

Austin Energy Quarterly Financial Report

1st Quarter FY 2020 (October – December 2019)

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Deputy General Manager, Chief Financial and Risk Officer



February 26, 2020

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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. Capital Reserve balance below minimums but total cash above minimum of \$414m.



Meeting financial metrics supporting AA credit rating. Received credit upgrade from *Fitch Ratings* in May 2019.



\$ 328 Million Revenues

Operating revenues exceed forecast by 2% due to higher base revenue primarily due to higher than normal temperatures.



\$284 Million Expenses

Operating expenses exceed forecast by 1% primarily due to higher power supply costs.



Balance sheet is liquid and adequately capitalized. Cash balances are stable through the first quarter.



Effective energy efficiency initiatives have reduced average residential consumption. Customer consumption has evolved but our rate structures have not, which creates unintended consequences.

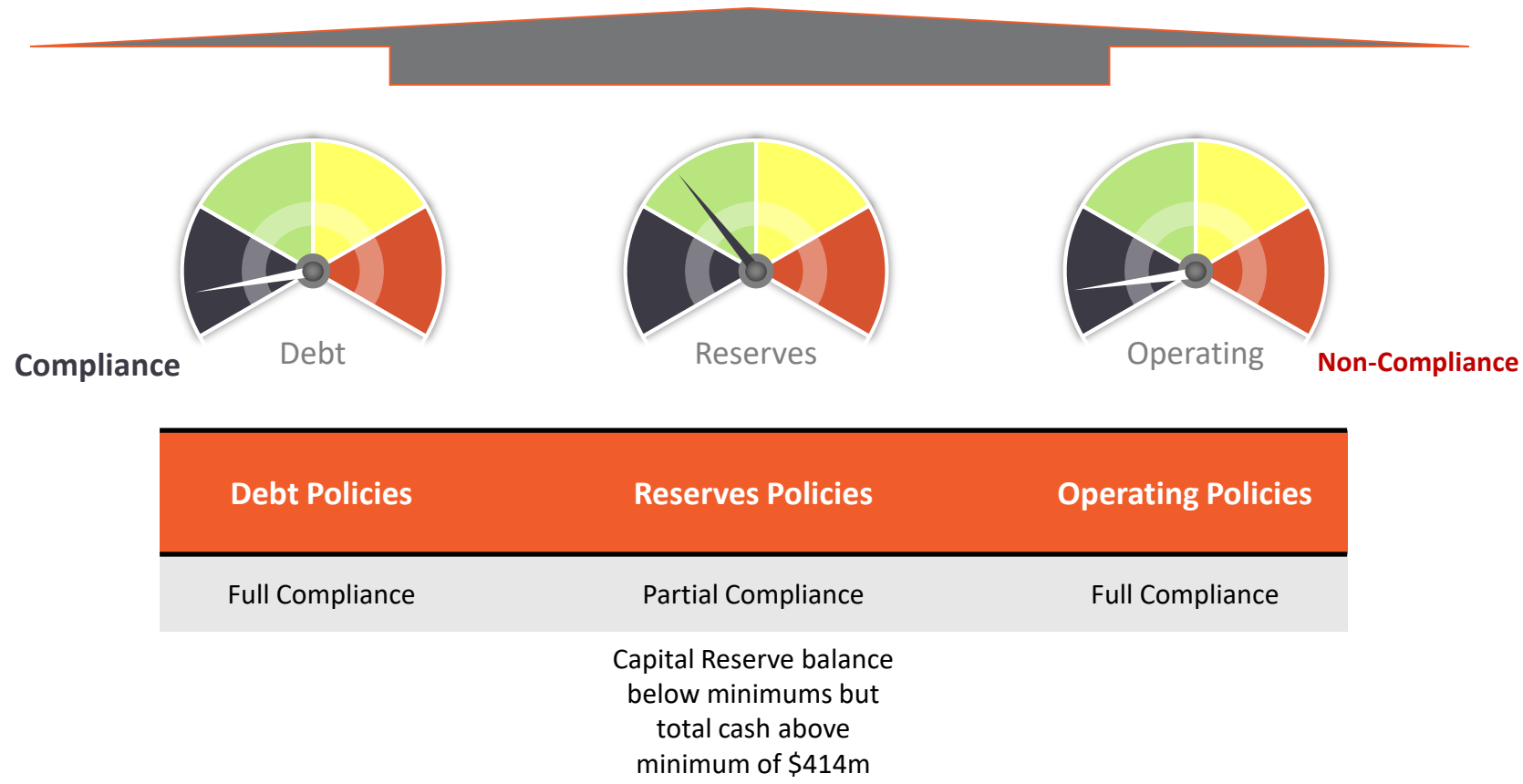


Austin Energy Quarterly Financial Report

Financial Policy Compliance



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



Austin Energy Quarterly Financial Report

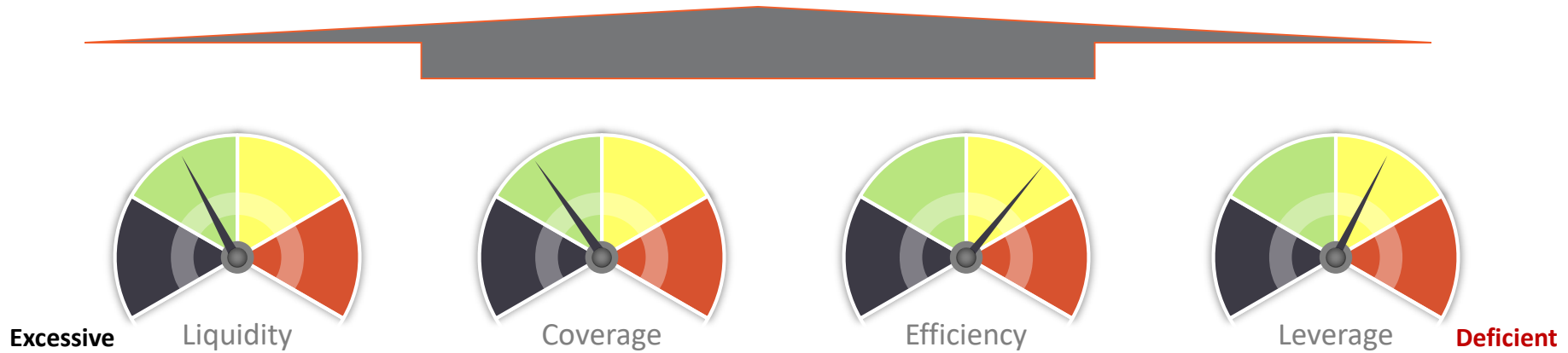
Financial Performance Measures



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 228 Days	Actual 2.8	Actual 6%	Actual 51%
Excludes General Fund Transfer			



Austin Energy's Affordability Goal has Two Metrics



Affordability Metric	Competitiveness Metric
Full Compliance Since 2013	Non-Compliance Since 2016
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.



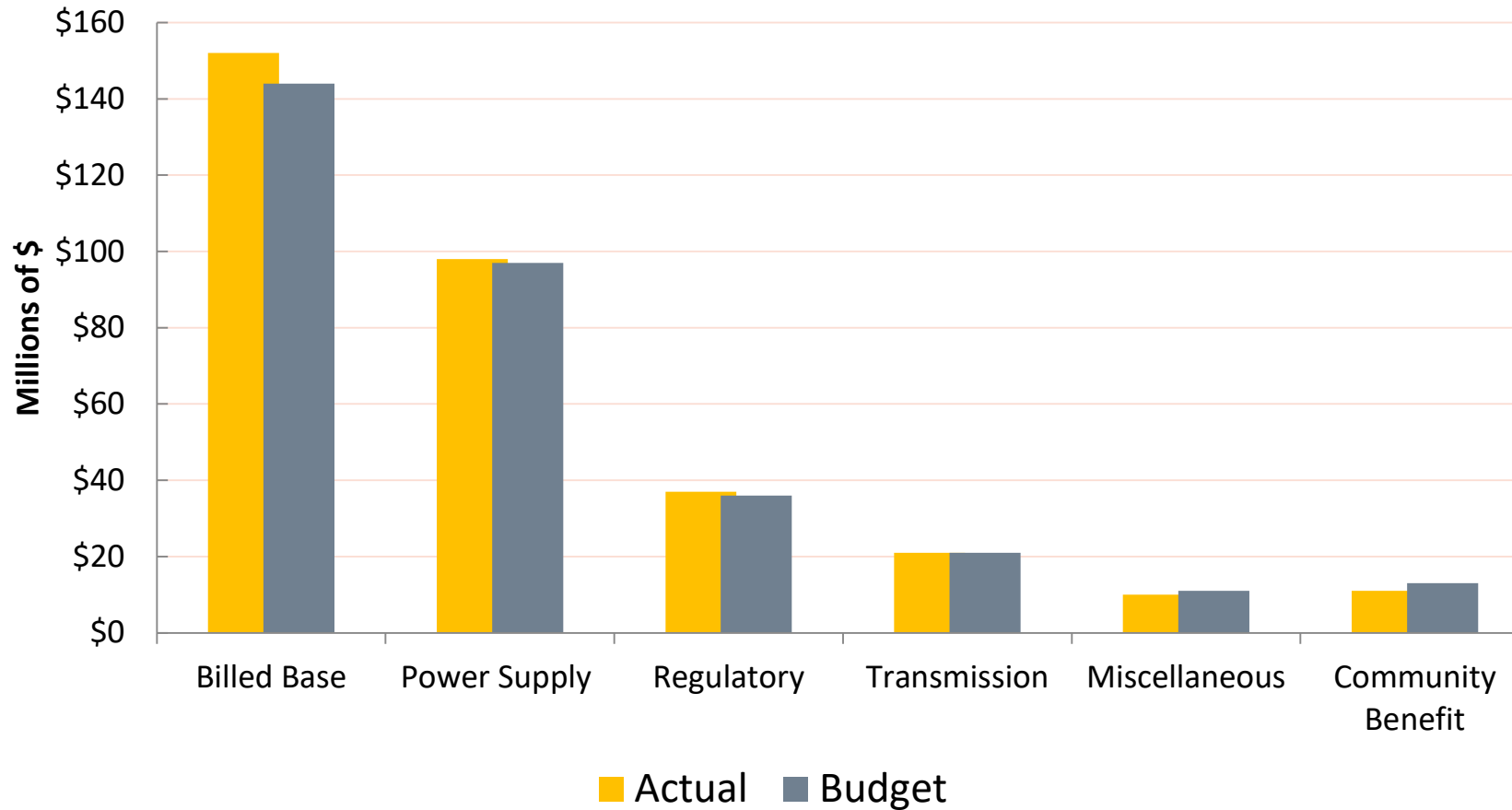
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Actual to Budget Analysis



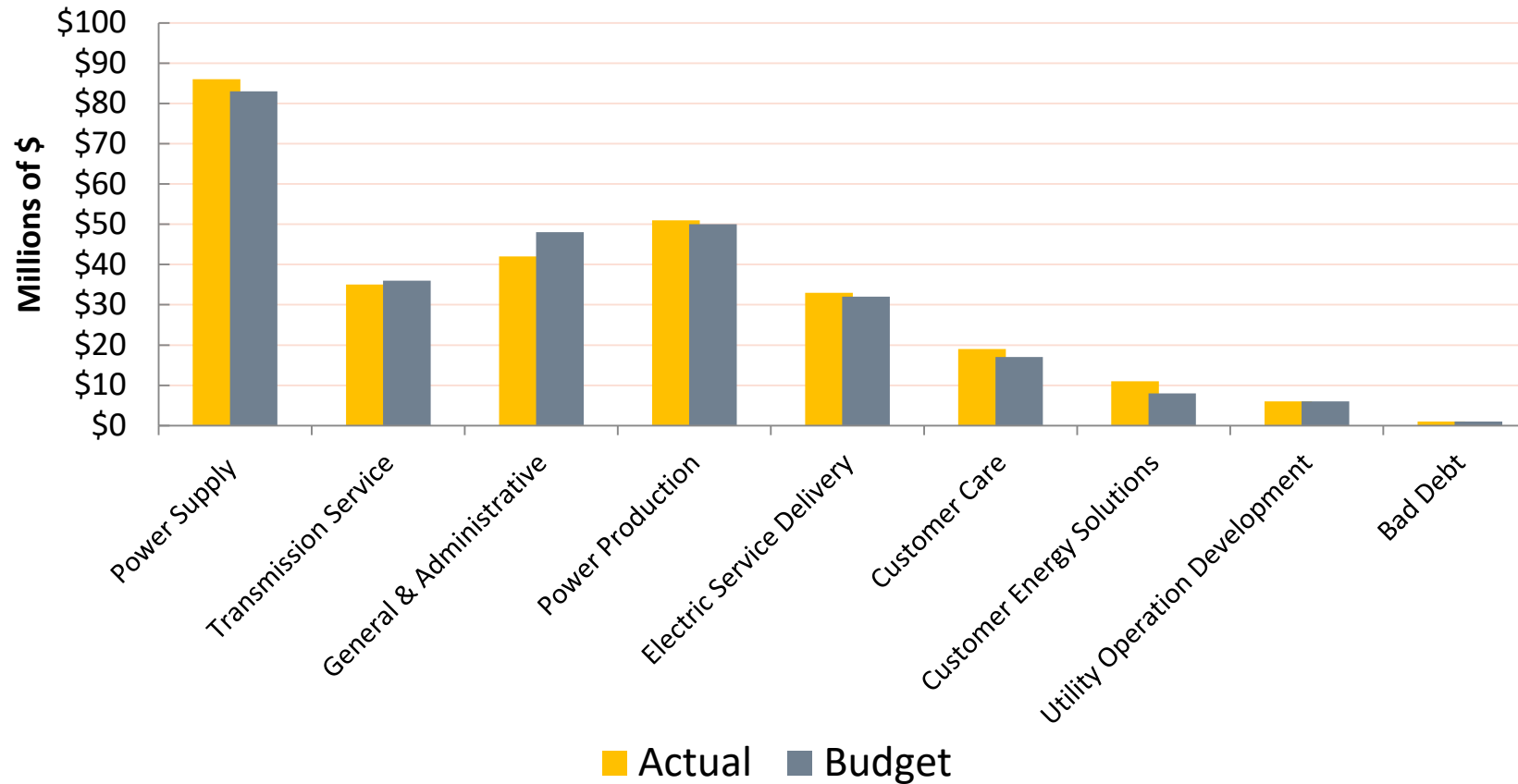
Actual to Budget Analysis

Budget Based Operating Revenues Fiscal Year Through December 31, 2019



Actual to Budget Analysis

Budget Based Operating Expenses Fiscal Year Through December 31, 2019



Actual to Budget Analysis

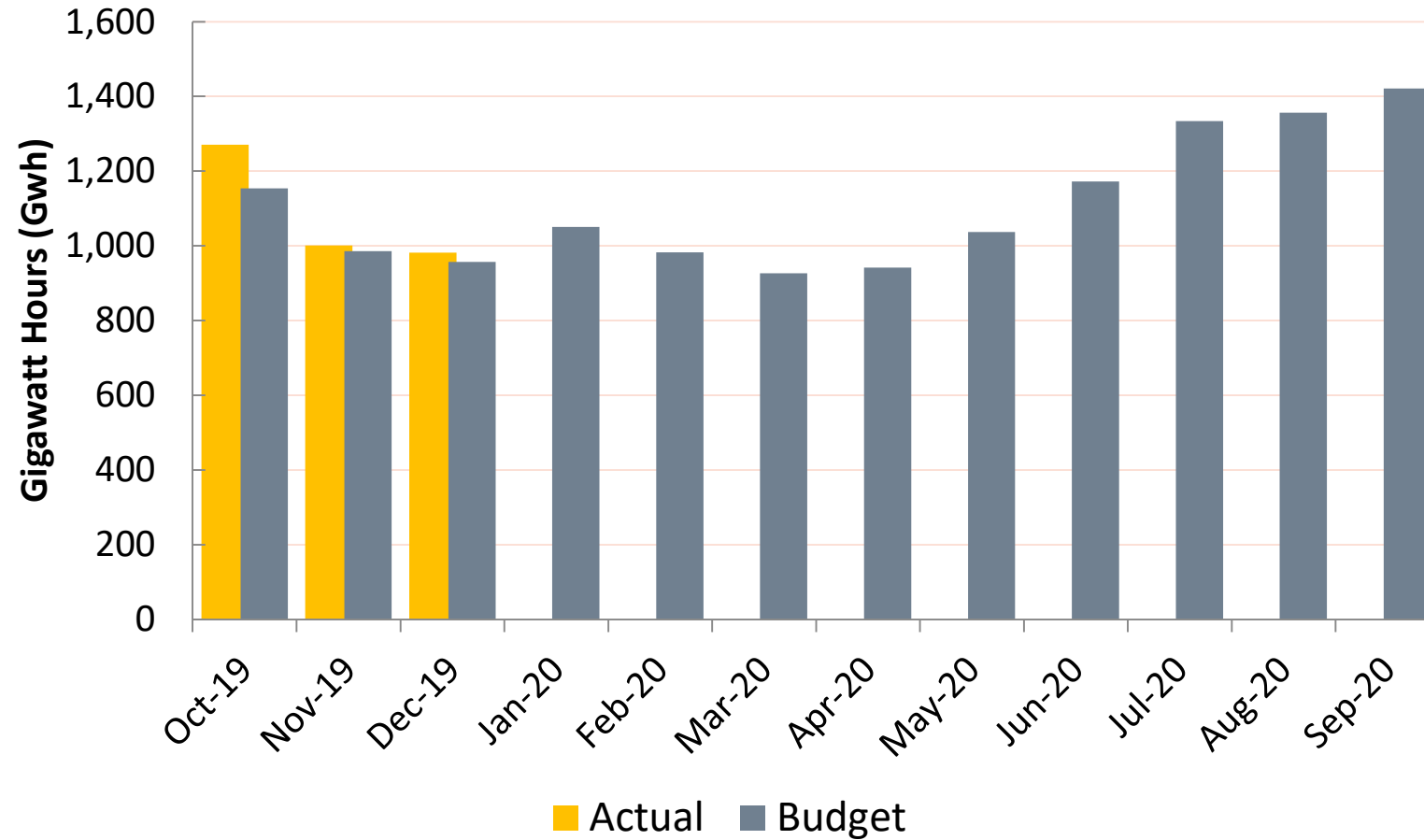
Budget Based Fund Summary Fiscal Year Through December 31, 2019

Millions of \$	Variance to Budget Favorable (Unfavorable)				Variance to Prior Year Favorable (Unfavorable)		
	Actual	Budget	Amount	%	Prior Year Actual	Amount	%
Operating Revenues	\$328	\$321	\$7	2%	\$321	\$7	2%
Operating Expenses	284	281	(3)	(1%)	292	8	3%
Operating Income (Loss)	\$44	\$40	\$4	10%	\$29	\$15	55%
Interest Revenue	4	3	1	10%	4	0	0%
Debt Service	(37)	(37)	0	0%	(24)	(13)	(57%)
Income (Loss) Before Transfers	\$11	\$6	\$5	68%	\$9	\$2	25.2%
Administrative Support	(7)	(7)	0	0%	(7)	0	(2%)
General Fund	(28)	(28)	0	0%	(28)	0	(1%)
Economic Development	(2)	(2)	0	0%	(2)	0	(6%)
CTM Fund	(3)	(3)	0	0%	(2)	(1)	(11%)
Other City Transfers	(0)	(0)	0	0%	(0)	0	0%
Internal Transfers / CIP	(25)	(25)	0	0%	(52)	27	51%
Excess (Deficiency) of Revenues	\$(54)	\$(59)	\$5	7%	(82)	(28)	33%



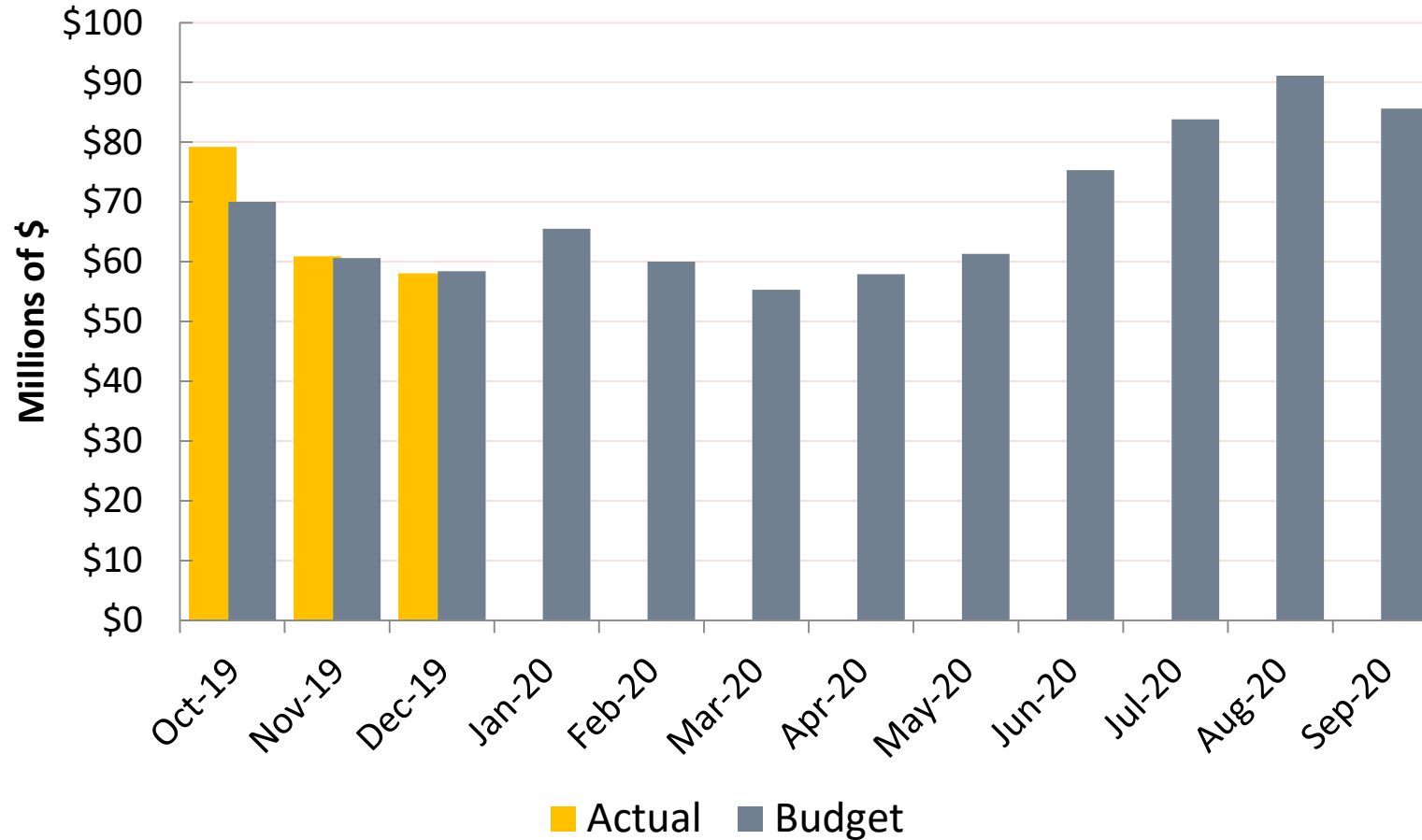
Actual to Budget Analysis

Actual to Budget Retail Energy Sales

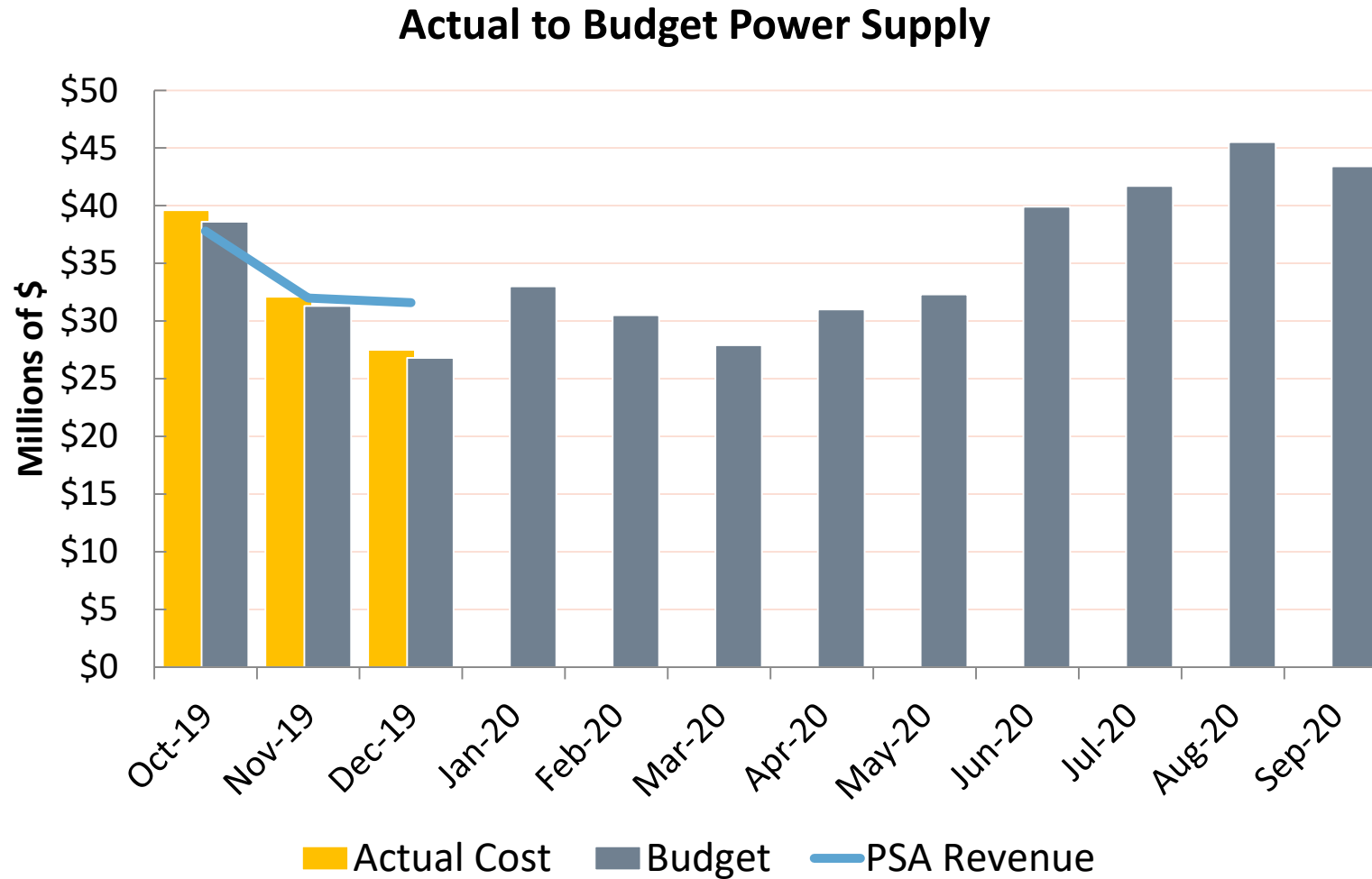


Actual to Budget Analysis

Actual to Budget Non-Power Supply Revenues



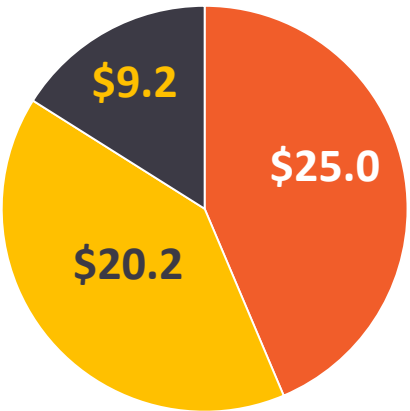
Actual to Budget Analysis



Capital Improvement Plan Summary

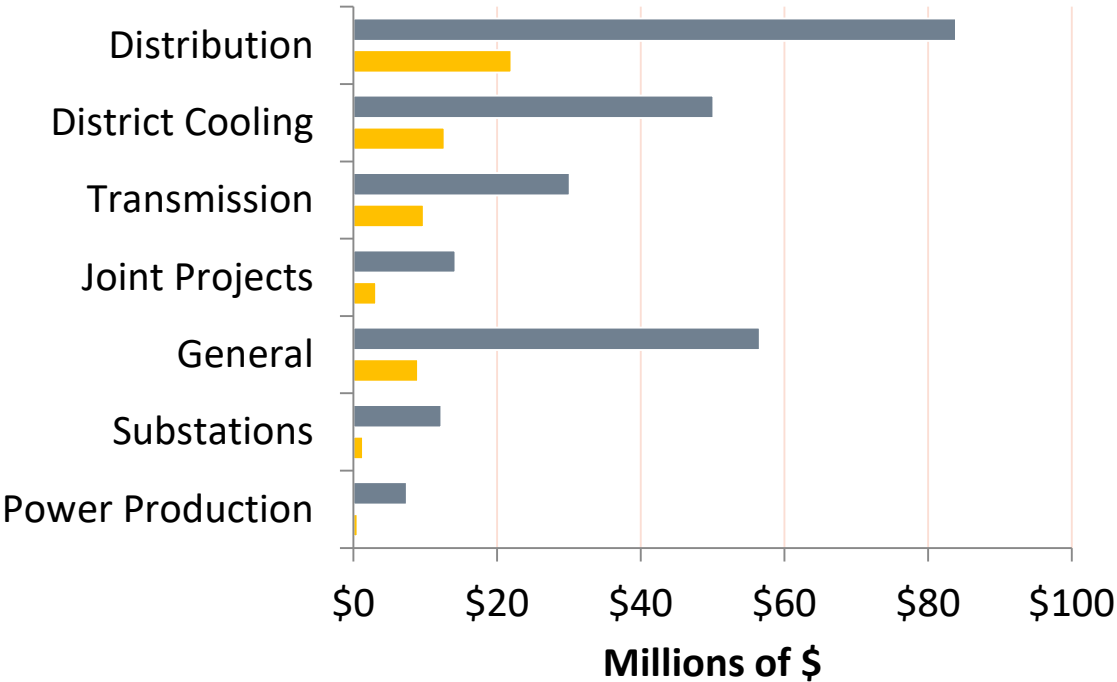
Fiscal Year Through December 31, 2019

Type of Financing



- Cash
- Debt
- Contributions in Aid of Construction

Type of Project



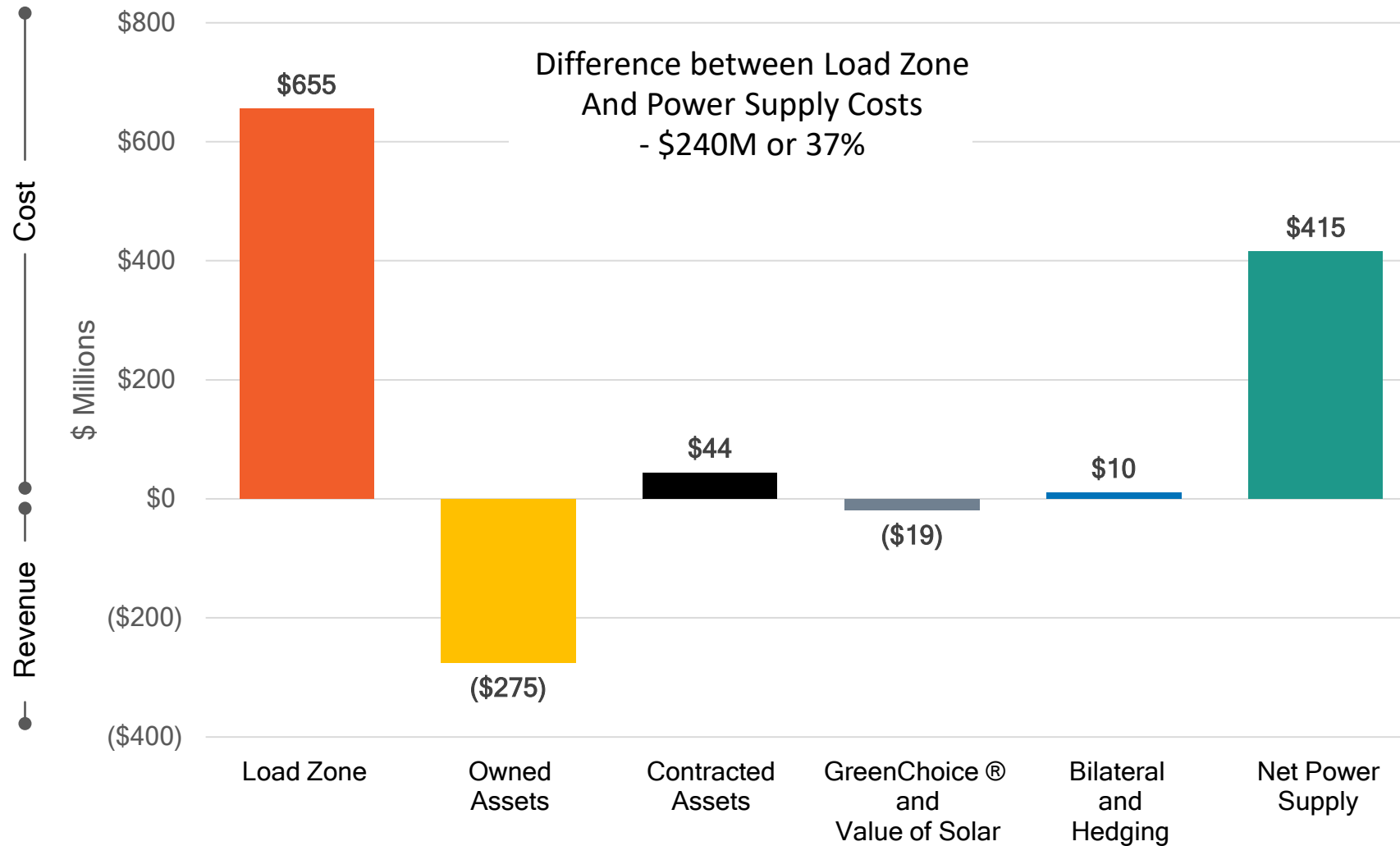
■ FY 2020 Spend Plan ■ Year-to-Date



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Power Supply Adjustment Cost Components

Twelve Months Ending December 2019



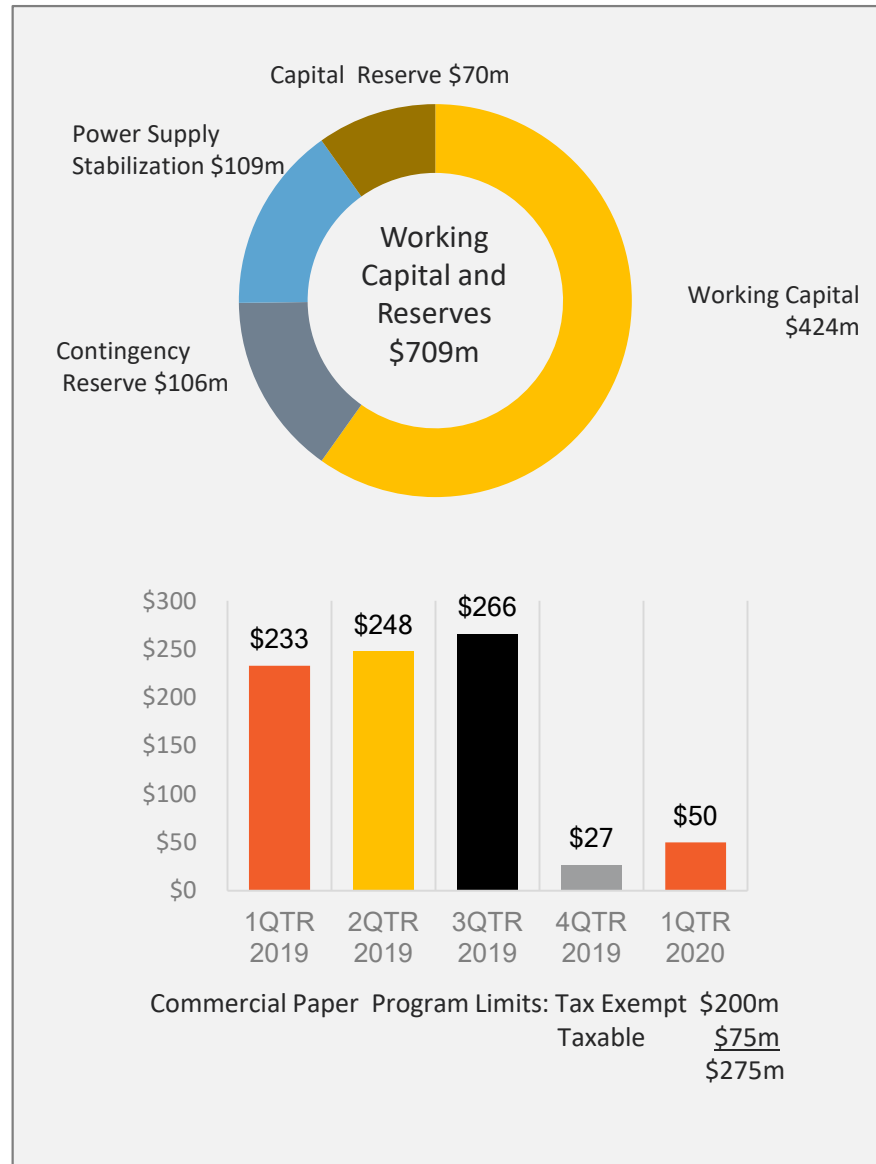
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Financial Statements



Balance Sheet Snapshot

\$ in Millions			
Assets		Dec 2018	Dec 2019
Cash	↑	\$417	\$424
Current Assets		252	282
Capital Assets	↑	2,587	2,972
Long-Term Assets	↑	1,420	1,835
Total Assets		\$4,676	\$5,513
Liabilities and Fund Equity			
Current Liabilities		\$196	211
Long-term Liabilities	↑	2,208	2,950
Deferred Inflow of Resources		389	453
Retained Earnings		1,883	1,900
Total Liabilities & Fund Equity		\$4,676	\$5,513



GAAP Financial Summary

Comparative Statement of Net Position

\$ in Millions	12/31/2018	12/31/2019	Change
Cash	\$417	\$424	\$7
Accounts Receivable (net)	103	112	9
Power Supply Under-Recovery	0	19	19
Non-PSA Under-Recoveries	2	0	(2)
Debt Service	8	11	3
Contingency Reserve	103	106	3
Power Supply Stabilization Reserve	105	108	3
Capital Reserve	68	70	2
Nuclear Decommissioning Reserve	223	231	8
Other Restricted Assets	127	107	(20)
Other Assets	933	1,354	421
Capital Assets	2,587	2,972	385
Total Assets	\$4,676	\$5,514	\$838
Other Current Liabilities	\$144	\$124	(20)
Power Supply Over-Recovery	22	0	(22)
Non-PSA Over-Recoveries	21	46	25
Revenue Bonds	1,228	1,924	696
Commercial Paper	233	50	(183)
Other Long-Term Liabilities	1,145	1,470	325
Retained Earnings	1,883	1,900	17
Total Liabilities and Fund Equity	\$4,676	\$5,514	\$838

Income Statement

\$ in Millions	12 Months Ending	
	12/31/2018	12/31/2019
Operating Revenues	\$951	\$966
Power Supply Revenues	464	489
Power Supply Expenses	459	449
Non-Power Supply Expenses	697	686
Depreciation Expense	166	234
Operating Income/(Loss)	\$93	\$86
Other Revenue (Expense)	\$45	\$41
General Fund Transfer	(109)	(110)
Net Income/(Loss)	\$29	\$17
Debt Service Coverage	2.8	3.4
Debt Equity Ratio	44%	51%

Average Number of Customers

489,645

Q1 2019

502,781

Q1 2020

Total Sales in Gigawatt Hours

3,010

Q1 2019

3,254

Q1 2020



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Austin Energy Quarterly Financial Report

Residential Customer Energy Consumption Observations



Customer Consumption Drives Rate Design

5-Tiered Rates



Energy Efficient Homes

Austin housing is trending towards smaller, denser, multi-family energy efficient homes which do not consume energy in the higher tiers



Stability in Customers' Bills

5-tiers requires steep pricing changes which results in large energy burdens during the summer months and puts cost recovery at risk for Austin Energy



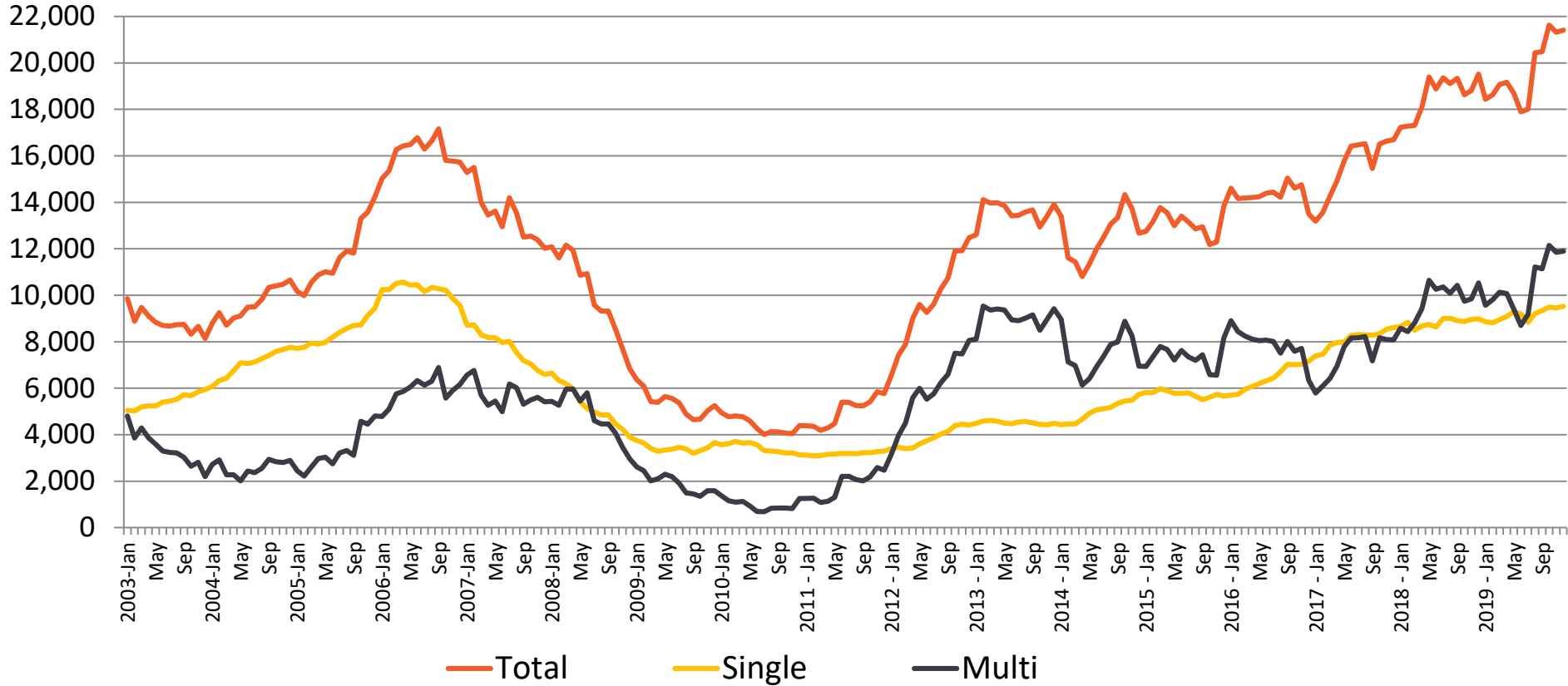
Equitable Recovery

Recovery of costs through volumetric charges exposes some of our most vulnerable customers to higher priced tiers while subsidizing smaller, denser, multi-family energy efficient homes



Housing Construction at a 13-Year High

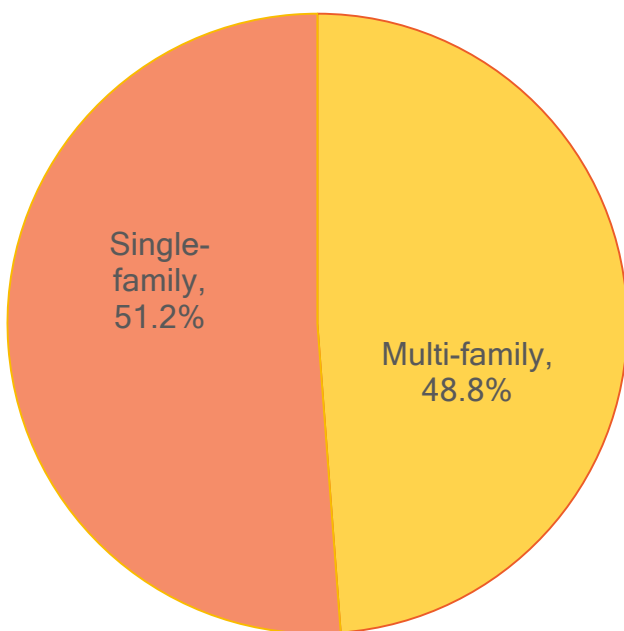
Travis County Residential Building Permits
(Jan. 2003 -Dec. 2019 rolling 12-month total)



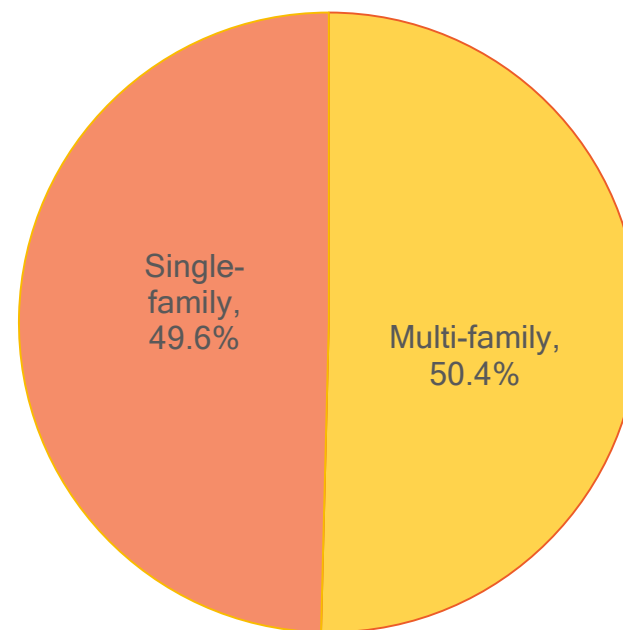
Urban Environment Transition

Multi-family homes are becoming more prevalent in Austin Energy's service territory

FY 2009 Housing Mix

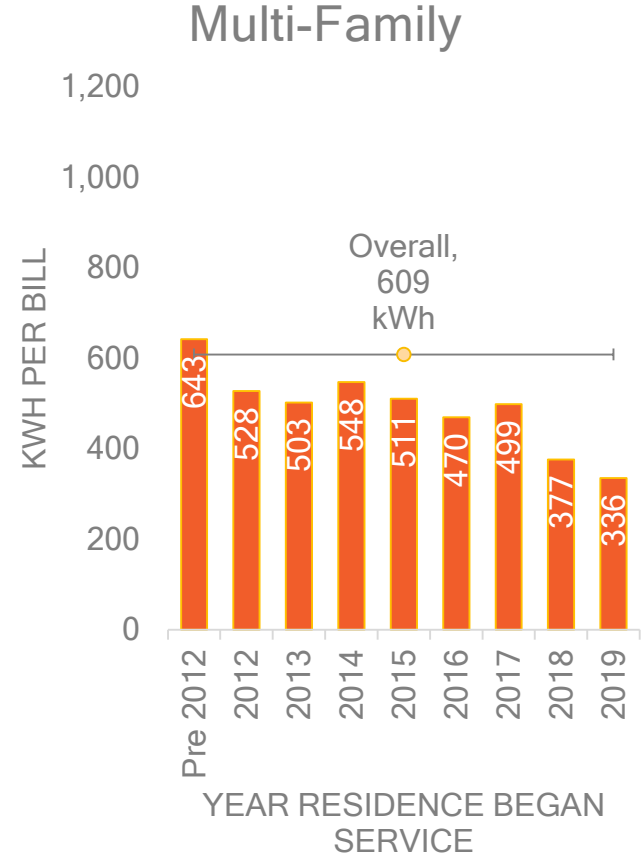
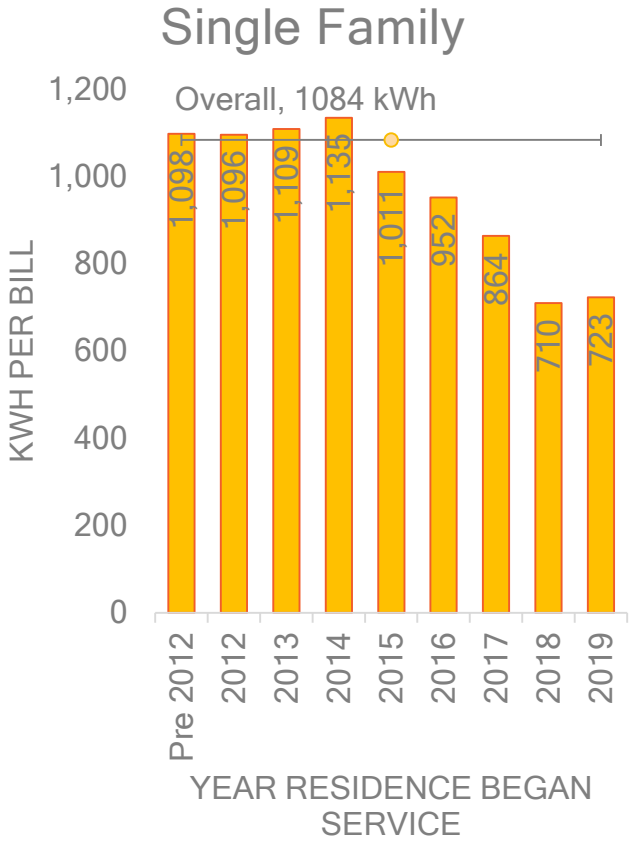
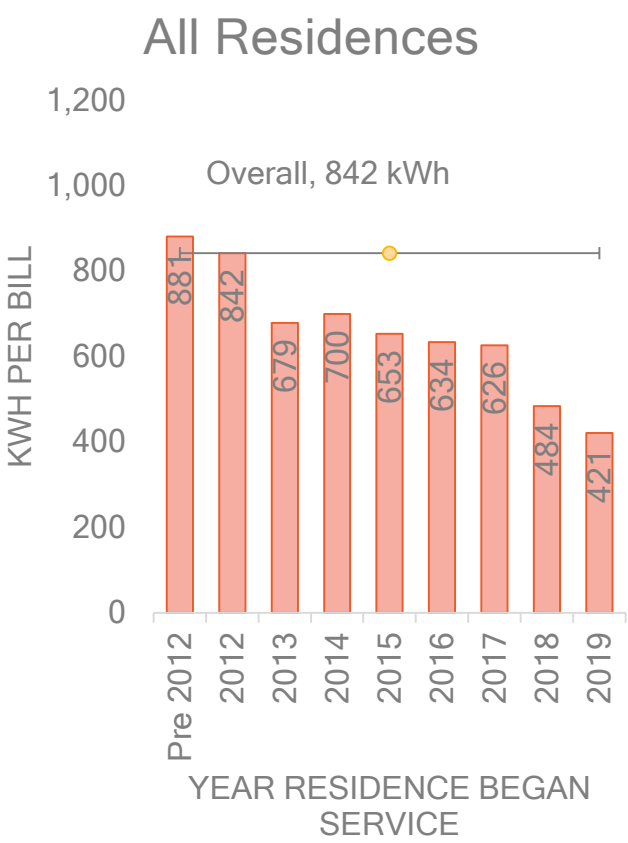


FY 2018 Housing Mix



Trend in Residential Consumption

All homes are becoming more energy efficient

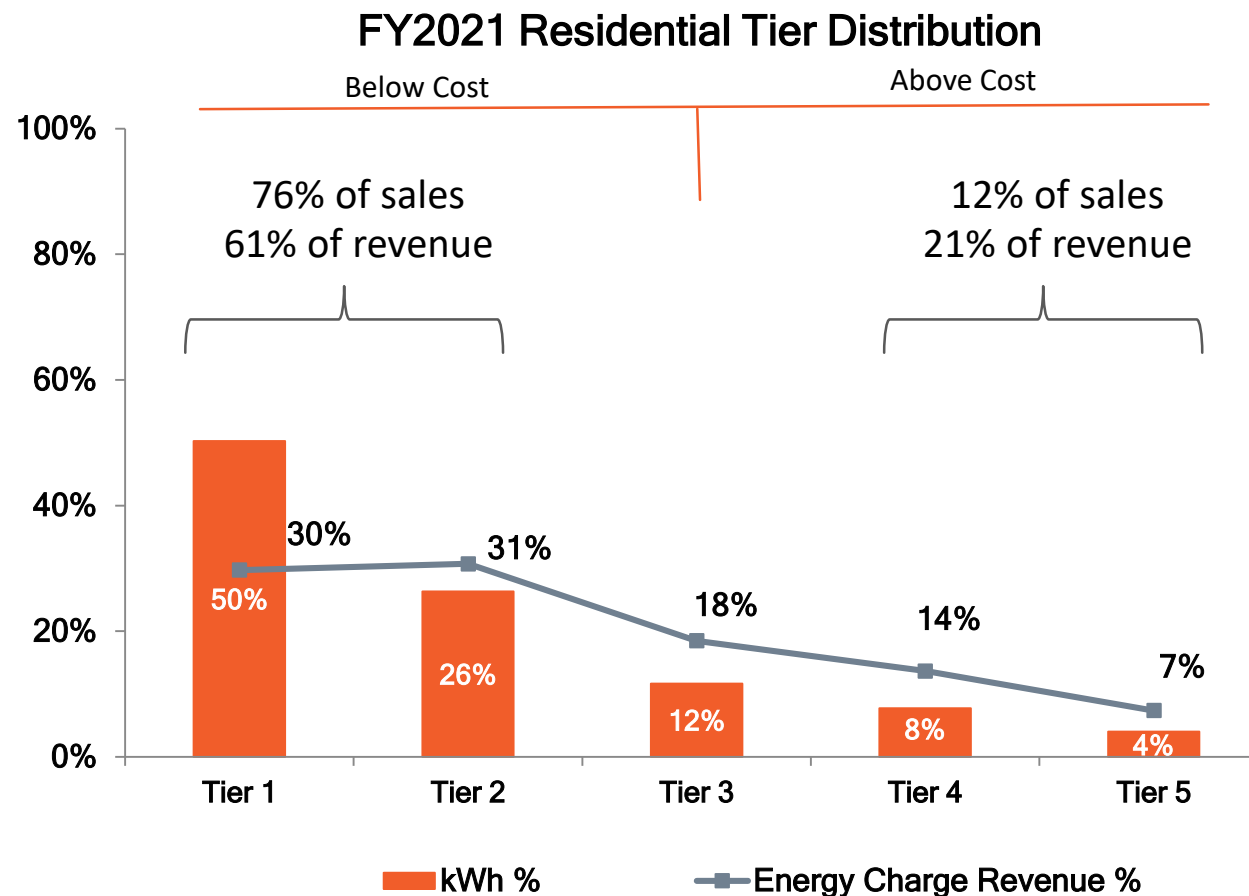


Average consumption per bill for FY 2019 for customers inside City of Austin

Tiered Rates and Revenue Stability

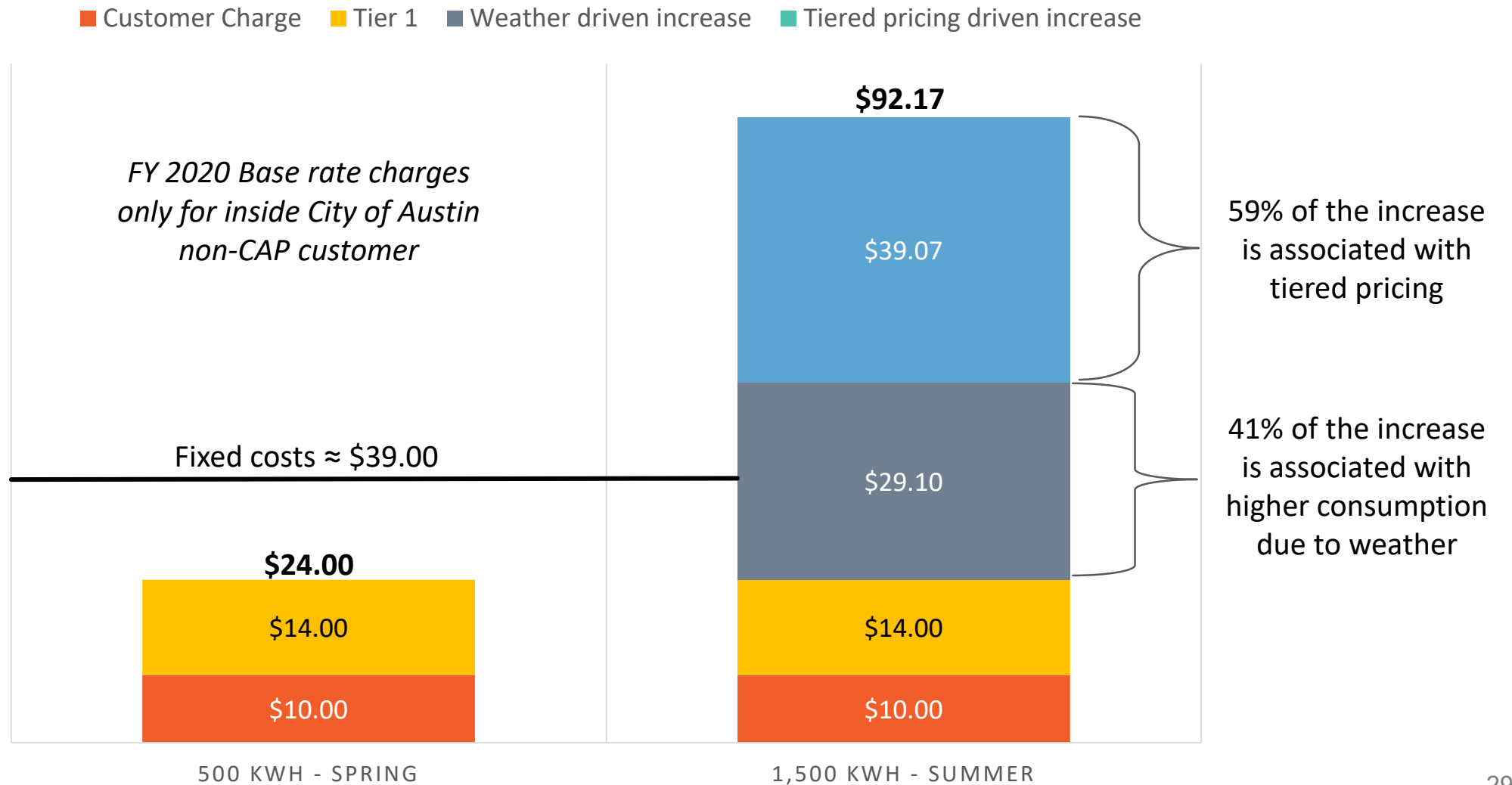
76% of residential consumption inside the City of Austin is sold below our cost to serve

- Austin Energy adopted a 5-tiered residential block structure in 2013 and set the rates for tiers 1 and 2 below cost of service while tiers 4 and 5 are significantly above cost
- Consumption in tiers 4 and 5 has decreased 14% since 2012
- Declining average consumption aggregates energy sales into the lower tiers jeopardizing Austin Energy's ability to recover costs



Customer Energy Burden

Weather and tiered volumetric pricing impact bill stability and affordability

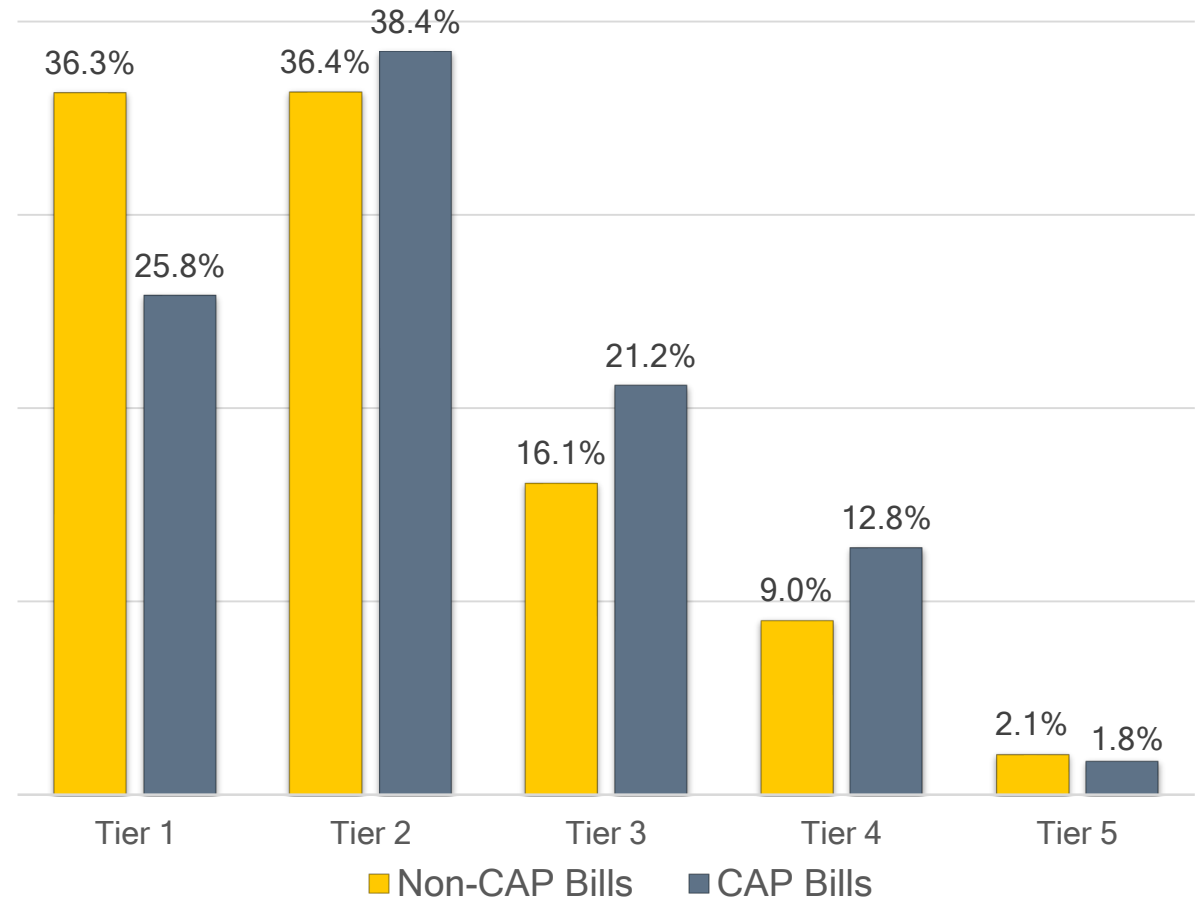


Inequality of Recovery

5-tiered structure disproportionately recovers costs from our vulnerable customers

- On average, in FY 2018 CAP customers used 15% more energy than non-CAP
- 35% of our CAP customers are billed at the higher tiered rates, while only a 27% of non-CAP customers are in those tiers
- Some high income households do not use much electricity, and some low income households use a lot

FY 2018 Annual Residential Tier Frequency
Inside City of Austin Customers Only



Guiding Principles for Establishing Retail Rates

Austin Energy will need to balance various guiding principles during our next rate review

- Ensuring equitable and fair cost sharing
- Providing price stability and predictability
- Simplifying our customers' experience
- Protecting our vulnerable customers
- Encouraging energy efficiency and conservation





**Customer Driven.
Community Focused.**



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