FY 2019 FINANCIAL PERFORMANCE REPORT
(PRELIMINARY AND UNAUDITED)

INTRODUCTION BY:
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CFO & Treasurer

PRESENTED BY:
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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

<table>
<thead>
<tr>
<th>Year-to-Date (Compared to Budget)</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues net Fuel &amp; Reg. Exp.</td>
<td>Higher revenues due to improved wholesale market sales and hotter temperatures during summer months</td>
</tr>
<tr>
<td>O&amp;M</td>
<td>Lower pension/OPEB costs from favorable market performance last year, lower maintenance/outage and benefits costs at STP, partially offset by higher labor costs</td>
</tr>
<tr>
<td>R&amp;R Adds</td>
<td>Higher revenues net fuel &amp; regulatory expense, and lower O&amp;M and debt service</td>
</tr>
<tr>
<td>Capital</td>
<td>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</td>
</tr>
</tbody>
</table>
HIGHLIGHTS – R&R ADDITIONS AND CAPITAL EXPENDITURES
FISCAL YEAR ENDED JANUARY 31, 2019

<table>
<thead>
<tr>
<th>Description</th>
<th>FY 2019</th>
<th>FY 2018</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Budget</td>
<td>Actual</td>
<td>Actual</td>
</tr>
<tr>
<td>Revenues, net of unbilled</td>
<td>$2,661.5</td>
<td>$2,808.3</td>
<td>$2,624.4</td>
</tr>
<tr>
<td>Less: City Pymt (CP) per Flow of Funds</td>
<td>345.9</td>
<td>361.4</td>
<td>338.5</td>
</tr>
<tr>
<td>Revenues, net</td>
<td>$2,315.6</td>
<td>$2,446.9</td>
<td>$2,285.9</td>
</tr>
<tr>
<td>Less: Fuel &amp; Regulatory Expense</td>
<td>1,007.8</td>
<td>1,000.0</td>
<td>1004.7</td>
</tr>
<tr>
<td>Revenues net Fuel &amp; Regulatory</td>
<td>1,307.8</td>
<td>1,446.9</td>
<td>1,281.2</td>
</tr>
<tr>
<td>Operating &amp; Maintenance</td>
<td>618.2</td>
<td>608.4</td>
<td>583.1</td>
</tr>
<tr>
<td>Debt Service</td>
<td>421.5</td>
<td>419.7</td>
<td>397.7</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>1,039.7</td>
<td>1028.1</td>
<td>980.8</td>
</tr>
<tr>
<td>Total R&amp;R Fund Additions</td>
<td>$268.1</td>
<td>$418.8</td>
<td>$300.4</td>
</tr>
<tr>
<td>Total Capital Expenditures¹</td>
<td>$666.0</td>
<td>$555.8</td>
<td>$529.7</td>
</tr>
</tbody>
</table>

Variance: Favorable (Unfavorable)
- Budget Variance: $146.8 (15.5) $183.9 (22.9)
- Prior Year Variance: 131.3 161.0 7.8 4.7
- Favorable (Unfavorable): 139.1 165.7
- Total R&R Fund Additions: $150.7 $118.4
- Total Capital Expenditures: $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

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
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.
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.
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)

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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