

IN THE NEWS

A diverse energy portfolio helps the utility provide clean, affordable and reliable energy to its customers. A growing portion of that portfolio is renewable energy. In May, Austin Energy sealed the deal with Recurrent Energy—a leading North American solar project developer—on a contract to provide 150 MW of solar power from a West Texas plant. This contract is expected to come online in the fourth quarter of 2016 and will boost Austin Energy’s renewable energy portfolio. Because of the Recurrent Energy contract and the utility’s existing renewable energy contracts, Austin Energy is on track to reach its 35 percent renewable energy goal three years early in 2017.

The contract is for a 20-year period and the West Texas plant is expected to be the largest single solar power plant in the state. For reference, the new facility will be five times the size of the Webberville Solar Farm system. The deal helps highlight how solar power in Texas is becoming a more competitive energy option.

Austin Energy staff was authorized by Austin City Council to negotiate the contract in March, and Recurrent Energy provided the best value.

Austin area students win awards at international science fair— After advancing from the Austin Energy Regional Science Festival, several students including Pia Sen, Piper Reid, Lily Xu and Advait Anand have continued to receive accolades at the Intel International Science and Engineering Fair. The students competed in 17 science categories for first through fourth place and more than 45 special awards. To advance to the international competition, the Austin-area students won “Best of Fair” for their projects at the Austin Energy Regional Science Fair. The regional science fair encourages students to pursue careers in science, technology, engineering and math fields.

Awards and recognitions include:

- Anand won \$1,500 in the Engineering: Materials & Bioengineering category.
- Reid received second place and \$800 from the American Association of Physics Teachers and fourth place with \$500 in the Physics and Astronomy category.
- Sen won an all-expense-paid trip to Italy for a weeklong science camp hosted by a leading research center called Fondazione Bruno Kessler. Sen also was awarded a four-year scholarship of \$15,000 per year from the University of Sciences in Philadelphia.
- Xu teamed with other students from the Houston and Plano areas. Their project won third place and \$1,000 in the Chemistry category.

Anand, Sen and Xu attend the Liberal Arts and Science Academy and Reid attends Dripping Springs High School. Other students attending the international science fair included Chaarushena Deb, Ying Liu and Jessica Wang, all from LASA.

CUSTOMER ASSISTANCE PROGRAM STATS

Residential Customers Enrolled: > 43,000
Benefits Provided FY 14 through Q3: > \$5.4M
Weatherization Program Referrals: 207

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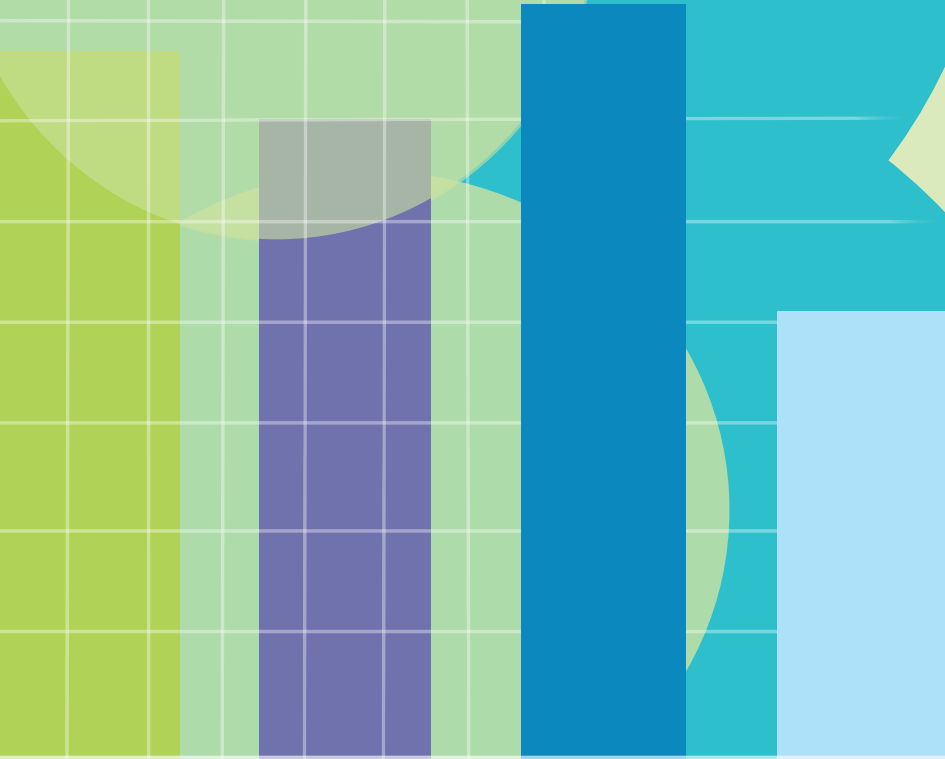
City of Austin
Austin Energy
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721 Barton Springs Road
Austin, Texas 78704 - 1145



2014 THIRD Quarter REPORT



THIRD Quarter REPORT



FISCAL YEAR 2014
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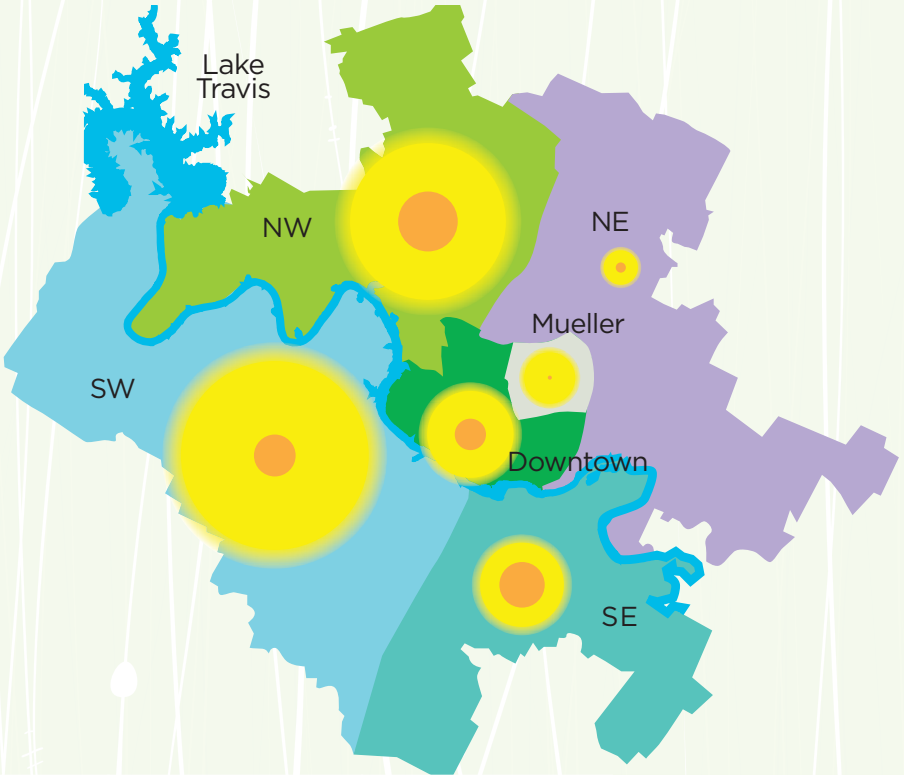
THIRD QUARTER HIGHLIGHT

Solar power is becoming an increasingly popular option in Austin as showcased by the continued demand in Austin Energy's Solar Rebate program. In June, the utility lowered the rebate for residential installations from \$1.25 to \$1.10 per watt and the performance based incentive for commercial customers was lowered from 10 cents to 9 cents per kilowatt-hour of electricity produced from those systems.

With the decline in the cost of solar panels, Austin Energy wants to maximize solar's reach in the community and needs to lower the rebate amount to allow more customers to take part in the program at roughly the same out-of-pocket expense.

Austin Energy has seen record participation in both the residential and commercial sides of the Solar Rebate program. There were 738 customers in the program in 2013—an increase of 270 customers from 2012. This year also is shaping up to be a banner year for participation in the program.

The publicly owned utility spurred the creation of the solar market and industry in Austin and these efforts have led to almost 20 MW of energy generated by both residential and commercial rooftops. The program's continued popularity will help Austin Energy achieve its 200 MW of solar power goal.



| AE Service Area | 2008 | | 2013 | |
|-----------------|-------|---------------|-------|---------------|
| | kW AC | Installations | kW AC | Installations |
| SW | 528 | 170 | 3,412 | 717 |
| NW | 719 | 243 | 2,818 | 600 |
| NE | 149 | 40 | 720 | 131 |
| Downtown | 533 | 127 | 1,565 | 334 |
| Mueller | 62 | 18 | 1,308 | 249 |
| SE | 707 | 185 | 1,968 | 324 |

Mapping Solar Growth:
To show residential and commercial solar capacity, Austin Energy's service area was divided into six areas by combining zip code districts: Southwest, Northwest, Northeast, Southeast, Mueller and Downtown.

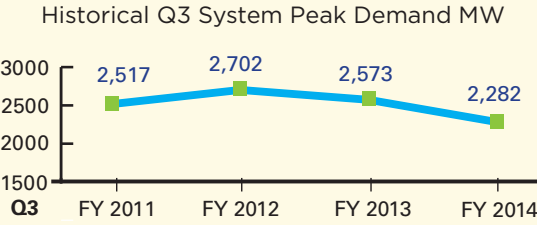
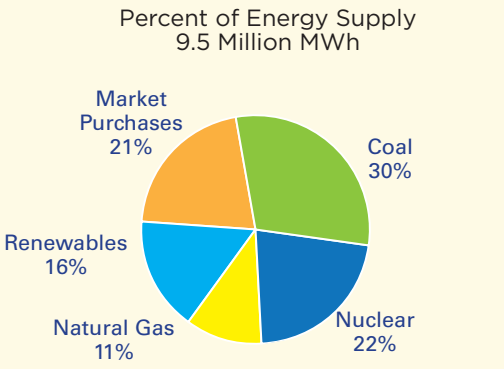
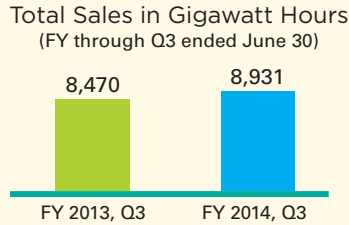
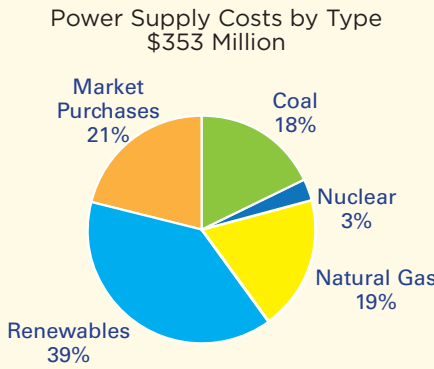
FINANCIAL RESULTS - Nine Months Ended June 30, 2014

Austin Energy's financial results through the third quarter of fiscal year 2014 ending June 30 are consistent with expectations. Operating revenue continued to grow from the same time period last year by \$36 million mainly due to increased service base revenue as well as regulatory revenue which recovers transmission expense. Base revenue increased 2.5 percent compared to last year due to a colder winter and a 2 percent increase in the number of billed customers because of growth in the Austin area.

Austin Energy's unaudited net loss for FY 2014 through the third quarter was \$21 million compared to a \$31 million net loss in FY 2013 through the same time period. The following items were significant factors:

- Total revenue (operations revenue and fuel revenue) increased \$79 million or 9 percent from prior year third quarter primarily due to additional recovery of costs for transmission expenses as well as the power supply adjustment (PSA) revenue.
- Non-fuel operations and maintenance (O&M) expenses were \$36 million higher through the third quarter compared to prior year largely due to increases in generation joint project costs and transmission expenses.
- Power supply expenses were \$353 million or \$42 million higher than the same period last year due to the larger amount of renewable energy purchased and an increase in kilowatt-hour (kWh) sales for the period.

Though the unaudited financial results through the third quarter ending June 30 show a net loss, it is anticipated that as Austin Energy enters the summer months, which are typically the highest months for sales, net income will continue to improve and allow the utility to continue with plans to replenish cash reserve levels and work toward meeting financial policies.



COMPARATIVE STATEMENT OF NET ASSETS

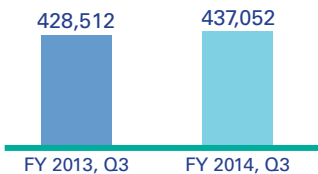
| \$ IN THOUSANDS | 6/30/2013* | 6/30/2014* | VARIANCE |
|--|--------------------|--------------------|-----------------|
| Cash | \$35,504 | \$101,574 | \$66,070 |
| Accounts Receivable | 163,978 | 164,354 | 376 |
| Allowance for Doubtful Accounts | (9,724) | (6,204) | 3,520 |
| Inventories | 96,458 | 75,720 | (20,738) |
| Other Current Assets | 73,605 | 83,815 | 10,210 |
| Restricted Assets: | | | |
| Debt Service | 22,409 | 17,939 | (4,470) |
| Strategic Fund | 106,948 | 107,129 | 181 |
| Reserve Fund | 9,976 | 9,986 | 10 |
| Repair & Replacement Fund | 64 | 64 | — |
| Nuclear Decommissioning Acct. | 192,286 | 197,336 | 5,050 |
| Non-Nuclear Decommissioning Acct. | 13,092 | 8,232 | (12,883) |
| Construction | 56,515 | 69,120 | 20,628 |
| Other | 27,948 | 33,836 | 5,888 |
| Property, Plant and Equipment | 2,585,100 | 2,581,946 | (3,154) |
| Long Term Other Assets | 306,510 | 309,587 | 3,077 |
| TOTAL ASSETS | \$3,680,669 | \$3,754,434 | \$73,765 |
| Current Liabilities | \$77,418 | \$98,155 | \$20,737 |
| Liabilities Payable from Restricted Assets | 290,443 | 267,315 | (23,128) |
| Revenue Bonds | 1,234,959 | 1,190,001 | (44,958) |
| Commercial paper | 59,651 | 134,342 | 74,691 |
| Other Long-term Liabilities | 452,905 | 422,038 | (30,867) |
| Retained Earnings | 1,565,293 | 1,642,583 | 77,290 |
| TOTAL LIABILITIES AND FUND EQUITY | \$3,680,669 | \$3,754,434 | \$73,765 |

*NOTE: This information is unaudited.

| INCOME STATEMENT* | | |
|-------------------------|----------------|---------|
| \$ in Millions | 9 months ended | |
| | 6/30/13 | 6/30/14 |
| Operating Revenues | \$546 | \$583 |
| Power Supply Revenue | 311 | 353 |
| Power Supply Expense | 311 | 353 |
| Non-Fuel Expenses | 339 | 375 |
| Depreciation Expense | 108 | 113 |
| Operating Income/(Loss) | 99 | 95 |
| Other Revenue (Expense) | (51) | (37) |
| General Fund Transfer | 79 | 79 |
| Net Income/(Loss) | (\$31) | (\$21) |

*NOTE: This information is unaudited.

Average Number of Customers



Service Area Base Revenue (millions)

