

Austin Energy Quarterly Financial Report

2nd Quarter FY 2021 (January - March)

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Chief Financial Officer



May 13, 2021

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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 Comprehensive Annual 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](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



Substantially compliant with all financial policies. Contingency and Capital Reserve balances below minimums but total cash above minimum of \$457m.



Generally meeting financial metrics supporting AA credit rating (reaffirmed October 2020). Received credit upgrade from *Fitch Ratings* in May 2019.



\$ 501 Million Revenues

Operating revenues at March are 22% under budget due to decreased Power Supply Revenue due to the February winter storm.



\$372 Million Expenses

Operating expenses are 28% under budget due to lower Power Supply costs due to the February winter storm.



Balance sheet is liquid and adequately capitalized. Cash increased \$42m primarily due to ERCOT settlement revenue related to the February winter storm.



The COVID pandemic has compounded the trends of an increasing number of customers with lower consumption per customer resulting in a deficiency of revenues.

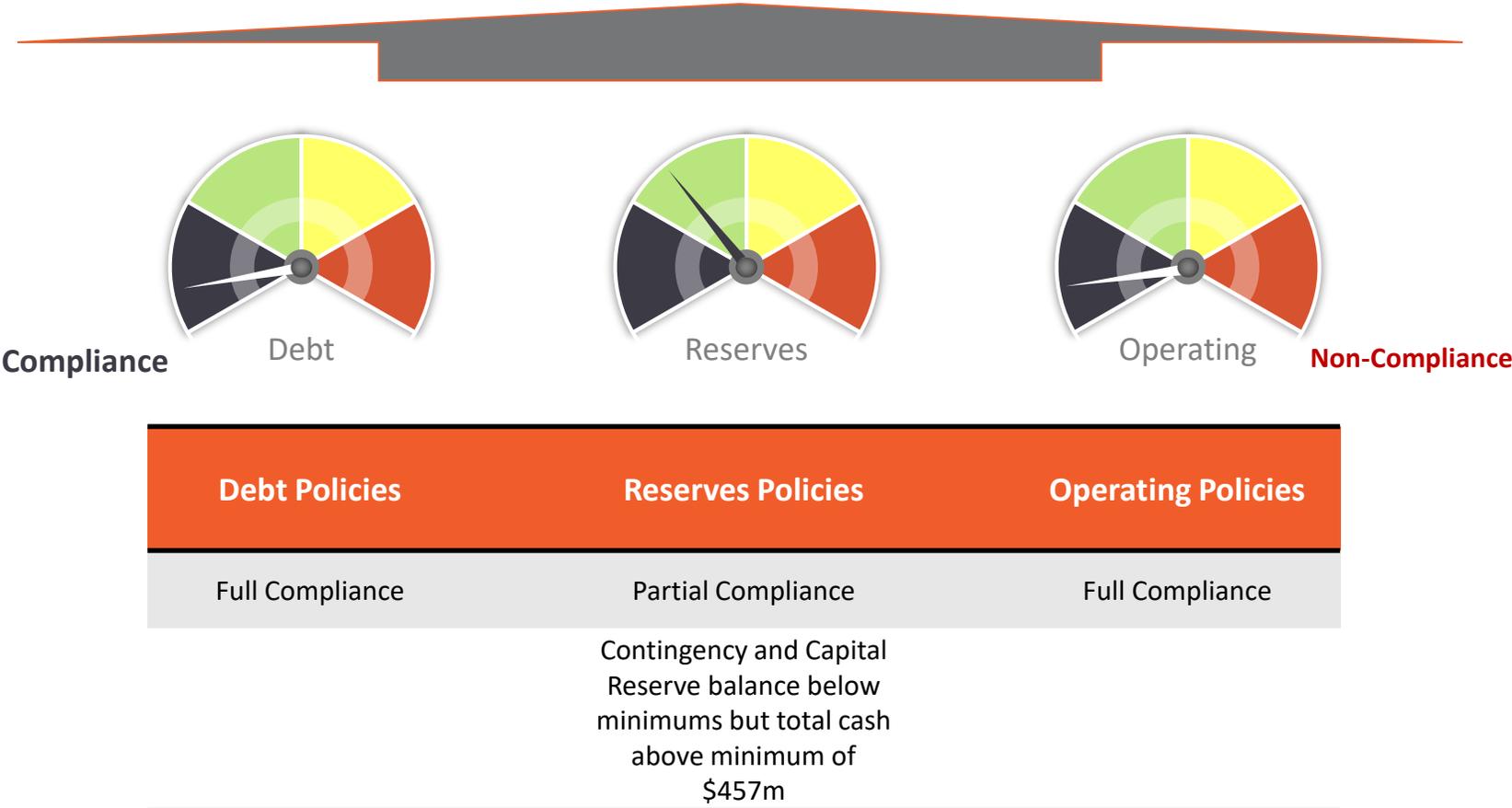


Austin Energy Quarterly Financial Report

Financial Policy Compliance



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



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

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 271 Days	Actual 2.0	Actual -4%	Actual 54%
Excludes General Fund Transfer			



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Austin Energy's Affordability Goal has Two Metrics



Affordability Metric	Competitiveness Metric
Full Compliance Since 2013	Full Compliance Since 2019
<p>Maintain system average rates at or below 2% annual compound growth rate that began October 2012.</p>	<p>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.</p>



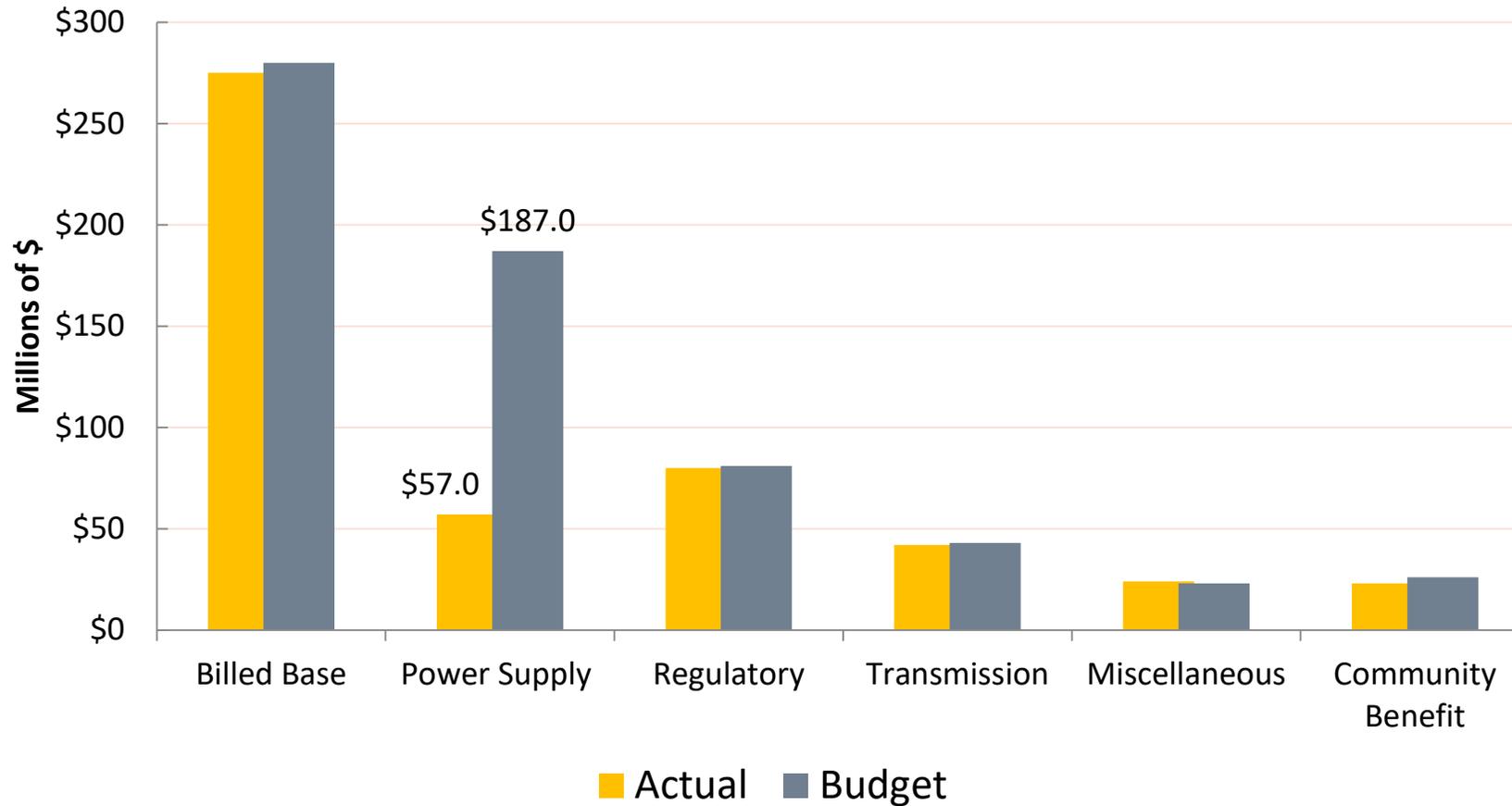
Austin Energy Quarterly Financial Report

Actual to Budget Analysis



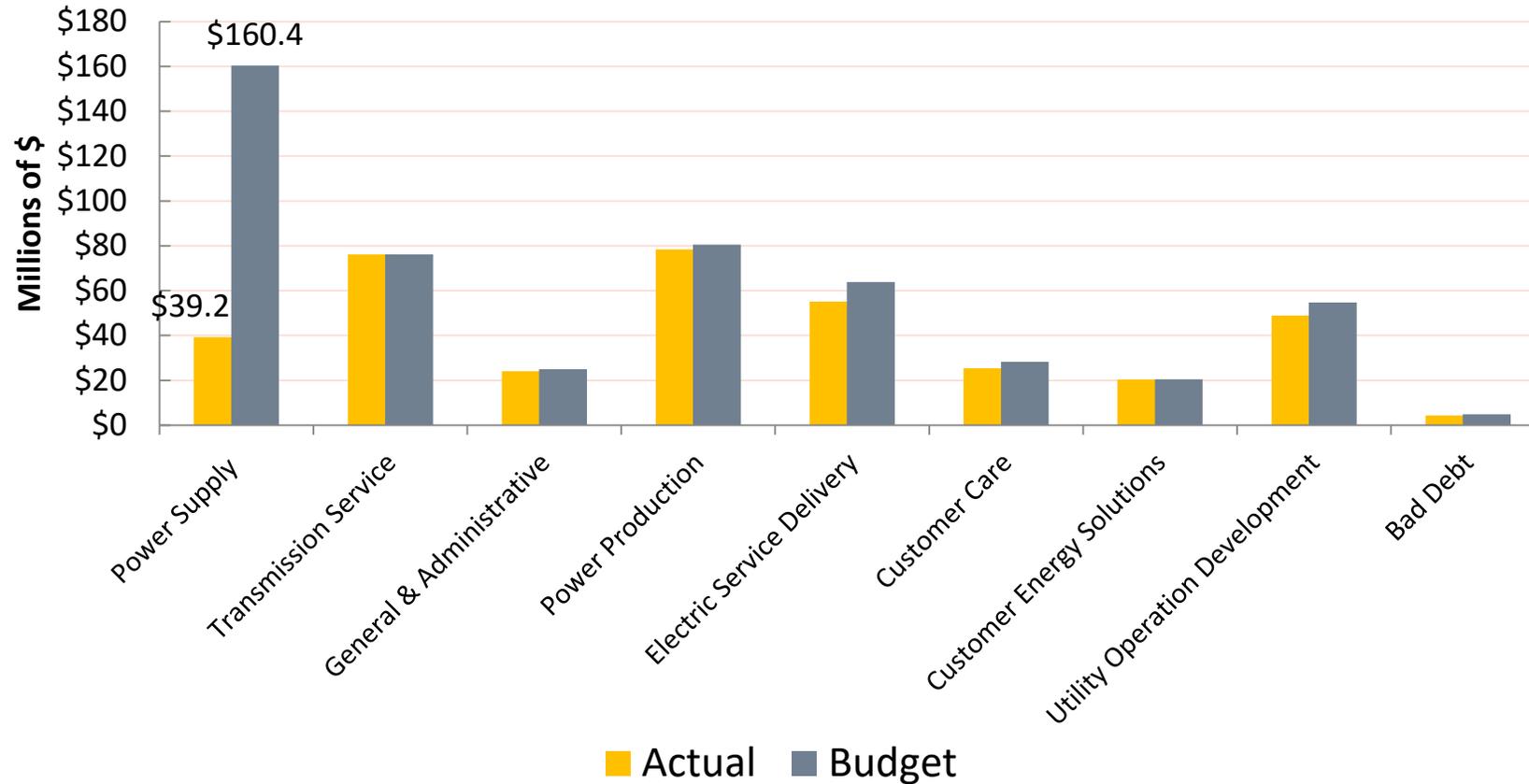
Actual to Budget Analysis

Budget Based Operating Revenues Fiscal Year Through March 31, 2021



Actual to Budget Analysis

Budget Based Operating Expenses Fiscal Year Through March 31, 2021



Actual to Budget Analysis

Budget Based Fund Summary

Fiscal Year Through March 31, 2021

Variance to Budget

Variance to Prior Year

Favorable (Unfavorable)

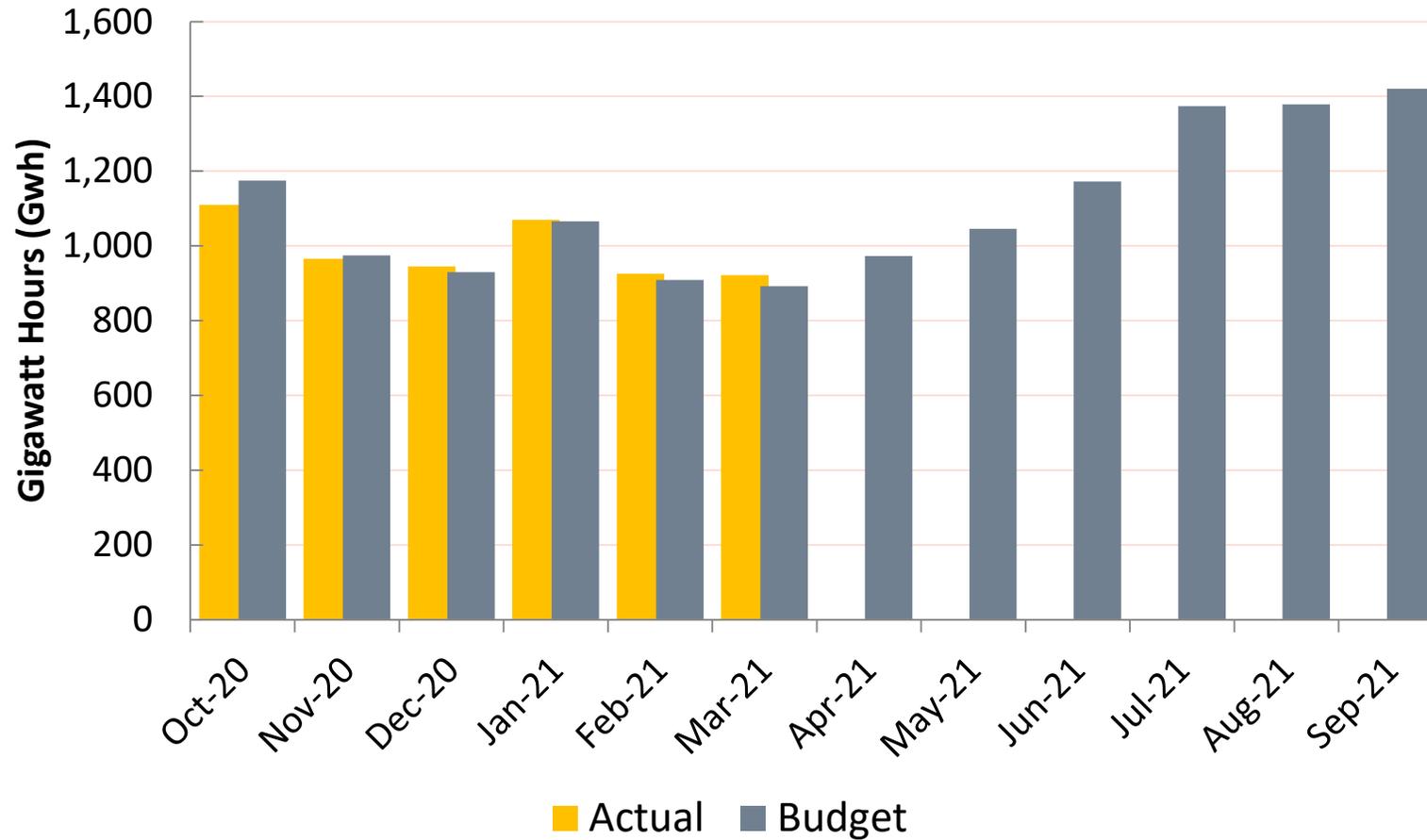
Favorable (Unfavorable)

Millions of \$	Actual	Budget	Amount	%	Prior Year Actual	Amount	%
Operating Revenues	\$501	\$639	(\$138)	(22%)	\$629	(\$128)	(20%)
Operating Expenses	372	514	142	28%	514	142	28%
Operating Income (Loss)	\$129	\$125	\$4	3%	\$115	14	12%
Interest Revenue	2	5	(3)	(66%)	7	(5)	(79%)
Debt Service	(65)	(64)	(1)	(2%)	(60)	(5)	(8%)
Income (Loss) Before Transfers	\$66	\$66	\$0	0%	\$62	\$4	5%
Administrative Support	(16)	(16)	0	0%	(15)	(1)	(6%)
General Fund	(57)	(57)	0	0%	(55)	(2)	(3%)
Economic Development	(4)	(4)	0	0%	(4)	0	0%
CTM Fund	(8)	(8)	0	0%	(6)	(2)	(20%)
Voluntary Utility Assistance Fund	0	0	0	0%	0	0	(0%)
Other City Transfers	(2)	(3)	1	0%	(1)	(1)	(80%)
Internal Transfers / CIP	(30)	(30)	0	0%	(44)	13	30%
Excess (Deficiency) of Revenues	(\$51)	(\$52)	\$1	0%	(\$63)	\$12	20%



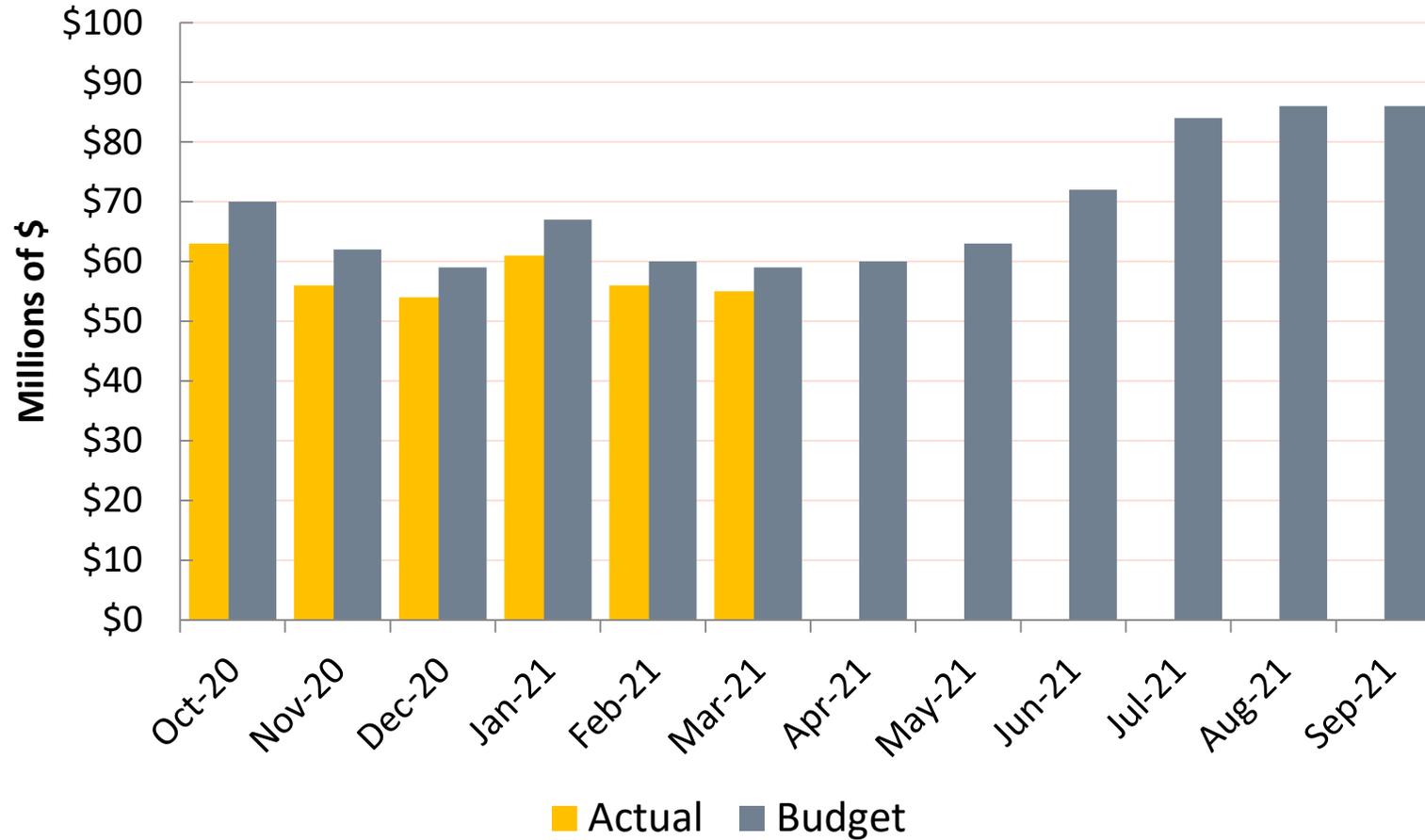
Actual to Budget Analysis

Actual to Budget Retail Energy Sales



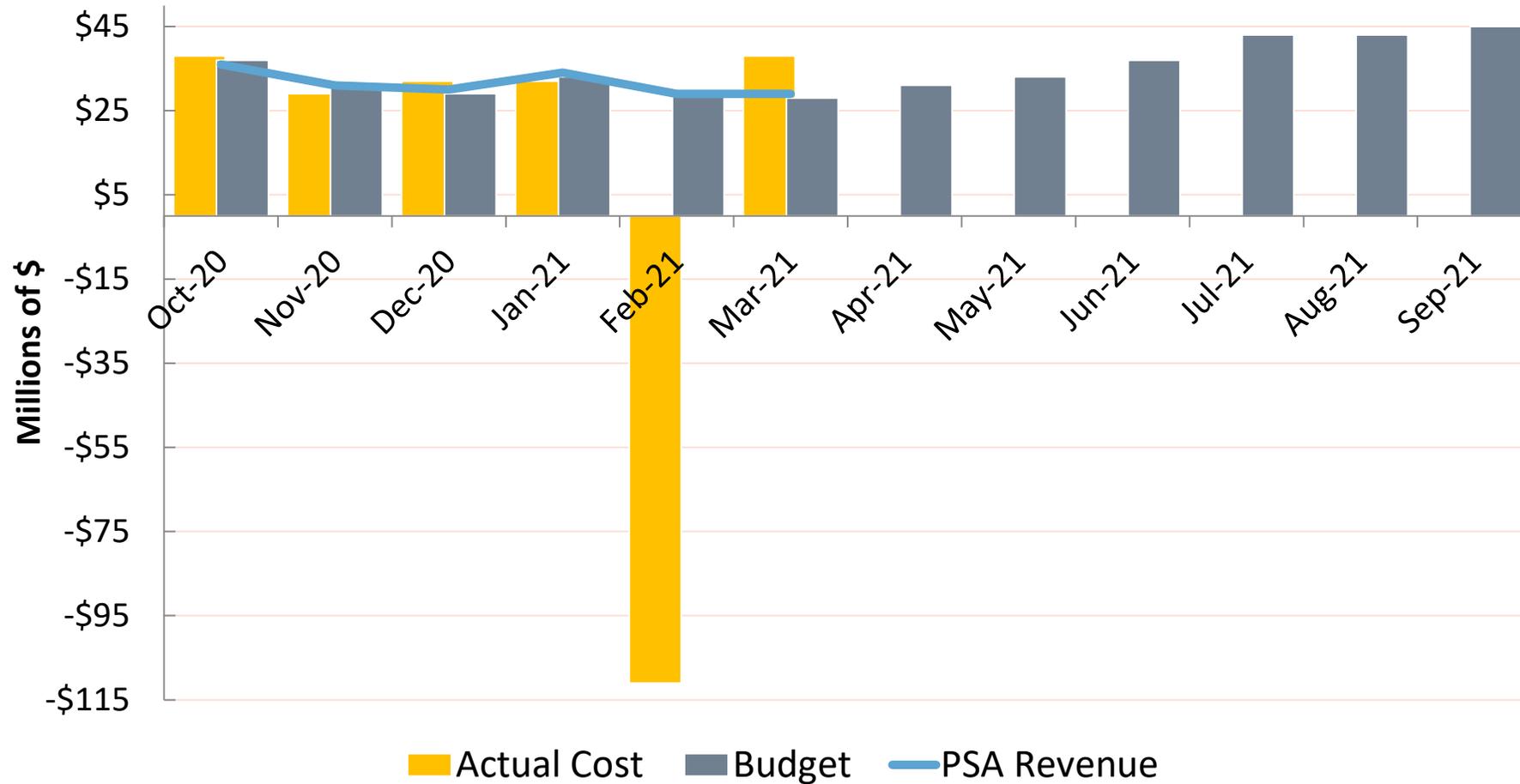
Actual to Budget Analysis

Actual to Budget Non-Power Supply Revenues



Actual to Budget Analysis

Actual to Budget Power Supply

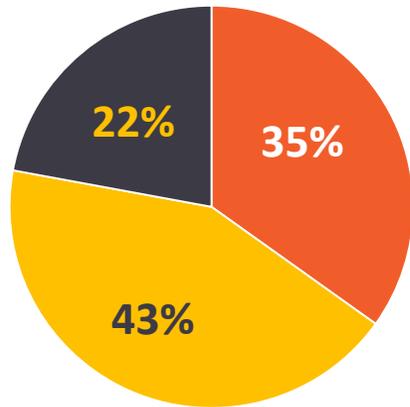


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Capital Improvement Plan Summary

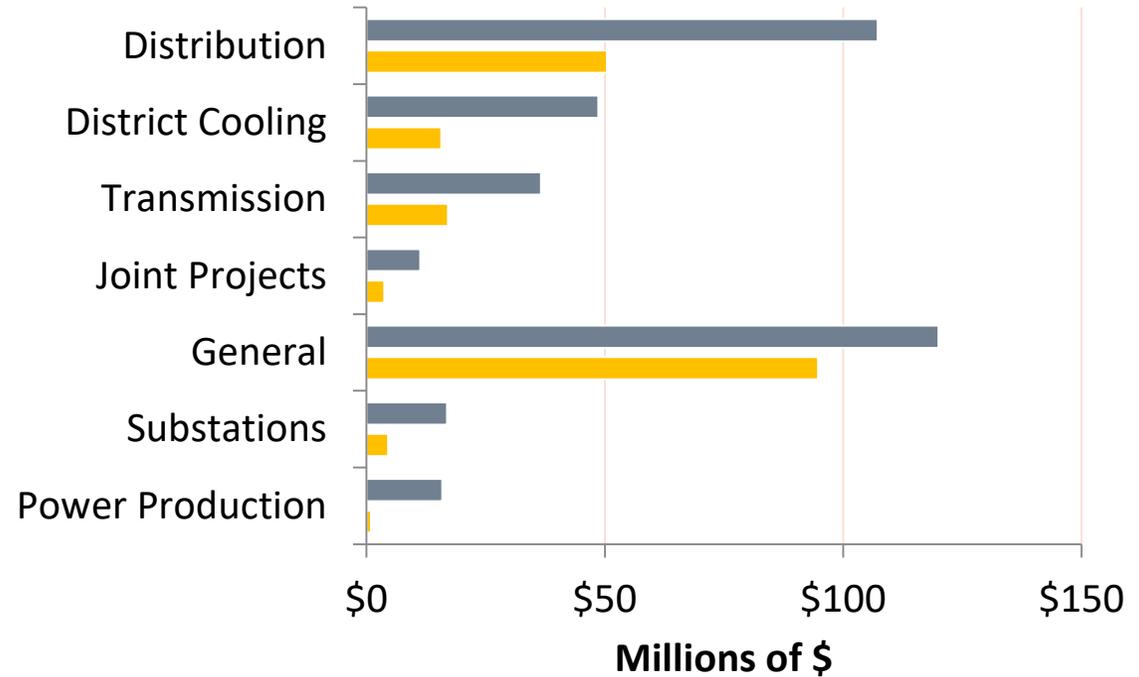
Fiscal Year Through March 31, 2021

Type of Financing



- Cash
- Debt
- Contributions in Aid of Construction

Type of Project

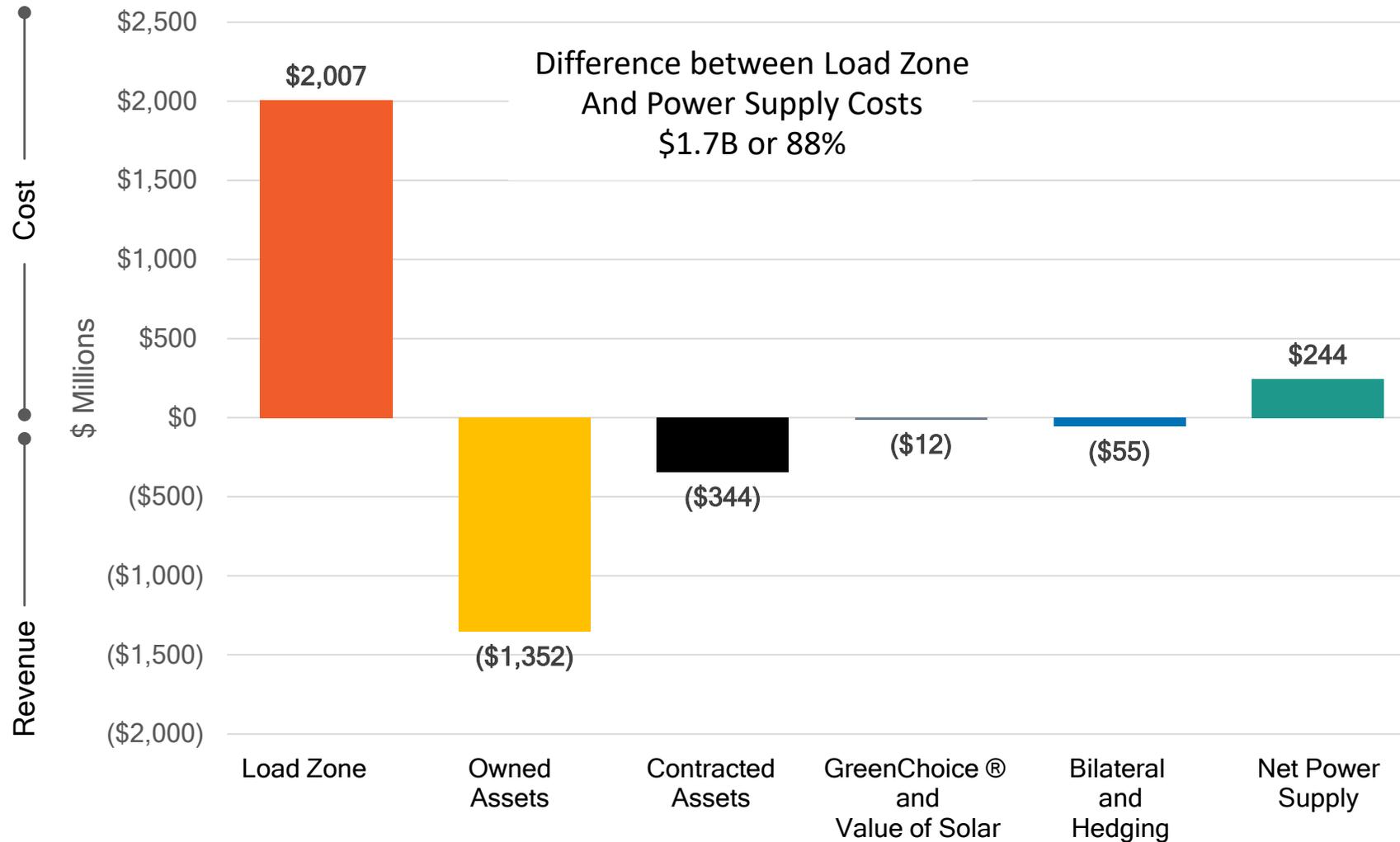


■ FY 2021 Spend Plan ■ Year-to-Date



Power Supply Adjustment Cost Components

Twelve Months Ending March 2021



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Financial Statements

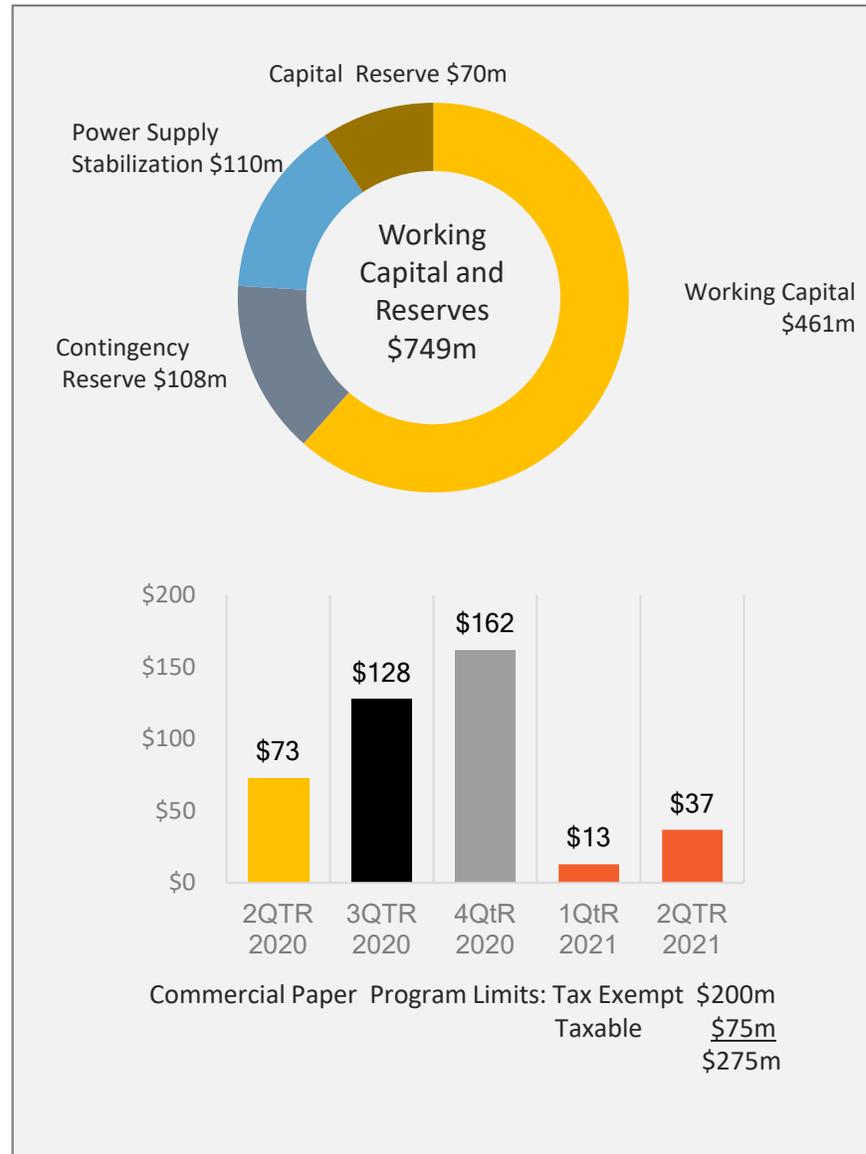


Balance Sheet Snapshot

\$ in Millions

Assets	Mar 2020	Mar 2021
Cash	\$419	\$461
Current Assets	309	376
Capital Assets	2,973	3,013
Long-Term Assets	1,846	2,108
Total Assets	\$5,547	\$5,958

Liabilities and Fund Equity		
Current Liabilities	\$249	\$269
Long-term Liabilities	2,968	3,238
Deferred Inflow of Resources	457	624
Retained Earnings	1,873	1,827
Total Liabilities & Fund Equity	\$5,547	\$5,958



GAAP Financial Summary

Comparative Statement of Net Position

\$ in Millions	3/31/2020	3/31/2021	Change
Cash	\$419	\$461	\$42
Accounts Receivable (net)	121	170	49
Power Supply Under-Recovery	7	0	(7)
Non-PSA Under-Recoveries	1	11	10
Debt Service	34	36	2
Contingency Reserve	107	108	1
Power Supply Stabilization Reserve	109	110	1
Capital Reserve	70	70	-
Nuclear Decommissioning Reserve	14	19	5
Other Restricted Assets	365	370	5
Other Assets	1,327	1,590	264
Capital Assets	2,973	3,013	40
Total Assets	5,547	5,958	411
Other Current Liabilities	142	157	15
Power Supply Over-Recovery	0	139	139
Non-PSA Over-Recoveries	43	19	(24)
Revenue Bonds	1,941	2,104	163
Commercial Paper	73	37	(36)
Other Long-Term Liabilities	1,475	1,675	200
Retained Earnings	1,873	1,827	(46)
Total Liabilities and Fund Equity	5,547	5,958	411

Income Statement

\$ in Millions	12 Months Ending	
	3/31/2020	3/31/2021
Operating Revenues	\$968	\$947
Power Supply Revenues	478	296
Power Supply Expenses	434	244
Non-Power Supply Expenses	711	765
Depreciation Expense	260	284
Operating Income/(Loss)	\$41	(\$50)
Other Revenue (Expense)	\$59	\$117
General Fund Transfer	(111)	(113)
Net Income/(Loss)	(\$11)	(\$46)
Debt Service Coverage	2.7	2.0
Debt Capital Ratio	52%	54%

Average Number of Customers

503,941 515,249

2.2%

FYTD 2020

FYTD 2021

Total Sales in Gigawatt Hours

6,138 5,940

(3.2%)

FYTD 2020

FYTD 2021



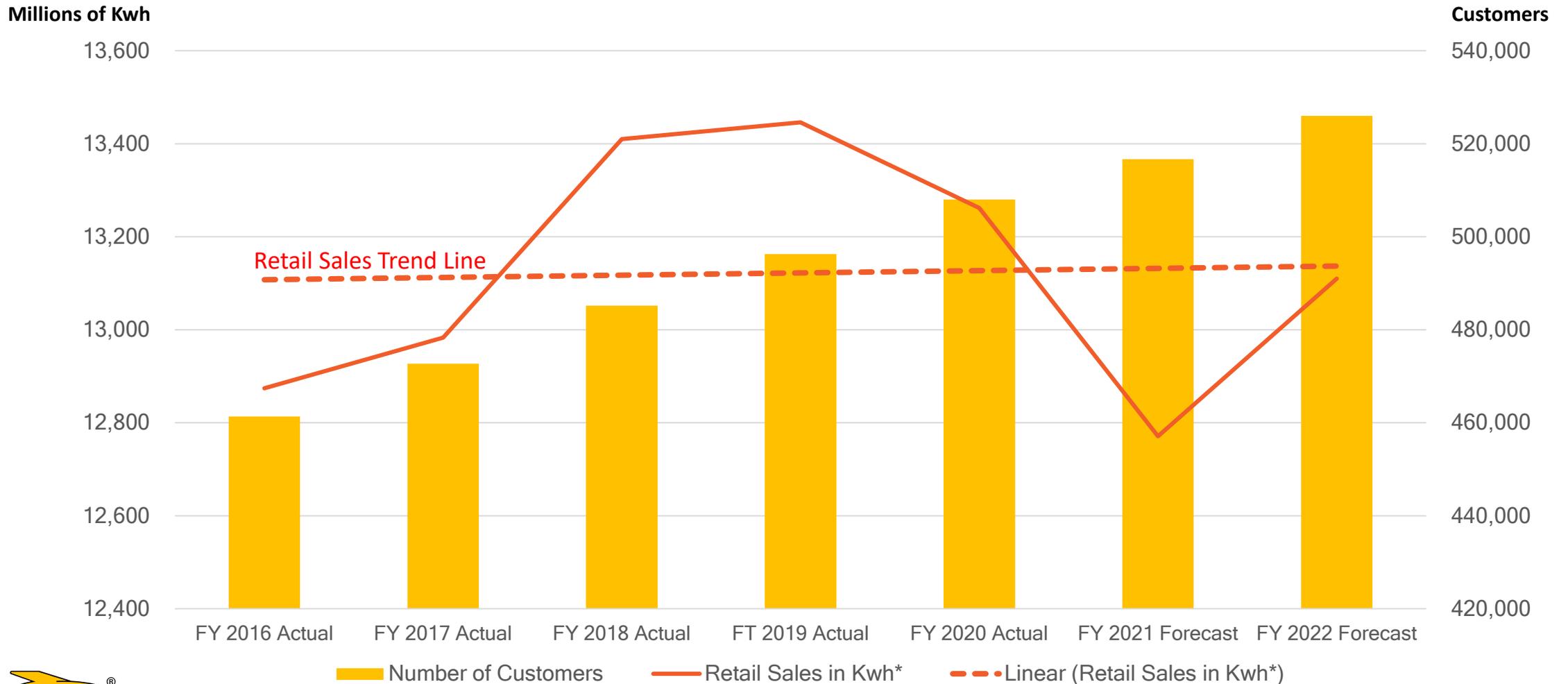
Austin Energy Quarterly Financial Report

Market and Industry Analysis



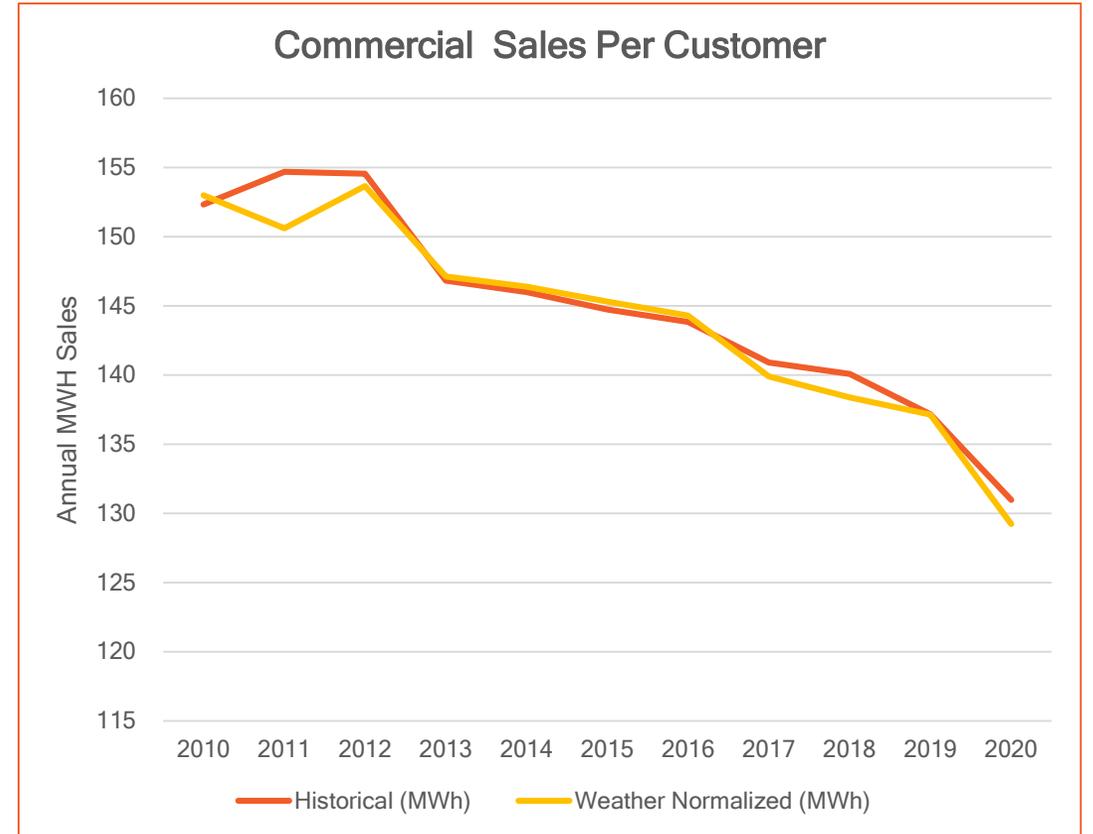
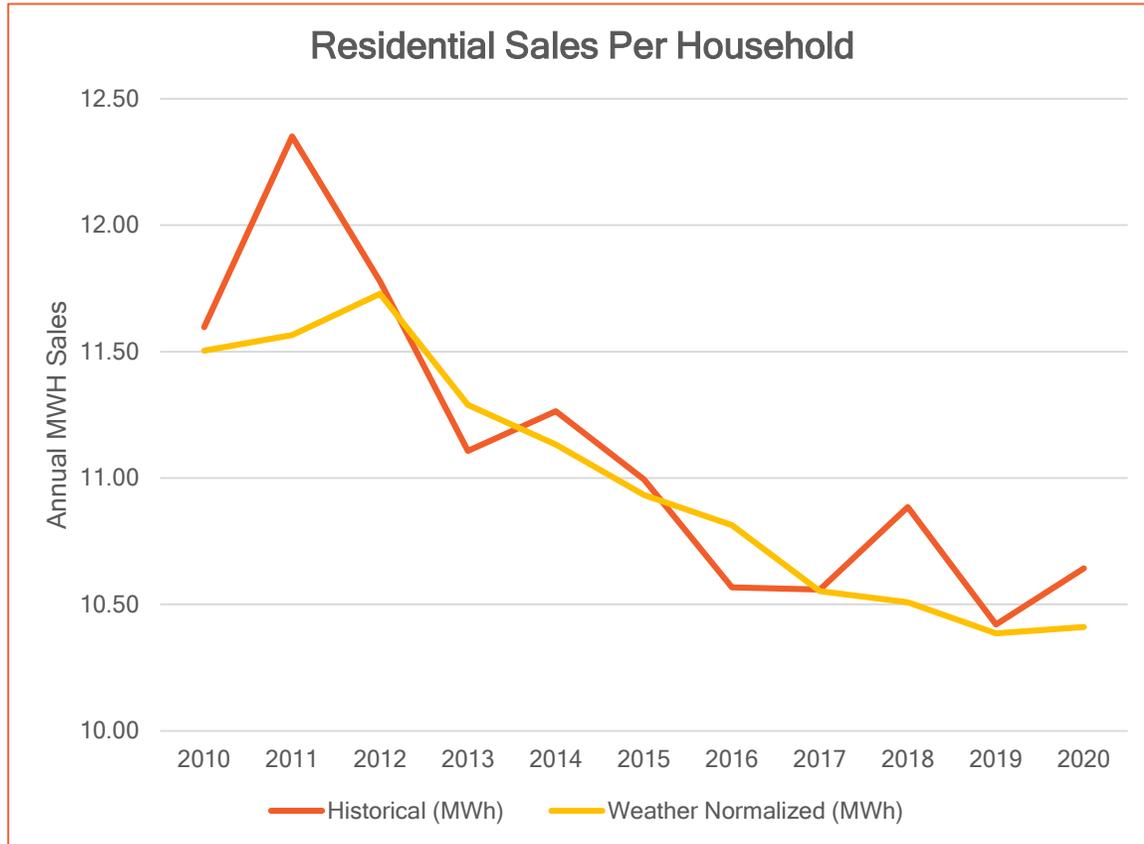
Trends in Customers and Retail Sales

Growth in customer count does not translate to growth in sales



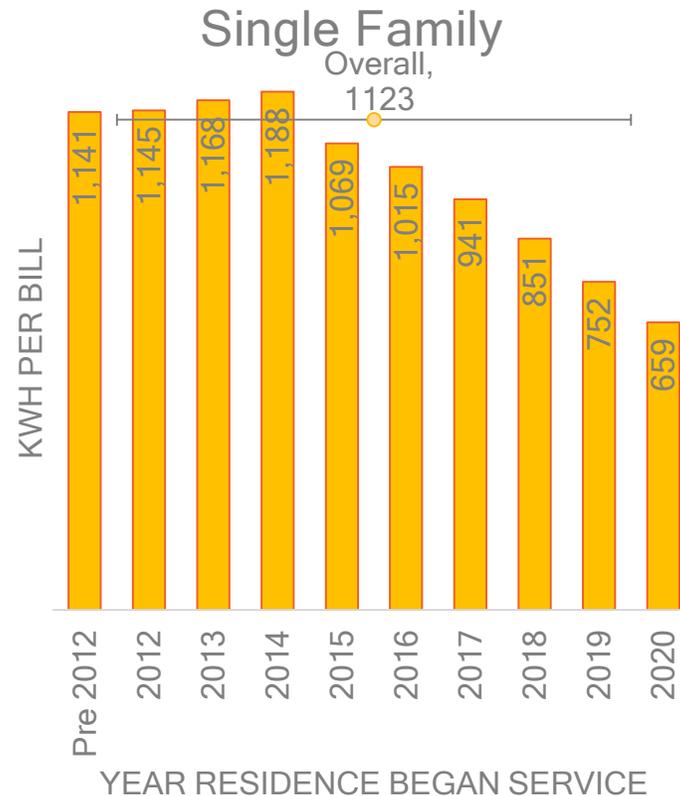
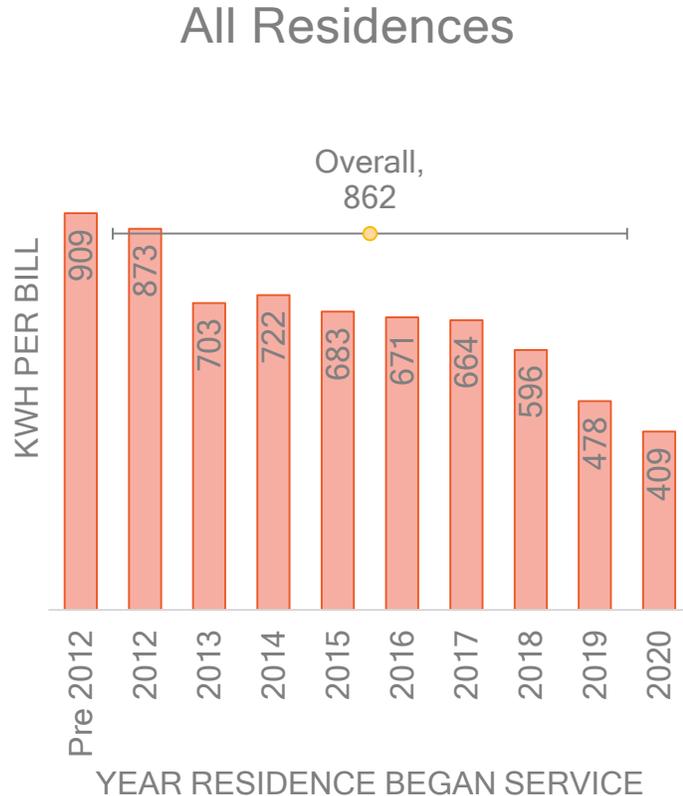
* Retail sales in Kwh not adjusted for weather

Declining Consumption per Customer



FY 2020 Average Residential kWh per Bill

Residences have become increasingly more energy efficient



Tiered Rates: Customer Bill Stability and Revenue Impacts

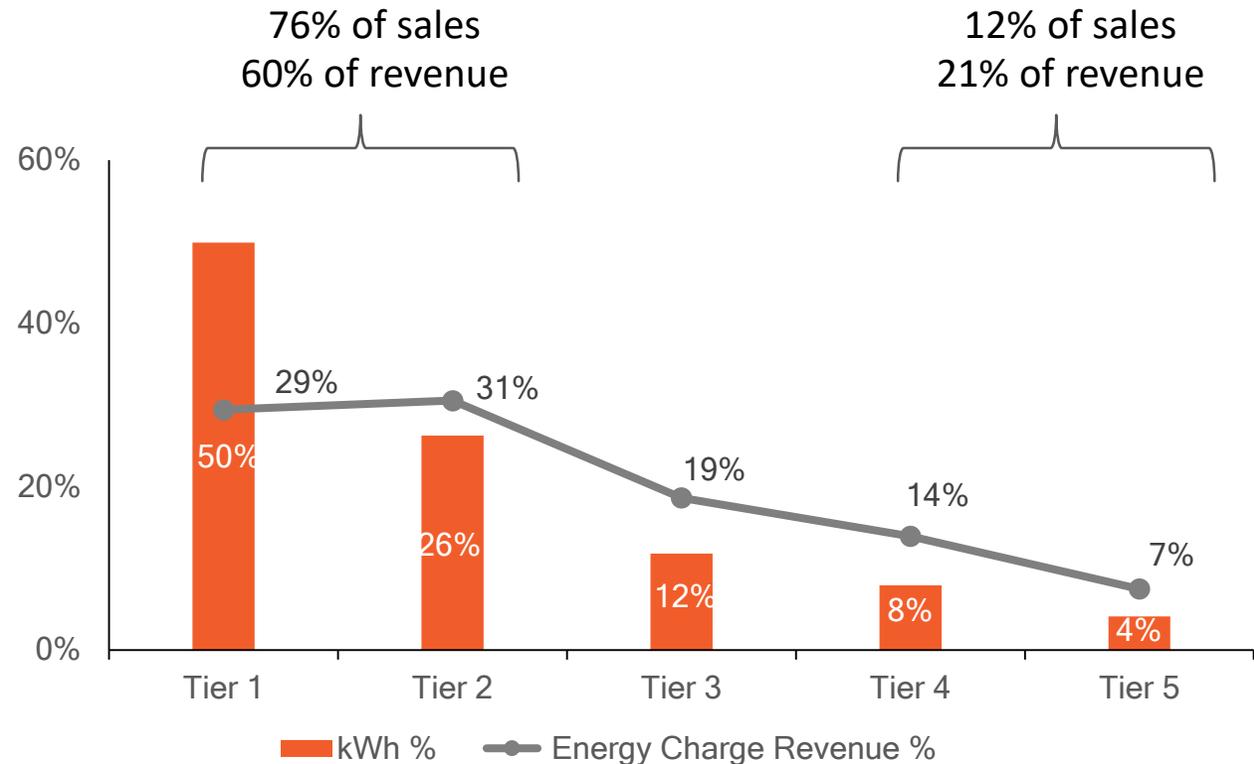
Growth in new residential customers is aggregated in lower tiers

Inclined Block Rates

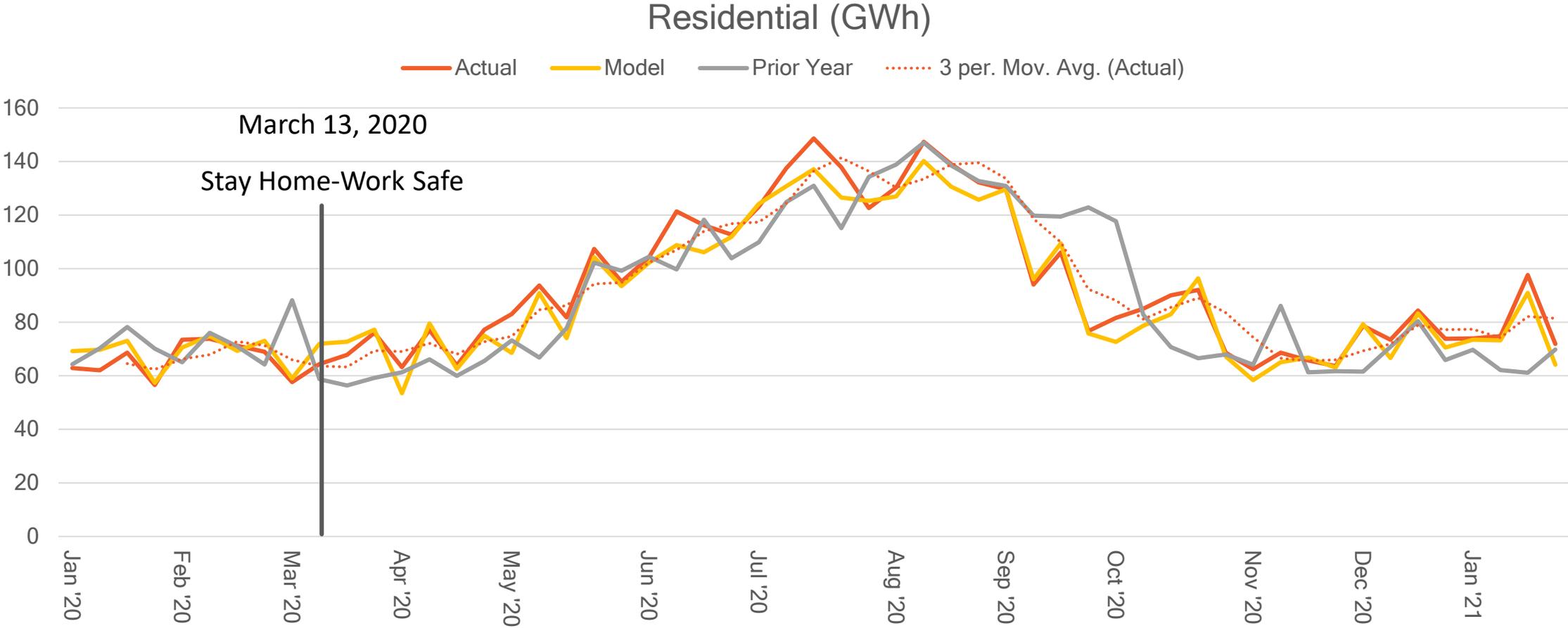
Austin Energy adopted a 5-tiered residential block structure in 2013 and set the rates for tiers 1 and 2 below cost of service while tiers 4 and 5 are significantly above cost. Consumption in tiers 4 and 5 have decreased 14% since 2012.

Declining average consumption aggregates energy sales into the lower tiers jeopardizing Austin Energy's ability to recover costs and customers' bill stability especially during weather events.

FY2022 Residential Tier Distribution



COVID Impact: Residential Weekly Consumption Patterns

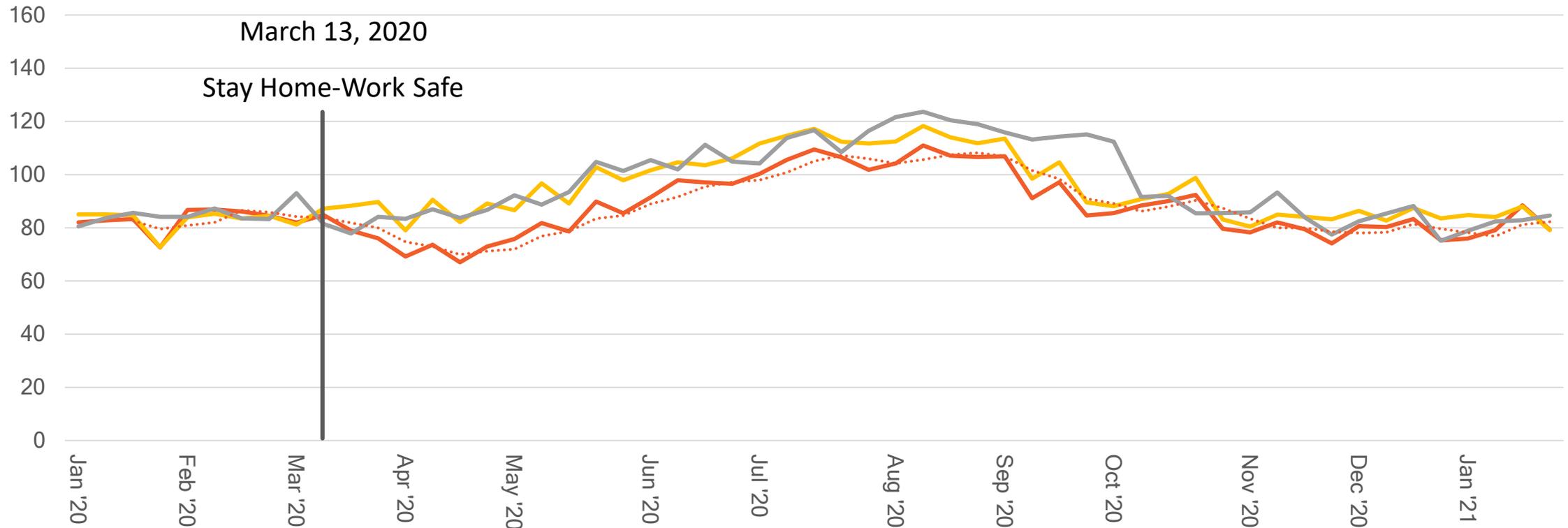


COVID Impact: Commercial Weekly Consumption Patterns

Excludes Primary Customers

Secondary Voltage Commercial (GWh)

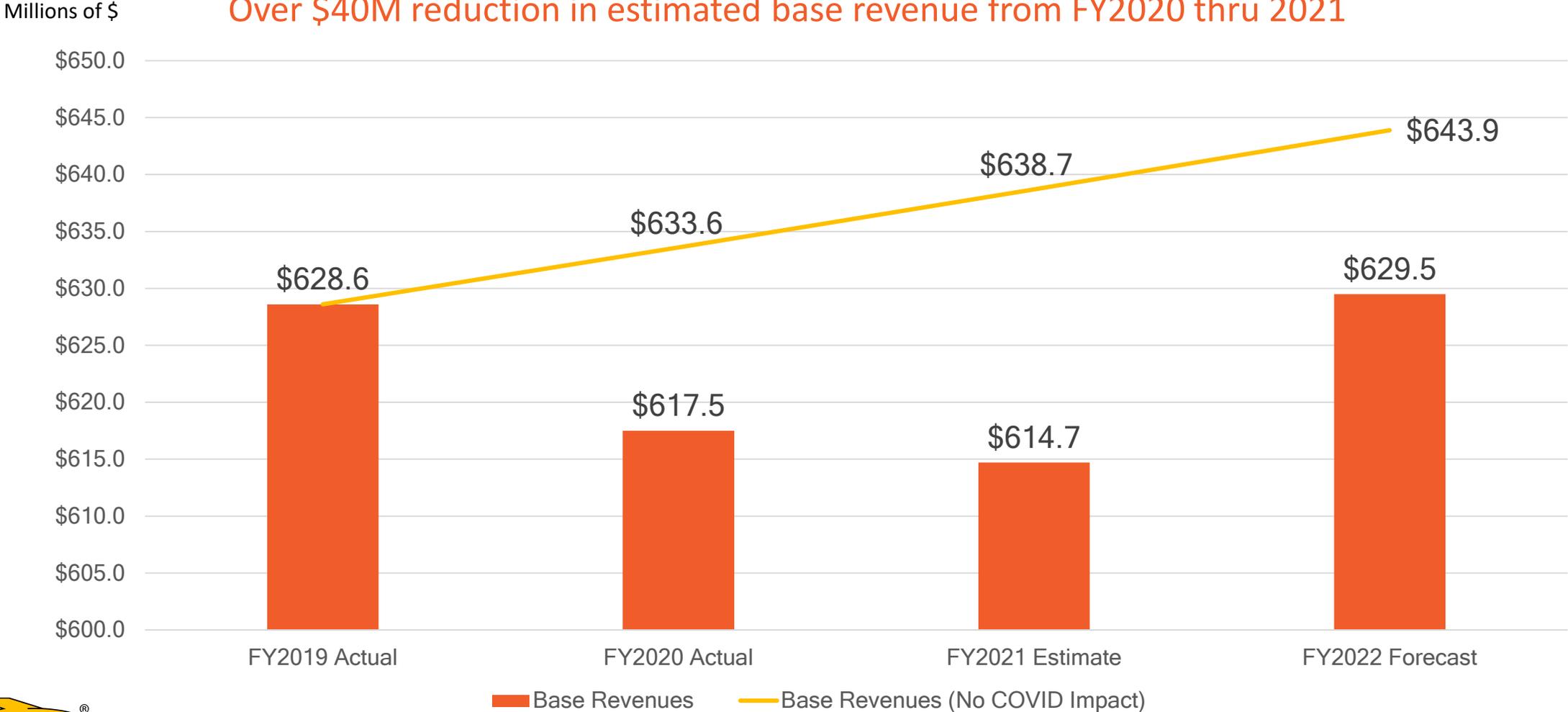
Actual Model Prior Year 3 per. Mov. Avg. (Actual)



COVID Impact on Base Revenues

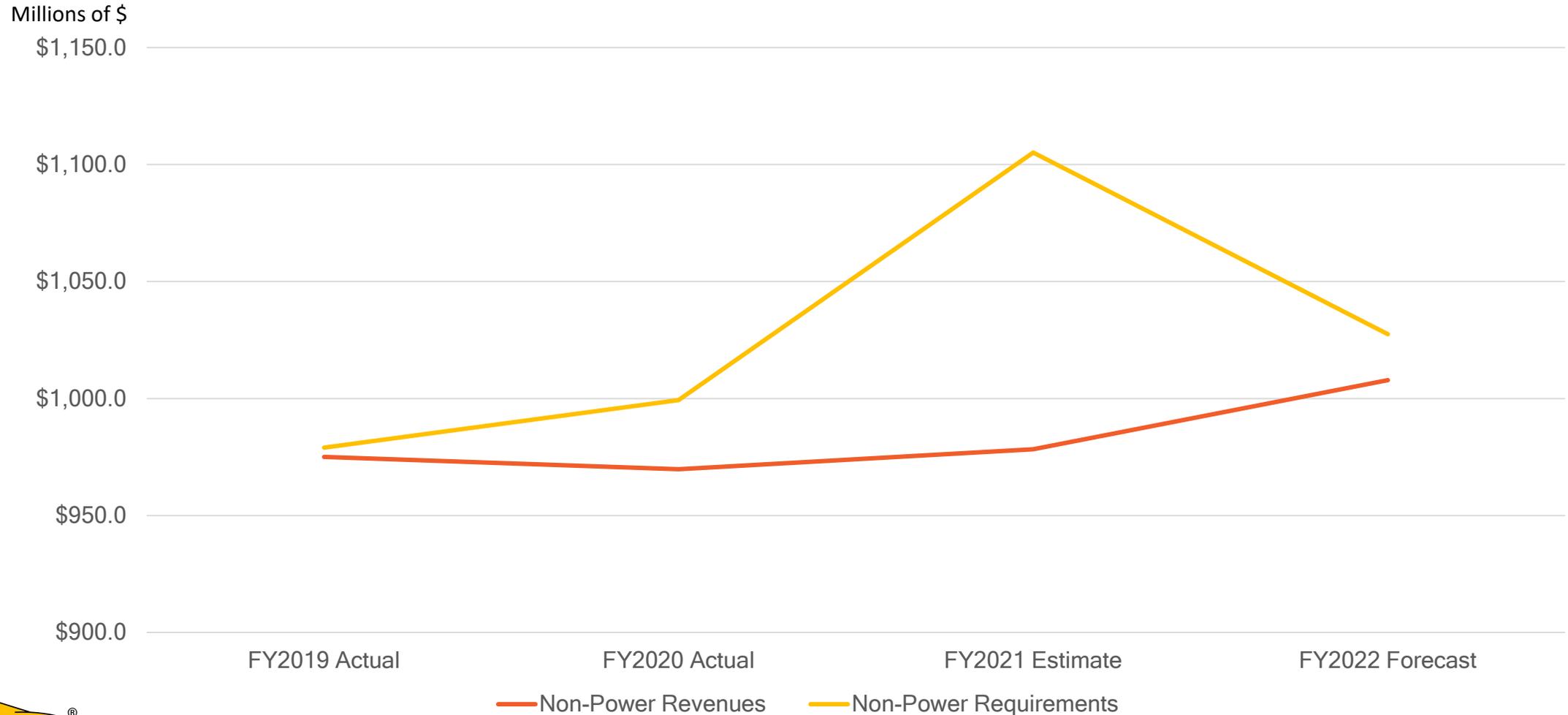
Forecasted 2022 base revenue is \$14M less than Pre-COVID estimates

Over \$40M reduction in estimated base revenue from FY2020 thru 2021



Trends in Revenues and Requirements

COVID has compounded the effects of flat consumption





**Customer Driven.
Community Focused.**

