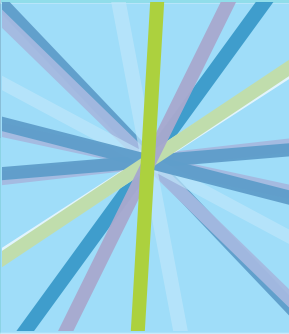




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FOURTH
Quarter
REPORT

1



FISCAL
YEAR
2016

austinenergy.com

AUSTIN ENERGY LOWERS BASE RATES

On Aug. 29, Austin City Council set new, lower electric base rates. The impact of these reductions will show up in bills early next year since the new rates go into effect Jan. 1, 2017. The Council set the new rates because Austin Energy found we could cut rates while continuing to effectively run operations. It took a year, but the City-owned utility worked with about two dozen parties to reduce Austin Energy's revenue requirement by \$42.5 million.

At a quick glance, this means lower yearly electric bills for most, but the more you know, the more you may be able to save. Here are two things to know about Austin Energy's lower base rates

RESIDENTIAL REDUCTION

In total, Austin Energy's revenue requirement was reduced by \$42.5 million.

Some \$5 million of this base-rate reduction goes to residential customers. The chart to the right lays out electric use and the corresponding rate.

Under the approved rates, many customers could see yearly savings on their electric bills, but changes depend on how and when the customer uses energy.

SUMMER/WINTER RATES

Currently, customers are charged a "Seasonal Rate" as part of their base rate — lower in the winter than in the summer. Part of the approved base rate change includes moving from a summer/winter base rate to an annual base rate. This is important to keep in mind because this change means base rates will actually rise Jan. 1, 2017, when compared to the December 2016 rate.

The bigger picture though, is many customers can expect to pay less for electricity annually. Even though a residential customer using 1,000 kWh might see an increase of about \$5 in their January bill, the same customer could see a decrease of about \$13 in their August bill. These calculations include all electric charges, not just base rates.

COMMERCIAL REDUCTION

Austin Energy's commercial classes will see \$37.5 million of the reduction, about 88 percent of the total base rate reduction total. The breakdown looks like this:

- \$1M reduction to Secondary < 10 kW (small offices, daycares, school portables, billboards)
- \$15.7M to Secondary 10-300 kW (small office buildings, retail, restaurants, small hotels)
- \$5.3M to Secondary > 300 kW (large office buildings, grocery stores, schools, hospitals)
- \$4.5M to Primary < 3,000 kW (office parks, water treatment plants, manufacturing)
- \$5.3M to Primary 3,000-20,000 kW (large manufacturing, data centers)
- \$5.5M to Primary > 20,000 kW (large industrial manufacturing)
- No change to Transmission voltage level 1 (industrial)
- No increase to Transmission voltage level 2 (large industrial)

FINANCIAL RESULTS - FY 2016 Oct. 1, 2015 - Sep. 30, 2016

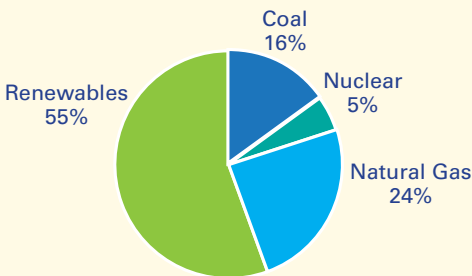
Austin Energy's preliminary, unaudited financial results for the fiscal year ended September 2016 are consistent with expectations. Non-power supply operating revenue grew since last year by \$24 million mainly due to increased regulatory revenue which recovers transmission expense.

Austin Energy's preliminary operating income is \$3 million less than the prior year primarily due to the increase in regulatory revenue offset by increases in transmission, power production, and depreciation expense.

Austin Energy's financial statements reflect assets and liabilities for under-/over-recovery of certain recoverable costs. Power supply costs are over recovered by \$68 million compared to an over recovery of \$61 million at September 2016. Regulatory costs (e.g. transmission costs) are \$9 million under-recovered, down from \$33 million last year.

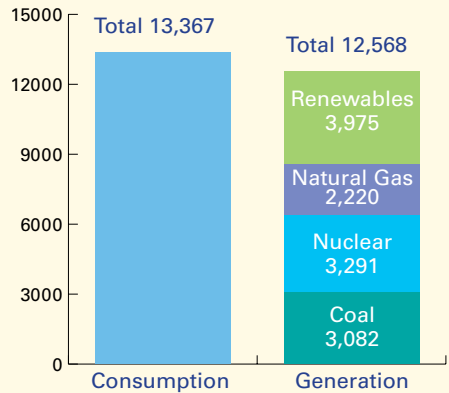
Overall, Austin Energy's preliminary financial results show a \$98 million increase in cash over the fiscal year, which will allow Austin Energy to invest in operational technologies and competitive generation resources.

Power Generation Costs by Fuel Type*

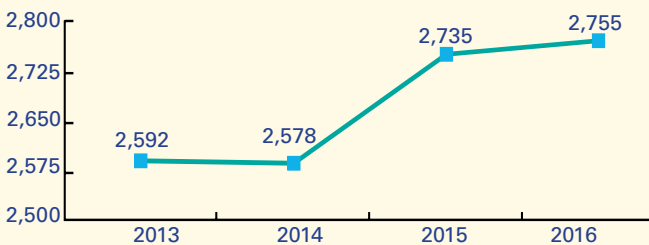


* Costs include fuel for generation, fuel transportation, renewable power purchase agreements and hedging activity.

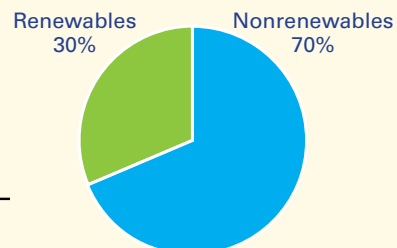
Consumption vs. Generation (GWh)



FY Historical System Peak Demand MW



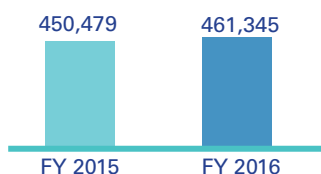
Renewable Power as Percent of Consumption



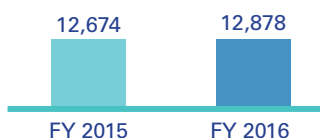
INCOME STATEMENT*

| \$ in millions | 12 months ended | |
|--------------------------------|-----------------|-------------|
| | 9/30/15 | 9/30/16 |
| Operating Revenues | \$ 907 | \$ 931 |
| Power Supply Revenue | 444 | 439 |
| Power Supply Expense | 444 | 439 |
| Non-Power Supply Expenses | 549 | 572 |
| Depreciation Expense | 153 | 157 |
| Operating Income/(Loss) | 205 | 202 |
| Other Revenue (Expense) | (27) | (12) |
| General Fund Transfer | (105) | (105) |
| Net Income/(Loss) | \$73 | \$85 |
| Debt Service Coverage | 3.6 | 3.1 |
| Debt to Equity Ratio | 46% | 44% |

Average Number of Customers



Total Sales in Gigawatt Hours



COMPARATIVE STATEMENT OF NET POSITION*

| \$ in millions | 9/30/2015 | 9/30/2016 | Change |
|------------------------------------------|----------------|----------------|--------------|
| Cash | \$250 | \$348 | \$98 |
| Accounts Receivable (net) | 157 | 145 | (12) |
| Other Under-Recoveries | 38 | 16 | (22) |
| Debt Service - ST | 65 | 54 | (11) |
| Strategic Reserve | 152 | 189 | 37 |
| Nuclear Decommissioning Reserve | 205 | 212 | 7 |
| Other Restricted Assets | 110 | 115 | 5 |
| Other Assets | 661 | 713 | 52 |
| Capital Assets | 2,604 | 2,591 | (13) |
| TOTAL ASSETS | \$4,242 | \$4,383 | \$141 |
| Current Liabilities | 133 | 121 | (12) |
| Power Supply Over-Recovery | 61 | 68 | 7 |
| Other Over-Recoveries | 14 | 15 | 1 |
| Revenue Bonds | 1,442 | 1,367 | (75) |
| Commercial Paper | 32 | 88 | 56 |
| Other Long-Term Liabilities | 805 | 884 | 79 |
| Retained Earnings | 1,755 | 1,840 | 85 |
| TOTAL LIABILITIES AND FUND EQUITY | \$4,242 | \$4,383 | \$141 |

* This information is preliminary and unaudited.

BENEFITS OF PUBLIC POWER

AFFORDABLE ENERGY POLICY SUMMIT CONNECTS CITY-OWNED UTILITY AS PARTNER

Because Austin Energy is a part of the City of Austin, you can always find the utility out in the community. This is what it means to be community-owned. But Austin Energy's presence goes beyond outage restoration and walk-in service centers.

Through the Customer Assistance Program, the City of Austin reduces utility bills to some 40,000 customers. Residential customers qualify for the assistance program through having a household member living at the address who is approved to receive any one of seven government benefits — all based on income. In most areas of the state, this kind of year-round low-income discount program is no longer available.

Austin Energy takes the lead role for the City because it operates the Utility Customer Service Office. The office provides customer service and billing information for City services from electricity to water to resource recovery.

Austin Energy identifies low-income customers through careful use of computerized government benefit lists, but the utility stays connected to low-income issues by hosting events like last July's Affordable Energy Policy Summit.

The Summit, the ninth annual event to bring together community partners, attracted more than 140 stakeholders, representing 55 agencies. Events like the policy summit allow Austin Energy to connect with the community's many social service providers. This "seat at the table" approach allows the utility to build bridges within the community and identify areas where Austin Energy could develop support structures for struggling segments of the community. For their part, agencies get a head's-up on changes that could affect their clients and help provide input to current and future initiatives affecting our low-income community.

This awareness allows the community to see the utility as its partner. In FY 2016, the CAP team partnered with the Low Income Advisory Task Force to present its work to the larger community.

The City of Austin's **Customer Assistance Program** presents:

AFFORDABLE ENERGY POLICY SUMMIT



TUESDAY • JULY 12 • 2016

A collaborative forum of **CITY + COMMUNITY**
dedicated to delivering affordable energy



The above promotional piece helped spread the word about the ninth annual event.