



FY2020 FINANCIAL UPDATE AS OF JUNE 30, 2019

PRESENTED BY:

Delores Lenzy-Jones

Chief Financial Officer (CFO) & Treasurer

July 29, 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

JUNE FY2020 FORECAST¹



(in millions)	FY 2020		Variance Fav (Unfav) Forecast to Budget	
	Budget	Forecast	\$	%
	Description			
Revenue available for nonfuel expenses				
Electric	\$ 2,392.1	\$ 2,375.7	\$ (16.4)	(0.7%)
Gas	171.9	152.6	(19.3)	(11.2%)
Total operating revenue	2,564.0	2,528.3	(35.7)	(1.4%)
Less:				
Electric fuel, distribution gas & regulatory	925.9	893.2	32.7	3.5%
Payments to the City of San Antonio	343.9	337.7	6.2	1.8%
Net operating revenue	1,294.2	1,297.4	3.2	0.2%
Nonoperating revenue	53.6	49.0	(4.6)	(8.6%)
Total revenue available for nonfuel expenses	1,347.8	1,346.4	(1.4)	(0.1%)
Nonfuel expenses				
Operations & maintenance	673.7	664.7	9.0	1.3%
Depreciation, amortization & decommissioning	444.5	439.1	5.4	1.2%
Interest & debt-related	227.5	218.0	9.5	4.2%
Total nonfuel expenses	1,345.7	1,321.8	23.9	1.8%
Net income	\$ 2.1	\$ 24.6	\$ 22.5	1071.4%

Highlights:

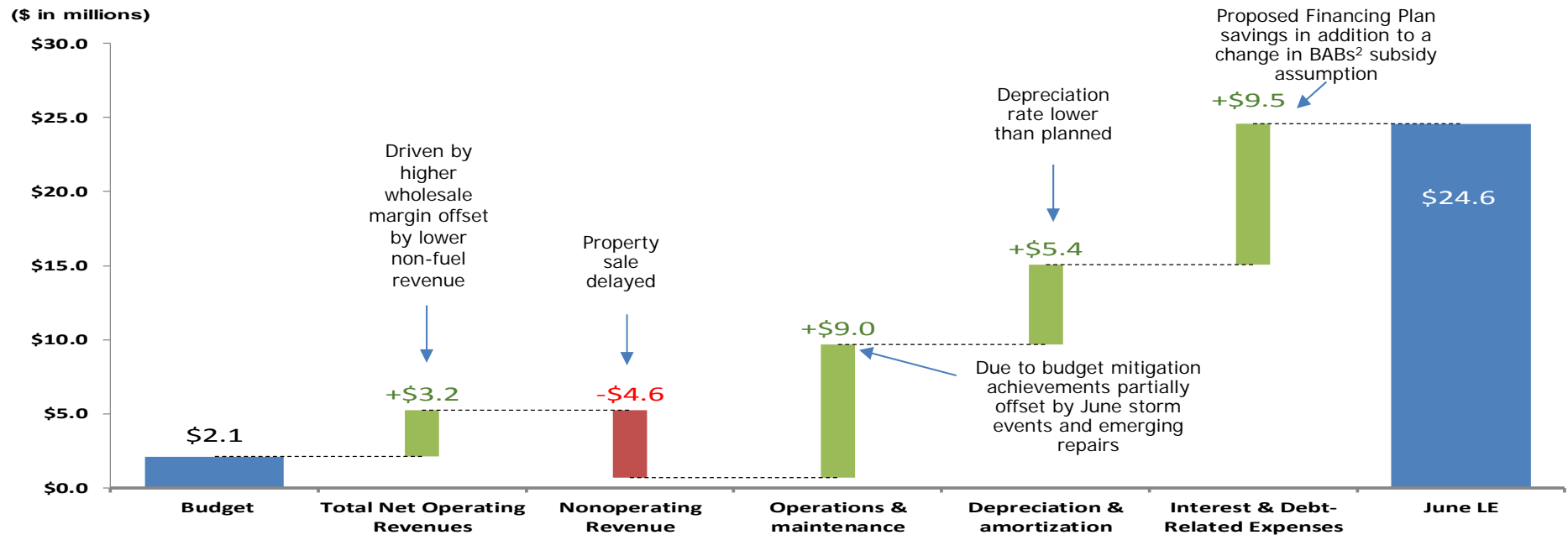
- **Net Operating Revenue** – Driven by slightly higher net wholesale revenues offset by lower retail nonfuel revenue. Lower gas costs for gas purchased in West Texas result in lower fuel recovery revenue offset by lower fuel costs
- **Nonoperating Revenue** – Lower due to projected timing of property sale
- **O&M** – Lower due to achieved budget mitigations partially offset by June storm events and upcoming power plant repairs
- **Depreciation** –Favorable due to lower average depreciation rate than planned
- **Interest & Debt-Related** – Lower primarily due to financing plan savings

Net income is projected to be favorable to the budget due to lower O&M, lower interest costs, and lower than planned depreciation.

¹ 5 months actual, 7 months forecast as of June 30,2019.

NET INCOME KEY DRIVERS

JUNE FY2020 FORECAST¹



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

Favorable

Unfavorable

¹ 5 months actual, 7 months forecast as of June 30, 2019.

² BABs = Build America Bonds

FLOW OF FUNDS & CAPITAL EXPENDITURES

JUNE FY2020 FORECAST¹



(in millions)	FY 2020		Variance Fav (Unfav) Forecast to Budget	
	Budget	Forecast ¹	\$	%
Description				
Revenues, net of unbilled	\$ 2,599.0	\$ 2,547.8	\$ (51.2)	(2%)
Less: City Pymt (CP) per Flow of Funds	343.9	337.7	6.2	2%
Revenues, net	2,255.1	2,210.1	(45.0)	(2%)
Less: Fuel & Regulatory Expense	925.9	893.2	32.7	4%
Revenues net Fuel & Regulatory	1,329.2	1,316.9	(12.3)	(1%)
Operating & Maintenance	674.8	666.0	8.8	1%
Debt Service	399.1	391.0	8.1	2%
Total Expenses	\$ 1,073.9	\$ 1,057.0	\$ 16.9	2%
Total R&R Fund Additions	255.3	259.9	4.6	2%
Total Capital Expenditures	\$ 738.9	\$ 729.9	\$ 9.0	1%

Highlights:

- **Revenues net Fuel & Regulatory** – Lower due to the timing of fuel and regulatory recoveries
- **O&M** – Lower due to achieved budget mitigations offset by June storm events and power plant repairs
- **Debt Service** – Lower due to financing plan savings
- **Capital Expenditures** – Favorable due to forecasted lower than expected costs for ESMO initiatives and timing of other projects.

R&R Fund Additions favorable to budget due to O&M budget mitigations and interest cost savings, partially offset by lower fuel and regulatory recoveries.

¹ 5 months actual, 7 months forecast as of June 30, 2019.

KEY FINANCIAL METRICS

JUNE FY2020 FORECAST



Metric	Desired Direction	Prior Year	Forecast	Business Plan Threshold	Forecast v Business Plan Variance	Status
Adjusted Debt Service Coverage (ADSC)	↑	2.00	1.67	1.50	0.16	●
Days Cash on Hand (DCOH)	↑	246	254	150	104	●
Debt Capitalization (DC)	↓	61.8%	62.3%	60.0%	2.3%	●

Highlights

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



SUMMARY



Actions

- Financials strong with continuous monitoring
- Completed Commercial Paper Offering Memorandum – June 21st
- Reaffirmed Credit Ratings
- Kicked-Off FY21-25 Planning Process
- Launched the Invoice Automation Project
- Close Cycle Time Reduction
 - 8 → 5.5 → 4.5 Days
- Started Financial Services Data Visualization Pilot
- Completed first refresh of procedures



Thank You

