

Austin Energy Quarterly Financial Report

1st Quarter FY 2019 (October – December)

Russell Maenius
Finance Director



February 11, 2019

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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



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



Substantially compliant with all financial policies.



Generally meet financial metrics supporting AA credit rating.



\$ 321

Million Revenues

Operating revenues exceed forecast by 0.8% due to higher power supply revenue.



\$293

Million Expenses

Operating expenses exceed forecast by 8.5% due to higher power supply costs.



Balance sheet is liquid and adequately capitalized.



Austin Energy's Community Benefit Charge is a "Pass Through" rate which funds street lights, energy efficiency services and the Customer Assistance Program.

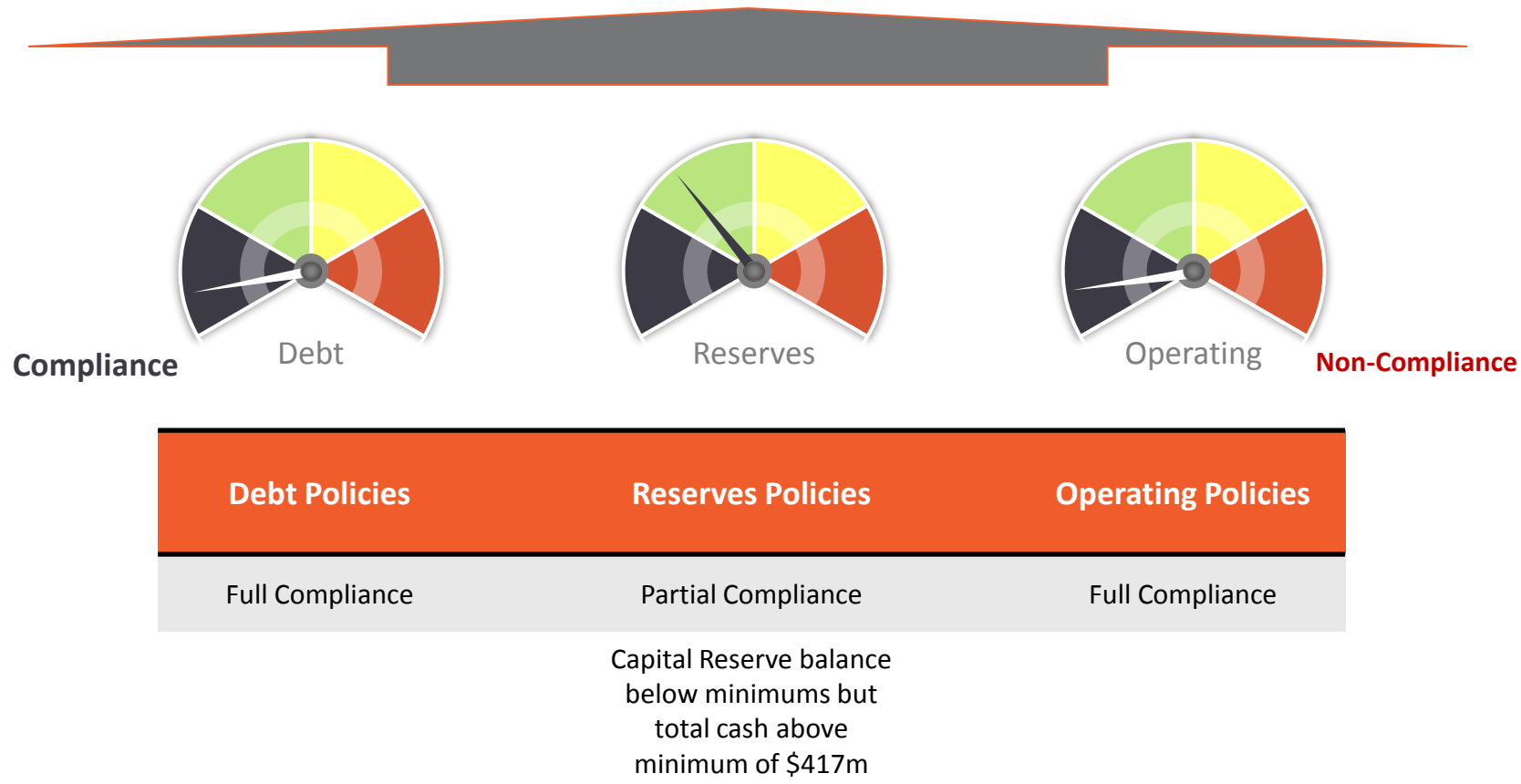


Austin Energy Quarterly Financial Report

Financial Policy Compliance



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



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 219 Days	Actual 3.4	Actual 4.4%	Actual 43.7%
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.



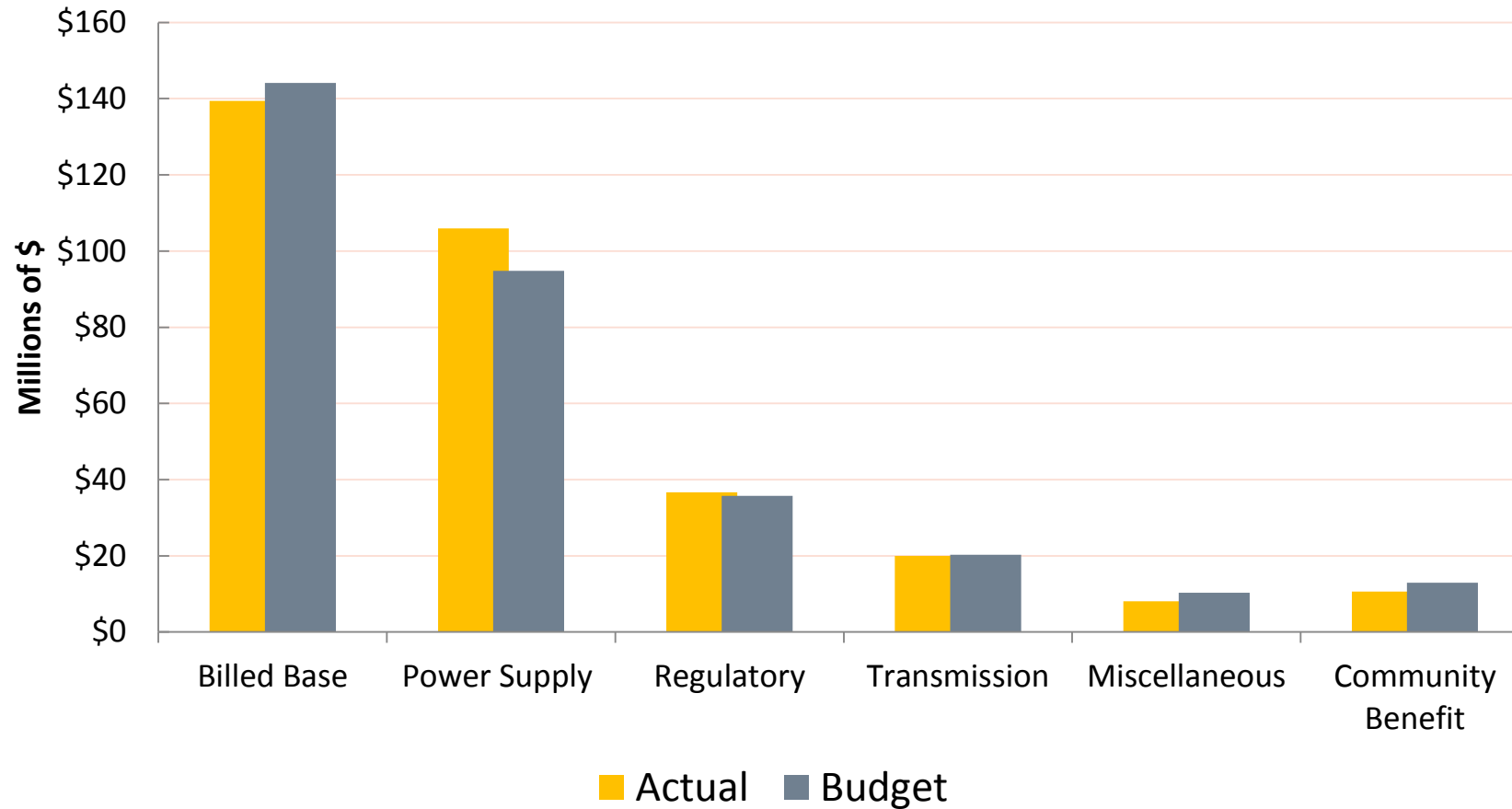
Austin Energy Quarterly Financial Report

Actual to Budget Analysis



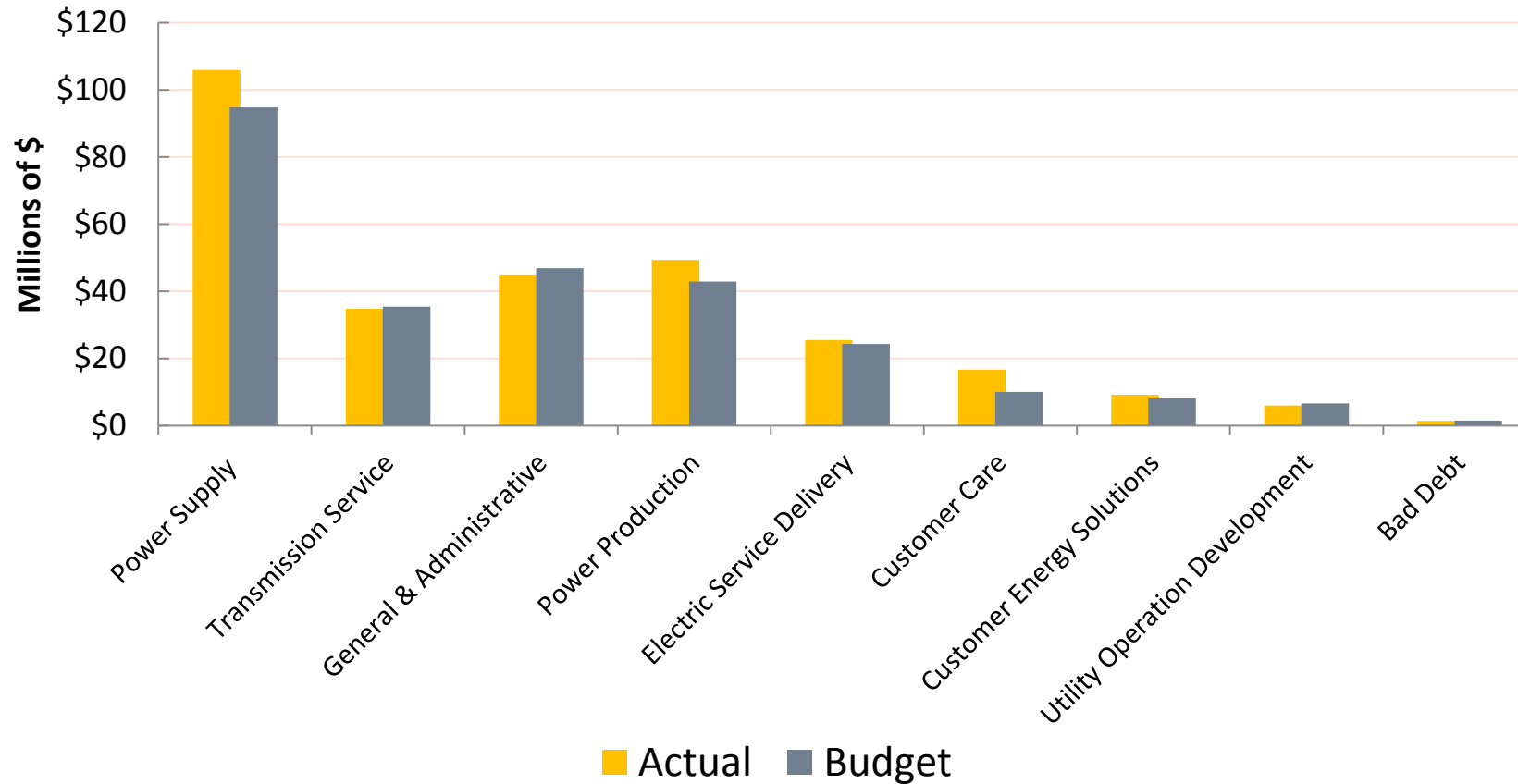
Actual to Budget Analysis

Budget Based Operating Revenues Fiscal Year Through December 31, 2018



Actual to Budget Analysis

Budget Based Operating Expenses Fiscal Year Through December 31, 2018



Actual to Budget Analysis

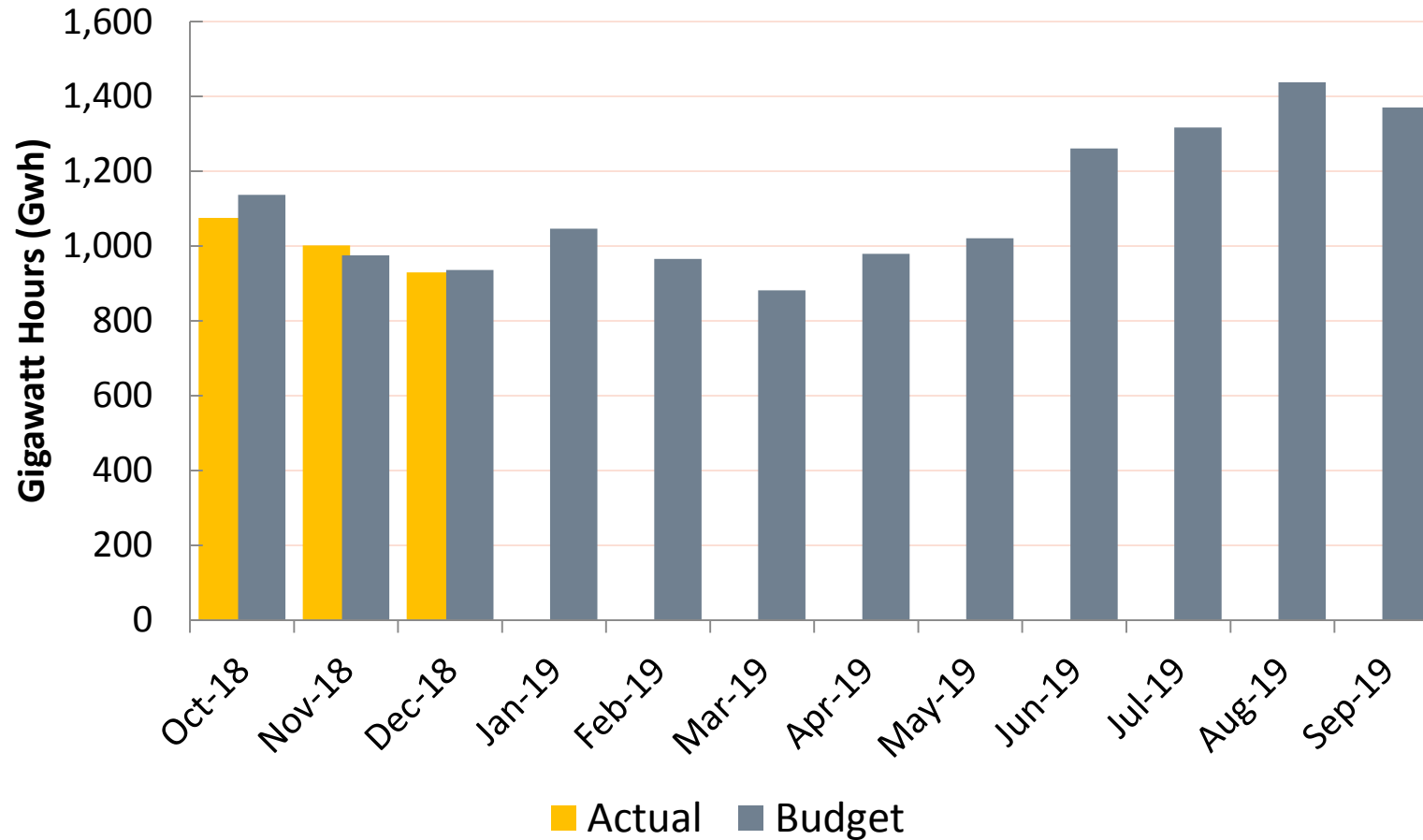
Budget Based Fund Summary Fiscal Year Through December 31, 2018

Millions of \$	Variance to Budget Favorable (Unfavorable)				Variance to Prior Year Favorable (Unfavorable)		
	Actual	Budget	Amount	%	Prior Year Actual	Amount	%
Operating Revenues	\$320.8	\$318.3	\$2.5	0.8%	\$306.2	\$14.6	4.8%
Operating Expenses	293.5	270.5	(23.0)	(8.5%)	262.6	(30.9)	(11.8%)
Operating Income (Loss)	\$27.3	\$47.8	\$(20.5)	(43.0%)	\$43.6	\$(16.3)	(37.5%)
Interest Revenue	3.9	2.3	1.6	72.2%	2.3	1.6	75.8%
Debt Service	(23.9)	(22.9)	(1.0)	(4.5%)	(23.8)	(0.1)	(0.2%)
Income (Loss) Before Transfers	\$7.3	\$27.2	\$(19.9)	(73.1%)	\$22.1	\$(14.8)	(66.7%)
Administrative Support	(7.2)	(7.2)	0	0%	(6.5)	(0.7)	(11.2%)
General Fund	(27.5)	(27.5)	0	0%	(27.3)	(0.2)	(0.9%)
Economic Development	(2.1)	(2.1)	0	0%	(1.7)	(0.4)	(24.2%)
CTM Fund	(2.5)	(2.5)	0	0%	(2.2)	(0.3)	(15.9%)
Other City Transfers	(0.0)	(0.0)	0	0%	(0.1)	0.1	85.4%
Internal Transfers / CIP	(56.7)	(56.7)	0	0%	(49.7)	(7.0)	(14.1%)
Excess (Deficiency) of Revenues	\$(88.7)	\$(68.8)	\$(19.9)	(29.0%)	\$(65.4)	(23.3)	(35.6%)



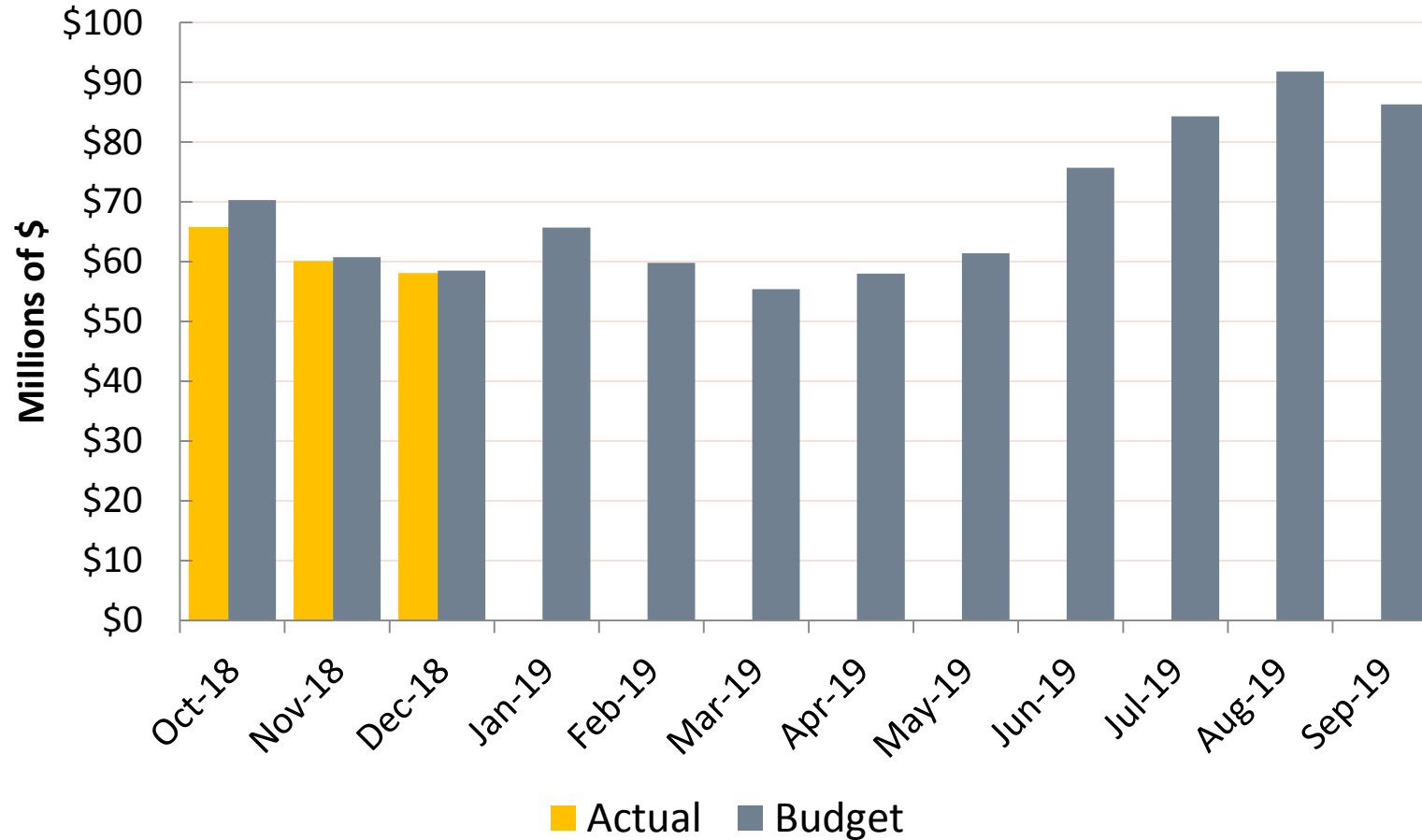
Actual to Budget Analysis

Actual to Budget Retail Energy Sales

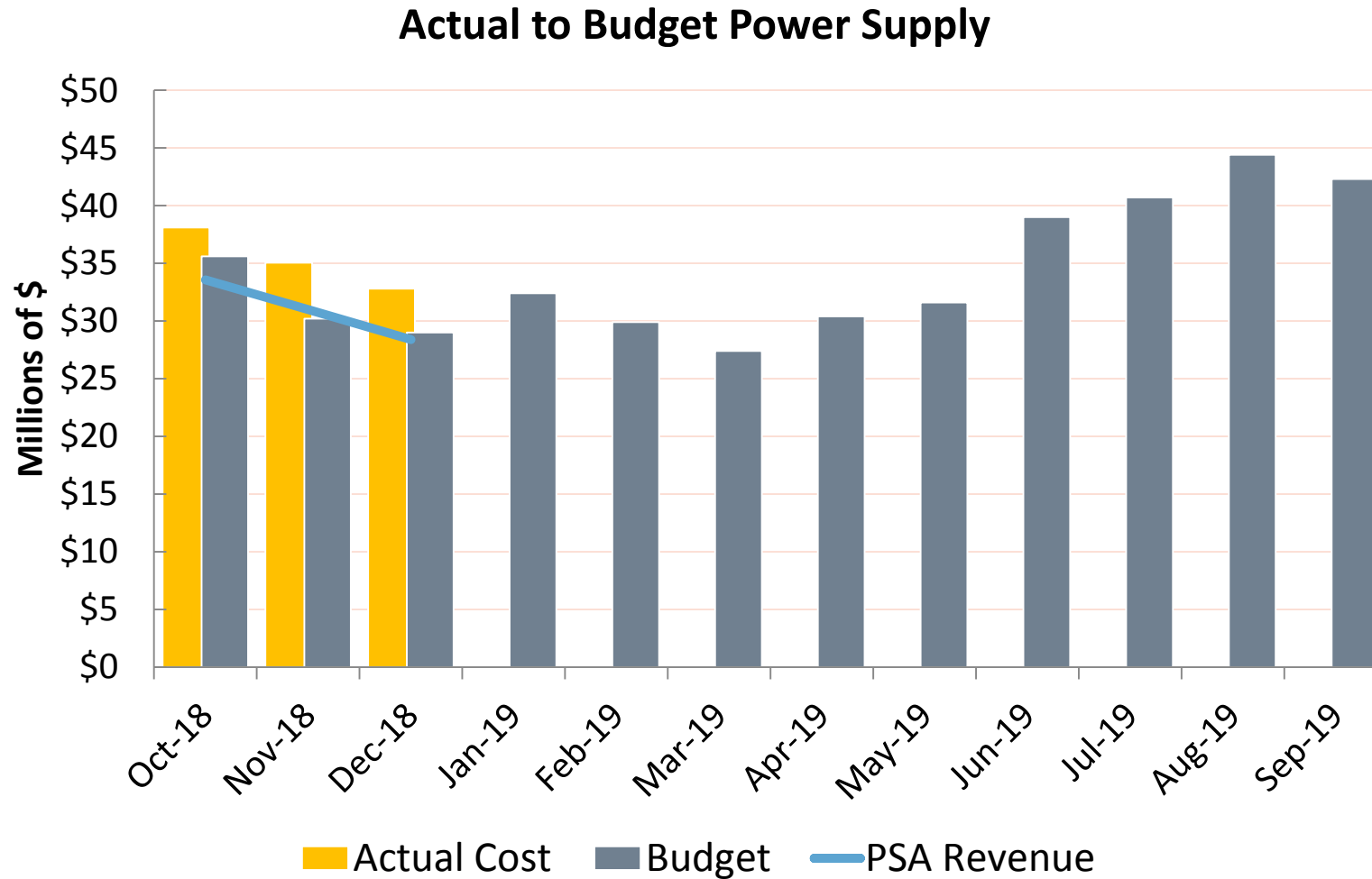


Actual to Budget Analysis

Actual to Budget Non-Power Supply Revenues



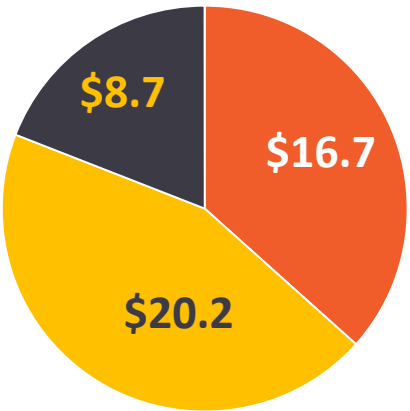
Actual to Budget Analysis



Capital Improvement Plan Summary

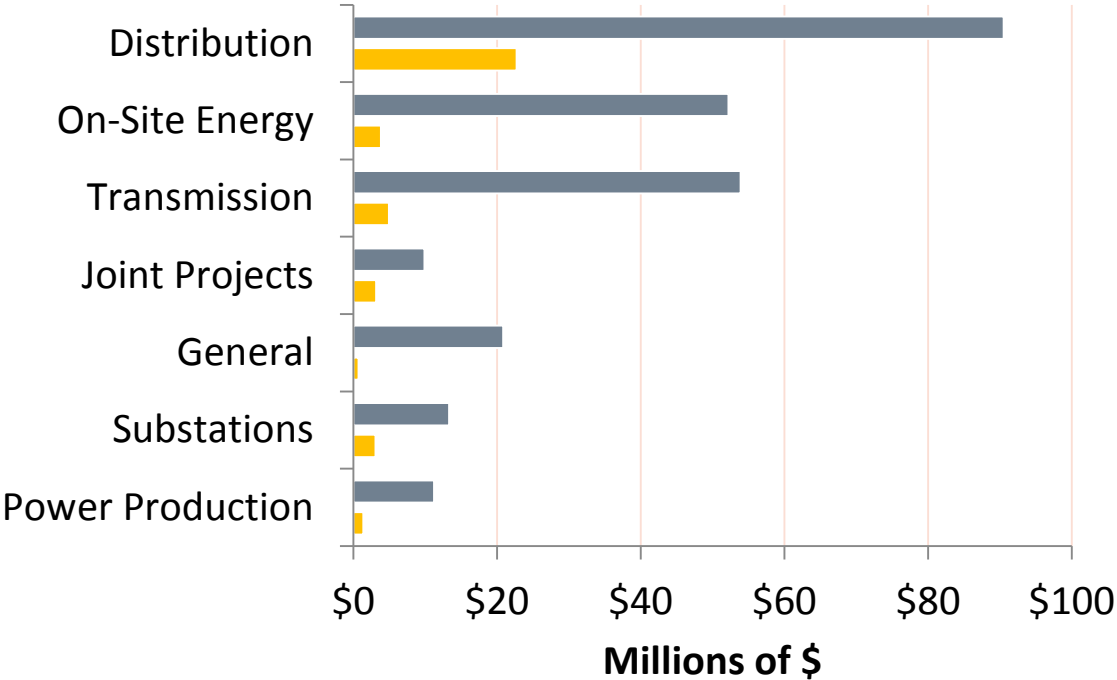
Fiscal Year Through December 31, 2018

Type of Financing



- Cash
- Debt
- Contributions in Aid of Construction

Type of Project



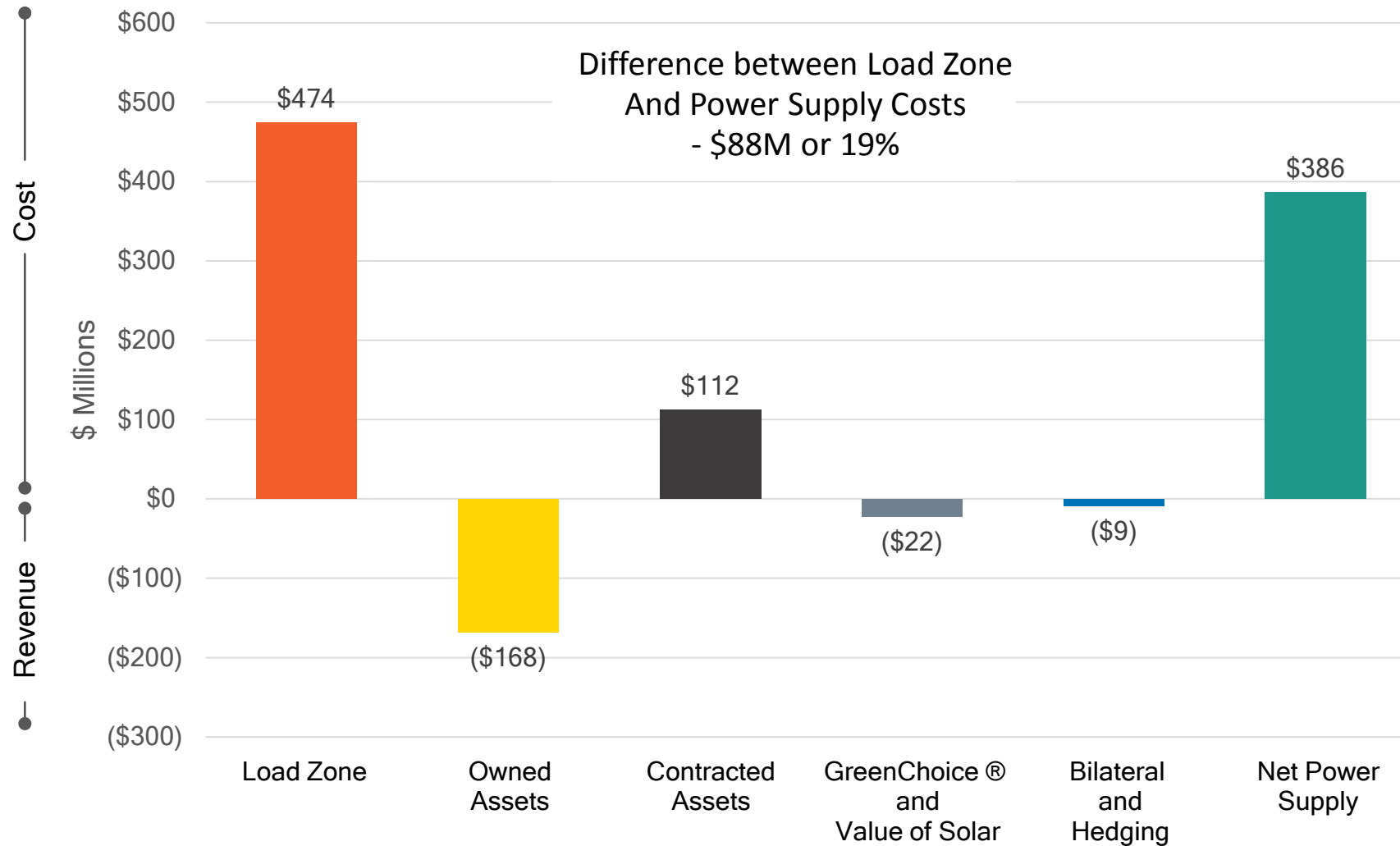
■ FY 2019 Spend Plan ■ Year-to-Date



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Power Supply Adjustment Cost Components

Twelve Months Ending December 2018



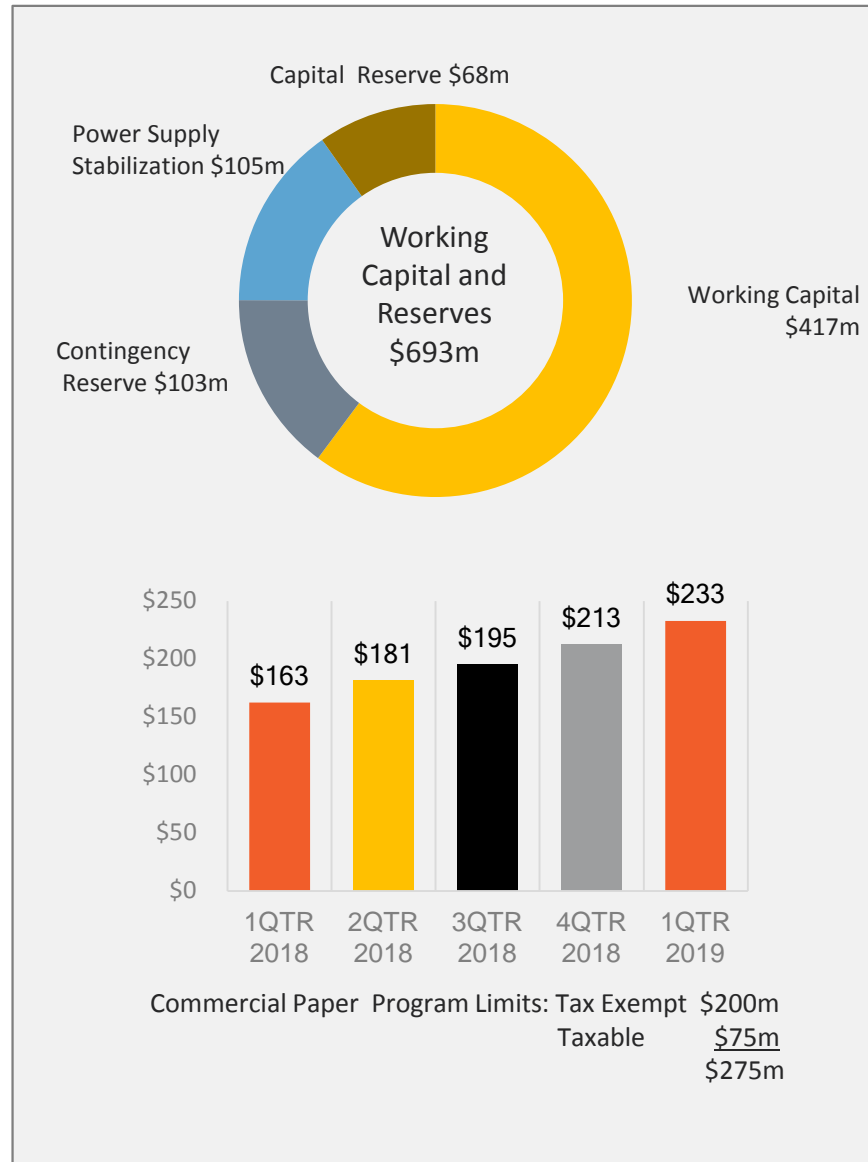
Austin Energy Quarterly Financial Report

Financial Statements



Balance Sheet Snapshot

\$ in Millions			
Assets		Dec 2017	Dec 2018
Cash	↑	\$378.2	\$417.2
Current Assets		264.4	252.3
Capital Assets		2,585.4	2,586.6
Long-Term Assets	↑	1,191.5	1,419.7
Total Assets		\$4,419.5	\$4,675.8
Liabilities and Fund Equity			
Current Liabilities		\$172.9	\$195.9
Long-term Liabilities	↑	2,037.7	2,173.7
Deferred Inflow of Resources		361.0	423.4
Retained Earnings		1,847.9	1,882.8
Total Liabilities & Fund Equity		\$4,419.5	\$4,675.8



GAAP Financial Summary

Comparative Statement of Net Position

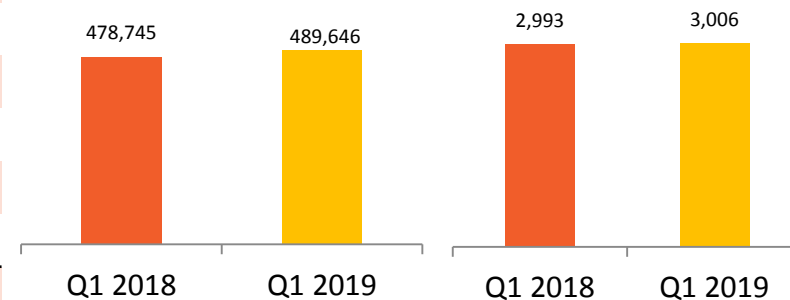
\$ in Millions	12/31/2017	12/31/2018	Change
Cash	\$378	\$417	\$39
Accounts Receivable (net)	103	103	-
Non-PSA Under-Recoveries	5	2	(3)
Debt Service	8	8	-
Contingency Reserve	97	103	6
Power Supply Stabilization Reserve	95	105	10
Capital Reserve	42	68	26
Nuclear Decommissioning Reserve	216	223	7
Other Restricted Assets	120	127	7
Other Assets	770	933	163
Capital Assets	2,585	2,587	2
Total Assets	\$4,419	\$4,676	\$257
Other Current Liabilities	\$132	\$144	\$12
Power Supply Over-Recovery	29	22	(7)
Non-PSA Over-Recoveries	8	21	13
Revenue Bonds	1,271	1,227	(44)
Commercial Paper	163	233	70
Other Long-Term Liabilities	968	1,146	178
Retained Earnings	1,848	1,883	35
Total Liabilities and Fund Equity	\$4,419	\$4,676	\$257

Income Statement

\$ in Millions	12 Months Ending	
	12/31/2017	12/31/2018
Operating Revenues	\$911	\$946
Power Supply Revenues	440	468
Power Supply Expenses	440	468
Non-Power Supply Expenses	617	687
Depreciation Expense	164	166
Operating Income/(Loss)	\$130	\$93
Other Revenue (Expense)	\$(4)	\$45
General Fund Transfer	(108)	(109)
Net Income/(Loss)	\$18	\$29
Debt Service Coverage	3.8	3.4
Debt Equity Ratio	44%	44%

Average Number of Customers

Total Sales in Gigawatt Hours



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Austin Energy Quarterly Financial Report

Market and Industry Analysis



Community Benefit Charge

Primer on the Community Benefit Charge and its Uses



Service Area Lighting

Recovers the cost of street lighting, the operation of traffic signals, and certain lights owned by the City of Austin and operated on behalf of the City's Parks and Recreation Department.



Energy Efficiency Services

Recovers the cost of energy efficiency rebates and related costs, weatherization, solar incentives, and the Green Building program.



Customer Assistance Program

Funds projects that help qualifying low-income and other disadvantaged residential customers through bill discounts, payment assistance (Plus 1), arrearage management, and weatherization services.



Regulatory Accounting

“Pass Through Rates”

- Public utilities that have regulated rates utilize accounting standards that can promote rate stability
- GASB 62 allows the recovery of costs over different periods than those costs would be recognized as expenses under generally accepted accounting principles
- Referred to as “Pass Through” rates and include Community Benefit Charge, Power Supply Adjustment and Regulatory Charge
- Forecasting future pass through rates is inexact and creates situations where these funds are over or under-collected
- Austin Energy adjusts future pass through rates to return or collect the over or under-balances



Customers That Pay the Community Benefit Charge

Customer	SAL	EES	CAP
Residential - In-City	✓	✓	✓
Residential - Out-of-City		✓	✓
Residential - CAP	✓	✓	
Commercial - In-City	✓	✓	✓
Commercial - Out-of-City		✓	✓
Commercial - High Load Factor with Contract			✓



Current Approved CBC Rates

Rate Schedules	Service Area Lighting	Energy Efficiency Services	Customer Assistance Program
Secondary Voltage (Residential) (\$/kWh)			
Inside City Limits	\$0.00124	\$0.00335	\$0.00154
Outside City Limits		\$0.00335	\$0.00106
Secondary Voltage (Non-Residential) (\$/kWh)			
Inside City Limits	\$0.00124	\$0.00335	\$0.00058
Outside City Limits		\$0.00335	\$0.00058
Primary Voltage (\$/kWh)			
Inside City Limits	\$0.00122	\$0.00327	\$0.00058
Outside City Limits		\$0.00327	\$0.00058
Transmission Voltage (\$/kWh)			
Inside City Limits	\$0.00120	\$0.00323	\$0.00058
Outside City Limits		\$0.00323	\$0.00058
Primary and Transmission Voltage \geq 20 MW @ 85% aLF (\$/kWh)			
Inside City Limits			\$0.00058
Outside City Limits			\$0.00058



Average Residential Customer Monthly Bill

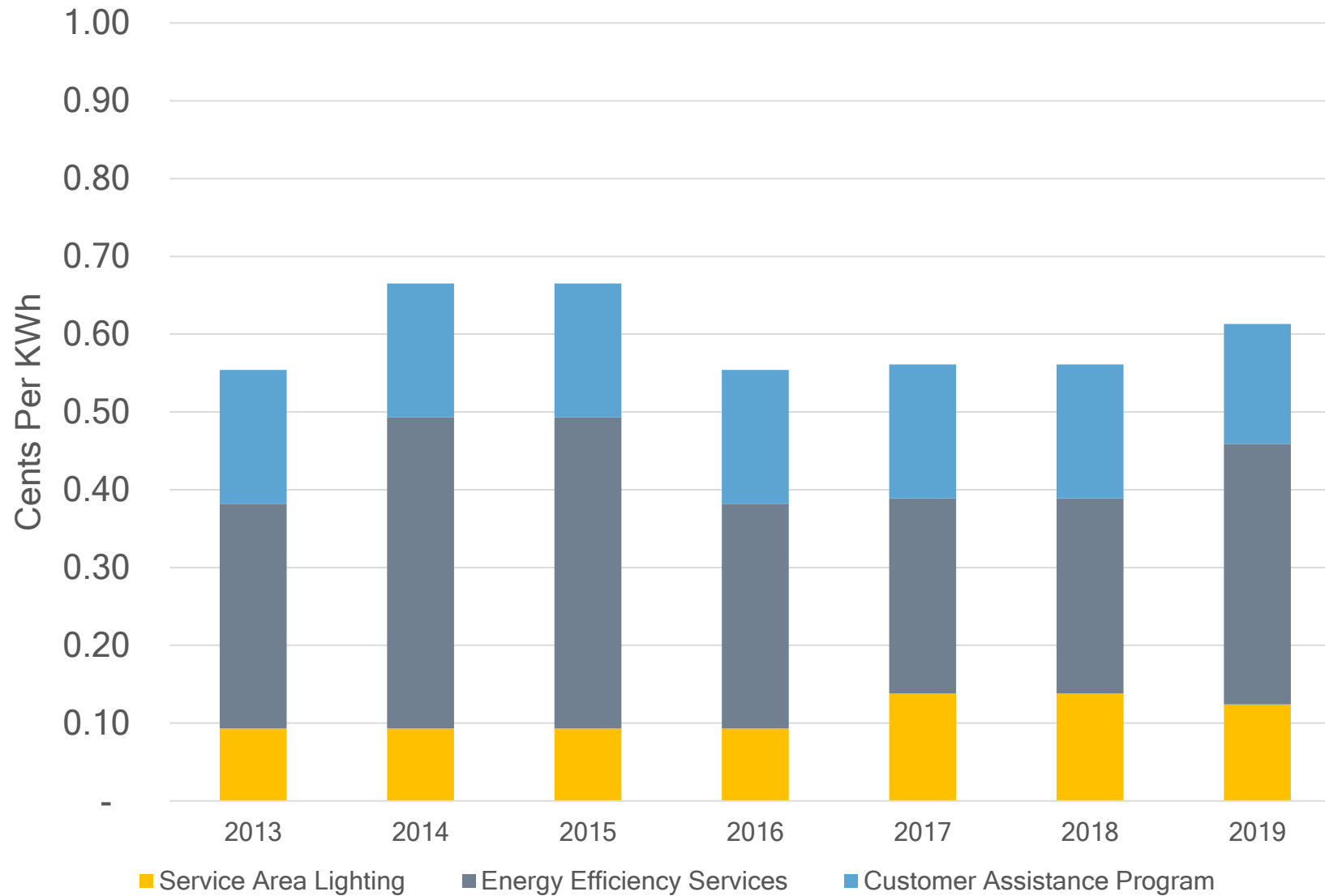
Relative Portion Attributed to the Community Benefit Charge

City of Austin Residential Non-CAP Customer using 860 KWh (2018 Average Monthly Consumption)

Type of Charge	Monthly Cost	As a % of Total Bill
Customer Charge	\$10.00	12%
Energy Charge	<u>\$35.01</u>	<u>40%</u>
Base Charge	\$45.01	52%
Power Supply Adjustment	\$24.90	29%
Community Benefit Charge	\$5.27	6%
Regulatory Charge	<u>\$11.54</u>	<u>13%</u>
Pass Through Charges	\$41.71	48%
Total	\$86.72	100%

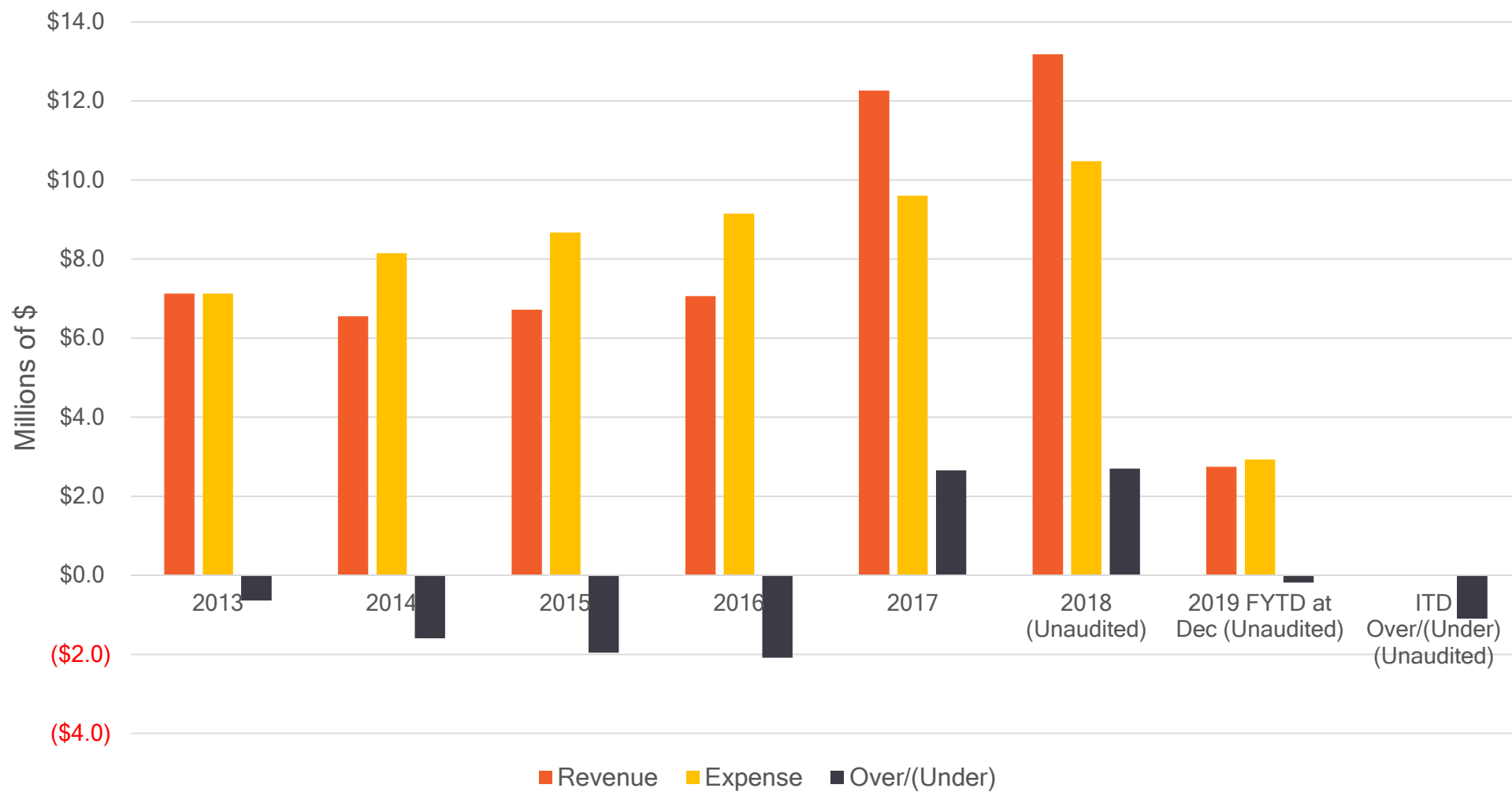


City of Austin Residential Community Benefit Charge



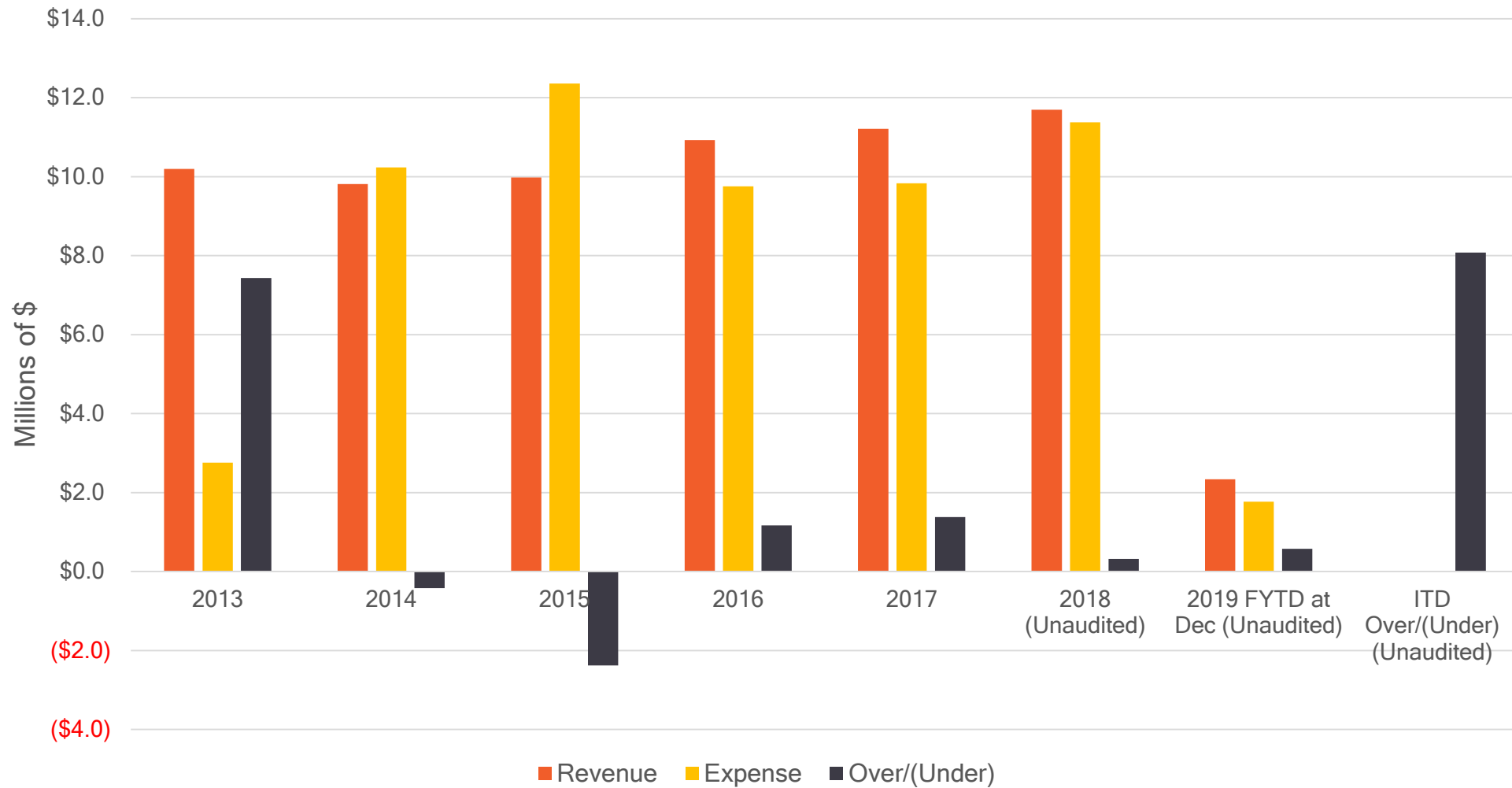
Service Area Lighting

Historical Revenues, Expenses and Over/(Under)



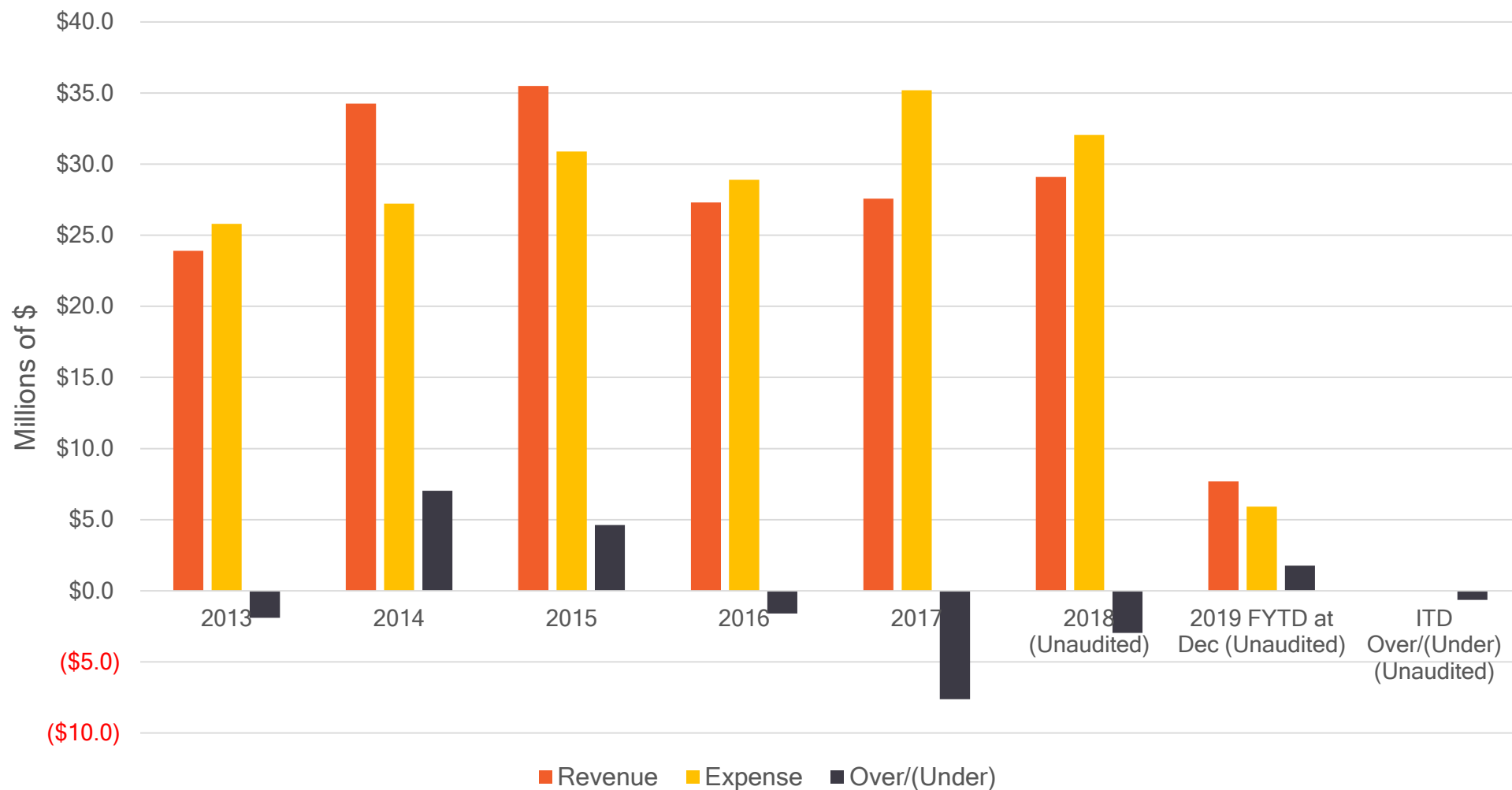
Customer Assistance Program

Historical Revenues, Expenses and Over/(Under)



Energy Efficiency Services

Historical Revenues, Expenses and Over/(Under)





**Customer Driven.
Community Focused.**



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