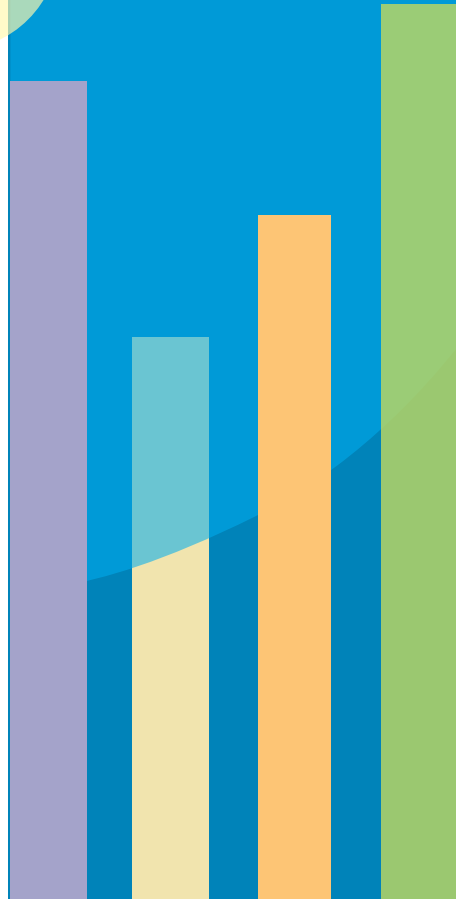


FOURTH Quarter & Year End REPORT



FISCAL YEAR
2014

www.austinenenergy.com



YEAR IN REVIEW

Austin Energy was able to have a strong finish for Fiscal Year 2014, according to unaudited, unofficial numbers. The utility ended the year with an increase of 6 percent — or \$80 million — in total revenue over the prior fiscal year. The utility's financial strength also showed in positive net income of \$31 million for the year, despite increased expenses that brought net income lower than the previous fiscal year.

As the Central Texas region continues to grow, so does the utility's customer base. Austin Energy has nearly 440,000 customers and the utility is seeing about a 1.2 percent growth rate in its customer base. But with all this growth and greater demand for electrical resources, affordability becomes a key issue. After discussions with Austin City Council, Austin Energy adjusted required fee increases to fall within the City's affordability standards. The two affected charges, the Regulatory Charge and the Power Supply Adjustment charge, are pass-through charges. They are critical to covering increased uncontrollable costs in providing clean and reliable energy to customers.

The PSA recovers the cost Austin Energy pays for its fuel and power supply. The Regulatory Charge is the utility's share of the statewide costs for using the transmission grid and ERCOT administrative fees.

As approved by Council and beginning Oct. 1, 2014, the PSA increases the average 1,000 kilowatt-hour monthly bill by \$2.36 and the Regulatory Charge increases the same bill by 36 cents. These fee increases come to a 1.9 percent increase in overall rates — below the 2 percent affordability goal.

Through Austin Energy's power portfolio, numerous energy efficiency programs and assistance programs including the Customer Assistance Program designed to help customers in need, the utility is helping the region meet its energy needs while keeping customer costs down.

FY 2014 accomplishments

- Through Austin Energy's Dark Sky and Streetlight Automation Project, the utility automated all 56,000 streetlights and expects to save more than 4.3 million kilowatt-hours per year while avoiding the emission of about 3,000 tons of carbon dioxide.
- Austin Energy was recognized for the 10th time by the U.S. Environmental Protection Agency with the ENERGY STAR® Partner of the Year—Sustained Excellency Award for its leadership in protecting the environment through energy efficiency programs.
- Austin 3•1•1 launched a new app that allows residents to easily communicate in real time with the City about needed services using their mobile devices.
- In further support of renewable energy and innovative technologies, Austin Energy was the title sponsor for Formula Sun Grand Prix, the qualifying race for the American Solar Car Challenge cross-country race.
- Austin Energy's Plug-In EVerywhere™ recorded more than 55,000 charging sessions at its more than 200 public charging stations.

CUSTOMER ASSISTANCE PROGRAM STATS

Residential Customers Enrolled: > 42,800

Benefits Provided: > \$8.9 Million

Weatherization Program Referrals: 275

GENERATION HIGHLIGHTS

A major component of Austin Energy's business and core values is the utility's commitment to renewable energy. The publicly owned utility used fiscal year 2014 as a time to bolster its renewable energy holdings and achieve major milestones far ahead of schedule while laying the foundation for a sustainable path into the future.

In February, the Austin City Council approved a new wind energy contract with Lincoln Renewable Energy for up to 300 megawatts of power over 18 years. The wind project, consisting of 160 wind turbines in Castro County, is expected to come online in the fourth quarter of 2015 and is the least expensive wind purchase since Austin Energy began seeking wind contracts in the late 1990s. Factoring this contract in with the utility's existing renewable energy portfolio pushes Austin Energy closer to reaching 35 percent renewable energy by 2016, four years ahead of schedule.

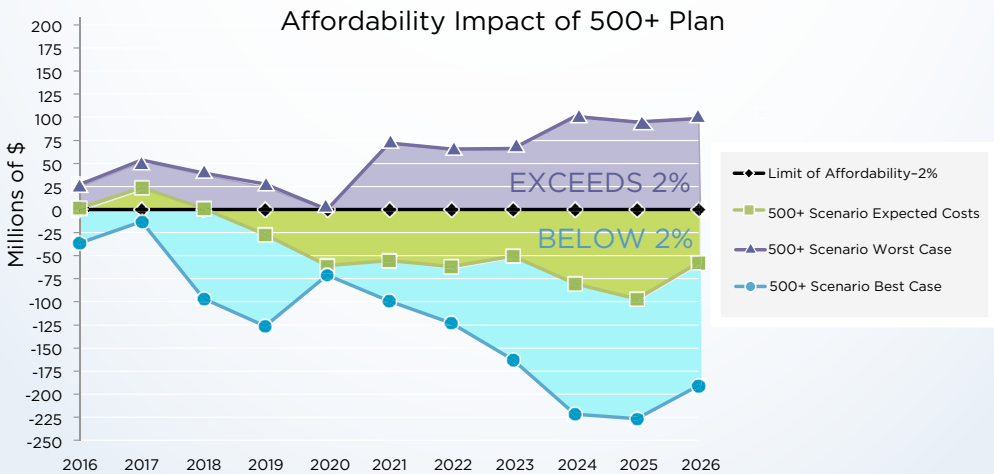
Continuing this trend, Austin Energy contracted with Recurrent Energy in May to create Texas' largest single solar facility. The 150 MW plant will be five times the size of the Webberville Solar Farm, where the utility already contracts for solar energy. This move puts Austin Energy in a superb position to reach the previous goal of 200 MW of solar energy by 2020 while strengthening the renewable industry in Texas.

Even with Austin Energy's current renewable energy accomplishments, the utility is looking to continue leading the way. A Task Force appointed by the Austin City Council met through the second half of FY 2014 and recommended a plan to make solar power the default power source, eliminating fossil-fuel power sources such as coal and natural gas. In response to the recommendation, Council adopted Resolution 157, which includes directives for the utility to add 600 MW of solar resources and to decommission Decker Power Plant, if affordability goals can be met.

In completing the scheduled update of the Austin Energy Generation Plan, the utility evaluated the provisions of Resolution 157 and found they would not be affordable under the guidelines that prevent increases in rates greater than 2 percent per year. Austin Energy prepared a report for the Council in October 2014 that offered an alternative that would add 500 MW of solar, 375 MW of wind and a 500 MW combined cycle natural gas-fired power plant. Revenues from the combined cycle plant would help provide greater rate stability and maintain affordable overall costs through market sales.

The "500+ Plan" would achieve many of the renewable and carbon-free goals of Resolution 157 while providing affordable rates. The Council is expected to provide additional direction about the utility's path to sustainability in FY 2015.

For more information on Austin Energy's renewable energy portfolio and programs, visit austinenenergy.com/go/environment.



FINANCIAL RESULTS - FY 2014 Ended Sept. 30, 2014

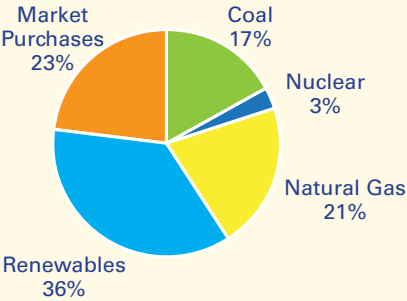
Austin Energy's preliminary, unaudited financial results for fiscal year 2014 ending Sept. 30 show positive results. Operating revenue grew over the fiscal year by \$33 million mainly due to increased regulatory revenue that recovers transmission expense and increased transmission service revenue due to increased usage and access fees.

According to preliminary and unaudited numbers for FY 2014, net income was \$31 million compared to \$67 million net income in FY 2013. The following items were significant factors:

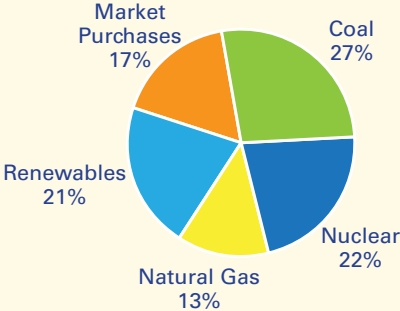
- Total revenue — operations revenue and fuel revenue — increased \$80 million or 6 percent from the prior year primarily due to increased transmission revenue as well as the power supply adjustment revenue.
- Non-fuel operations and maintenance expenses were \$48 million higher compared to prior year because of increases in transmission expenses, conservation rebates and administrative support transfers.
- Power supply expenses were \$502 million or \$47 million higher than during the same period last year due to the larger amount of renewable energy purchased and an increase in kilowatt-hour sales over the fiscal year.

Overall, Austin Energy's preliminary financial results show a \$32 million increase in cash over the fiscal year. This increase will aid in replenishing reserve levels and allow the utility to invest in operational technologies and competitive generation resources.

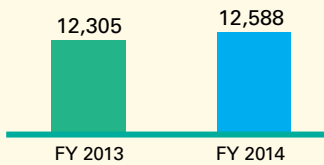
Power Supply Costs by Type
\$502 Million



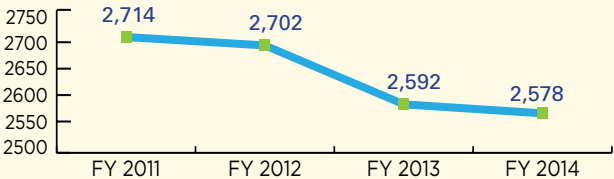
Percent of Energy Supply
13.5 Million MWh



Total Sales in Gigawatt Hours



Historical FY System Peak Demand MW



COMPARATIVE STATEMENT OF NET POSITION

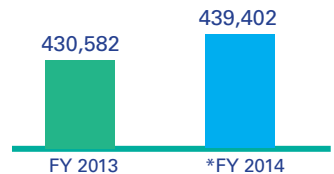
\$ in millions	9/30/2013	*9/30/2014	Variance
Cash	\$119	\$151	\$32
Accounts Receivable	182	188	6
Allowance for Doubtful Accounts	(7)	(10)	(3)
Inventories	84	76	(8)
Other Current Assets	66	66	—
Restricted Assets:			
Debt Service	67	56	(11)
Strategic Fund	106	107	1
Reserve Fund	10	10	—
Nuclear Decommissioning Acct.	191	197	6
Non-Nuclear Decommissioning Acct.	11	8	(3)
Construction	60	70	10
Other	30	36	6
Property, Plant and Equipment	2,587	2,587	—
Long-Term Other Assets	315	318	3
TOTAL ASSETS	\$3,821	\$3,860	\$39
Current Liabilities	\$91	\$80	(\$11)
Liabilities Payable from Restricted Assets	316	288	(28)
Revenue Bonds	1,236	1,214	(22)
Commercial Paper	89	166	77
Other Long-Term Liabilities	426	417	(9)
Retained Earnings	1,663	1,695	32
TOTAL LIABILITIES AND FUND EQUITY	\$3,821	\$3,860	\$39

*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

INCOME STATEMENT

\$ in millions	12 months ended	
	9/30/13	*9/30/14
Operating Revenues	\$833	\$866
Power Supply Revenue	455	502
Power Supply Expense	455	502
Non-Fuel Expenses	482	530
Depreciation Expense	150	153
Operating Income/(Loss)	\$201	\$183
Other Revenue (Expense)	(29)	(47)
General Fund Transfer	105	105
Net Income/(Loss)	\$67	\$31
Debt Service Coverage	2.09	2.48
Debt to Equity Ratio	47%	46%

Average Number of Customers



Service Area Base Revenue (millions)

