



# FIRST Quarter REPORT

FISCAL  
YEAR  
2016

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

# BENEFITS OF PUBLIC POWER

## PUTTING THE SPOTLIGHT ON SOLAR POWER

The City of Austin continues to plan for the future through significant investment in renewable and solar energy.

With contract negotiations authorized in October 2015 by the Austin City Council, Austin Energy signed on the dotted line for 288 MW of utility-scale solar power with First Solar Inc. and Hanwha Q CELLS USA Corp. The contracts also were approved in October.

First Solar's contract is for 118 megawatts of solar power for 15 years. The Hanwha Q CELLS contract is for 170 MW for 25 years. Both of these projects will be built in West Texas.

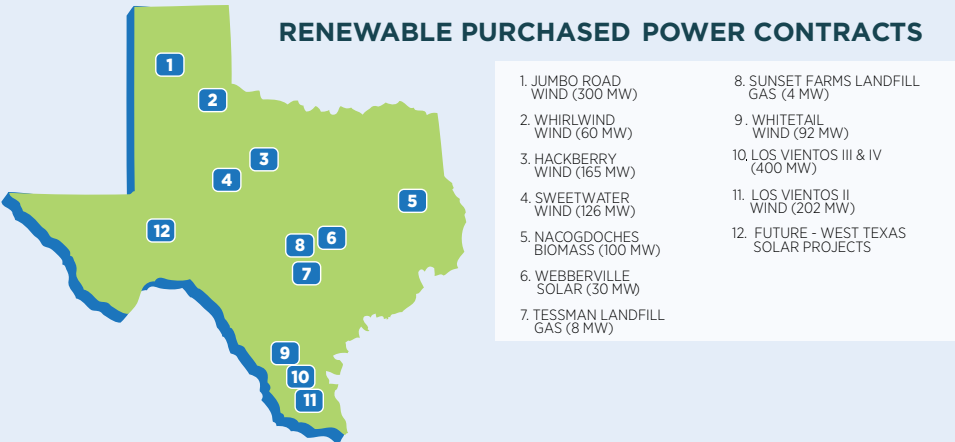
These latest offerings were some of the lowest priced offerings Austin Energy had seen for solar contracts to date, coming in below 4 cents per kilowatt-hour. The total expected cost to Austin Energy during the length of the contracts for the power produced by these new plants is up to \$675 million.

Another contract with CED Upton Texas Holdings, LLC. also was approved and signed for another 150 MW of solar power at similar pricing.

The push for increased solar investment stems from the Austin Energy Resource Generation and Climate Protection Plan to 2025. Approved by Council in December 2014, the plan calls for the utility to deliver 55 percent percent of its electricity to customers from renewable sources by 2025 and for the utility to purchase 600 MW of utility-scale solar power. As of Fiscal Year 2015, renewable power offset about 23 percent of Austin Energy's consumption. With these new investments, Austin Energy met the solar goal set out by the City Council and the generation plan and moved even closer to achieving the City's overall renewable goal.

These solar contracts complement previous investments in solar energy made by the publicly owned utility. Currently, 158 MW of utility-scale solar energy is under construction in West Texas as part of the Roserock project. When these new contracts are added with the Webberville Solar Farm, the publicly owned utility's solar portfolio increases to 626 MW.

When these new contracts were signed, the entire installed solar portfolio for the Electric Reliability Council of Texas — which manages 90 percent of the statewide grid — totaled almost 200 MW.



# COST OF SERVICE RESULTS RELEASED

The City of Austin and Austin Energy rate review process is underway.

In December 2015, Austin Energy presented the first look at its cost of service results to the Austin City Council. After a careful and thorough analysis by staff, Austin Energy officials found base rates can be reduced by \$17.4 million and still meet the utility's revenue requirement.

This reduction represents a 2.7 percent decrease in the utility's base rate revenue requirement.

Austin Energy presented its full rate recommendations and cost of service study in late January 2016. The recommendations and model lay out Austin Energy's calculations and possible changes to address the cost of service results. Some of these recommendations include bringing the rates of most commercial classes closer to their cost of service while keeping the revenue collected from the residential class stable and removing the seasonal nature of current base rates.

All recommendations are aimed at strengthening the utility's ability to serve its community.

You can find Austin Energy's presentation and all supporting material at [rates.austinenergy.com](http://rates.austinenergy.com).

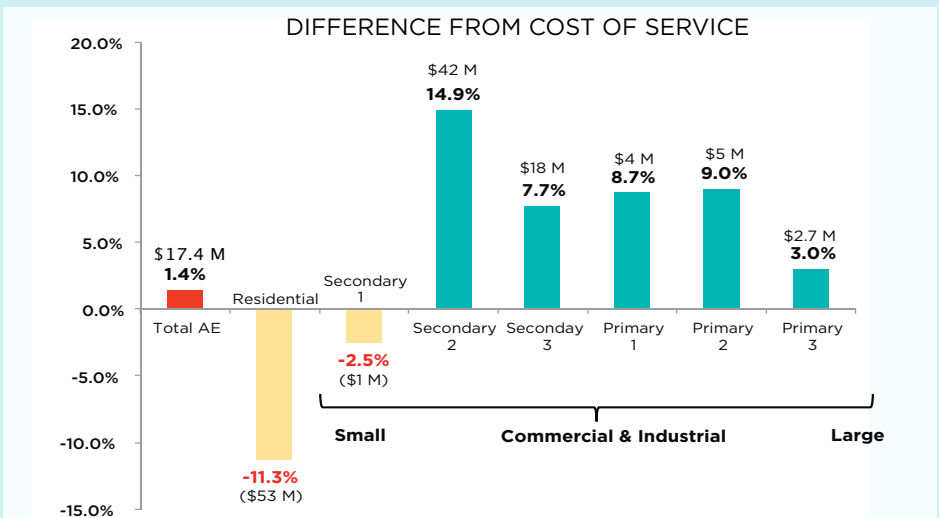
This rate review process is designed to be in-depth and independent with a robust component of public participation. The Austin City Council has designated an impartial hearings examiner to review information from the electric utility, stakeholders and customer groups. An independent consumer advocate was selected to represent the interests of residential and small commercial customers. The 11 members of the Electric Utility Commission will receive and summarize input from the community, consistent with their role. The Austin City Council will decide the final rates to be charged by Austin Energy.

To help keep interested parties up to date with current news and postings surrounding the cost of service study and rate review, Austin Energy is offering email alerts. Visit the **Get Involved** section at [rates.austinenergy.com](http://rates.austinenergy.com) to subscribe.

For more information about the process and upcoming milestones, visit [rates.austinenergy.com](http://rates.austinenergy.com).

To see the latest filings, documents and other notices, visit the City Clerk's website at

[austintexas.gov/cityclerk/notices/ae\\_2016\\_rate\\_review.htm](http://austintexas.gov/cityclerk/notices/ae_2016_rate_review.htm).



# FINANCIAL RESULTS - FY 2016 Oct. 1, 2015 - Dec. 31, 2015

Non-power supply operating revenue grew since last year by \$7 million mainly due to increased base revenue and increased regulatory revenue, which recovers transmission expense.

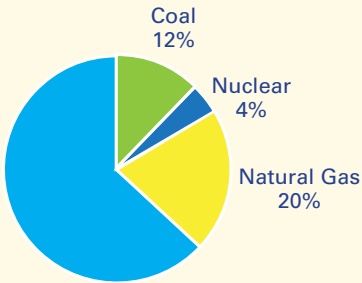
Austin Energy's preliminary net income for the first quarter is down \$2 million from a \$9 million net income in the prior period. The following items were significant factors:

- Power supply expenses were \$99 million, \$3 million lower than the same period last year primarily due to a decrease in market prices.
- Total operating revenue increased \$4 million due in large part to increased base revenue and regulatory revenue offset by a decrease in power supply revenue.

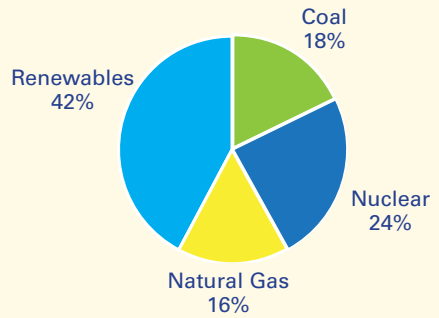
Austin Energy's financial statements reflect assets and liabilities for under-/over-recovery of certain recoverable costs. Power supply costs are over-recovered by \$74 million compared to an under-recovery of \$12 million at Dec. 31, 2014. Regulatory costs — e.g. transmission costs — are \$32 million under-recovered at Dec. 31, 2015 up from \$22 million in the same period last fiscal year.

Overall, Austin Energy's preliminary financial results show a \$113 million increase in cash over the fiscal year which will allow Austin Energy to improve its credit worthiness and financial resiliency.

Power Generation Costs by Fuel Type\*

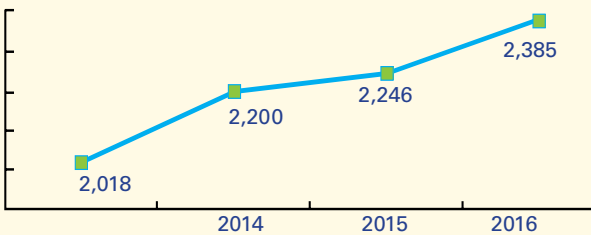


Power Generation by Fuel Type/Souce (MWh)

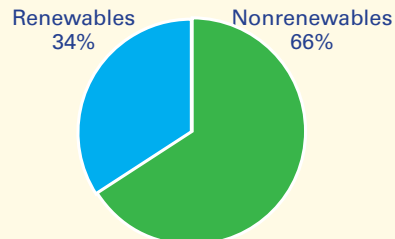


\* Costs include fuel for generation, fuel transportation, renewable power purchase agreements and hedging activity.

Q1 Historical System Peak Demand MW



Renewable Power as Percent of Consumption

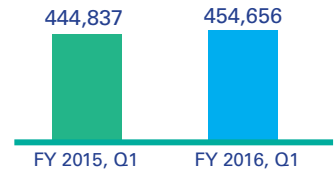


# INCOME STATEMENT

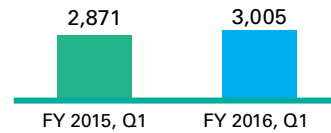
\$ in millions	12 months ended	
	12/31/14	12/31/15*
Operating Revenues	\$194	\$201
Power Supply Revenue	102	99
Power Supply Expense	102	99
Non-Power Supply Expenses	118	134
Depreciation Expense	37	39
<b>Operating Income/(Loss)</b>	<b>39</b>	<b>28</b>
Other Revenue (Expense)	(4)	—
General Fund Transfer	26	26
<b>Net Income/(Loss)</b>	<b>\$9</b>	<b>\$2</b>
Debt Service Coverage	2.7	3.1
Debt to Equity Ratio**	45%	44%

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

## Average Number of Customers



## Total Sales in Gigawatt Hours



# COMPARATIVE STATEMENT OF NET POSITION

\$ in millions	12/31/2014	12/31/2015*	Change
Cash	\$182	\$295	\$113
Accounts Receivable (net)	137	118	(19)
Power Supply Under Recovery	12	0	(12)
Other Under Recoveries	26	39	13
Debt Service	8	11	3
Strategic Reserve	107	152	45
Nuclear Decommissioning Reserve	199	208	9
Other Restricted Assets	123	87	(36)
Other Assets	568	670	102
Capital Assets	2,589	2,605	16
<b>TOTAL ASSETS</b>	<b>\$3,951</b>	<b>\$4,185</b>	<b>\$234</b>
Current Liabilities	106	125	19
Power Supply Over Recovery	0	74	74
Other Over Recoveries	15	17	2
Revenue Bonds	1,224	1,370	146
Commercial Paper	182	32	(150)
Other Long-Term Liabilities	733	810	77
Retained Earnings	1,691	1,757	66
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$3,951</b>	<b>\$4,185</b>	<b>\$234</b>

\*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](http://www.austintexas.gov/financeonline/finance/main.cfm)