

# Austin Energy Quarterly Financial Report

1<sup>st</sup> Quarter FY 2019 (October – December)

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Finance Director



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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:

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# 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.

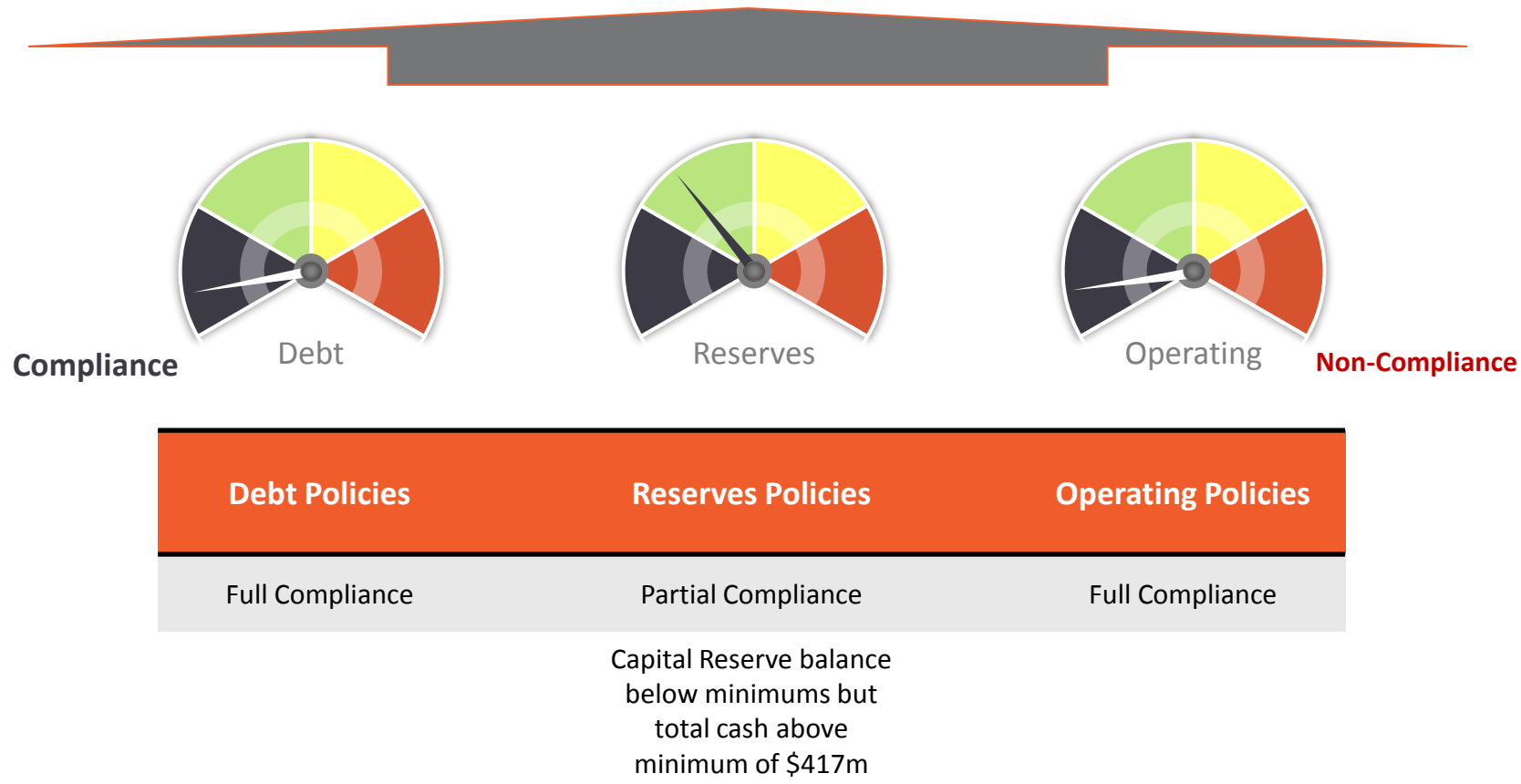


# Austin Energy Quarterly Financial Report

## Financial Policy Compliance



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



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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 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. |



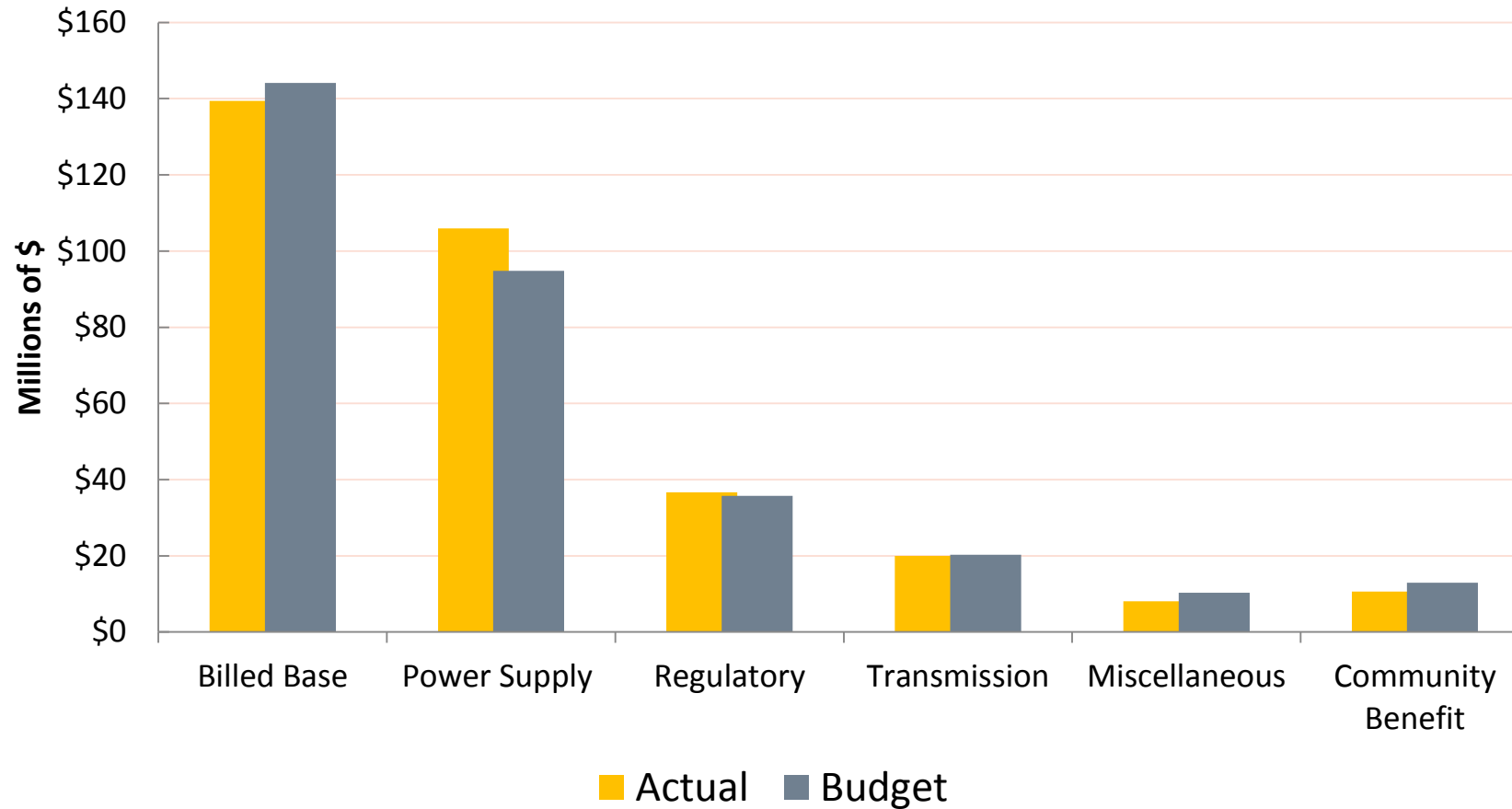
# Austin Energy Quarterly Financial Report

## Actual to Budget Analysis



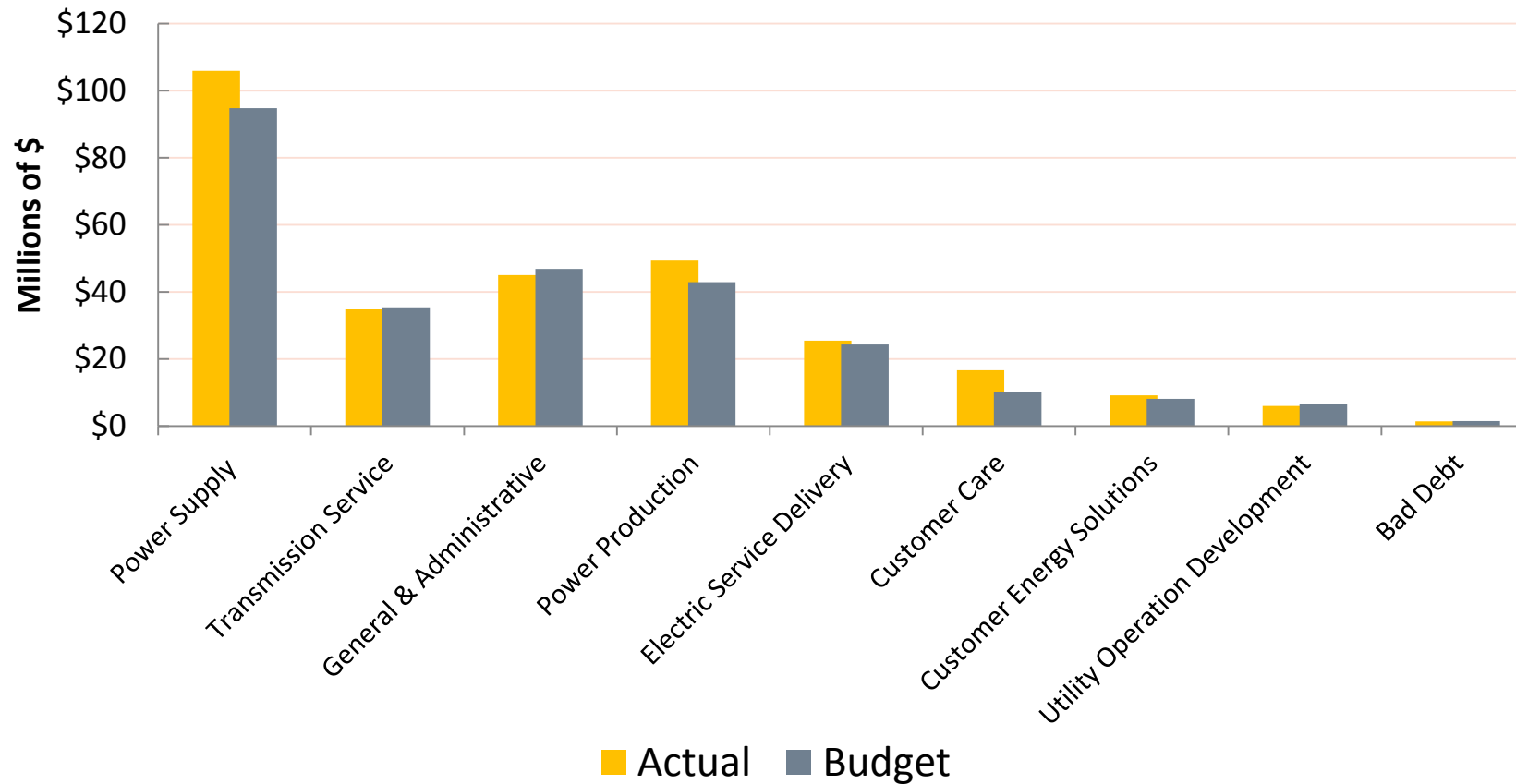
# Actual to Budget Analysis

## 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

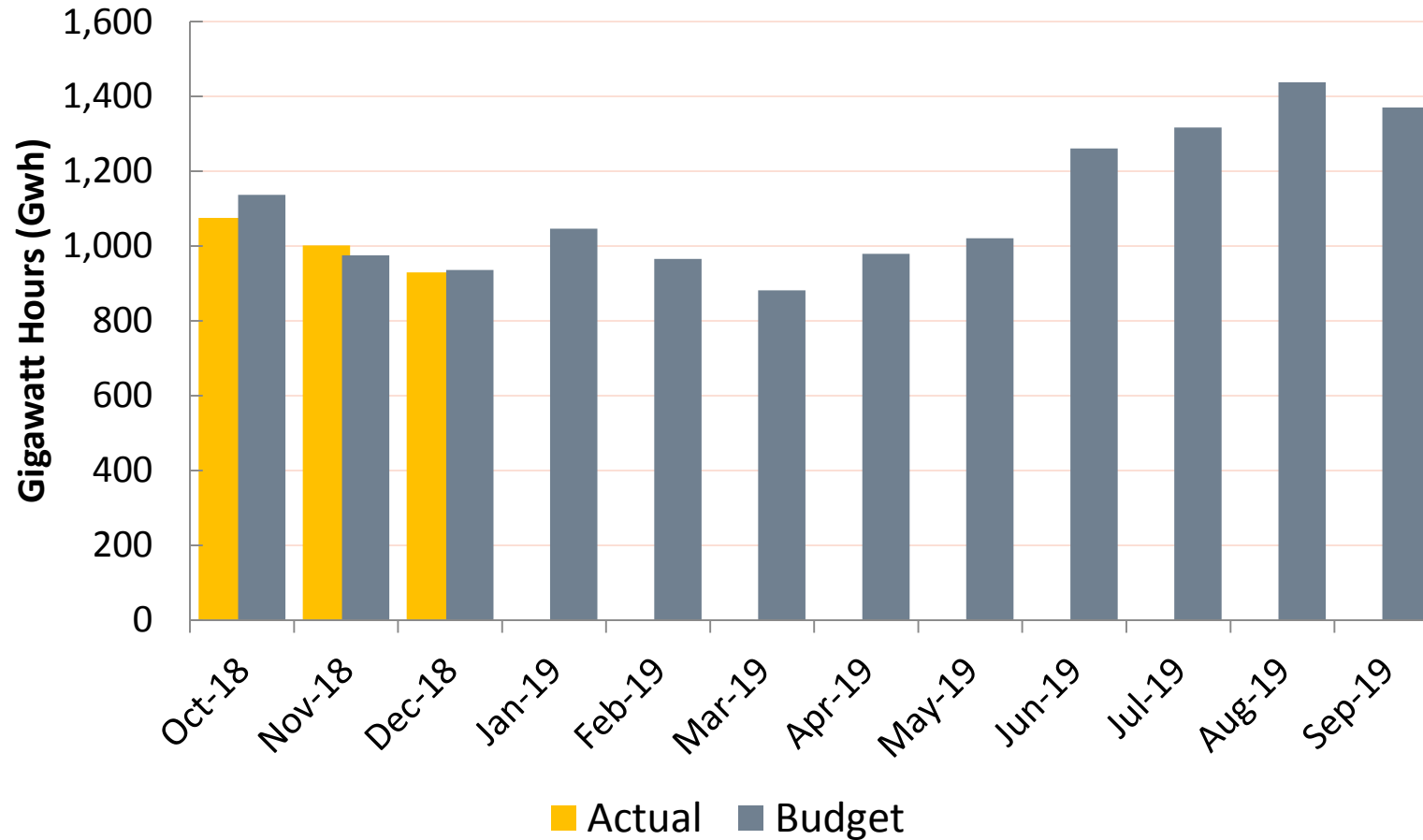
## Budget Based Fund Summary Fiscal Year Through December 31, 2018

| Millions of \$                         | Variance to Budget<br>Favorable (Unfavorable) |                 |                 |                | Variance to Prior Year<br>Favorable (Unfavorable) |                 |                |
|--|---|-----------------|-----------------|----------------|---|-----------------|----------------|
|  | Actual  | Budget          | Amount          | %              | Prior Year<br>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%)        |
| <b>Operating Income (Loss)</b>         | <b>\$27.3</b>                                 | <b>\$47.8</b>   | <b>\$(20.5)</b> | <b>(43.0%)</b> | <b>\$43.6</b>                                     | <b>\$(16.3)</b> | <b>(37.5%)</b> |
| 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%)         |
| <b>Income (Loss) Before Transfers</b>  | <b>\$7.3</b>                                  | <b>\$27.2</b>   | <b>\$(19.9)</b> | <b>(73.1%)</b> | <b>\$22.1</b>                                     | <b>\$(14.8)</b> | <b>(66.7%)</b> |
| 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%)        |
| <b>Excess (Deficiency) of Revenues</b> | <b>\$(88.7)</b>                               | <b>\$(68.8)</b> | <b>\$(19.9)</b> | <b>(29.0%)</b> | <b>\$(65.4)</b>                                   | <b>(23.3)</b>   | <b>(35.6%)</b> |



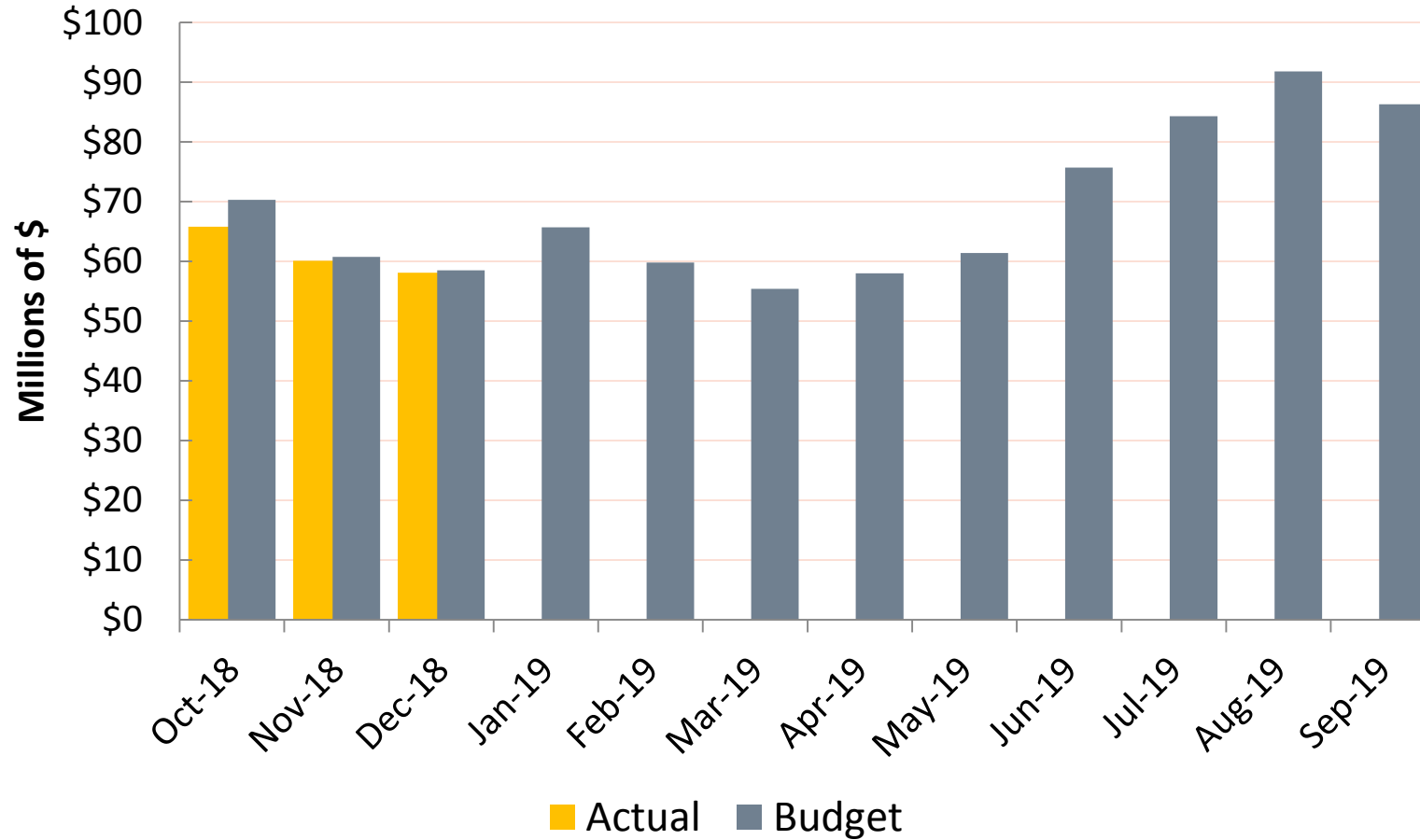
# Actual to Budget Analysis

## Actual to Budget Retail Energy Sales



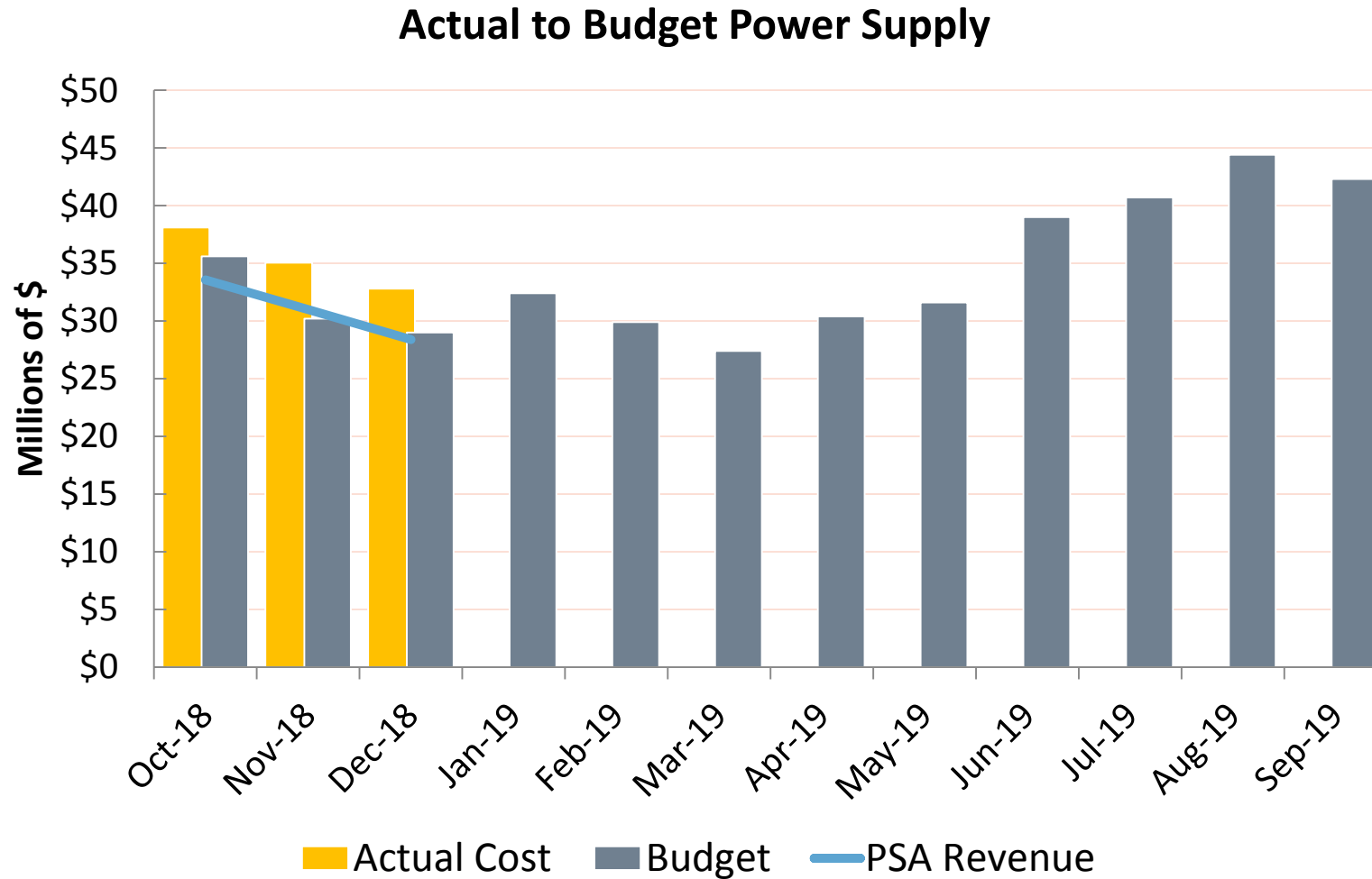
# Actual to Budget Analysis

## Actual to Budget Non-Power Supply Revenues





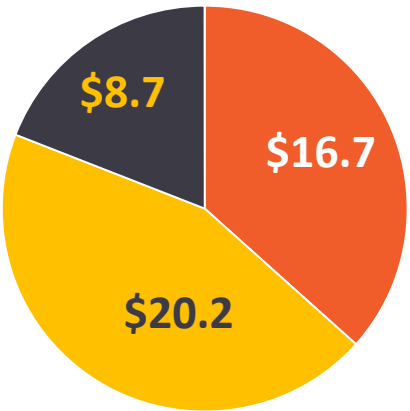
# Actual to Budget Analysis



# Capital Improvement Plan Summary

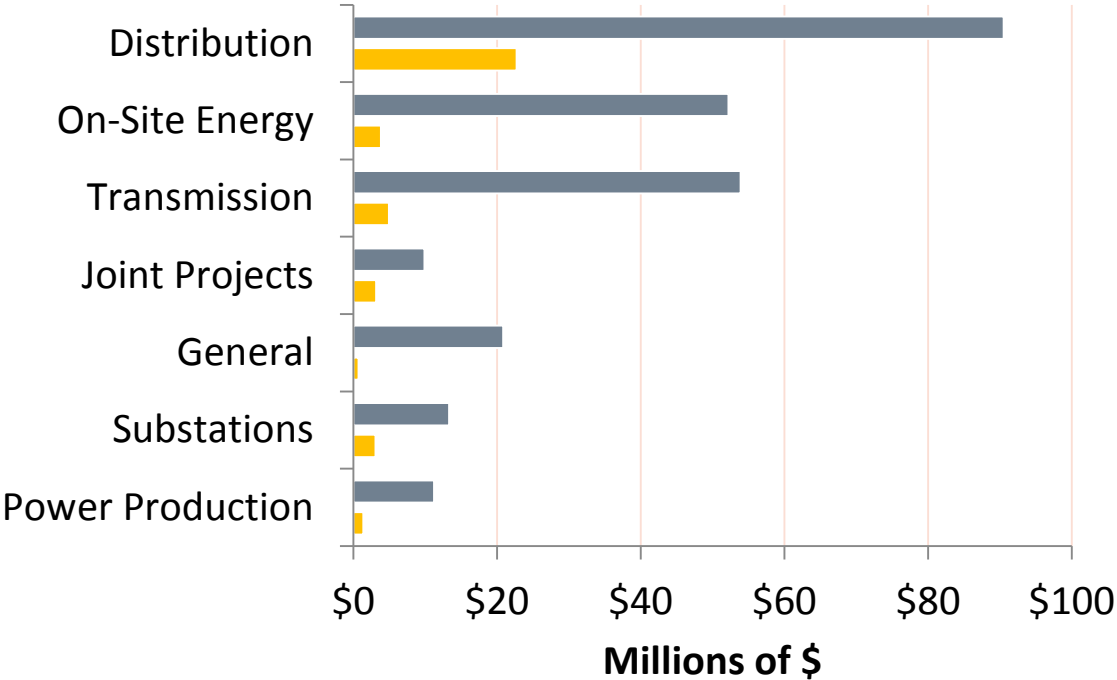
Fiscal Year Through December 31, 2018

Type of Financing



- Cash
- Debt
- Contributions in Aid of Construction

Type of Project



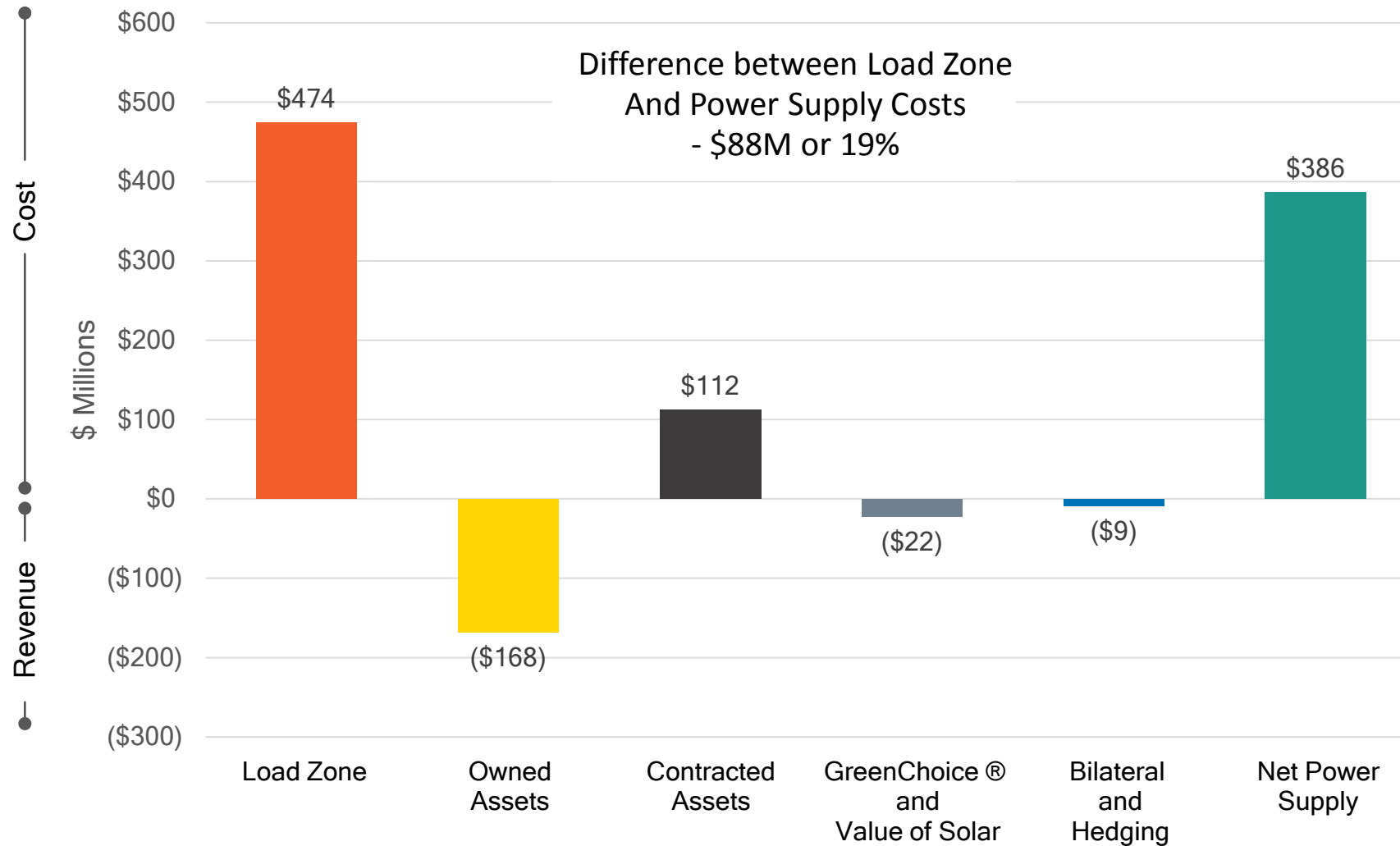
■ FY 2019 Spend Plan   ■ Year-to-Date



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# Power Supply Adjustment Cost Components

Twelve Months Ending December 2018



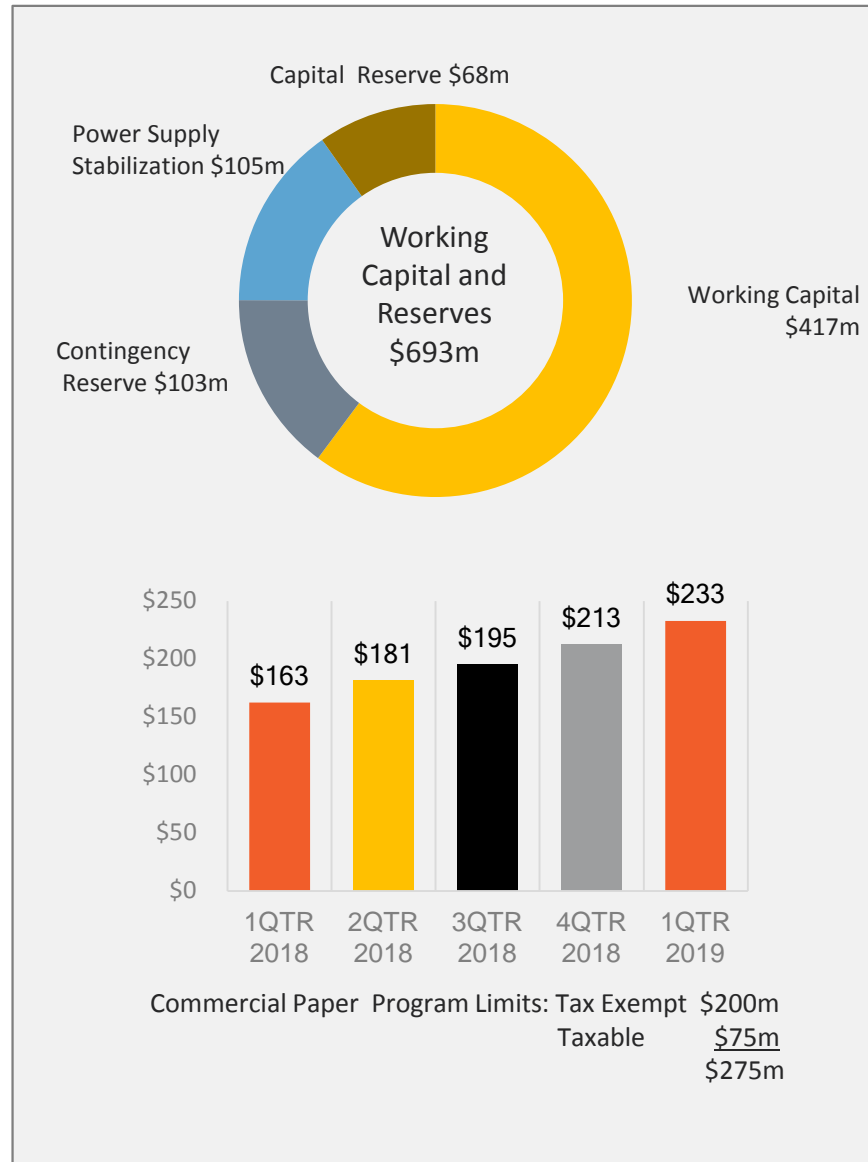
# Austin Energy Quarterly Financial Report

## 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          |
| <b>Total Assets</b>                        | <b>\$4,419.5</b> | <b>\$4,675.8</b> |
| <b>Liabilities and Fund Equity</b>         |                  |                  |
| 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          |
| <b>Total Liabilities &amp; Fund Equity</b> | <b>\$4,419.5</b> | <b>\$4,675.8</b> |



# GAAP Financial Summary

## Comparative Statement of Net Position

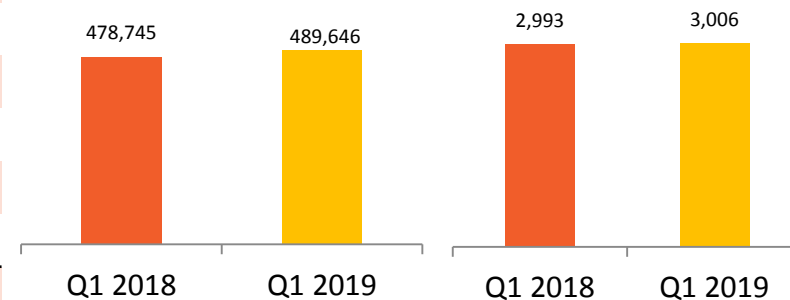
| \$ in Millions                           | 12/31/2017     | 12/31/2018     | Change       |
|--|----------------|----------------|--------------|
| Cash                                     | \$378          | \$417          | \$39         |
| Accounts Receivable (net)                | 103            | 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            |
| <b>Total Assets</b>                      | <b>\$4,419</b> | <b>\$4,676</b> | <b>\$257</b> |
| 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           |
| <b>Total Liabilities and Fund Equity</b> | <b>\$4,419</b> | <b>\$4,676</b> | <b>\$257</b> |

## 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         |
| <b>Operating Income/(Loss)</b> | <b>\$130</b>     | <b>\$93</b> |
| Other Revenue (Expense)        | \$(4)            | \$45        |
| General Fund Transfer          | (108)            | (109)       |
| <b>Net Income/(Loss)</b>       | <b>\$18</b>      | <b>\$29</b> |
| 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<br>Lighting | Energy<br>Efficiency<br>Services | Customer<br>Assistance<br>Program |
|--|--------------------------|----------------------------------|-----------------------------------|
| <b>Secondary Voltage (Residential) (\$/kWh)</b>                                    |                          |                                  |                                   |
| Inside City Limits   | \$0.00124                | \$0.00335                        | \$0.00154                         |
| Outside City Limits  |                          | \$0.00335                        | \$0.00106                         |
| <b>Secondary Voltage (Non-Residential) (\$/kWh)</b>                                |                          |                                  |                                   |
| Inside City Limits   | \$0.00124                | \$0.00335                        | \$0.00058                         |
| Outside City Limits  |                          | \$0.00335                        | \$0.00058                         |
| <b>Primary Voltage (\$/kWh)</b>  |                          |                                  |                                   |
| Inside City Limits   | \$0.00122                | \$0.00327                        | \$0.00058                         |
| Outside City Limits  |                          | \$0.00327                        | \$0.00058                         |
| <b>Transmission Voltage (\$/kWh)</b>   |                          |                                  |                                   |
| Inside City Limits   | \$0.00120                | \$0.00323                        | \$0.00058                         |
| Outside City Limits  |                          | \$0.00323                        | \$0.00058                         |
| <b>Primary and Transmission Voltage <math>\geq</math> 20 MW @ 85% aLF (\$/kWh)</b> |                          |                                  |                                   |
| Inside City Limits   |                          |                                  | \$0.00058                         |
| Outside City Limits  |                          |                                  | \$0.00058                         |



# Average Residential Customer Monthly Bill

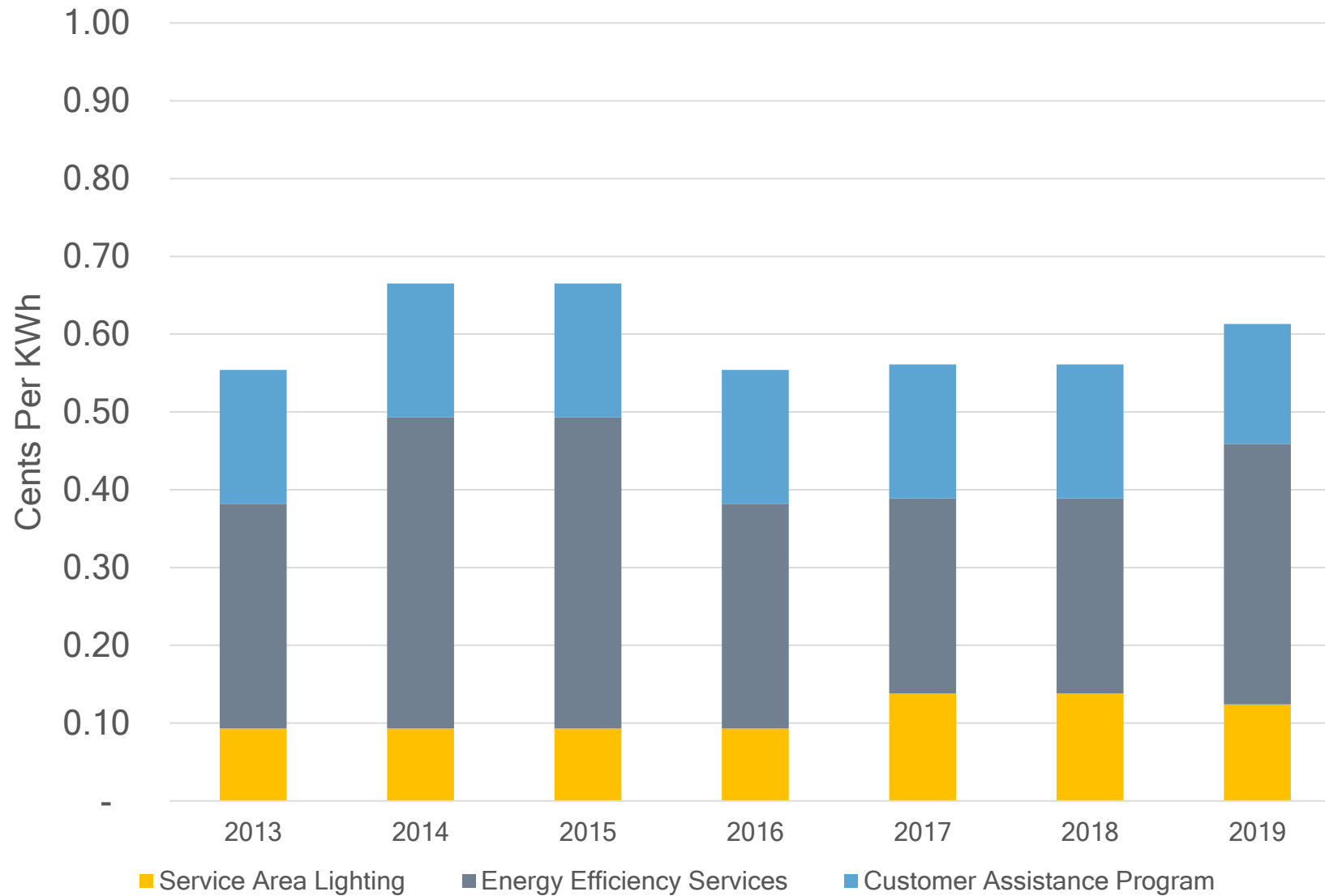
## Relative Portion Attributed to the Community Benefit Charge

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%                 |

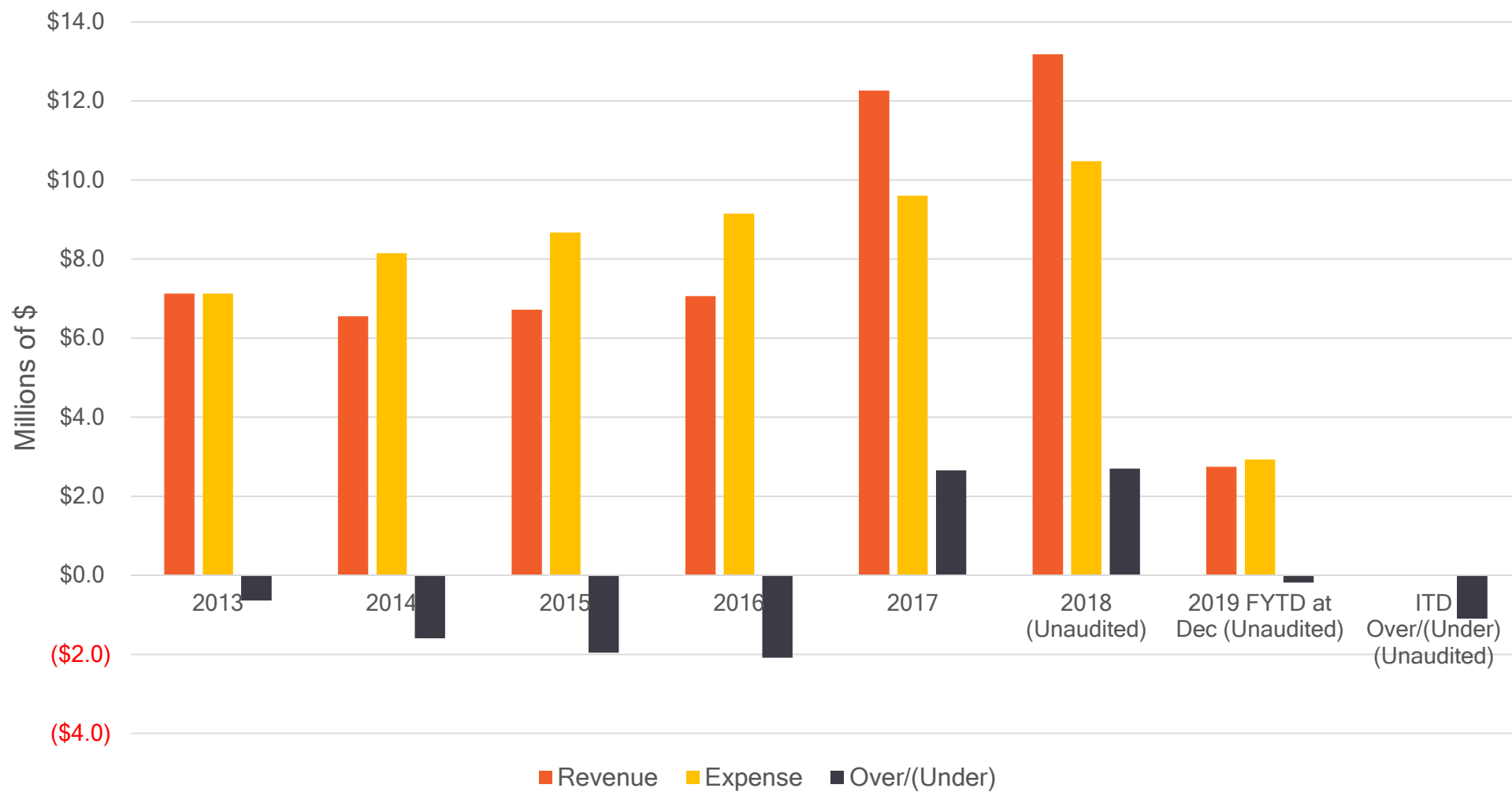


# City of Austin Residential Community Benefit Charge



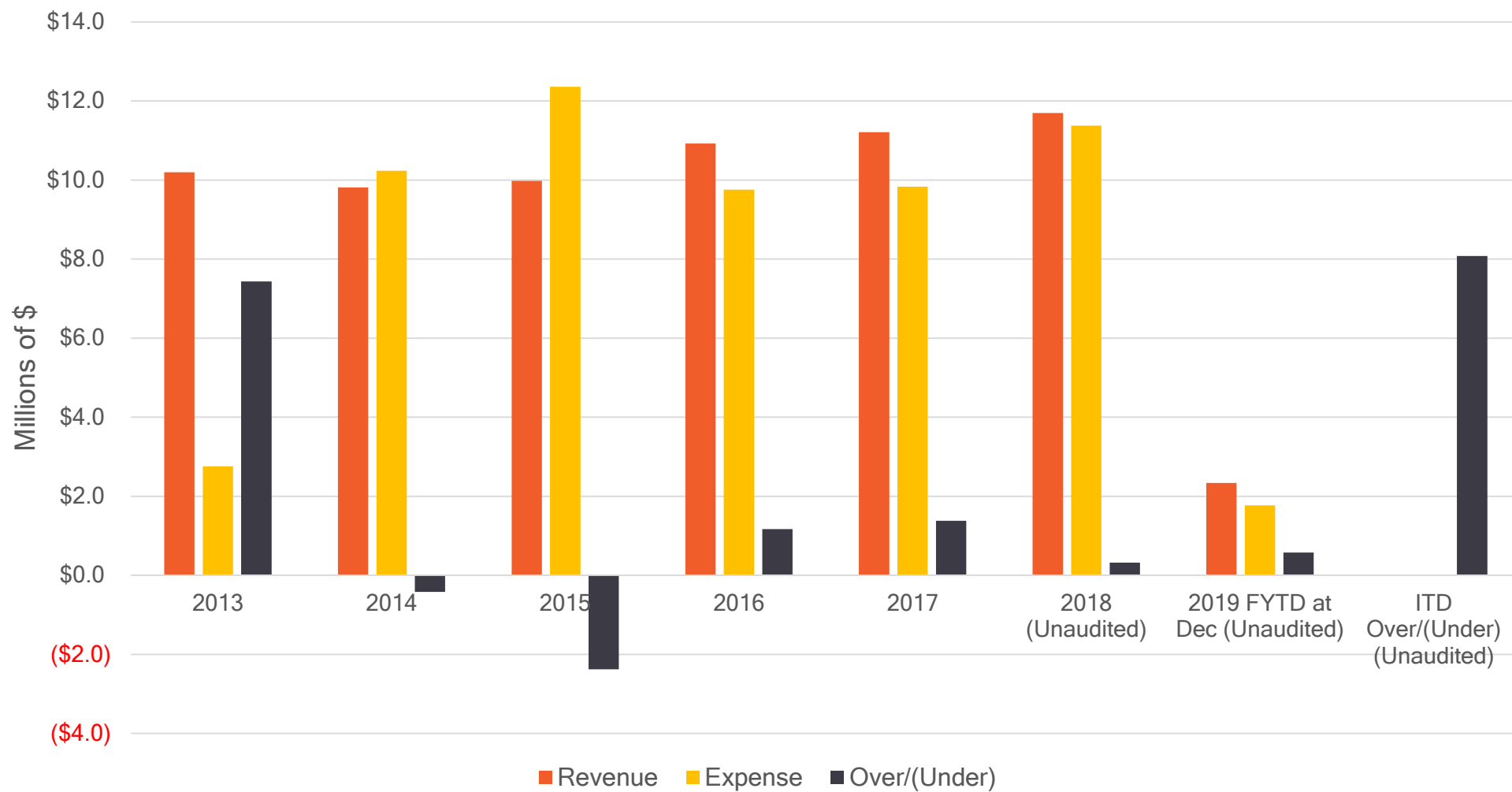
# Service Area Lighting

## Historical Revenues, Expenses and Over/(Under)



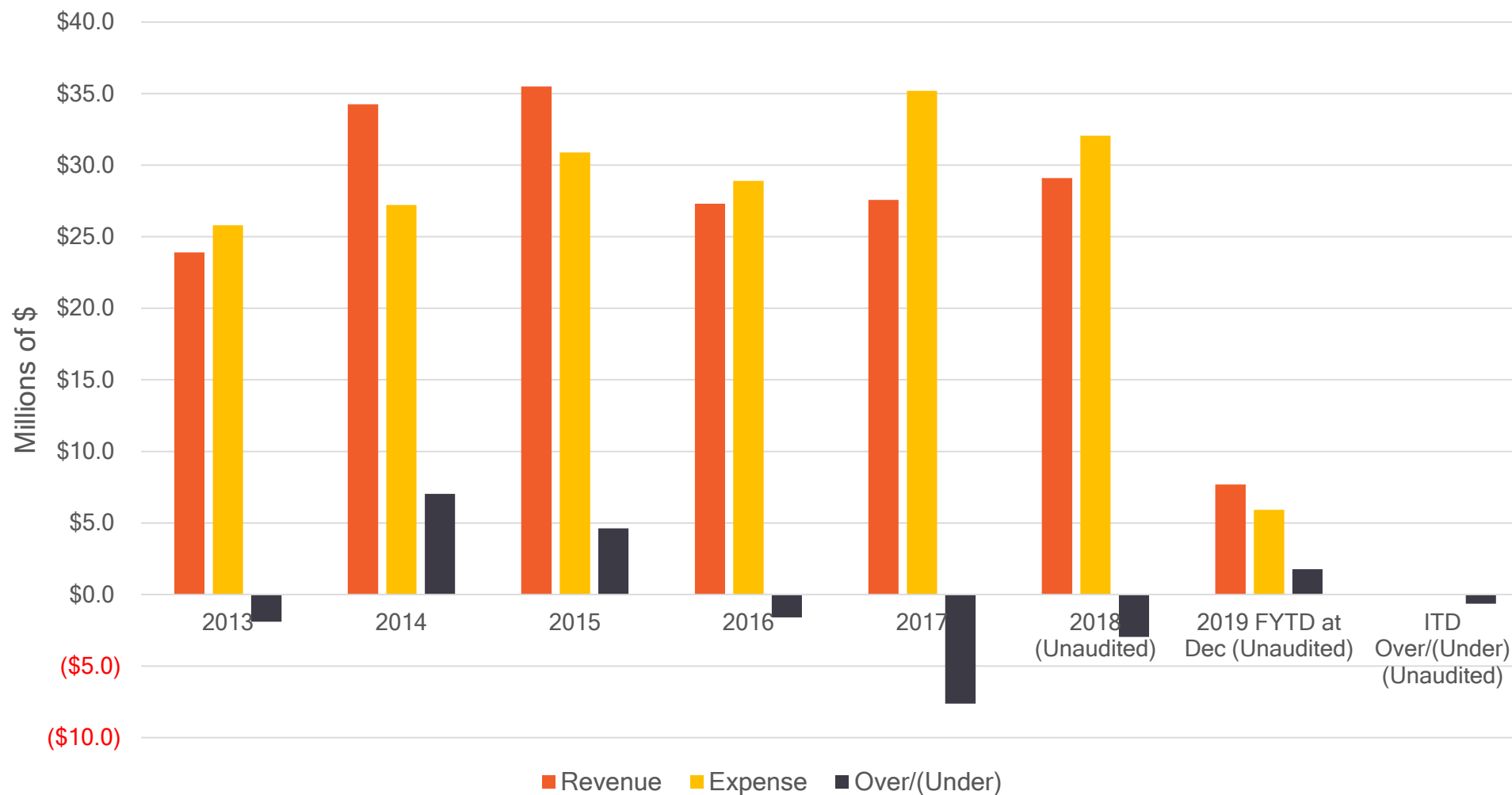
# Customer Assistance Program

## Historical Revenues, Expenses and Over/(Under)



# Energy Efficiency Services

## Historical Revenues, Expenses and Over/(Under)







**Customer Driven.  
Community Focused.**



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