

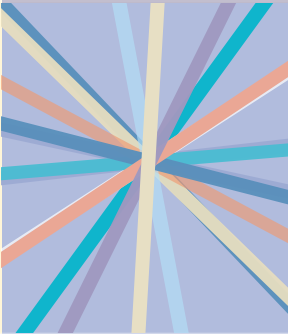


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# FIRST Quarter REPORT

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FISCAL  
YEAR  
2017

[austinenergy.com](http://austinenergy.com)

# BENEFITS OF PUBLIC POWER

## AUSTIN ENERGY RESIDENTIAL CUSTOMERS HAVE SECOND LOWEST AVERAGE BILLS IN STATE

With affordability a key concern in the ever-growing Austin area, Austin Energy is helping make the region more livable through low residential electric bills.

The latest federal data reports that an Austin Energy residential customer with average use had the second-lowest bill in Texas when compared to all major electric providers in 2015.

“Lower electric bills help all of our customers in meeting their basic needs for power, light and comfort,” said Austin Energy General Manager Jackie Sargent. “The City Council has set goals for affordability and competitiveness that guide our long-term planning and our daily operations. Reducing our rates and promoting our robust energy efficiency programs ensures that customers can better manage their energy costs and household budgets.”

According to the federal data, the bill for an Austin Energy residential customer with average use in 2015 came in at \$97 a month. The state average for monthly residential bills was \$136. Austin Energy’s average bill was 28 percent lower than the state average and lower than all bordering retail providers.

“Low residential electric bills are a benefit to our customers, but also demonstrate that we are competitive with our peers,” said Vice President of Regulatory Affairs and Corporate Communications Mark Dreyfus.

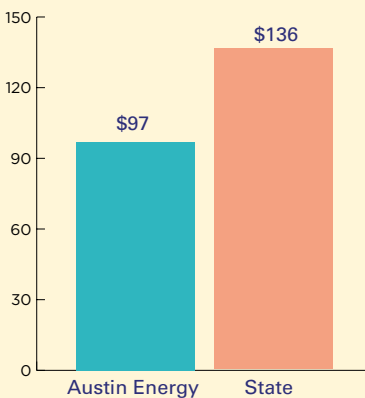
These low bills are the result of strong performances on many fronts and highlight the decades of work in energy efficiency, weatherization and demand reduction programs as well as new, diverse housing stock. With the combination of the increased multifamily development in the city and building codes that focus on efficiency, Austin Energy customers also had the second lowest average use for 2015 in the state, according to the same federal data.

Austin Energy offers a multitude of residential energy efficiency programs to help customers save money, commercial energy efficiency programs to help businesses lower their use, demand response programs to help shift peak demand, renewable options to help customers go green and technology initiatives to help customers make the most of their electricity. Austin Energy also offers a variety of programs for customers in need.

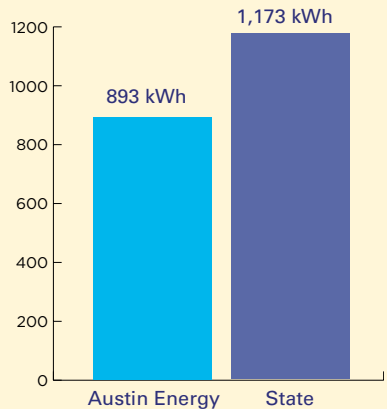
Visit [austinenergy.com](http://austinenergy.com) to find more information on residential rates and how to save.

## WHERE WE STAND

Average Monthly Residential Bill



Average Monthly Residential Use



# CREDIT AGENCIES UPGRADE AUSTIN ENERGY'S RATINGS

Two bond rating agencies upgraded their assessments of Austin Energy's creditworthiness, allowing the City of Austin-owned utility to reach a key financial goal of a AA credit rating.

Standard & Poor's rated the \$1.3 billion utility's bonds at AA Stable, up from AA- Stable. The rating service cited "the electric system's very strong financial performance trend as evidenced by its ability to maintain stronger fixed-charge coverage and total available liquidity levels." This includes the Austin City Council's ability to set base rates and stronger performance by Austin Energy by increasing reserves, cash-on-hand and working capital to make system improvements.

"A 'AA' rating has been the goal of Austin Energy," said Austin Energy General Manager Jackie Sargent. "We continue to invest tens of millions of dollars each year to make Austin Energy's service even more reliable and robust in meeting customer needs. We anticipate that these improved ratings will result in more favorable interest rates when we borrow money to improve our infrastructure. This will save money for customers."

Moody's Investors Service also upgraded Austin Energy bonds, including a \$92.7 million refunding, at Aa3, up from A1.

The rating service said that the City Council's approval of a base rate increase in 2012 and other periodic rate adjustments were a "significant impetus for stronger financial metrics" achieved in fiscal years 2013 through 2015 and continued strength in 2016 based on numbers. Moody's also noted the Council's approval of a \$42.5 million base rate reduction effective Jan. 1, 2017 that is "balanced by lower debt service requirements and other cost efficiencies" to support its projections for strong financial performance by the utility.

## Standard and Poor's upgraded Austin Energy's rating from AA- to AA

- Competitive rates with separate cost-recovery component
- Steady customer growth
- Diversified generation mix
- Strong, fixed-charge coverage metrics

## Moody's upgraded Austin Energy's rating from A1 to Aa3

- Strong and growing customer base
- Notable improvement in debt service coverage and liquidity
- Municipally owned utility which benefits from unregulated rate setting
- Diversified generation mix, albeit with an increasing focus on renewables

# FINANCIAL RESULTS - FY 2017 Oct. 1, 2016 - Dec. 31, 2016

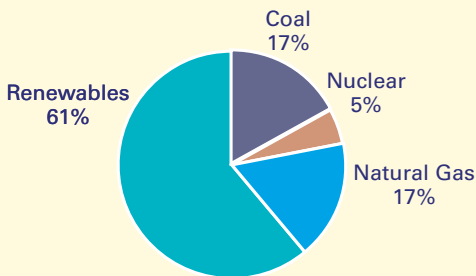
Austin Energy's preliminary, unaudited financial results for the period ending December 2016 are consistent with expectations. Non-power supply operating revenue grew since last year by \$12 million mainly due to increases in base revenue and regulatory revenue, which recovers transmission expense.

Austin Energy's unaudited operating income is \$40 million, up from prior year due in large part to an increase in operating revenue.

Austin Energy's financial statements reflect assets and liabilities for under-/over-recovery of certain recoverable costs. Power supply costs are over-recovered by \$61 million compared to an over-recovery of \$74 million at December 2015. Regulatory costs (e.g. transmission costs) are \$6 million under-recovered, down from \$32 million last year.

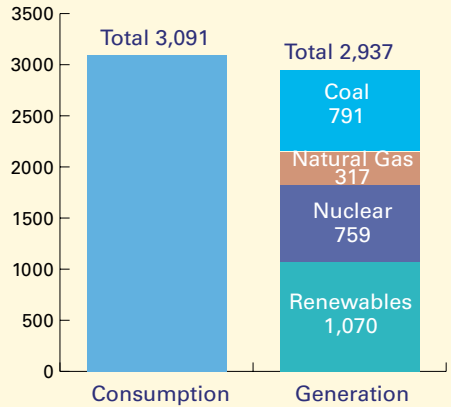
Overall, Austin Energy's preliminary financial results show an \$83 million increase in cash over the period, which will allow Austin Energy to invest in operational technologies and competitive generation resources.

Power Generation Costs by Fuel Type\*

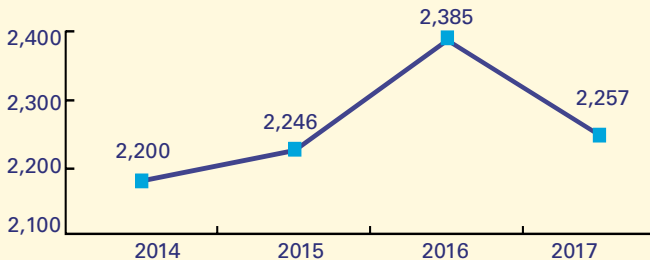


\* Costs include fuel for generation, fuel transportation, renewable power purchase agreements and hedging activity.

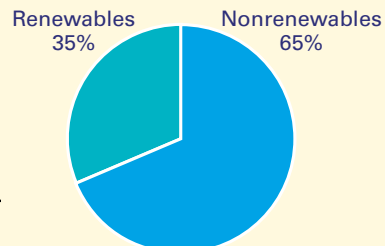
Consumption vs. Generation (GWh)



Q1 Historical System Peak Demand MW



Renewable Power as Percent of Consumption

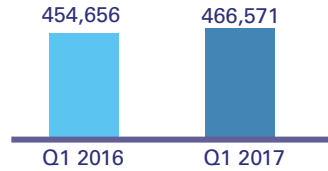


## INCOME STATEMENT\*

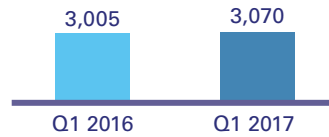
\$ in millions	3 months ended	
	12/31/15	12/31/16
Operating Revenues	\$ 201	\$ 213
Power Supply Revenue	99	103
Power Supply Expense	99	103
Non-Power Supply Expenses	134	133
Depreciation Expense	39	40
<b>Operating Income/(Loss)</b>	<b>28</b>	<b>40</b>
Other Revenue (Expense)	—	(8)
General Fund Transfer	26	27
Net Income/(Loss)	\$2	\$5
<b>Debt Service Coverage</b>	<b>3.1</b>	<b>3.6</b>
<b>Debt to Equity Ratio**</b>	<b>44%</b>	<b>43%</b>

\*\*Calculated using 12 month rolling income statement.

## Average Number of Customers



## Total Sales in Gigawatt Hours



## COMPARATIVE STATEMENT OF NET POSITION\*

\$ in millions	12/31/2015	12/31/2016	Change
Cash	\$295	\$378	\$83
Accounts Receivable (net)	118	109	(9)
Other Under-Recoveries	39	14	(25)
Debt Service - ST	11	8	(3)
Contingency Reserve	152	98	(54)
Power Supply Stabilization Reserve	0	89	89
Capital Reserve	0	12	12
Nuclear Decommissioning Reserve	208	214	6
Other Restricted Assets	87	104	17
Other Assets	670	727	57
Capital Assets	2,605	2,596	(9)
<b>TOTAL ASSETS</b>	<b>\$4,185</b>	<b>\$4,349</b>	<b>\$164</b>
Current Liabilities	125	120	(5)
Power Supply Over-Recovery	74	61	(13)
Other Over-Recoveries	17	15	(2)
Revenue Bonds	1,370	1,310	(60)
Commercial Paper	32	99	67
Other Long-Term Liabilities	810	907	97
Retained Earnings	1,757	1,837	80
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$4,185</b>	<b>\$4,349</b>	<b>\$164</b>

\* This information is preliminary and unaudited.