

AUSTIN ENERGY ANNUAL REPORT

FISCAL YEAR 2018



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A MESSAGE FROM THE GENERAL MANAGER



Jackie A. Sargent
Austin Energy
General Manager

Austin Energy's Fiscal Year 2018 Annual Report tells the story of how more than 1,700 dedicated employees continue to safely deliver clean, affordable, reliable energy and excellent customer service — 24 hours a day, 365 days a year.

In order to fulfill this mission, it is important that the utility remain financially strong. In FY 2018, Austin Energy consistently performed better than our targets. Our efficient use of funds and cost control measures allow us to build trust with our customers and give back to the communities we serve.

Trust also comes in the form of dependability. Our system, including transmission, distribution, power plants, and district cooling facilities, performed extremely well during a record summer peak. We maintained top decile reliability and decreased how frequently customers experience a service interruption from 0.78 times a year to 0.62 times. We also decreased the average length of an outage from 60.93 minutes to 41.43 minutes, surpassing our target goal.

The Austin Energy FY 2018 Annual Report also highlights our continued commitment to safety, looking out for those in need through the Customer Assistance Program, exceeding customer

expectations with the launch of the Summer Savings Campaign, giving back through the Austin Energy Regional Science Festival, using generation resources effectively, innovation and customer collaboration, expanding our Community Solar program, and more.

The driving force behind the achievements and progress outlined in the Austin Energy FY 2018 Annual Report is our commitment to being Customer Driven and Community Focused in all that we do. I am honored to serve as Austin Energy's General Manager, and I am immensely proud of our employees who, by working together, made these achievements possible.

Sincerely,

A handwritten signature in dark ink that reads "Jackie A. Sargent". The signature is fluid and cursive.

Jackie A. Sargent

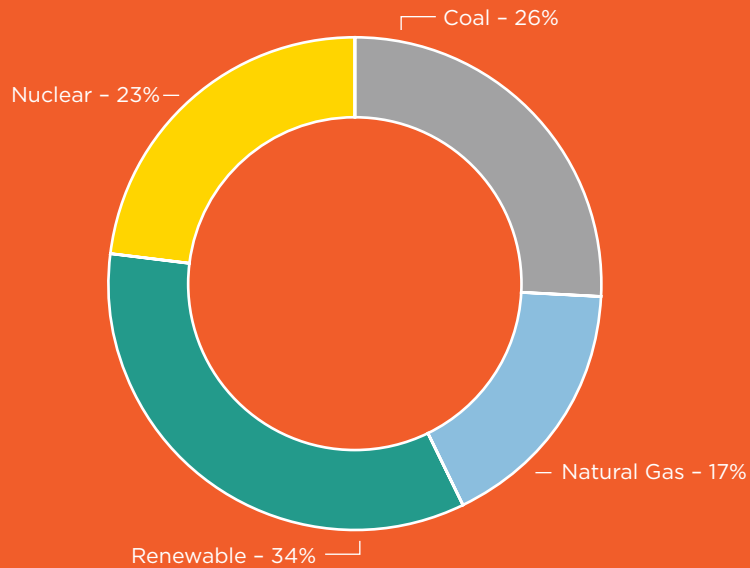
AUSTIN ENERGY GOVERNANCE



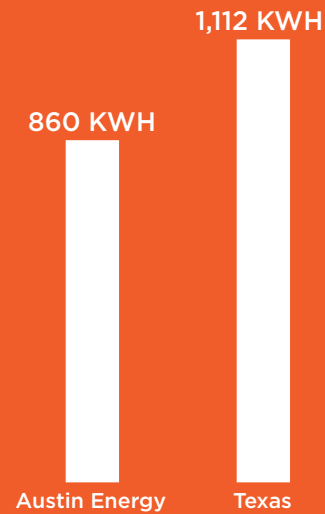
Austin Energy is a public power utility and a department of the City of Austin. This establishes the Austin City Council as the governing body for Austin Energy, providing oversight and policy direction for the utility. Austin's City Manager and Austin Energy's General Manager are responsible for the safe and effective operations of the utility. (Pictured here is the 2015-2018 Council.)

THE BIG PICTURE

FY 2018 GENERATION BY FUEL TYPE (MWH)



AVERAGE MONTHLY RESIDENTIAL USE*



*Averages are based on 2017 data.
Texas average comes from eia.gov data.

STANDARD AND POOR'S BOND RATING

AA
Current

AA
Target

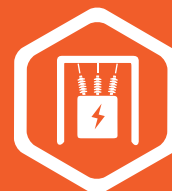
AUSTIN ENERGY CUSTOMERS

Customer Category	Average Customer Count	Consumption (MWh)	Sales in Millions (\$)
Residential	433,411	4,613,473	\$491
Commercial	48,966	4,915,934	\$465
Industrial	112	2,965,441	\$179
Other	2,715	914,954	\$74
Total	485,204	13,409,802	\$1,209

SYSTEM STATS



Austin Energy maintains **12,275 miles of power lines** and **74 substations** to deliver reliable power to customers.



The utility set its **peak demand record** in July 2018 by reaching 2,878 MW.

FY 2018 SAFETY

Safety is a core value and top priority. Austin Energy has a goal of reaching **zero recordable incidents**. In FY 2018, the **OSHA recordable incident rate of 2.14** for Austin Energy came in below the **industry standard of 2.40**.

Safety is non-negotiable at Austin Energy. Here in the background photo, Vice President of Electric Service Delivery Dan Smith (right) stretches with climbing school students before they head up the confidence pole for their graduation.

FY 2018 RELIABILITY

How often Austin Energy customers experience an outage on average

Average interruptions a year

0.62

Austin Energy goal

0.75

How long Austin Energy customers experience an outage on average

Average length of outage (minutes)

41.43

Austin Energy goal

57.22



CUSTOMER DRIVEN. COMMUNITY FOCUSED.

Austin Energy has the unique opportunity to help build a better region. From safe and reliable service to the Zilker Holiday Tree tradition, the utility is an essential piece of the Austin community. Here, Zachary Janowski, Distribution Electrician III, installs the star of the Zilker Holiday Tree at the top of the moontower in Zilker Park. That is the benefit of public power.

CUSTOMER DRIVEN. COMMUNITY FOCUSED.

AFFORDABILITY IS A KEY COMPONENT TO INCREASED VALUE

Austin Energy first delivered electricity to Austin in 1895, but the community-owned utility has provided more to residents than just electric service. The utility's operations are driven by customers and focused on the community.

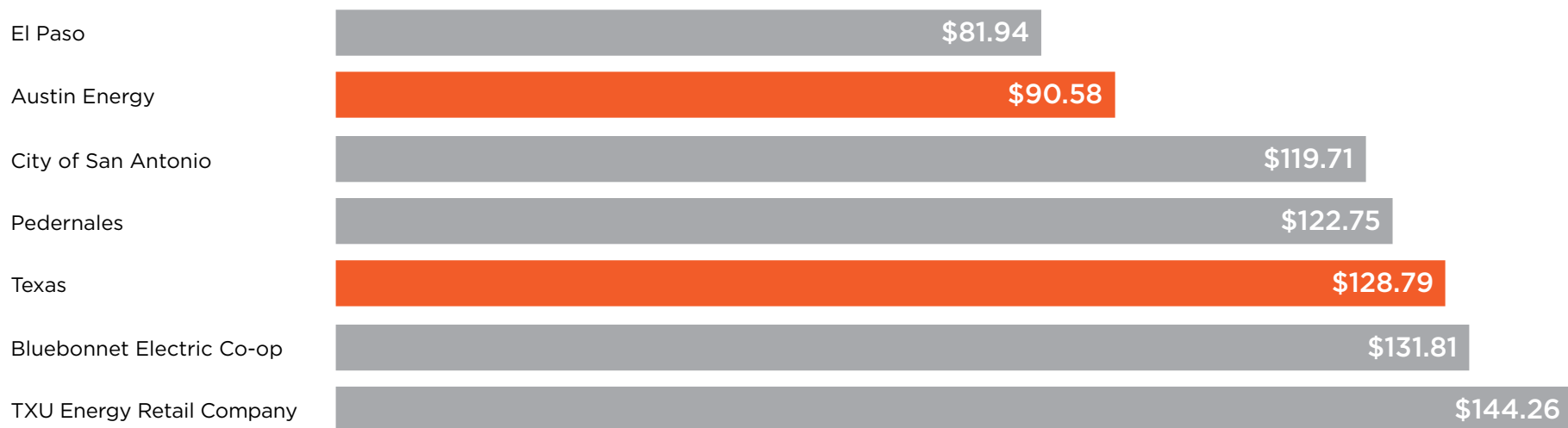
Customer driven and community focused is a promise to those served by Austin Energy. It is made by the committed employees that call Central Texas home. This allows Austin Energy to safely deliver clean, affordable, reliable energy and excellent customer service. It is how the utility can increase the value the community finds in its utility.

Value comes in different forms. A key one is affordability. Often, the best way to save money on an electricity bill is to find ways to save electricity. Austin Energy helps

customers do just that. According to 2017 federal data from the Energy Information Administration — the latest data available — Austin Energy residential customers came in below state averages for comparable electric utilities in both bill amounts and use. Affordability is only one expectation of value. With more and more customers needing Austin Energy service, the utility is looking to meet new expectations through innovative technology and program offerings.

Focusing on customers and the community made FY 2018 a successful year for Austin Energy. This focus will continue to guide the utility to success in the future.

2017 MONTHLY AVERAGE RESIDENTIAL BILL (\$/CUSTOMER)



Source: EIA 861, CY 2017, Texas average filtered for relevance.

EXCEEDING CUSTOMER EXPECTATIONS

The Community Connections Resource Fair serves customers who need help meeting basic needs like paying utility bills. Organizations including the City of Austin, nonprofit organizations and county and state agencies share information at the fair about how they can offer assistance to the community.

EXCEEDING CUSTOMER EXPECTATIONS

CUSTOMER NEEDS DRIVE AUSTIN ENERGY TO GO BEYOND EXPECTATIONS

Customer expectations evolve and expand. When it comes to meeting and exceeding those expectations, Austin Energy strives to provide solutions that fit the needs of customers.

To help customers find solutions to their summer utility bills in FY 2018, Austin Energy launched the Summer Savings customer education and empowerment campaign.

To share all the ways customers can save, Austin Energy used a number of communication channels, including print, broadcast, digital, outdoor, social media, media relations and outreach events. The four Summer Savings community outreach events featured topics like conservation tips, rebate information, how to

monitor energy and water use and safety. More than 140 customers attended the events. Of the 90 attendees surveyed, 83 felt like they could make a positive change to affect their utility bill.

Collaborating with the community brings customers and the utility together, and Austin Energy is seeing positive results from these efforts. J.D. Power scores in overall customer satisfaction and communications have climbed since 2015 — from 654 to 735 for customer satisfaction and from 594 to 679 for communications.

Through efforts like the Summer Savings Campaign, Austin Energy provides solutions to customer needs and exceeds their expectations.



SPOTLIGHT: Texas Parks and Wildlife

When it comes to electricity, public power can help commercial customers with their bottom line while focusing on the environment. That's why Austin Energy's Key Accounts group — among other team members — is dedicated to helping find solutions for commercial customers. For the Texas Parks and Wildlife Department, one solution was finding ways to conserve energy at its Austin headquarters building. Through energy management controls, behavioral changes and continued participation in Austin Energy's Load Co-op program, TPWD saw a 17 percent kW demand and a 7 percent energy use reduction overall at their headquarters facility. Those efforts saved them more than \$12,000 and offset the same amount of carbon as 180 acres of forest. Texas Parks and Wildlife is working to conserve resources for present and future generations.

EXCEEDING CUSTOMER EXPECTATIONS

SUMMER SAVINGS CAMPAIGN HELPS CUSTOMERS BEAT THE SUMMER HEAT

The more Austin Energy can connect with people, the more value the utility can bring them. The FY 2018 Summer Savings Campaign was one way the public power utility gave customers the power and knowledge to change their energy use and utility bills. Helping customers manage some of their summer expenses is one way Austin Energy brings value to those it serves.

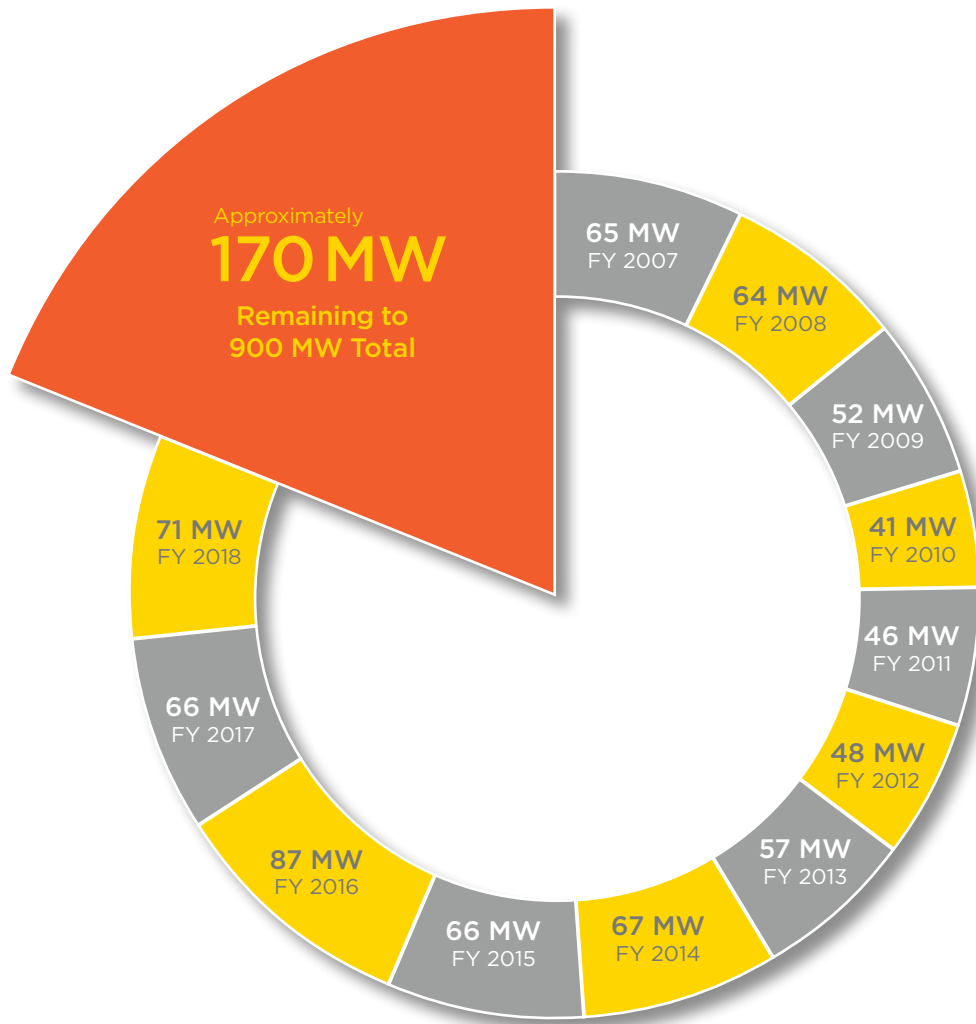
Austin Energy's **Summer Savings Campaign** generated **27 positive media stories**, **246,948 social media impressions**, and more than **9,600 website page views**.

The utility hosted **four summer savings community events** staffed by **45 Austin Energy employees** and attended by **140 customers**.



EXCEEDING CUSTOMER EXPECTATIONS

CUSTOMER ENERGY SOLUTIONS MW SAVINGS



Customer Energy Solutions Programs Continue to Make Significant Megawatt Savings

Austin Energy's Customer Energy Solutions group exceeded their FY 2018 goal of megawatt savings by more than 23 MW. Since FY 2007, CES has saved approximately 730 MW of energy. By offering a large variety of options, rebates and programs to promote customer conservation, Austin Energy is on track to reach 900 MW saved by 2025.

LOOKING OUT FOR THOSE IN NEED

ASSISTANCE PROGRAM



From left, Customer Service Supervisor Fred DeSoto and Community Services Coordinator Mary Lou Rodriguez were ready to tell attendees of the 2018 Austin Energy Affordable Energy Summit about everything the City of Austin's Customer Assistance Program has to offer. The summit is an opportunity for community service providers to network and provide input on how programs could be improved.

LOOKING OUT FOR THOSE IN NEED

A STRONGER COMMUNITY LEADS TO A STRONGER UTILITY

Another way Austin Energy strengthens the relationship between the utility and the community is by working with community partners to provide support services to low-income customers. For these customers, paying their utility bill can sometimes mean juggling other important expenses. That is why Austin Energy manages the City of Austin Customer Assistance Program, commonly referred to as CAP.

CAP helps qualifying residents through various programs, providing discounts on City utility services, specialized case management, home weatherization and education classes, among other support services. This unique benefit is recognized as one of the most comprehensive assistance programs in the nation. CAP allows customers to communicate directly with support staff who can provide community referrals, longer payment arrangements and emergency assistance.

In FY 2018, the utility weatherized more than 800 low-income, single-family homes. Low-income weatherization includes solar screens, LED lighting, duct sealing and attic insulation, and a proof-of-concept multifamily program offered similar

measures for another 1,500 apartments. Austin Energy works with other organizations to meet the needs of the community including Austin Tenants Council, Housing Authority for the City of Austin, Family Eldercare, Austin Apartments Association, Housing Repair Coalition, Building and Strengthening Tenant Action, Texas Energy Poverty Research Institute and more.

The Direct Install program is another way Austin Energy helps the community. Direct Install kits include five LED bulbs, energy savings tips and program information to help residents save power and money. These kits were distributed at events including Austin Energy's Summer Savings Campaign. In FY 2018, staff attended more than 200 community and customer events many of which included information about the weatherization programs.

By strengthening the relationship between the utility, its community partners and the community, Austin Energy plays an integral role in supporting those in need.



Austin Energy Community Connections Resource Fair

The Austin Energy Community Connections Resource Fair is one of the many examples of how Austin Energy looks to make the connection between those in need and assistance options. "We're an integral part of our community, and we've helped thousands of families over the years, everything from assisting our lower-income and medically vulnerable customers pay their bills, to hosting job fairs," said Ronnie Mendoza, Manager of the Customer Assistance Program.

LOOKING OUT FOR THOSE IN NEED

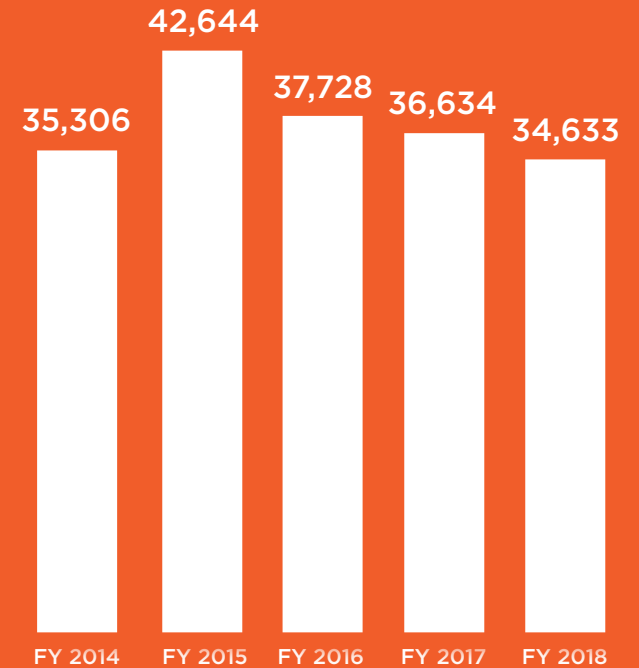
CUSTOMER ASSISTANCE PROGRAM DISCOUNT ENROLLMENT

The Customer Assistance Program continually has strong enrollment numbers since the introduction of auto-enrollment in FY 2013. Since FY 2015, the program applies additional screening criteria so CAP benefits reach people in need.

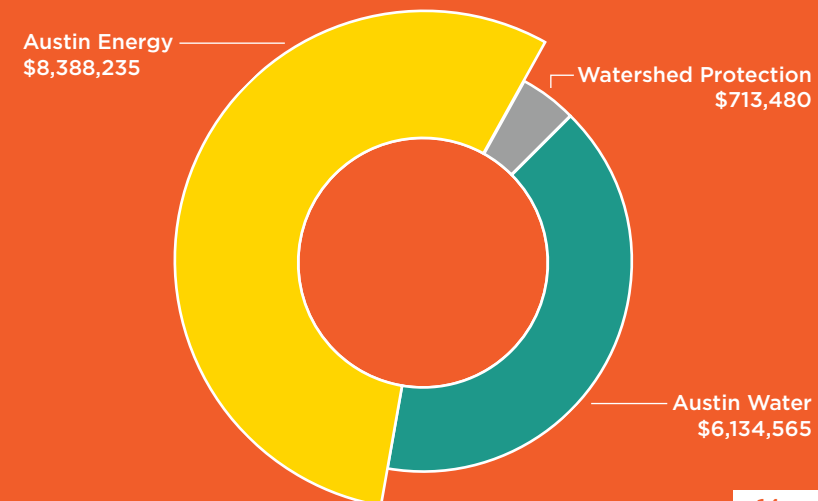
CAP DISCOUNT PROGRAM BENEFITS

The CAP Discount Program allows qualifying customers multiple discounts on their monthly utility bills. Discounts are included from Austin Energy, Austin Water and Austin Watershed Protection. Customers enrolled in the discount program can get up to \$76 per month in discounts, depending on the City services they receive.

CAP DISCOUNT ENROLLMENT FY 2014-FY 2018



CUSTOMER SAVINGS BY UTILITY THROUGH THE CAP DISCOUNT



GIVING BACK TO THE COMMUNITY



Along with the Zliker Holiday Tree, Austin Energy employees help a bucket truck don its festive apparel for display at the Austin Trail of Lights.

GIVING BACK TO THE COMMUNITY

PUBLIC POWER GIVES THE COMMUNITY MORE THAN ELECTRIC SERVICE

Austin Energy and its employees are able to positively affect the community beyond the services they provide.

Education is an area where the relationship between the utility and the community supports a vibrant culture of innovation. The Austin Energy Regional Science Festival is one way the utility promotes the skills and knowledge needed for students in the community to become the scientists and engineers of the future. The event also builds an educated workforce that is ready for high-tech jobs. The FY 2018 Science Festival had 2,839 students from 272 schools participate, entering 2,499 projects.

Austin Energy's Regional Science Festival is the second largest City-sponsored science fair in the country. The Science Festival brings together more than 2,800 third through 12th grade students in the Central Texas region, along with more than 600 subject matter experts in the STEM community. Other organizations, including the Intel Foundation, BAE Systems, 3M and Synopsys, Inc. also sponsor the Austin Energy Regional Science Festival.

Community support comes in many different forms. Austin Energy and its employees are committed to giving back to build a better Austin for all residents and businesses.



The Austin Energy Regional Science Festival

The Austin Energy Regional Science Festival celebrated its 62nd anniversary in FY 2018. The Science Festival is Austin Energy's largest sponsored annual community event, helping promote science, technology, engineering and math education. At the 2018 event, Vista Ridge High School (pictured) and Canyon Ridge Middle School took home Sweepstakes Awards.

GIVING BACK TO THE COMMUNITY

FY 2018 MENTOR AND TUTOR PROGRAM BY THE NUMBERS

A background in the sciences isn't a requirement to give back to the community. Through the City of Austin's Mentor and Tutor Program — managed by Austin Energy — City employees have the opportunity to guide students as they work through their education. In FY 2018, mentors and tutors volunteered at five school districts in Central Texas, with the greatest number of service hours dedicated to Austin Independent School District and Del Valle Independent School District.

Total Volunteers

315

Austin Energy
Volunteers

66

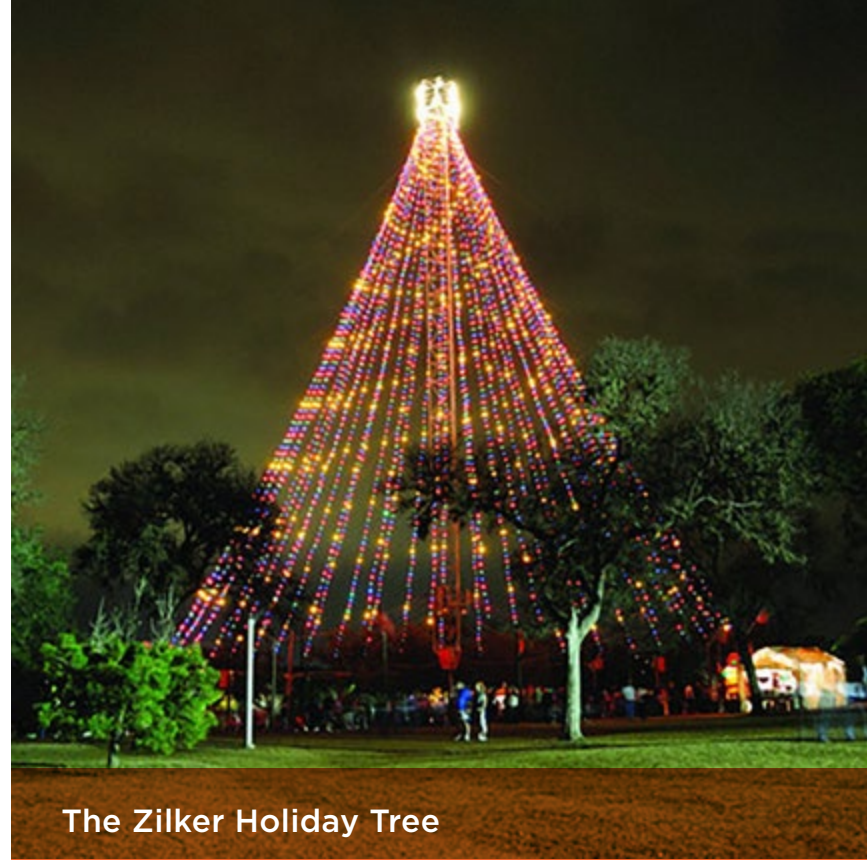
Total Hours
Volunteered

6,077

Total Hours
Volunteered

by Austin Energy Employees

1,173



The Zilker Holiday Tree

Bringing residents together is an essential piece of strengthening the community. For more than 50 years, Austin Energy has lit the area's holiday season and created a gathering place with the Zilker Holiday Tree. The Austin icon is built around one of the historic moontowers and adorned with 39 streamers each containing 81 bulbs.



BALANCING RESOURCES FOR THE FUTURE

Because of Austin Energy's investments, you can find utility-scale solar right here in Austin. La Loma Community Solar, pictured here, came online in FY 2018 and increased the utility's total community solar portfolio to 2.785 MW.

BALANCING RESOURCES FOR THE FUTURE

FLEXIBLE GENERATION BALANCES CUSTOMER VALUE AND EFFICIENT OPERATIONS

Running a modern electric utility in Texas is a unique and complicated operation, and Austin Energy has more to balance than most utilities in the state. Austin Energy still operates and maintains power plants, develops and invests in transmission and distribution infrastructure and provides retail electricity to customers. Successful operations in these areas increases the value the utility brings to the community.

In the realm of generation, the ability to increase Austin Energy's renewable energy portfolio is built on the foundation of efficient plant operations and effective electric market management.

As part of the Electric Reliability Council of Texas' wholesale market, Austin Energy sells all of the electricity produced by its plants and contracts into the market. With this type of system, it is essential that Austin Energy's power plants are

ready to produce power when it is financially beneficial to do so.

This is commercial availability. It makes sure Austin Energy's power plants continue to bring value to the utility and customers. The higher the percentage, the more funds the utility can apply to lowering energy costs for customers and supporting community priorities.

Start success measures the availability of Austin Energy's gas turbine units, which are typically more nimble in their production. FY 2018's start success for all gas turbine units exceeded the target.

Austin Energy's effective and responsible management of its generation fleet has allowed the utility to be a leader and an innovator in integrating renewable energy into its operations.

START SUCCESS FOR ALL GAS TURBINES

FY 2018:

99.62%

Target:

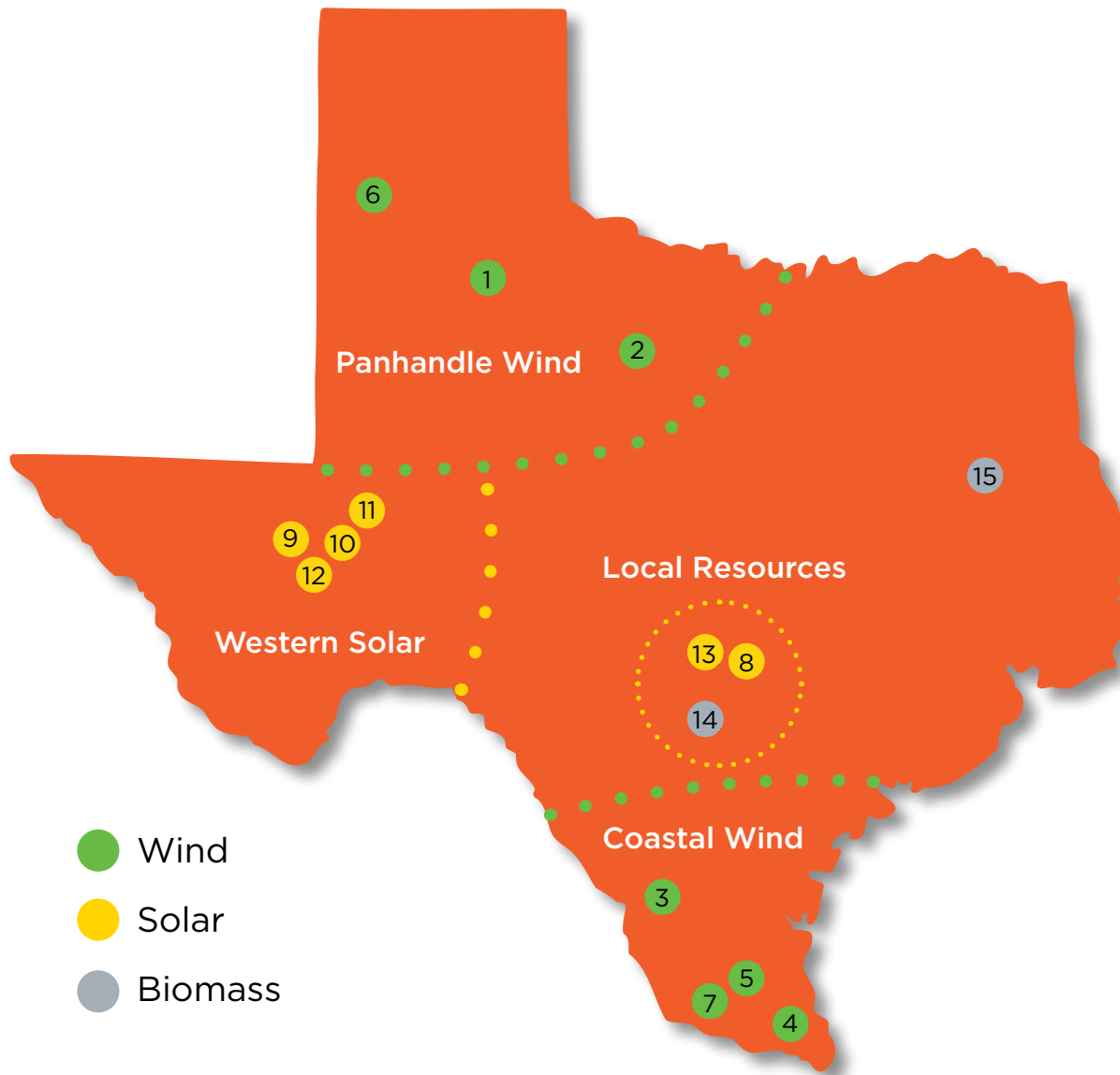
99.00%

FY 2018 SEASONAL COMMERCIAL AVAILABILITY

Generation Source	Seasonal FY 2018 Availability (June-Sept.) (%)	Seasonal Target (June-Sept.) (%)
Decker Steam Units	95.85	95.00
Sand Hill Combined Cycle	95.35	95.00
Fayette	99.01	97.00
South Texas Project	100.00	100.00

BALANCING RESOURCES FOR THE FUTURE

RENEWABLE RESOURCES ACROSS TEXAS SERVE AUSTIN ENERGY



AUSTIN ENERGY RESOURCES

1	Whirlwind	Wind	59.8 MW
2	Hackberry	Wind	165.6 MW
3	Whitetail	Wind	92.3 MW
4	Los Vientos 2	Wind	201.6 MW
5	Los Vientos 3	Wind	200 MW
6	Jumbo Road	Wind	299.7 MW
7	Los Vientos 4	Wind	200 MW
8	Webberville Solar	Solar	30 MW
9	Roserock	Solar	157.5 MW
10	East Pecos	Solar	118.5 MW
11	Upton County	Solar	157.5 MW
12	Midway	Solar	178.5 MW
13	La Loma	Solar	2.6 MW
14	Tessman Road	Biomass	7.8 MW
15	Nacogdoches	Biomass	100 MW

LEADING INNOVATION TO A SMART FUTURE

Austin Energy has strong reliability numbers — 41.43 minutes for the average duration of an outage and 0.62 for the frequency of outages experienced by customers each year. Efforts like Repowering Austin maintain and strengthen reliability for continuing and new customers.

LEADING INNOVATION TO A SMART FUTURE



INNOVATION ENHANCES SERVICE TO CUSTOMERS

Innovation is a part of the foundation upon which Austin Energy is built. Just look at the moontowers still standing and providing light around the utility's service area. These towers were the City's first urban lighting system, and Austin is the only City in the world that still has moonlight towers in service.

Throughout its operations, the utility incorporates innovative technology

to improve the value it can bring to customers. This is especially true when looking at modernizing the grid to increase capacity, resiliency and reliability.

To keep up with the increasing demand in Austin's core, Austin Energy is Repowering Downtown. The project supports reliability, prevent outages and increase system capacity to account for the growth of the downtown community. This includes

upgrading existing electrical equipment and building new infrastructure.

In FY 2018, Austin Energy added a third transformer to the Seaholm Substation — one of two substations currently serving downtown. Crews maneuvered the 180,000-pound piece of equipment through narrow downtown streets in the early morning hours to minimize any traffic delays for travelers.

Integrating innovative technology and new equipment into Austin Energy's operations means customers have the reliable service they need.


LEADING INNOVATION TO A SMART FUTURE

INVESTING IN AUSTIN'S ENERGY FUTURE

In an evolving industry, it is important to invest in the future of energy and the future of the community. In FY 2018, the 2.6 MW La Loma Community Solar project in East Austin went online. Community Solar helps customers go solar who couldn't before, including those with shaded roofs, renters and low-income customers. But there is more to investing in the future than fields of solar panels. At the neighboring Kingsbery Substation, Austin SHINES charged up in FY 2018. The battery storage system has 544 battery modules housed in a 46-foot battery container. Storing power from La Loma, the Kingsbery Energy Storage System can produce 1.5 MW for up to two hours — a total of 3 MWh. These investments are just the first steps in defining the area's energy future.



CONNECTING WITH THE COMMUNITY

A photograph of four women standing behind a booth at an outdoor community fair. They are all smiling and looking towards the camera. The woman on the far left is wearing a black jacket over a red shirt. The woman next to her is wearing a red long-sleeved shirt with a logo and a lanyard with a badge. The woman in the center is wearing a red long-sleeved shirt with a logo, a blue baseball cap, and is making a peace sign with her right hand. The woman on the far right is wearing a dark blue jacket over a red shirt and glasses. Behind them is a large blue and green banner that reads "CIUDAD DE AUSTIN" and "PROGRAMAS DE ASISTENCIA". The booth has a table in front with water bottles and a cardboard box. The background shows trees and a building.

From left, Jasmin Sherman, Lila Hernandez, Ebonie Sorrells and Estelle Delesdernier are ready to talk with members of the community at the Community Connections Resource Fair.

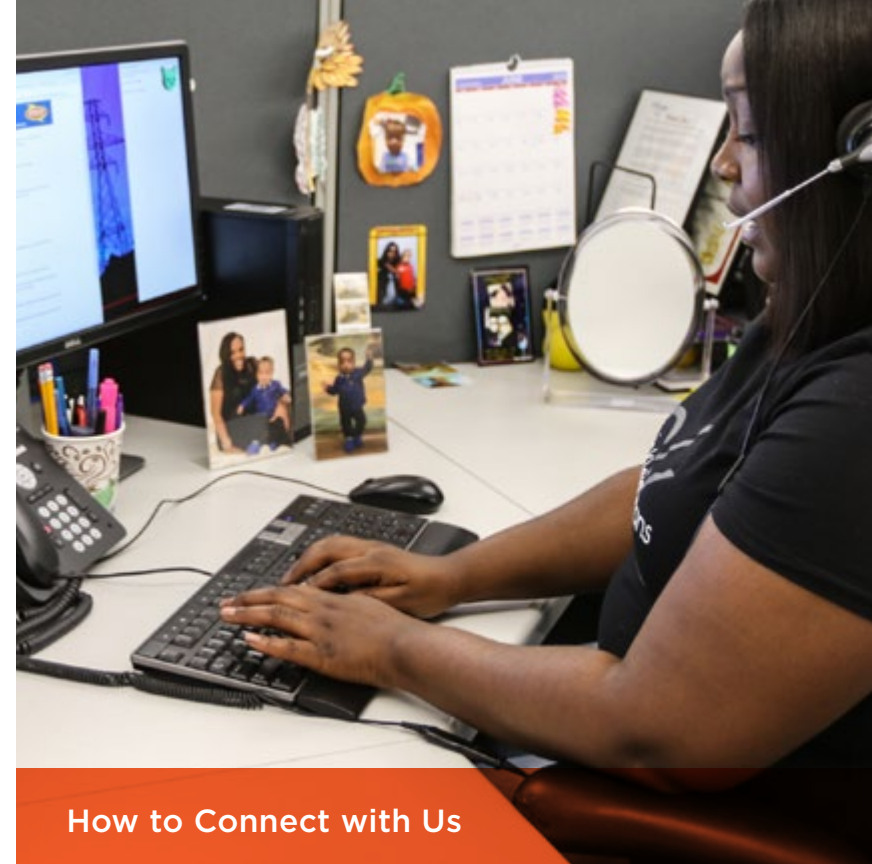
CONNECTING WITH THE COMMUNITY

COLLABORATING WITH CUSTOMERS

Austin Energy is committed to making the connection between its employees and its customers. The utility works hard day-in and day-out to reach everyone within the 437 square mile service area with the safe, reliable service and programs they need. In FY 2018, the City of Austin Utilities Contact Center averaged 128,836 interactions per month, totaling 1,546,035 interactions for the year.

Our customers aren't the only ones who have noticed our efforts. Here are some of the awards and recognitions Austin Energy received in FY 2018.

- Austin Energy received an **Innovation Award from the Peak Load Management Alliance** for innovation strategies that included Energy codes requiring new buildings with automation systems controlling HVAC and/or lighting systems to have OpenADR capabilities and smart/Wi-Fi thermostats to be installed in new single and multifamily construction.
- Austin Energy received the **2018 ENERGY STAR® Partner of the Year — Sustained Excellence Award** for continued leadership and superior contributions to ENERGY STAR.
- Austin SHINES won in the **Innovation category, large businesses** at the **Greater Austin Chamber Business Awards**.
- The Smart Electric Power Alliance (SEPA) has named Austin Energy the **2018 SEPA Power Players Public Power Utility of the Year**.
- Mayor Steve Adler accepted a first-place award at the **2018 Mayors' Climate Protection Awards** in recognition of Austin Energy's Community Solar Program.
- Austin Energy made **SEPA's annual Top 10 list**, ranking fourth in the nation for annual megawatts of solar added in 2017.
- Austin Energy's Solar Programs won a **Special Recognition Award** for the efforts on Market Development and Finance.



How to Connect with Us

WALK-IN CENTERS

Rosewood-Zaragosa Neighborhood Center
2800 Webberville Road, Suite 110

North Austin Utility Customer Service Center
8716 Research Boulevard, Suite 115

NEWSLETTER

Austin Utilities Now editions are mailed and electronic; Available in English and Spanish at austinenrgy.com/go/utilitynews

ONLINE

austinenrgy.com

facebook.com/austinenrgy

Twitter — [@austinenrgy](https://twitter.com/austinenrgy)

FINANCIAL HIGHLIGHTS

AUDITED INCOME STATEMENT

\$ In Millions	Fiscal Year Ended	
	Sept. 30, 2018	Sept. 30, 2017
Operating Revenues	\$945	\$913
Power Supply Revenue	455	449
Power Supply Expense	455	449
Non-Power Supply Expenses	666	614
Depreciation Expense	166	163
Operating Income/(Loss)	113	136
Other Revenue (Expense)	54	(11)
General Fund Transfer	(109)	(108)
Net Income/(Loss)	\$58	\$17
Debt Service Coverage	3.6	3.4
Debt Equity Ratio	44%	44%

AUDITED COMPARATIVE STATEMENT OF NET POSITION

\$ In Millions	Sept. 30, 2018	Sept. 30, 2017	Change
Cash	\$454	\$399	\$55
Accounts Receivable (Net)	137	126	11
Other Under-Recoveries	3	4	(1)
Debt Service – ST	44	46	(2)
Contingency Reserve	97	97	–
Power Supply Stabilization Reserve	95	90	5
Capital Reserve	42	12	30
Nuclear Decommissioning Reserve	221	214	7
Other Restricted Assets	120	118	2
Other Assets	922	761	161
Capital Assets	2,596	2,601	(5)
Total Assets	\$4,731	\$4,468	\$263
Current Liabilities	154	155	(1)
Power Supply Over-Recovery	35	34	1
Other Over-Recoveries	21	8	13
Revenue Bonds	1,275	1,320	(45)
Commercial Paper	213	146	67
Other Long-Term Liabilities	1,128	957	171
Retained Earnings	1,905	1,848	57
Total Liabilities and Fund Equity	\$4,731	4,468	\$263