

# Austin Energy Quarterly Financial Report

1st Quarter FY 2023 (October - December)

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February 21, 2023

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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 Annual Comprehensive Financial Reports for the City of Austin, which was published on March 14, 2022:

[http://finance.austintexas.gov/web/controller/annual\\_comprehensive\\_financial\\_report/annual\\_comprehensive\\_financial\\_report\\_2021.pdf](http://finance.austintexas.gov/web/controller/annual_comprehensive_financial_report/annual_comprehensive_financial_report_2021.pdf)



# Agenda

## Quarterly Financial Report



# Austin Energy Quarterly Financial Report

## Executive Summary



# Executive Summary



Austin Energy is in partial compliance with its financial policies. Combined reserves, as well as working capital, contingency, power Supply and capital reserve balances are below minimums.



Working capital decreased by \$133m year over year, primarily due to impacts of power supply costs.



**\$384**

Million Operating Revenue

Operating revenue FYTD is less than 1% over budget, primarily due to slightly higher usage and increased power costs.



**\$(444)**

Million Expenses w/transfers

Operating expenses for December FYTD including transfers are 3% over budget, primarily due to increased power supply costs.



Austin Energy's bond rating was lowered by S&P to AA-, which is below our target rating of AA.



Austin Energy plans to sell bonds in May 2023 to refinance Commercial Paper as well as outstanding bonds to achieve savings.



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# Austin Energy Quarterly Financial Report

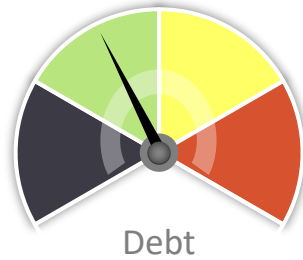
## Financial Policy Compliance



# Financial Policy Monitoring

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

Compliance **Non-Compliance**



Debt Policies	Reserves Policies	Operating Policies
Full Compliance	Partial Compliance	Full Compliance
Actual 2.3x DSC Policy minimum is 2.0x DSC	All individual reserve balances are below minimums. In addition, our Combined reserve of \$436m is below the minimum of \$697m	



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# Austin Energy Quarterly Financial Report

## Financial Performance Measures

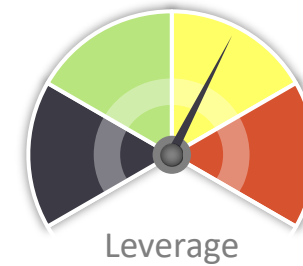
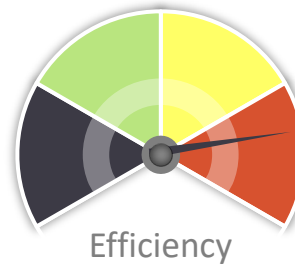




# AA-

## Standard & Poor's Global Ratings Lowered in August 2022

Excessive Deficient



Days Cash on Hand	Debt Service Coverage Ratio	Operating Margins	Debt to Capitalization
Minimum > 150 Days	Minimum > 2.0	Minimum > 10%	Minimum < 50%
Actual 113 Days	Actual 2.3	Actual 2.7%	Actual 54%
Excludes General Fund Transfer			



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# Austin Energy's Affordability Goal has Two Metrics



## Affordability Metric

Full Compliance Since 2013

Maintain system average rates at or below 2% annual compound growth rate that began October 2012.

## Competitiveness Metric

Full Compliance Since 2019

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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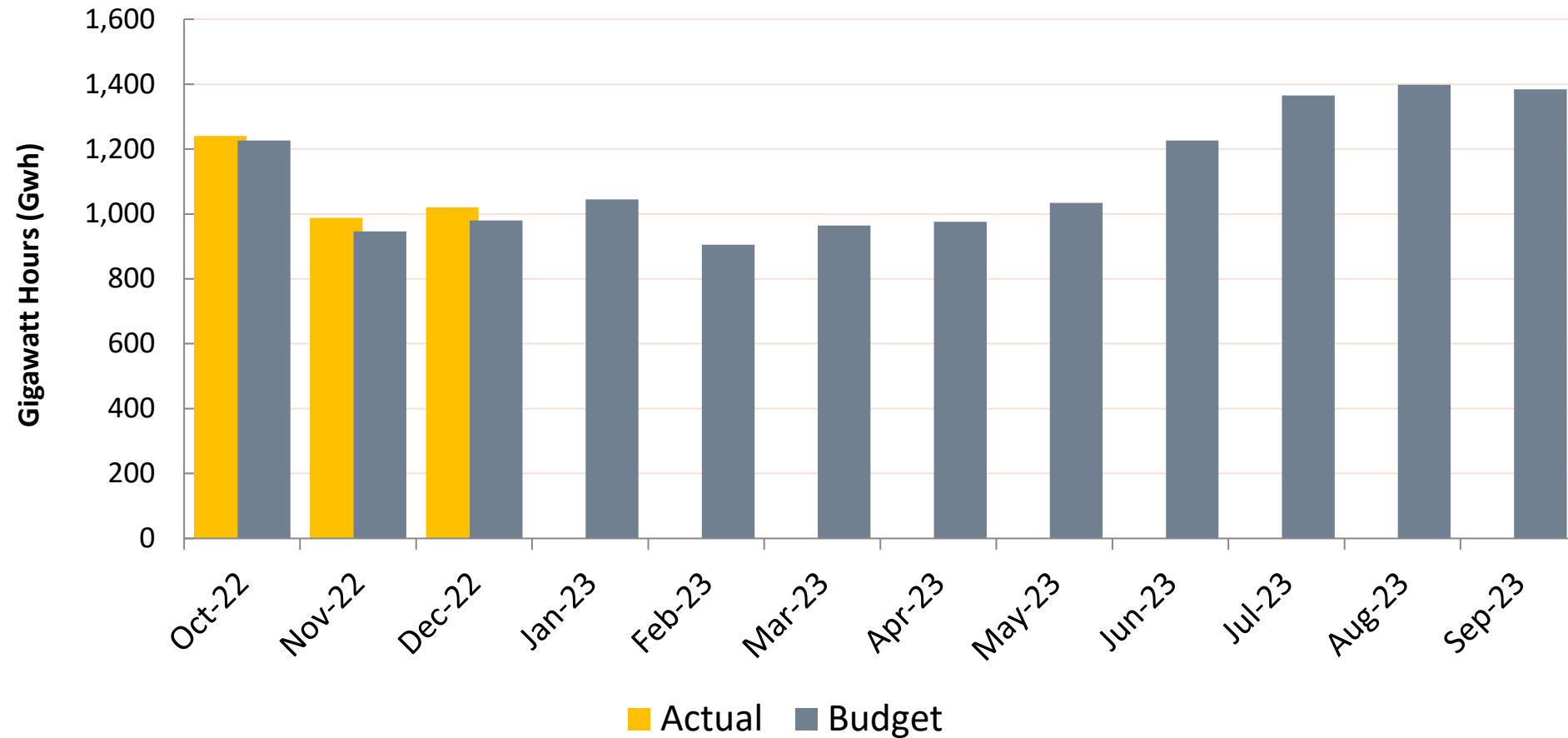
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# Austin Energy Quarterly Financial Report

## Actual to Budget Analysis



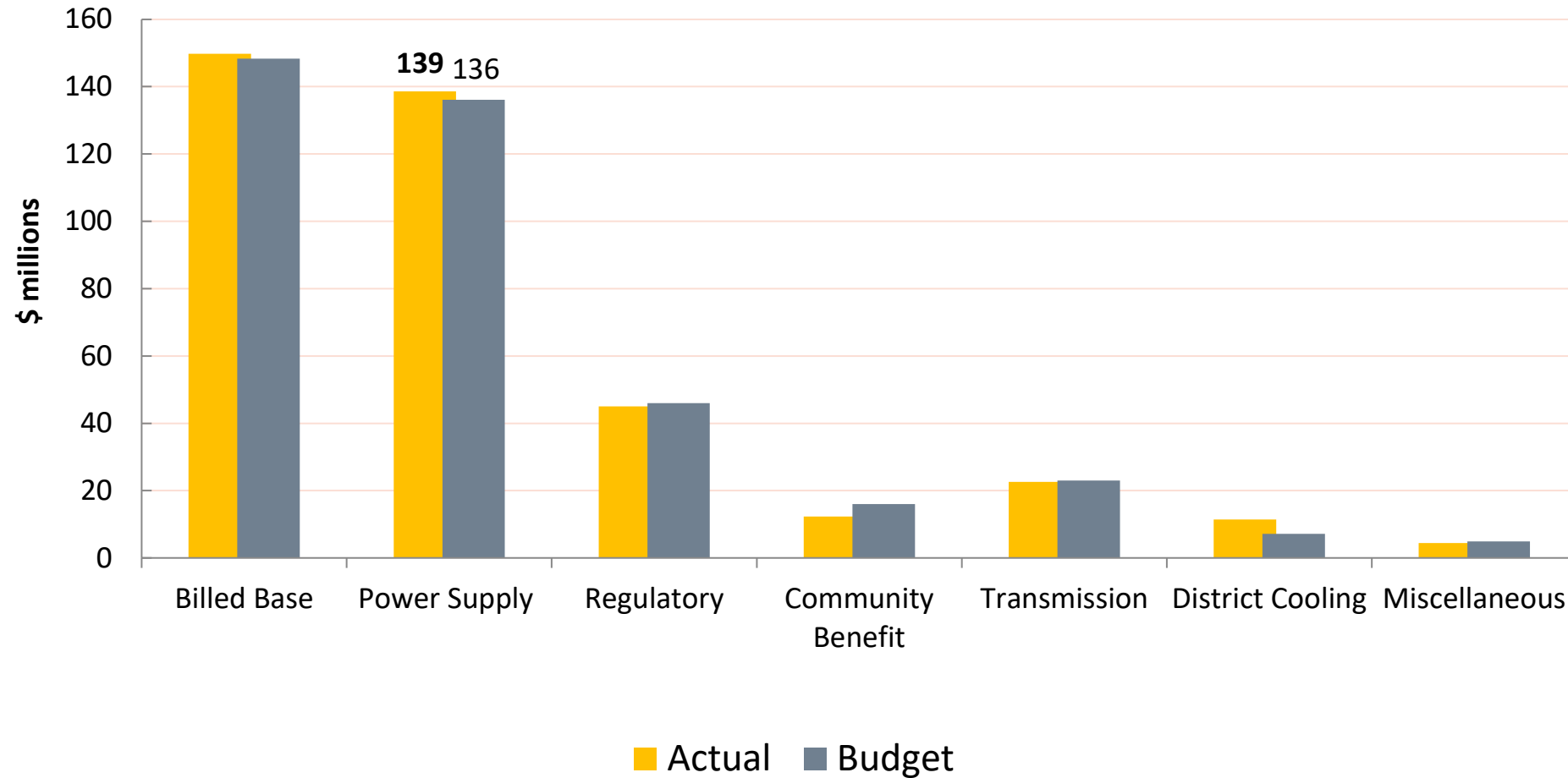
# Actual to Budget Analysis: Retail Sales



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# Actual to Budget Analysis: Revenue

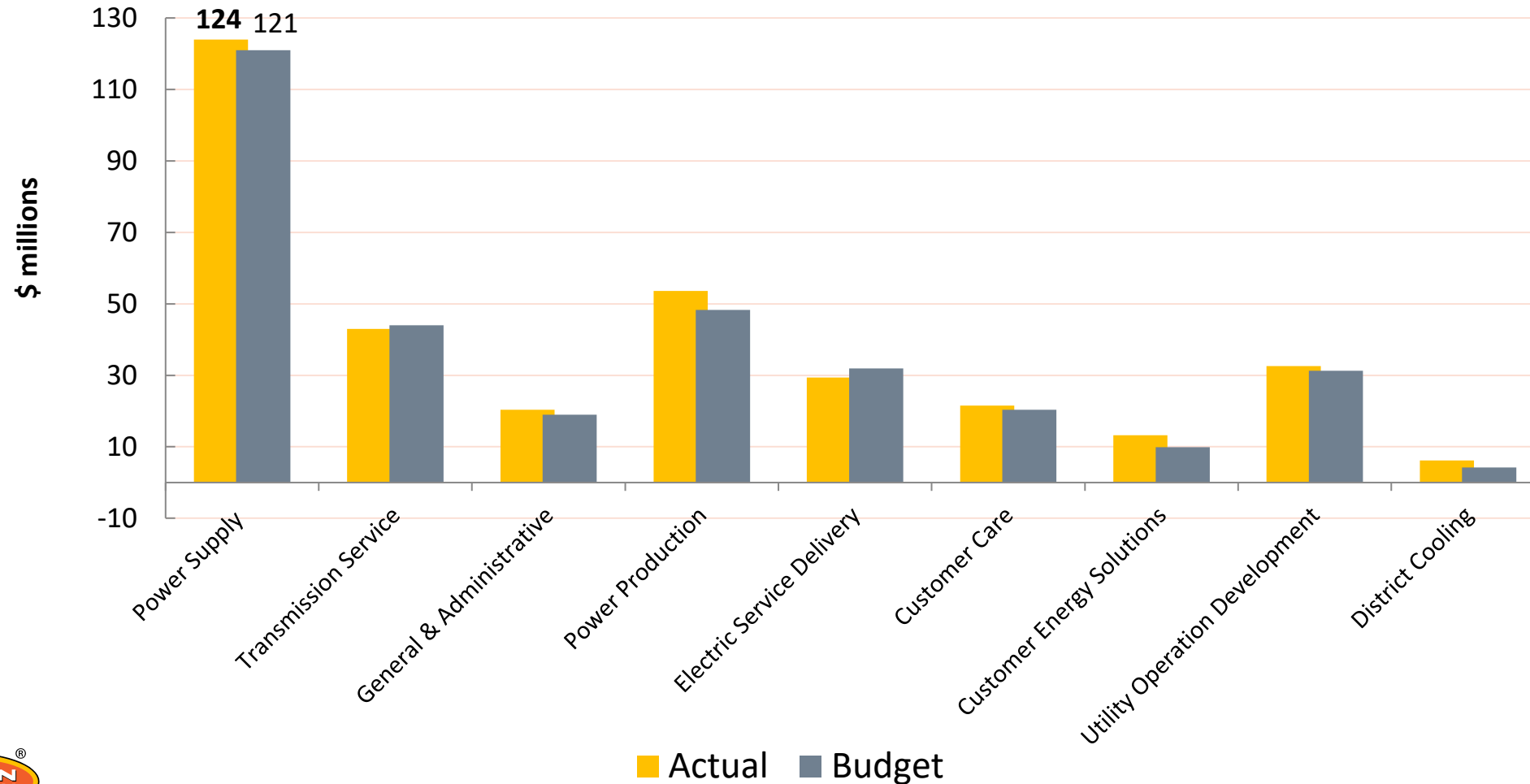
Fiscal Year Through December 31, 2022



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# Actual to Budget Analysis: Expense

Fiscal Year Through December 31, 2022



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# Actual to Budget Analysis: Fund Summary

## Budget Based Fund Summary

Fiscal Year Through December 31, 2022

## Variance to Budget

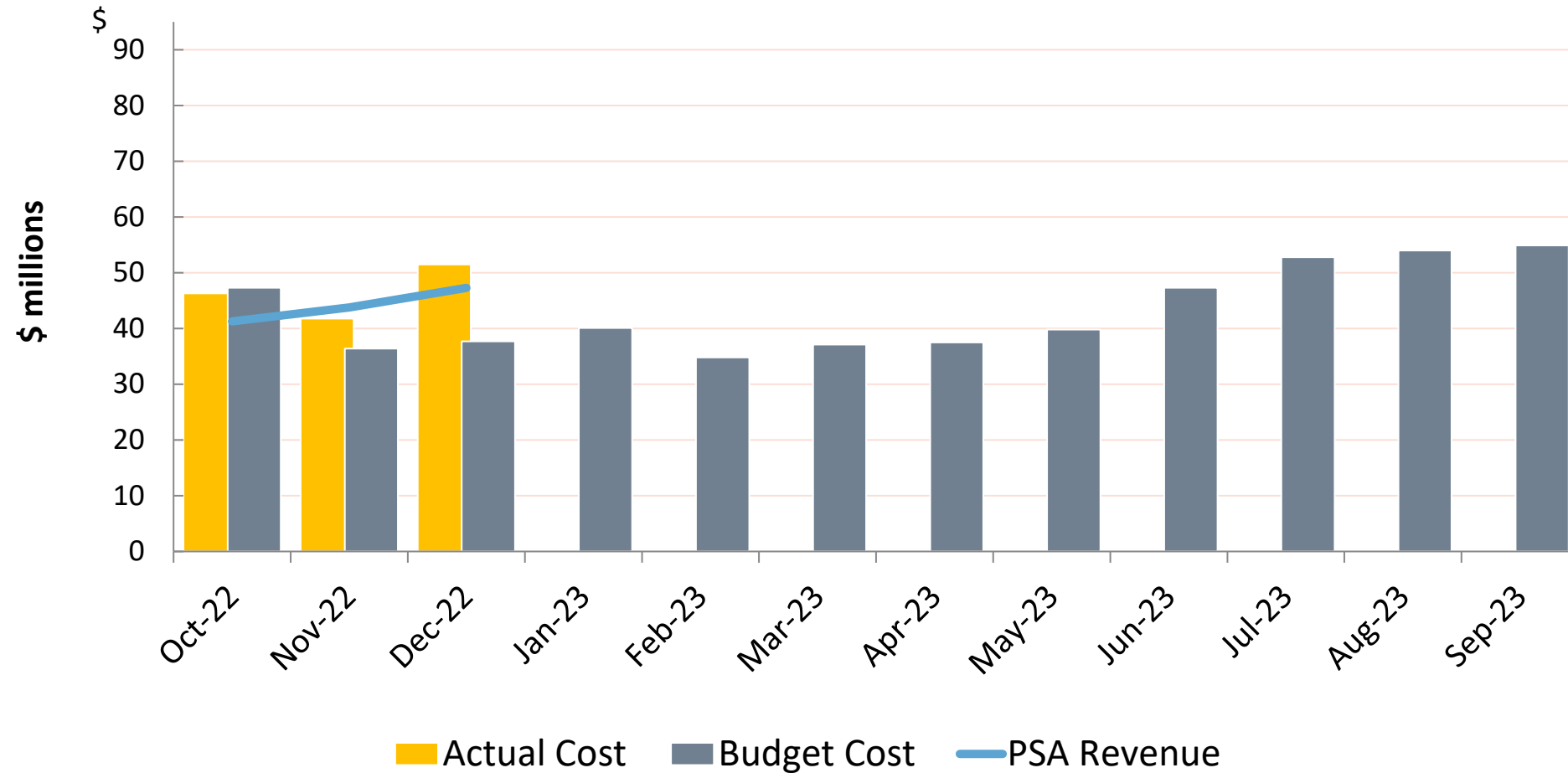
Favorable (Unfavorable)

Millions of \$	Actual	Budget	Amount	%
Operating Revenues	\$384	\$382	\$2	1%
Operating Expenses	344	330	14	(4%)
<b>Operating Income (Loss)</b>	<b>40</b>	<b>52</b>	<b>(12)</b>	<b>(22%)</b>
Interest Revenue	4	2	2	112%
Debt Service	(39)	(39)	0	0%
<b>Income (Loss) Before Transfers</b>	<b>5</b>	<b>15</b>	<b>(10)</b>	<b>(69%)</b>
Administrative Support	(8)	(8)	0	0%
General Fund	(29)	(29)	0	0%
Economic Development	(2)	(2)	0	0%
CTM Fund	(2)	(2)	0	0%
Other City Transfers	(1)	(1)	0	0%
Internal Transfers / CIP	(23)	(23)	0	0%
<b>Excess (Deficiency) of Revenues</b>	<b>(\$60)</b>	<b>(\$50)</b>	<b>(\$10)</b>	<b>(19%)</b>



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# Actual to Budget Analysis: Power Supply Adjustment

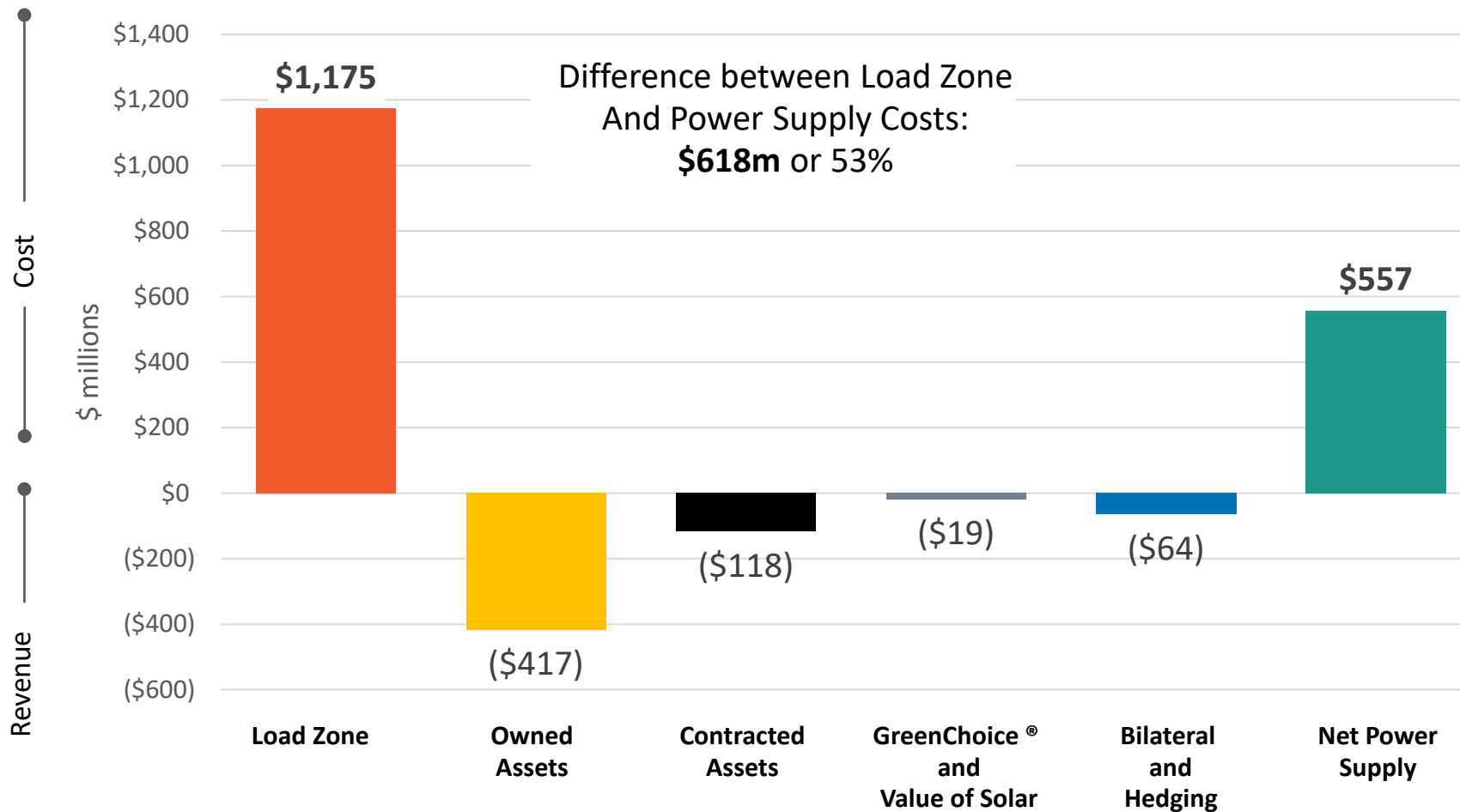


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# Power Supply Adjustment Cost Components

Twelve Months Ending December 2022

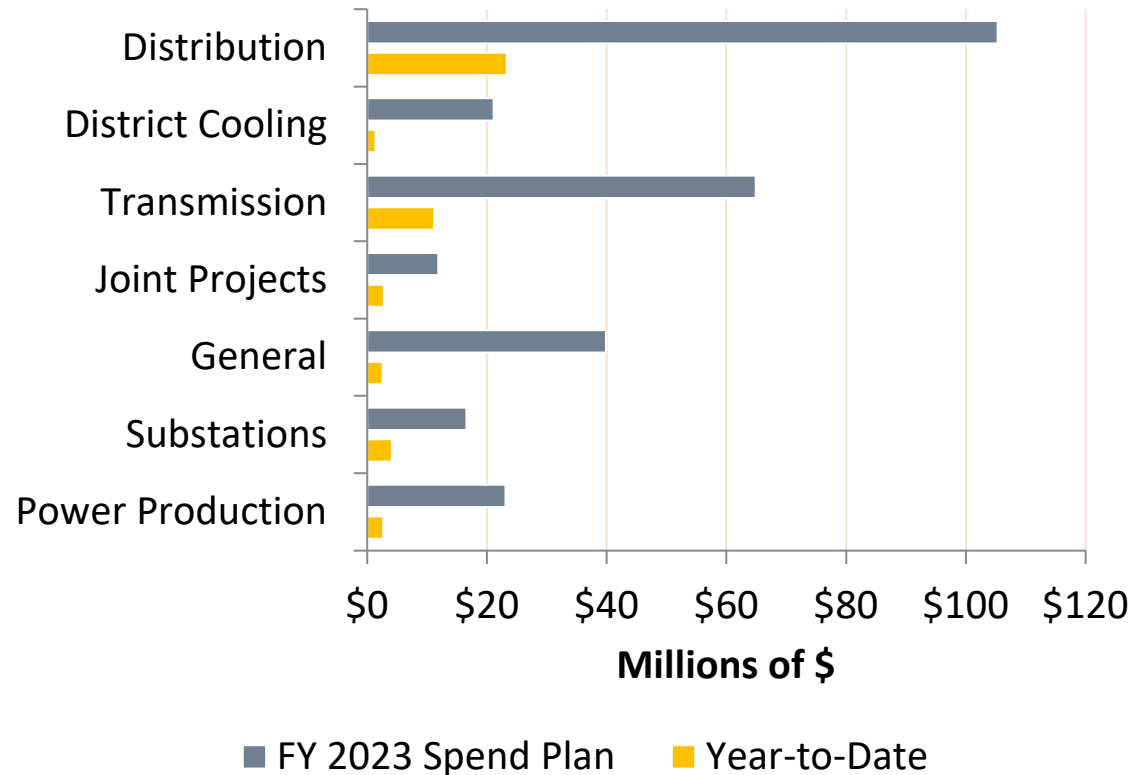


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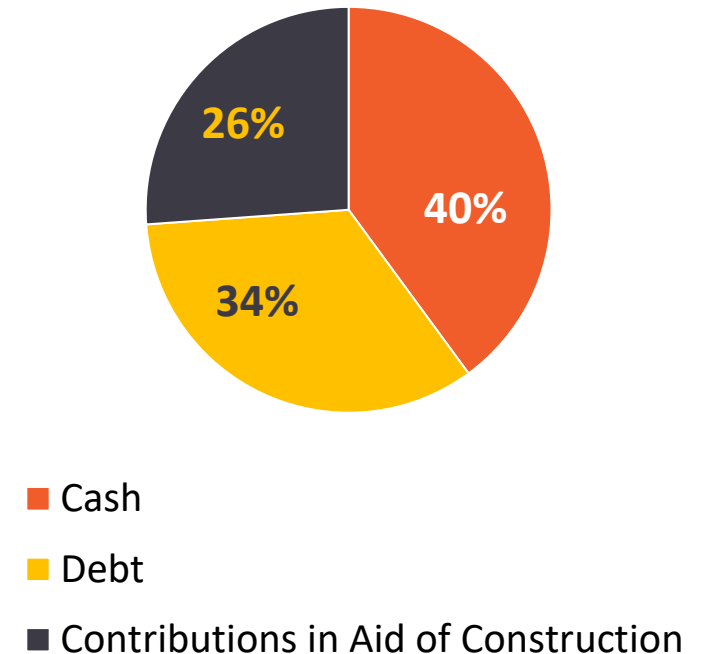
# Capital Improvement Plan Summary

Fiscal Year Through December 31, 2022

**Type of Project**  
**17% of Spend Plan**



**Type of Financing**



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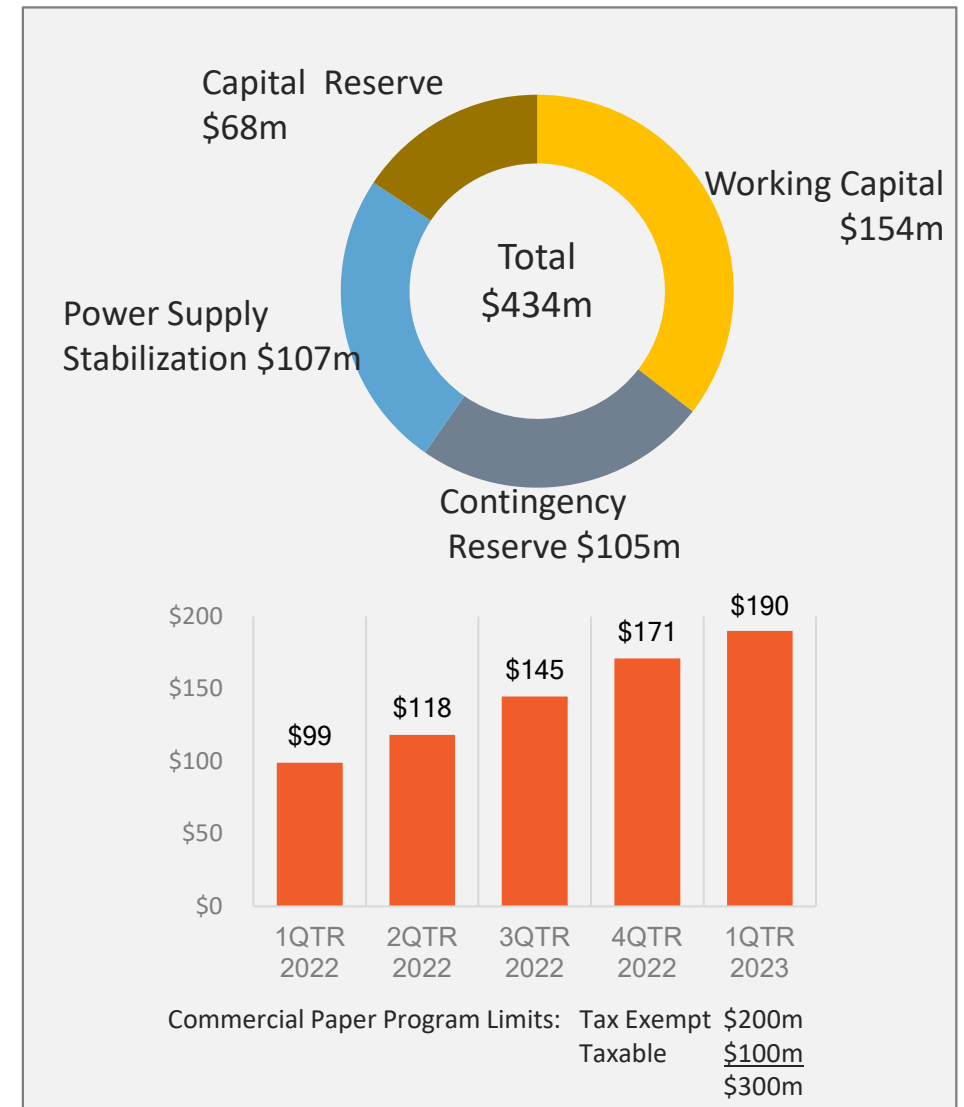
# Austin Energy Quarterly Financial Report

## Financial Statements



# Balance Sheet Snapshot

\$ in Millions	12/31/2022	12/31/2021
Cash	\$154	\$286
Other Current Assets	344	259
Operating Reserves	281	288
Nuclear Decommissioning Reserve	246	242
Other Restricted Assets	257	203
Capital Assets	3,022	3,027
Other LT Assets & Deferred Outflows	1,757	1,654
<b>Total Assets and Deferred Outflows</b>	<b>6,061</b>	<b>5,959</b>
Other Current Liabilities	291	172
Revenue Bonds	1,896	1,991
Commercial Paper	190	99
Other LT Liabilities & Deferred Inflows	1,902	1,914
Retained Earnings	1,782	1,783
<b>Total Liabilities, Deferred Inflows, and Fund Equity</b>	<b>6,061</b>	<b>5,959</b>

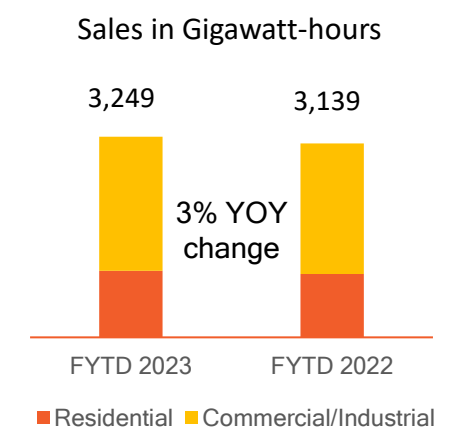
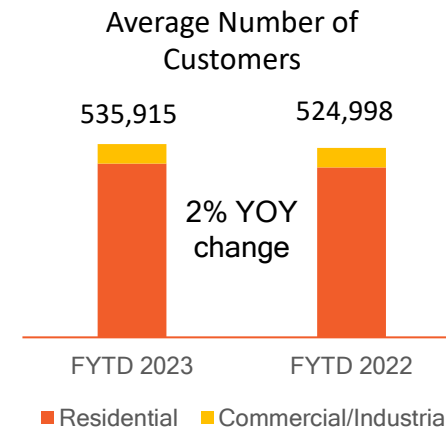
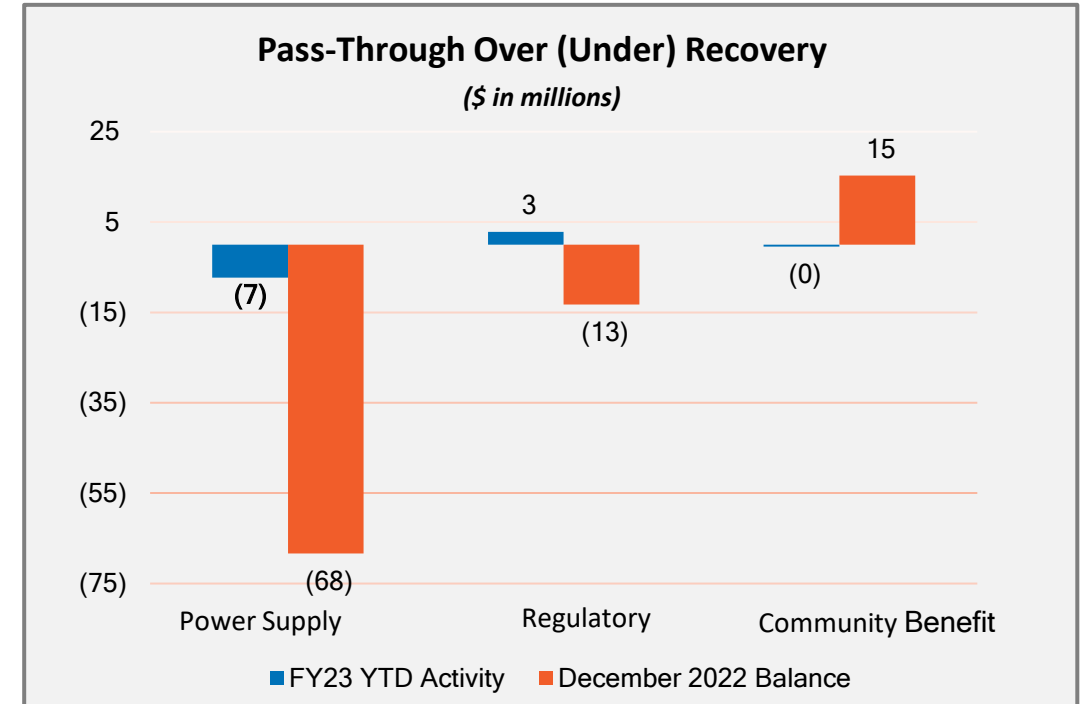


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# Income Statement and Other KPIs

\$ in Millions	3 Months Ending	
	12/31/2022	12/31/20221
Operating Revenues	\$243	\$230
Power Supply Revenues	139	127
Power Supply Expenses	124	114
Non-Power Supply Expenses	183	187
Depreciation Expense	50	70
<b>Operating Income/(Loss)</b>	<b>\$25</b>	<b>(\$14)</b>
Other Revenue (Expense)	(\$9)	\$7
General Fund Transfer	(29)	(29)
<b>Net Income/(Loss)</b>	<b>(\$13)</b>	<b>(\$36)</b>
Debt Service Coverage	2.3	1.8
Debt Capital Ratio	54%	54%



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# Austin Energy Quarterly Financial Report

## Market and Industry Analysis



# Austin Energy Capital Improvement Funding

## Plant Investment

- \$6.5 billion capital assets
- \$1.1B, 5-year CIP

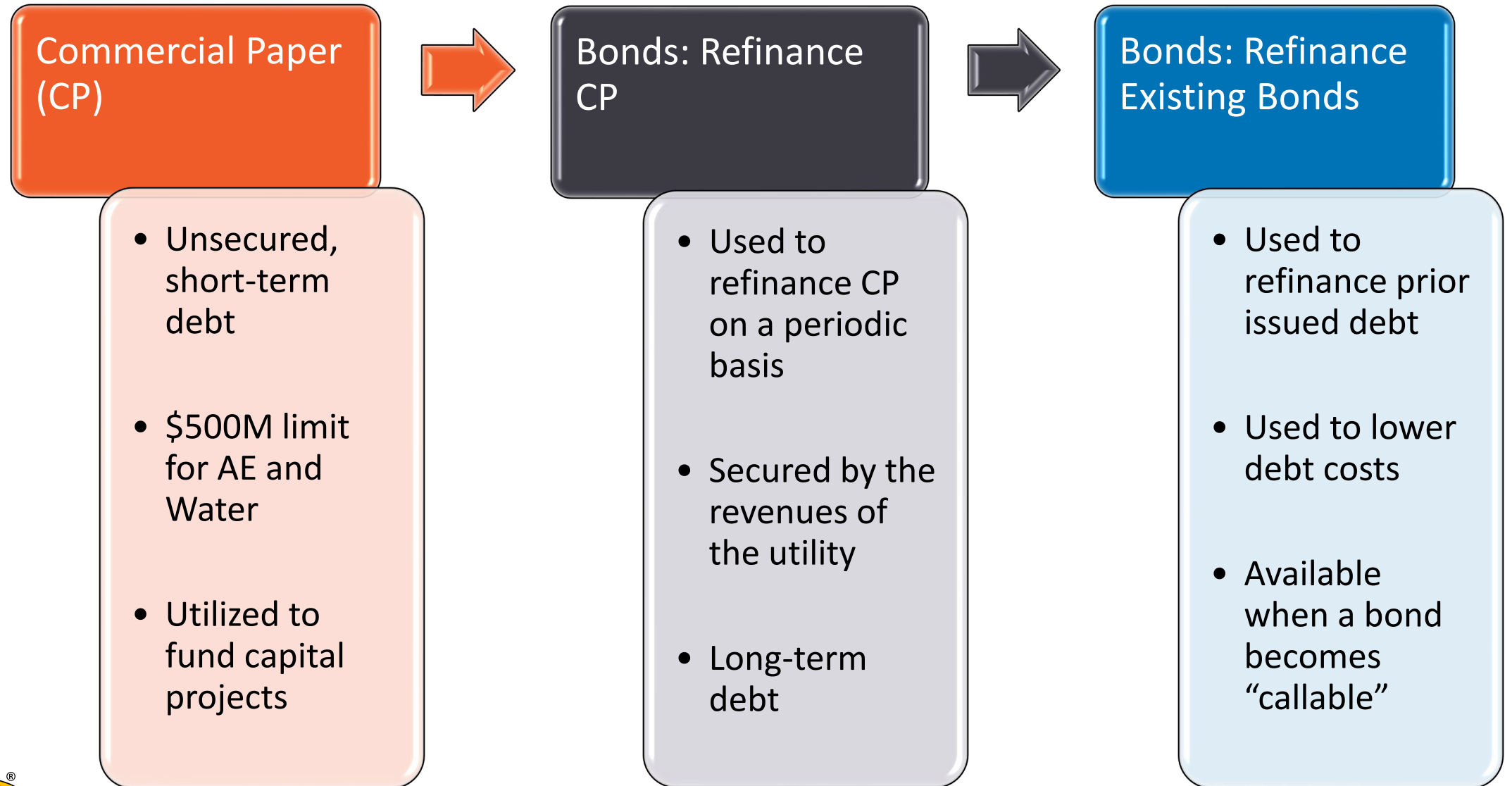


## Funding Sources

- Cash from operations
- Contributions in aid of construction (CIAC)
- Commercial paper
- Long-term bonds

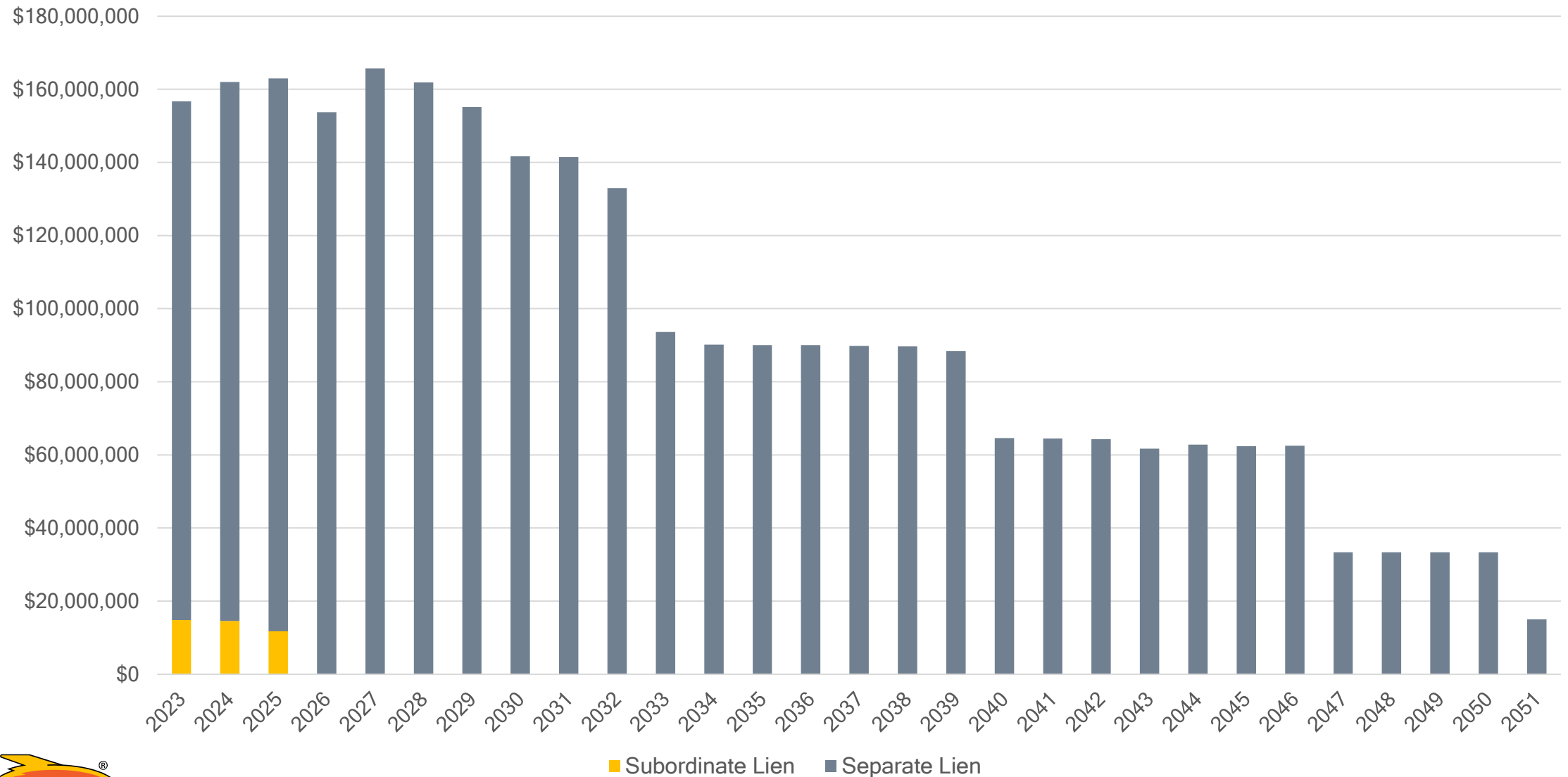


# Capital Project Funding








# Electric Utility System Revenue Bond Debt Service



# Credit Rating Agencies

## Austin Energy Engages Three Major Agencies

Credit Rating Agency	Rate Range		Austin Energy's Rating & Outlook
	Default/Highest Risk-----	Highest Credit Quality	
	D, C, CC, CCC, B, BB, <u>BBB</u> , <u>A</u> , <u>AA</u> , AAA + or – indicates strength or weakness in the assigned rating		AA-/ Stable
	B3, B2, B1, Ba3, Ba2, Ba1, <u>Baa3</u> , <u>Baa2</u> , <u>Baa1</u> , A3, A2, A1, <u>Aa3</u> , Aa2, Aa1, Aaa		Aa3 / Stable
	D, C, CC, CCC, B, BB, <u>BBB</u> , <u>A</u> , <u>AA</u> , AAA + or – indicates strength or weakness in the assigned rating		AA-/ Stable

High-Yield or "Junk" \_\_\_\_\_ Investment Grade



# S&P Action Summary

**August 2022**

Rating Action	<ul style="list-style-type: none"><li>• Downgraded from AA to <b>AA-</b></li><li>• Moved to Stable Outlook</li></ul>
Inputs and Assumptions	<ul style="list-style-type: none"><li>• 5.6%, or \$36m, base rate increase</li><li>• 0.6% annual growth in sales</li><li>• \$1.1B CIP funded ~50% debt /50% cash</li></ul>
Credit Highlights	<ul style="list-style-type: none"><li>• Weakened financials in FY20 and FY21</li><li>• Low coverage metrics and projected liquidity</li><li>• Relative resilience to ERCOT market prices</li><li>• Base rate increase in 2023</li></ul>



# Austin Energy Spring 2023 Financing Plan

## Commercial Paper Refinancing

Austin Energy plans to refinance approximately \$225M with revenue bonds.

\$225M

## Bond Refinancing

Series 2012 will be analyzed for refinancing.

\$200M

## Timeline

Bond closing expected in late spring 2023.

May  
2023





**Customer Driven.  
Community Focused.**



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