

Amendment to the MOU with LCRA Regarding NBU Transmission Assets and Associated Payments

NBU Board of Trustees Meeting



January 25, 2024

Background

NBU owns 19.5 circuit-miles of 138 kV transmission lines, which have been leased to LCRA since 1990.

In December 2021, the NBU Board of Trustees approved an amendment to the Memorandum of Agreement (MOA) with LCRA regarding NBU Transmission Assets and Associated Payments.

- Transmission lease is set to terminate upon final order in LCRA's PUC docket
- Lease payments remain frozen at \$855,666.74, which NBU will continue to receive until the transmission lease terminates

Parallel Paths Forward

Spencer Fane will file an amended tariff to terminate the transmission lease with LCRA

- Similar to what Bandera Electric Cooperative successfully got approved in 2012
- Other munis/coops will be filing similarly (GVEC, PEC, Bluebonnet, Fayette, and Kerrville)

NewGen is conducting a full TCOS study to take to the PUC in early 2024

- Targeting March 2024 filing
- Will require employee testimony
- Items of Focus:
 - Depreciation
 - General Fund Transfers (GFTs)
 - Export Revenues

Current Status

- LCRA has filed their full rate case application with the PUC on Nov. 30, 2023, which contemplates dissolution of the NBU lease agreement. LCRA's filing is PUC Docket No. 55867.
- Spencer Fane has filed NBU's amended tariff on December 5, 2023, which will eventually be folded into LCRA's docket and consolidated to be approved as a final order. NBU's filing is PUC Docket No. 55950.
- NBU is continuing to receive lease payments until a final order by the PUC in LCRA's docket. At that time, NBU's TCOS postage stamp rate will increase in order to replace the revenue that was being received through the LCRA lease payments.
- LCRA's TCOS Billing Aggregation Service is unaffected by the lease termination and will continue to be available.

Next Steps

- The PUC has issued an order for Staff to provide a recommendation in Docket No. 55950.
- NBU will wrap up the depreciation study with NewGen, from which a final report will be issued.
- Those results, along with the audited FY23 numbers, will be incorporated into NewGen's TCOS study.
- NewGen is targeting filing a full rate case for NBU in March 2024.



QUESTIONS?