



Meeting Date: August 25, 2022 **Agenda Type:** Items from Staff

From: Kimberly Huffman **Reviewed by:** Dawn Schriewer
Accounting Manager Chief Financial Officer

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

RECOMMENDED ACTION: Financial Update and Report

BACKGROUND

NBU’s service territory experienced lower rainfall and higher temperatures during the month of June. The average temperature was 86.6 degrees, which was 5.1 degrees higher than the historical average temperature of 81.5 degrees. Rainfall totaled 0.56 of an inch for the month of June, which was 2.94 inches lower than the historical average rainfall of 3.5 inches.

For the month of June 2022, NBU recorded a change in net position after contributions (“CNPAC”) of \$5,594,000 which represents an increase of \$2,900,000 compared to the budgeted monthly CNPAC of \$2,694,000. Operating service revenues of \$21,092,000 were greater than budget by \$4,063,000, or 24%, for the month of June. A \$3,671,000 increase in electric revenue, \$165,000 increase in water revenue, and a \$227,000 increase in wastewater revenue contributed to the overall service revenues. Other operating revenues of \$392,000 were greater than budget by \$9,000 for the month of June. Purchased power costs were \$4,818,000 greater than budget for June 2022 and \$24.9 million greater for Year-to-Date (“YTD”). The cost of power for fiscal year 2022 has been influenced by the after effects of Winter Storm Uri 2021. Uncertainty about potential weather events this winter, increases in natural gas prices, and contemplated changes in the ERCOT market design have put upward pressure on power prices. A decrease in other operating expenses of \$713,000 resulted in total operating expenses to be \$18,350,000, or 29%, greater than the budgeted amount of \$14,245,000. The net revenue and operating expense variances contributed to an unfavorable net operating income variance of \$33,000 from budget. Net non-operating items had a \$948,000 favorable variance compared to the budget. Impact fees were greater than budget by \$1,661,000, services income was greater than budget by \$477,000, and capital participation fees were less than budget by \$153,000. June 2022 YTD CNPAC was \$30,605,000 which was \$19,613,000 greater than the budgeted amount of \$10,992,000.

FINANCIAL IMPACT

Electric

The Electric Line of Business reported total operating revenues of \$15,848,000, a \$3,685,000 increase, or 30%, from the June budgeted amount of \$12,163,000. The net rate realized per kWh was \$0.1000, which was 45% greater than the budgeted rate of \$0.0689. June kWh sales were 155.2 million kWh, a 16.8 million kWh decrease, or 10%, in comparison to the budgeted amount of 172.0 million kWh. Purchased power costs

totalled \$12,074,000, which was \$4,818,000 greater than the budgeted amount of \$7,256,000. Electric gross margin, which is total operating revenues minus purchased power, resulted in the amount of \$3,774,000 for the month of June and \$31,669,000 YTD. These amounts were \$1,133,000 (or 23%) less and \$12,152,000 (or 28%) less than the budgeted amount of \$4,907,000 Month-to-Date (“MTD”) and \$43,821,000 YTD. The unfavorable YTD variance is due to unbilled revenue offsetting the under-collection of power costs from Winter Storm Uri, and increased power costs. This will be the case until we are in an over-collected position. Other operating expenses were less than budget by \$345,000. These items resulted in the Electric Line of Business reporting net operating income of \$1,652,000 which was \$788,000 less than the budgeted amount of \$2,440,000. Net non-operating items provided a favorable variance from budget of \$484,000. Services income was greater than budget by \$492,000. The Electric Line of Business reported June 2022 CNPAC of \$1,545,000 and YTD CNPAC of \$4,046,000. These amounts were \$188,000 greater and \$1,155,000 greater than their respective June 2022 MTD and June 2022 YTD budget amounts.

Water

The Water Line of Business reported total operating revenues of \$3,222,000, a \$158,000 increase, or 5%, from the June budgeted amount of \$3,064,000. In June, water gallons sold of 441,203,000 was greater than the budgeted amount of 389,103,000 (an 52,100,000 gallon variance from budget, or 13%). NBU’s net realized price per 1,000 gallons sold in June was \$7.19, which was less than the budgeted amount of \$7.73. Operating expenses for June were \$2,281,000, which was \$329,000 less than the budgeted amount of \$2,610,000. The net effect of higher revenues and lower operating expenses than budgeted resulted in the Water’s net operating income of \$941,000, which was greater than the budgeted amount of \$454,000. Net non-operating items provided a favorable variance of \$425,000 from budget. Impact fees of \$2,359,000 were greater than budget by \$1,295,000, and services income was less than budget by \$14,000. The Water Line of Business reported June 2022 CNPAC of \$3,008,000 and YTD CNPAC of \$17,729,000. These amounts were \$2,193,000 and \$13,980,000 greater than their respective June 2022 MTD and June 2022 YTD budget amounts.

Wastewater

The Wastewater Line of Business reported total operating revenues of \$2,414,000, a \$229,000 increase, or 10%, from the June budgeted amount of \$2,185,000. Total operating expenses of \$1,873,000 were \$39,000 less than the budgeted amount of \$1,912,000. As a result, the Wastewater Line of Business reported net operating income of \$541,000, which was \$268,000 greater than the budgeted amount of \$273,000. Net non-operating items provided a favorable variance of \$39,000 from budget. Impact fees were greater than budget by \$366,000, and since we did not receive any capital participation fees in the month, they were less than budget by \$154,000. The Wastewater Line of Business reported June 2022 CNPAC of \$1,041,000 and YTD CNPAC of \$8,830,000. These amounts were \$519,000 and \$4,478,000 greater than their respective June 2022 MTD and June 2022 YTD budget amounts.

LINK TO STRATEGIC PLAN

Maintain a Competitive Bond Rating

EXHIBITS

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