

# Austin Energy Quarterly Financial Report

2<sup>nd</sup> Quarter FY 2023 (January - March)

Stephanie Koudelka

Austin Energy Director of Finance



May 2023

© 2022 Austin Energy

# Disclaimer

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 8, 2023:

[http://finance.austintexas.gov/web/controller/annual\\_comprehensive\\_financial\\_report/annual\\_comprehensive\\_financial\\_report\\_2022.pdf](http://finance.austintexas.gov/web/controller/annual_comprehensive_financial_report/annual_comprehensive_financial_report_2022.pdf)



# Agenda

## Quarterly Financial Report



# Austin Energy Quarterly Financial Report

## Executive Summary



# Executive Summary



Austin Energy is in partial compliance with its financial policies. Reserve balances are below minimums set by financial policies.



Working capital decreased by \$103m year over year, primarily due to impacts of power supply costs.



**\$753**

Million Operating Revenue

Operating revenue FYTD is 2% under budget, primarily due to timing of the base rate increase offset by increased usage due to weather.



**\$(844)**

Million Expenses w/transfers

Operating expenses for March FYTD including transfers are 3% over budget, primarily due to increased costs related to Winter Storm Mara.



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



Austin Energy's pass-through Regulatory Charge primarily recovers costs incurred for use of the ERCOT transmission grid to serve our load.



This information is unaudited and should be read in conjunction with the audited Comprehensive Financial Reports for the City of Austin, when published on [http://finance.austintexas.gov/web/controller/annual\\_comprehensive\\_financial\\_report/annual\\_comprehensive\\_financial\\_report\\_2022.pdf](http://finance.austintexas.gov/web/controller/annual_comprehensive_financial_report/annual_comprehensive_financial_report_2022.pdf)

# Austin Energy Quarterly Financial Report

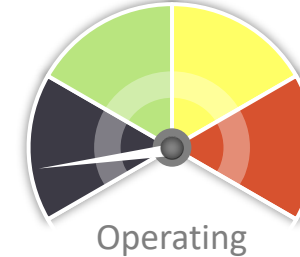
## Financial Policy Compliance



# 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 2.1x DSC Policy minimum is 2.0x DSC	All individual reserve balances are below minimums. In addition, our Combined reserve of \$413m is below the minimum of \$520m.	



This information is unaudited and should be read in conjunction with the audited Comprehensive Financial Reports for the City of Austin, when published on [http://finance.austintexas.gov/web/controller/annual\\_comprehensive\\_financial\\_report/annual\\_comprehensive\\_financial\\_report\\_2022.pdf](http://finance.austintexas.gov/web/controller/annual_comprehensive_financial_report/annual_comprehensive_financial_report_2022.pdf)

# Austin Energy Quarterly Financial Report

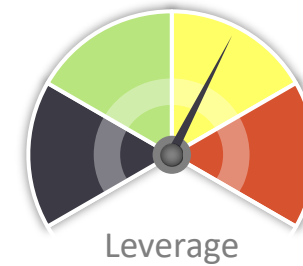
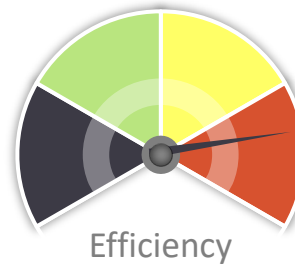
## Financial Performance Measures





# 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 104 Days	Actual 2.1	Actual 1.6%	Actual 56%
Excludes General Fund Transfer			



This information is unaudited and should be read in conjunction with the audited Comprehensive Financial Reports for the City of Austin, when published on [http://finance.austintexas.gov/web/controller/annual\\_comprehensive\\_financial\\_report/annual\\_comprehensive\\_financial\\_report\\_2022.pdf](http://finance.austintexas.gov/web/controller/annual_comprehensive_financial_report/annual_comprehensive_financial_report_2022.pdf)

# 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.



This information is unaudited and should be read in conjunction with the audited Comprehensive Financial Reports for the City of Austin, when published on

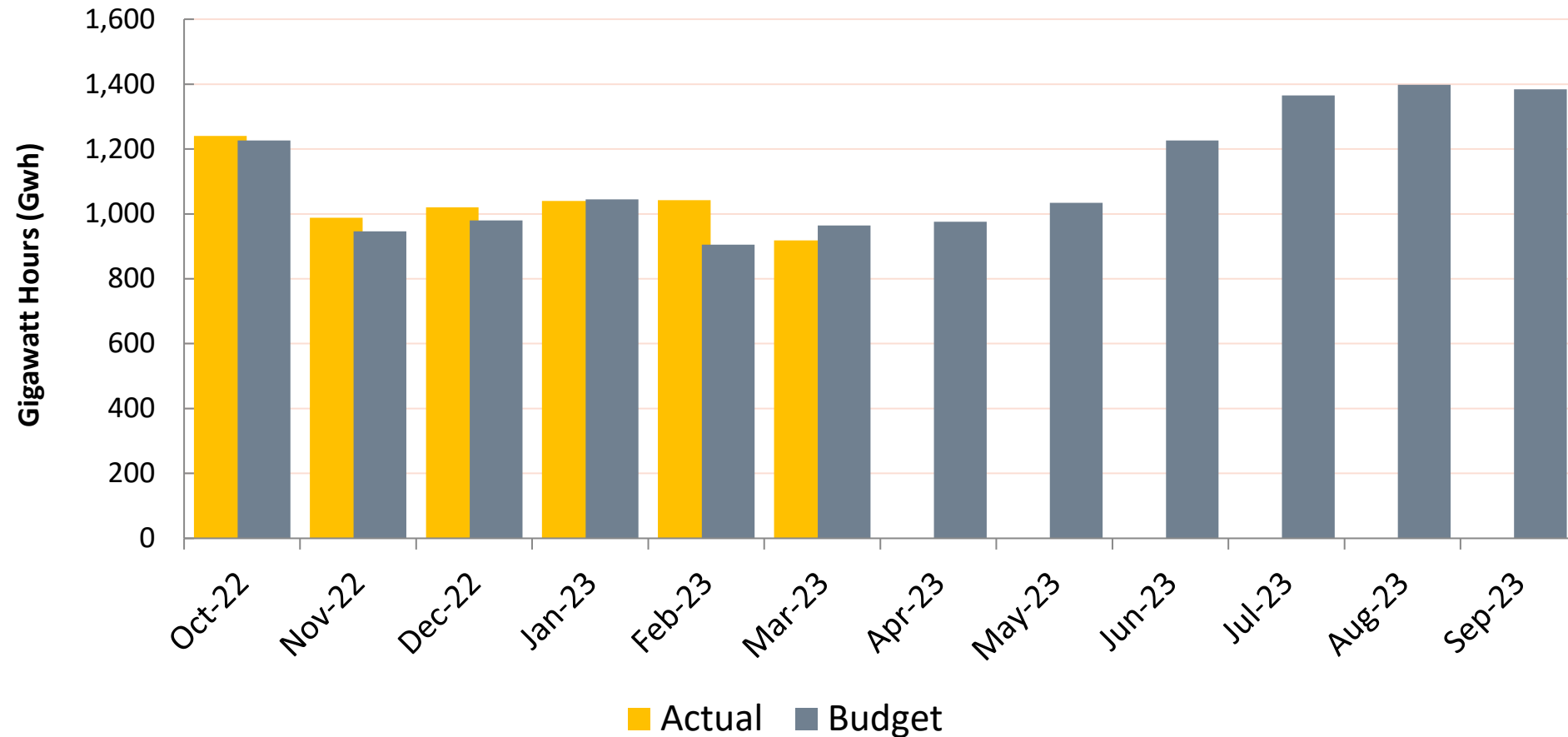
[http://finance.austintexas.gov/web/controller/annual\\_comprehensive\\_financial\\_report/annual\\_comprehensive\\_financial\\_report\\_2022.pdf](http://finance.austintexas.gov/web/controller/annual_comprehensive_financial_report/annual_comprehensive_financial_report_2022.pdf)

# Austin Energy Quarterly Financial Report

## Actual to Budget Analysis



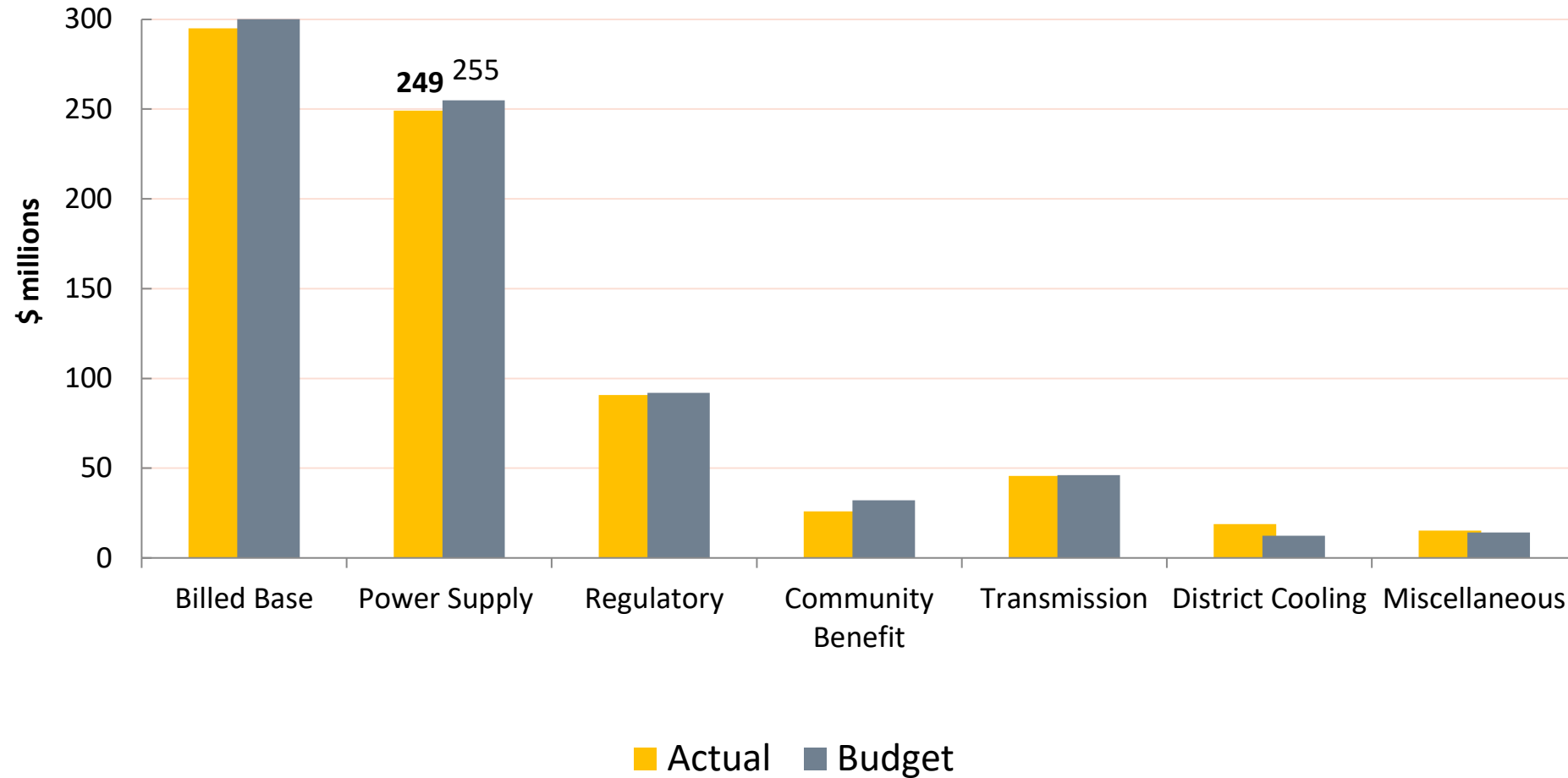
# Actual to Budget Analysis: Retail Sales



This information is unaudited and should be read in conjunction with the audited Comprehensive Financial Reports for the City of Austin, when published on [http://finance.austintexas.gov/web/controller/annual\\_comprehensive\\_financial\\_report/annual\\_comprehensive\\_financial\\_report\\_2022.pdf](http://finance.austintexas.gov/web/controller/annual_comprehensive_financial_report/annual_comprehensive_financial_report_2022.pdf)

# Actual to Budget Analysis: Revenue

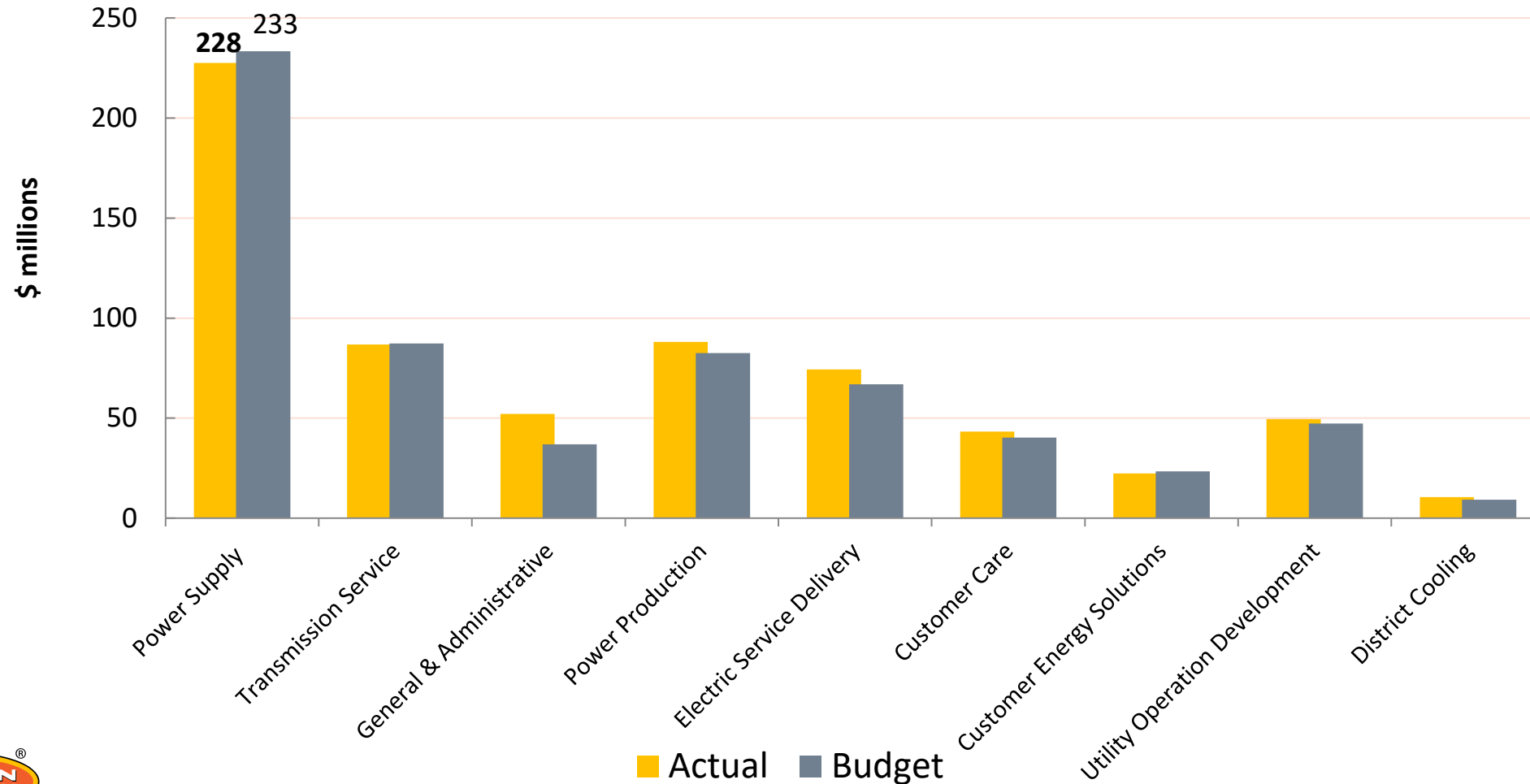
Fiscal Year Through March 31, 2023



This information is unaudited and should be read in conjunction with the audited Comprehensive Financial Reports for the City of Austin, when published on [http://finance.austintexas.gov/web/controller/annual\\_comprehensive\\_financial\\_report/annual\\_comprehensive\\_financial\\_report\\_2022.pdf](http://finance.austintexas.gov/web/controller/annual_comprehensive_financial_report/annual_comprehensive_financial_report_2022.pdf)

# Actual to Budget Analysis: Expense

Fiscal Year Through March 31, 2023



This information is unaudited and should be read in conjunction with the audited Comprehensive Financial Reports for the City of Austin, when published on [http://finance.austintexas.gov/web/controller/annual\\_comprehensive\\_financial\\_report/annual\\_comprehensive\\_financial\\_report\\_2022.pdf](http://finance.austintexas.gov/web/controller/annual_comprehensive_financial_report/annual_comprehensive_financial_report_2022.pdf)

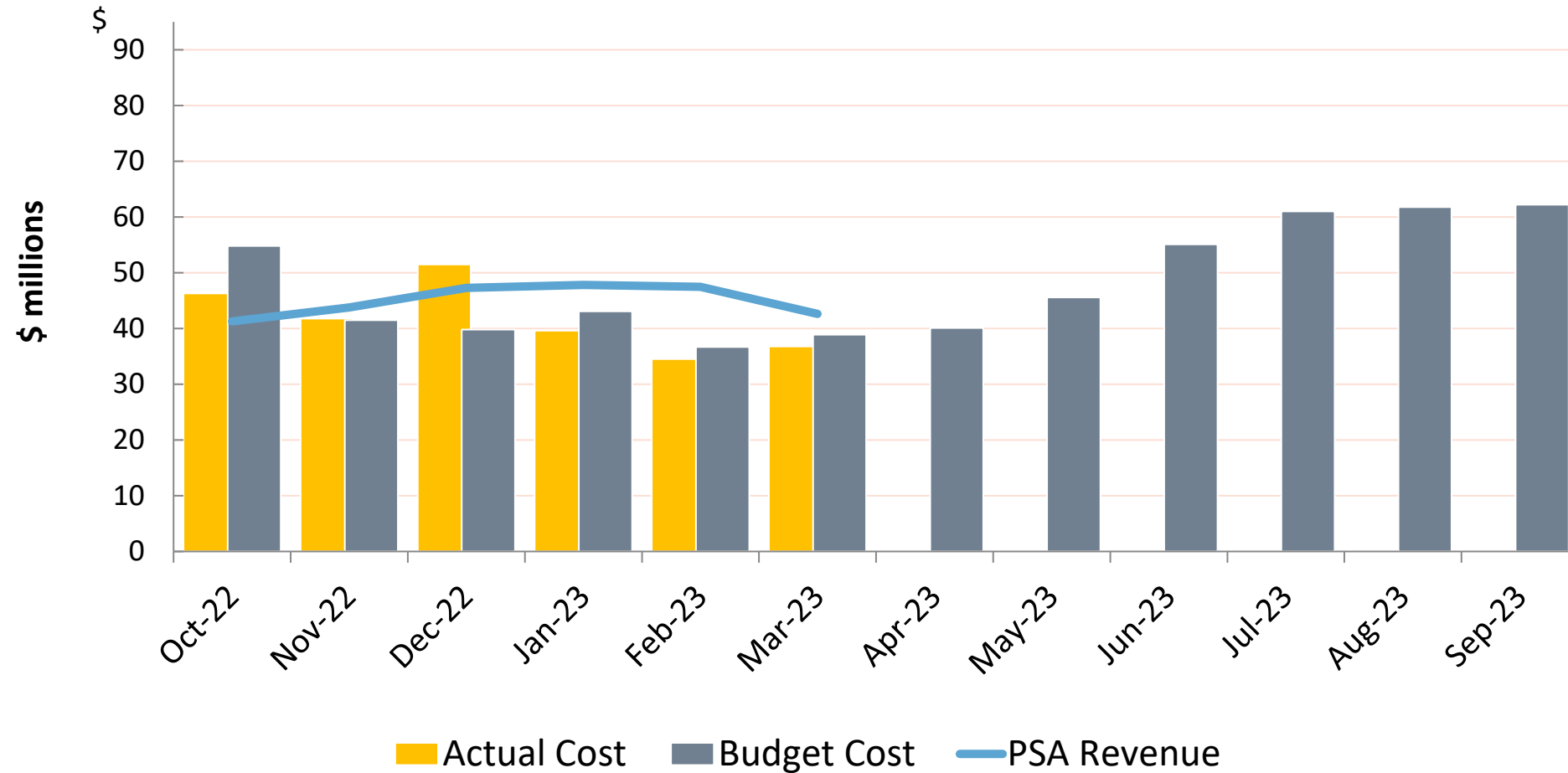
# Actual to Budget Analysis: Fund Summary

Budget Based Fund Summary			Variance to Budget	
Fiscal Year Through March 31, 2023			Favorable (Unfavorable)	
Millions of \$	Actual	Budget	Amount	%
Operating Revenues	\$753	\$772	(\$19)	(2%)
Operating Expenses	654	627	27	(4%)
<b>Operating Income (Loss)</b>	<b>99</b>	<b>145</b>	<b>(46)</b>	<b>(33%)</b>
Interest Revenue	8	3	5	147%
Debt Service	(67)	(65)	(2)	(3%)
<b>Income (Loss) Before Transfers</b>	<b>40</b>	<b>83</b>	<b>(43)</b>	<b>(55%)</b>
Administrative Support	(17)	(17)	0	0%
General Fund	(57)	(57)	0	0%
Economic Development	(5)	(5)	0	0%
CTM Fund	(4)	(4)	0	0%
Voluntary Utility Assistance Fund	(1)	(1)	0	0%
Other City Transfers	(2)	(2)	0	0%
Internal Transfers / CIP	(45)	(45)	0	0%
<b>Excess (Deficiency) of Revenues</b>	<b>(\$91)</b>	<b>(\$48)</b>	<b>(\$43)</b>	<b>(83%)</b>



This information is unaudited and should be read in conjunction with the audited Comprehensive Financial Reports for the City of Austin, when published on [http://finance.austintexas.gov/web/controller/annual\\_comprehensive\\_financial\\_report/annual\\_comprehensive\\_financial\\_report\\_2022.pdf](http://finance.austintexas.gov/web/controller/annual_comprehensive_financial_report/annual_comprehensive_financial_report_2022.pdf)

# Actual to Budget Analysis: Power Supply Adjustment

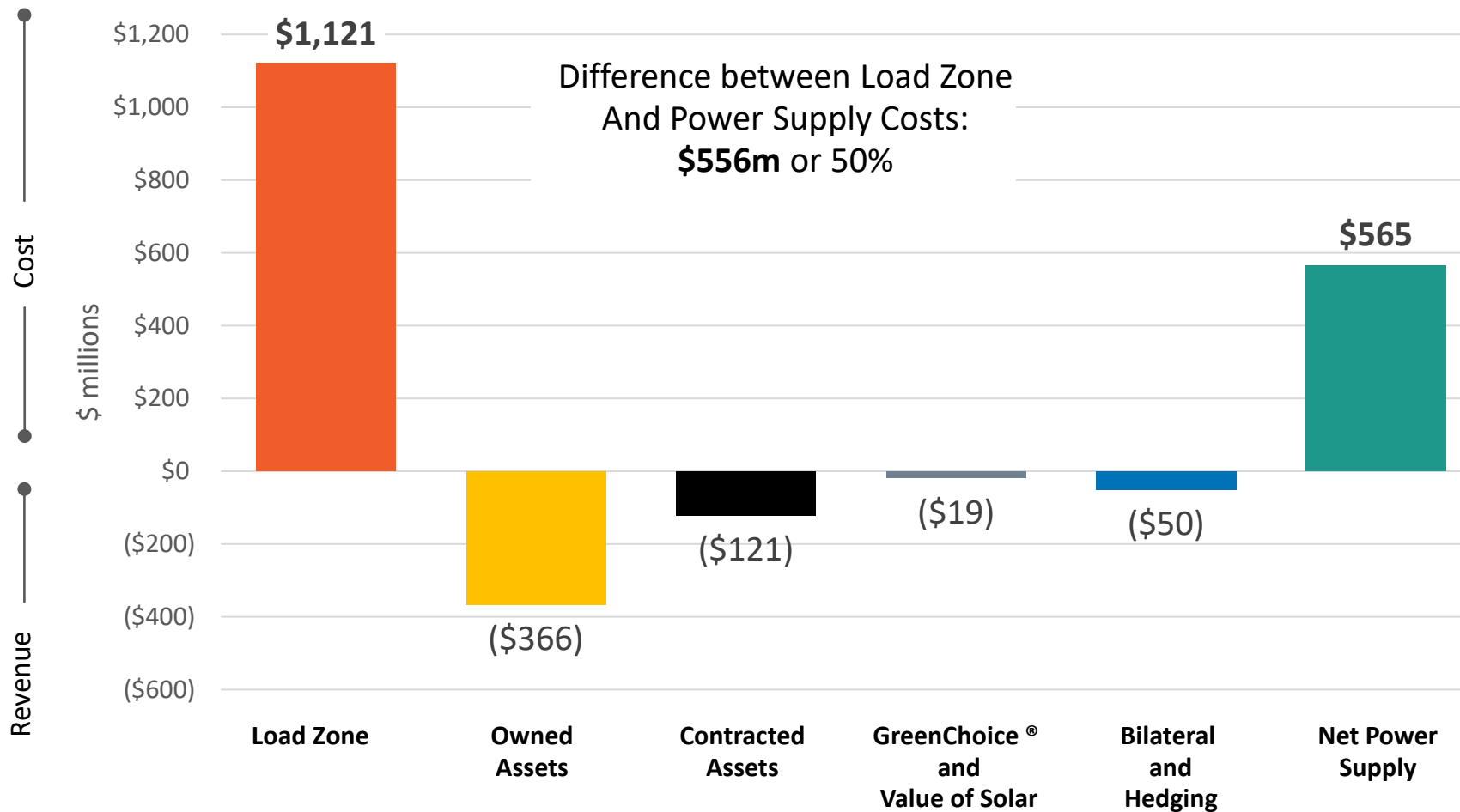


This information is unaudited and should be read in conjunction with the audited Comprehensive Financial Reports for the City of Austin, when published on [http://finance.austintexas.gov/web/controller/annual\\_comprehensive\\_financial\\_report/annual\\_comprehensive\\_financial\\_report\\_2022.pdf](http://finance.austintexas.gov/web/controller/annual_comprehensive_financial_report/annual_comprehensive_financial_report_2022.pdf)



# Power Supply Adjustment Cost Components

Twelve Months Ending March 2023

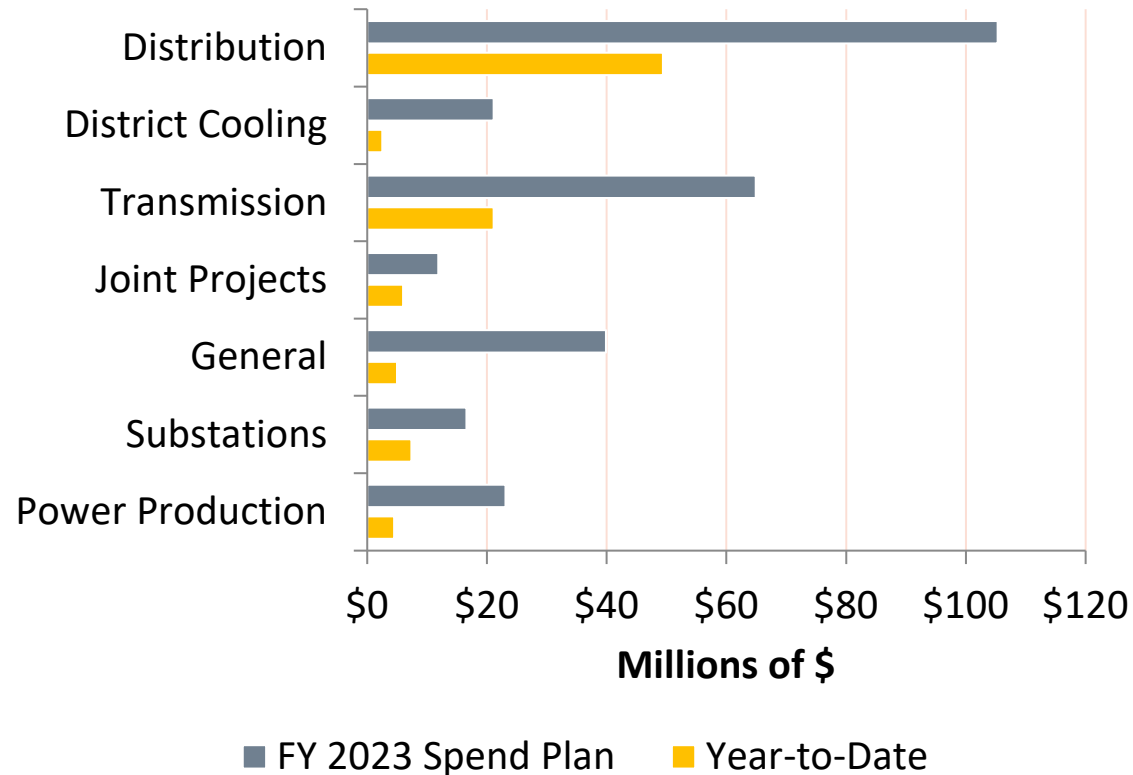


This information is unaudited and should be read in conjunction with the audited Comprehensive Financial Reports for the City of Austin, when published on [http://finance.austintexas.gov/web/controller/annual\\_comprehensive\\_financial\\_report/annual\\_comprehensive\\_financial\\_report\\_2022.pdf](http://finance.austintexas.gov/web/controller/annual_comprehensive_financial_report/annual_comprehensive_financial_report_2022.pdf)

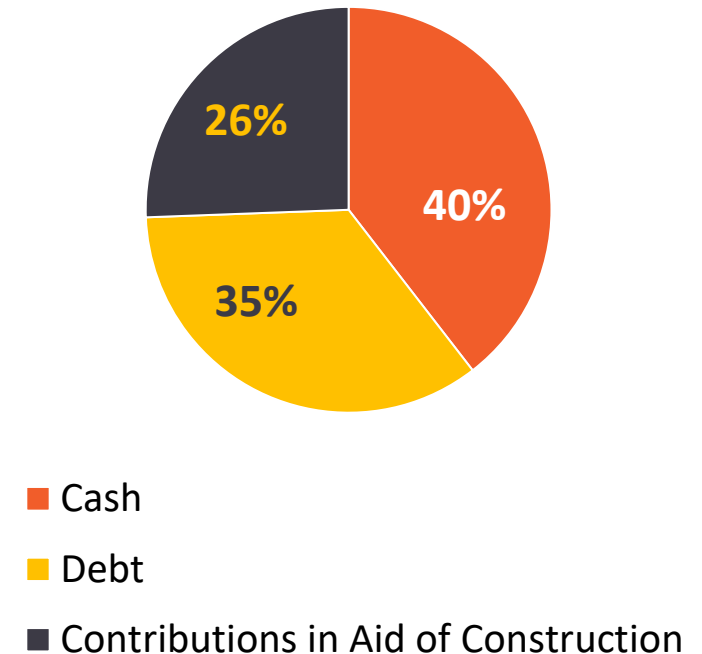
# Capital Improvement Plan Summary

Fiscal Year Through March 31, 2023

**Type of Project**  
**34% of Spend Plan**



**Type of Financing**



This information is unaudited and should be read in conjunction with the audited Comprehensive Financial Reports for the City of Austin, when published on [http://finance.austintexas.gov/web/controller/annual\\_comprehensive\\_financial\\_report/annual\\_comprehensive\\_financial\\_report\\_2022.pdf](http://finance.austintexas.gov/web/controller/annual_comprehensive_financial_report/annual_comprehensive_financial_report_2022.pdf)

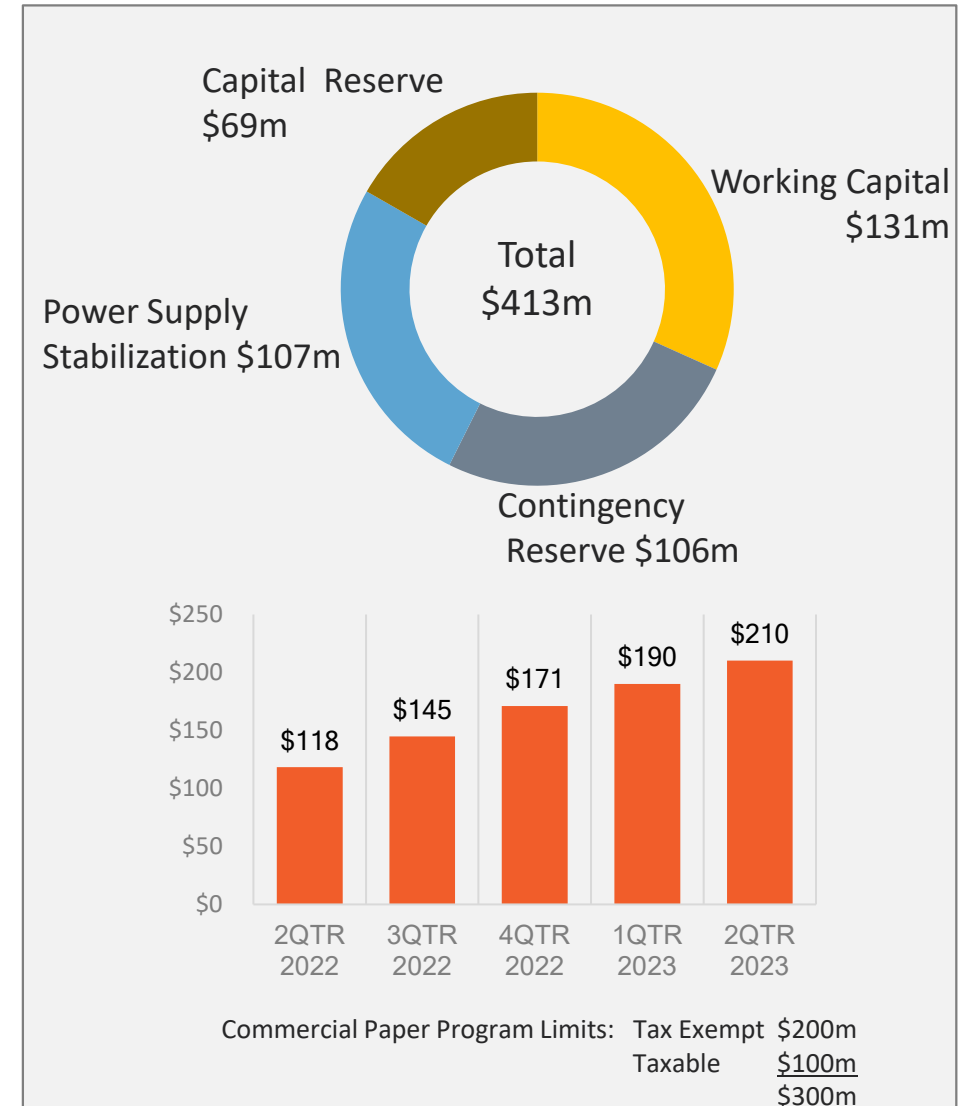
# Austin Energy Quarterly Financial Report

## Financial Statements



# Balance Sheet Snapshot

\$ in Millions	3/31/2023	3/31/2022
Cash	\$131	\$234
Other Current Assets	297	299
Operating Reserves	282	289
Nuclear Decommissioning Reserve	247	242
Other Restricted Assets	296	265
Capital Assets	3,022	3,012
Other LT Assets & Deferred Outflows	1,795	1,672
<b>Total Assets and Deferred Outflows</b>	<b>6,070</b>	<b>6,013</b>
Other Current Liabilities	271	218
Revenue Bonds	1,912	2,007
Commercial Paper	210	118
Other LT Liabilities & Deferred Inflows	1,939	1,904
Retained Earnings	1,738	1,766
<b>Total Liabilities, Deferred Inflows, and Fund Equity</b>	<b>6,070</b>	<b>6,013</b>

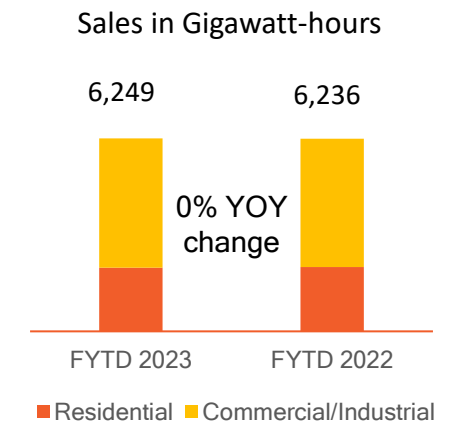
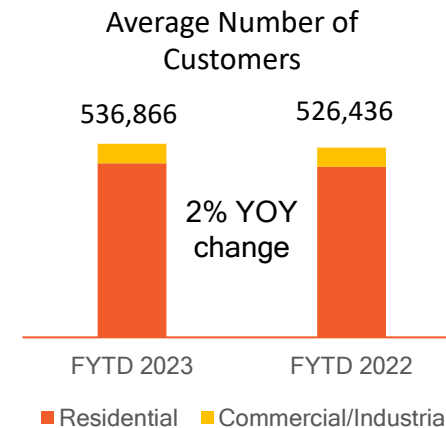
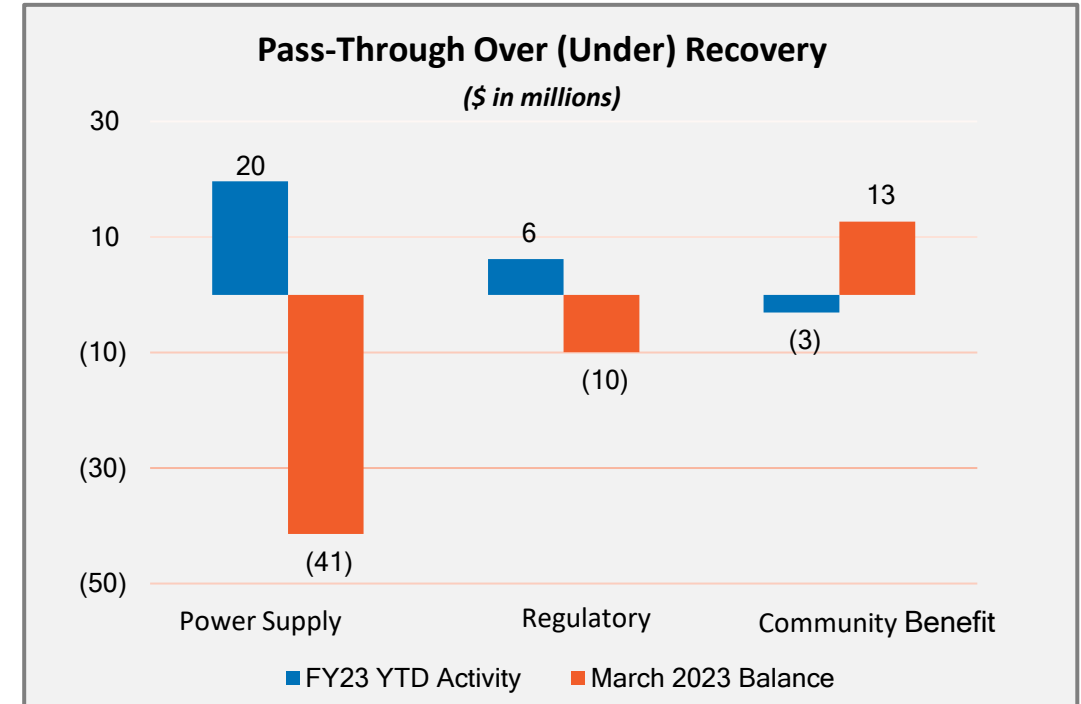


This information is unaudited and should be read in conjunction with the audited Comprehensive Financial Reports for the City of Austin, when published on

[http://finance.austintexas.gov/web/controller/annual\\_comprehensive\\_financial\\_report/annual\\_comprehensive\\_financial\\_report\\_2022.pdf](http://finance.austintexas.gov/web/controller/annual_comprehensive_financial_report/annual_comprehensive_financial_report_2022.pdf)

# Income Statement and Other KPIs

\$ in Millions	6 Months Ending	
	3/31/2023	3/31/2022
Operating Revenues	\$489	\$466
Power Supply Revenues	249	239
Power Supply Expenses	227	221
Non-Power Supply Expenses	407	364
Depreciation Expense	100	139
<b>Operating Income/(Loss)</b>	<b>\$4</b>	<b>(\$19)</b>
Other Revenue (Expense)	(\$3)	\$24
General Fund Transfer	(57)	(57)
<b>Net Income/(Loss)</b>	<b>(\$56)</b>	<b>(\$52)</b>
Debt Service Coverage	2.1	1.8
Debt Capital Ratio	56%	55%



# Austin Energy Quarterly Financial Report

## Market and Industry Analysis



# The Regulatory Charge

## What is it?

### Austin Energy Tariff:

- *The Regulatory Charge recovers the following costs 1) ERCOT transmission service charges and credits; 2) NERC/TRE regulatory fees and penalties; 3) the ERCOT Nodal and Administrative Fees; and 4) other material regulatory fees or penalties specific to the electric industry*

### Financial Components:

- Transmission costs of approximately \$170M
- Less Congestion Revenue Rights of approximately \$50M
- Plus ERCOT/TRE fees of approximately \$10M



This information is unaudited and should be read in conjunction with the audited Comprehensive Financial Reports for the City of Austin, when published on

[http://finance.austintexas.gov/web/controller/annual\\_comprehensive\\_financial\\_report/annual\\_comprehensive\\_financial\\_report\\_2022.pdf](http://finance.austintexas.gov/web/controller/annual_comprehensive_financial_report/annual_comprehensive_financial_report_2022.pdf)

# The Regulatory Charge

## Transmission Costs

- Recovers transmission costs or “The Matrix Cost”
  - Costs for using the ERCOT transmission grid where load serving entities pay transmission service providers for the use of their transmission investments
  - Costs are regulated by the Public Utility Commission of Texas (PUCT) and published annually through PUCT dockets in the form of a matrix

Public Utility Commission of Texas				
Docket No. 54507				
2023 Net Wholesale Trans. Matrix Charges for ERCOT				
Access Costs & Total Transmission Costs				
What Row Entity Pays to Column Entity				
	AEP	AENX	BAND	BART
Access Fee (\$/KW)	\$8.782787	\$1.248220	\$0.079465	\$0.000000
Average 4CP (KW)	6,422,352.6	2,741,079.3	161,874.7	2,824.6
AEP	\$56,406,155	\$8,016,509	\$510,352	\$0
AENX	\$24,074,316	\$3,421,470	\$217,820	\$0
BAND	\$1,421,711	\$202,055	\$12,863	\$0
BART	\$24,808	\$3,526	\$224	\$0
BAST	\$156,098	\$22,185	\$1,412	\$0
BELV	\$119,848	\$17,033	\$1,084	\$0
BLUE	\$5,215,487	\$741,231	\$47,189	\$0



This information is unaudited and should be read in conjunction with the audited Comprehensive Financial Reports for the City of Austin, when published on

[http://finance.austintexas.gov/web/controller/annual\\_comprehensive\\_financial\\_report/annual\\_comprehensive\\_financial\\_report\\_2022.pdf](http://finance.austintexas.gov/web/controller/annual_comprehensive_financial_report/annual_comprehensive_financial_report_2022.pdf)



# ERCOT Transmission

## “Sum of the Pieces”

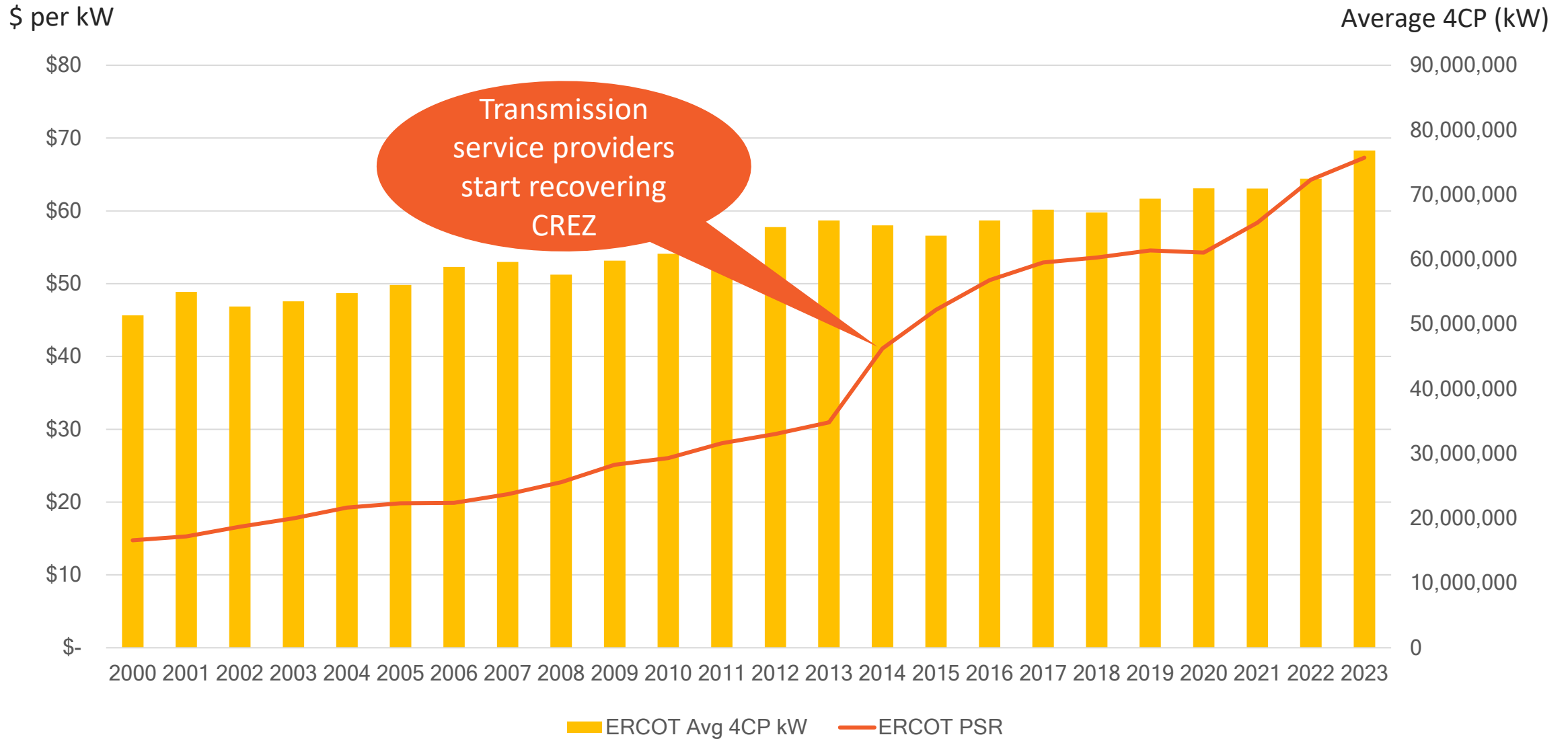
- Cobbles together the individual transmission systems owned and operated by transmission service providers (TSPs)
- Load pays system wide “Postage Stamp Rate” (Post Office Concept) on pro-rata contribution to average ERCOT 4CP
- Market construct changes from utilities building transmission to serve their loads to a socialized grid to support competitive market



This information is unaudited and should be read in conjunction with the audited Comprehensive Financial Reports for the City of Austin, when published on

[http://finance.austintexas.gov/web/controller/annual\\_comprehensive\\_financial\\_report/annual\\_comprehensive\\_financial\\_report\\_2022.pdf](http://finance.austintexas.gov/web/controller/annual_comprehensive_financial_report/annual_comprehensive_financial_report_2022.pdf)

# ERCOT Postage Stamp Rate and Load



This information is unaudited and should be read in conjunction with the audited Comprehensive Financial Reports for the City of Austin, when published on [http://finance.austintexas.gov/web/controller/annual\\_comprehensive\\_financial\\_report/annual\\_comprehensive\\_financial\\_report\\_2022.pdf](http://finance.austintexas.gov/web/controller/annual_comprehensive_financial_report/annual_comprehensive_financial_report_2022.pdf)



**Customer Driven.  
Community Focused.**



Confidential & Proprietary ©2018 Austin Energy. All rights reserved. Austin Energy and the Austin Energy logo and combinations thereof are trademarks of Austin Energy, the electric department of the City of Austin, Texas. Other names are for informational purposes only and may be trademarks of their respective owners.