



FY2020 FINANCIAL UPDATE AS OF AUGUST 31, 2019

PRESENTED BY:

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Vice President, Corporate Services & Assistant Treasurer

September 30, 2019

Informational Update

OBJECTIVES



- **REVIEW FINANCIAL RESULTS FORECAST**
- **REVIEW KEY DRIVERS IMPACTING FINANCIAL PERFORMANCE & METRICS**
- **HIGHLIGHT KEY FINANCIAL PROJECTS**

AGENDA



- **NET INCOME FORECAST**
- **NET INCOME KEY DRIVERS**
- **FLOW OF FUNDS & CAPITAL EXPENDITURES**
- **KEY FINANCIAL METRICS**
- **SUMMARY**

NET INCOME

AUGUST FY 2020 FORECAST¹



Highlights:

- **Net Operating Revenue** – Driven by higher net wholesale revenues.
- **Nonoperating Revenue** – Driven by increased fair value of investments and higher interest earnings, partially offset by a delay of property sale.
- **O&M** – Lower due to lower than planned pension costs and achieved budget mitigations.
- **Depreciation** – Favorable due to lower average depreciation rate than planned.
- **Interest & Debt-Related** – Lower primarily due to Financing Plan savings.

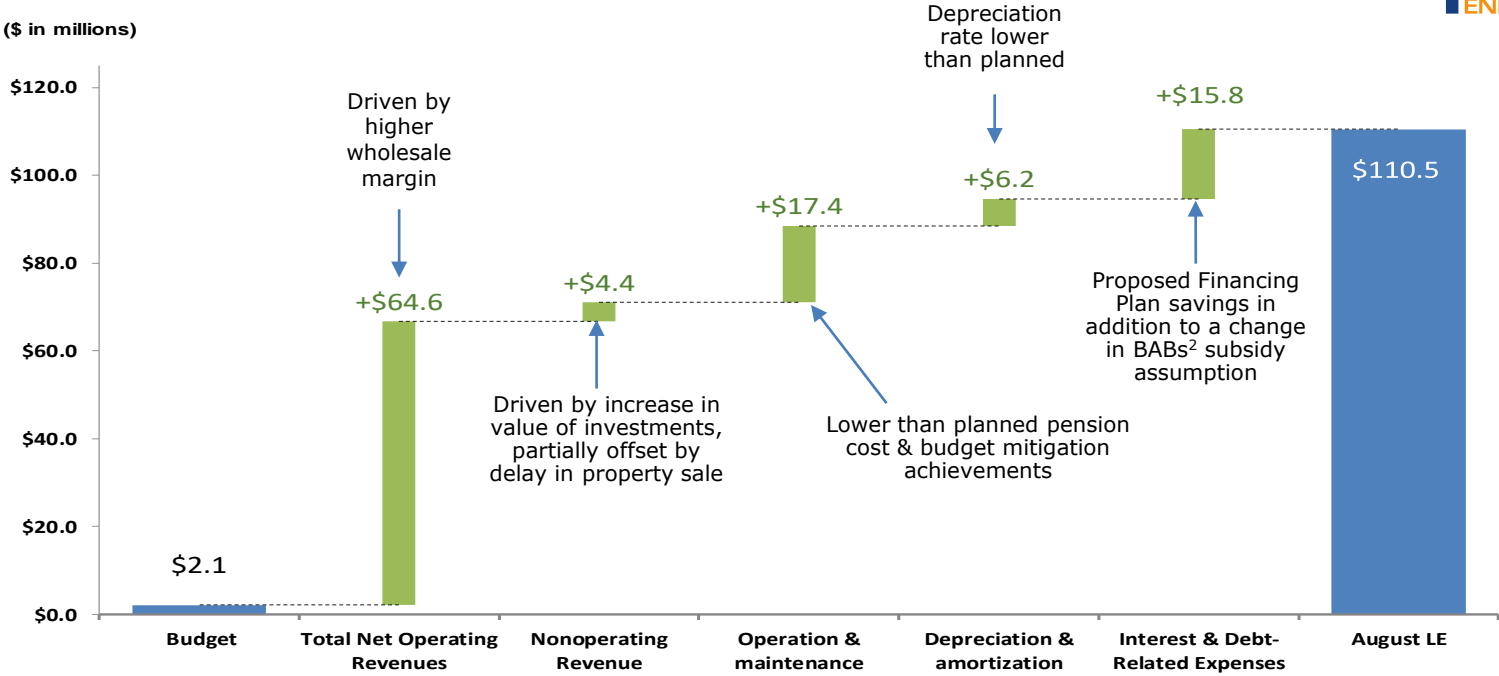
(in millions)	FY 2020		Variance Fav (Unfav) Forecast to Budget	
	Budget	Forecast ¹	\$	%
Description				
Revenue available for nonfuel expenses				
Electric	\$ 2,392.1	\$ 2,417.8	\$ 25.7	1.1%
Gas	171.9	149.7	(22.2)	(12.9%)
Total operating revenue	2,564.0	2,567.5	3.5	0.1%
Less:				
Electric fuel, distribution gas & regulatory	925.9	864.8	61.1	6.6%
Payments to the City of San Antonio	343.9	343.9	-	-
Net operating revenue	1,294.2	1,358.8	64.6	5.0%
Nonoperating revenue	53.6	58.0	4.4	8.2%
Total revenue available for nonfuel expenses	1,347.8	1,416.8	69.0	5.1%
Nonfuel expenses				
Operation & maintenance	673.7	656.3	17.4	2.6%
Depreciation, amortization & decommissioning	444.5	438.3	6.2	1.4%
Interest & debt-related	227.5	211.7	15.8	6.9%
Total nonfuel expenses	1,345.7	1,306.3	39.4	2.9%
Net income	\$ 2.1	\$ 110.5	\$ 108.4	5161.9%

Net income is forecasted to be favorable to budget due to higher wholesale margin, lower than planned pension costs, O&M budget mitigations, and lower interest costs.

¹ 7 months actual, 5 months forecast as of August 31, 2019

NET INCOME KEY DRIVERS

AUGUST FY 2020 FORECAST¹



Net income is projected to be favorable to budget due to higher wholesale margin, O&M budget mitigations, and lower interest costs. Management continues to monitor the operational & financial environment for opportunities to further improve net income.

Favorable

Unfavorable

¹ 7 months actual, 5 months forecast as of August 31, 2019.

² BABs = Build America Bonds

FLOW OF FUNDS & CAPITAL EXPENDITURES

AUGUST FY 2020 FORECAST¹



Highlights:

- **Revenues, net Fuel & Regulatory** – Higher due to higher wholesale margin partially offset by the timing of fuel and regulatory recoveries.
- **O&M** – Lower due to lower than planned pension costs and achieved budget mitigations.
- **Debt Service** – Lower due to Financing Plan savings.
- **Capital Expenditures** – Below budget primarily due to higher than planned external source funding.

(in millions) Description	FY 2020		Variance Fav (Unfav) Forecast to Budget	
	Budget	Forecast ¹	\$	%
Revenues, net of unbilled	\$ 2,599.0	\$ 2,588.4	\$ (10.6)	(0.4%)
Less: city pymt (CP) per flow of funds	343.9	343.9	0.0	-
Revenues, net	2,255.1	2,244.5	(10.6)	(0.5%)
Less: fuel & regulatory expense	925.9	864.9	61.0	6.6%
Revenues, net fuel & regulatory	1,329.2	1,379.6	50.4	3.8%
Operation & maintenance	674.8	657.5	17.3	2.6%
Debt service	399.1	388.3	10.8	2.7%
Total expenses	1,073.9	1,045.8	28.1	2.6%
Total R&R fund additions	\$ 255.3	\$ 333.8	\$ 78.5	30.7%
Total capital expenditures	\$ 738.9	\$ 734.2	\$ 4.7	0.6%

R&R Fund additions are projected to be favorable to budget due to higher wholesale margin, lower than planned pension costs, O&M budget mitigations and interest cost savings.

¹ 7 months actual, 5 months forecast as of August 31, 2019.

KEY FINANCIAL METRICS

AUGUST FY 2020 FORECAST



Metric	Desired Direction	Prior Year	Forecast	Business Plan Threshold	Forecast v Business Plan Variance	Status
Adjusted Debt Service Coverage (ADSC)		2.00	1.86	1.50	0.36	
Days Cash on Hand (DCOH)		246	275	150	125	
Debt Capitalization (DC)		61.8%	62.0%	60.0%	2.0%	

Highlights

- **ADSC** – Tracking to business plan threshold
- **DCOH** – Tracking to business plan threshold
- **DC** – Tracking slightly above business plan threshold

SUMMARY



Financial Health

- Strong Wholesale revenues, net fuel resulting from a convergence of:
 - High demand from hot temperatures
 - Tight reserve margins in ERCOT
 - Lower wind volumes during high demand periods
 - Our plants performed well providing power to sell
- Remain focused on costs

Actions

- Upcoming Transactions:
 - Refunding of 2010 Build America Bonds
 - Remarketing of 2015 Jr. Lien Bonds
- External Audit:
 - IT General Controls fieldwork (September)
 - Interim financial field work (October)



Thank You