

Austin Energy Quarterly Financial Report

1st Quarter FY 2022 (October - December)

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Certain information set forth in this presentation contains forecasted financial information. Forecasts necessarily involve known and unknown risks and uncertainties, which may cause actual performance and financial results in future periods to differ materially from any projections of future performance.

Although the forecasted financial information contained in this presentation is based upon what Austin Energy management believes are reasonable assumptions, there can be no assurance that forecasted financial information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such forecasts.

In addition, this presentation contains unaudited information and should be read in conjunction with the audited Annual Comprehensive Financial Reports for the City of Austin, which was published on March 18, 2021:

https://assets.austintexas.gov/financeonline/downloads/comprehensive_annual_financial_report/comprehensive_annual_financial_report_2020.pdf



Agenda

QUARTERLY Financial Report



Executive Summary



Financial Policy Compliance



Financial Performance Measures



Actual to Budget Analysis



Financial Statements



Market and Industry Analyses

Austin Energy Quarterly Financial Report

Executive Summary



Executive Summary



Generally compliant with all financial policies. Contingency and Capital Reserve balances below minimums but total cash above minimum of \$480m.



Austin Energy is meeting our target AA S&P bond rating.



\$ 359

Million
Revenues

Operating revenues at December are 6% over budget due to increased Power Supply Revenue.



\$344

Million
Expenses

Operating expenses are 18% over budget due to higher Power Supply costs and timing of customer care expenses.



Working Capital decreased \$118M primarily due to funding CIP and decreased margins.



Declining Average Consumption – Lagging energy sales hamper cost recovery.



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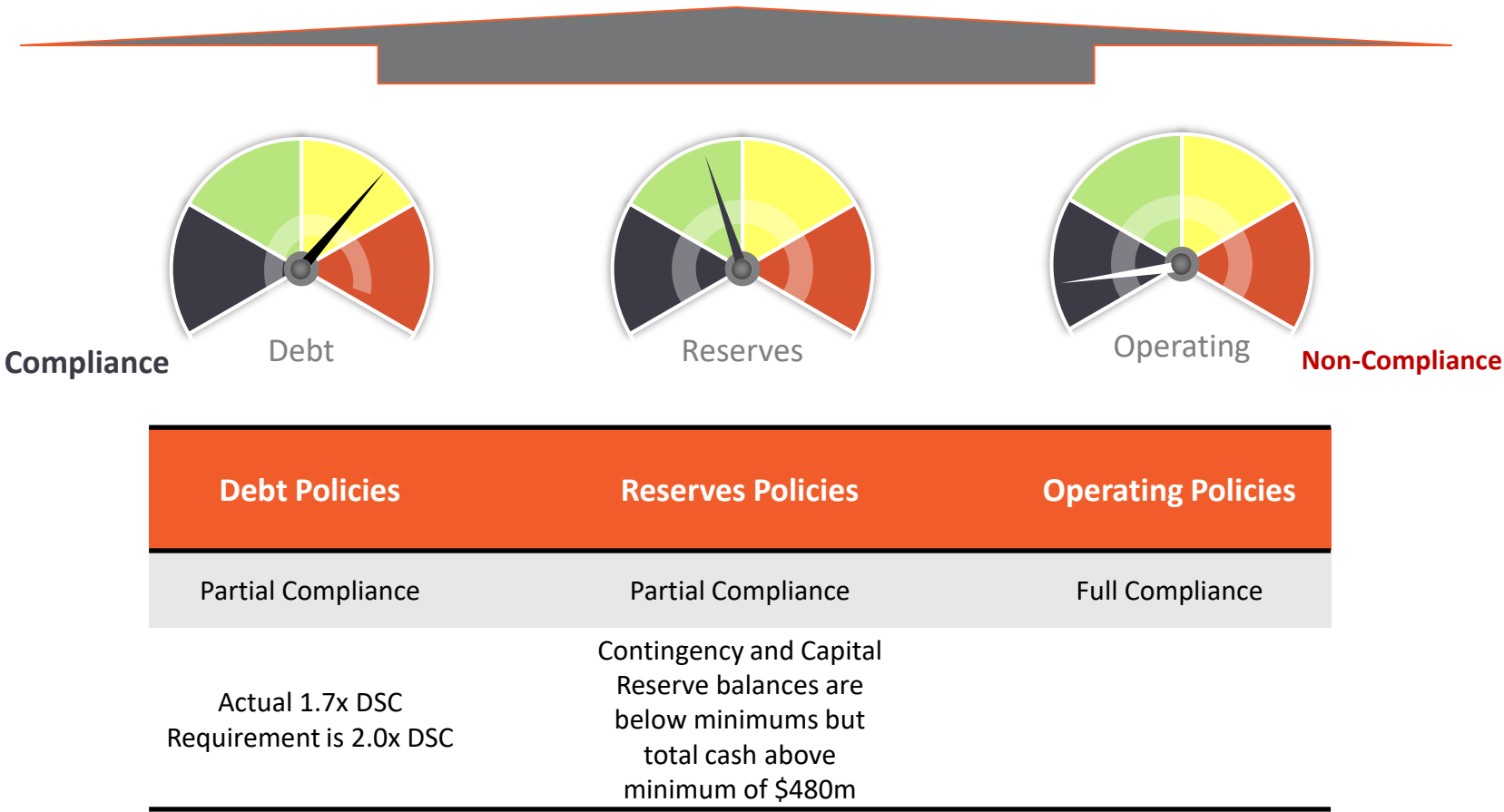
https://assets.austintexas.gov/financeonline/downloads/comprehensive_annual_financial_report/comprehensive_annual_financial_report_2020.pdf

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 2018



| Days Cash on Hand | Debt Service Coverage Ratio | Operating Margins | Debt to Capitalization |
|--------------------------------|-----------------------------|-------------------|------------------------|
| Minimum > 150 Days | Minimum > 2.0 | Minimum > 10% | Minimum < 50% |
| Actual 190 Days | Actual 1.7 | Actual -5.8% | Actual 54% |
| Excludes General Fund Transfer | | | |



Austin Energy's Affordability Goal has Two Metrics



| Affordability Metric | Competitiveness Metric |
|---|--|
| Full Compliance Since 2013 | Full Compliance Since 2019 |
| 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. |



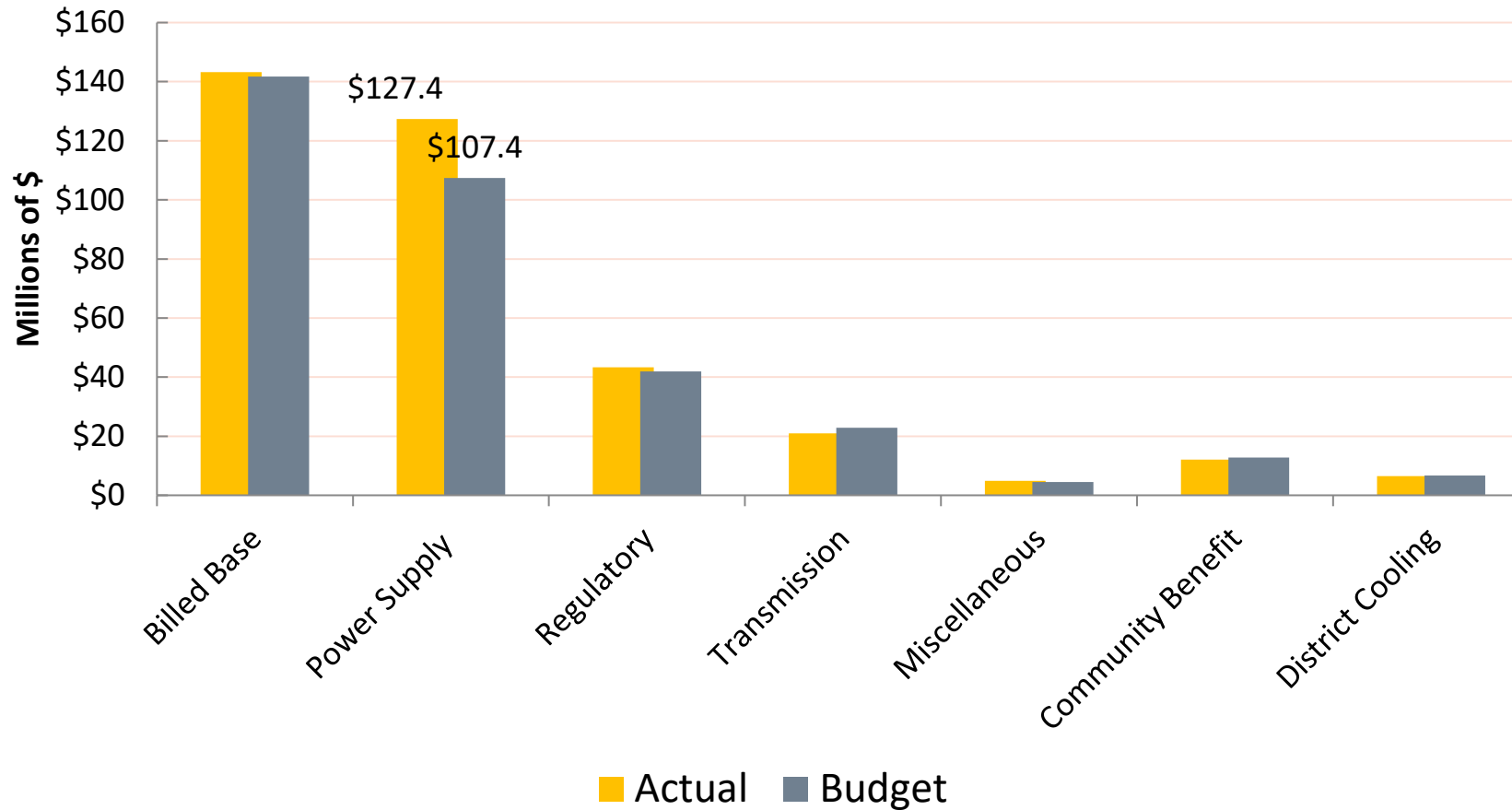
Austin Energy Quarterly Financial Report

Actual to Budget Analysis



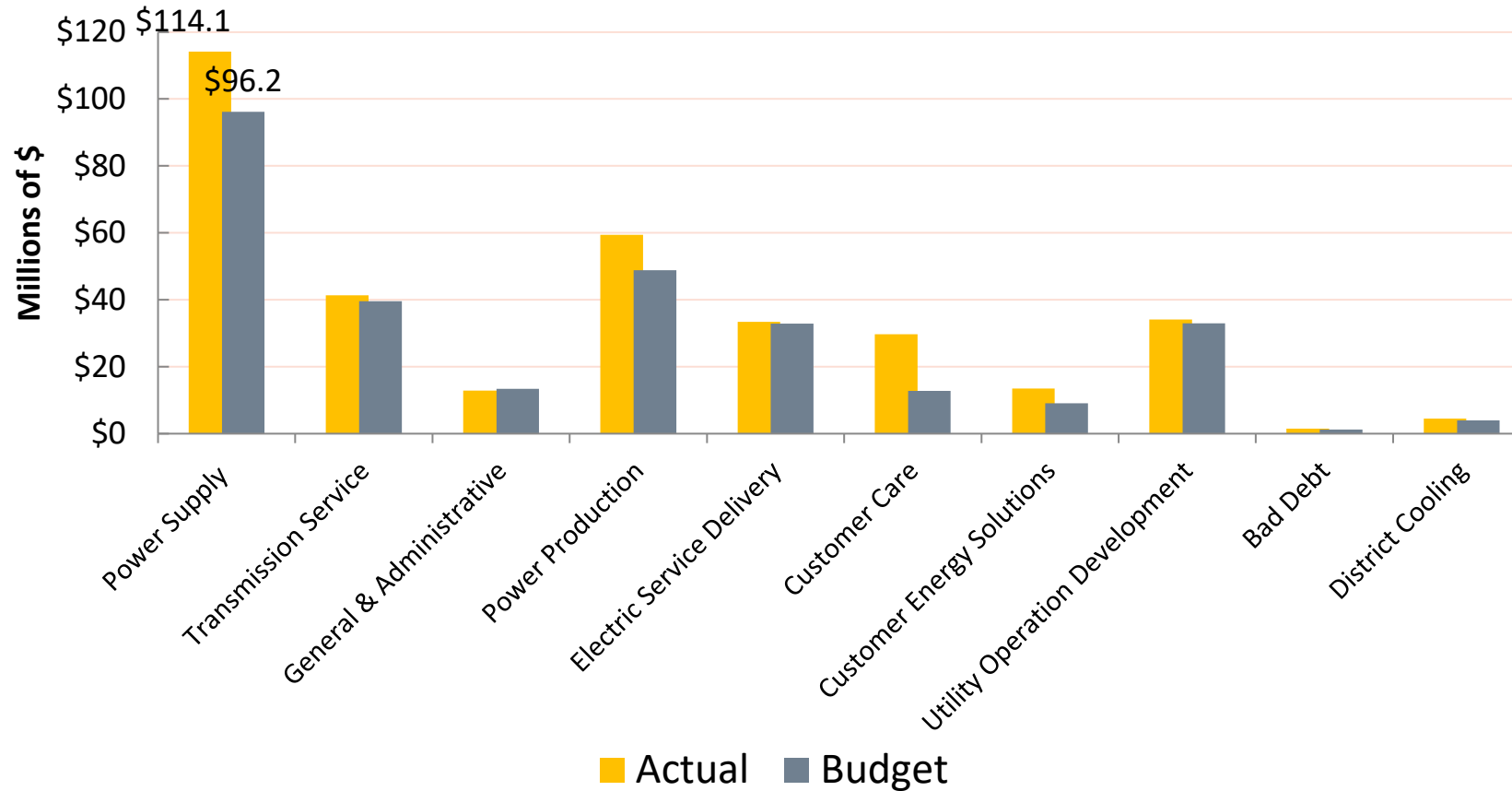
Actual to Budget Analysis

Budget Based Operating Revenues Fiscal Year Through December 31, 2021



Actual to Budget Analysis

Budget Based Operating Expenses Fiscal Year Through December 31, 2021



Actual to Budget Analysis

Budget Based Fund Summary

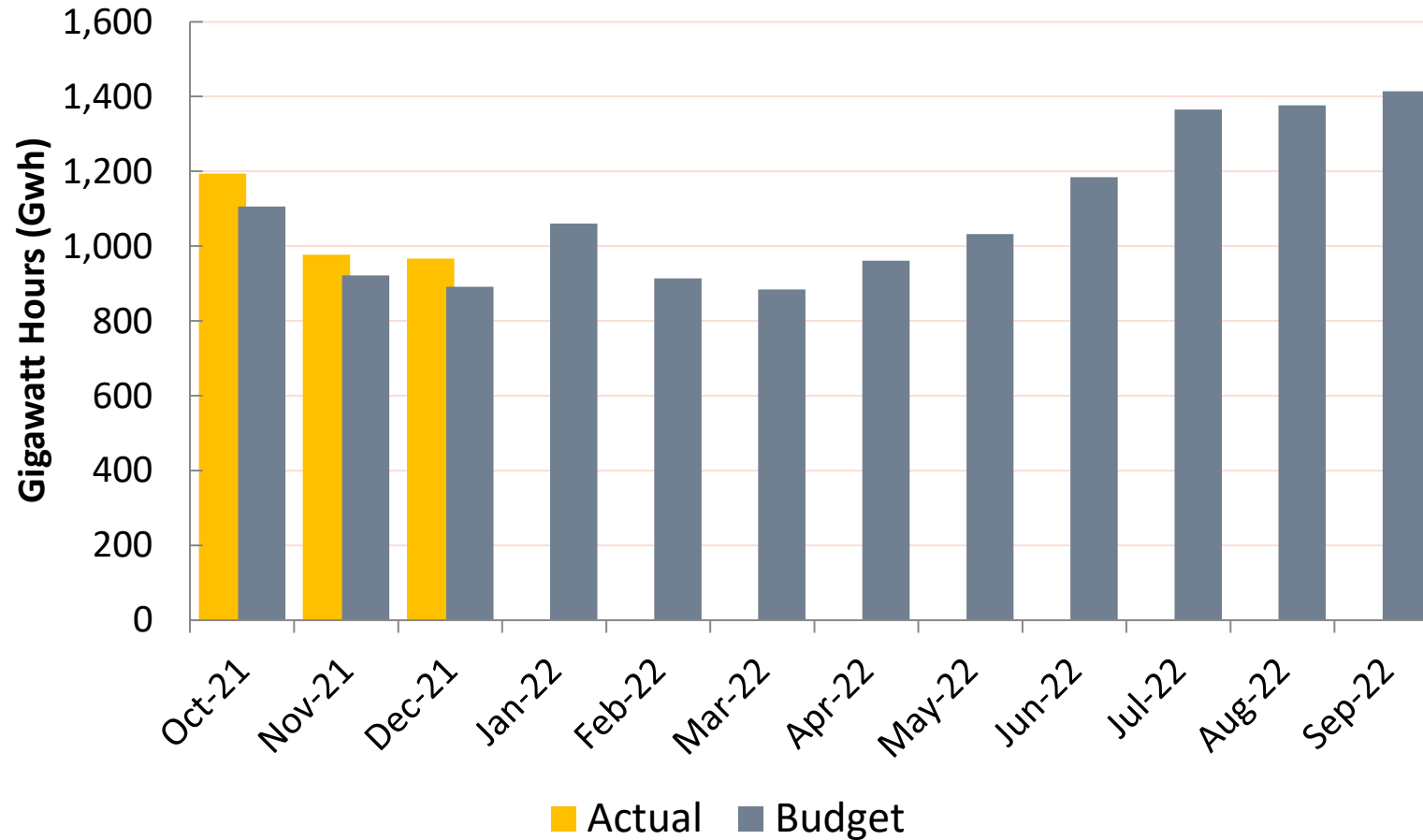
Fiscal Year Through December 31, 2021

| Millions of \$ | Variance to Budget | | | | Variance to Prior Year | | |
|--|--------------------|---------------|-------------------------|---------------|------------------------|-------------------------|---------------|
| | Actual | Budget | Favorable (Unfavorable) | | Prior Year Actual | Favorable (Unfavorable) | |
| | | | Amount | % | | Amount | % |
| Operating Revenues | \$359 | \$338 | 21 | 6% | \$319 | \$40 | 12% |
| Operating Expenses | 344 | 291 | (53) | (19%) | 277 | (67) | (24%) |
| Operating Income (Loss) | \$15 | \$47 | (\$32) | (70%) | \$42 | (27) | (67%) |
| Interest Revenue | 0 | 1 | (1) | (62%) | 1 | (1) | (59.3%) |
| Debt Service | (42) | (41) | (1) | (0.9%) | (39) | (3) | (6%) |
| Income (Loss) Before Transfers | \$(27) | \$7 | (\$34) | (507%) | \$4 | (\$31) | (840%) |
| Administrative Support | (7) | (7) | 0 | 0% | (8) | 1 | 9% |
| General Fund | (29) | (29) | 0 | 0% | (29) | 0 | 0% |
| Economic Development | (2) | (2) | 0 | 0% | (2) | (0) | (12%) |
| CTM Fund | (3) | (3) | 0 | 0% | (3) | 0 | 15% |
| Voluntary Utility Assistance Fund | 0 | 0 | 0 | 0% | 0 | 0 | 0% |
| Other City Transfers | (0) | (0) | 0 | 0% | (1) | 1 | 25% |
| Internal Transfers / CIP | (16) | (16) | (0) | (0%) | (15) | (1) | (2.8%) |
| Excess (Deficiency) of Revenues | (\$84) | (\$50) | (\$34) | (67%) | (\$54) | (\$30) | (54%) |



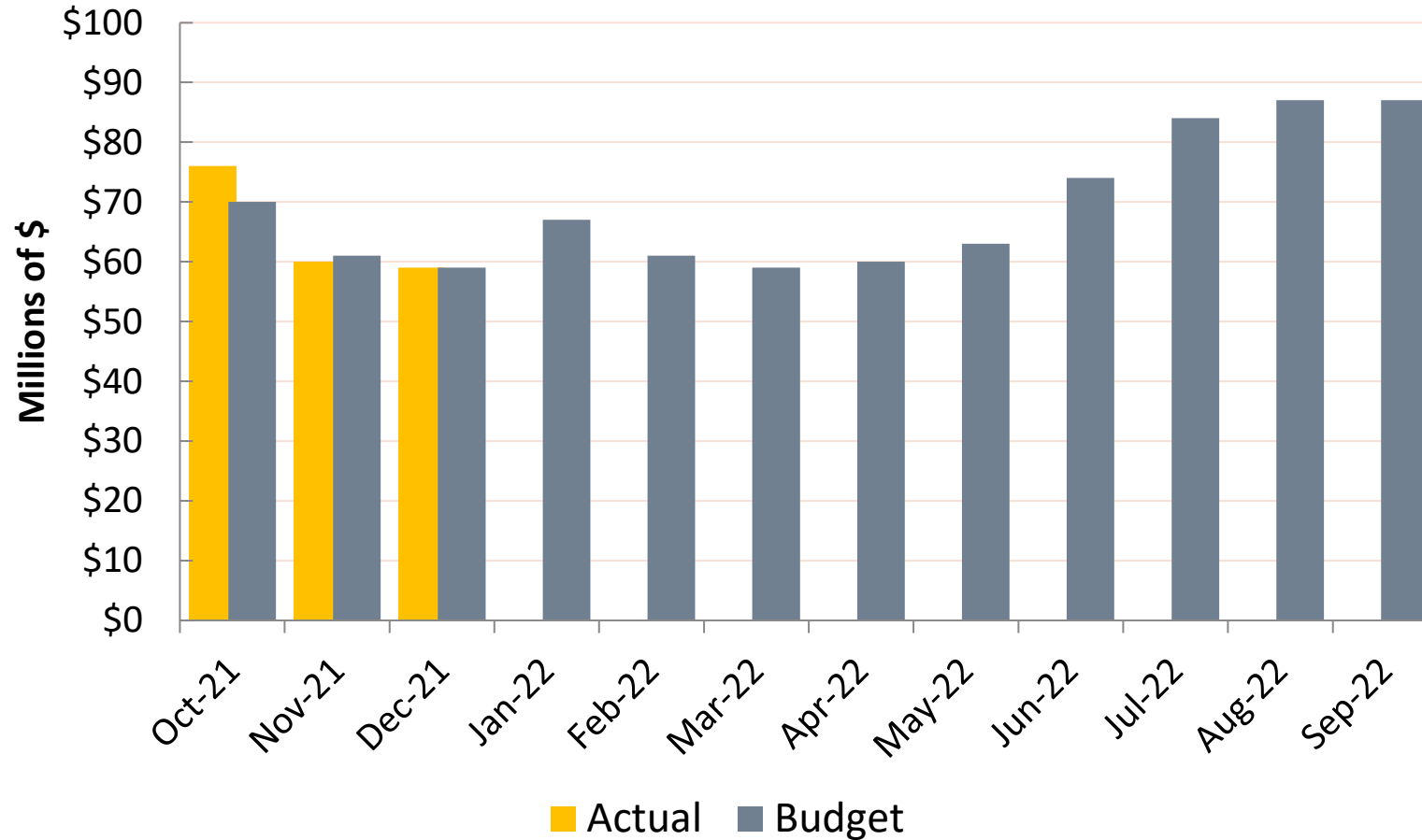
Actual to Budget Analysis

Actual to Budget Retail Energy Sales

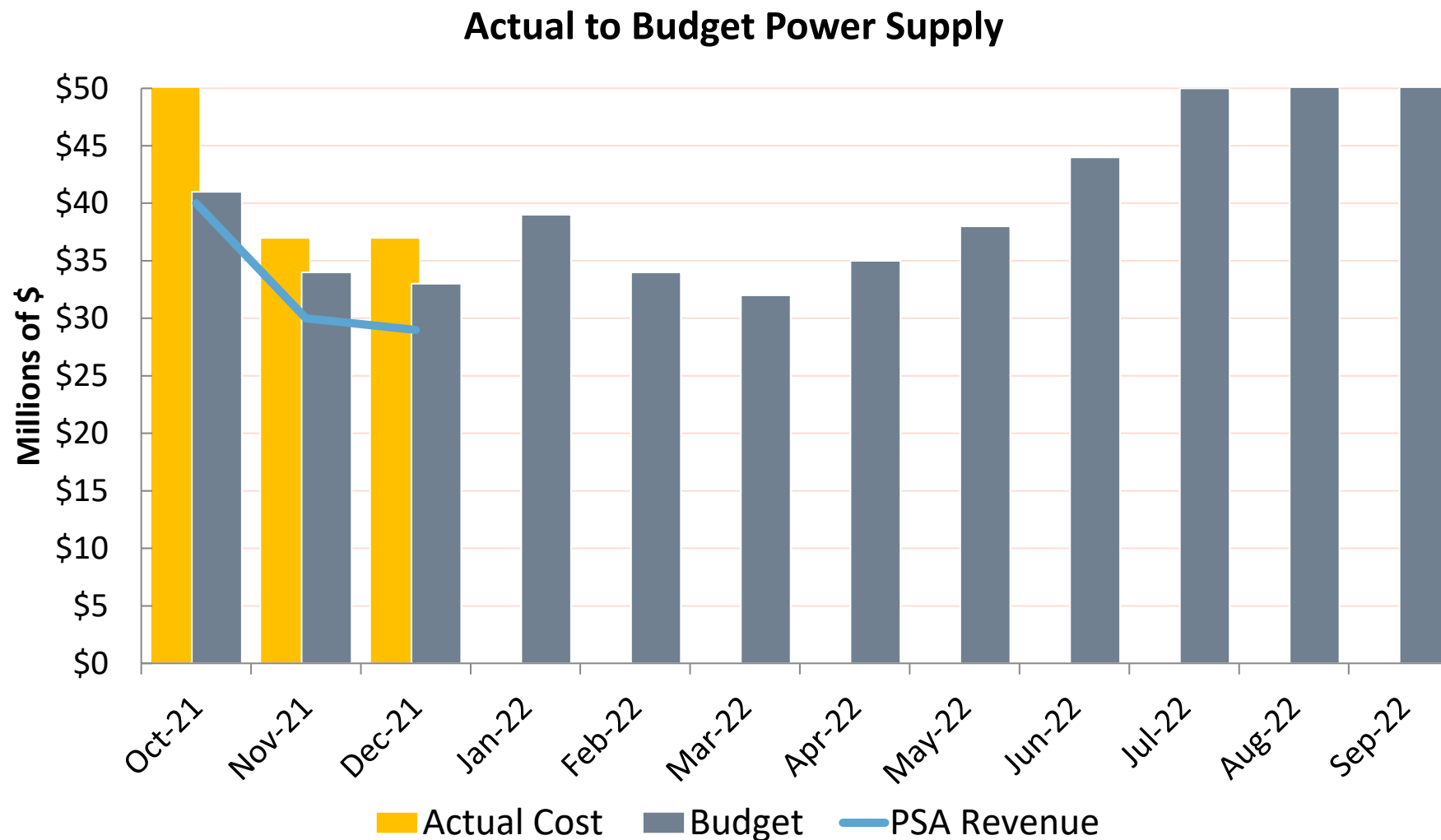


Actual to Budget Analysis

Actual to Budget Non-Power Supply Revenues



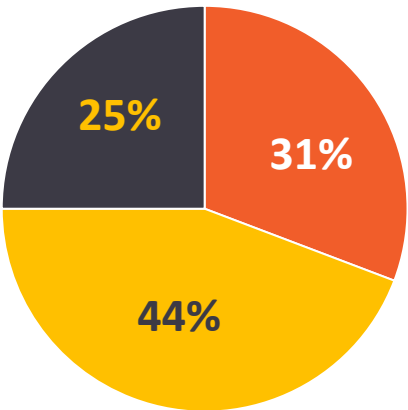
Actual to Budget Analysis



Capital Improvement Plan Summary

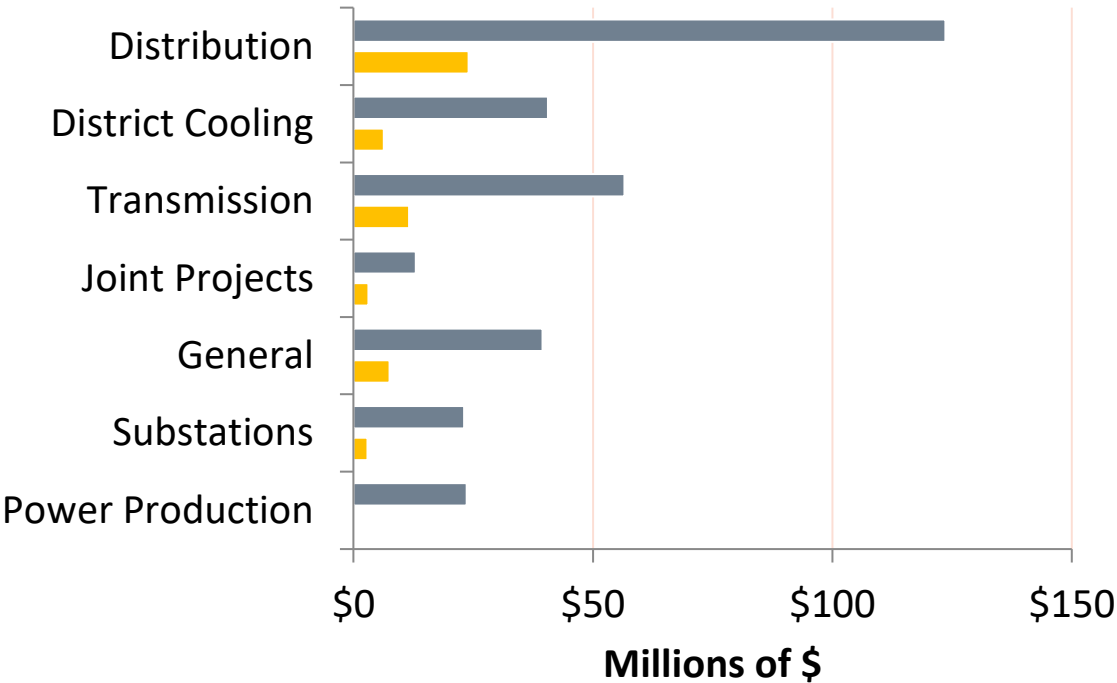
Fiscal Year Through December 31, 2021

Type of Financing



- Cash
- Debt
- Contributions in Aid of Construction

Type of Project



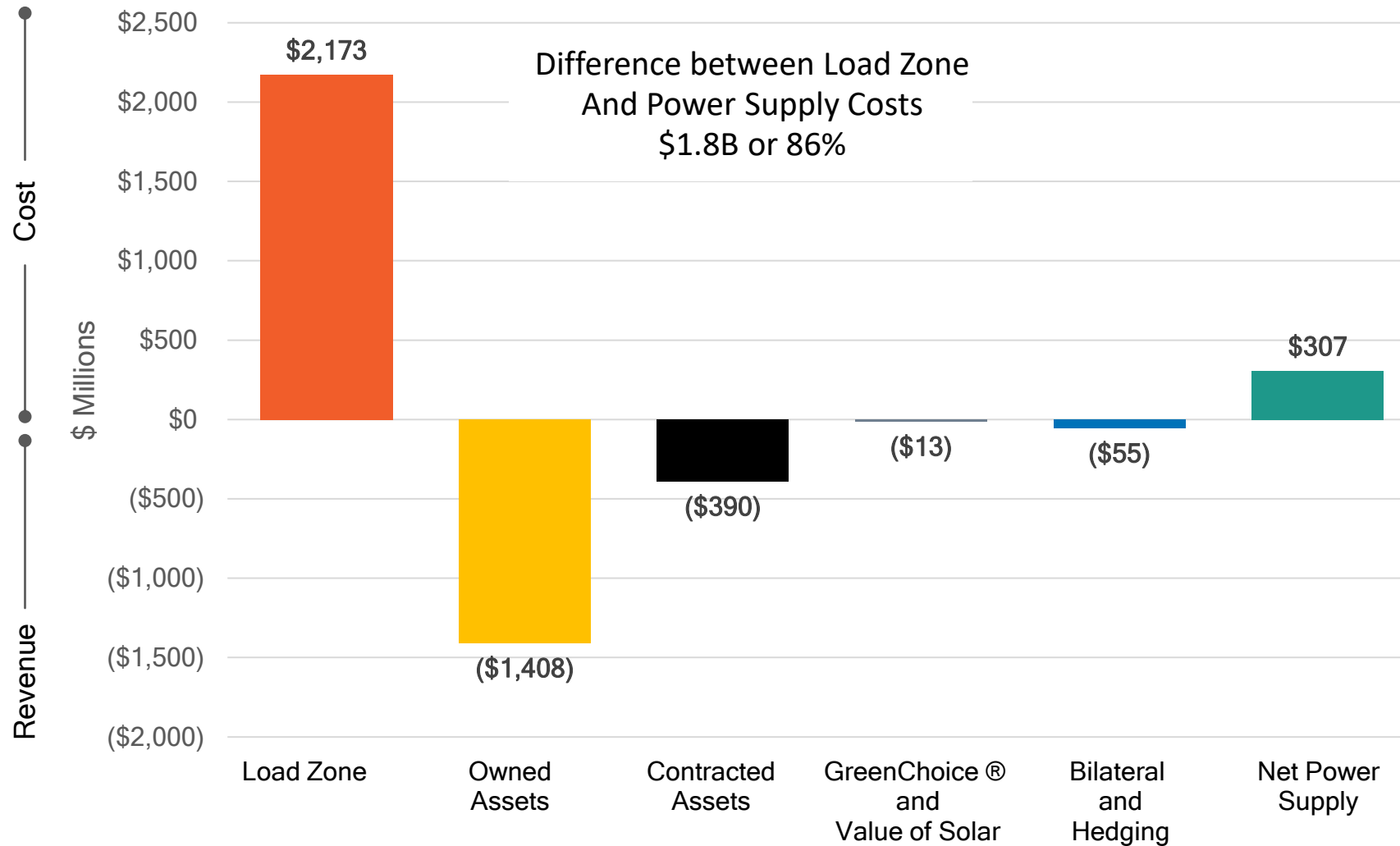
FY 2022 Spend Plan Year-to-Date



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Power Supply Adjustment Cost Components

Twelve Months Ending December 2021



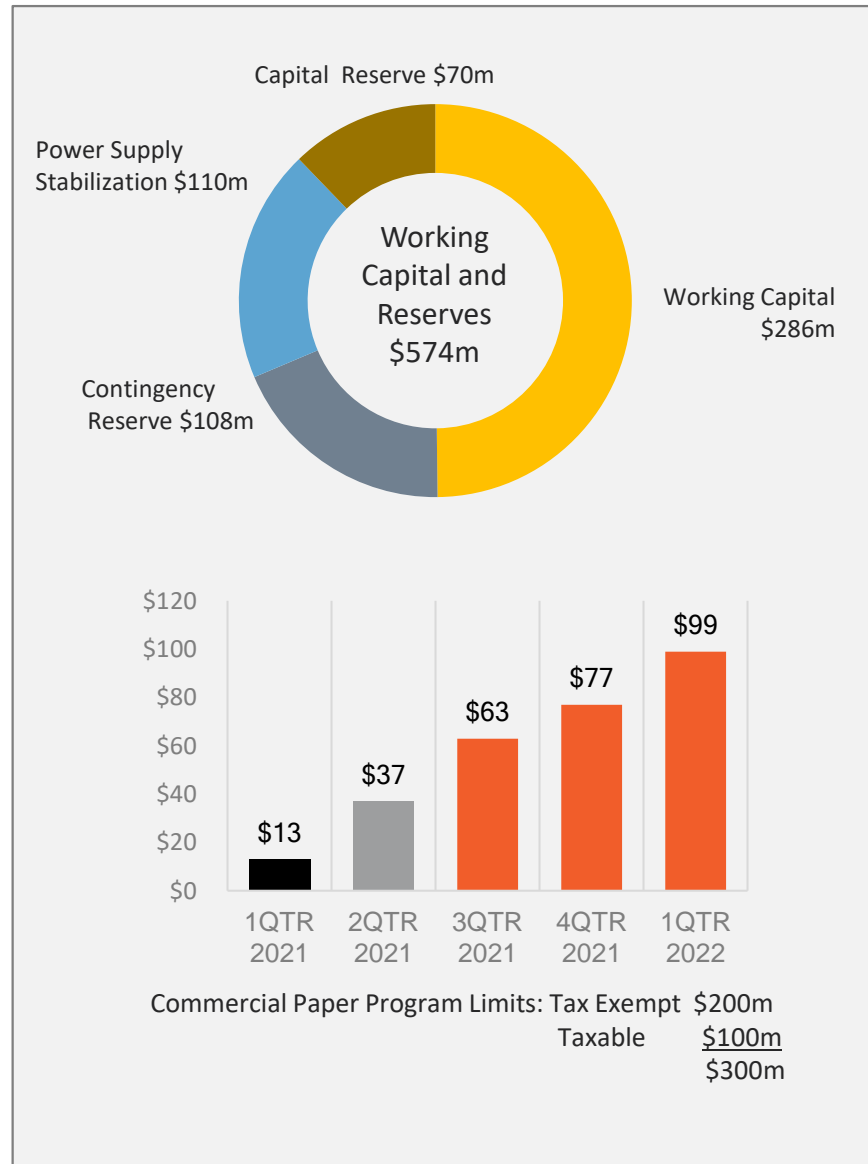
Austin Energy Quarterly Financial Report

Financial Statements



Balance Sheet Snapshot

| \$ in Millions | | |
|--|----------------|----------------|
| Assets | Dec 2020 | Dec 2021 |
| Cash | \$404 | \$286 |
| Current Assets | 279 | 327 |
| Capital Assets | 2,941 | 3,027 |
| Long-Term Assets | 2,153 | 2,319 |
| Total Assets | \$5,777 | \$5,959 |
| Liabilities and Fund Equity | | |
| Current Liabilities | \$231 | \$262 |
| Long-term Liabilities | 3,206 | 3,319 |
| Deferred Inflow of Resources | 488 | 595 |
| Retained Earnings | 1,852 | 1,783 |
| Total Liabilities & Fund Equity | \$5,777 | \$5,959 |



GAAP Financial Summary

Comparative Statement of Net Position

| \$ in Millions | 12/31/2020 | 12/31/2021 | Change |
|--|--------------|--------------|------------|
| Cash | \$404 | \$286 | (\$118) |
| Accounts Receivable (net) | 118 | 111 | (7) |
| Non-PSA Under-Recoveries | 2 | 28 | 26 |
| Debt Service | 12 | 13 | 1 |
| Contingency Reserve | 108 | 108 | - |
| Power Supply Stabilization Reserve | 110 | 110 | - |
| Capital Reserve | 70 | 70 | - |
| Nuclear Decommissioning Reserve | 237 | 242 | 5 |
| Other Restricted Assets | 229 | 191 | (38) |
| Other Assets | 1,546 | 1,773 | 227 |
| Capital Assets | 2,941 | 3,027 | 86 |
| Total Assets | 5,777 | 5,959 | 182 |
| Other Current Liabilities | 141 | 172 | 31 |
| Power Supply Over-Recovery | 3 | 75 | 72 |
| Non-PSA Over-Recoveries | 19 | 17 | (2) |
| Revenue Bonds | 2,086 | 1,991 | (95) |
| Commercial Paper | 13 | 99 | 86 |
| Other Long-Term Liabilities | 1,663 | 1,822 | 159 |
| Retained Earnings | 1,852 | 1,783 | (69) |
| Total Liabilities and Fund Equity | 5,777 | 5,959 | 182 |

Income Statement

| \$ in Millions | 12 Months Ending | |
|--------------------------------|------------------|---------------|
| | 12/31/2020 | 12/31/2021 |
| Operating Revenues | \$943 | \$958 |
| Power Supply Revenues | 421 | 354 |
| Power Supply Expenses | 368 | 300 |
| Non-Power Supply Expenses | 767 | 806 |
| Depreciation Expense | 284 | 282 |
| Operating Income/(Loss) | (\$55) | (\$76) |
| Other Revenue (Expense) | \$118 | \$123 |
| General Fund Transfer | (112) | (114) |
| Net Income/(Loss) | (\$49) | (\$67) |
| Debt Service Coverage | 2.0 | 1.7 |
| Debt Capital Ratio | 53% | 54% |

Average Number of Customers

513,860 524,998

2.2%

FYTD 2021

FYTD 2022

Total Sales in Gigawatt Hours

3,022 3,139

3.9%

FYTD 2021

FYTD 2022



Austin Energy Quarterly Financial Report

Market and Industry Analysis



Customer Growth



Plant Investment



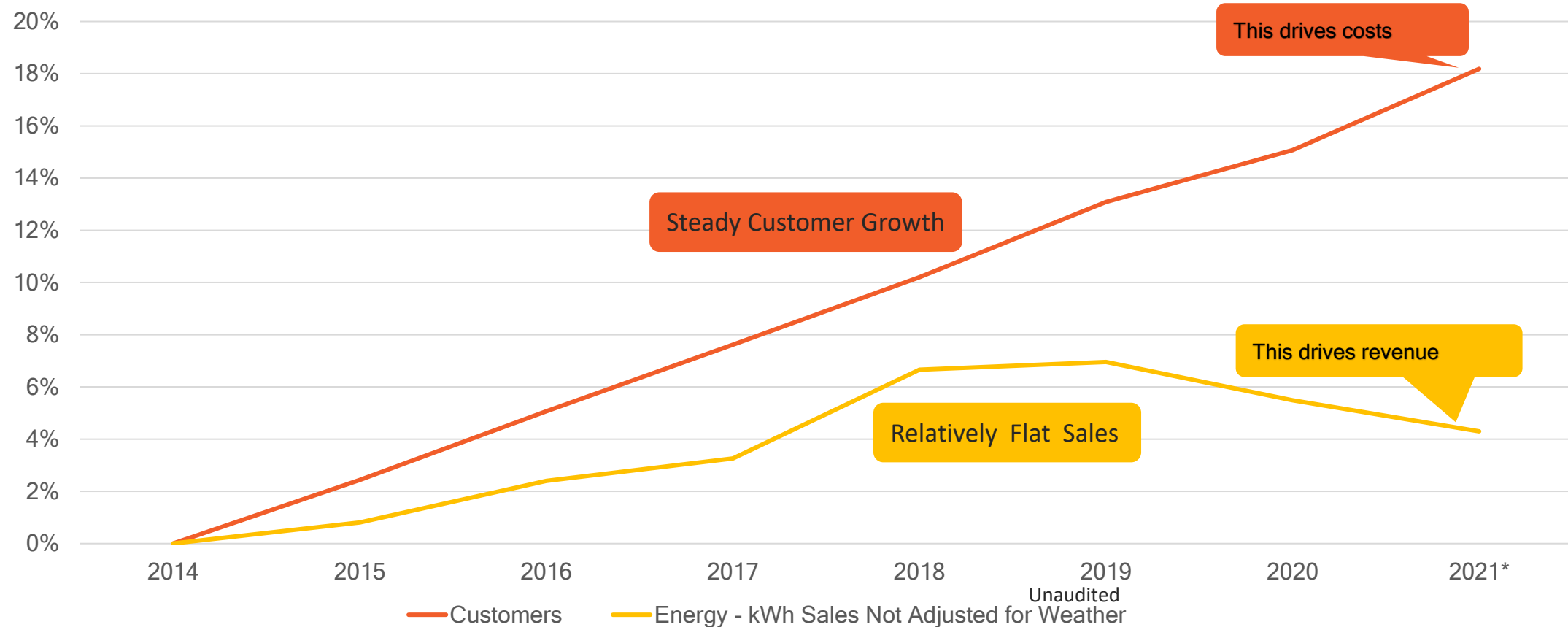
Increased Costs and
Marginal Load Growth

Obligation to serve coupled with customer growth drives increasing costs.



Customer Growth and Energy Sales are Disconnected

Commencing from Test Year 2014



Obligation to serve compels investment

\$2.1 billion in new plant from FY2014 to FY2021

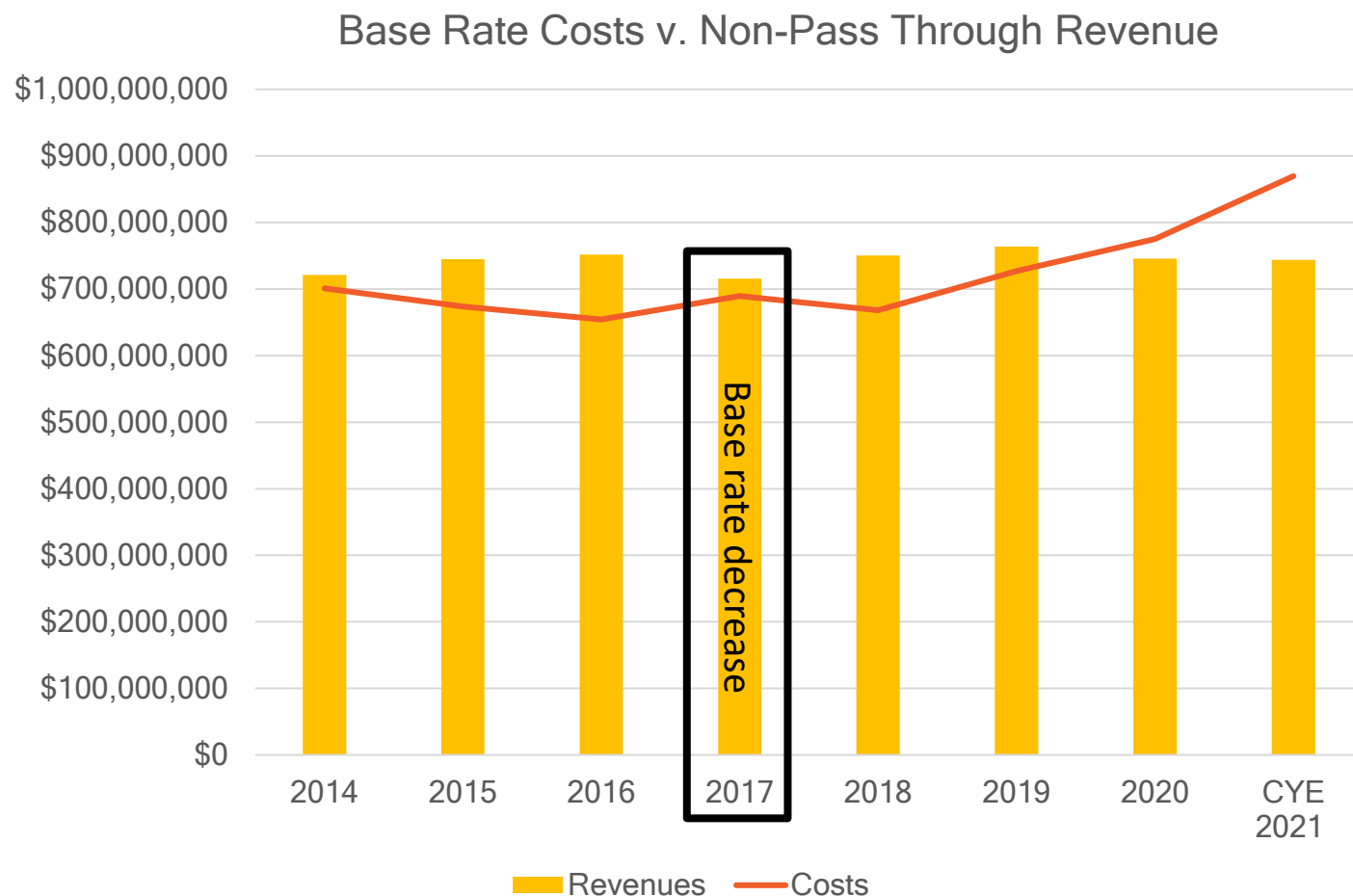
| | |
|------------------|-----------------|
| Distribution | \$673 M |
| Power Plant | \$569 M |
| Support Services | \$300 M |
| Transmission | \$237 M |
| Other | \$211 M |
| Substations | <u>\$ 99 M</u> |
| TOTAL | \$ 2.1 B |



Source: CIP Budget
and Planning.

Despite Customer Growth...

Marginal increases in energy sales aren't enough

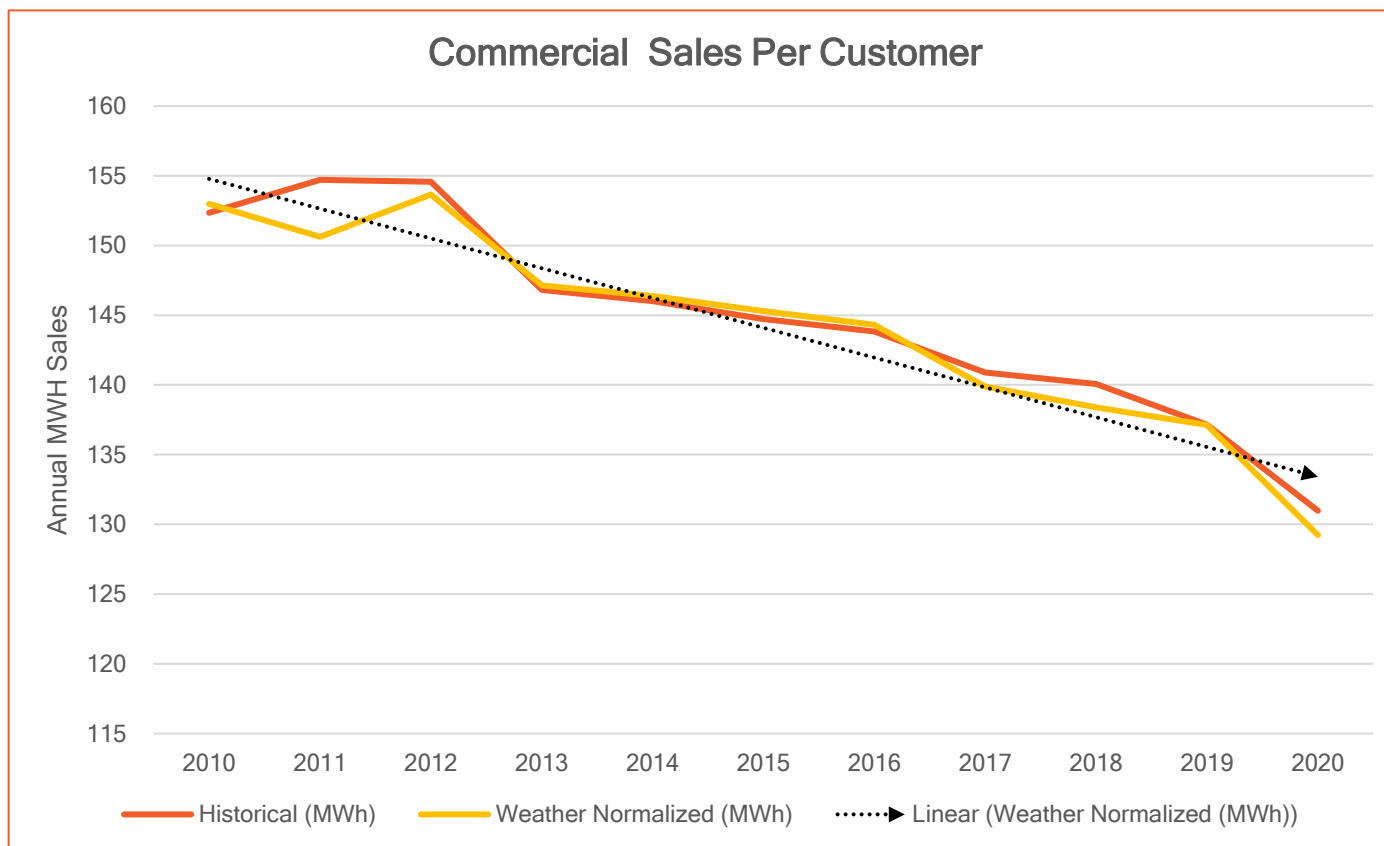


More customers does not equal more energy sales or base revenue.

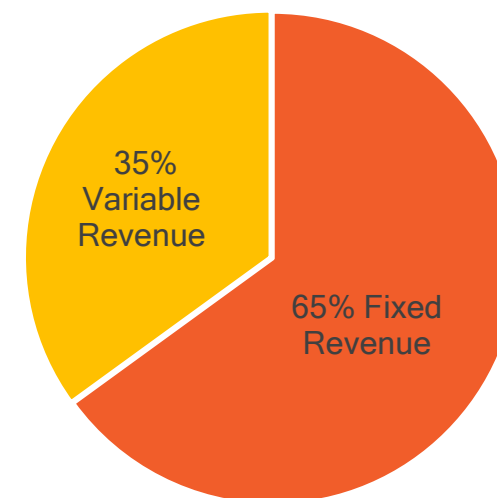
- Since 2014 , Austin Energy needed 2% increase in energy sales to breakeven
- On a weather normalized basis, Austin Energy averaged less than half of that.



C&I Avg Consumption Declining

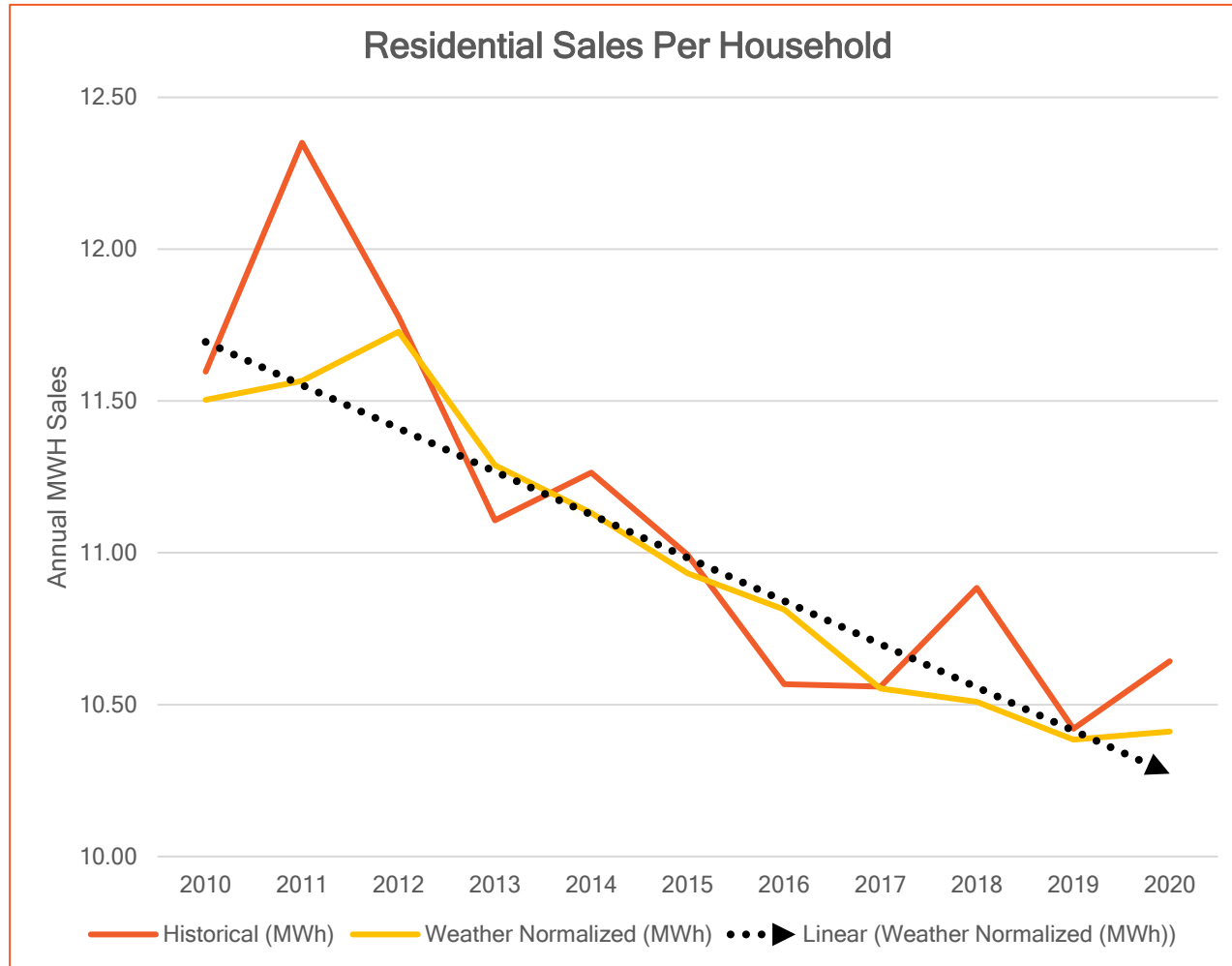


FY20 C&I Base Revenue



Source: FY2021 Financial Forecasting presentation.

Residential Customers Are More Energy Efficient



Why is Average kWh/Residential Customer Declining?

- Energy efficiency gains in building materials, lighting, HVAC, appliances and motors
- Transitory move to newer and/or smaller living spaces
- Austin Energy's significant and long-term community investment in energy efficiency programs (over \$35 million budgeted for FY2022)

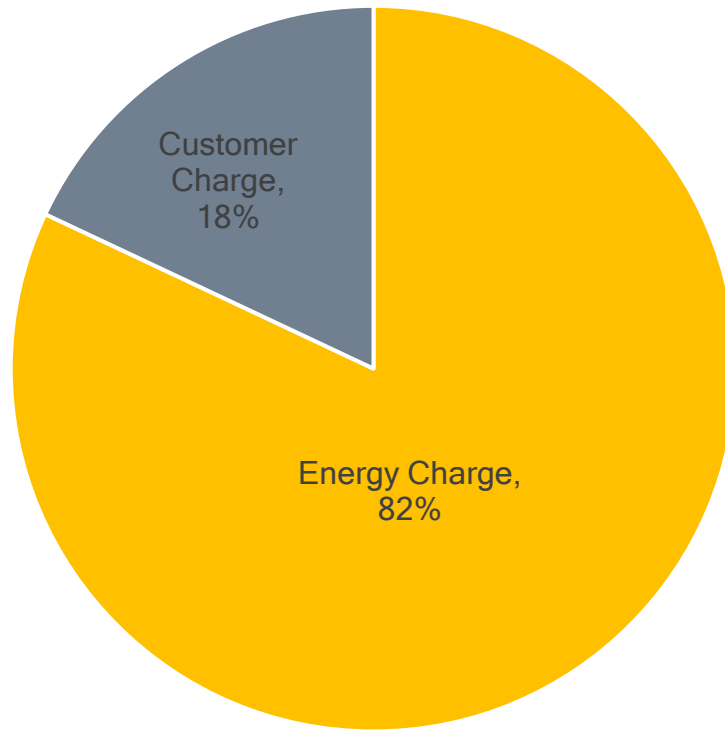


Source: FY2021 Financial Forecasting presentation.

Lagging Residential Sales Jeopardize Cost Recovery and Stability

Too few kWh sales to support rising costs

FY20 Residential Base Revenue



- 82% of residential base revenue is collected on kWh sales.
- Over reliance on energy sales for revenue creates instability for customers' bills and AE's revenue.
- Base revenue pays increasing fixed costs such as debt service, non-PSA contractuals, GFT and cash for construction: costs that do not vary with energy sales.
- Cost recovery is jeopardized as average residential consumption declines.
- **The residential rate design from 2012 is not tenable today.**





**Customer Driven.
Community Focused.**



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