

Austin Energy Quarterly Financial Report

1st Quarter FY 2022 (October - December)

John Davis

AE Director of Finance - Budget



February 1, 2022

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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 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



Generally compliant with all financial policies. Contingency and Capital Reserve balances below minimums but total cash above minimum of \$480m.



Austin Energy is meeting our target AA S&P bond rating.



\$ 359 Million Revenues

Operating revenues at December are 6% over budget due to increased Power Supply Revenue.



\$344 Million Expenses

Operating expenses are 18% over budget due to higher Power Supply costs and timing of customer care expenses.



Working Capital decreased \$118M primarily due to funding CIP and decreased margins.



Declining Average Consumption – Lagging energy sales hamper cost recovery.



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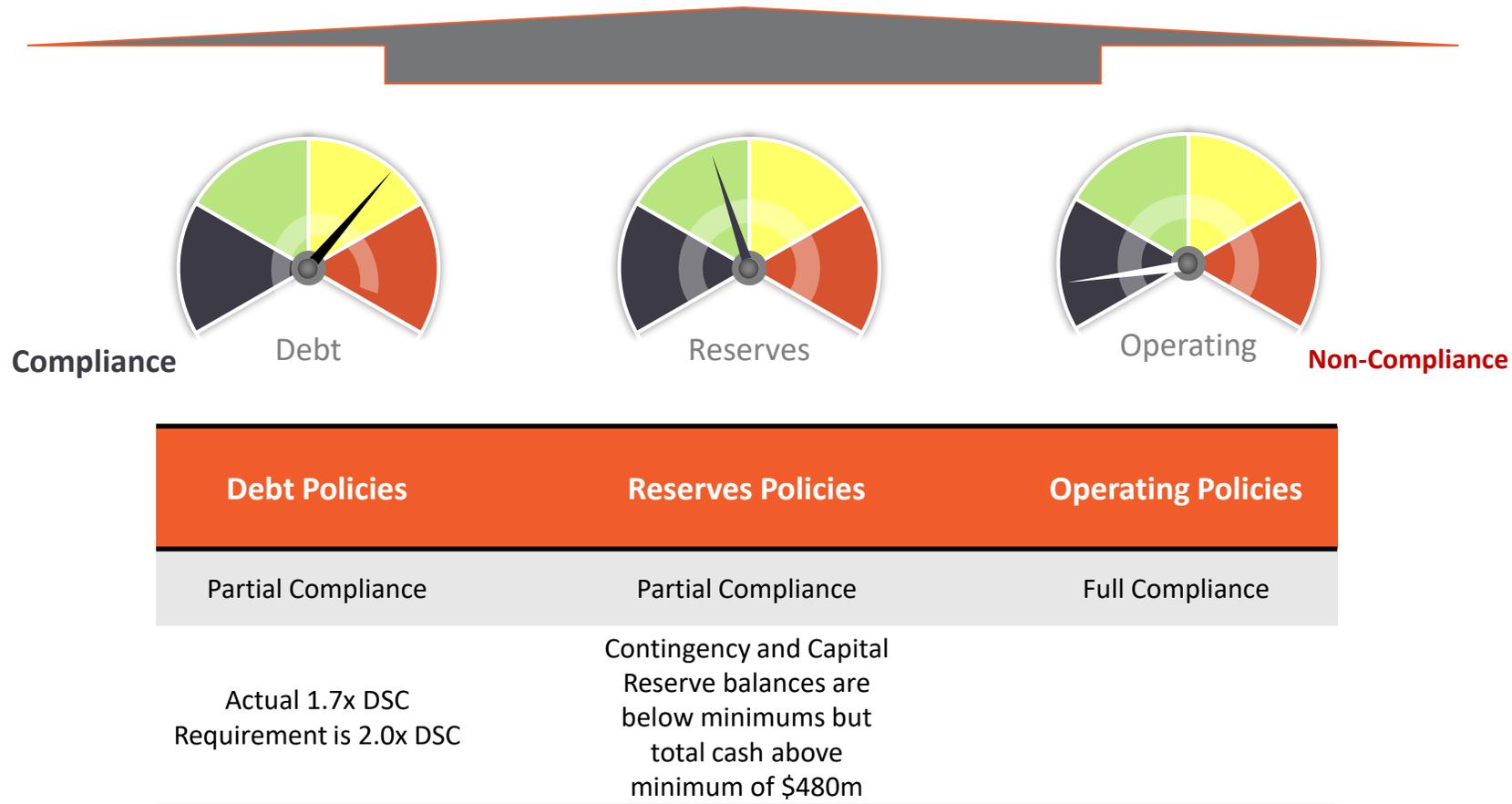
https://assets.austintexas.gov/financeonline/downloads/comprehensive_annual_financial_report/comprehensive_annual_financial_report_2020.pdf

Austin Energy Quarterly Financial Report

Financial Policy Compliance



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



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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 190 Days	Actual 1.7	Actual -5.8%	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>



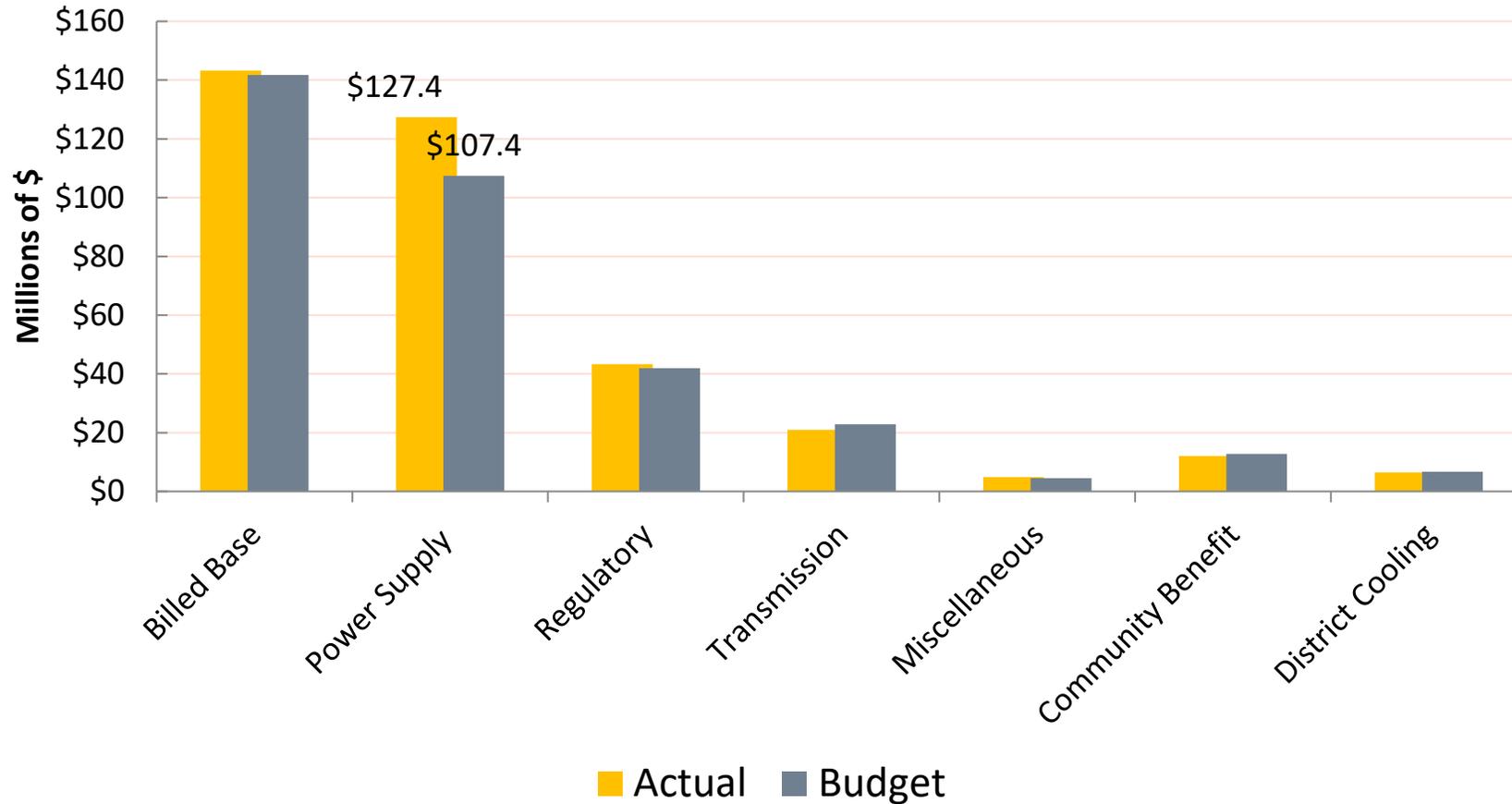
Austin Energy Quarterly Financial Report

Actual to Budget Analysis



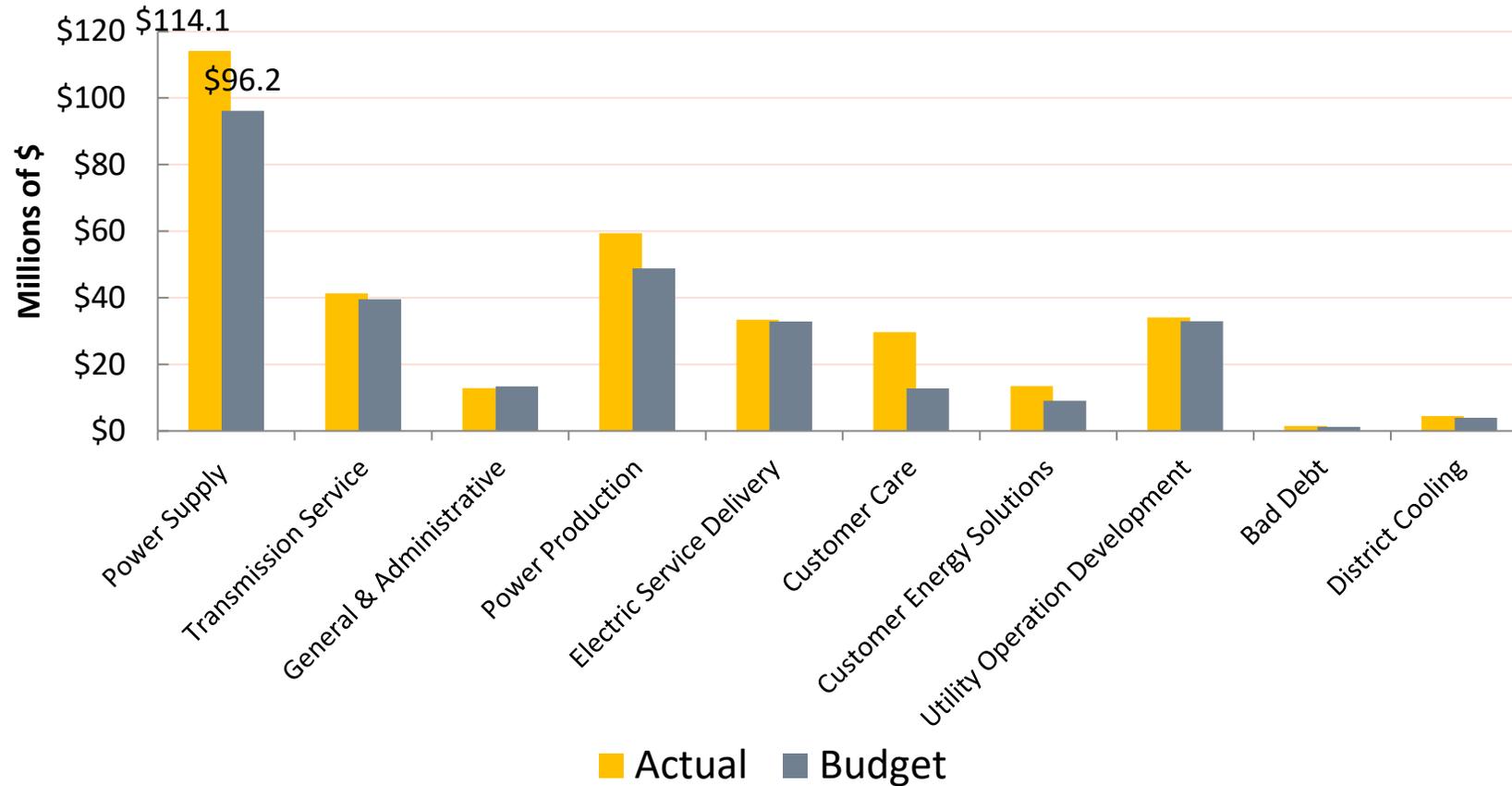
Actual to Budget Analysis

**Budget Based Operating Revenues
Fiscal Year Through December 31, 2021**



Actual to Budget Analysis

Budget Based Operating Expenses Fiscal Year Through December 31, 2021



Actual to Budget Analysis

Budget Based Fund Summary

Fiscal Year Through December 31, 2021

Variance to Budget

Favorable (Unfavorable)

Variance to Prior Year

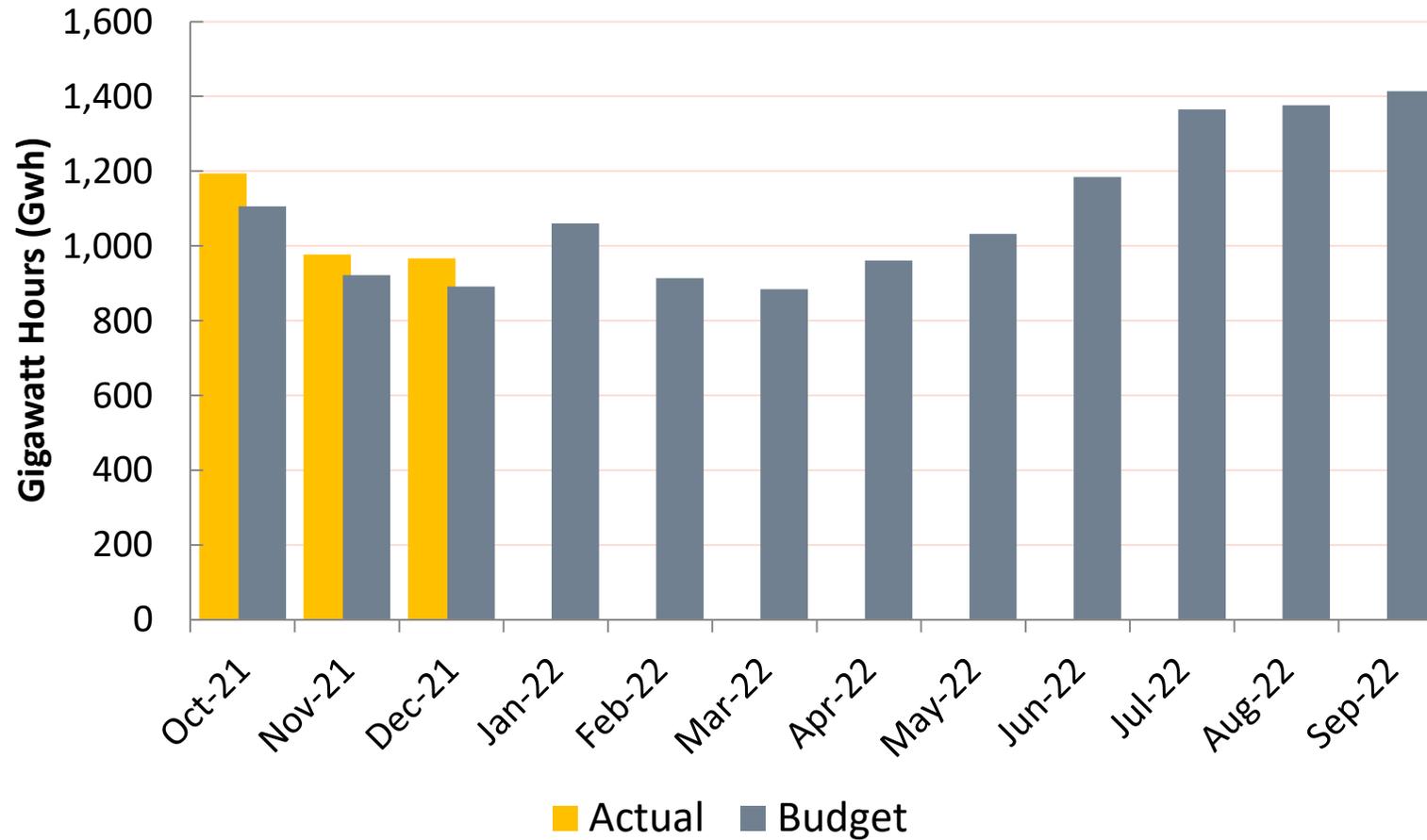
Favorable (Unfavorable)

Millions of \$	Actual	Budget	Amount	%	Prior Year Actual	Amount	%
Operating Revenues	\$359	\$338	21	6%	\$319	\$40	12%
Operating Expenses	344	291	(53)	(19%)	277	(67)	(24%)
Operating Income (Loss)	\$15	\$47	(\$32)	(70%)	\$42	(27)	(67%)
Interest Revenue	0	1	(1)	(62%)	1	(1)	(59.3%)
Debt Service	(42)	(41)	(1)	(0.9%)	(39)	(3)	(6%)
Income (Loss) Before Transfers	\$(27)	\$7	(\$34)	(507%)	\$4	(\$31)	(840%)
Administrative Support	(7)	(7)	0	0%	(8)	1	9%
General Fund	(29)	(29)	0	0%	(29)	0	0%
Economic Development	(2)	(2)	0	0%	(2)	(0)	(12%)
CTM Fund	(3)	(3)	0	0%	(3)	0	15%
Voluntary Utility Assistance Fund	0	0	0	0%	0	0	0%
Other City Transfers	(0)	(0)	0	0%	(1)	1	25%
Internal Transfers / CIP	(16)	(16)	(0)	(0%)	(15)	(1)	(2.8%)
Excess (Deficiency) of Revenues	(\$84)	(\$50)	(\$34)	(67%)	(\$54)	(\$30)	(54%)



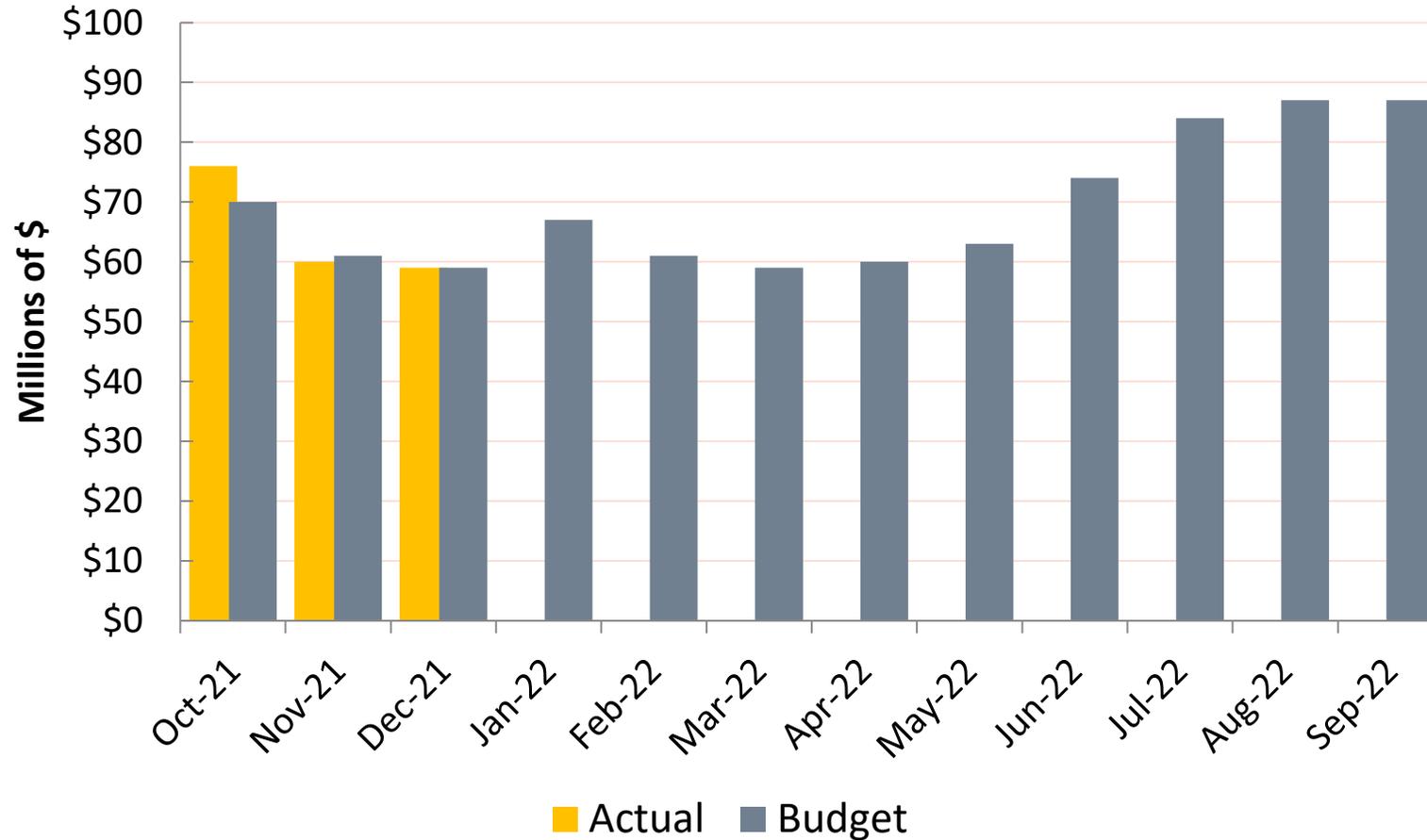
Actual to Budget Analysis

Actual to Budget Retail Energy Sales



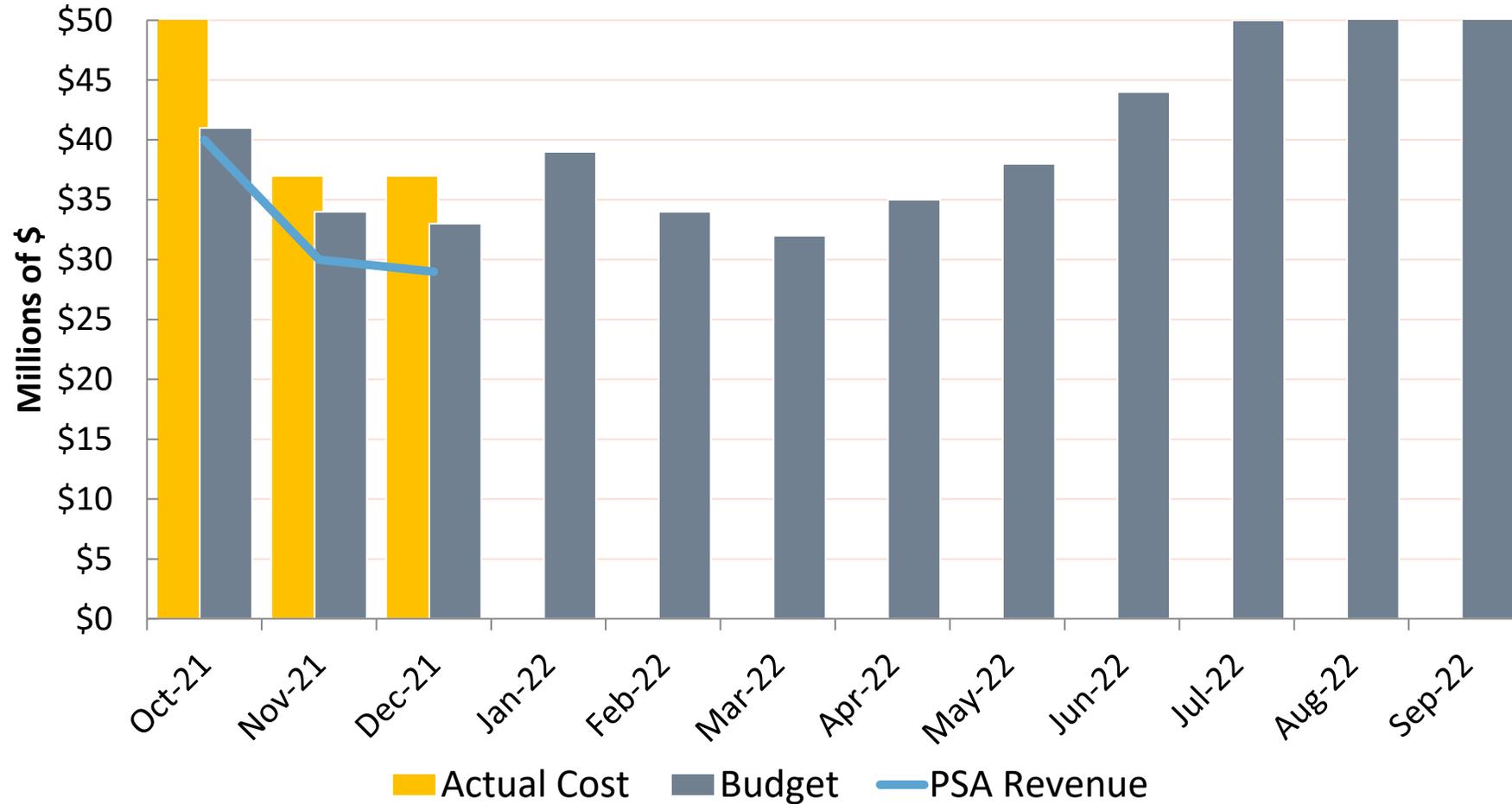
Actual to Budget Analysis

Actual to Budget Non-Power Supply Revenues



Actual to Budget Analysis

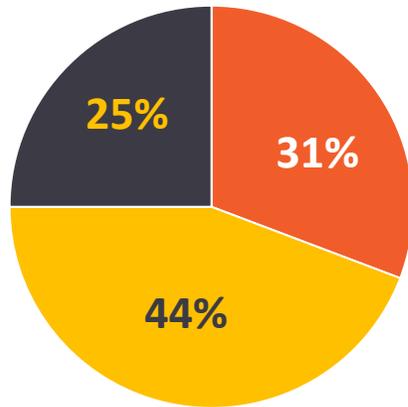
Actual to Budget Power Supply



Capital Improvement Plan Summary

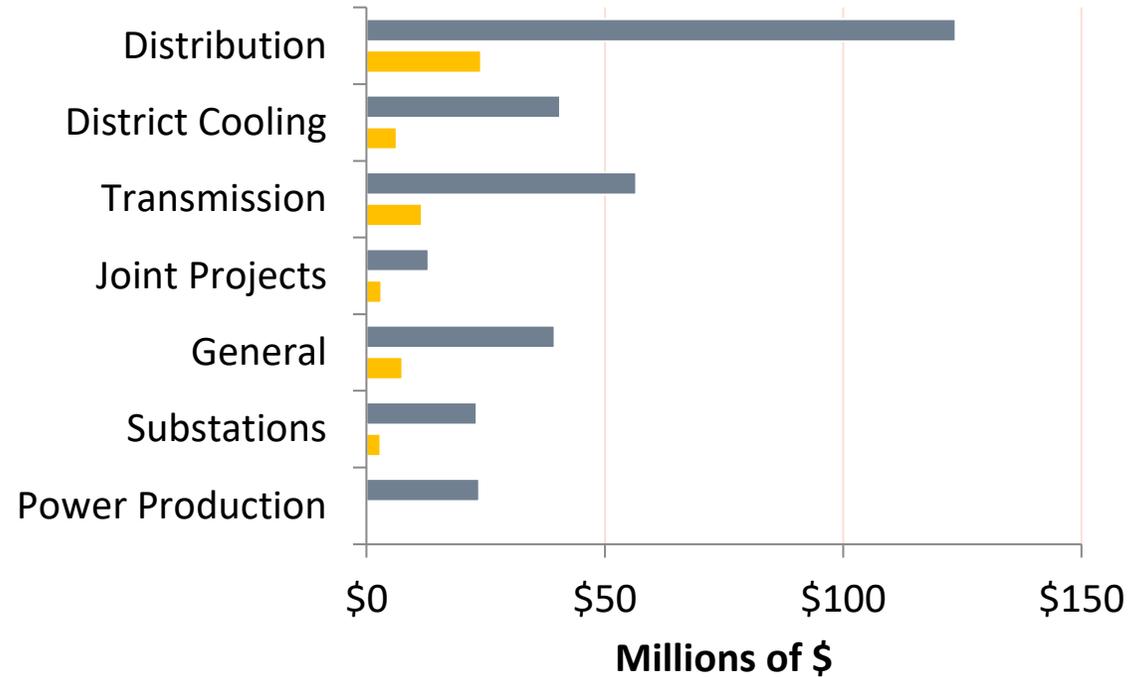
Fiscal Year Through December 31, 2021

Type of Financing



- Cash
- Debt
- Contributions in Aid of Construction

Type of Project

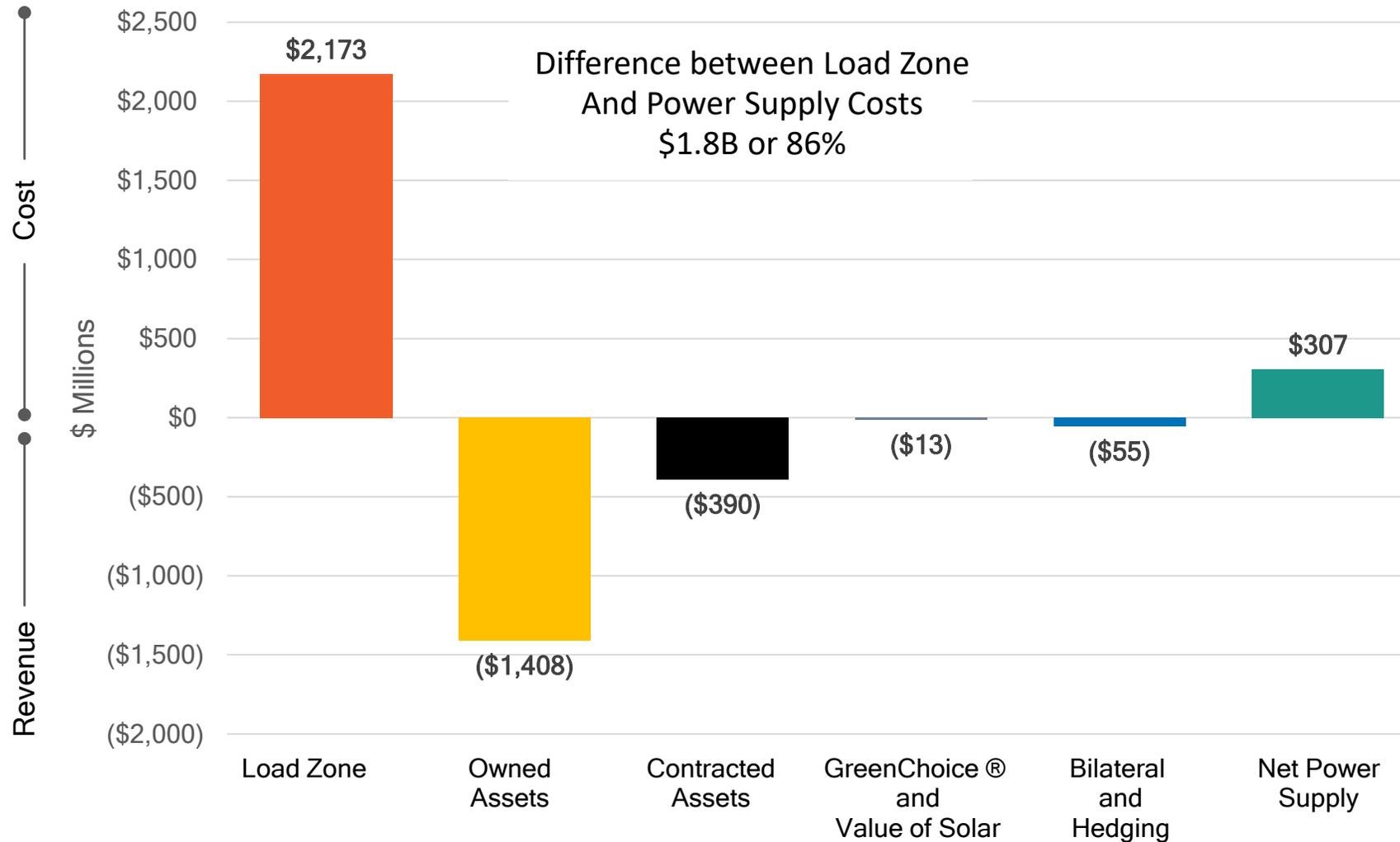


■ FY 2022 Spend Plan ■ Year-to-Date



Power Supply Adjustment Cost Components

Twelve Months Ending December 2021



Austin Energy Quarterly Financial Report

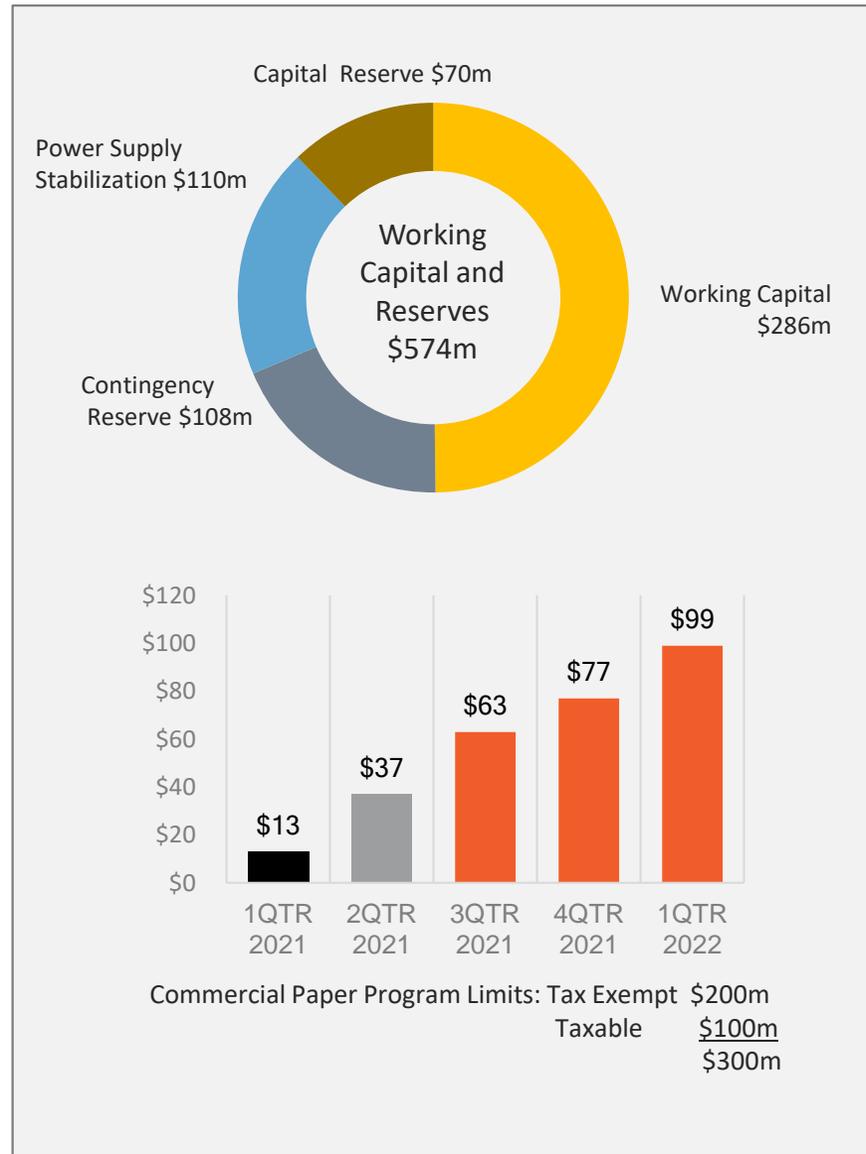
Financial Statements



Balance Sheet Snapshot

\$ in Millions

Assets	Dec 2020	Dec 2021
Cash	\$404	\$286
Current Assets	279	327
Capital Assets	2,941	3,027
Long-Term Assets	2,153	2,319
Total Assets	\$5,777	\$5,959
Liabilities and Fund Equity		
Current Liabilities	\$231	\$262
Long-term Liabilities	3,206	3,319
Deferred Inflow of Resources	488	595
Retained Earnings	1,852	1,783
Total Liabilities & Fund Equity	\$5,777	\$5,959



GAAP Financial Summary

Comparative Statement of Net Position

\$ in Millions	12/31/2020	12/31/2021	Change
Cash	\$404	\$286	(\$118)
Accounts Receivable (net)	118	111	(7)
Non-PSA Under-Recoveries	2	28	26
Debt Service	12	13	1
Contingency Reserve	108	108	-
Power Supply Stabilization Reserve	110	110	-
Capital Reserve	70	70	-
Nuclear Decommissioning Reserve	237	242	5
Other Restricted Assets	229	191	(38)
Other Assets	1,546	1,773	227
Capital Assets	2,941	3,027	86
Total Assets	5,777	5,959	182
Other Current Liabilities	141	172	31
Power Supply Over-Recovery	3	75	72
Non-PSA Over-Recoveries	19	17	(2)
Revenue Bonds	2,086	1,991	(95)
Commercial Paper	13	99	86
Other Long-Term Liabilities	1,663	1,822	159
Retained Earnings	1,852	1,783	(69)
Total Liabilities and Fund Equity	5,777	5,959	182

Income Statement

\$ in Millions	12 Months Ending	
	12/31/2020	12/31/2021
Operating Revenues	\$943	\$958
Power Supply Revenues	421	354
Power Supply Expenses	368	300
Non-Power Supply Expenses	767	806
Depreciation Expense	284	282
Operating Income/(Loss)	(\$55)	(\$76)
Other Revenue (Expense)	\$118	\$123
General Fund Transfer	(112)	(114)
Net Income/(Loss)	(\$49)	(\$67)
Debt Service Coverage	2.0	1.7
Debt Capital Ratio	53%	54%

Average Number of Customers

513,860 524,998

2.2%

FYTD 2021

FYTD 2022

Total Sales in Gigawatt Hours

3,022 3,139

3.9%

FYTD 2021

FYTD 2022



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Austin Energy Quarterly Financial Report Market and Industry Analysis



Customer Growth



Plant Investment



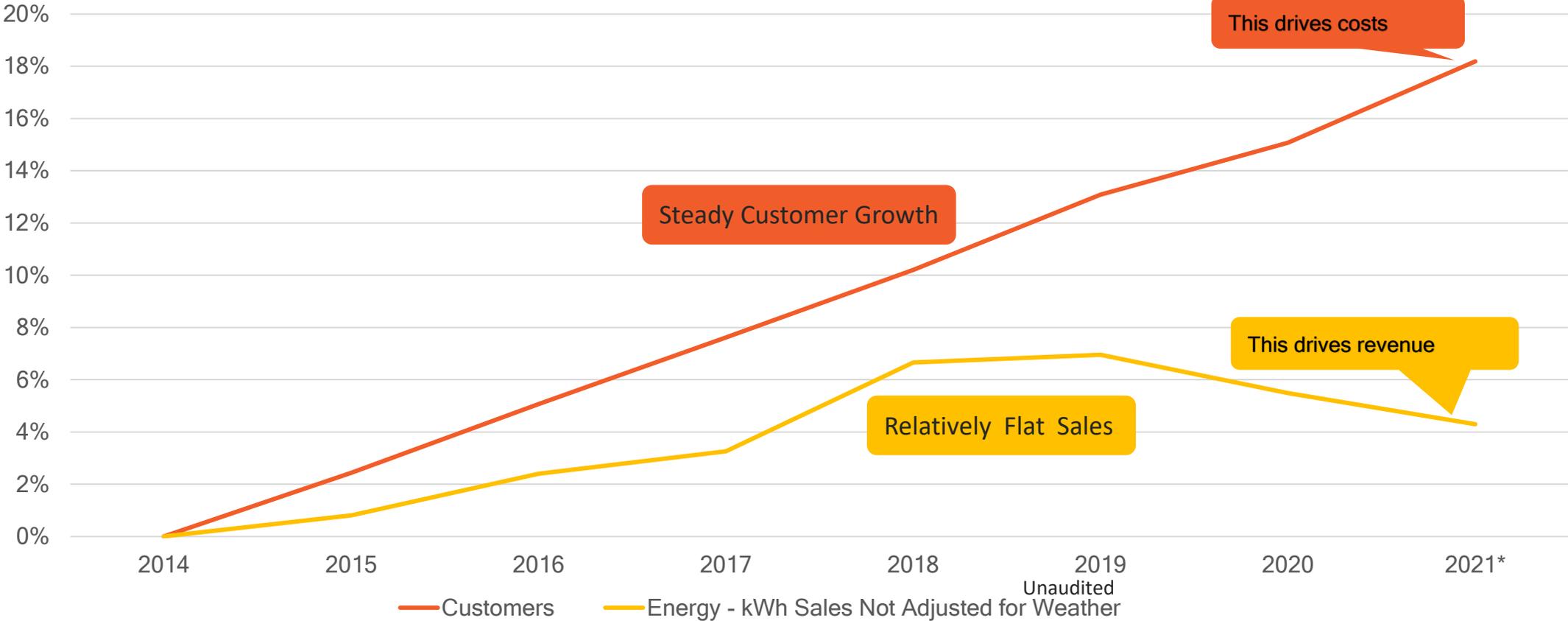
Increased Costs and
Marginal Load Growth

**Obligation to serve coupled with customer
growth drives increasing costs.**



Customer Growth and Energy Sales are Disconnected

Commencing from Test Year 2014



Obligation to serve compels investment

\$2.1 billion in new plant from FY2014 to FY2021

Distribution	\$673 M
Power Plant	\$569 M
Support Services	\$300 M
Transmission	\$237 M
Other	\$211 M
Substations	<u>\$ 99 M</u>
TOTAL	\$ 2.1 B

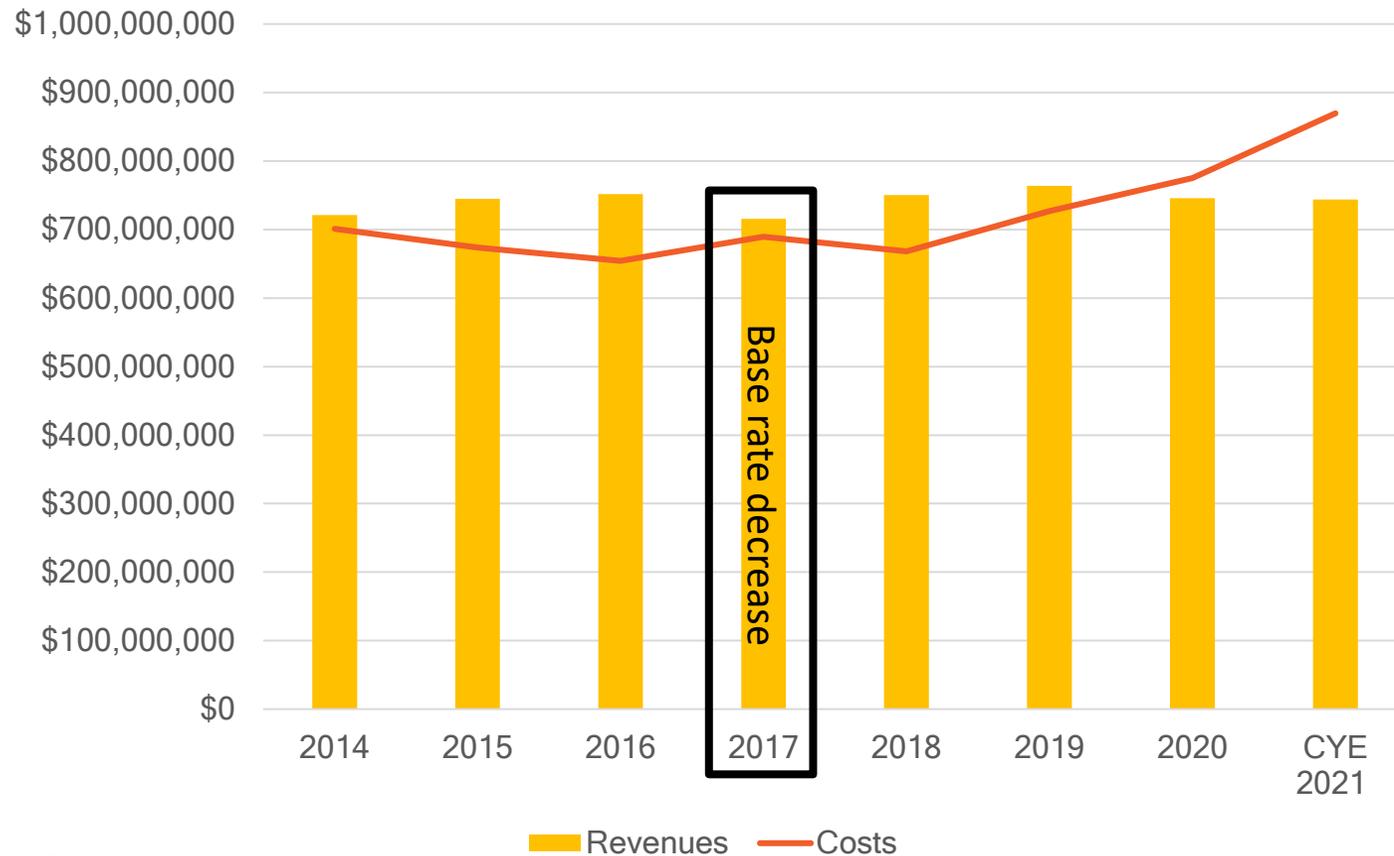


Source: CIP Budget and Planning.

Despite Customer Growth...

Marginal increases in energy sales aren't enough

Base Rate Costs v. Non-Pass Through Revenue

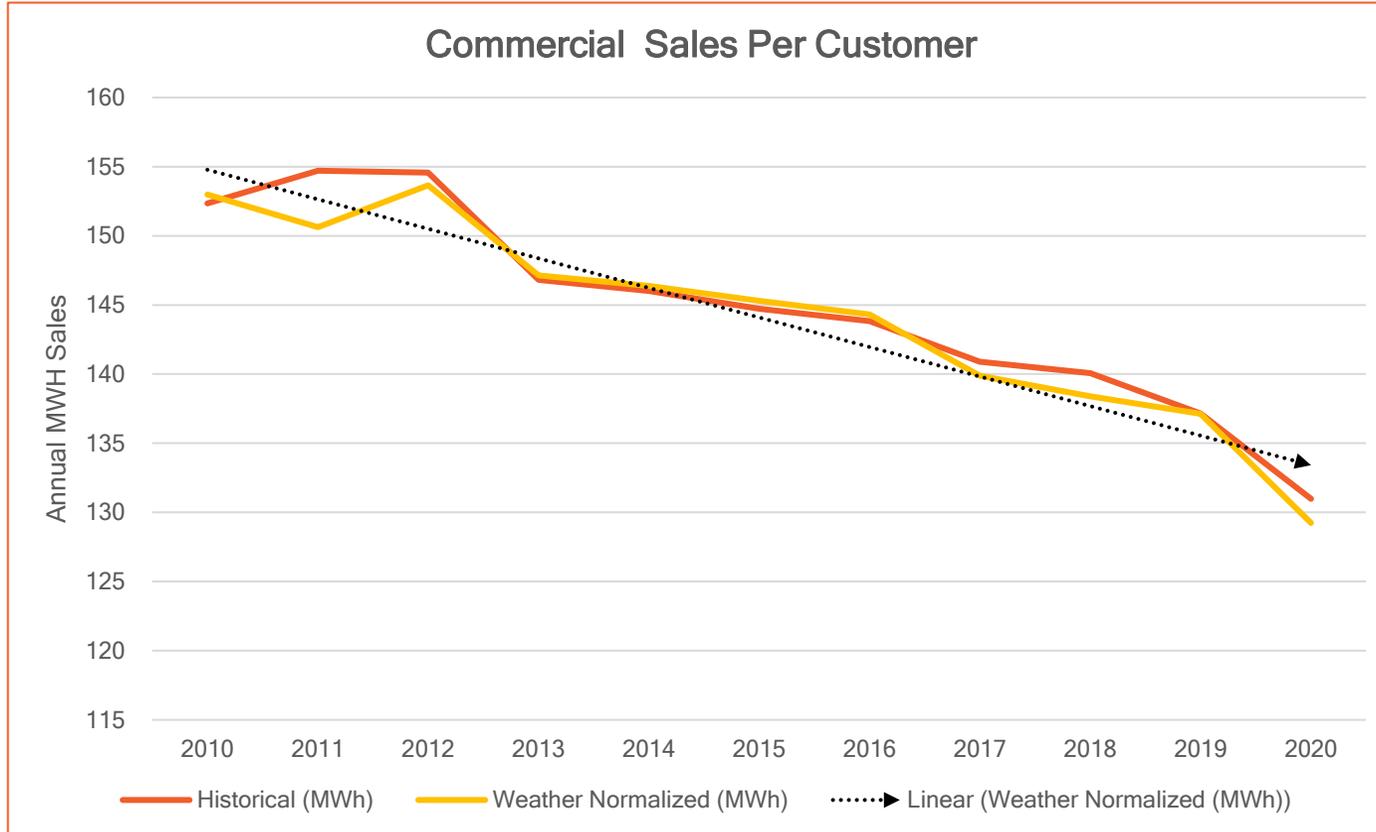


More customers does not equal more energy sales or base revenue.

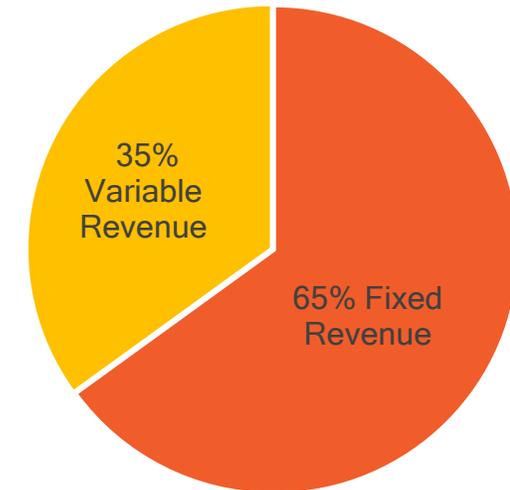
- Since 2014 , Austin Energy needed 2% increase in energy sales to breakeven
- On a weather normalized basis, Austin Energy averaged less than half of that.



C&I Avg Consumption Declining

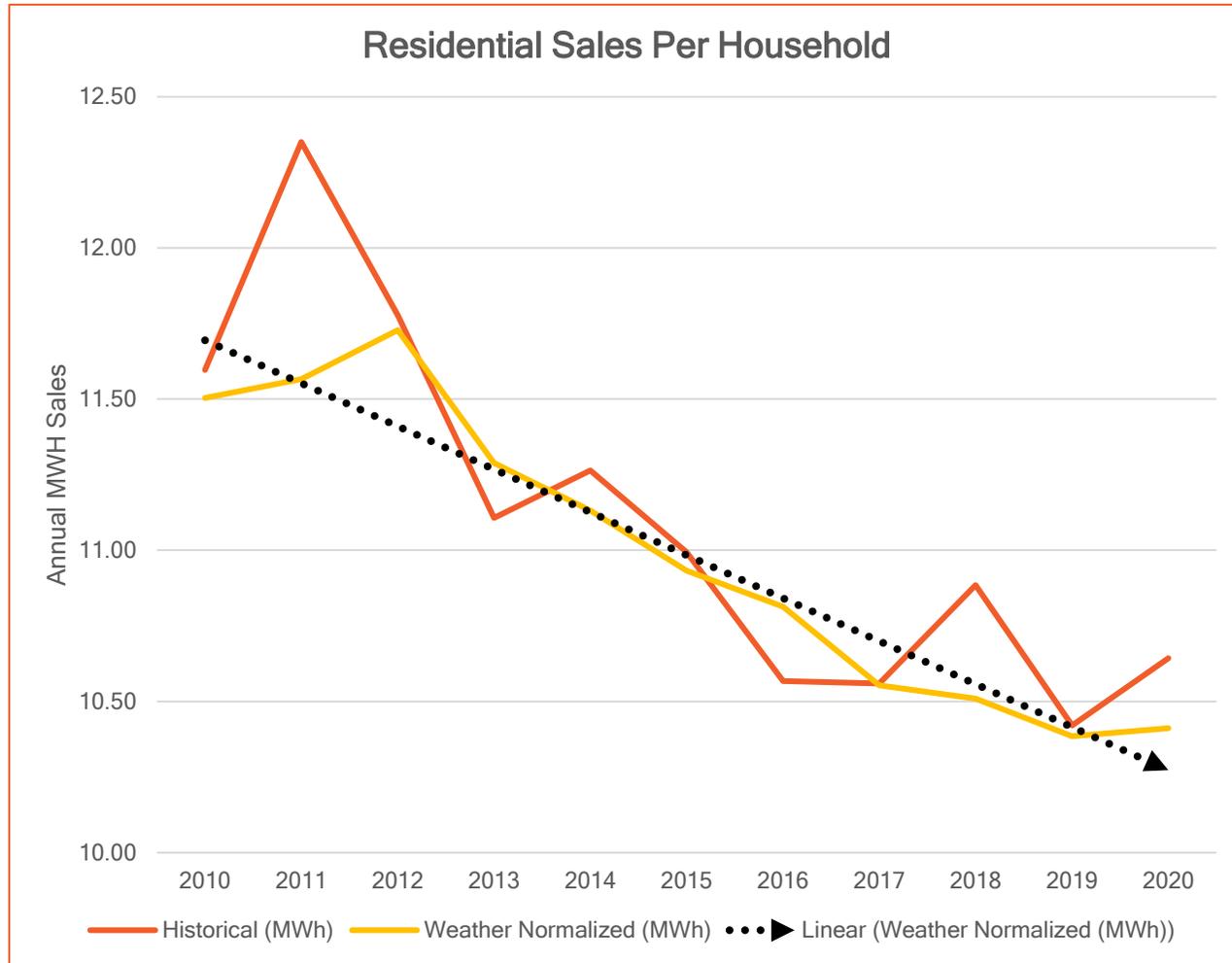


FY20 C&I Base Revenue



Source: FY2021 Financial Forecasting presentation.

Residential Customers Are More Energy Efficient



Why is Average kWh/Residential Customer Declining?

- Energy efficiency gains in building materials, lighting, HVAC, appliances and motors
- Transitory move to newer and/or smaller living spaces
- Austin Energy's significant and long-term community investment in energy efficiency programs (over \$35 million budgeted for FY2022)

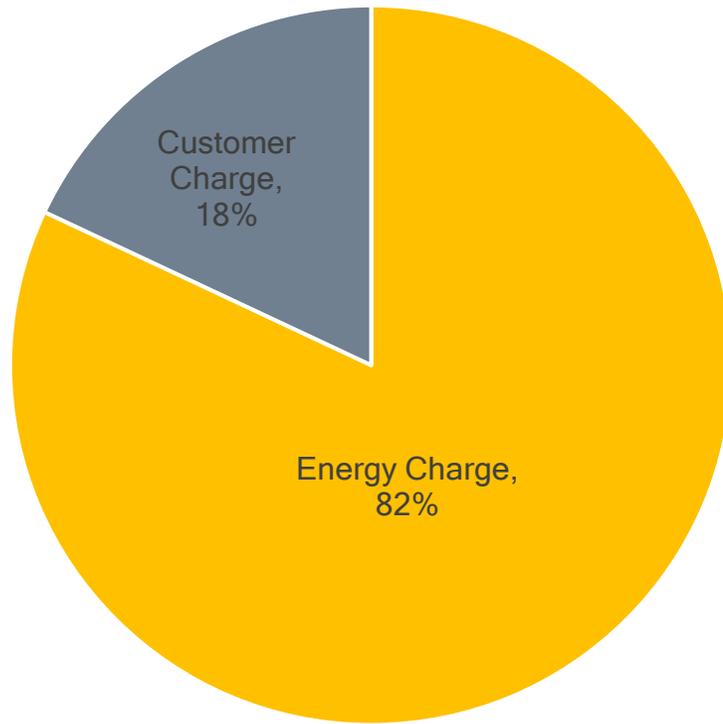


Source: FY2021 Financial Forecasting presentation.

Lagging Residential Sales Jeopardize Cost Recovery and Stability

Too few kWh sales to support rising costs

FY20 Residential Base Revenue



- 82% of residential base revenue is collected on kWh sales.
- Over reliance on energy sales for revenue creates instability for customers' bills and AE's revenue.
- Base revenue pays increasing fixed costs such as debt service, non-PSA contractuals, GFT and cash for construction: costs that do not vary with energy sales.
- Cost recovery is jeopardized as average residential consumption declines.
- **The residential rate design from 2012 is not tenable today.**





**Customer Driven.
Community Focused.**

