

# Austin Energy Quarterly Financial Report

3<sup>rd</sup> Quarter FY 2018 (April – June)

Mark V. Dombroski  
Chief Financial Officer



September 26, 2018

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# 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:

<http://austintexas.gov/service/current-comprehensive-annual-financial-report>



# Agenda

## QUARTERLY Financial Report



# Austin Energy Quarterly Financial Report

## Executive Summary



# Executive Summary



Substantially compliant with all financial policies.



Generally meet financial metrics supporting AA credit rating.



**\$970**

Million  
Revenues

Operating revenues exceed budget by 3.7% mostly due to slightly higher consumption.



**\$745**

Million  
Expenses

Operating expenses exceed budget by 3.4% due to higher Power Supply cost.



Balance sheet is liquid and adequately capitalized.



Austin Energy's power supply costs are now higher during non-summer months requiring a uniform annual rate to ensure cost recovery.

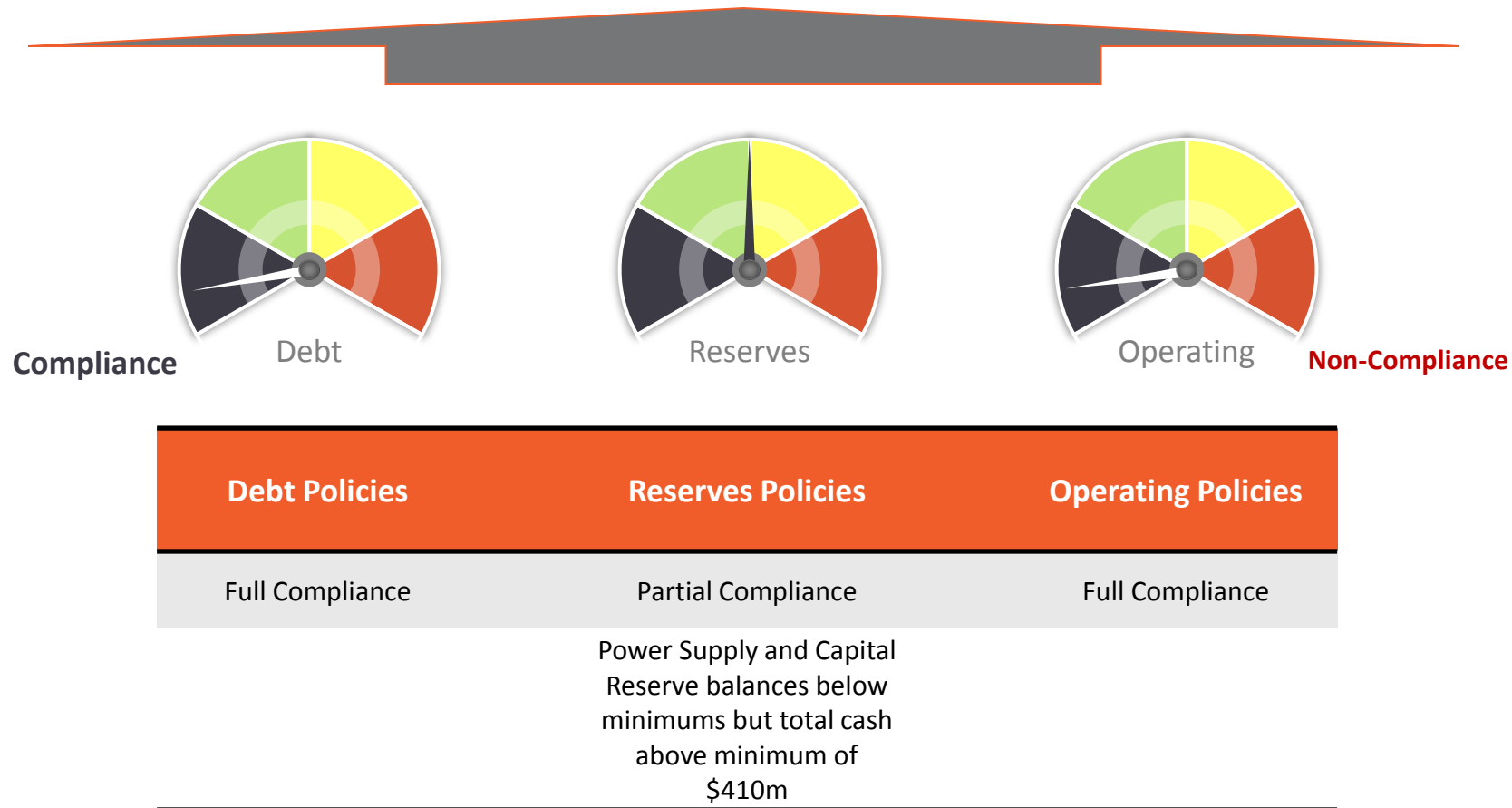


# Austin Energy Quarterly Financial Report

## Financial Policy Compliance



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



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# Austin Energy Quarterly Financial Report

## Financial Performance Measures

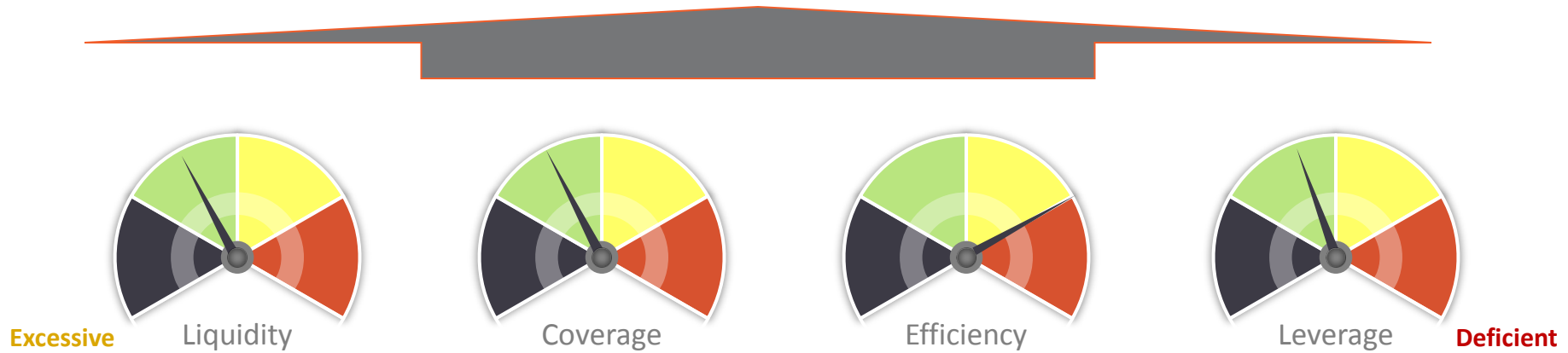




# AA

## Standard & Poor's Global Ratings

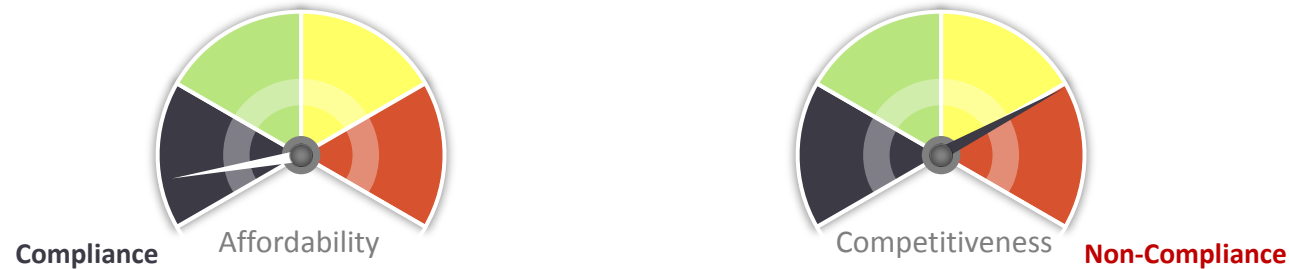
### Achieved November 2016



Days Cash on Hand	Debt Service Coverage Ratio	Operating Margins	Debt to Capitalization
Minimum > 150 Days	Minimum > 2.0	Minimum > 10%	Minimum < 50%
Actual 212 Days	Actual 4.0	Actual 9.7%	Actual 44.1%
Excludes General Fund Transfer			



# Austin Energy's Affordability Goal has Two Metrics



Affordability Metric	Competitiveness Metric
Full Compliance Since 2013	Non-Compliance Since 2015
Maintain system average rates at or below 2% annual compound growth rate that began October 2012.	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.



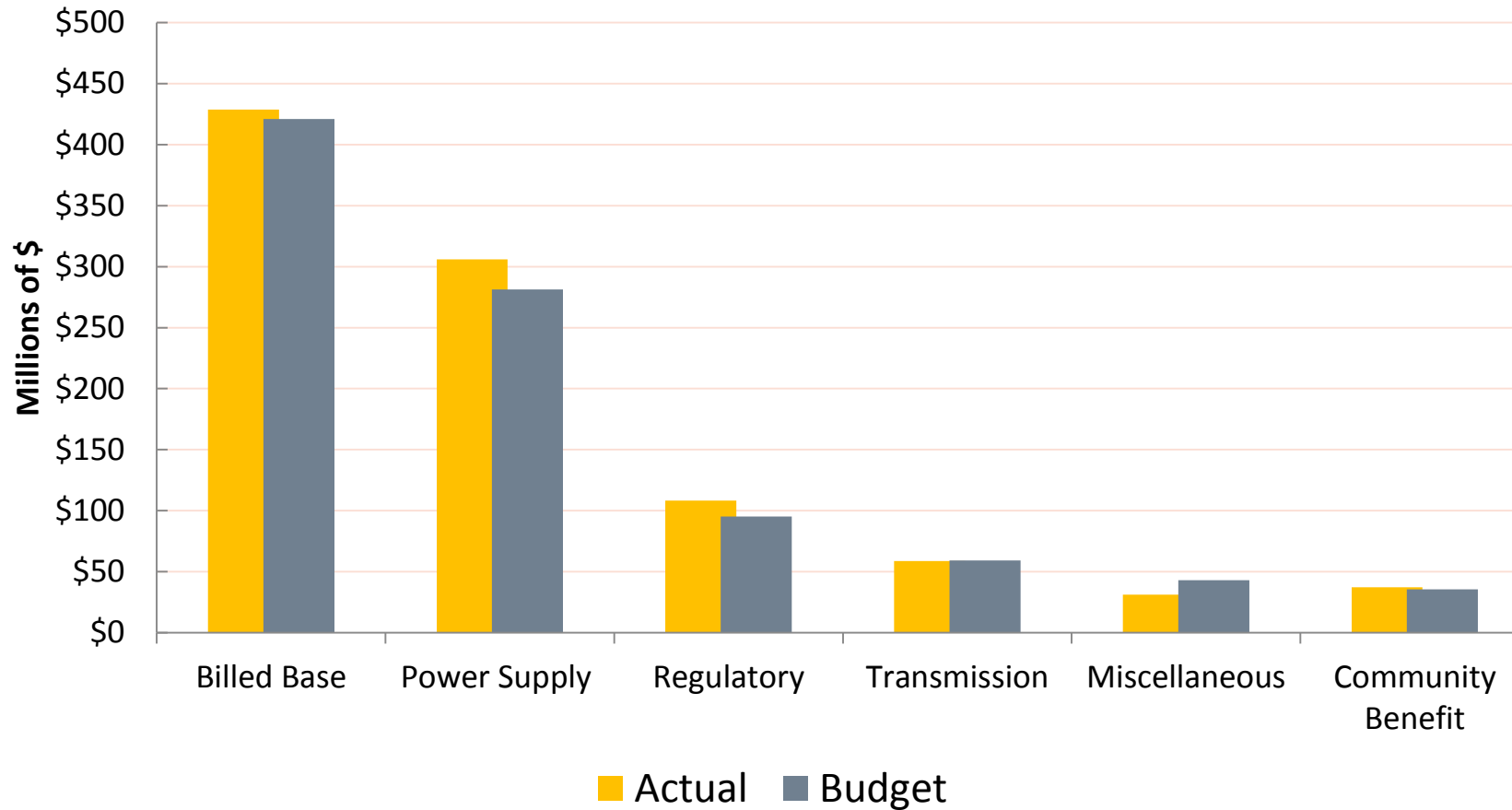
# Austin Energy Quarterly Financial Report

## Actual to Budget Analysis



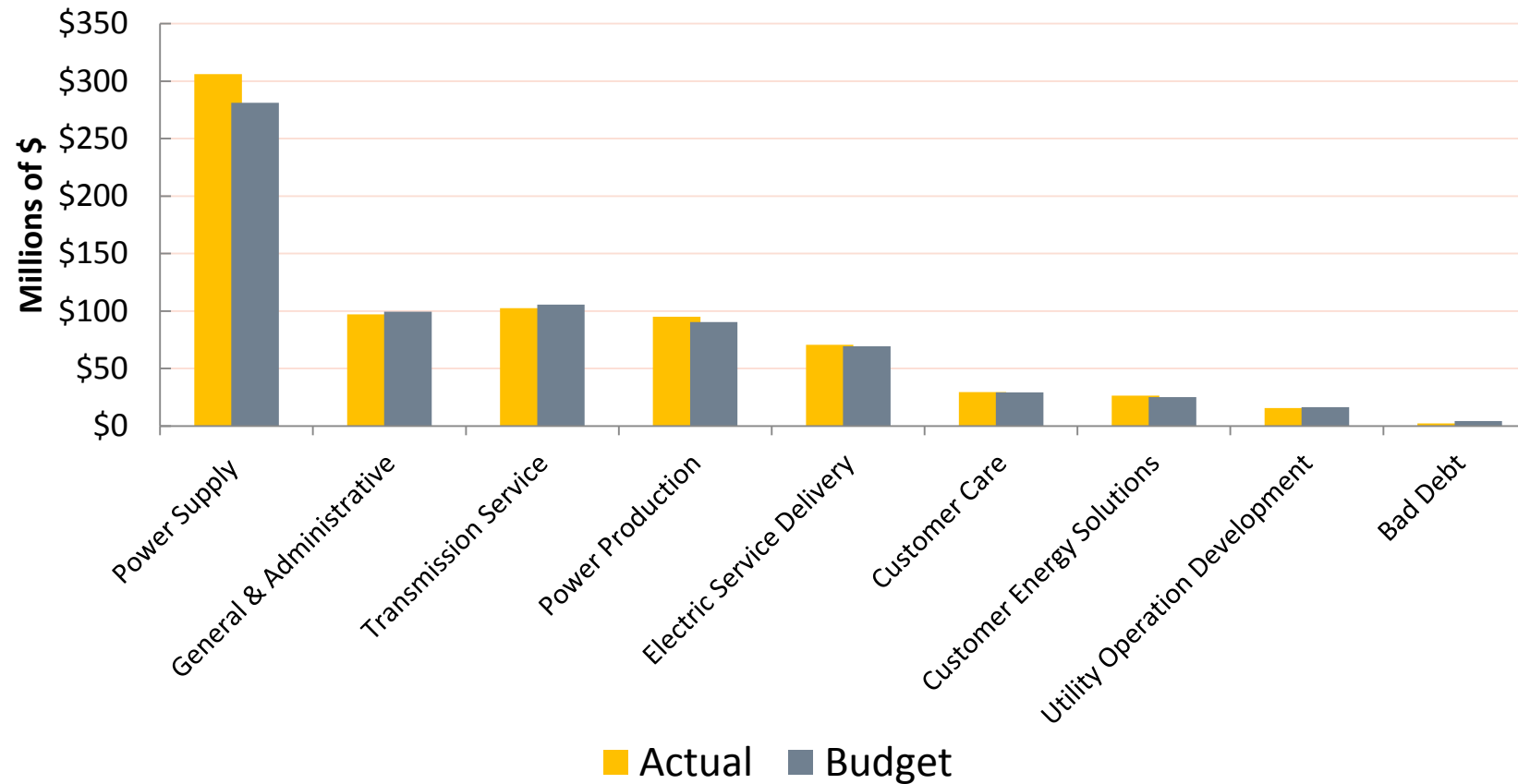
# Actual to Budget Analysis

## Budget Based Operating Revenues Fiscal Year Through June 30, 2018



# Actual to Budget Analysis

## Budget Based Operating Expenses Fiscal Year Through June 30, 2018



# Actual to Budget Analysis

## Budget Based Fund Summary Fiscal Year Through June 30, 2018

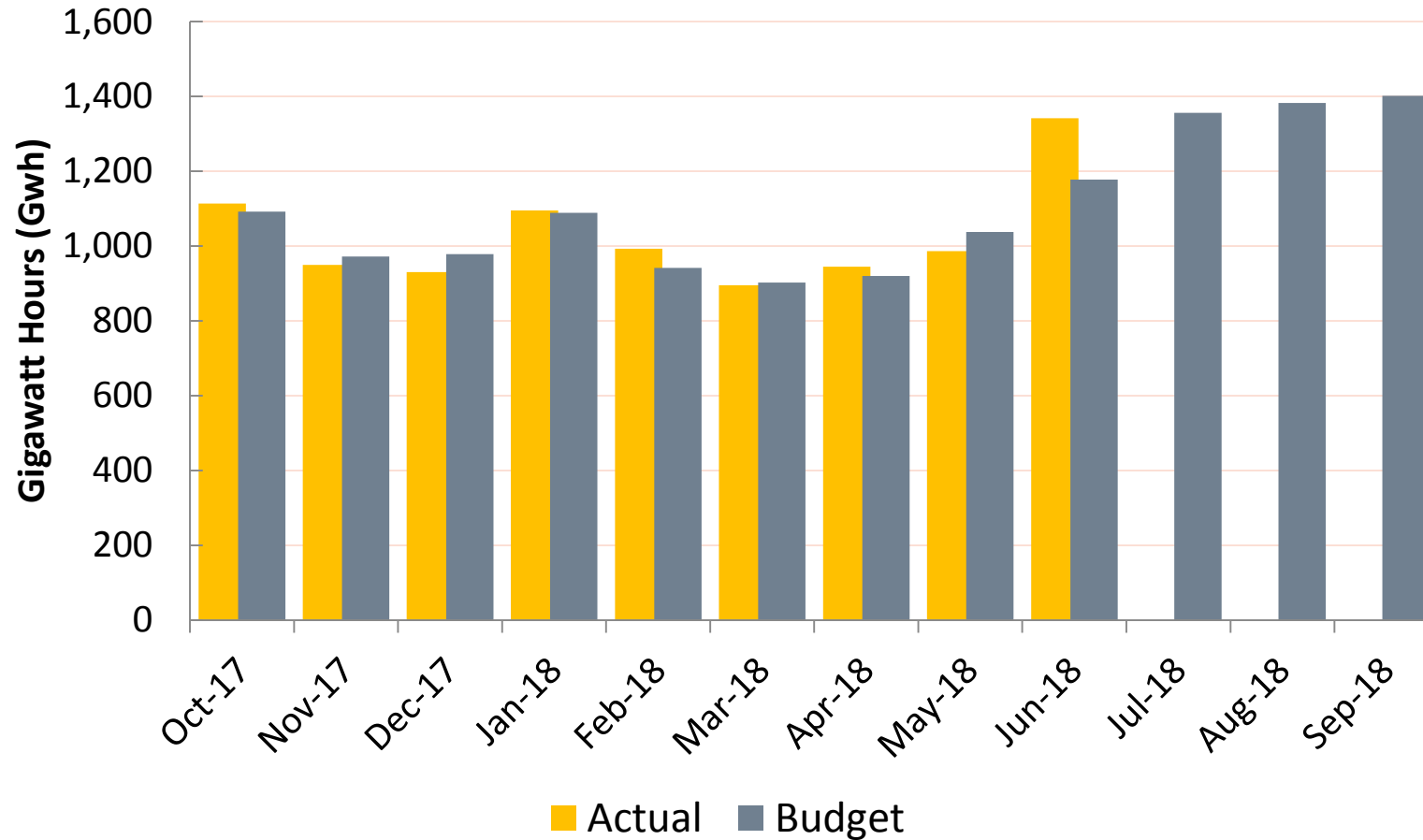
Millions of \$	Variance to Budget Favorable (Unfavorable)				Variance to Prior Year Favorable (Unfavorable)		
	Actual	Budget	Amount	%	Prior Year Actual	Amount	%
Operating Revenues	\$970.3	\$935.2	\$35.1	3.7%	\$959.9	\$10.4	1.1%
Operating Expenses	744.9	720.7	(24.2)	(3.4%)	762.8	17.9	2.4%
<b>Operating Income (Loss)</b>	<b>\$225.4</b>	<b>\$214.5</b>	<b>\$10.9</b>	<b>5.0%</b>	<b>\$197.1</b>	<b>\$28.3</b>	<b>14.4%</b>
Interest Revenue	7.7	2.5	5.2	210.5%	4.2	3.5	82.3%
Debt Service	(64.8)	(65.2)	(0.4)	0.7%	(66.1)	1.3	2.0%
<b>Income (Loss) Before Transfers</b>	<b>\$168.3</b>	<b>\$151.8</b>	<b>\$16.5</b>	<b>10.9%</b>	<b>\$135.2</b>	<b>\$33.1</b>	<b>24.5%</b>
Administrative Support	(19.5)	(19.5)	0	0%	(19.4)	(0.1)	(1.0%)
General Fund	(81.8)	(81.8)	0	0%	(81.0)	(0.8)	(0.9%)
Economic Development	(5.1)	(5.1)	0	0%	(5.6)	0.5	8.3%
CTM Fund	(6.5)	(6.5)	0	0%	(5.8)	(0.7)	(12.1%)
Voluntary Utility Assistance Fund Transfer	(0.6)	(0.6)	0	0%	(0.6)	0	0%
Other City Transfers	(1.8)	(1.8)	0	0%	0	(1.8)	(100%)
Internal Transfers / CIP	(79.0)	(79.0)	0	0%	(47.5)	(31.5)	(66.3%)
<b>Excess (Deficiency) of Revenues</b>	<b>(\$26.0)</b>	<b>(\$42.5)</b>	<b>\$16.5</b>	<b>38.8%</b>	<b>(\$24.7)</b>	<b>(\$1.3)</b>	<b>(5.4%)</b>



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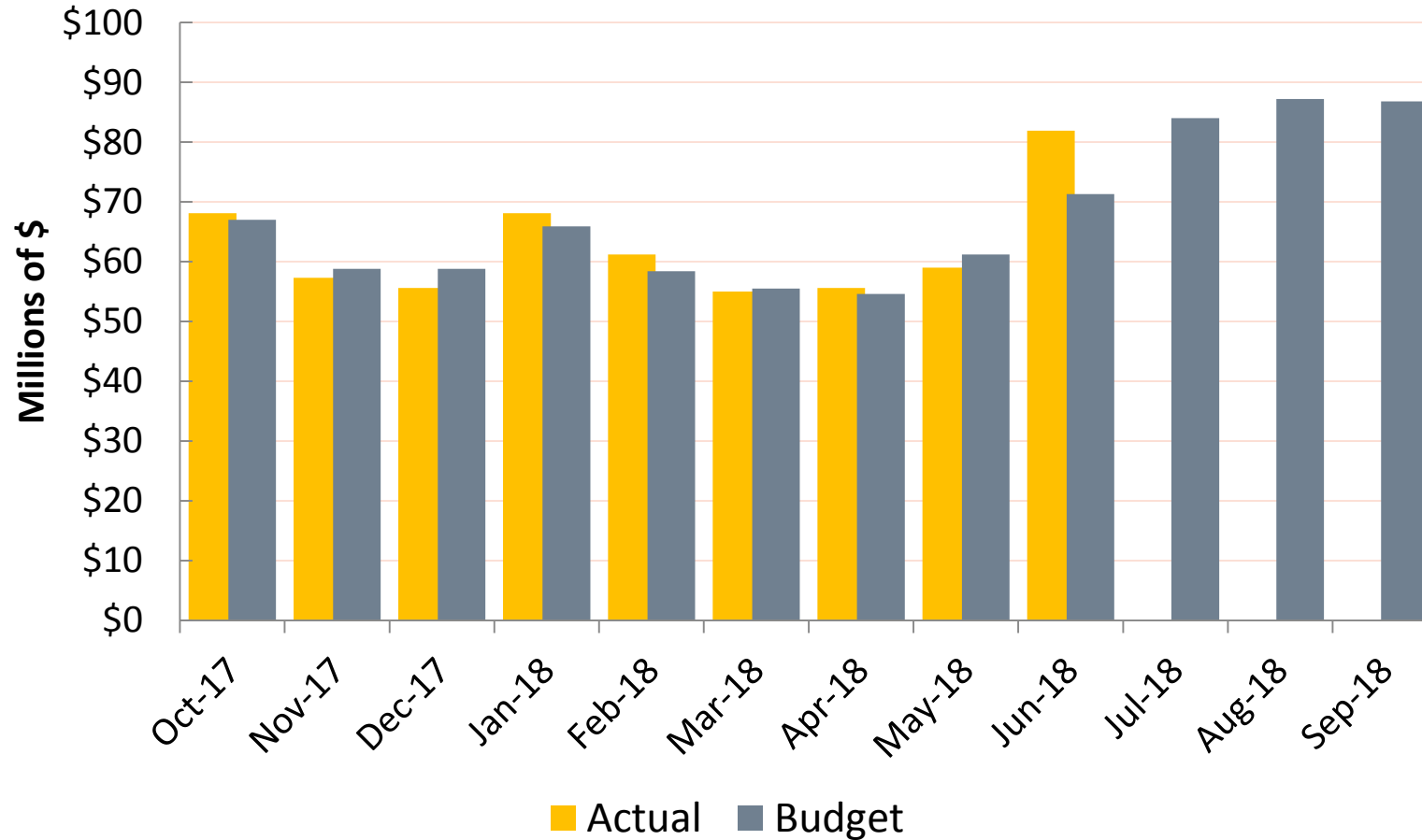
# Actual to Budget Analysis

## Actual to Budget Retail Energy Sales



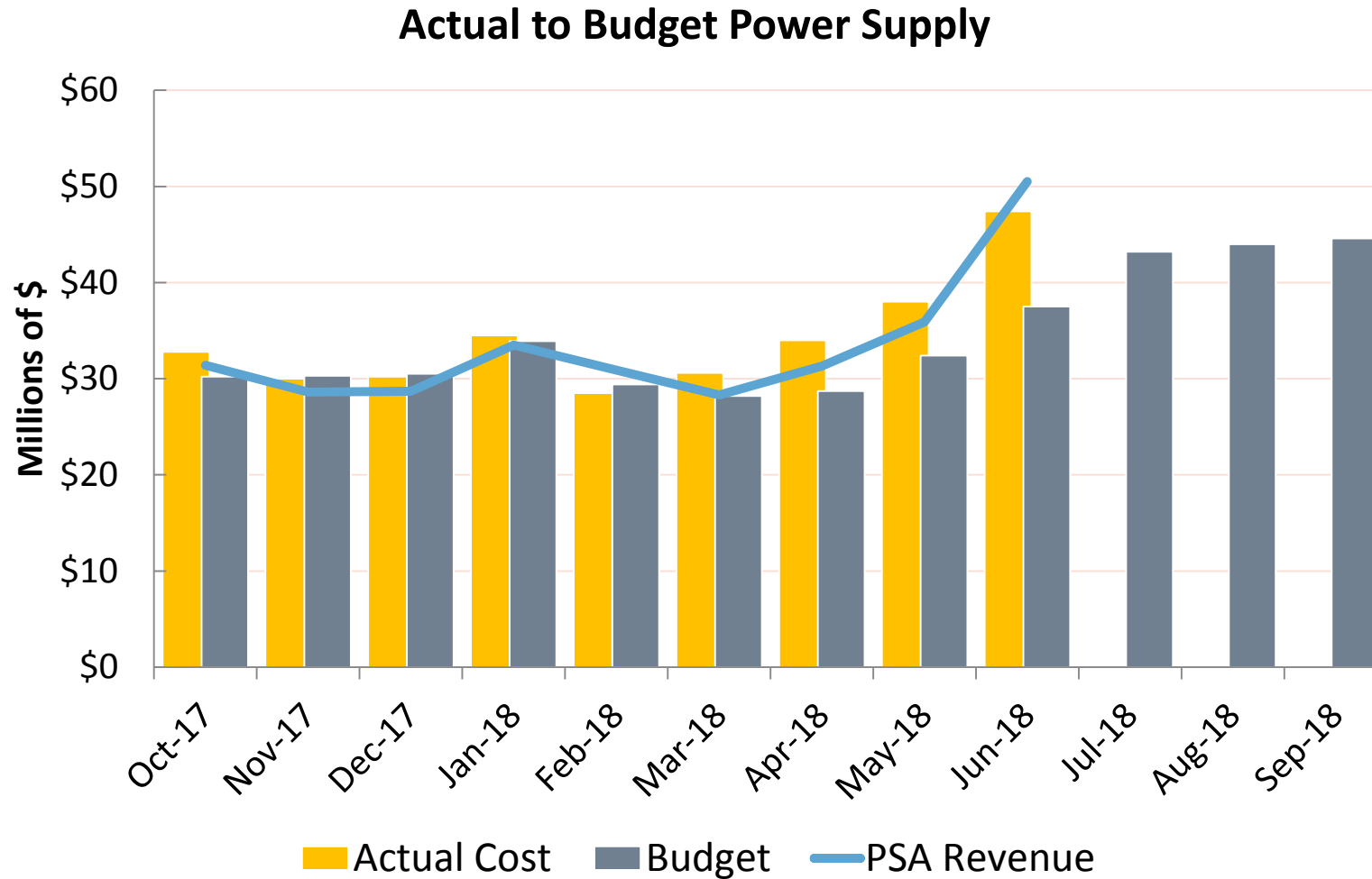
# Actual to Budget Analysis

## Actual to Budget Non-Power Supply Revenues



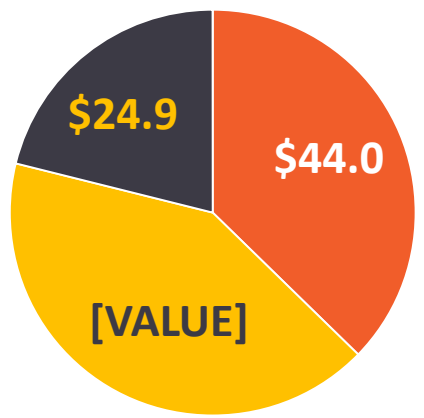


# Actual to Budget Analysis



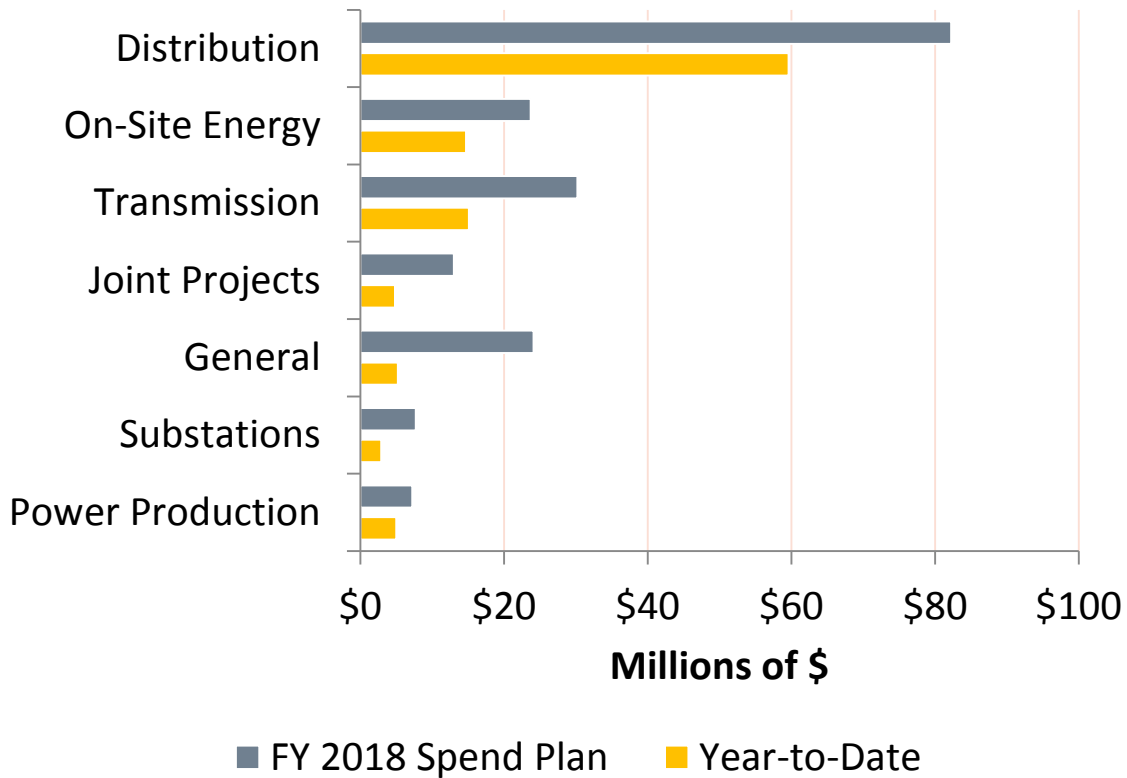
# Capital Improvement Plan Summary

Type of Financing



- Cash
- Debt
- Contributions in Aid of Construction

Type of Project



■ FY 2018 Spend Plan    ■ Year-to-Date



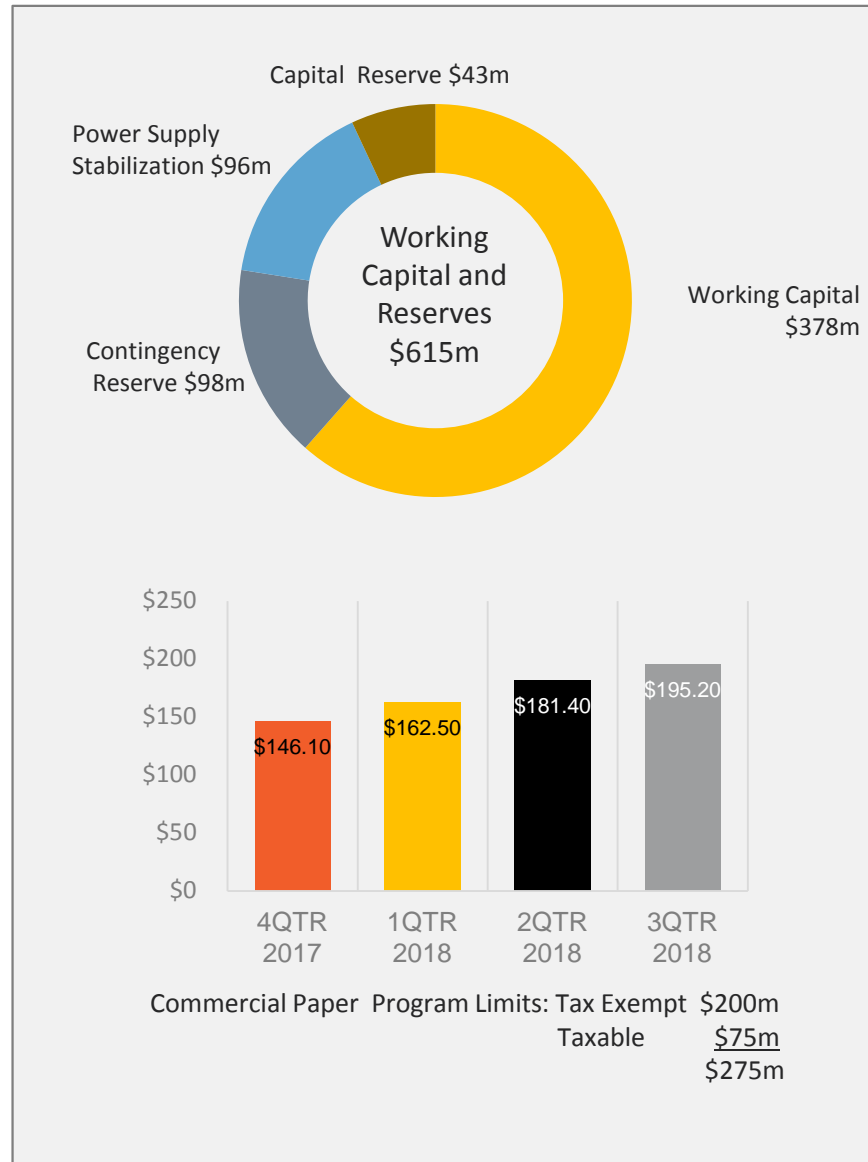
# Austin Energy Quarterly Financial Report

## Financial Statements



# Balance Sheet Snapshot

Assets	Jun 2017	Jun 2018
Cash ↑	\$345.1	\$377.9
Current Assets	283.4	293.3
Capital Assets	2,594.3	2,584.0
Long-Term Assets ↑	1,121.6	1,225.6
<b>Total Assets</b>	<b>\$4,344.4</b>	<b>\$4,480.8</b>
<b>Liabilities and Fund Equity</b>		
Current Liabilities	\$174.1	\$191.2
Long-term Liabilities	2,038.4	2,056.1
Deferred Inflow of Resources	320.5	384.7
Retained Earnings	1,811.4	1,848.8
<b>Total Liabilities &amp; Fund Equity</b>	<b>\$4,344.4</b>	<b>\$4,480.8</b>



# GAAP Financial Summary

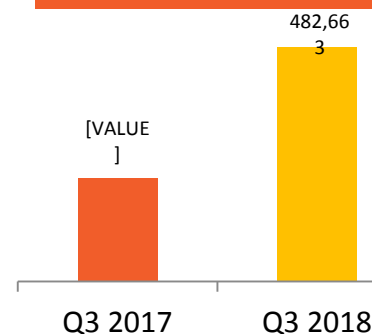
## Comparative Statement of Net Position

\$ in Millions	6/30/2017	6/30/2018	Change
Cash	\$345	\$378	\$33
Accounts Receivable (net)	117	132	15
Other Under-Recoveries	16	5	(11)
Debt Service	15	15	-
Contingency Reserve	98	98	-
Power Supply Stabilization Reserve	89	96	7
Capital Reserve	12	43	31
Nuclear Decommissioning Reserve	218	220	2
Other Restricted Assets	105	130	22
Other Assets	735	780	48
Capital Assets	2,594	2,584	(10)
<b>Total Assets</b>	<b>\$4,344</b>	<b>\$4,481</b>	<b>\$137</b>
Current Liabilities	\$131	\$147	\$16
Power Supply Over-Recovery	31	27	(4)
Other Over-Recoveries	12	8	(4)
Revenue Bonds	1,308	1,263	(43)
Commercial Paper	125	195	70
Other Long-Term Liabilities	926	992	64
Retained Earnings	1,811	1,849	38
<b>Total Liabilities and Fund Equity</b>	<b>\$4,344</b>	<b>\$4,481</b>	<b>\$137</b>

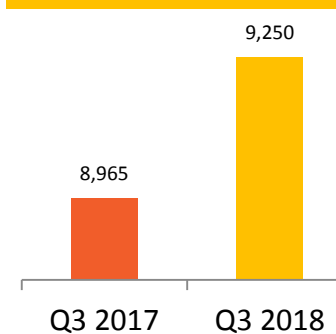
## Income Statement

\$ in Millions	9 Months Ending	
	6/30/2017	6/30/2018
Operating Revenues	\$641	\$662
Power Supply Revenues	316	306
Power Supply Expenses	316	306
Non-Power Supply Expenses	442	445
Depreciation Expense	120	123
<b>Operating Income/(Loss)</b>	<b>\$79</b>	<b>\$94</b>
Other Revenue (Expense)	\$(18)	\$(11)
General Fund Transfer	(81)	(82)
<b>Net Income/(Loss)</b>	<b>\$(20)</b>	<b>\$1</b>
Debt Service Coverage	3.5	4.0
Debt Equity Ratio	44%	44%

### Average Number of Customers



### Total Sales in Gigawatt Hours



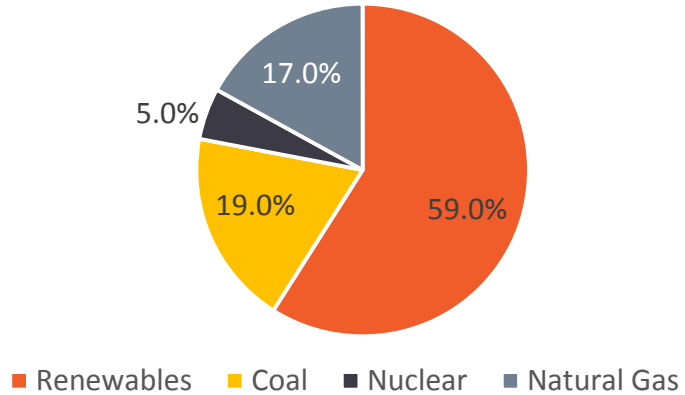
# Austin Energy Quarterly Financial Report

## Market and Industry Analysis



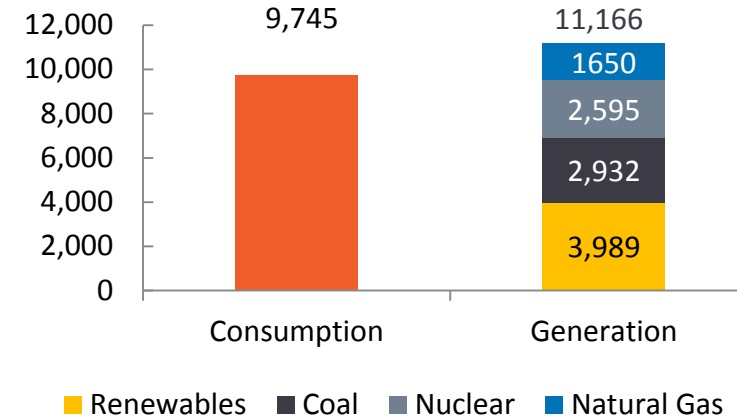
# Net Generation and Load Analysis

**Power Generation Cost by Fuel Type**

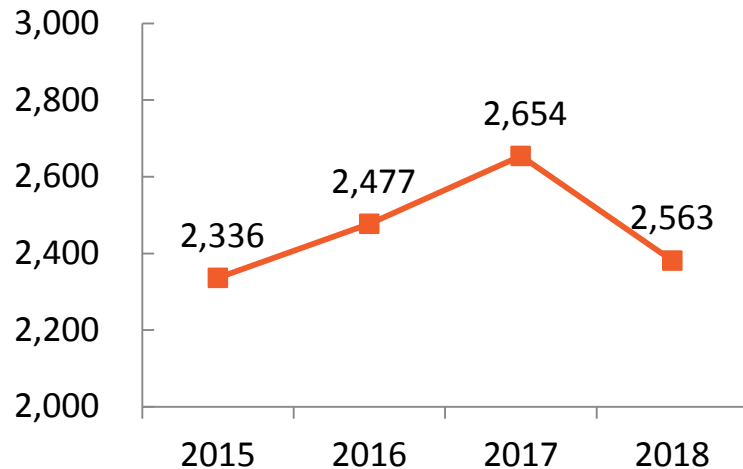


*\*Costs include fuel for generation, fuel transportation, renewable Power purchases agreements and hedging activity.*

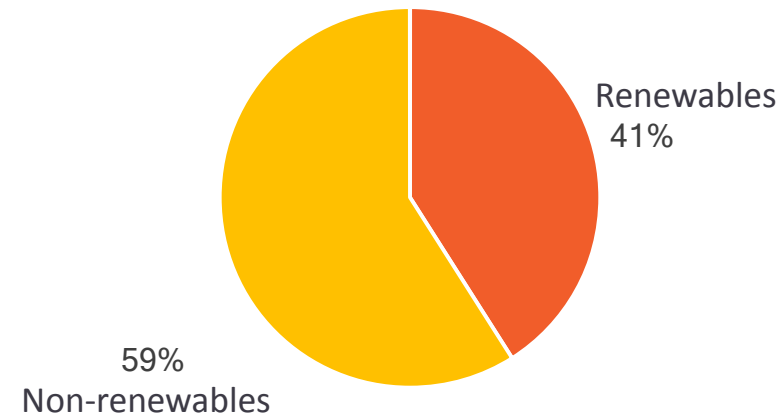
**Consumption vs. Generation (GWh)**



**Historical Q3 System Peak Demand (MW)**

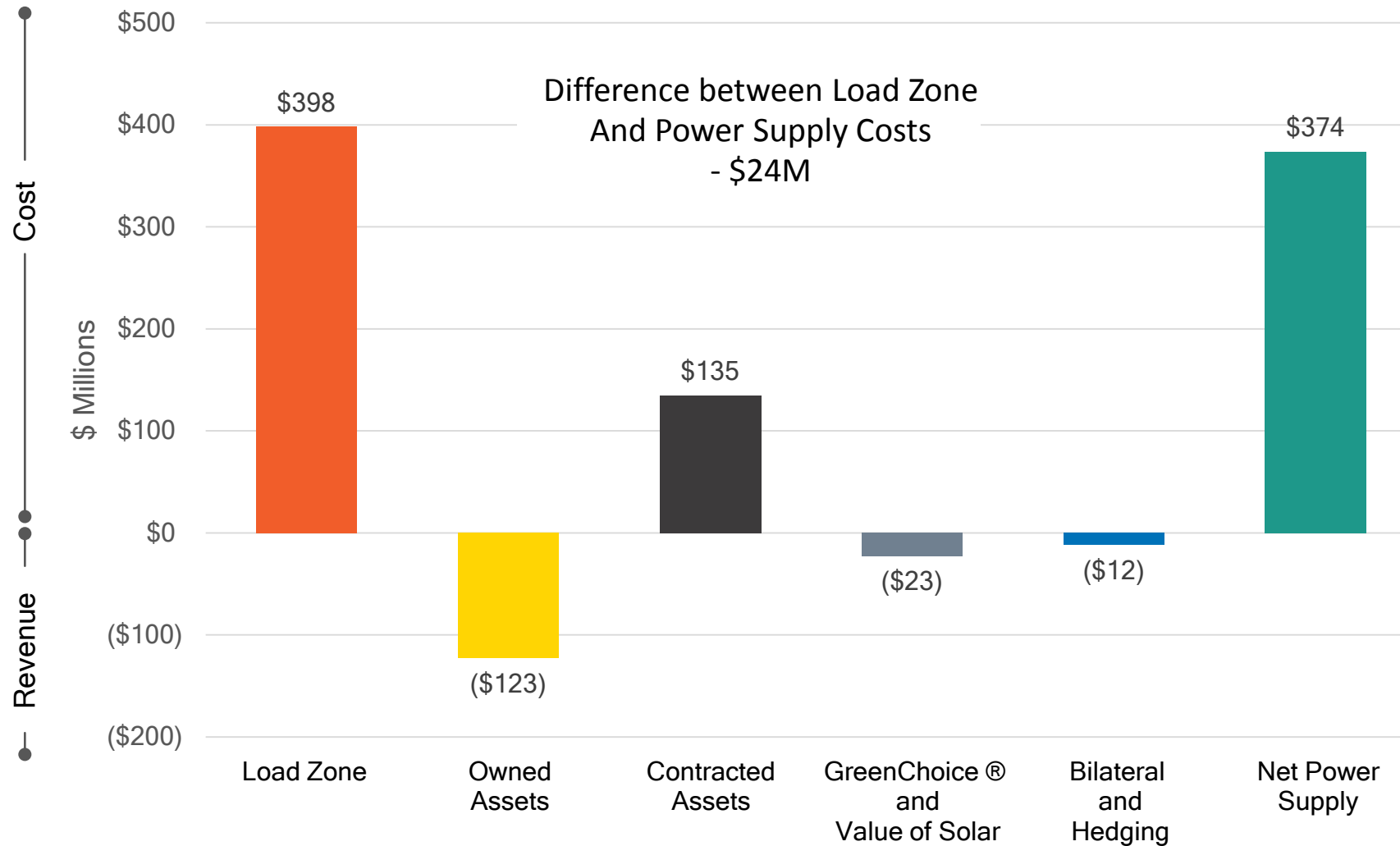


**Renewable Power as Percent of Consumption**



# Power Supply Adjustment Cost Components

Twelve Months Ending June 2018





# Power Supply Adjustment Drivers

## Major Elements Impacting PSA

Cost Drivers

Load Zone Costs

Owned Assets

Contracted Assets

Over /  
Under  
Balance

Customer  
Growth

Weather

Generator  
Availability

Location

Intermittency

Location

PSA Rate to  
Market Price  
Spread

Natural Gas  
Price

Transmission  
Congestion

Fuel Cost

Market Price

Contract Price

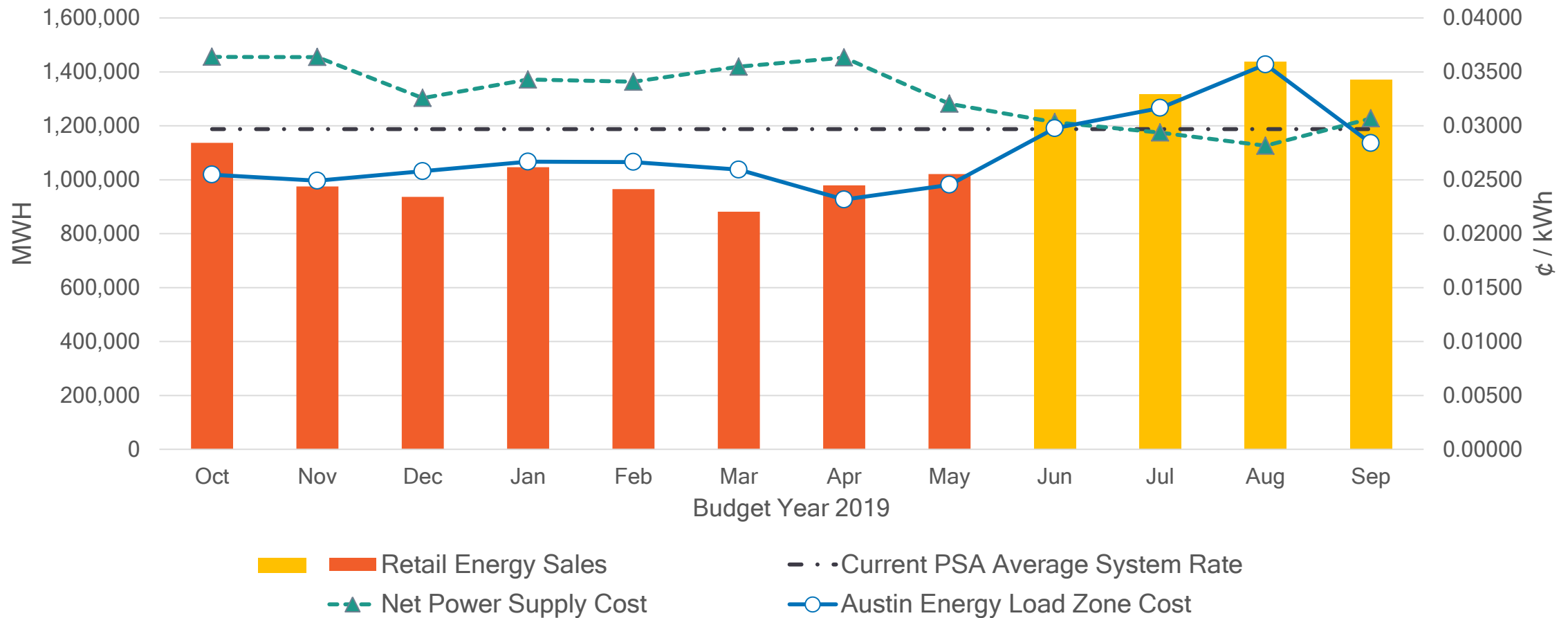
Market Price

Forward Price  
Curve



# FY 2019 Forecasted Energy and Costs

## Elimination of the Seasonal Power Supply Adjustment





**Customer Driven.  
Community Focused.**



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