



SECOND Quarter REPORT

FISCAL YEAR 2015



BENEFITS OF PUBLIC POWER

Austin Energy Regional Science Festival

Austin Energy is the eighth largest publicly owned utility in the nation, and being a municipal utility means that the 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. The City of Austin and area residents also receive a direct benefit through the General Fund Transfer and other revenue transfers that are used to support other City departments and organizations.

Just like the community it serves, Austin Energy places a significant emphasis on students' education in science, technology, engineering and math — commonly referred to as STEM. To highlight this priority, one of the utility's largest sponsored events is the 16th Annual Austin Energy Regional Science Festival.

On Feb. 21, students from more than 200 area schools entered more than 2,000 science projects for the festival. Students from more than 50 Austin Independent School District campuses participated, as did students from other school districts including Leander and Round Rock Independent School District.

Austin Energy staff, in partnership with the Austin Science Education Foundation, worked throughout the year to recruit schools, train teachers to help students with projects, recruit volunteers, secure sponsors and organize the festival. The event promotes STEM education to bolster the region's growing economy.

This year, Canyon Ridge Middle School and Vista Ridge High School — both from Leander ISD — won sweepstakes awards by earning the most points in the 17 different science categories, and 117 students advanced to the Texas State Science and Engineering Fair in San Antonio. At the state fair, 23 Austin area students won awards.

Because Austin Energy is a publicly owned utility, it is able to support its community by providing more than clean and reliable electricity.



Gus Garcia Young Men's Leadership Academy participated in the 2015 science festival for the first time.

CUSTOMER ASSISTANCE PROGRAM STATS

Residential Customers Enrolled through Q2: > 45,659

Benefits Provided through Q2: > \$4.8 M

Weatherization Program Referrals through Q2: 26

AUSTIN ENERGY'S AFFORDABILITY

Because affordability is an important issue for both elected officials and Austin Energy, the publicly owned utility has goals to keep overall rate increases to no more than 2 percent per year and to have Austin Energy's rates remain in the lower 50 percent of rates in Texas. In 2013, for the first time in more than a decade, Austin Energy's rates came in above the state average, according to recently released data from the Energy Information Administration.

Though Austin Energy has come in slightly higher than its metric, this type of comparison does not necessarily provide the full picture of Austin Energy's affordability and the value it brings to the community.

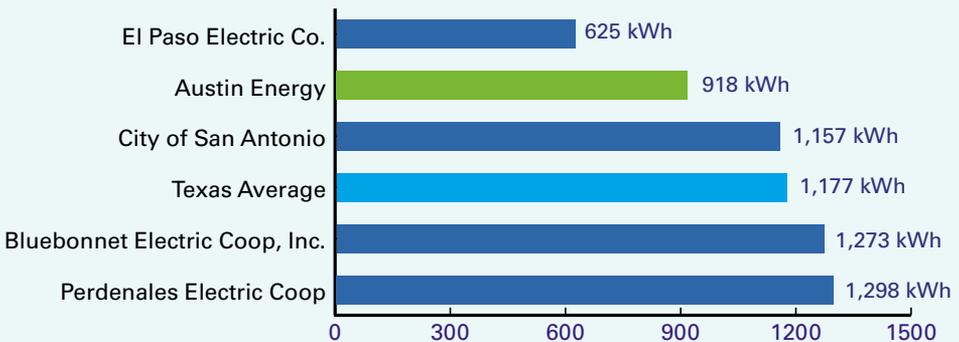
Just looking at rates fails to show that Austin Energy customers realize a high level of affordability on their electric bills. When looking at residential pricing and usage, Austin Energy comes in below the state average. This contributes to keeping the average residential bill in the utility's service area among the lowest. Through the utility's tiered rate structure, education and energy efficiency programs, the utility is able to help customers lower their electric bills by decreasing their usage. This means customers can save money by using less power while still achieving the level of comfort they are looking for.

Also, Austin Energy provides more service and value than many retail electric providers. These other providers set their rates according to forward projections, profitability and the market — which is based on volatile natural gas pricing — and do not include many of the community benefits seen through Austin Energy. Austin Energy's rates reflect community benefits including energy efficiency programs, low-income customer assistance, Austin 311 and discounts to school districts in its service territory.

Austin Energy's rates also represent the utility's investments in a diversified energy portfolio including nuclear, coal, renewable and natural gas sources. This portfolio lends to more stable costs against the fluctuating market. This stability means that as natural gas prices rise, Austin Energy stays at a lower rate, but when prices lower quickly, Austin Energy's rates take more time to adjust to the change. Without this stability, though, customers would be subject to much more volatile pricing changes.

Austin Energy works to make sure customers receive the highest value for the money they spend.

2013 Monthly Average Residential Usage (kWh/Customer)



2013 Average Electricity Price by Customer Class (cents/kWh)

	Residential	Commercial	Industrial	Total
Austin Energy	11.09	10.03	6.88	9.66
Texas Average	11.35	8.02	6.36	8.98

Source: EIA Form 861. Industrial totals exclude REPs serving industrial customers only.

FINANCIAL RESULTS - Q2 Ended Mar. 31, 2015

Austin Energy's preliminary, unaudited financial results for the second quarter of fiscal year 2015 ending March 31 are consistent with expectations. Non-power supply operating revenue grew since last year by \$18 million, mainly due to increased regulatory revenue, which recovers transmission expense, and increased transmission service revenue due to an increase in usage and access fees.

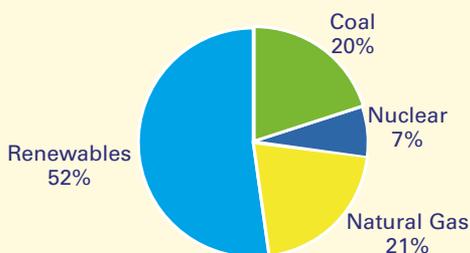
When compared with the prior fiscal year's second quarter, Austin Energy's preliminary results showed improvement, from a \$28 million net loss to \$4 million in this period. The following items were significant factors:

- Total operating revenue decreased \$13 million mostly due to a reduction in power supply expenses offset by increased transmission, regulatory, and community benefit revenue.
- Non-power supply operations and maintenance (O&M) expenses were \$2 million higher compared to prior year because of increases in transmission expenses, energy conservation rebates, and personnel and staffing costs offset by decreases in joint project costs.
- Power supply expenses were \$190 million or \$31 million lower than the same period last year primarily due to a decrease in market prices as well as a decrease in kilowatt-hour sales.

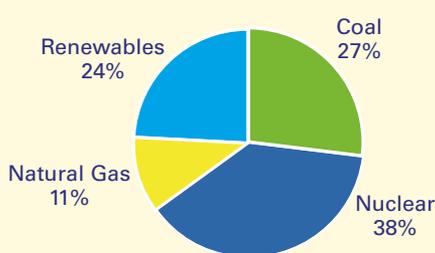
Austin Energy's financial statements reflect assets and liabilities for under/over recovery of certain recoverable costs. Power supply costs are over recovered by \$16 million compared to an under recovery of \$13 million at March 31, 2014. Regulatory costs are \$27 million under recovered at March 31, 2015, up from \$10 million last year.

Overall, Austin Energy's preliminary financial results show a \$75 million increase in cash over the fiscal year that will aid in replenishing reserve levels and allow Austin Energy to invest in operational technologies and competitive generation resources.

Power Supply Costs by Fuel Type/Source*



Power Supply by Fuel Type/Source (MWh)

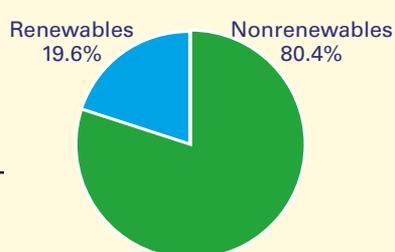


* Costs include fuel for generation, fuel transportation, renewable power purchase agreements and hedging activity.

Historical System Peak Demand MW



Renewable Percent of Load

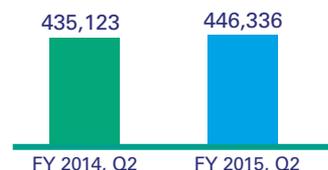


INCOME STATEMENT

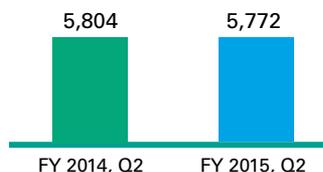
\$ in millions	6 months ended	
	3/31/14	3/31/15*
Operating Revenue	\$594	\$ 581
Power Supply Expense	221	190
Non-Power Supply Expense	248	250
Depreciation Expense	75	75
Operating Income/(Loss)	50	66
Other Revenue (Expense)	(25)	(17)
General Fund Transfer	53	53
Net Income/(Loss)	(\$28)	(\$4)
Debt to Equity Ratio	47%	46%
Debt Service Coverage*	2.80	2.81

*Calculated using 12 month rolling income statement

Average Number of Customers



Total Sales in Gigawatt Hours



COMPARATIVE STATEMENT OF NET POSITION

\$ in millions	3/31/2014	3/31/2015*	Variance
Cash	\$124	\$199	\$75
Account Receivable (net)	133	126	(7)
Power Supply Under Recovery	13	0	(13)
Other Under Recoveries	14	32	18
Debt Service	41	24	(17)
Strategic Reserve	107	107	0
Nuclear Decommissioning Reserve	195	203	8
Other Restricted Assets	107	116	9
Other Assets	440	442	2
Property, Plant, and Equipment	2,582	2,596	14
TOTAL ASSETS	\$3,756	\$3,845	\$89
Current Liabilities	102	107	5
Power Supply Over Recovery	0	16	16
Other Over Recoveries	11	16	5
Revenue Bonds	1,312	1,235	(77)
Commercial Paper	106	196	90
Other Long-Term Liabilities	590	597	7
Retained Earnings	1,635	1,678	43
TOTAL LIABILITIES AND FUND EQUITY	\$3,756	\$3,845	\$89

*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