



***FY2020 FINANCIAL
PERFORMANCE UPDATE
(PRELIMINARY & UNAUDITED)***

PRESENTED BY:

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Chief Financial Officer (CFO) & Treasurer

March 2, 2020

Informational Update



OBJECTIVES



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

AGENDA



- **FY2020 NET INCOME**
- **NET INCOME KEY DRIVERS**
- **FLOW OF FUNDS & CAPITAL EXPENDITURES**
- **KEY FINANCIAL METRICS**
- **ONGOING DILIGENCE**
- **SUMMARY**

NET INCOME

FISCAL YEAR ENDED JANUARY 31, 2020



| Description | FY2020 | | Variance Fav (Unfav) Actual to Budget | |
|-----------------------------------------------------|----------------|-----------------|---------------------------------------------|----------------|
| | Budget | Actual | \$ | % |
| (\$ in millions) | | | | |
| Revenue available for nonfuel expenses | | | | |
| Electric | \$ 2,392.1 | \$ 2,426.4 | \$ 34.3 | 1.4% |
| Gas | 171.9 | 142.8 | (29.1) | (16.9%) |
| Total operating revenue | 2,564.0 | 2,569.2 | 5.2 | 0.2% |
| Less: | | | | |
| Electric fuel, distribution gas & regulatory | 925.9 | 848.3 | 77.6 | 8.4% |
| Payments to the City of San Antonio | 343.9 | 342.9 | 1.0 | 0.3% |
| Net operating revenue | 1,294.2 | 1,378.0 | 83.8 | 6.5% |
| Nonoperating revenue | 53.6 | 72.1 | 18.5 | 34.5% |
| Total revenue available for nonfuel expenses | 1,347.8 | 1,450.1 | 102.3 | 7.6% |
| Nonfuel expenses | | | | |
| Operation & maintenance | 673.7 | 647.1 | 26.6 | 3.9% |
| Depreciation, amortization & decommissioning | 444.5 | 439.0 | 5.5 | 1.2% |
| Interest & debt-related | 227.5 | 202.3 | 25.2 | 11.1% |
| Total nonfuel expenses | 1,345.7 | 1,288.4 | 57.3 | 4.3% |
| Net income | \$ 2.1 | \$ 161.7 | \$ 159.6 | 7600.0% |

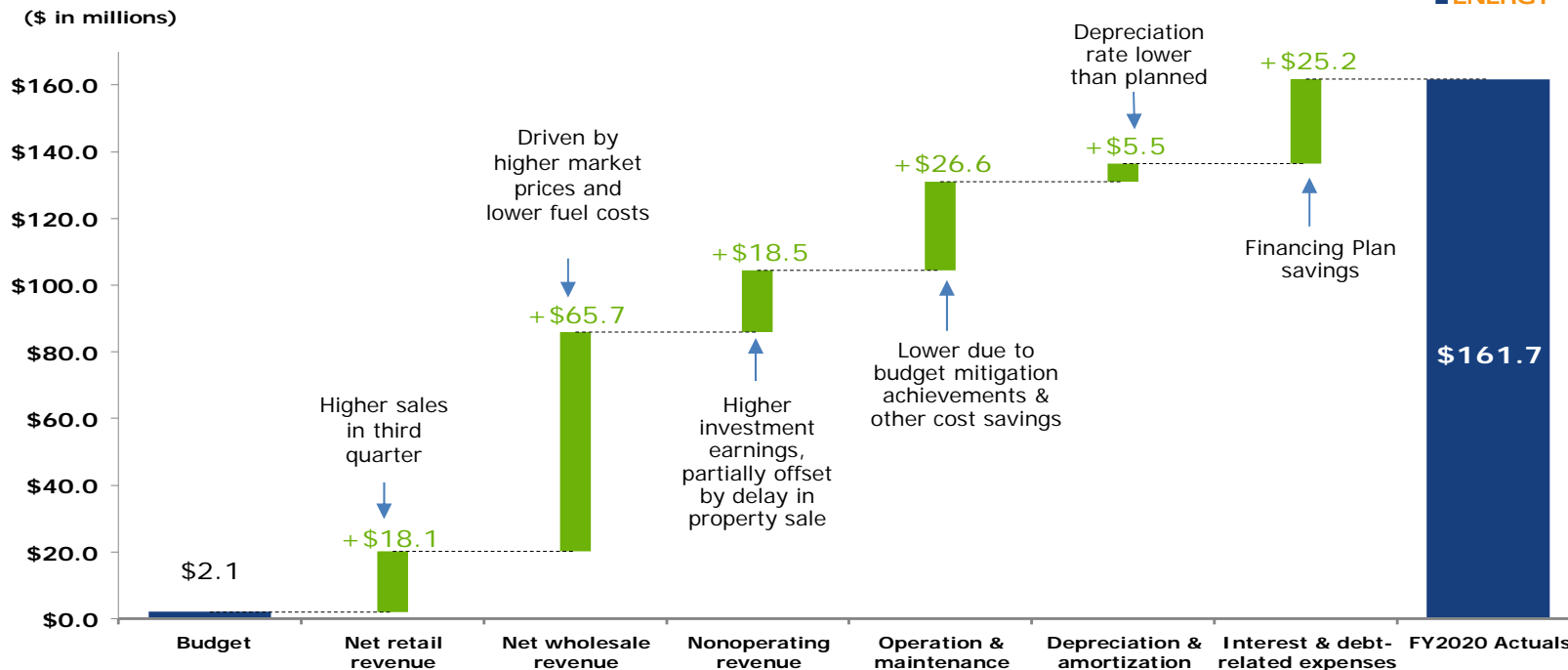
Highlights:

- **Net operating revenue** – Driven by higher net wholesale revenues and retail sales.
- **Nonoperating revenue** – Driven by increased fair value of investments and higher interest earnings, partially offset by a delay of property sale.
- **O&M** – Favorable due to achieved budget mitigations and other cost savings.
- **Depreciation** – Favorable due to lower average depreciation rate than planned.
- **Interest & debt-related** – Favorable primarily due to Financing Plan savings.

Net income is favorable to budget due to higher wholesale margin, higher retail sales, O&M budget mitigations, and lower interest costs.

NET INCOME KEY DRIVERS

FISCAL YEAR ENDED JANUARY 31, 2020



Net income is favorable to budget due to higher wholesale margin, higher retail sales, O&M budget mitigations, and lower interest costs.

Favorable

Unfavorable

FLOW OF FUNDS & CAPITAL EXPENDITURES

FISCAL YEAR ENDED JANUARY 31, 2020



| Description | FY2020 | | Variance Fav (Unfav) Actual to Budget | |
|-------------------------------------------|------------|------------|---------------------------------------------|-------|
| | Budget | Actual | \$ | % |
| Revenues, net of unbilled | \$ 2,599.0 | \$ 2,602.2 | \$ 3.2 | 0.1% |
| Less: city payment (CP) per flow of funds | 343.9 | 342.9 | 1.0 | 0.3% |
| Revenues, net of unbilled & CP | 2,255.1 | 2,259.3 | 4.2 | 0.2% |
| Less: fuel & regulatory expense | 925.9 | 848.3 | 77.6 | 8.4% |
| Revenues, net fuel & regulatory | 1,329.2 | 1,411.0 | 81.8 | 6.2% |
| Operation & maintenance | 674.8 | 648.9 | 25.9 | 3.8% |
| Debt service | 399.1 | 393.8 | 5.3 | 1.3% |
| Total expenses | 1,073.9 | 1,042.7 | 31.2 | 2.9% |
| Total R&R fund additions | \$ 255.3 | \$ 368.3 | \$ 113.0 | 44.3% |
| Total capital expenditures | \$ 738.9 | \$ 693.4 | \$ 45.5 | 6.2% |

Highlights:

- **Revenues, net fuel & regulatory** – Favorable due to higher wholesale margin and higher retail sales, partially offset by lower fuel & regulatory recoveries.
- **O&M** – Favorable due to achieved budget mitigations and other cost savings.
- **Debt service** – Favorable due to Financing Plan savings.
- **Capital expenditures** – Favorable due to higher than planned contributions in aid of construction (CIAC) and project deferrals.

R&R Fund additions are favorable to budget due to higher wholesale margin, higher retail sales, O&M budget mitigations, and interest cost savings.

KEY FINANCIAL METRICS

FISCAL YEAR ENDED JANUARY 31, 2020



| Metric | Desired Direction | Prior Year | Actual | Accountability Plans Threshold | Actual v Threshold Variance | Status |
|---------------------------------------|-------------------|------------|--------|--------------------------------|-----------------------------|--------|
| Adjusted Debt Service Coverage (ADSC) | ↑ | 2.00 | 1.94 | 1.50 ¹ | 0.44 | ● |
| Days Cash on Hand (DCOH) | ↑ | 246 | 225 | 150 ¹ | 75 | ● |
| Debt Capitalization (DC) | ↓ | 61.8% | 59.9% | 63.0% ² | -3.1% | ● |

Highlights

- **ADSC** – Favorable to threshold
- **DCOH** – Favorable to threshold
- **DC** – Favorable to threshold

¹ Aligned to Credit Ratings Agencies' Guidance

² Aligned to the Financial Gate Protocol Set by the Board of Trustees

ONGOING DILIGENCE

MANAGEMENT CONTINUALLY MONITORS OUR FLUID BUSINESS LANDSCAPE CHANGES



Latest Potential Challenges

Current pressure on gas commodity prices / power prices

Possibilities

Higher Prices 

Budget / Base Cases 

Lower Prices 

OFFSET OPPORTUNITIES:

Potentially will try to offset with:

- More cost control
- New revenue options (RNG?, etc.)
- Better summer performance

While we see some indications of potential lower wholesale revenues, it is early enough for us to pursue offsets.

SUMMARY



Financial Health

- Excellent FY2020 financial results
- Strong wholesale revenues, net of fuel in August
- Favorable retail sales due to warmer temperatures in September
- Successful cost mitigation & financing savings

Update

- FY2020 external audit
 - Auditors on site – March 2-28, 2020
- FY2021 budget approved January 27, 2020
- Credit ratings reaffirmed January 2020 – S&P, Moody's & Fitch



Thank You

