

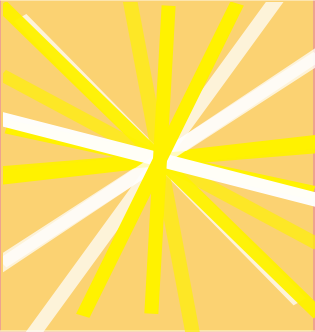


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SECOND
Quarter
REPORT

3



FISCAL
YEAR
2016

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BENEFITS OF PUBLIC POWER

60TH ANNUAL SCIENCEFEST A SUCCESS

Founded in 1956, the Science Festival celebrated its 60th anniversary this year with more participating students than ever before. A total of 2,833 students from 240 schools entered 2,498 science projects in the Austin Energy Regional Science Festival, representing 20 Central Texas school districts, as well as private, charter and home schools.

This year, the festival also made history in having female participants outnumber their male counterparts in the high school division. The event had 153 female high school participants and 127 male high school participants.

First through third place category winners advanced to the Texas Science and Engineering Fair in San Antonio in early April. Six “Best of Fair” projects advanced to the Intel International Science and Engineering Fair held in mid-May in Phoenix, AZ.

Canyon Ridge Middle School and Vista Ridge High School in the Leander Independent School District won the Sweepstakes Award for most winning projects entered by their students.

The Sweepstakes Award is presented to the school in the junior division — middle schools — and senior division — high schools — earning the most points in the 17 science categories at the science festival. Canyon Ridge won Sweepstakes for the fourth year in a row, outperforming 48 other middle schools. Vista Ridge outscored 26 other high schools for their tenth Sweepstakes award since 2006.

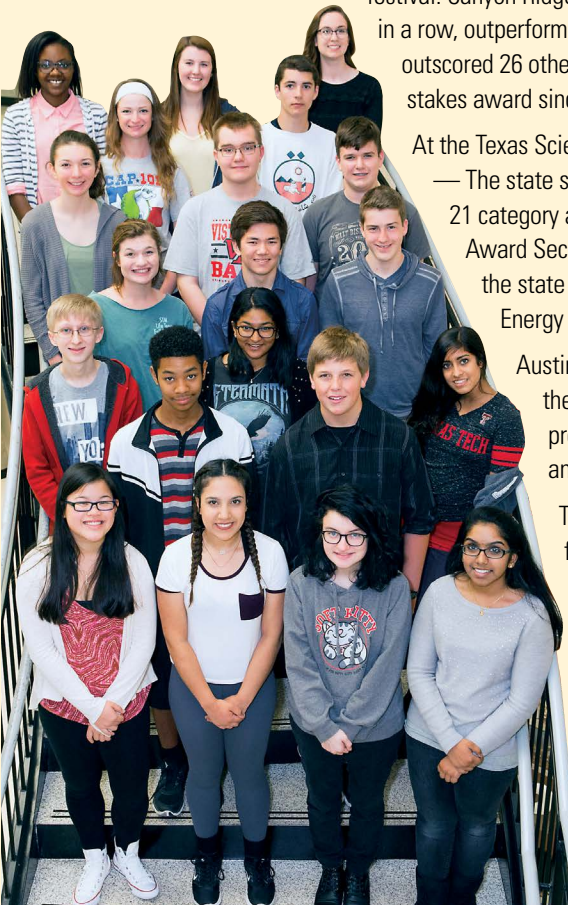
At the Texas Science and Engineering Fair in San Antonio — The state science fair — Austin-area students won 21 category awards, 11 special awards and a Grand Award Second Place. These students advanced to the state fair after winning awards at the Austin Energy Science Festival

Austin Energy and the City of Austin sponsor the annual community event to help promote science, technology, engineering and math education.

The festival is underwritten by many different organizations, including Platinum Sponsors, the Intel Foundation and Google fiber as well as Gold Sponsor, Synopsis, Inc.

Visit sciencefest.org for a complete list of our sponsors as well as award listings and photos.

**VISTA RIDGE HIGH SCHOOL
SWEEPSTAKES WINNERS**



COST OF ELECTRICITY LOWERED

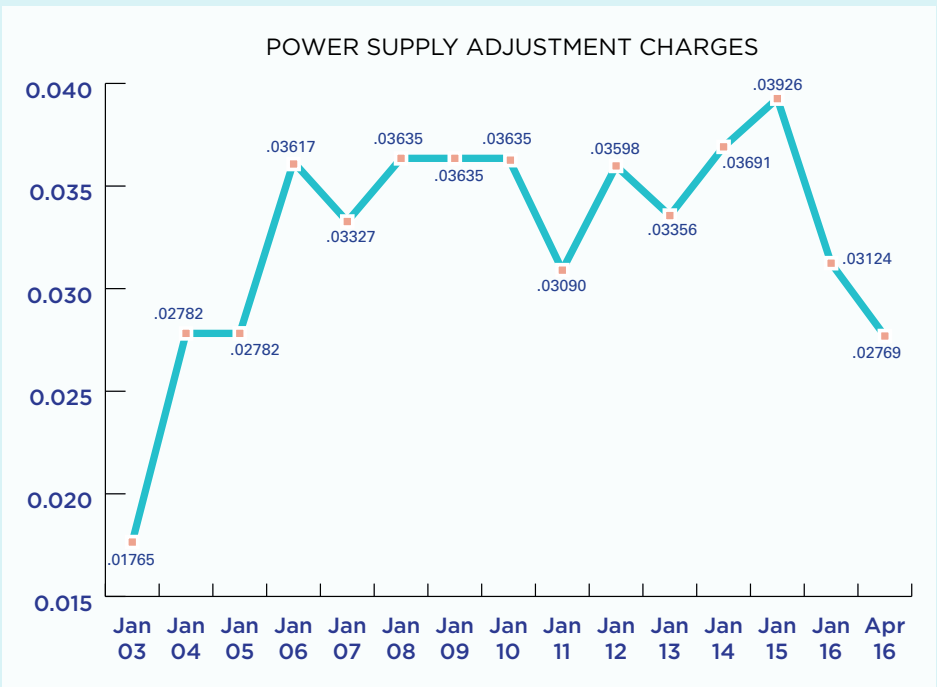
As of April 1, Austin Energy customers saw a lower cost for their electricity with the approved reduction in the Power Supply Adjustment. A residential customer using 1,000 kilowatt-hours saw a monthly decrease of \$3.56. Actual savings depend on energy use.

The PSA was reduced 11.3 percent, bringing the average residential PSA down to 2.7 cents per kWh — its lowest point since 2003. This PSA reduction comes on the heels of a November 2015 reduction of 20.4 percent. This reduction marks a 30 percent decrease since this time last year, and will save residential customers more than \$100 million.

Lowering the PSA is a result of strong performance by Austin Energy's diverse portfolio of assets and the team that manages them, allowing customers to enjoy the benefit of lower prices in the market for power and fuel.

The Power Supply Adjustment is a dollar-for-dollar pass-through of fuel expenses for natural gas, coal and nuclear fuel; revenues from the sale of power through the Electric Reliability Council of Texas market, the expense of renewable energy purchase power agreements and the purchase of power through ERCOT to supply retail customers. The charge is also adjusted to reflect the over-/under-recovery in revenue from the previous period.

To learn more about Austin Energy's rates, visit rates.austinenergy.com.



FINANCIAL RESULTS - FY 2016 Oct. 1, 2015 - Mar. 31, 2016

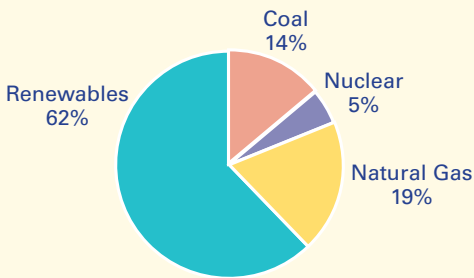
Austin Energy's preliminary, unaudited financial results for the six months ending March 2016 are consistent with expectations. Non-power supply operating revenue grew since last year by \$11 million mainly due to increased regulatory revenue, which recovers transmission expense.

Austin Energy's unaudited net loss at March 2016 was \$14 million compared to a \$4 million net loss in the prior period. Increased regulatory revenue was offset by an increase in total operating expenses including transmission, depreciation and power production costs as well as decreased interdepartmental transfers for proceeds from sale of land.

Austin Energy's financial statements reflect assets and liabilities for under-/over- recovery of certain recoverable costs. Power supply costs are over recovered by \$81 million compared to an over recovery of \$16 million at March 31, 2015. Regulatory costs (e.g. transmission costs) are \$29 million under recovered at the end of this period, up from \$27 million last year.

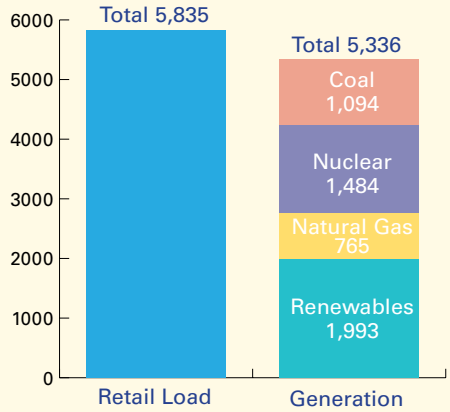
Overall, Austin Energy's preliminary financial results show a \$112 million increase in cash over the Fiscal Year which will allow Austin Energy to invest in operational technologies and improve its financial resiliency.

Power Generation Costs by Fuel Type*

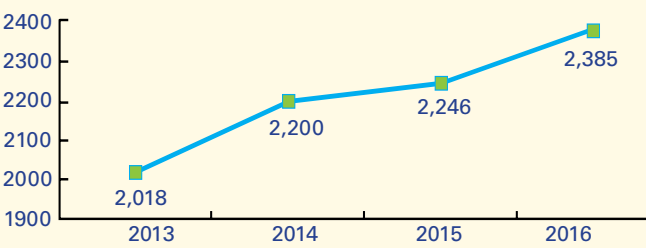


* Costs include fuel for generation, fuel transportation, renewable power purchase agreements and hedging activity.

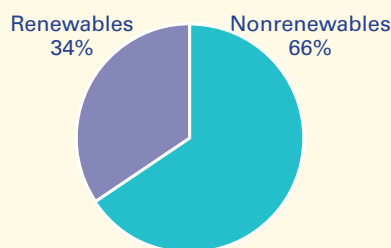
Load vs. Generation (GWh)



Q2 Historical System Peak Demand MW



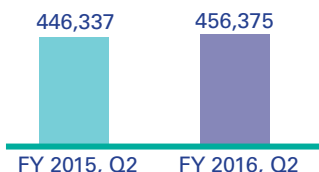
Renewable Power as Percent of Consumption



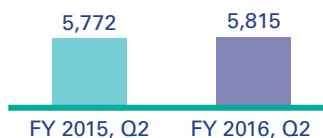
INCOME STATEMENT*

\$ in millions	12 months ended	
	3/31/15	3/31/16
Operating Revenues	\$391	\$402
Power Supply Revenue	190	191
Power Supply Expense	190	191
Non-Power Supply Expenses	250	262
Depreciation Expense	75	77
Operating Income/(Loss)	66	63
Other Revenue (Expense)	(17)	(24)
General Fund Transfer	53	53
Net Income/(Loss)	(\$4)	(\$14)
Debt Service Coverage**	2.8	3.2
Debt to Equity Ratio	46%	45%

Average Number of Customers



Total Sales in Gigawatt Hours



COMPARATIVE STATEMENT OF NET POSITION*

\$ in millions	3/31/2015***	3/31/2016	Change
Cash	\$199	\$311	\$112
Accounts Receivable (net)	126	111	(15)
Other Under-Recoveries	32	37	5
Debt Service	24	31	7
Strategic Reserve	107	153	46
Nuclear Decommissioning Reserve	203	210	7
Other Restricted Assets	116	80	(36)
Other Assets	442	678	236
Capital Assets	2,596	2,588	(8)
TOTAL ASSETS	\$3,845	\$4,199	\$354
Current Liabilities	108	115	7
Power Supply Over-Recovery	16	81	65
Other Over-Recoveries	16	15	(1)
Revenue Bonds	1,235	1,383	148
Commercial Paper	196	50	(146)
Other Long-Term Liabilities	596	813	217
Retained Earnings	1,678	1,742	64
TOTAL LIABILITIES AND FUND EQUITY	\$3,845	\$4,199	\$354

* This information is preliminary and unaudited.

** Calculated using 12 month rolling income statement.

*** March 2015 totals do not reflect the effect to Other Assets and Other Long-term Liabilities for the GASB 68 restatement of Pension obligations payable and Deferred outflows of resources.