Austin Energy Quarterly Financial Report

Second Quarter Fiscal Year 2018
January - March

Electric Utility Commission
May 21, 2018
Disclaimer

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

Executive Summary

Financial Policy Compliance

Financial Performance Measures

Actual to Budget Analysis

Balance Sheet Snapshot

Market and Industry Analyses

QUARTERLY Financial Report
Executive Summary

About Us

Substantially compliant with all financial policies

Our Mission & Vision

Generally meet financial metrics supporting AA credit rating.

Revenue

$618 Million Revenues

Operating revenues exceed budget by 0.4% mostly due to slightly higher consumption.

Our Expenses

$479 Million Expenses

Operating expenses exceed budget by 1.1% due to higher Power Supply and Customer Care expenses.

Marketing Plan

Balance sheet is liquid and adequately capitalized.

Operating Plan

Residential bills are affordable and representative of customers by district.

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Financial policies are memorialized and adopted by ordinance each year during the budgeting process.

- Debt Policies: Full Compliance
- Reserves Policies: Partial Compliance
- Power Supply and Capital Reserve balances below minimums but total cash above minimum of $410m
- Operating Policies: Full Compliance

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**AA**

Standard & Poor’s Global Ratings
Achieved November 2016

- **Days Cash on Hand**
  - Minimum: > 150 Days
  - Actual: 216 Days

- **Debt Service Coverage Ratio**
  - Minimum: > 2.0
  - Actual: 3.9
  - Excludes General Fund Transfer

- **Operating Margins**
  - Minimum: > 10%
  - Actual: 9.7%

- **Debt to Capitalization**
  - Minimum: < 50%
  - Actual: 44.2%

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Financial Performance Measures

Austin Energy’s Affordability Goal has two metrics.

**Affordability Metric**
- Full Compliance Since 2013
- Maintain system average rates at or below 2% annual compound growth rate that began October 2012.

**Competitiveness Metric**
- Non-Compliance Since 2015
- Maintain an average annual system rate in the lower 50% of all Texas utilities serving residential, commercial and industrial customers as measured by published data from the Energy Information Administration (EIA) Form 861.
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## Budget Based Fund Summary

**Fiscal Year Through March 31, 2018**

<table>
<thead>
<tr>
<th>Millions of $</th>
<th>Actual</th>
<th>Budget</th>
<th>Amount</th>
<th>%</th>
<th>Prior Year Actual</th>
<th>Amount</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Revenues</strong></td>
<td>$617.7</td>
<td>$614.9</td>
<td>$2.8</td>
<td>0.4%</td>
<td>$623.6</td>
<td>($5.9)</td>
<td>(1.0%)</td>
</tr>
<tr>
<td><strong>Operating Expenses</strong></td>
<td>479.0</td>
<td>473.6</td>
<td>(5.4)</td>
<td>(1.1%)</td>
<td>504.9</td>
<td>25.9</td>
<td>5.1%</td>
</tr>
<tr>
<td><strong>Operating Income (Loss)</strong></td>
<td>$138.7</td>
<td>$141.3</td>
<td>($2.6)</td>
<td>(1.9%)</td>
<td>$118.7</td>
<td>$20.0</td>
<td>16.8%</td>
</tr>
<tr>
<td><strong>Interest Revenue</strong></td>
<td>4.8</td>
<td>1.7</td>
<td>3.1</td>
<td>188.2%</td>
<td>2.7</td>
<td>2.1</td>
<td>79.9%</td>
</tr>
<tr>
<td><strong>Debt Service</strong></td>
<td>(41.0)</td>
<td>(40.3)</td>
<td>(0.7)</td>
<td>(1.8%)</td>
<td>(43.7)</td>
<td>2.7</td>
<td>6.2%</td>
</tr>
<tr>
<td><strong>Income (Loss) Before Transfers</strong></td>
<td>$102.5</td>
<td>$102.7</td>
<td>($0.2)</td>
<td>(0.2%)</td>
<td>$77.7</td>
<td>$24.8</td>
<td>31.9%</td>
</tr>
<tr>
<td><strong>Administrative Support</strong></td>
<td>(13.0)</td>
<td>(13.0)</td>
<td>0</td>
<td>0%</td>
<td>(12.9)</td>
<td>(0.1)</td>
<td>(1.0%)</td>
</tr>
<tr>
<td><strong>General Fund</strong></td>
<td>(54.5)</td>
<td>(54.5)</td>
<td>0</td>
<td>0%</td>
<td>(54.0)</td>
<td>(0.5)</td>
<td>(0.9%)</td>
</tr>
<tr>
<td><strong>Economic Development</strong></td>
<td>(3.4)</td>
<td>(3.4)</td>
<td>0</td>
<td>0%</td>
<td>(3.7)</td>
<td>0.3</td>
<td>8.3%</td>
</tr>
<tr>
<td><strong>CTM Fund</strong></td>
<td>(4.3)</td>
<td>(4.3)</td>
<td>0</td>
<td>0%</td>
<td>(3.9)</td>
<td>(0.4)</td>
<td>(12.1%)</td>
</tr>
<tr>
<td><strong>Other City Transfers</strong></td>
<td>(1.1)</td>
<td>(1.1)</td>
<td>0</td>
<td>0%</td>
<td>0</td>
<td>(1.1)</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Internal Transfers / CIP</strong></td>
<td>(64.3)</td>
<td>(64.3)</td>
<td>0</td>
<td>0%</td>
<td>(32.0)</td>
<td>(32.3)</td>
<td>(100.8%)</td>
</tr>
<tr>
<td><strong>Excess (Deficiency) of Revenues</strong></td>
<td>($38.1)</td>
<td>($37.9)</td>
<td>($0.2)</td>
<td>(0.6%)</td>
<td>($28.8)</td>
<td>($9.3)</td>
<td>(32.4%)</td>
</tr>
</tbody>
</table>

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Actual to Budget Retail Electric kWh Sales

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Actual to Budget Analysis

Actual to Budget Non-Power Supply Revenues

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Actual to Budget Analysis

Actual to Budget Power Supply

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Capital Improvement Plan Summary

Type of Financing

- Cash: $13.4
- Debt: $29.3
- Contributions in Aid of Construction: $35.3

Type of Project

- Distribution
- On-Site Energy
- Transmission
- Joint Projects
- General
- Substations
- Power Production

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## GAAP Financial Summary

### Comparative Statement of Net Position

<table>
<thead>
<tr>
<th>$ in Millions</th>
<th>3/31/2017</th>
<th>3/31/2018</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$363</td>
<td>$389</td>
<td>$26</td>
</tr>
<tr>
<td>Accounts Receivable (net)</td>
<td>105</td>
<td>94</td>
<td>(11)</td>
</tr>
<tr>
<td>Other Under-Recoveries</td>
<td>17</td>
<td>7</td>
<td>(10)</td>
</tr>
<tr>
<td>Debt Service</td>
<td>24</td>
<td>25</td>
<td>1</td>
</tr>
<tr>
<td>Contingency Reserve</td>
<td>98</td>
<td>98</td>
<td>-</td>
</tr>
<tr>
<td>Power Supply Stabilization Reserve</td>
<td>89</td>
<td>95</td>
<td>6</td>
</tr>
<tr>
<td>Capital Reserve</td>
<td>12</td>
<td>43</td>
<td>31</td>
</tr>
<tr>
<td>Nuclear Decommissioning Reserve</td>
<td>216</td>
<td>218</td>
<td>2</td>
</tr>
<tr>
<td>Other Restricted Assets</td>
<td>115</td>
<td>118</td>
<td>3</td>
</tr>
<tr>
<td>Other Assets</td>
<td>736</td>
<td>780</td>
<td>44</td>
</tr>
<tr>
<td>Capital Assets</td>
<td>2,599</td>
<td>2,591</td>
<td>(8)</td>
</tr>
</tbody>
</table>

| Total Assets  | $4,374     | $4,458    | $84    |

<table>
<thead>
<tr>
<th>$ in Millions</th>
<th>3/31/2017</th>
<th>3/31/2018</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Liabilities</td>
<td>$121</td>
<td>$127</td>
<td>$6</td>
</tr>
<tr>
<td>Power Supply Over-Recovery</td>
<td>51</td>
<td>28</td>
<td>(23)</td>
</tr>
<tr>
<td>Other Over-Recoveries</td>
<td>14</td>
<td>8</td>
<td>(6)</td>
</tr>
<tr>
<td>Revenue Bonds</td>
<td>1,327</td>
<td>1,284</td>
<td>(43)</td>
</tr>
<tr>
<td>Commercial Paper</td>
<td>115</td>
<td>181</td>
<td>66</td>
</tr>
<tr>
<td>Other Long-Term Liabilities</td>
<td>920</td>
<td>976</td>
<td>56</td>
</tr>
<tr>
<td>Retained Earnings</td>
<td>1,826</td>
<td>1,854</td>
<td>28</td>
</tr>
</tbody>
</table>

| Total Liabilities and Fund Equity  | $4,374     | $4,458    | $84    |

### Income Statement

<table>
<thead>
<tr>
<th>$ in Millions</th>
<th>6 Months Ending</th>
<th>3 Months Ending</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3/31/2017</td>
<td>3/31/2018</td>
</tr>
<tr>
<td>Operating Revenues</td>
<td>$423</td>
<td>$430</td>
</tr>
<tr>
<td>Power Supply Revenues</td>
<td>199</td>
<td>187</td>
</tr>
<tr>
<td>Power Supply Expenses</td>
<td>199</td>
<td>187</td>
</tr>
<tr>
<td>Non-Power Supply Expenses</td>
<td>284</td>
<td>288</td>
</tr>
<tr>
<td>Depreciation Expense</td>
<td>80</td>
<td>82</td>
</tr>
</tbody>
</table>

### Operating Income/(Loss)

- Operating Income/(Loss) | $59 | $60

### Other Revenue (Expense)

- Other Revenue (Expense) | $(10) | $1

### General Fund Transfer

- General Fund Transfer | 54 | 54

### Net Income/(Loss)

- Net Income/(Loss) | $(5) | $7

### Debt Service Coverage

- Debt Service Coverage | 3.5 | 3.9

### Debt Equity Ratio

- Debt Equity Ratio | 44% | 44%

### Average Number of Customers

- Q2 2017: 468,107
- Q2 2018: 480,401

### Total Sales in Gigawatt Hours

- Q2 2017: 5,867
- Q2 2018: 5,976
Actual to Budget Analysis

Power Generation Cost by Fuel Type

- Renewables: 59.0%
- Coal: 15.0%
- Nuclear: 5.0%
- Natural Gas: 21.0%

*Costs include fuel for generation, fuel transportation, renewable Power purchases agreements and hedging activity.

Consumption vs. Generation (GWh)

- Consumption: 6,134
- Generation:
  - Renewables: 7,014
  - Coal: 790
  - Nuclear: 1,819
  - Natural Gas: 1,960
  - Total: 2,444

Historical Q2 System Peak Demand (MW)

- 2015: 2,246
- 2016: 2,385
- 2017: 2,257
- 2018: 2,381

Renewable Power as Percent of Consumption

- Renewables: 40%
- Non-renewables: 60%

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Often times Austin Energy cites the average residential use as a proxy. But is it representative of the customers in your district and is it affordable?
Residential customers use energy in different amounts.

- The darker the “Red” the higher the use.
- The darker the “Green” the lower the use.
In 8 of the 10 districts, the district average is below the system average.
In most districts, 75% of the customers have similar consumption.

The gray box displays where 75% of customer’s consumption falls.
QUESTIONS?