

Austin Energy Quarterly Financial Report

2nd Quarter FY 2023 (January - March)

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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



Agenda

Quarterly Financial Report



Executive Summary



Financial Health



Actual to Budget Analysis



Financial Statements



Market and Industry Analyses

Austin Energy Quarterly Financial Report

Executive Summary



Executive Summary



Austin Energy is in partial compliance with its **financial policies**. Austin Energy's total cash and reserves is \$413m vs our policy minimum of \$520m.



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 reaffirmed by all three major credit rating agencies.



The **Power Supply Adjustment** is under recovered by \$54m as of March 2023.



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Austin Energy Quarterly Financial Report

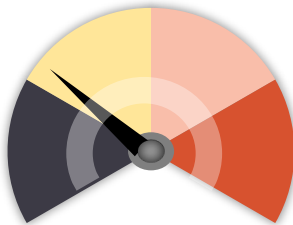
Financial Health



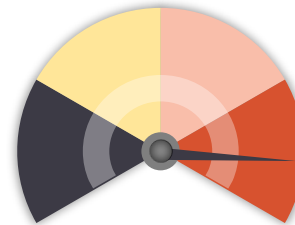
Financial Policy Monitoring

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

Compliance Non-Compliance



Fully Compliant



Non-Compliant



Fully Compliant

Debt Policies

Actual 2.1x DSC
Policy minimum is 2.0x DSC

Reserves Policies

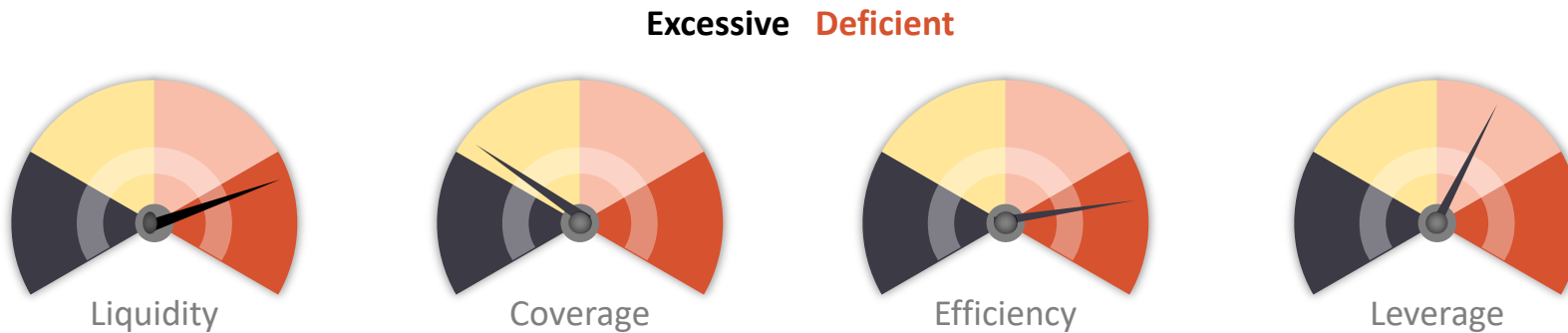
All individual reserve balances are below minimums. In addition, our Combined reserve of \$413m is below the minimum of \$520m.

Operating Policies



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Bond Rating AA- Standard & Poor's Global Ratings



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			



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Affordability Goal Metrics



Affordability Metric

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

Full Compliance Since 2013

Competitiveness Metric

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.

Full Compliance Since 2019



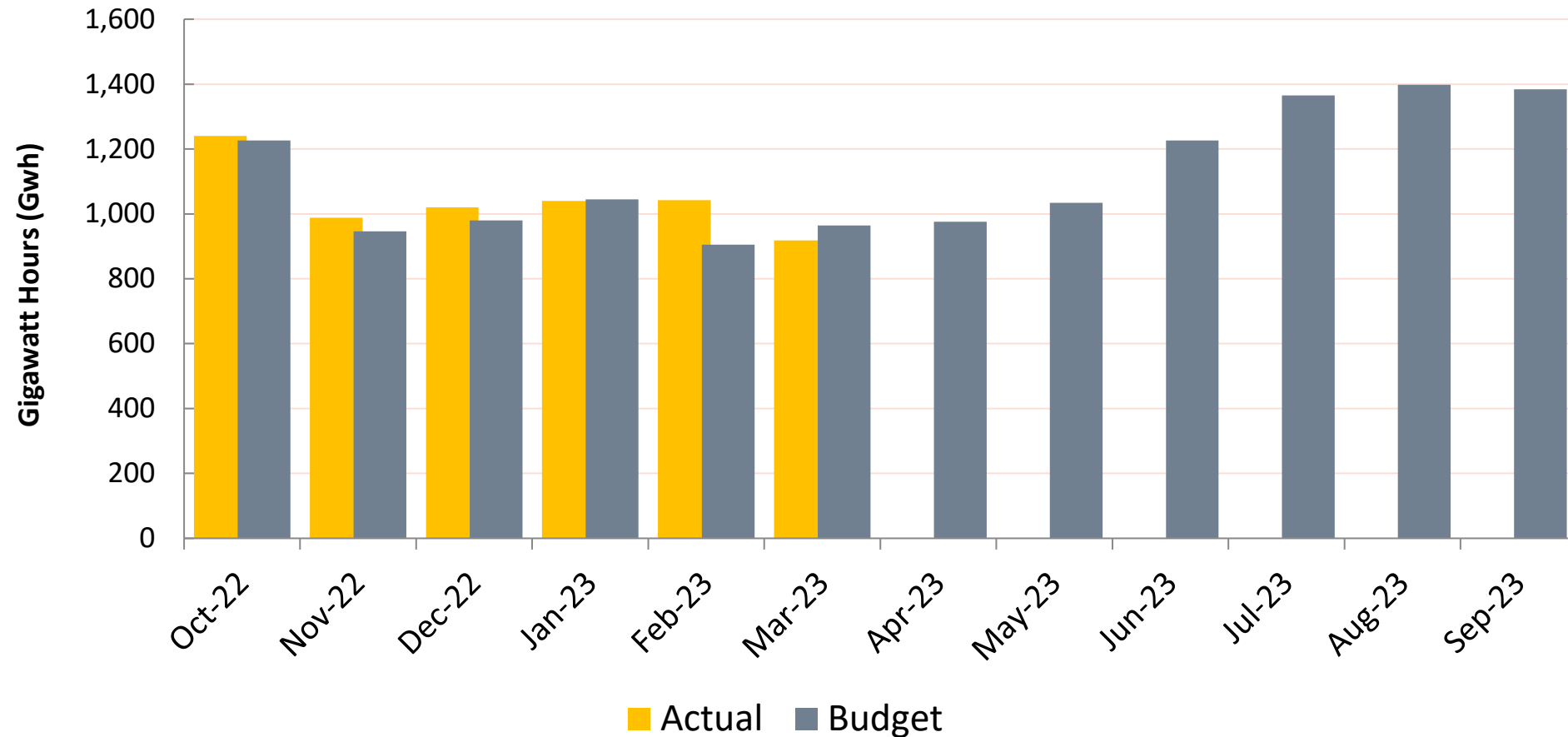
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Austin Energy Quarterly Financial Report

Actual to Budget Analysis



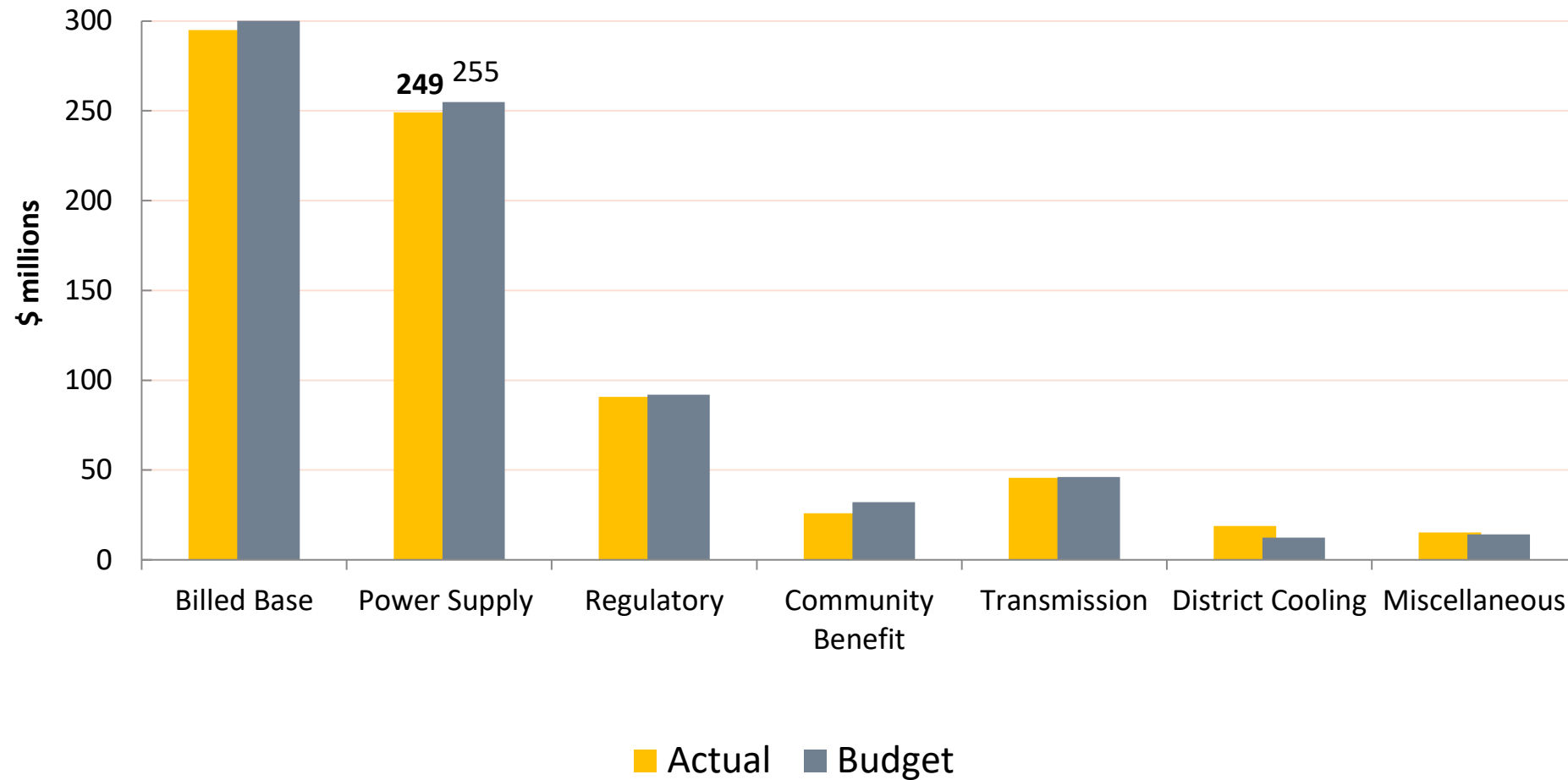
Actual to Budget Analysis: Retail Gwh Sales



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Actual to Budget Analysis: Revenue

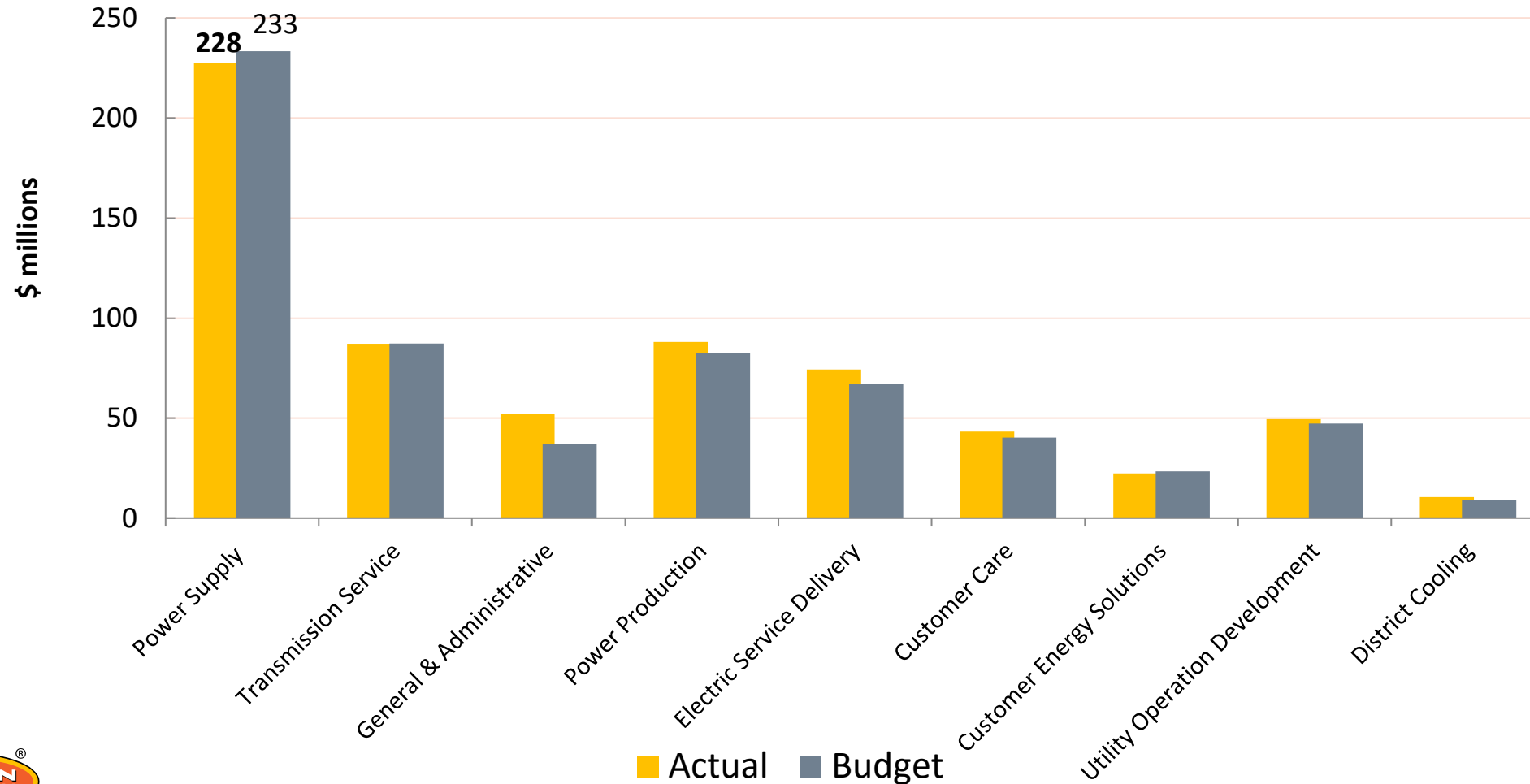
Fiscal Year Through March 31, 2023



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Actual to Budget Analysis: Expense

Fiscal Year Through March 31, 2023



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Actual to Budget Analysis: Fund Summary

Budget Based Fund Summary Fiscal Year Through March 31, 2023

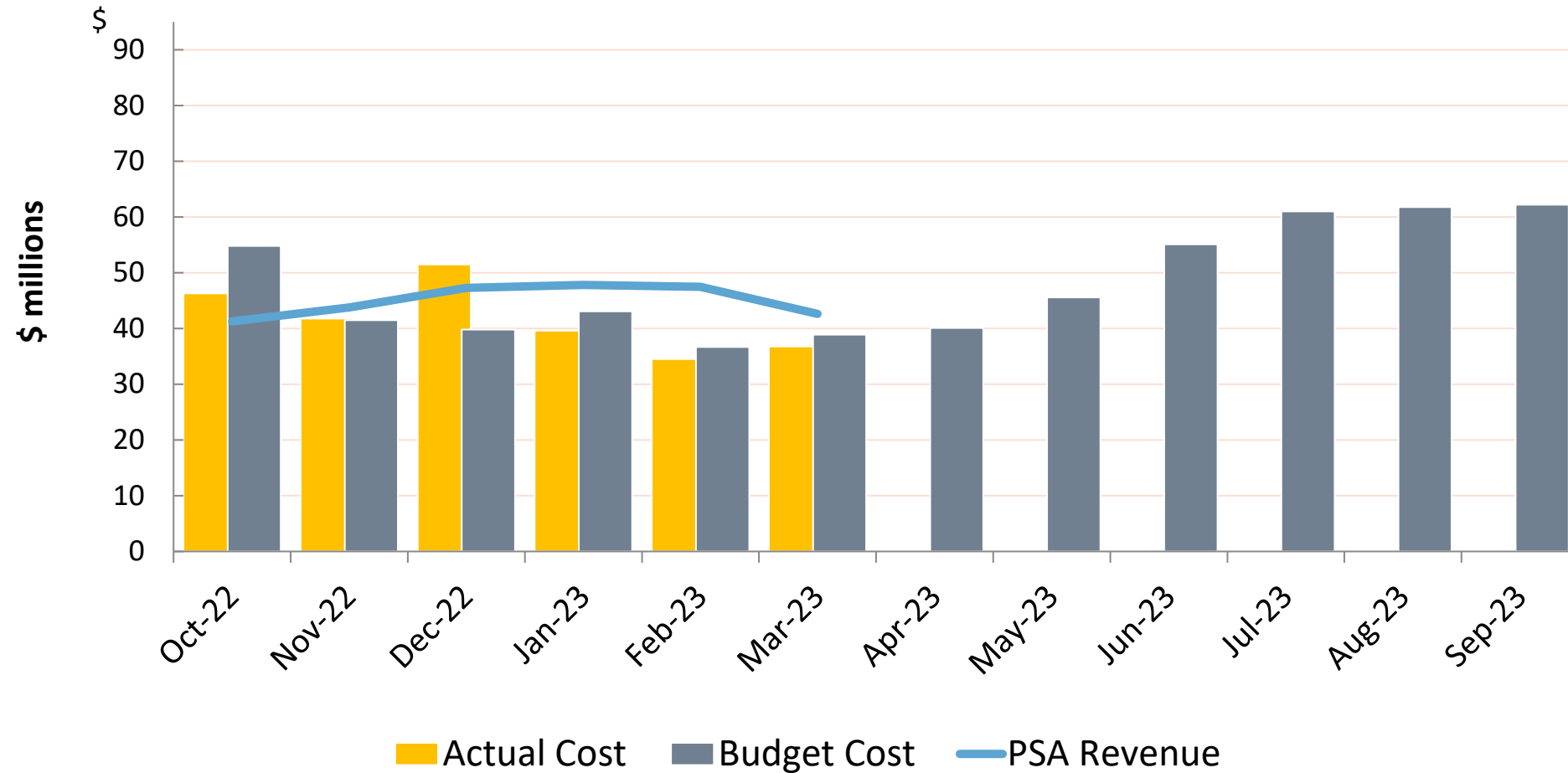
Millions of \$	Actual	Budget	Difference Favorable (Unfavorable)	%
Operating Revenues	\$753	\$772	(\$19)	(2%)
Operating Expenses	654	627	(27)	(4%)
Operating Income (Loss)	99	145	(46)	(33%)
Interest Revenue	8	3	5	147%
Debt Service	(67)	(65)	(2)	(3%)
Income (Loss) Before Transfers	40	83	(43)	(55%)
Administrative 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%
Excess (Deficiency) of Revenues	(91)	(\$48)	(\$43)	(83%)



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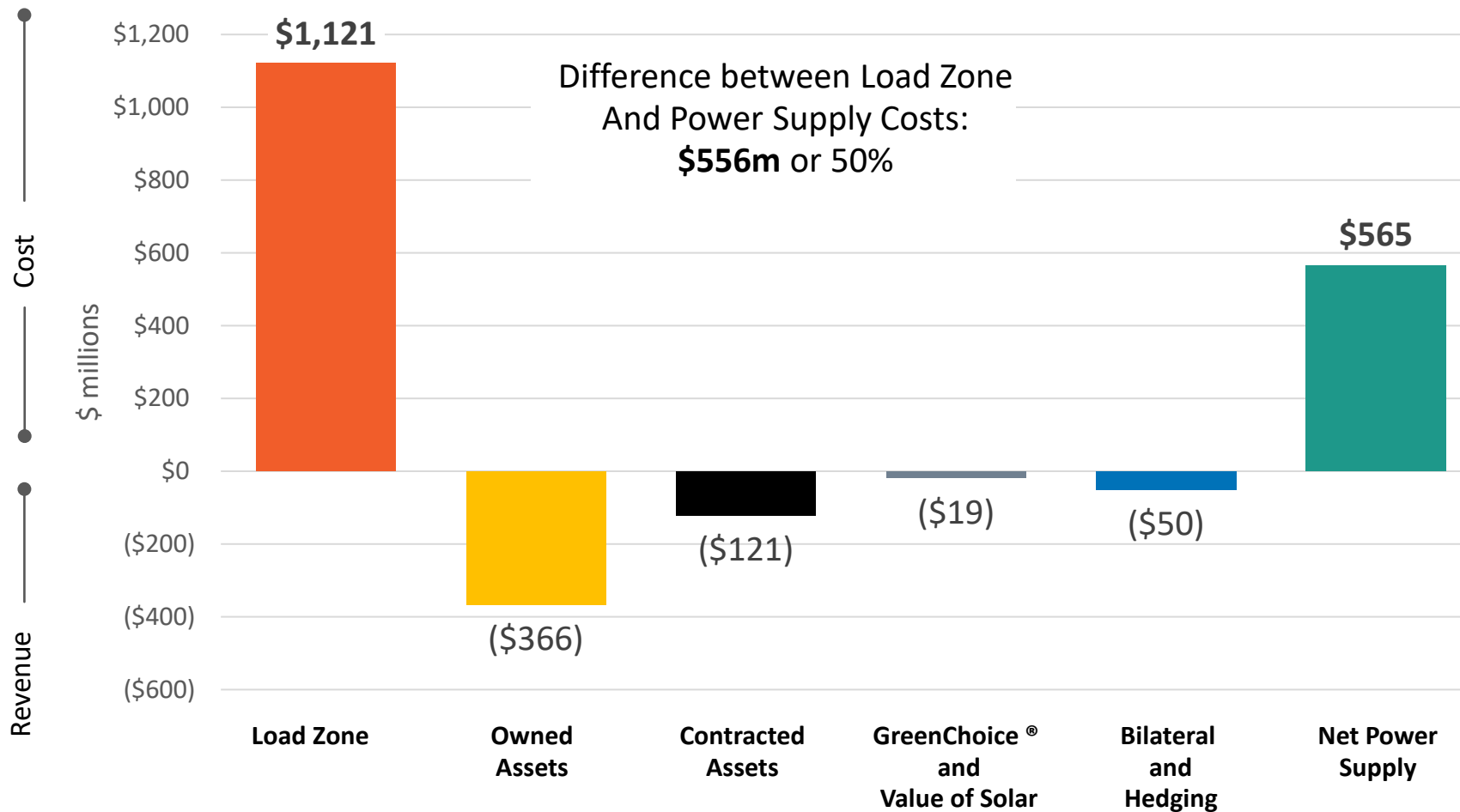
Actual to Budget Analysis: Power Supply Adjustment



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Power Supply Adjustment Cost Components

Twelve Months Ending March 2023

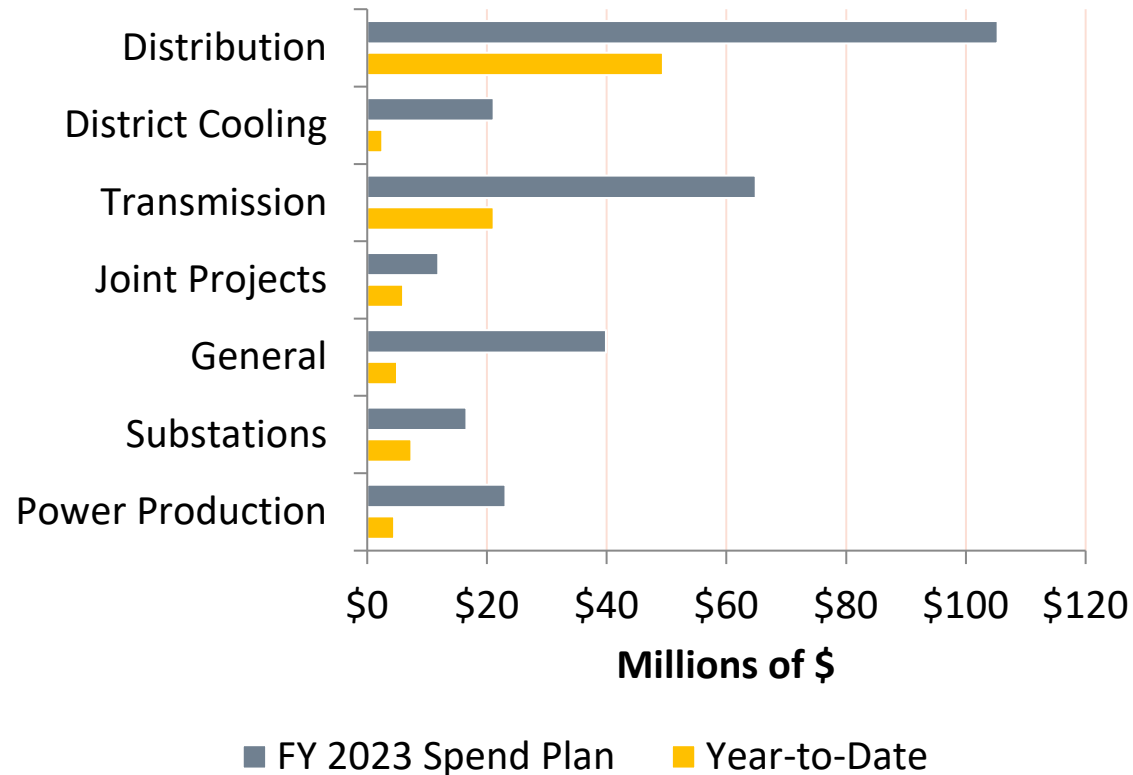


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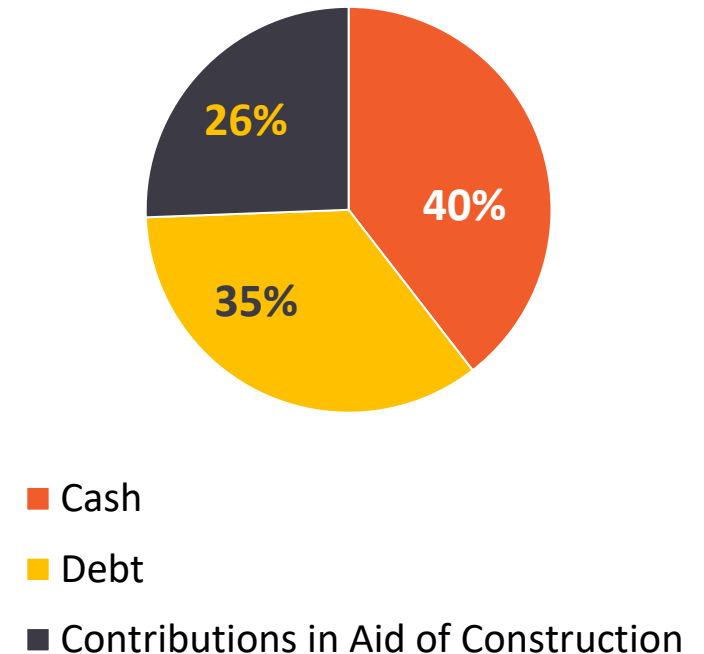
Capital Improvement Plan Summary

Fiscal Year Through March 31, 2023

Type of Project
34% of Spend Plan



Type of Financing



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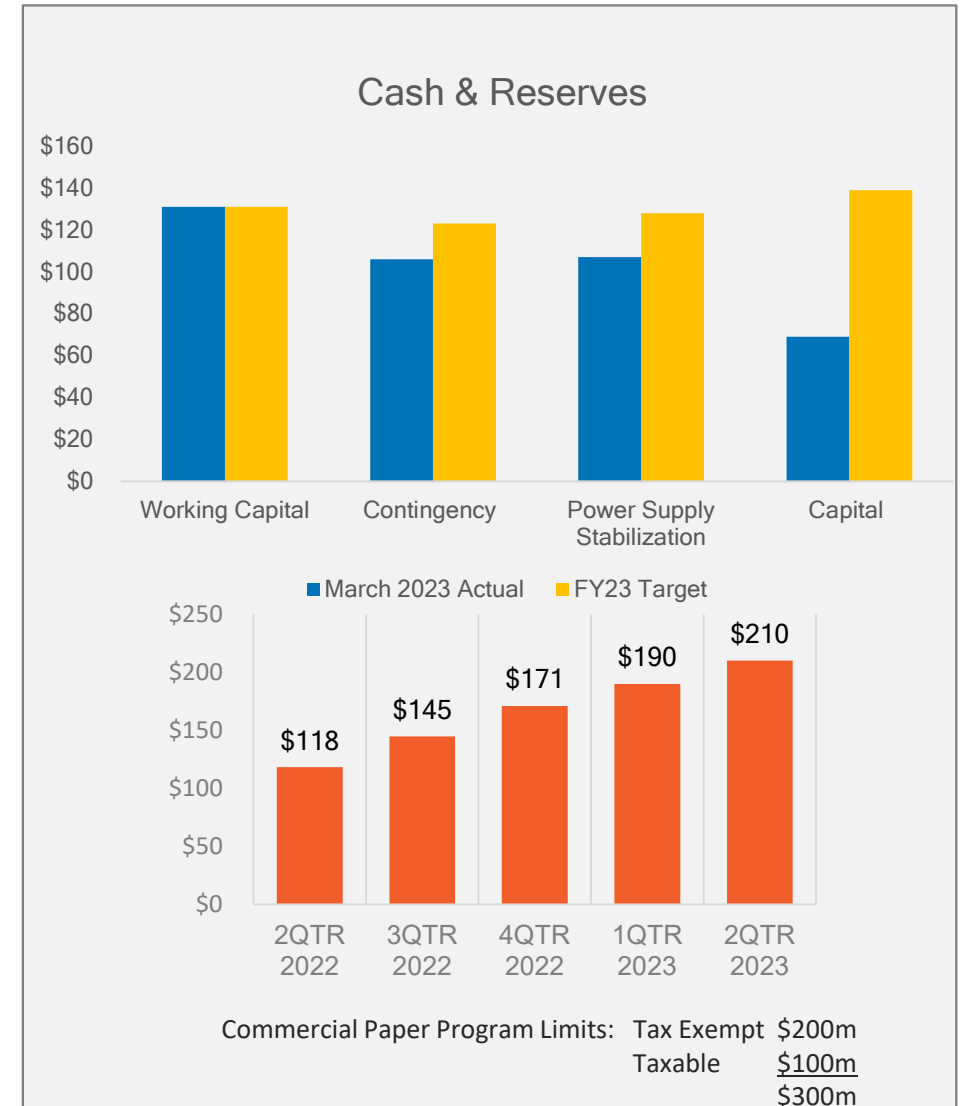
Austin Energy Quarterly Financial Report

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
Total Assets and Deferred Outflows	6,070	6,013
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
Total Liabilities, Deferred Inflows, and Fund Equity	6,070	6,013

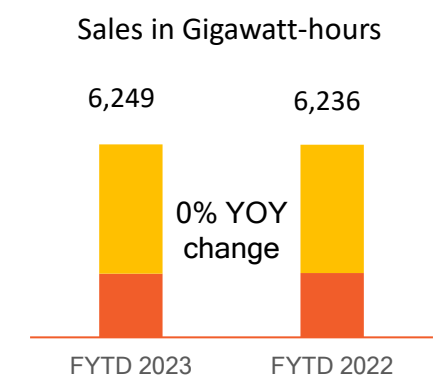
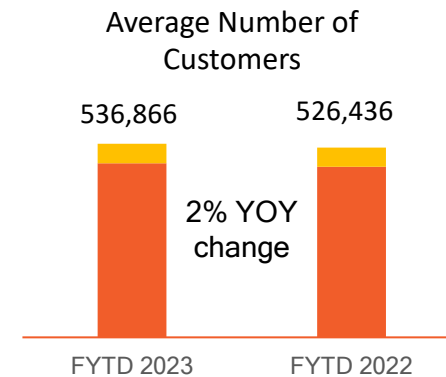
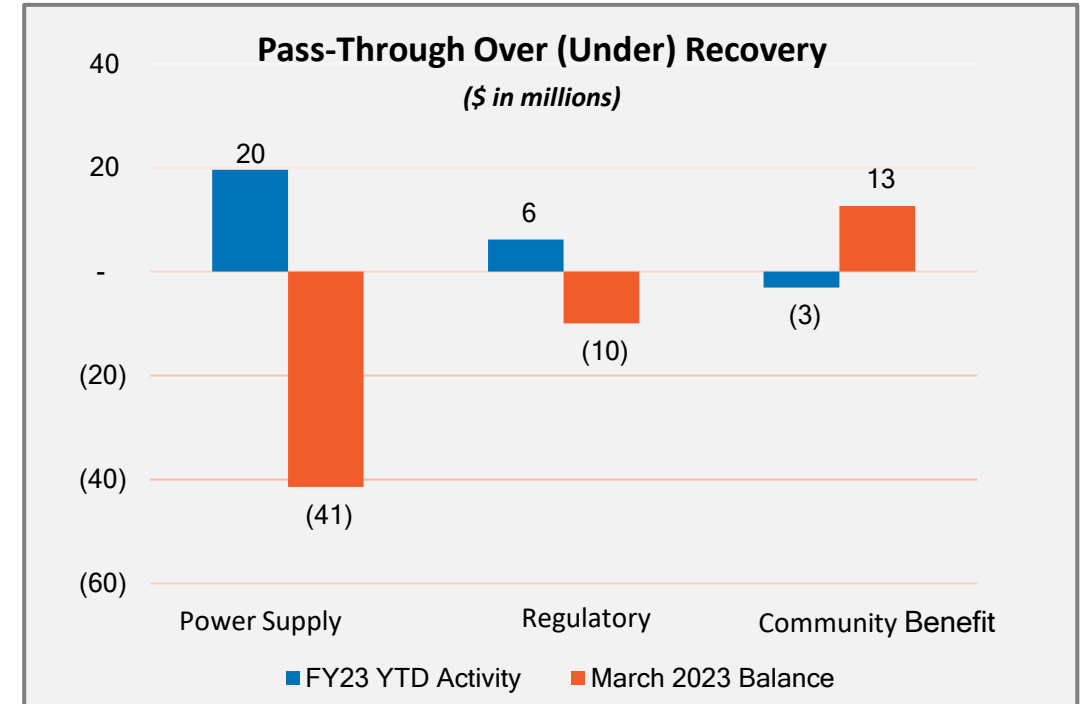


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Income Statement and Other KPIs

\$ 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
Operating Income/(Loss)	\$4	(\$19)
Other Revenue (Expense)	(\$3)	\$24
General Fund Transfer	(57)	(57)
Net Income/(Loss)	(\$56)	(\$52)
Debt Service Coverage	2.1	1.8
Debt Capital Ratio	56%	55%



■ Residential ■ Commercial/Industrial

■ Residential ■ Commercial/Industrial



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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



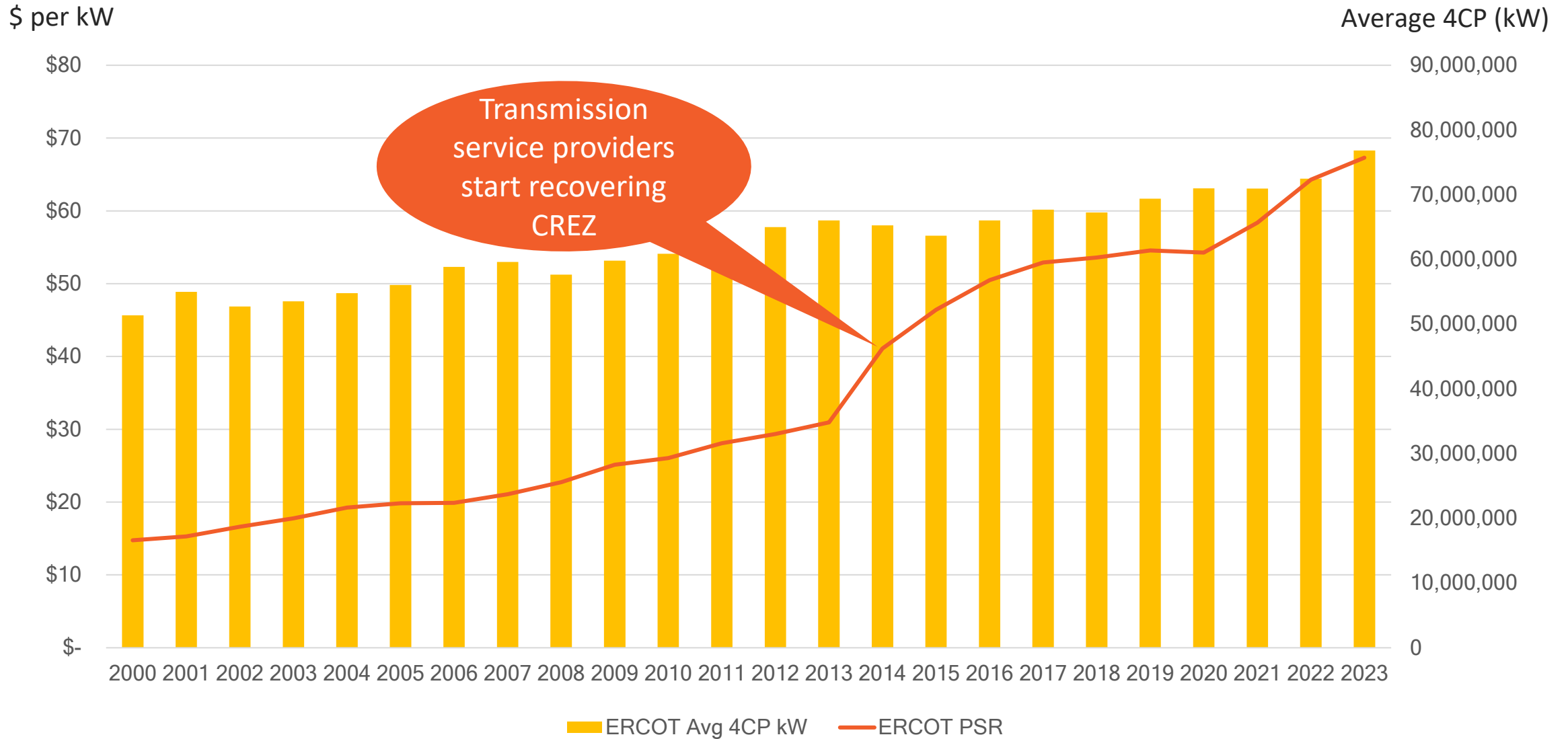
The Regulatory Charge

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



ERCOT Postage Stamp Rate and Load



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Community Focused.**



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