



***FY 2019 FINANCIAL PERFORMANCE
REPORT
(PRELIMINARY AND UNAUDITED)***

INTRODUCTION BY:

Delores Lenzy-Jones

CFO & Treasurer

PRESENTED BY:

Gary Gold

VP Accounting & Assistant Treasurer

March 25, 2019

Informational Update

AGENDA



- **FINANCIAL HIGHLIGHTS**
- **R&R ADDITIONS AND CAPITAL EXPENDITURES**
- **R&R ADDITIONS KEY DRIVERS**
- **KEY FINANCIAL METRICS**
- **SUMMARY**
- **FY 2020 NET INCOME UPDATE**

FINANCIAL HIGHLIGHTS

TWELVE MONTHS YTD AS OF JANUARY 31, 2019



Year-to-Date (Compared to Budget)

● Revenues net Fuel & Reg. Exp.	Higher revenues due to improved wholesale market sales and hotter temperatures during summer months
● O&M	Lower pension/OPEB costs from favorable market performance last year, lower maintenance/outage and benefits costs at STP, partially offset by higher labor costs
● R&R Adds	Higher revenues net fuel & regulatory expense, and lower O&M and debt service
● Capital	YTD Capital expenditures are favorable to budget primarily due to timing of the JBSA infrastructure acquisition, timing of Power Generation and headquarters project spend, cancellation or postponement of EIT projects, partially offset by higher Electric Distribution Customer Growth

HIGHLIGHTS – R&R ADDITIONS AND CAPITAL EXPENDITURES

FISCAL YEAR ENDED JANUARY 31, 2019



(in \$ millions)	FY 2019		FY 2018	Variance	
	Budget	Actual	Actual	Favorable (Unfavorable)	
Description	Budget	Actual	Actual	Budget	Prior Year
Revenues, net of unbilled	\$ 2,661.5	\$ 2,808.3	\$ 2,624.4	\$ 146.8	\$ 183.9
Less: City Pymt (CP) per Flow of Funds	345.9	361.4	338.5	(15.5)	(22.9)
Revenues, net	2,315.6	2,446.9	2,285.9	131.3	161.0
Less: Fuel & Regulatory Expense	1,007.8	1,000.0	1004.7	7.8	4.7
Revenues net Fuel & Regulatory	1,307.8	1,446.9	1,281.2	139.1	165.7
Operating & Maintenance	618.2	608.4	583.1	9.8	(25.3)
Debt Service	421.5	419.7	397.7	1.8	(22.0)
Total Expenses	1,039.7	1028.1	980.8	11.6	(47.3)
Total R&R Fund Additions	\$ 268.1	\$ 418.8	\$ 300.4	\$ 150.7	\$ 118.4
Total Capital Expenditures ¹	\$ 666.0	\$ 555.8	\$ 529.7	\$ 110.2	\$ (26.1)

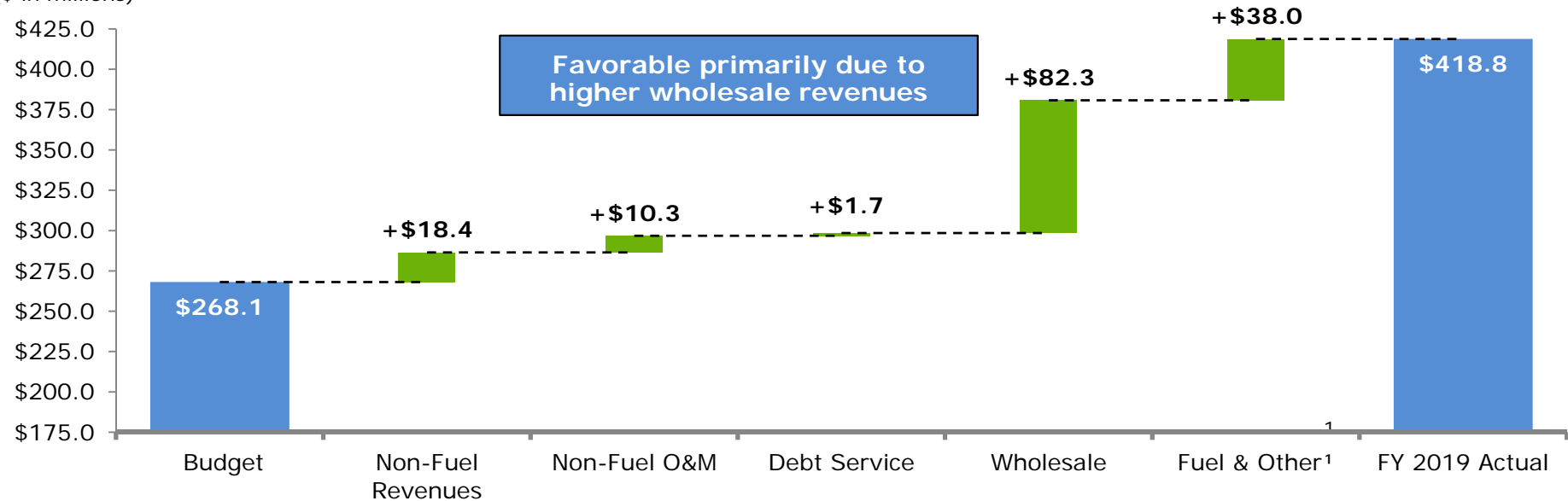
Higher revenues net fuel & regulatory expense compared to budget and lower O&M and debt service, resulted in higher R&R additions. Capital expenditures are favorable to budget.

¹ Net of contributed capital

R&R ADDITIONS KEY DRIVERS FISCAL YEAR 2019



(\$ in millions)



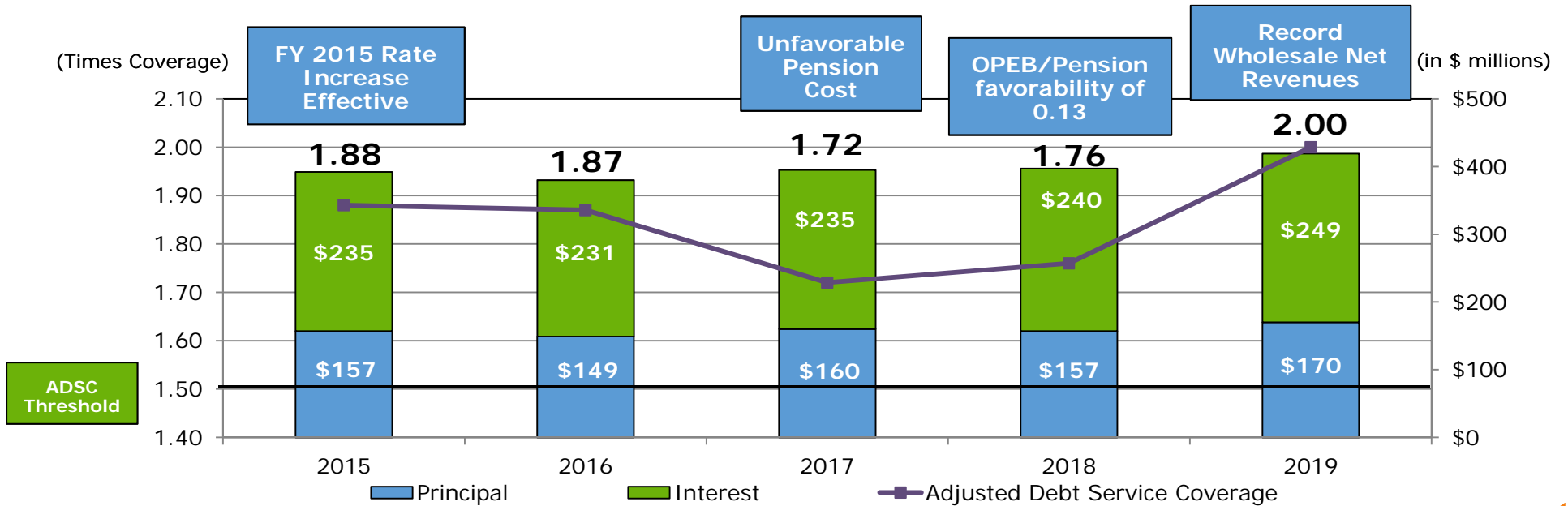
Favorable due to higher wholesale recoveries, higher electric nonfuel recoveries, timing of fuel recoveries, higher interest income, and lower O&M.

¹ Other Op / Non Op / Reg / STEP / Fuel

KEY FINANCIAL METRICS

ADJUSTED DEBT SERVICE COVERAGE

FISCAL YEARS ENDED JANUARY 31, 2015-2019



ADSC improved in FY 2019 as a result of higher wholesale revenues from higher sales volumes and margins resulting from favorable market opportunities and available capacity during the year.

KEY FINANCIAL METRICS

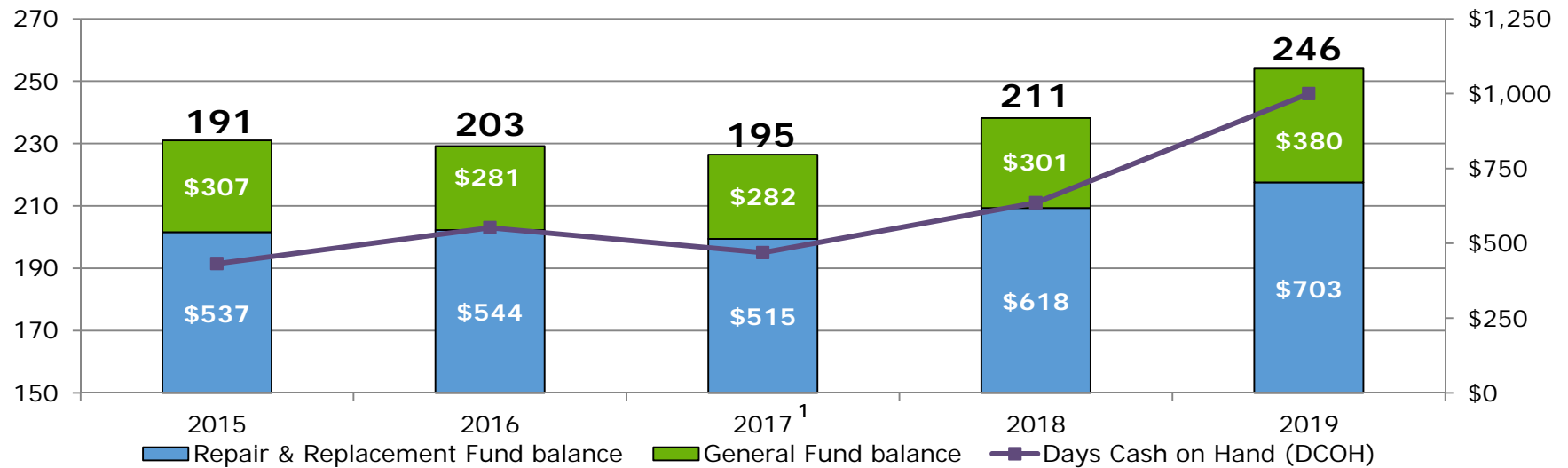
DAYS CASH ON HAND

FISCAL YEARS ENDED JANUARY 31, 2015-2019



(Days Cash on Hand)

(in \$ millions)



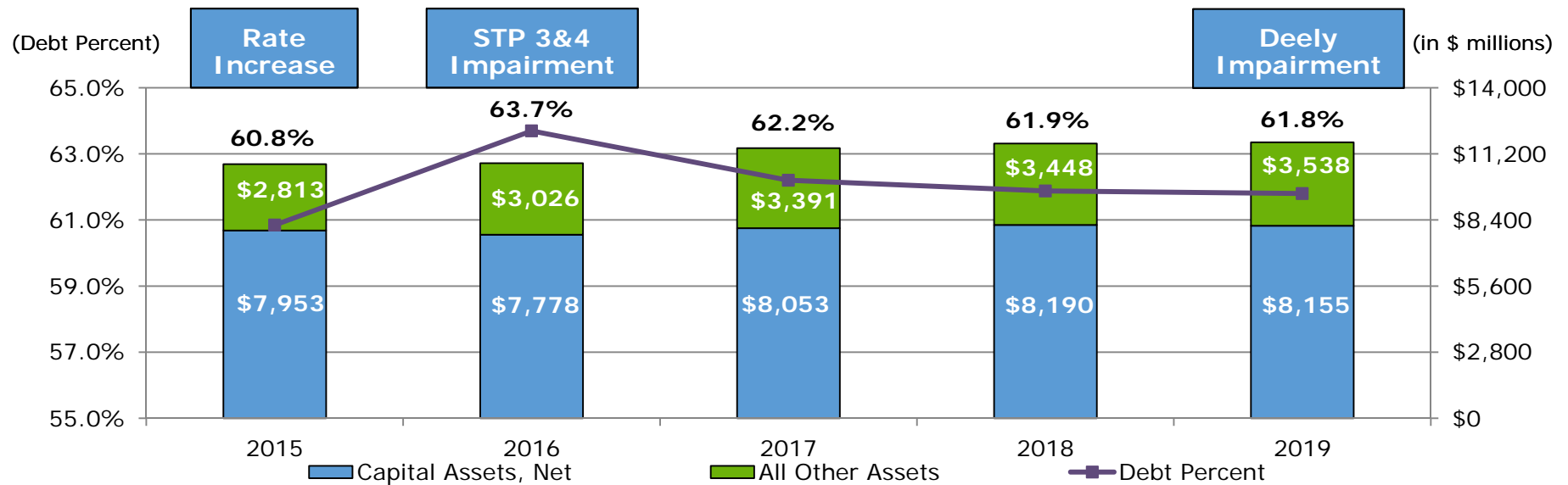
Days cash on hand increased due to higher wholesale revenues, higher retail nonfuel recoveries, lower coal inventory, lower customer accounts receivable, partially offset by higher construction funding and debt cash defeasance.

¹Restated

KEY FINANCIAL METRICS

DEBT TO CAPITALIZATION

FISCAL YEARS ENDED JANUARY 31, 2015-2019



Growth in capital assets is being funded using both debt and cash, with a goal to bring this metric below the business plan threshold of 60%.

SUMMARY



Fiscal Year 2019:

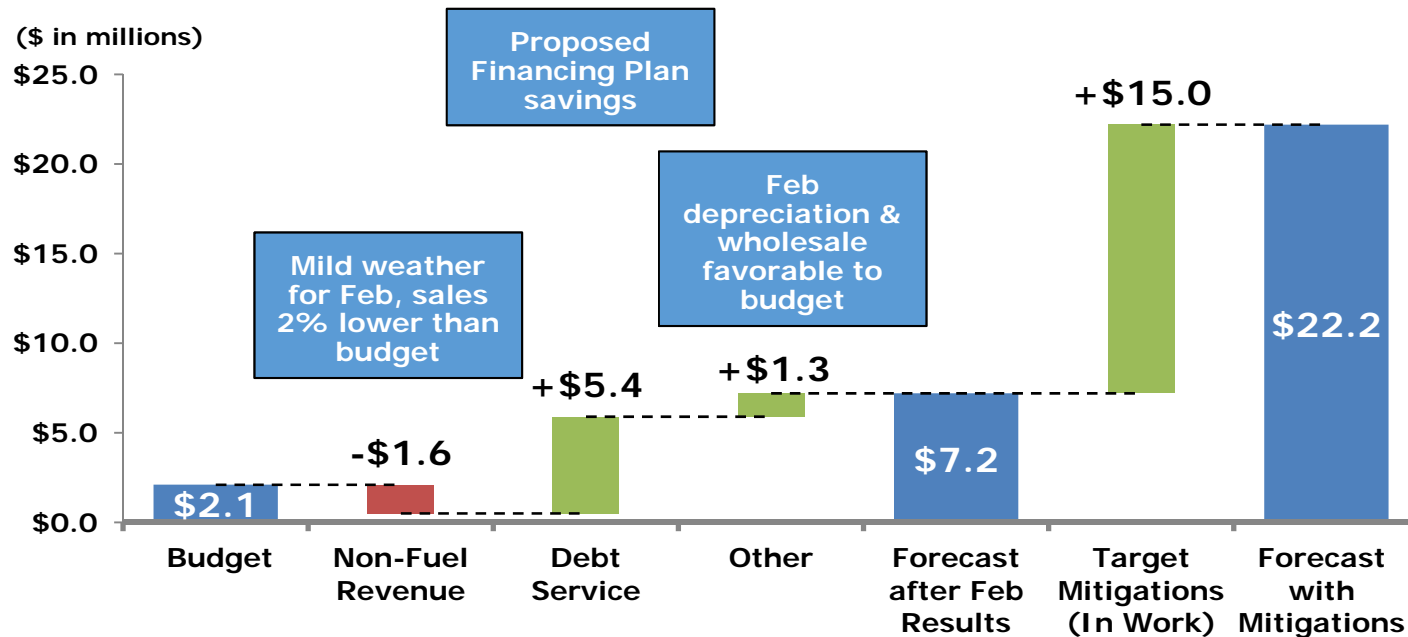
- Adjusted debt service coverage favorably impacted by record wholesale net revenues
- Days Cash on Hand remains strong relative to business plan threshold
- Debt to Capitalization improved from FY 2018, but remains above the business plan threshold

Fiscal Year 2020:

- Accommodating growth, promoting efficiency and cutting costs
- Continue to drive operational excellence and manage risks to meet financial metric expectations
- Opportunities will be evaluated throughout next year to ensure improved performance:
 - Additional wholesale revenues
 - Cost reductions
 - Deferred spending
 - Financing Plan optimization

NET INCOME KEY DRIVERS FISCAL YEAR 2020

1 MONTH ACTUAL (FEB) + 11 MONTHS FORECAST (MAR-JAN)



FY 2020 Net income is forecasted to be favorable to the budget as a result of proposed financing plans later this year. Management continues to monitor the operational & financial environment for opportunities to further improve net income.



Thank You

