



FIRST Quarter REPORT

FISCAL
YEAR
2015

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BENEFITS OF PUBLIC POWER

Austin Energy is the eighth largest publicly owned utility in the nation, and being a municipal utility means that our community has an active role in guiding and defining Austin Energy's policies. The public's priorities can be seen in all aspects of the utility, including energy efficiency programs, the progressive generation portfolio and customer care. Public guidance has helped shape Austin Energy's progressive generation portfolio for the future while ensuring reliable service.

The City of Austin also receives a direct benefit through the General Fund Transfer and other Austin Energy revenues that are used to support other departments and organizations. City departments including the Parks and Recreation Department and Austin Police Department benefit from Austin Energy as well as community events like ScienceFest.

Through the publicly owned structure, Austin Energy is able to reflect the values of the community it serves.

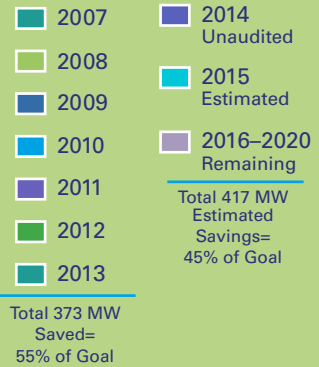
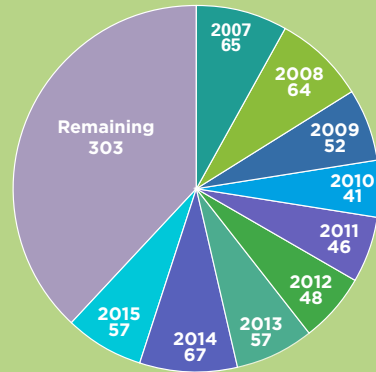
A recent example of the utility incorporating community values is the community solar project approved in October by Austin City Council.

Austin Energy is negotiating a 25-year purchased power agreement with PowerFin Texas Solar Projects to build a 3.2 megawatt solar plant. The community solar site will allow more residents to invest in solar energy.

The planned location for the community solar array is a site adjacent to Austin Energy's Kingsbury substation in northeast Austin.

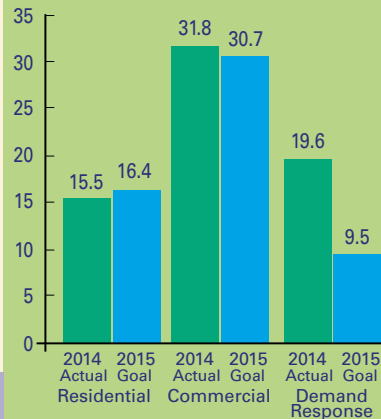
According to the Solar Energy Industries Association, the community solar project is one of more than 50 similar projects in 17 states in the nation. Austin Energy recognizes the value the community and Council put in renewable sources of energy, and the utility expects to develop similar sites as interest in the program grows.

Energy Efficiency MW Savings by Fiscal Year, Tracking to 2020 800 MW Goal



Energy Efficiency Savings in MW

FY 2014 actual savings and FY 2015 goals



While some FY 2015 goals are lower than what was achieved in FY 2014, the goals are in line with expectations in reaching overall 2020 and 2025 goals.

CUSTOMER ASSISTANCE PROGRAM STATS

Residential Customers Enrolled through Q1: > 43,474

Benefits Provided through Q1: > \$2.3M

Weatherization Program Referrals through Q1: 72

CONTROLLABLE AND NON-CONTROLLABLE COSTS

Because Austin Energy is a publicly owned utility, customers have unprecedented visibility to its inner workings.

The Austin Energy budget is massive at \$1.44 billion — a third of the size of the City of Austin’s general fund that covers all general government services. But the lion’s share of the budget goes to non-controllable costs, including the statewide energy market, to service the debt and to fund general government services. These three sections total more than \$730 million.

The single largest cost of running the utility comes in at 35.5 percent and is the “net cost of electricity.” That is the cost of power Austin Energy purchases from the market, minus the net cost of the power it sells to the Texas market. It also is the amount that ratepayers pick up as part of the Power Supply Adjustment. In earlier days, the predecessor of this expense was called the fuel charge.

The net cost of electricity is market driven and can be decreased when the utility makes large investments in power plants and other infrastructure. Owning a highly efficient power units can produce positive revenue from market sales of megawatt-hours.

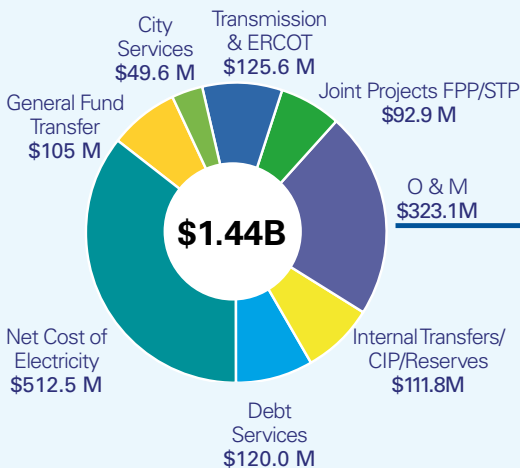
In contrast, Austin Energy’s controllable budget is much smaller. Only about 25 percent of the cost of running the utility is controllable in the near term.

The operations and maintenance portion, the second largest budget section at 22.4 percent, is the most controllable section. A large share of the O&M budget is personnel costs. Austin Energy has 1,673 employees, the largest percentage of whom are engaged in “downloading” power from the grid and distributing it reliably to customers. In fact, the utility’s full-time equivalent employee count has been decreasing while the customer count has increased.

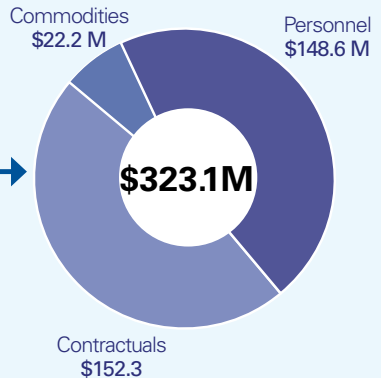
Contracts make up nearly half of the O&M expense. Ten contracts for goods and services such as information technology maintenance and the expense of bad debt comprise much of that budget. Like most utilities, Austin Energy relies heavily on contract employees for specialized skills not consistently used throughout the year.

Even though Austin Energy has a sizeable budget, the utility only has limited options when it comes to controllable spending.

Operating Requirements
(\$Millions)



Operations & Maintenance
(\$Millions)



FINANCIAL RESULTS - FY 2015 Ended Dec. 31, 2014

Austin Energy's preliminary, unaudited financial results for the first quarter of fiscal year 2015 ending Dec. 31 are consistent with expectations. Non-power supply operating revenue grew since last year by \$4 million mainly due to increased regulatory revenue that recovers transmission expense and increased transmission service revenue due to an increase in usage and access fees.

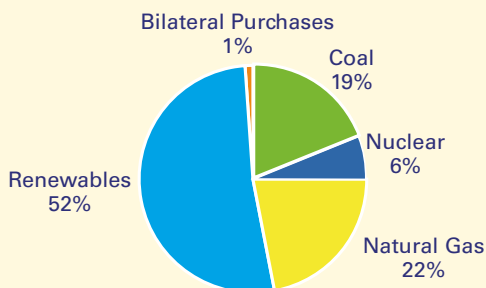
Overall, Austin Energy's preliminary financial results show a \$58 million increase in cash over the fiscal year which will aid in replenishing reserve levels and allow Austin Energy to invest in operational technologies and competitive generation resources.

Austin Energy's preliminary net income for the quarter was \$8 million compared to an \$8 million net loss in the prior period. The following items were significant factors:

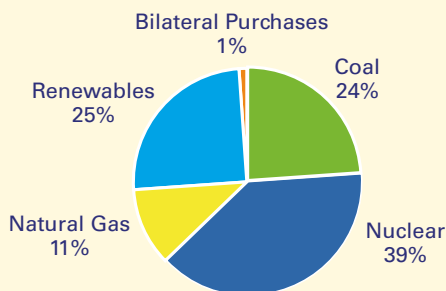
- Total operating revenue decreased \$2 million because of a \$6 million reduction in the net cost of electricity offset by increased transmission and regulatory revenue.
- Non-power supply operations and maintenance expenses were \$2 million lower compared to prior year largely due to decreases in joint project costs offset by increases in transmission expenses and energy conservation rebates.
- Power supply expenses were \$102 million or \$6 million lower than the same period last year stemming from a decrease in market prices, as well as a decrease in kilowatt hour sales.

Austin Energy's financials reflect assets and liabilities for under/over recovery of certain recoverable costs. Power supply costs are under recovered by \$12 million compared to \$13 million at Dec. 31, 2013. Regulatory costs are \$21 million under recovered at Dec. 31, 2014, up from \$5 million last year.

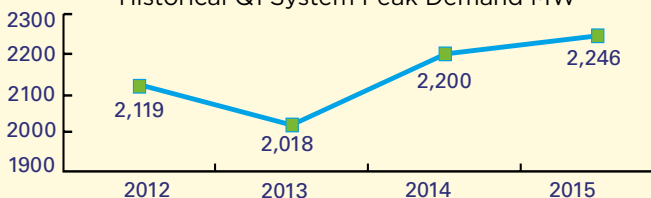
Power Supply Costs by Fuel Type/Source (\$)



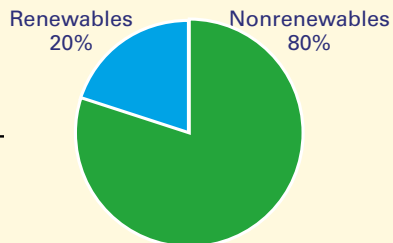
Power Supply by Fuel Type/Source (MWh)



Historical Q1 System Peak Demand MW



Renewable Percent of Load

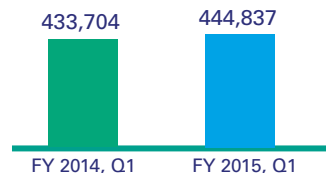


INCOME STATEMENT

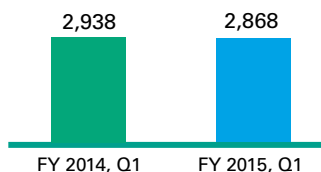
\$ in millions	3 months ended	
	12/31/13	12/31/14*
Operating Revenue	\$ 298	\$ 296
Power Supply Expense	108	102
Non-Power Supply Expense	120	118
Depreciation Expense	38	37
Operating Income/(Loss)	32	39
Other Revenue (Expense)	(14)	(5)
General Fund Transfer	26	26
Net Income/(Loss)	(\$8)	\$8
Debt to Equity Ratio	46%	45%
Debt Service Coverage**	2.84	2.74

**Calculated using 12 month rolling income statement

Average Number of Customers



Total Sales in Gigawatt Hours



COMPARATIVE STATEMENT OF NET POSITION

\$ in millions	12/31/2013	12/31/2014*	Variance
Cash	\$126	\$184	\$58
Accounts Receivable (net)	147	137	(10)
Power Supply Under	13	12	(1)
Other Under	8	26	18
Debt Service	14	8	(6)
Strategic Reserve	106	107	1
Nuclear Decommissioning Reserve	193	199	6
Other Restricted Assets	114	123	9
Other Assets	455	423	(32)
Property, Plant, and Equipment	2,583	2,589	6
TOTAL ASSETS	\$3,759	\$3,808	\$49
Current Liabilities	101	98	(3)
Other Over	10	15	5
Revenue Bonds	1,299	1,224	(75)
Commercial Paper	100	182	82
Other Long-Term Liabilities	593	598	5
Retained Earnings	1,656	1,691	35
TOTAL LIABILITIES AND FUND EQUITY	\$3,759	\$3,808	\$49

*This information is unaudited and should be read in conjunction with the audited Comprehensive Financial Reports for the City of Austin, when published, on www.austintexas.gov/financeonline/finance/main.cfm