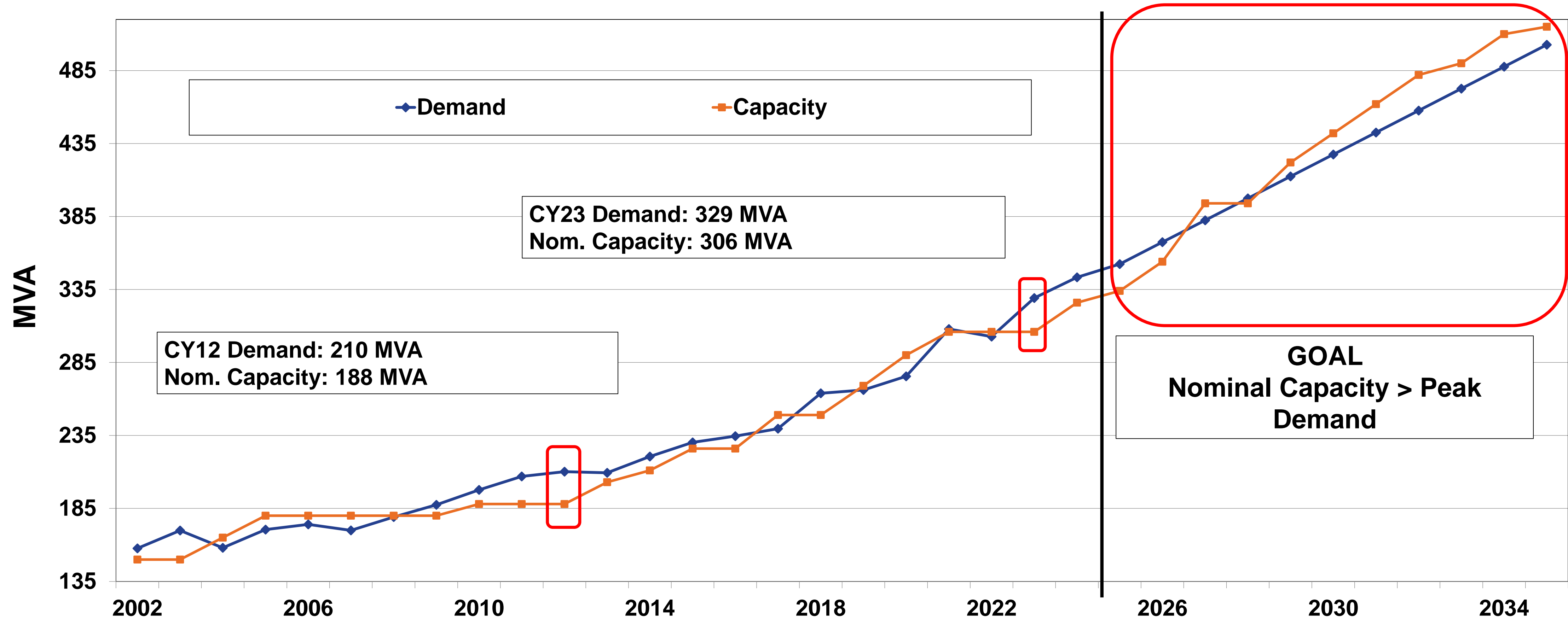
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Demand in Megavolt-Amperes (MVA) System Demand vs. Nominal Capacity



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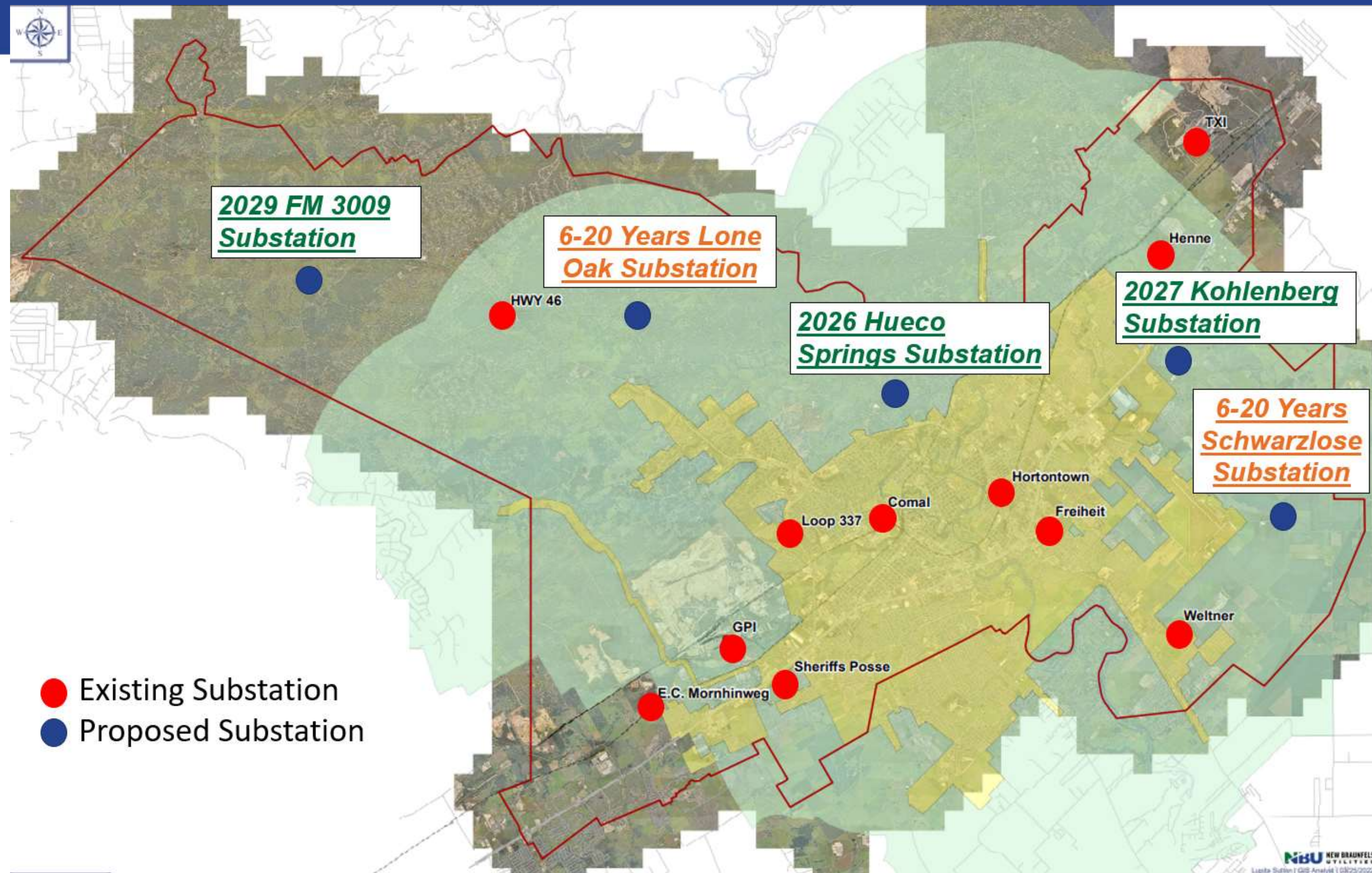


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Distribution Substations

Over the past 30 years, NBU has added five substations. In the five-year CIP, NBU plans to add 3 more substations, all in high-growth regions of the system.



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Significant Electric 5 Year CIP Projects

Year	Project	Budget	Substation	Transmission	Distribution
2026	Hueco Springs Substation & Feeders	\$6,488,409	X		X
	Henne Substation Breaker & Half	\$2,433,881		X	
	HW14 to FM 3009 Extension Phase 2	\$2,380,970			X
	Comal T3 Replacement & Feeder CO33	\$2,370,388	X		X
2027	Kohlenberg Rd. Substation	\$10,682,679	X		X
	Residential OH to UD Conversion	\$4,171,523			X
	GPI Substation Improvements	\$2,444,630	X	X	
2028	Sheriff's Posse to Marion T-340	\$10,674,244		X	
2029	FM 3009 Substation	\$11,112,414	X		X
	TxDOT Road Widening	\$6,567,305			X
	Comal Substation Breaker & Half	\$6,522,301	X	X	
	Freiheit T2 Replacement	\$3,663,720	X		
	FR34 Hueco Dr. Feeder	\$2,505,156			X
2030	Sheriff's Posse T3	\$9,416,875	X		
	Hueco Springs Lone Oak Distribution Tie	\$5,053,950			X
	SP32 Green Valley Rd. Feeder	\$3,280,098			X
	Schwarzlose Rd. Substation Land	\$3,041,875	X		

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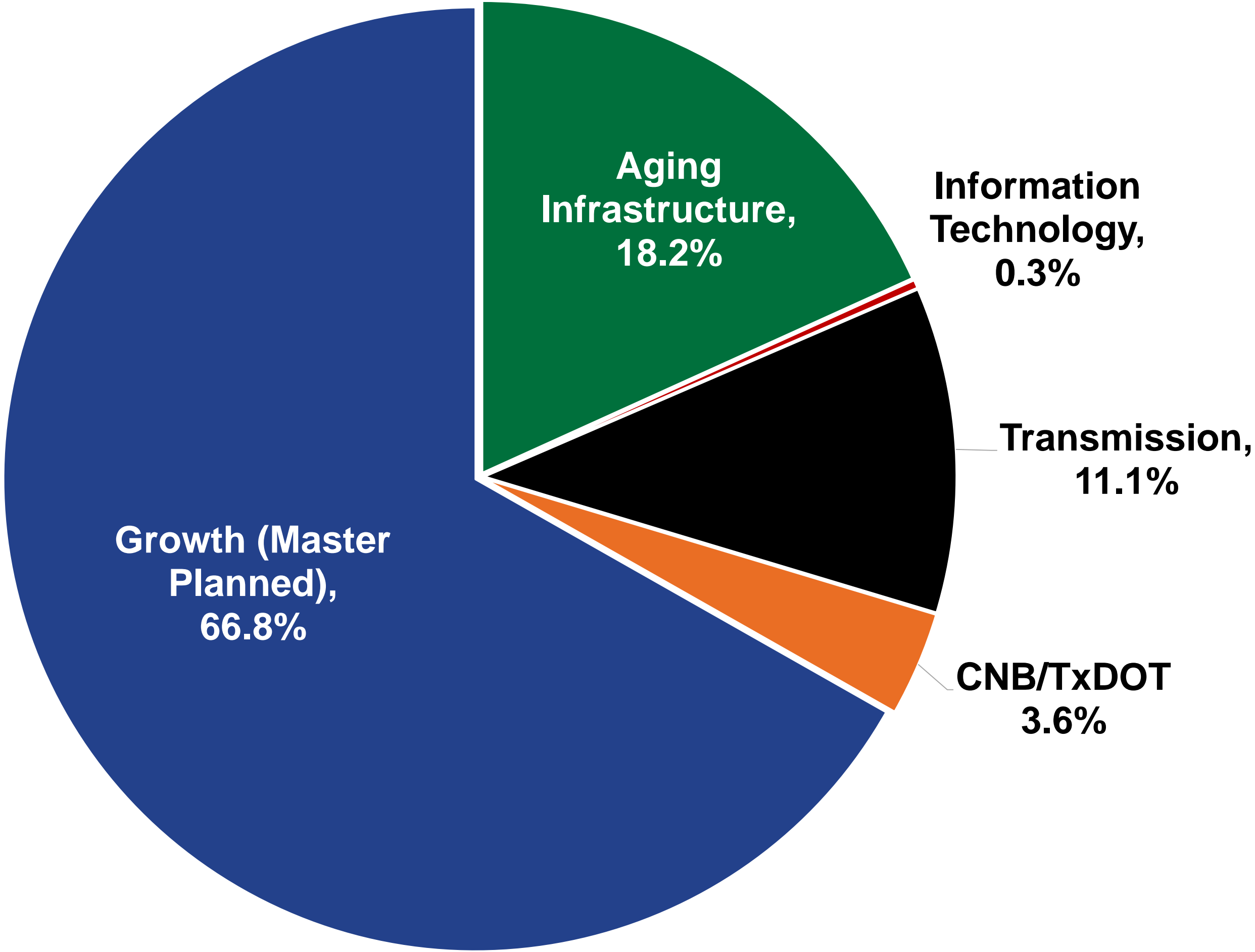
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Electric Capital Plan

ELECTRIC CIP BY CATEGORY	
Aging Infrastructure	\$38,578,190
CNB/TxDOT	\$7,543,502
Transmission	\$23,575,159
Information Technology	\$591,273
Growth (Master Planned)	\$141,327,606
Total 5-Year Plan	\$211,615,730



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Drivers for Water System Improvements

Regulatory Compliance

- **Pressure**
 - 35 psi minimum
- **Elevated Storage**
 - 100 gallons per connection (minimum)
 - 200 gallons per connection (recommended to reduce pumping requirements)
- **Pumping**
 - With 200 gal/connection = 0.6 gpm per connection of water production
 - Less than 200 gal/connection = Peak hour demand w/ largest pump out of service
- **Linear**
 - Hydrostatic testing

Proactive Operations

- Rehab/replace aging infrastructure
- Reduce risk of high consequence failures

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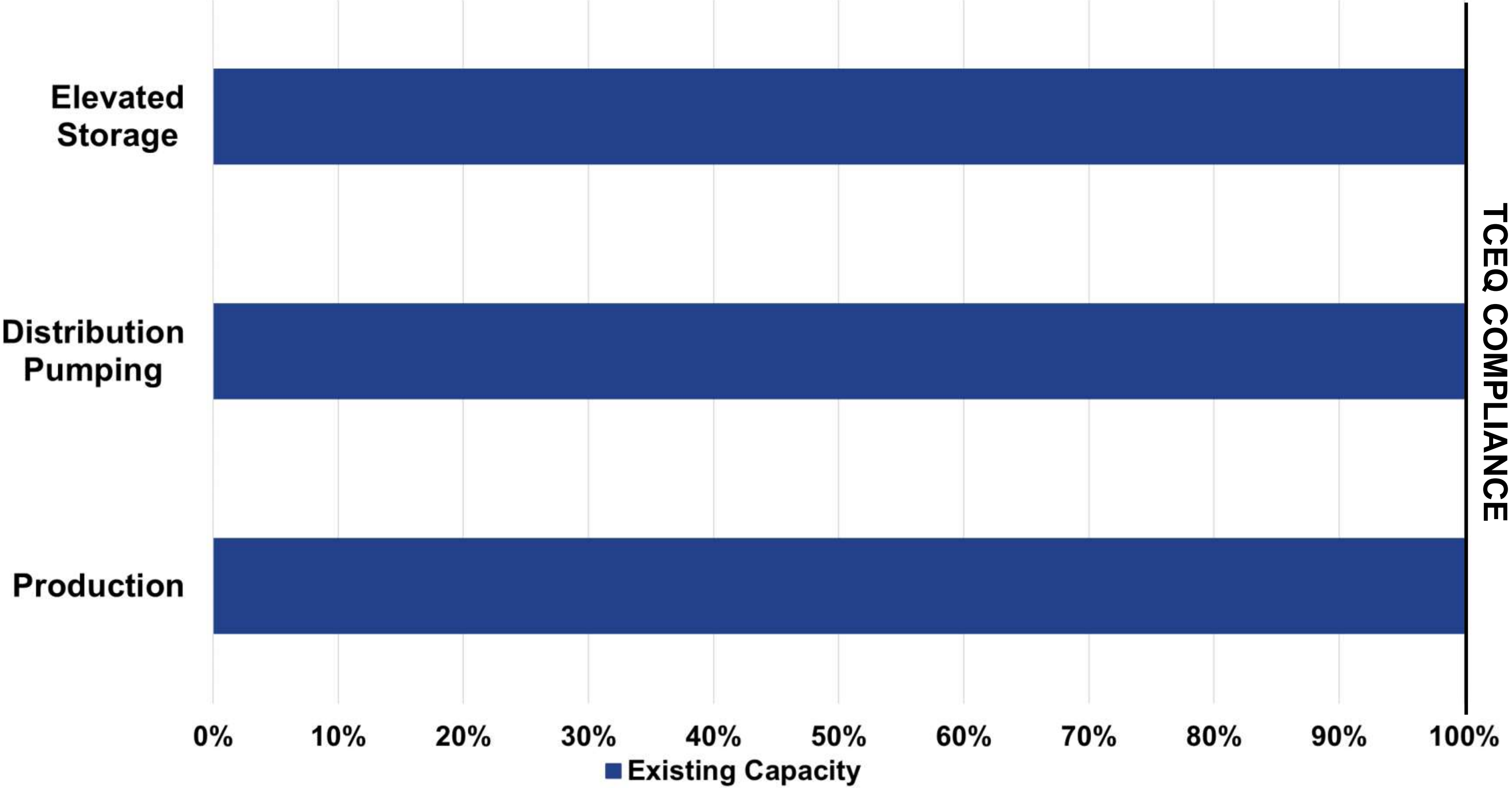
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Water Capacity vs. Compliance



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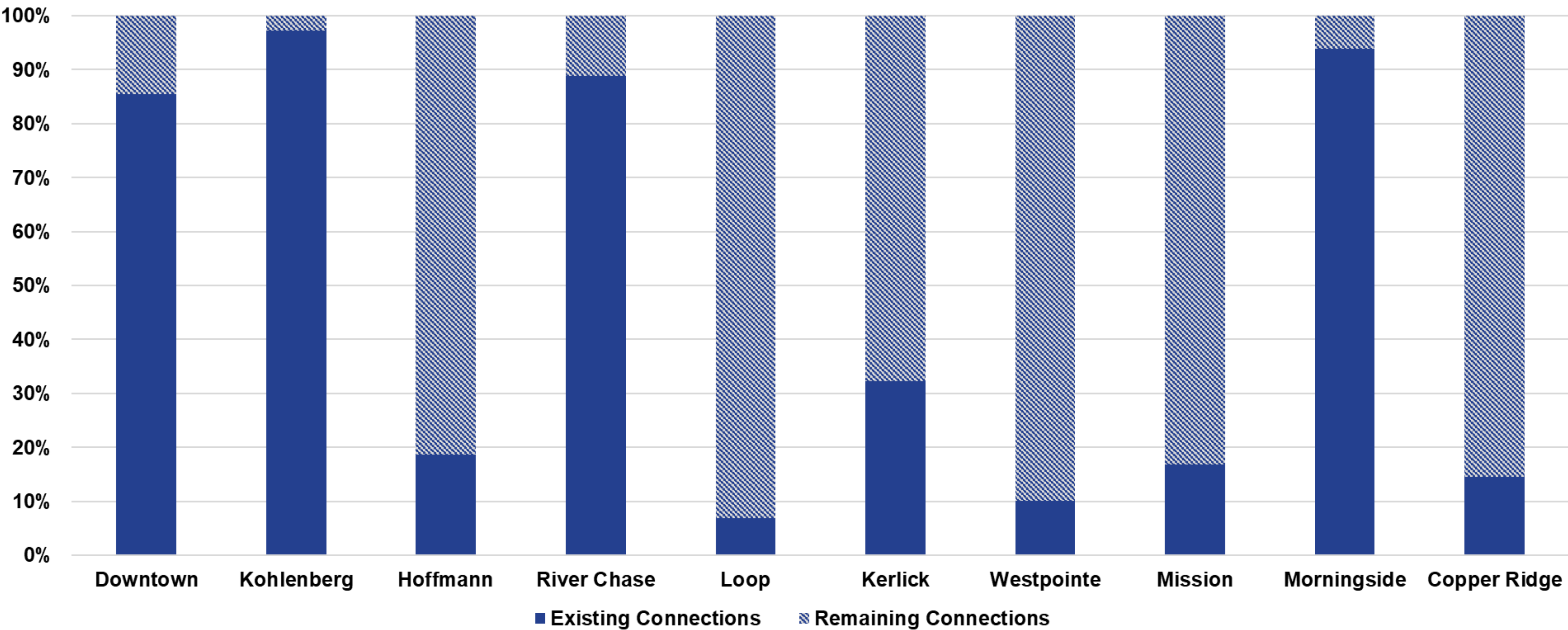
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Water Elevated Storage Capacity



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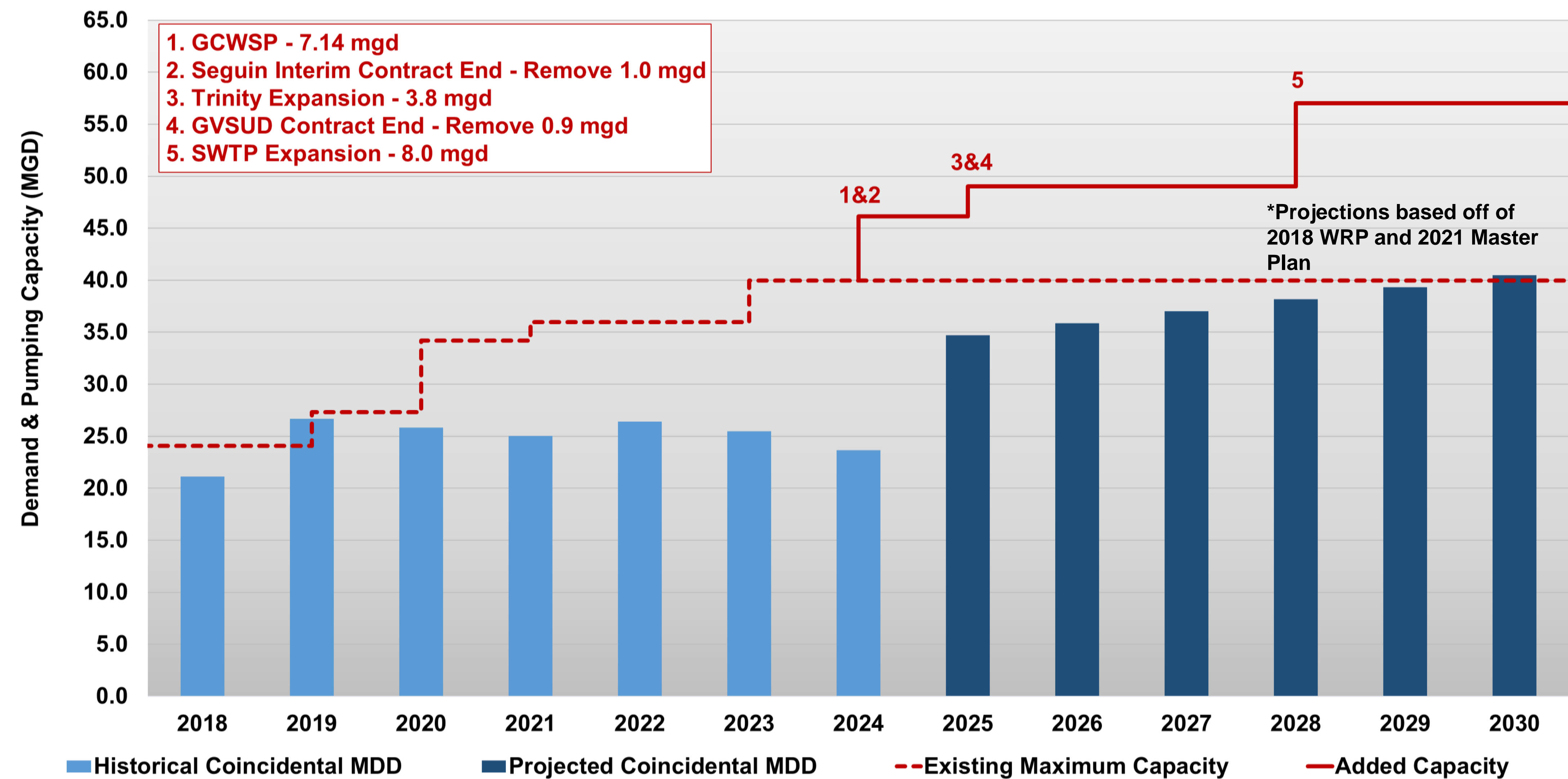
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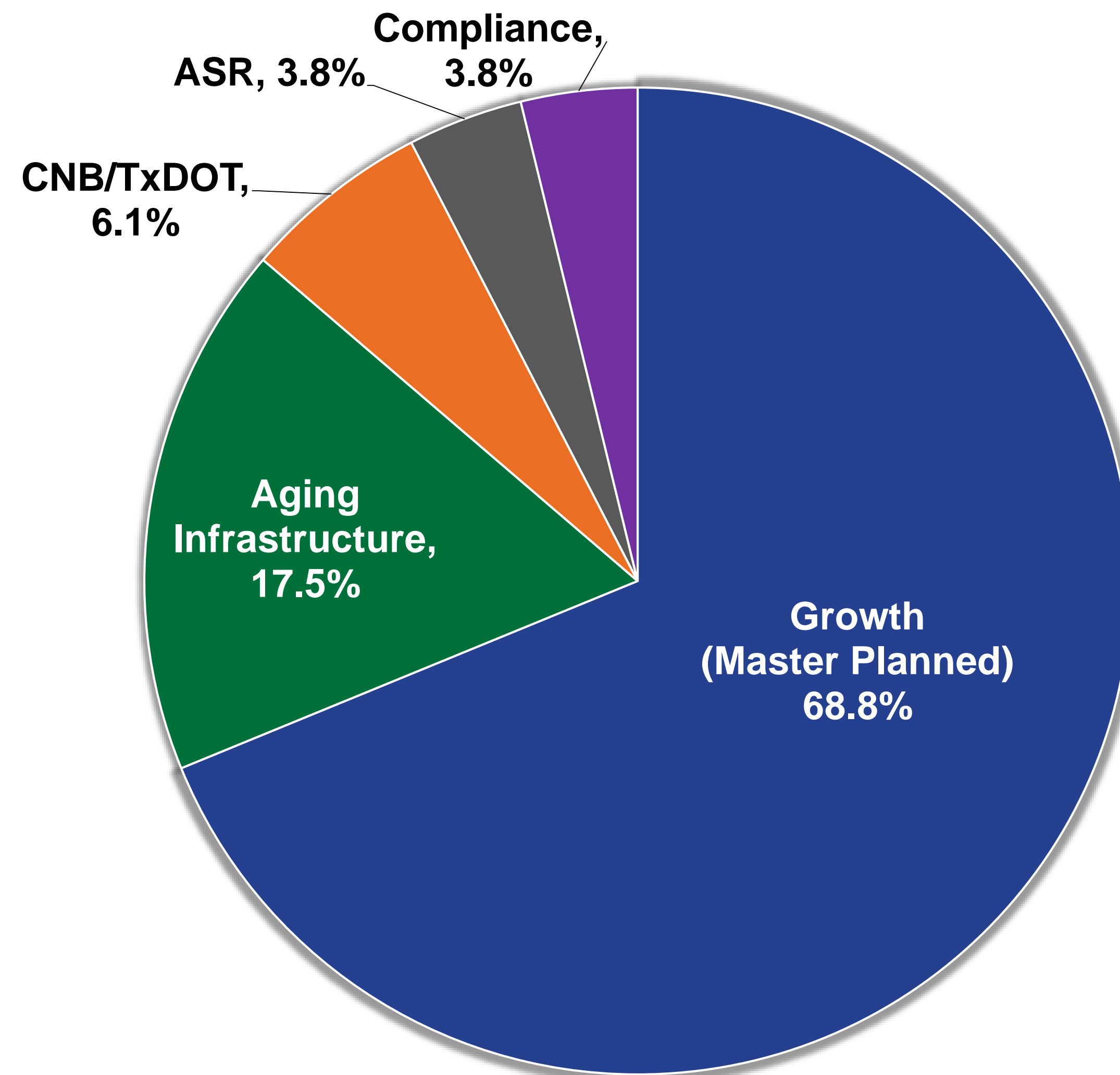
Water Production Evaluation



Water Capital Plan

WATER CIP BY CATEGORY

Aging Infrastructure	\$60,524,204
Compliance	\$13,198,793
ASR	\$13,087,197
CNB/TxDOT	\$21,248,224
Growth (Master Planned)	\$238,348,072
Total 5-Year Plan	\$346,406,489



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Drivers for Wastewater System Improvements

Regulatory Compliance

- **Linear**
 - Minimum and maximum velocities
 - Sanitary sewer overflows
- **Water Reclamation Facility**
 - Discharge permit
 - 75% Capacity Design and 90% Construction
- **Pumping & Storage**
 - Pump Cycle Times
 - Wet Well Volume

Proactive Operations

- Rehab/replace aging infrastructure
- Reduce risk of high consequence failures

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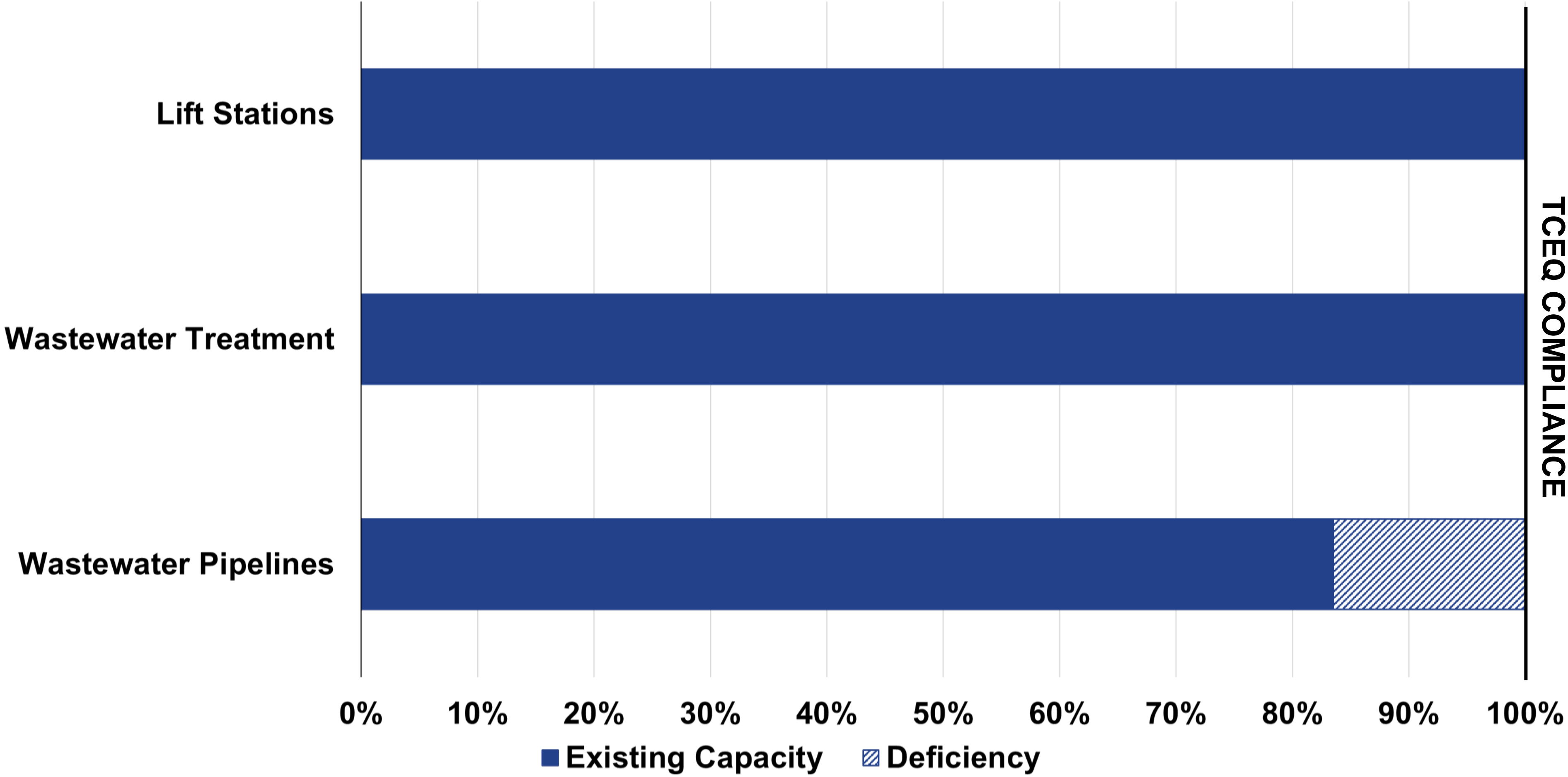
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Wastewater Capacity vs. Compliance



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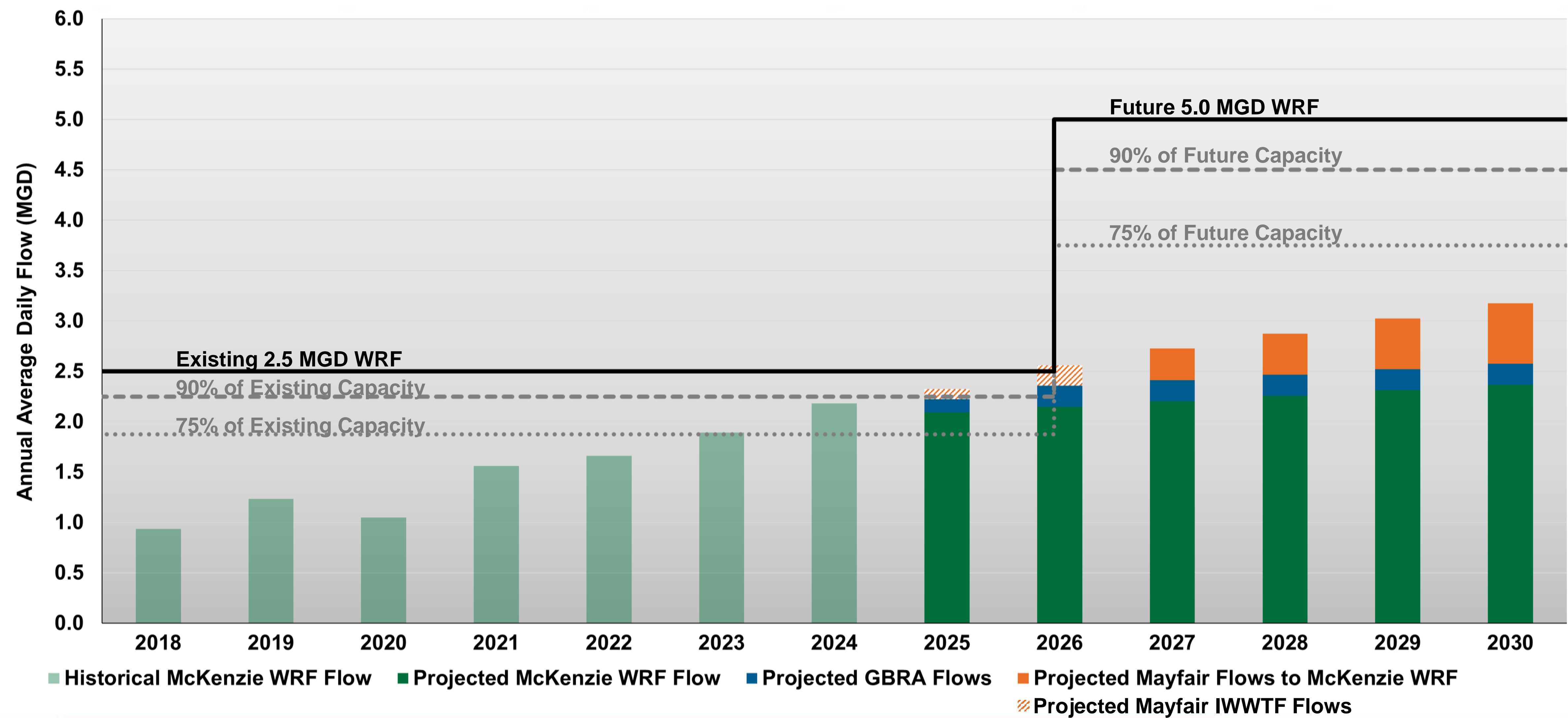
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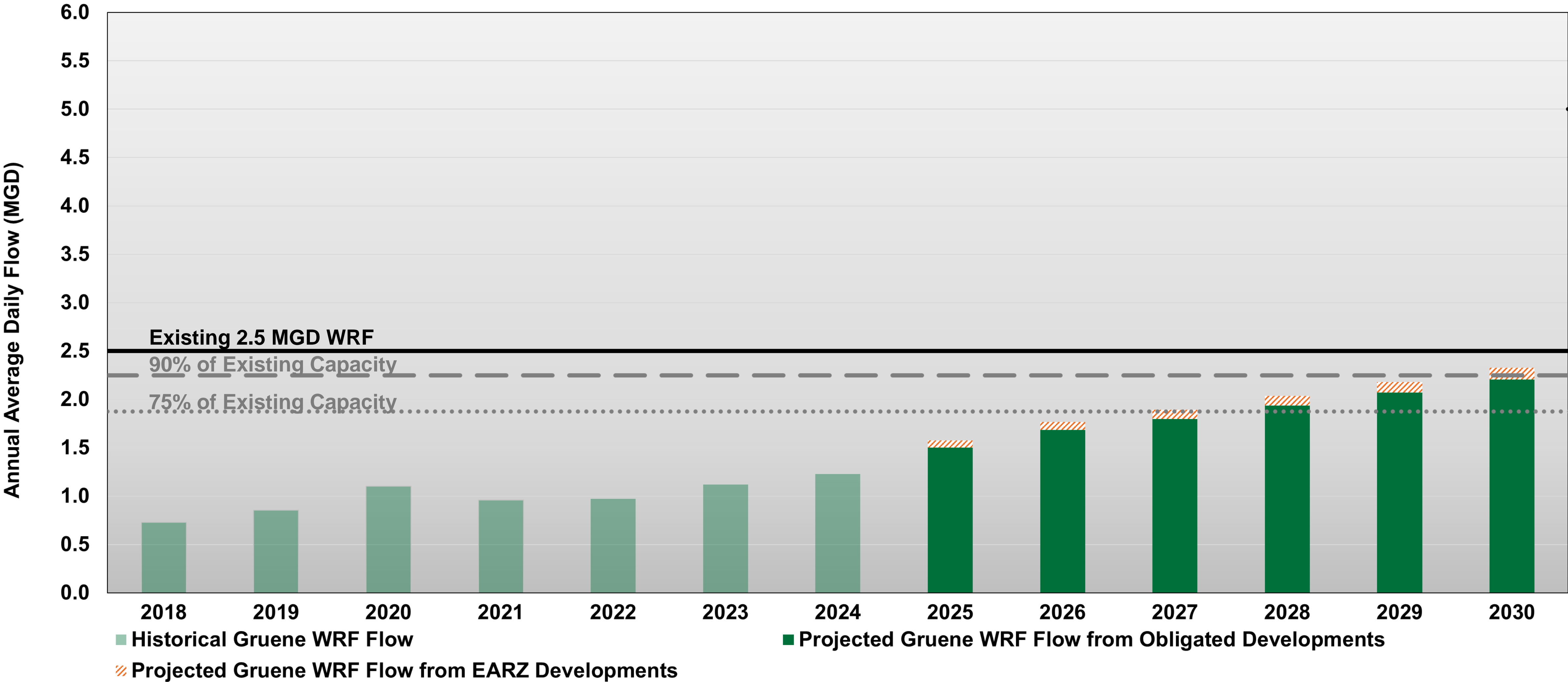
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McKenzie Treatment Capacity



Gruene Treatment Capacity



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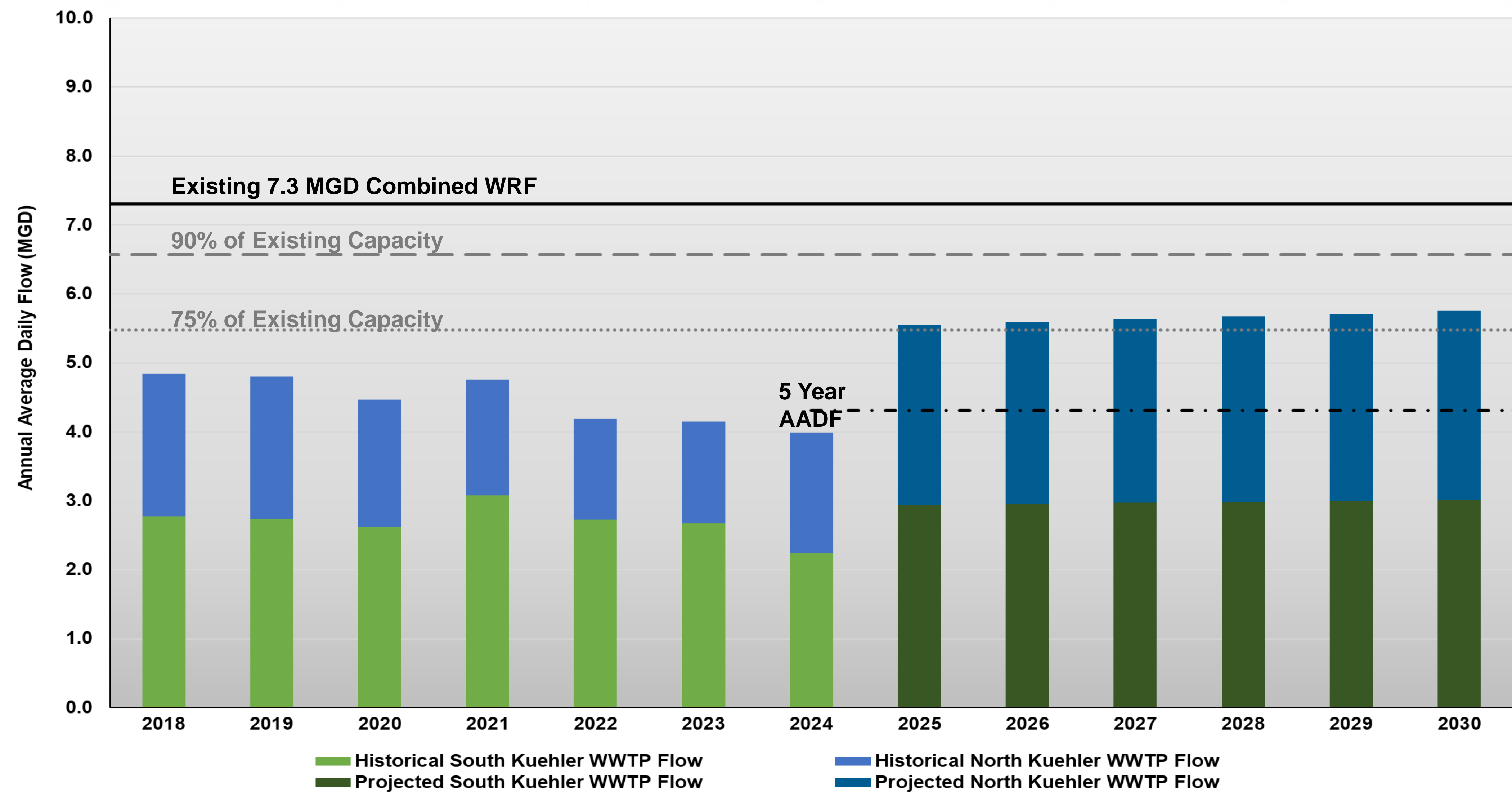
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Kuehler Treatment Capacity



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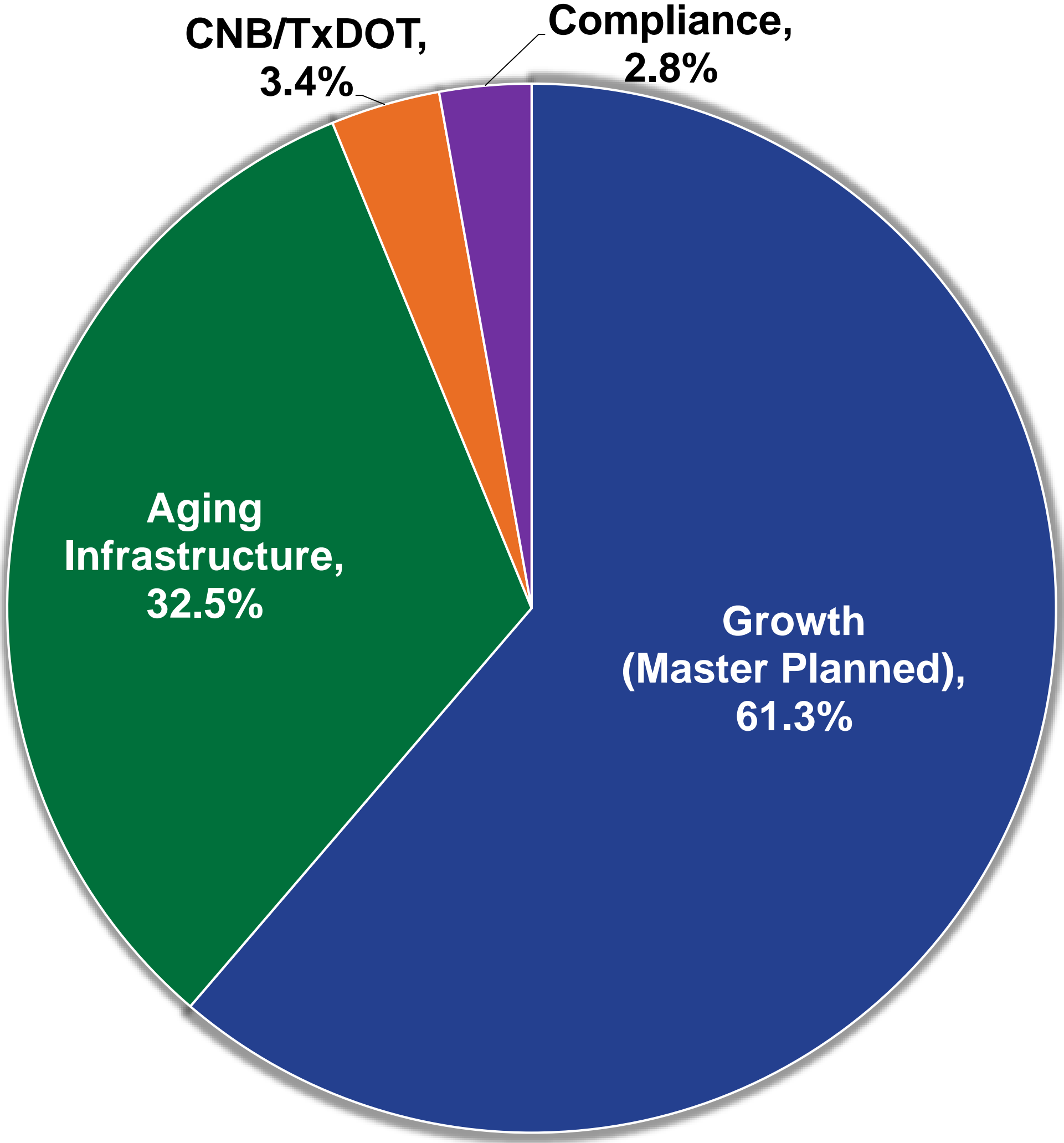
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Wastewater Capital Plan

WASTEWATER CIP BY CATEGORY	
Aging Infrastructure	\$107,827,165
Compliance	\$9,368,543
CNB/TxDOT	\$11,188,378
Growth (Master Planned)	\$203,180,077
Total 5-Year Plan	\$331,564,163



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Facilities Capital 5-Year Plan



NBU Headquarters

- \$146.3M (Net of Proceeds totaling \$3.6M)

Backup Operations Center

- \$4.9M

Future Facilities Rehab

- \$425K

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NBU Headquarters Milestones

May 2025

Guaranteed Maximum Price #5

June 2025

Start Foundation Work

December 2025

Top Out and Dry-In

April 2027

Substantial Completion

May 2027

Furniture, Fixtures, and Equipment

July 2027

Operational Relocation



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Headwaters Capital 5-Year Plan



Headwaters at the Comal - Phase III

- \$12.2M
- Construction of the Comal Springs Conservation Center
- Wastewater treatment and reuse system
- Continuation of trail paths

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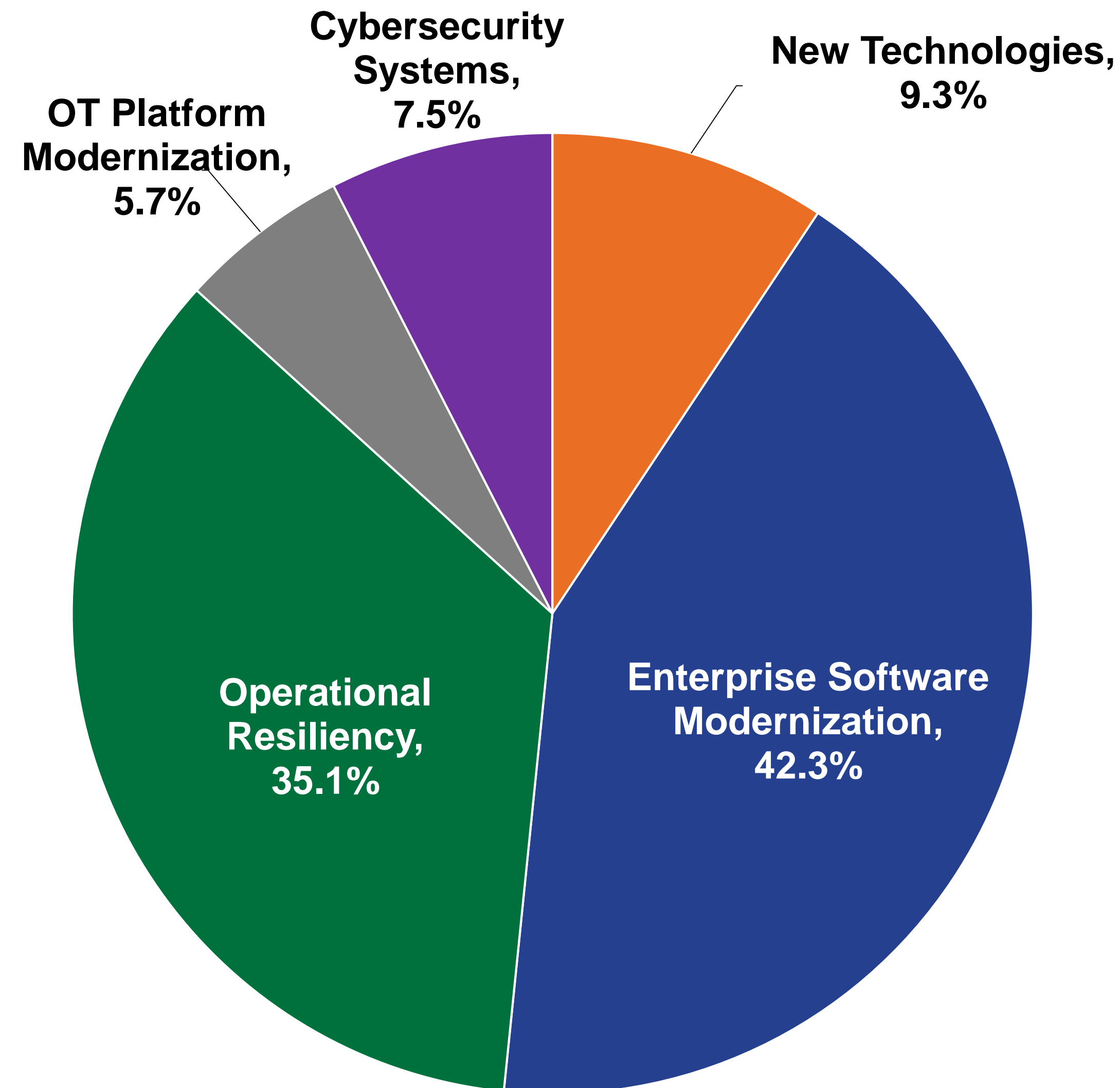
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Technology Capital 5-Year Plan

TECHNOLOGY CAPITAL INITIATIVES	
Enterprise Software Modernization	\$11,800,000
New Technologies	\$2,600,000
Operational Resiliency	\$9,800,000
OT Platform Modernization	\$1,600,000
Cybersecurity Systems	\$2,100,000
Total 5-Year Plan	\$27,900,000



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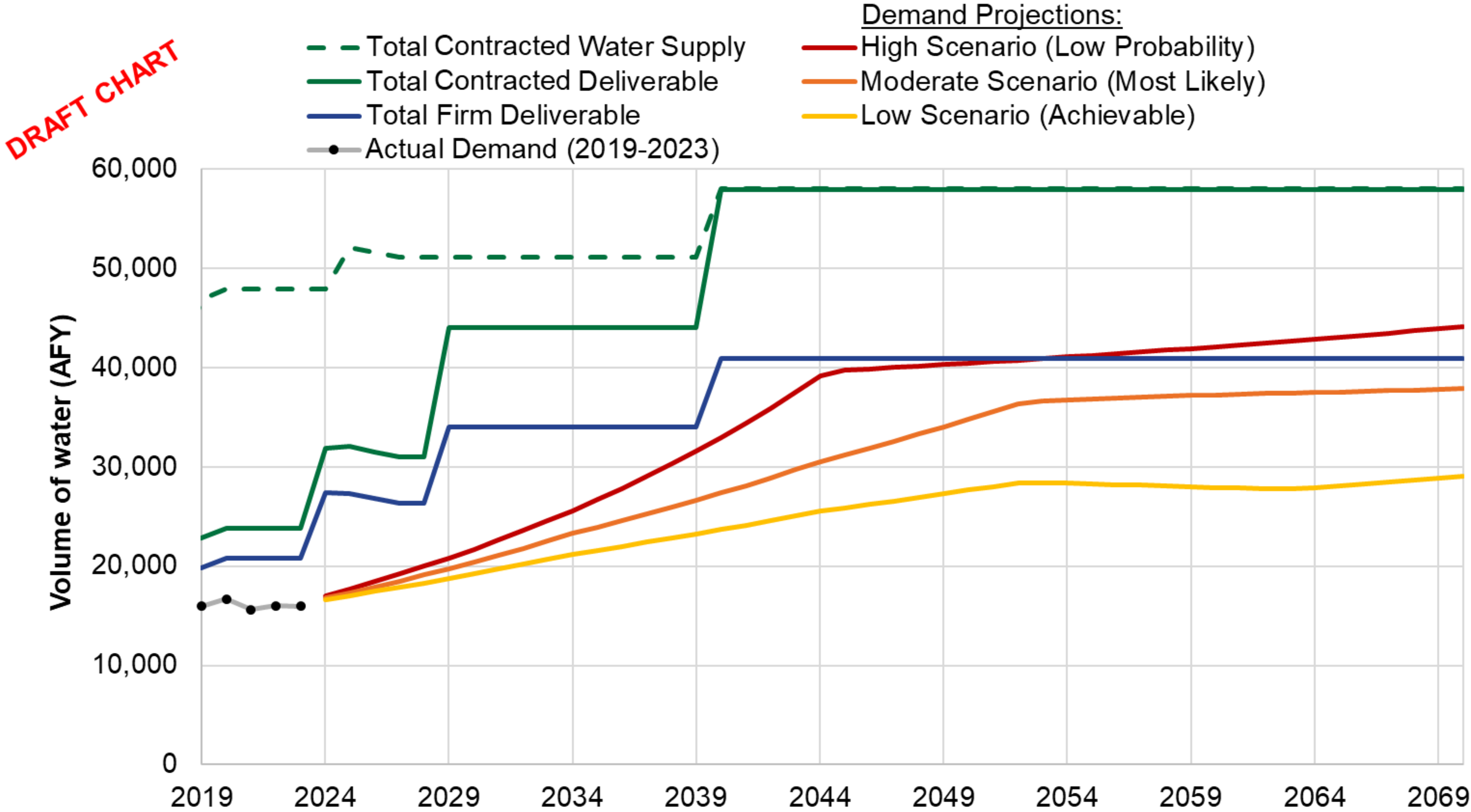


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WATER SUPPLY

Water Supply Projections: Current to 2070



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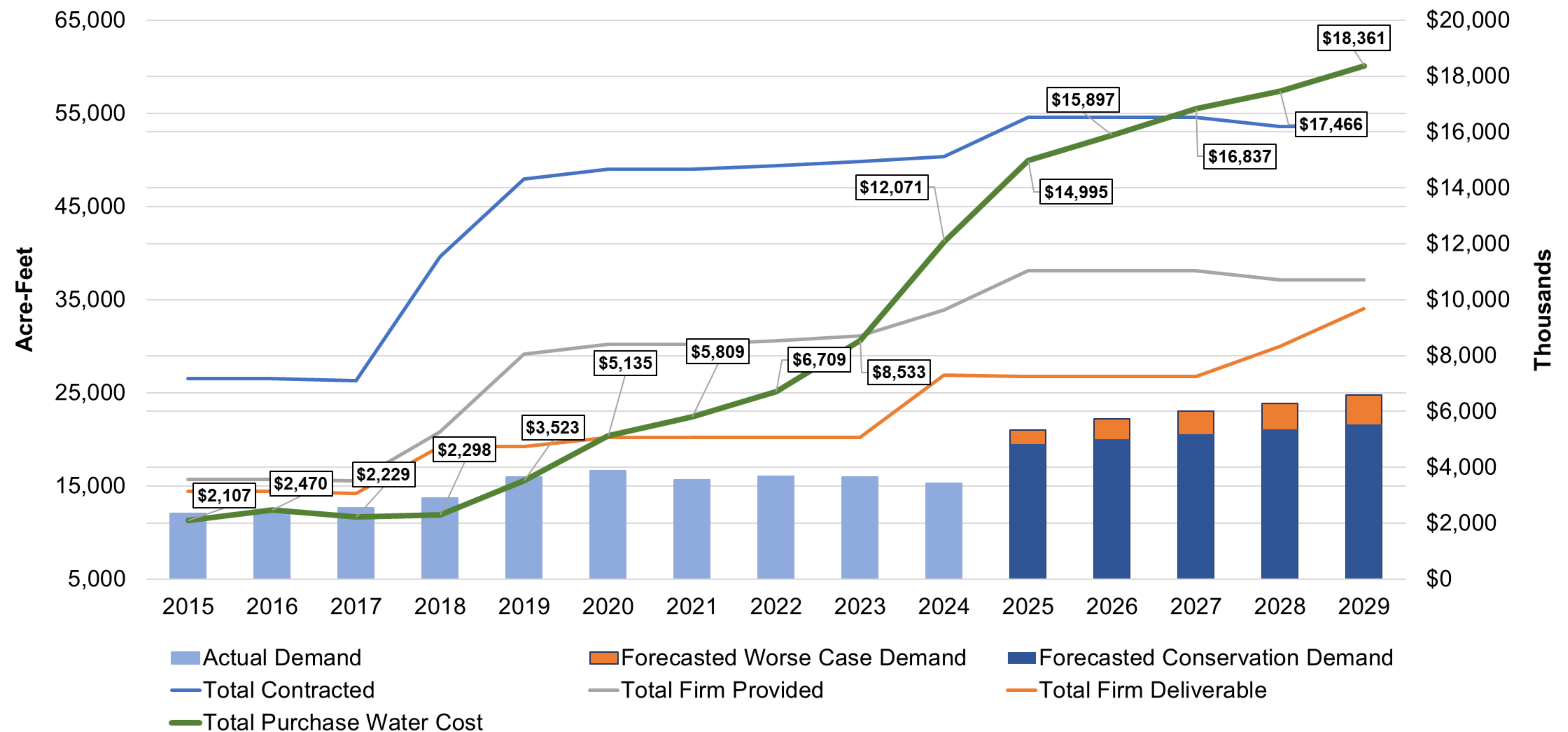
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Water Supply Cost



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OPERATING EXPENSES

Operating Expenses-FY26/FY27

NBU Operating Expenses	FY26 Expense	FY26 Percentage	FY27 Expense	FY27 Percentage
Purchased Power Costs	\$ 152,913,325	49%	\$ 156,747,285	48%
Personnel	\$ 63,925,279	21%	\$ 70,501,940	21%
Depreciation Expense	\$ 47,168,744	15%	\$ 52,692,211	16%
Operating Expenses (Non-personnel)	\$ 32,914,325	10%	\$ 33,403,812	10%
Purchased Water Costs	\$ 14,772,619	5%	\$ 15,920,090	5%
Total Operating Expenses	\$ 311,694,292	100%	\$ 329,265,338	100%

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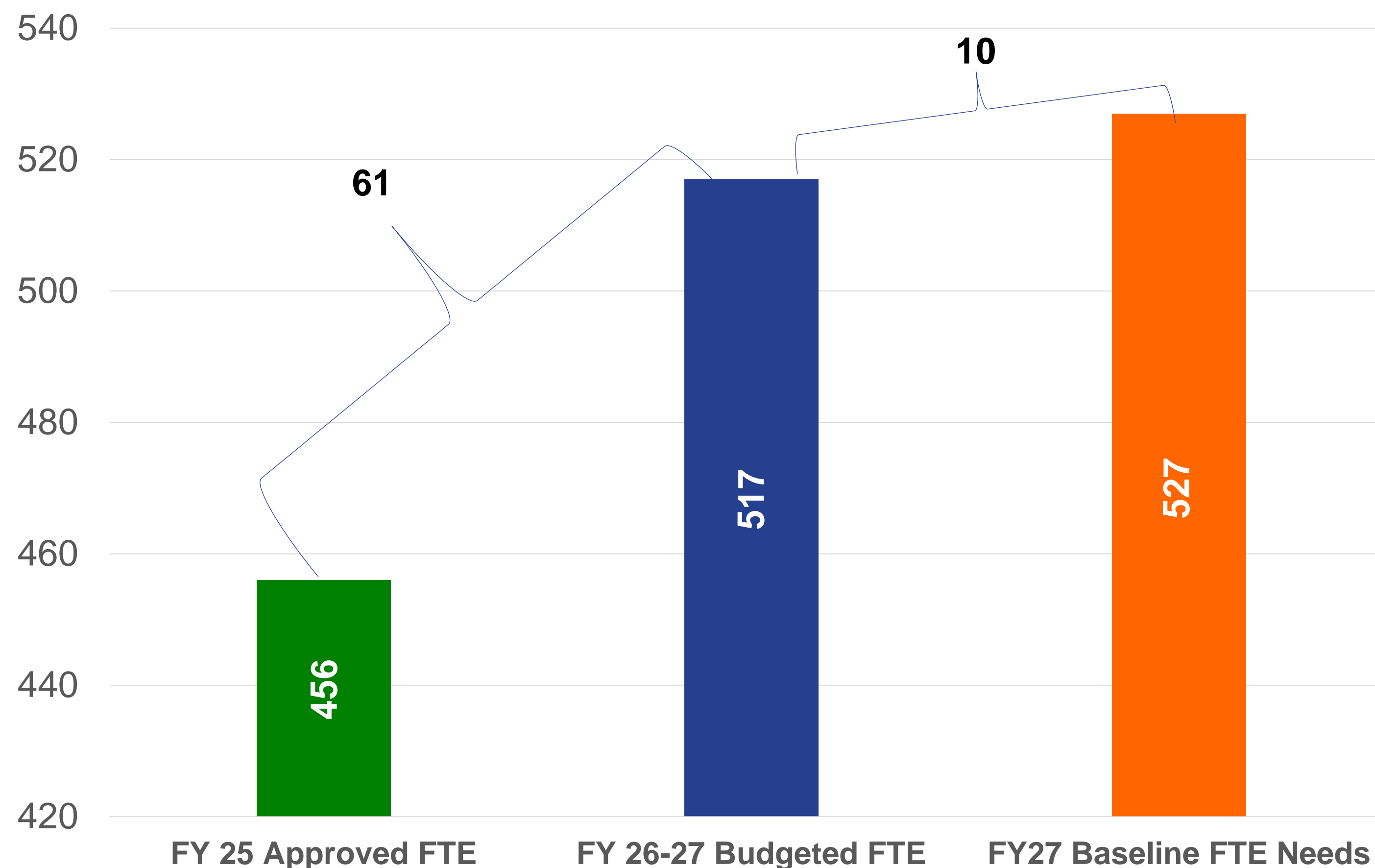


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Workforce Planning Study

- NBU remains ~2% understaffed
- NBU budgeted to add 61 positions across FY26 and FY27



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Personnel Budget

FY2030 Fully Staffed Target*	595
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Budgeted FTE's	456
FY2026	28
FY2027	33
FY2028	18
FY2029	18
FY2030	18
TOTAL	571

* Target determined by using Raftelis Workforce Planning Model

FY 2026 Full-Time Employee (FTE) Additions by Department:

- Accounting – 2
- Business Planning – 1
- Customer Service – 10
- Cybersecurity – 1
- Enterprise Communication – 3
- Energy Risk – 1
- Headwaters – 1
- Learning & Development – 1
- Operational Technology – 2
- Power Supply - 2
- Safety – 1
- Security – 1
- Water Engineering – 1
- Water Treatment & Compliance – 1

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Operating Expenses

Amounts in Thousands

	FY 2025 Budget	FY 2026 Budget	Variance	Percent Change	FY 2027 Budget	Variance	Percent Change
Personnel							
Salaries	\$ 43,847	\$ 47,514	\$ 3,667	8.4%	\$ 53,663	\$ 6,148	12.9%
Less: Power Supply Reclassed to Purchase Power	(1,303)	(1,669)	(366)	28.1%	(1,870)	(201)	12.1%
Net Salaries	\$ 42,544	\$ 45,845	\$ 3,302	7.8%	\$ 51,793	\$ 5,947	13.0%
Benefits	\$ 14,070	\$ 16,411	\$ 2,341	16.6%	\$ 18,390	\$ 1,979	12.1%
Less: Power Supply Reclassed to Purchase Power	(403)	(546)	(142)	35.3%	(610)	(64)	11.8%
Net Benefits	\$ 13,666	\$ 15,865	\$ 2,199	16.1%	\$ 17,780	\$ 1,915	12.1%
TOTAL PERSONNEL COSTS	\$ 56,210	\$ 61,711	\$ 5,501	9.8%	\$ 69,573	\$ 7,862	12.7%
Non-Personnel							
Non-Personnel Costs	\$ 34,068	\$ 32,914	\$ (1,153)	-3.4%	\$ 33,404	\$ 489	1.5%
Less: Power Supply Reclassed to Purchase Power	(1,497)	(1,200)	297	-19.8%	(1,395)	(195)	16.2%
TOTAL NON-PERSONNEL COSTS	\$ 32,571	\$ 31,714	\$ (857)	-2.6%	\$ 32,009	\$ 295	0.9%
Total O&M	\$ 88,780	\$ 93,425	\$ 4,645	5.2%	\$ 101,582	\$ 8,157	8.7%
Less: Contra to Capital	(22,295)	(22,753)	(458)	2.1%	(24,728)	(1,975)	8.7%
Net O&M	\$ 66,486	\$ 70,672	\$ 4,186	6.3%	\$ 76,854	\$ 6,182	8.7%

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Operating Expenses – Key Initiatives

Annual Priorities	FY 2026 Budget
Enterprise Asset Management	\$562K
Customer Experience Optimization	\$307K
Enterprise Wide Project Management	\$49K
Technology Modernization	\$1.5M

Compliance Initiatives	FY 2026 Budget
Tree Trimming For Electric Overhead Lines	\$787K
Water Resource Planning	\$452K
Water Master Plan Update	\$204K
Wastewater Master Plan Update	\$204K
Transmission & Distribution Planning	\$128K
External Audit	\$90K

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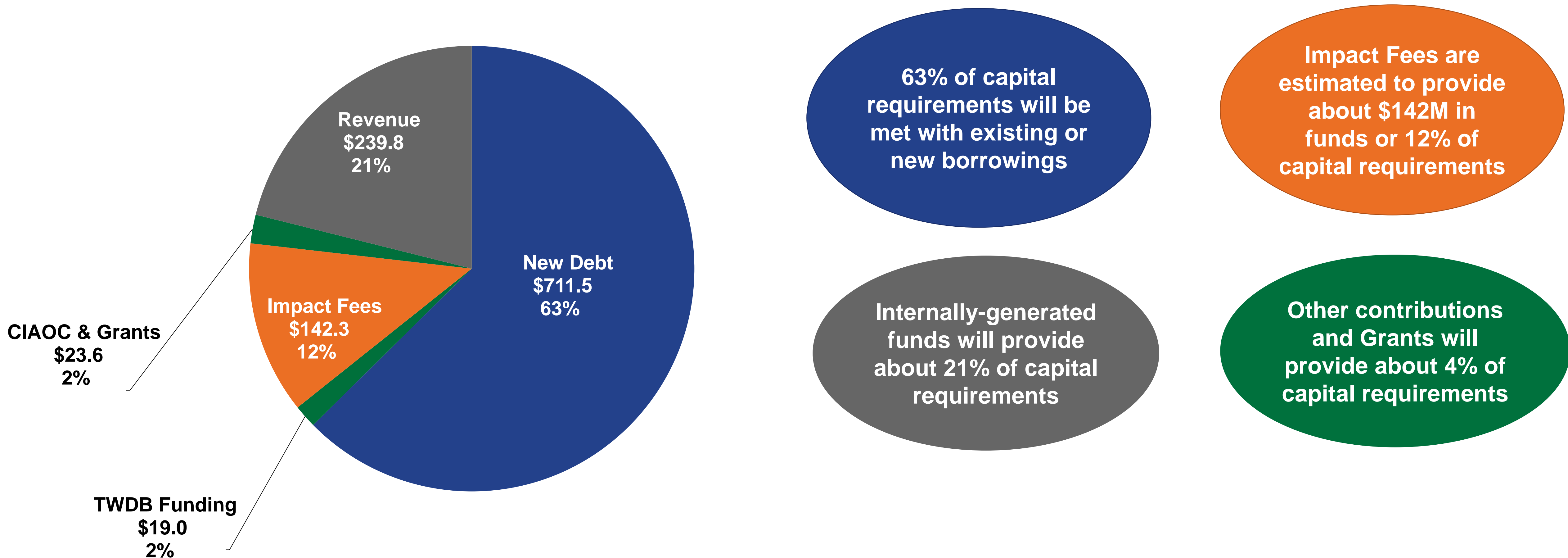
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FUNDING SOURCES

Capital Funding by Source

Amounts in Millions



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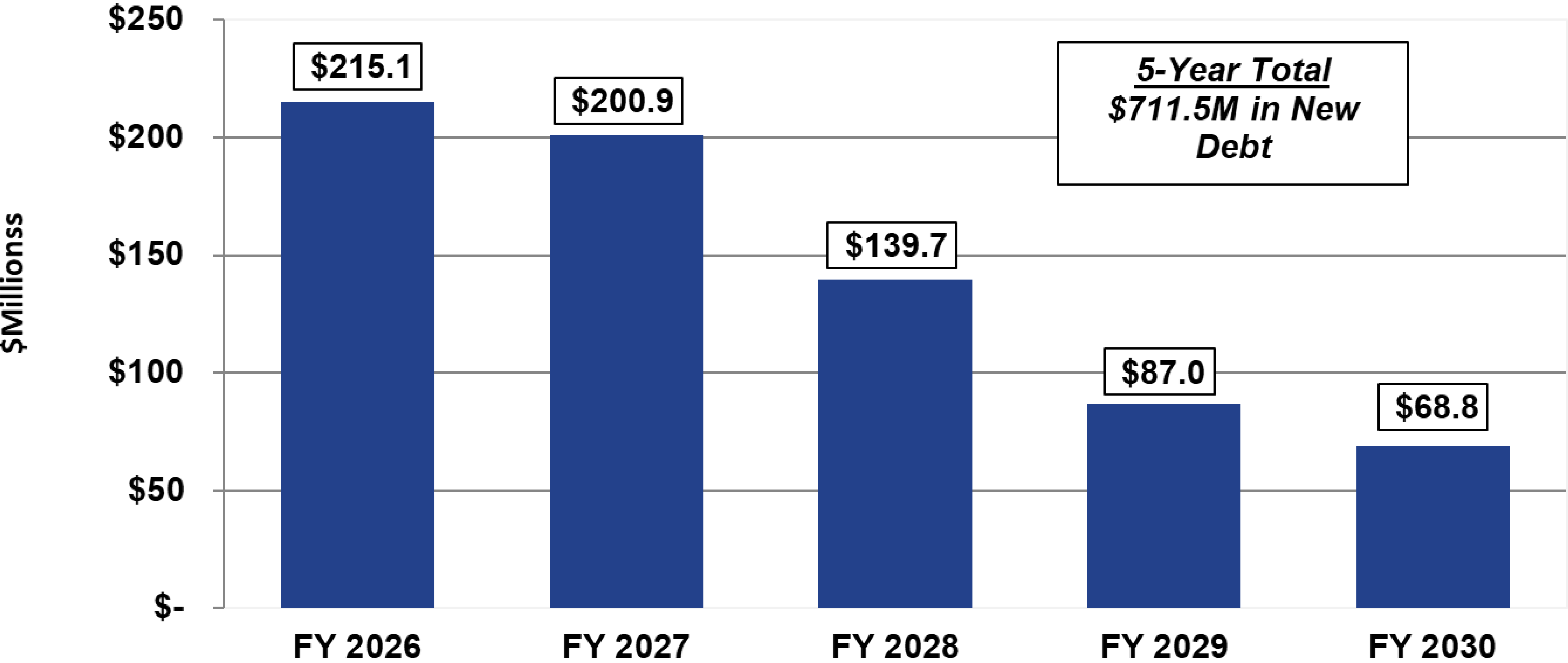


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Debt Funding Requirement

Long-Term Financing



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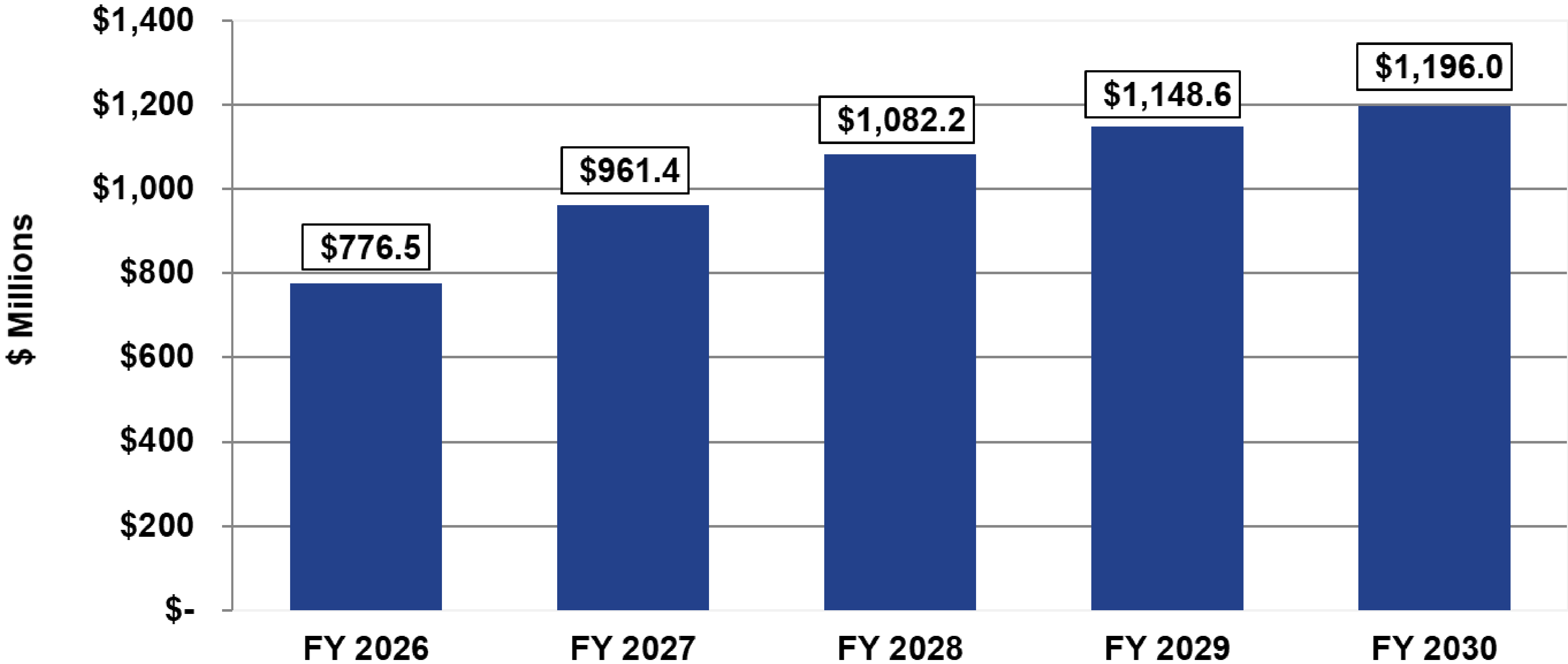
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Total Debt



Amounts are cumulative

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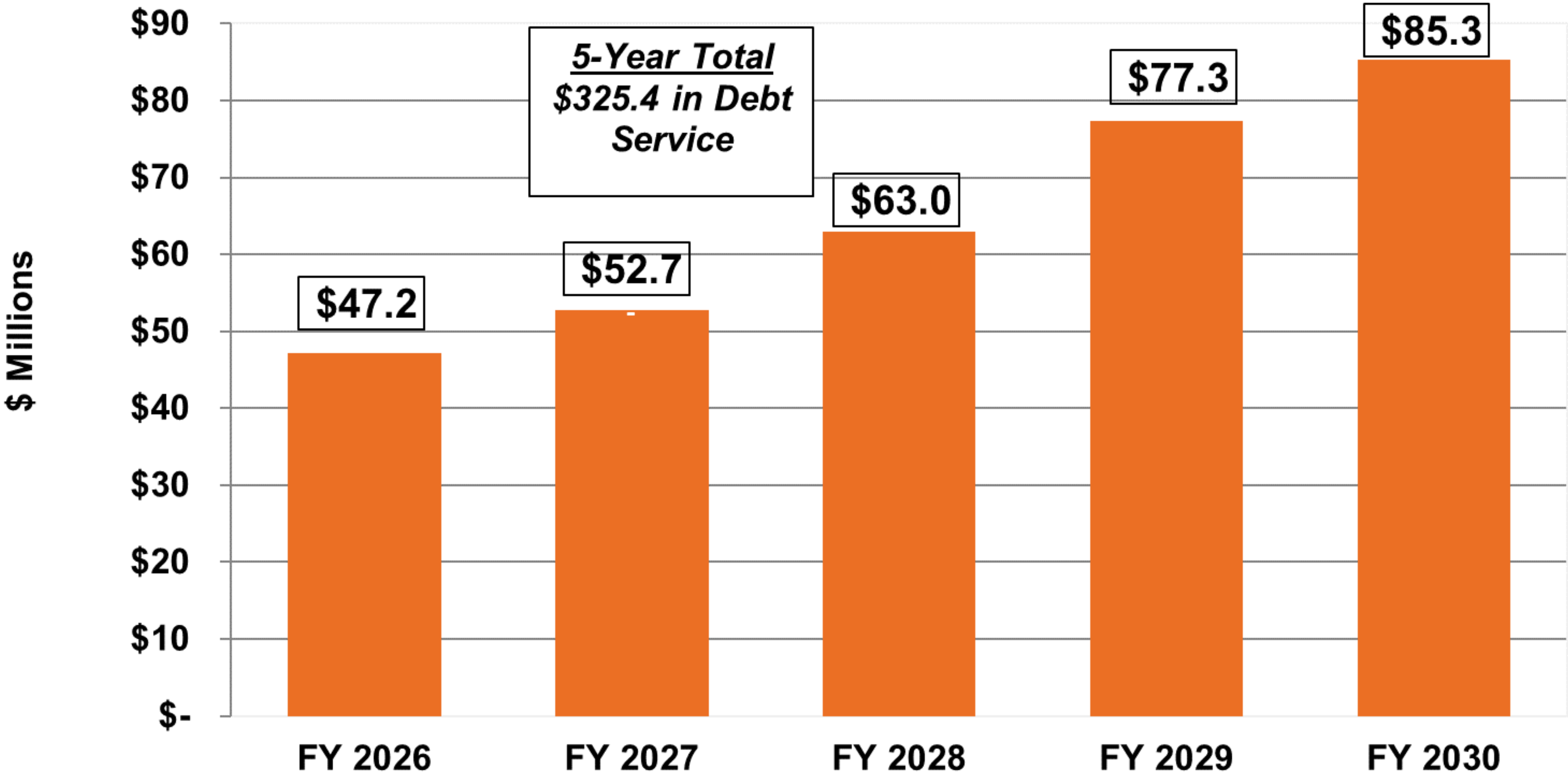
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Debt Service



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REVENUE REQUIREMENTS

Revenue Requirements & Results

FY26 Financial Operating Plan					
FY26 Budget	FY26	FY27	FY28	FY29	FY30
Electric	4.7%	3.2%	1.2%	1.6%	1.3%
Water	9.9%	9.9%	9.9%	9.9%	9.9%
Wastewater	7.7%	7.7%	7.7%	7.7%	7.7%

FY2030 Results	
DSC	2.62
Total New Debt	\$711M
Debt to Cap.	54.63%
Total Debt	\$1,196M

Policy
≥2.4X
<55%

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Historical Revenue Requirements

Legend																		
Highest Rate Increases - Farthest from 0%																		
Neutral - Middle																		
Lowest Rate Increases - Closest to 0%																		
	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY26 Plan Projections				
														FY2026	FY2027	FY2028	FY2029	FY2030
Electric*	0.00%	0.00%	0.00%	1.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.70%	3.30%	4.80%	5.90%	4.70%	3.20%	1.20%	1.60%	1.30%
Water	0.00%	0.00%	0.00%	2.50%	2.50%	2.50%	6.00%	22.00%	22.00%	22.00%	22.00%	9.10%	13.40%	9.90%	9.90%	9.90%	9.90%	9.90%
Wastewater	0.00%	3.60%	4.50%	4.50%	4.50%	4.50%	0.00%	16.50%	16.50%	13.00%	13.00%	7.30%	7.30%	7.70%	7.70%	7.70%	7.70%	7.70%

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Historical Revenue Requirements

Legend
Highest Rate Increases - Farthest from 0%
Neutral - Middle
Lowest Rate Increases - Closest to 0%

	FY2013-2019 (Avg)	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY26 Plan Projections				
								FY2026	FY2027	FY2028	FY2029	FY2030
Electric*	0.14%	0.00%	0.00%	1.70%	3.30%	4.80%	5.90%	4.70%	3.20%	1.20%	1.60%	1.30%
Water	1.93%	22.00%	22.00%	22.00%	22.00%	9.10%	13.40%	9.90%	9.90%	9.90%	9.90%	9.90%
Wastewater	3.09%	16.50%	16.50%	13.00%	13.00%	7.30%	7.30%	7.70%	7.70%	7.70%	7.70%	7.70%

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Financial Results

Amounts in Thousands

	Forecast FY 2025	Budget FY 2026	Forecast FY 2027	Forecast FY 2028	Forecast FY 2029	Forecast FY 2030	Policy Requirement
Total Debt	\$ 574,279	\$ 776,486	\$ 961,358	\$ 1,082,188	\$ 1,148,556	\$ 1,196,008	
Equity	779,192	812,701	860,021	914,158	948,881	993,299	
Capitalization	\$ 1,353,471	\$ 1,589,187	\$ 1,821,380	\$ 1,996,347	\$ 2,097,437	\$ 2,189,307	
Total Debt / Capitalization Ratio¹	42%	48.86%	52.78%	54.21%	54.76%	54.63%	≤ 55%
Days Cash on Hand	224	317	355	401	417	436	> 140
Debt Service Coverage²	5.09	2.75	2.66	2.61	2.41	2.62	≥ 2.4
Beginning Debt Balance	\$ 574,279	\$ 574,279	\$ 776,486	\$ 961,358	\$ 1,082,188	\$ 1,148,556	
New Long-Term Debt	\$ -	\$ 215,115	\$ 200,917	\$ 139,689	\$ 86,962	\$ 68,796	Total New Debt \$ 711,479
Principal Payments - Current Debt		9,757	10,167	10,915	11,315	11,775	
Principal Payments - New Debt		3,151	5,877	7,944	9,279	9,569	
Total Debt	\$ 574,279	\$ 776,486	\$ 961,358	\$ 1,082,188	\$ 1,148,556	\$ 1,196,008	
CIAOC	\$ 2,000	\$ 4,130	\$ 3,790	\$ 6,079	\$ 4,467	\$ 5,123	
Beginning Equity	\$ 718,622	779,192	812,701	860,021	914,159	948,881	
Change in Net Position Before Contributions	58,570	29,379	43,530	48,058	30,255	39,295	
Ending Equity	\$ 779,192	\$ 812,701	\$ 860,021	\$ 914,158	\$ 948,881	\$ 993,299	

¹ Total Debt / (Current Debt + Long-Term Debt + Equity)

² Net Available for Debt Service / Debt Service

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Fitch Bond Rating Comparisons

Bryan Utilities City Electric System	AA	Stable
New Braunfels Utilities	AA-	Stable
Austin Energy	AA-	Stable
Garland Power & Light	AA-	Stable
Lower Colorado River Authority (LCRA)	AA-	Stable
Pedernales Electric Cooperative	AA-	Stable
CPS Energy	AA-	Stable
Guadalupe Valley Electric Cooperative	A+	Positive
City of Denton	A	Stable
Seguin Utility Fund*	A-	Stable
Brownsville Public Utilities Board	A-	Stable

Source: Fitch Ratings 2024 U.S. Public Power Peer Review

*Not included on Peer Review but rating was affirmed by Fitch April 26, 2024

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WATER SUPPLY FEE (WSF)

WSF as Currently Defined

Cost assessed to customers who have a volumetric usage.

Cost of certain water supplies expressed as dollars per 1,000 gallons, multiplied by the gallons sold during a billing period to each customer.

Calculated and assessed annually based on estimated variables for the period.

Reconciled annually with actual costs and credits.

NBU Board apprised of any changes to the WSF.

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FY 2025 WSF Forecast

WSF Forecast	
Water Supply Fee	\$ 1.84 per thousand gallons
Purchased Water Costs	\$ 7,326,557
FY 2024 True-Up	\$ (3,010,131)
WSF Revenue Required	\$ 4,316,426
YTD WSF Revenue Collected	\$ 2,619,571
Estimated Remaining WSF Collections	\$ 2,546,775
Projected Total WSF Collections	\$ 5,166,346
Cumulative Over/(Under) Collection	\$ 849,920 = WSF True-up

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FY 2026 WSF Estimate

WSF Estimate	
Seguin	\$ 2,598,662
GBRA Canyon - Coleta Creek	\$ 1,012,000
GBRA Canyon - Womack	\$ 524,400
GBRA GCWSP	\$ 1,903,023
Green Valley	\$ 1,013,348
Comal Trinity	\$ 168,000
Water Sales	\$ 0.00
Cumulative WSF True-Up	\$ (849,920)
Water Volume	2,624,646,821 gallons
Water Supply Fee	\$2.43 per thousand gallons

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FY 2027 WSF Estimate

WSF Estimate	
Seguin	\$ 2,598,662
GBRA Canyon - Coleta Creek	\$ 1,062,600
GBRA Canyon - Womack	\$ 550,620
GBRA GCWSP	\$ 2,597,512
Green Valley	\$ 1,038,681
Comal Trinity	\$ 168,000
Water Sales	\$ 0.00
Cumulative WSF True-Up	\$ 0.00
Water Volume	2,703,024,577 gallons
Water Supply Fee	\$2.97 per thousand gallons

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Two-Year Rate Plan WSF

	FY 2026	FY 2027
WSF (Residential, Blocks 1 & 2)	\$0.00	\$0.00
WSF (All Other Blocks / Customer Classes)	\$2.43	\$2.97

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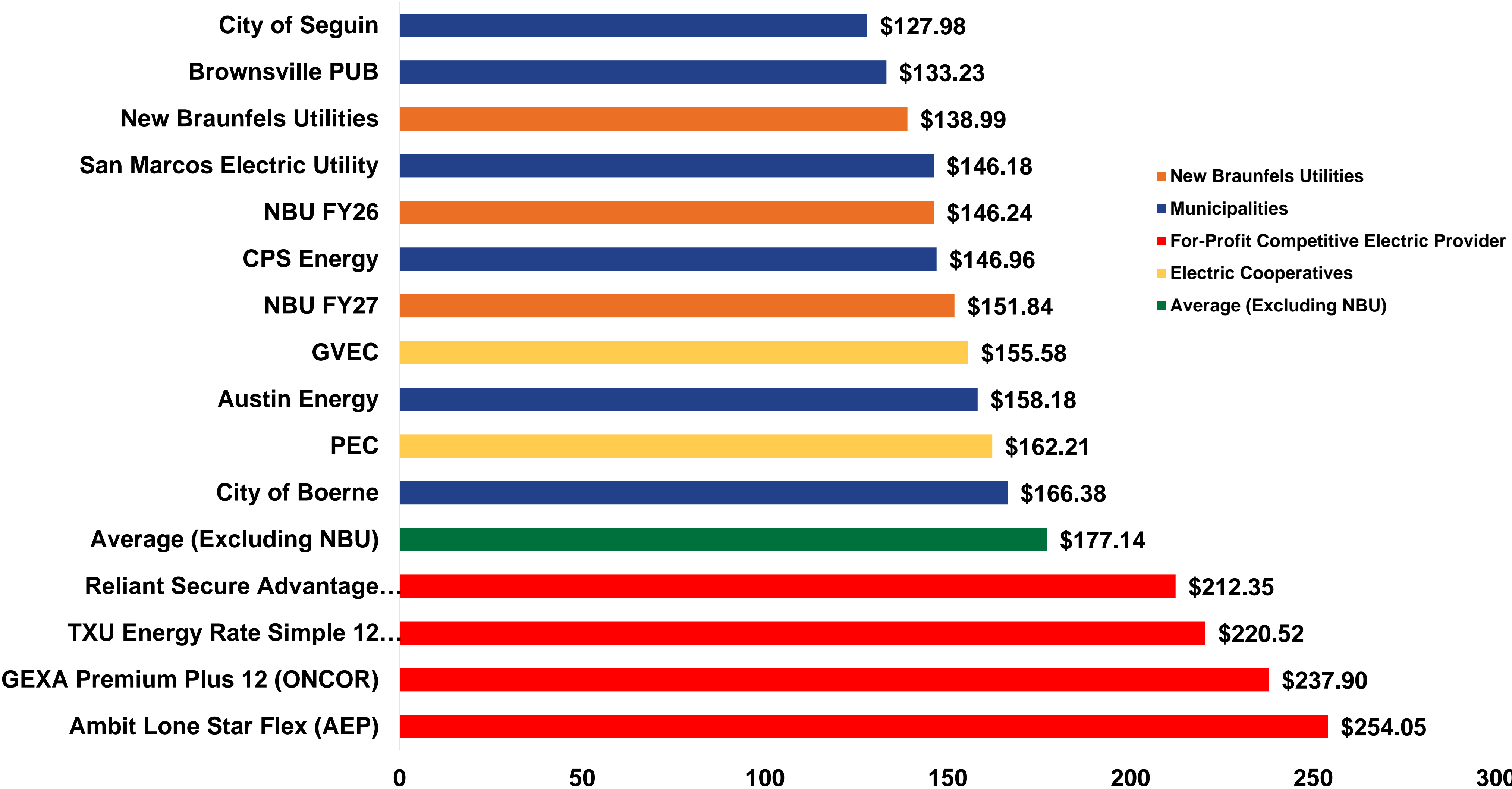
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BILL COMPARISONS

May 2025 Residential Electric Bill Comparison – 1200 kWh



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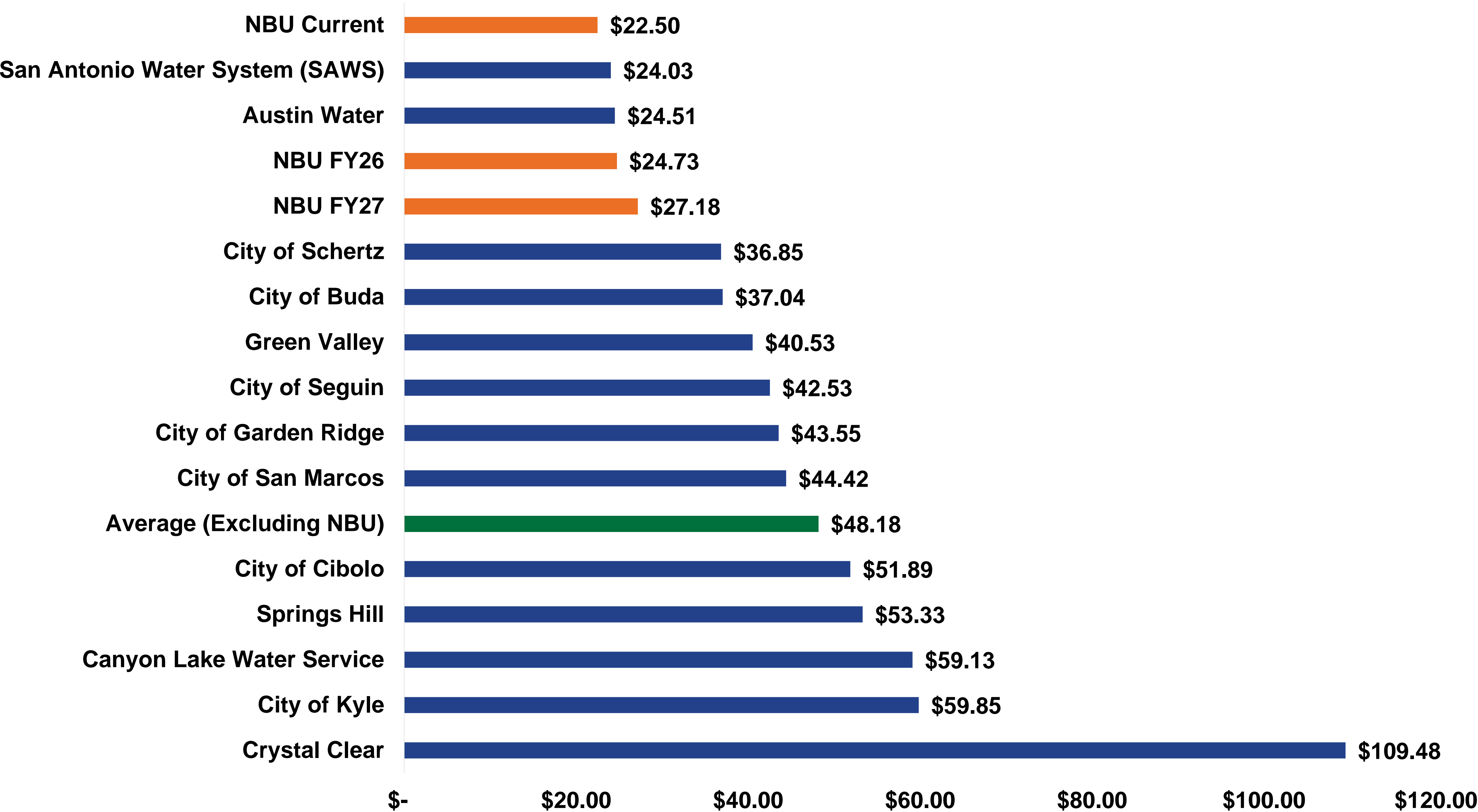
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May 2025 Residential Water Bill Comparison – 3000 Gallons



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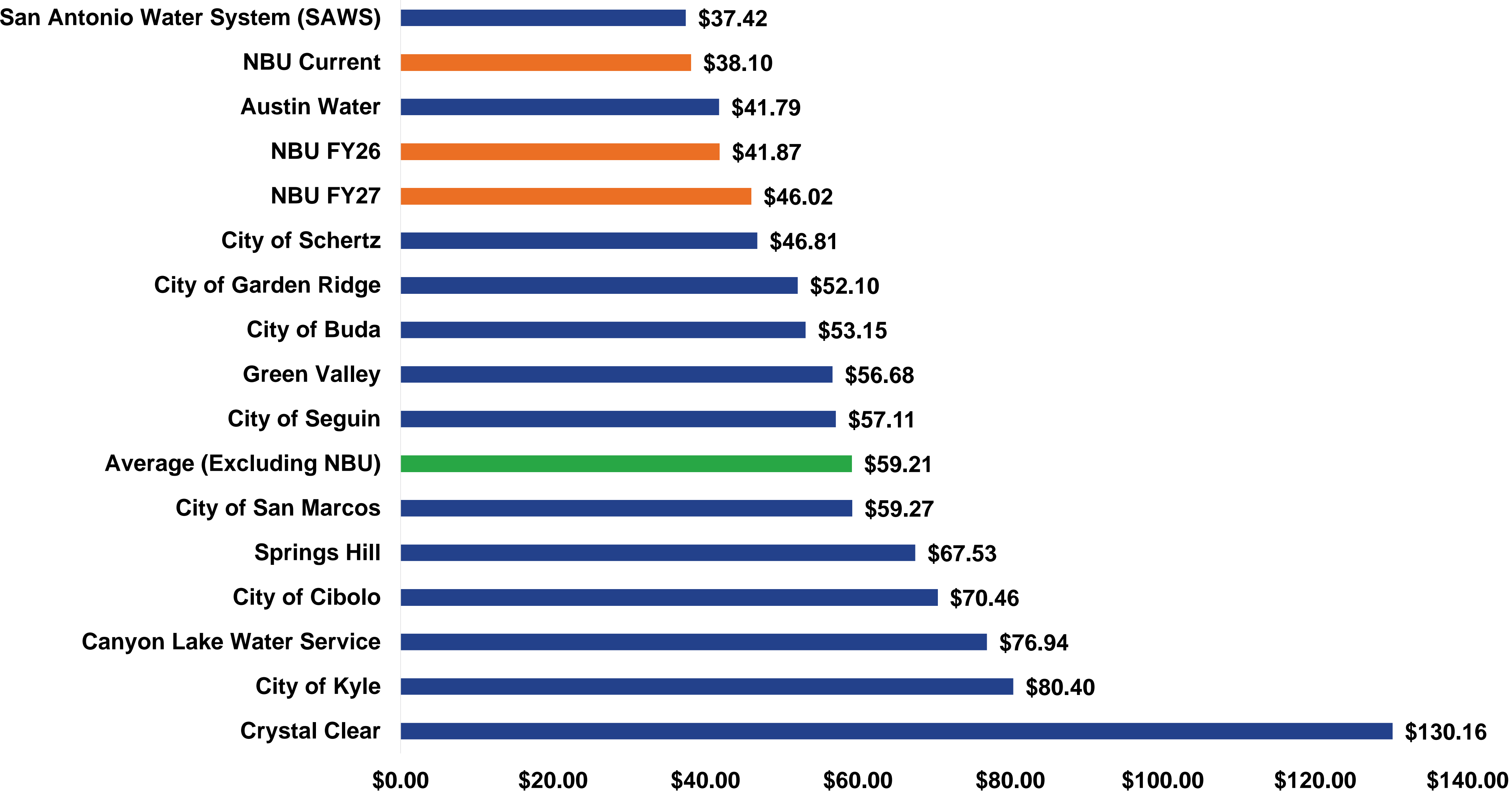
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May 2025 Residential Water Bill Comparison – 6000 Gallons



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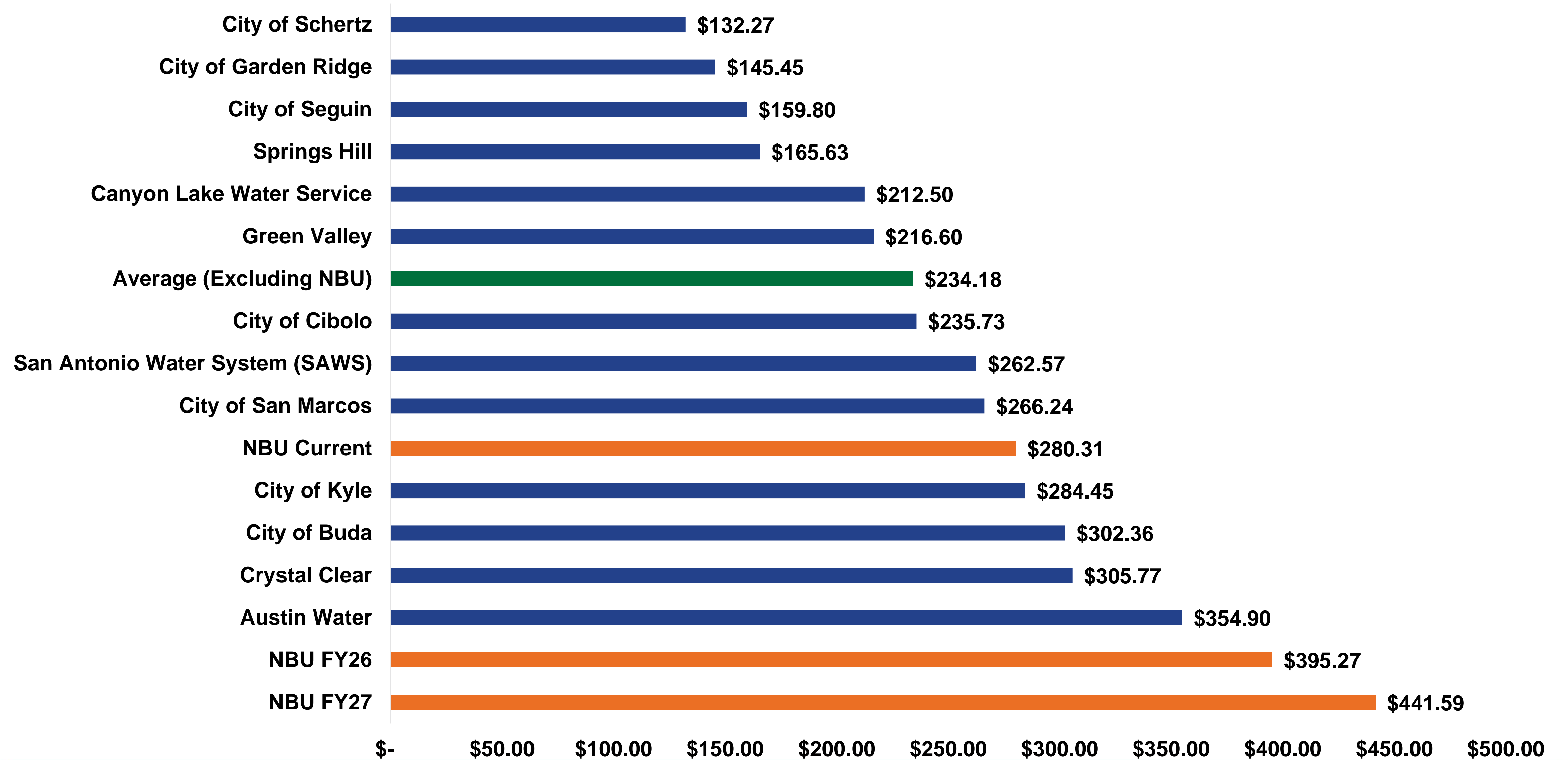


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May 2025 Residential Water Bill Comparison – 30000 Gallons



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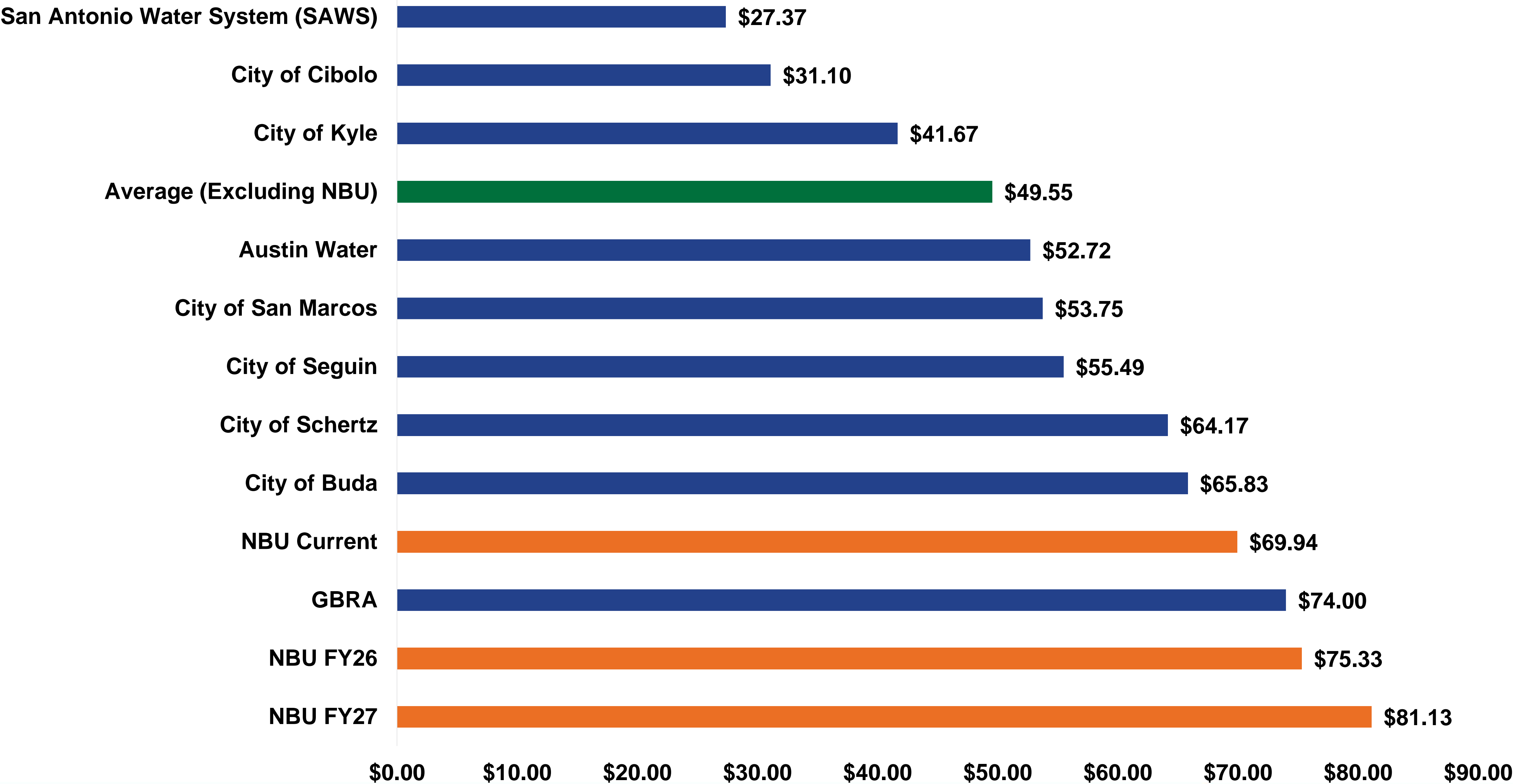


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May 2025 Residential Wastewater Bill Comparison – 4600 Gallons



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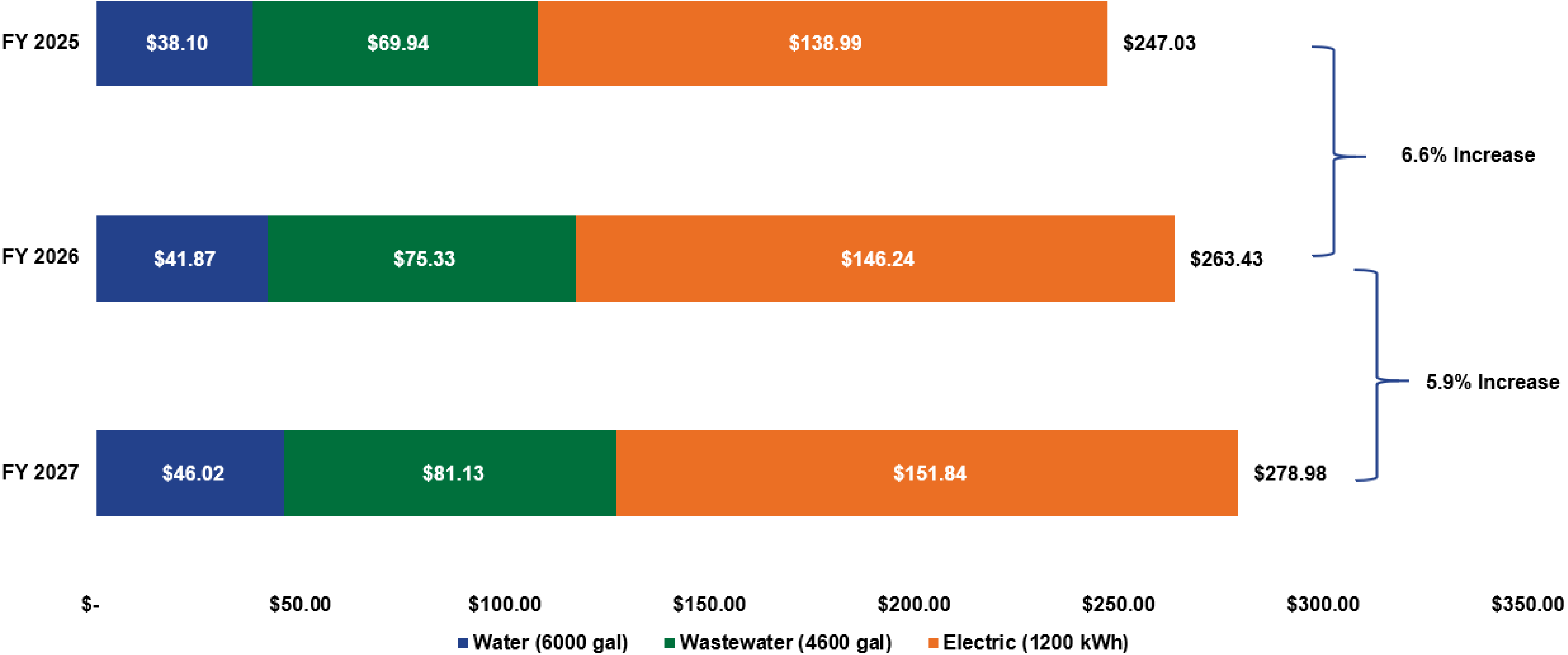


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Total Bill Comparison FY 2025 – FY 2027



20-YEAR FINANCIAL FORECAST

Financial Results – 20-Year Financial Forecast

Revenue Requirements

	Electric	Water	Wastewater
FY 2026	4.7%	9.9%	7.7%
FY 2027	3.2%	9.9%	7.7%
FY 2028	1.2%	9.9%	7.7%
FY 2029	1.6%	9.9%	7.7%
FY 2030	1.3%	9.9%	7.7%
FY 2031	0%-1%	0%-2%	0%-2%
FY 2032	0%-1%	0%-2%	0%-2%
FY 2033	0%-1%	0%-2%	0%-2%
FY 2034	0%-1%	0%-2%	0%-1%
FY 2035	0%-1%	0%-2%	0%-1%
FY 2036	0%-1%	0%-3%	0%-1%
FY 2037	0%-1%	0%-3%	0%-1%
FY 2038	0%-1%	0%-3%	0%-1%
FY 2039	0%-1%	0%-3%	0%-1%
FY 2040	0%-1%	0%-1%	0%-1%
FY 2041	0%-1%	0%-1%	0%-3%
FY 2042	0%-1%	0%-1%	0%-3%
FY 2043	0%-1%	0%-1%	0%-3%
FY 2044	0%-1%	0%-1%	0%-2%
FY 2045	0%-1%	0%-1%	0%-2%

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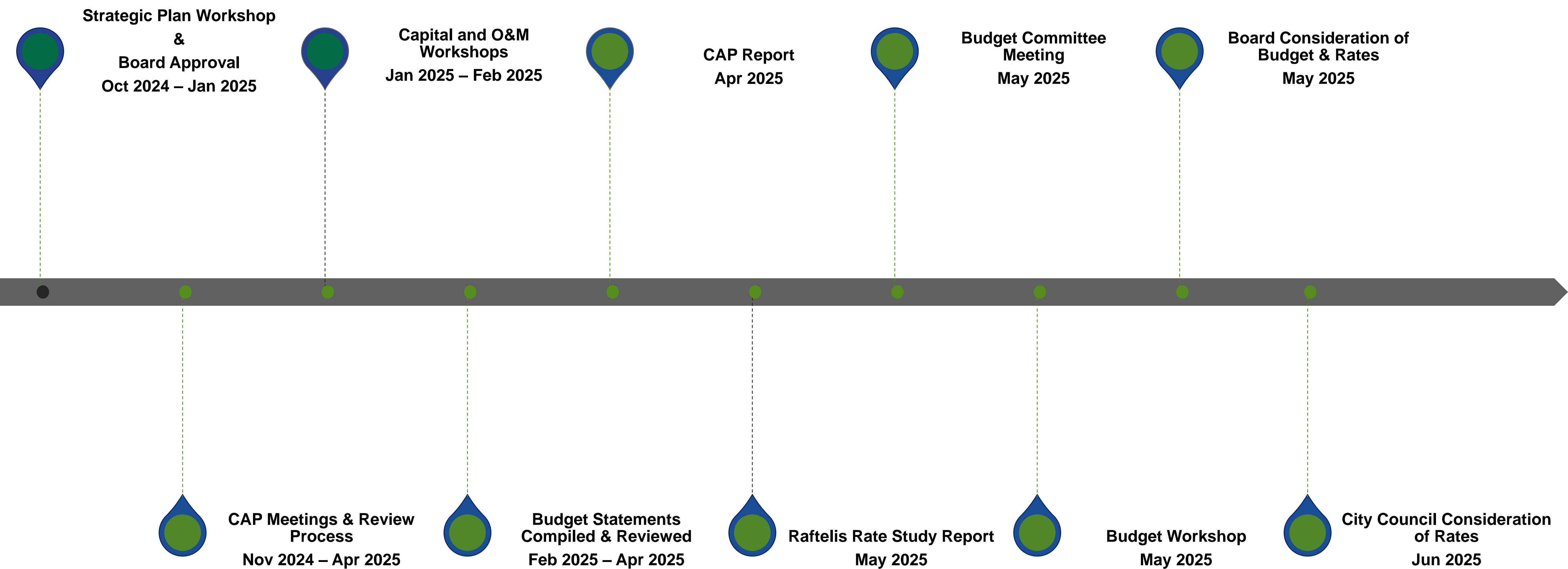
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FY26/27 Budget & Rate Process Milestones



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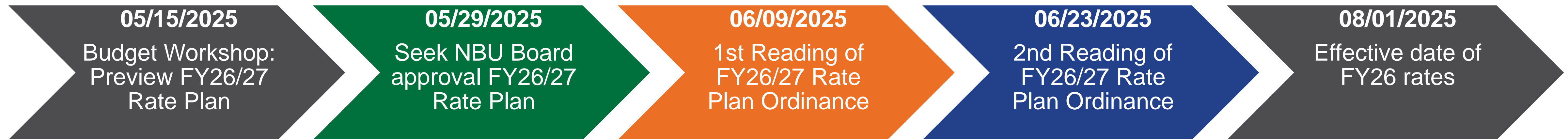
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FY26/27 Rate Plan Next Steps



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QUESTIONS?

THANK YOU!