



FY2020 FINANCIAL UPDATE AS OF JULY 31, 2019

PRESENTED BY:

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Chief Financial Officer & Treasurer (CFO)

August 26, 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

JULY FY 2020 FORECAST¹



(in millions)	FY 2020		Variance Fav (Unfav) Forecast to Budget	
	Budget	Forecast	\$	%
Description				
<u>Revenue available for nonfuel expenses</u>				
Electric	\$ 2,392.1	\$ 2,365.9	\$ (26.2)	(1.1%)
Gas	171.9	149.0	(22.9)	(13.3%)
Total operating revenue	2,564.0	2,514.9	(49.1)	(1.9%)
<u>Less:</u>				
Electric fuel, distribution gas & regulatory	925.9	875.0	50.9	5.5%
Payments to the City of San Antonio	343.9	336.3	7.6	2.2%
Net operating revenue	1,294.2	1,303.6	9.4	0.7%
Nonoperating revenue	53.6	49.6	(4.0)	(7.5%)
Total revenue available for nonfuel expenses	1,347.8	1,353.2	5.4	0.4%
<u>Nonfuel expenses</u>				
Operation & maintenance	673.7	662.8	10.9	1.6%
Depreciation, amortization & decommissioning	444.5	438.5	6.0	1.3%
Interest & debt-related	227.5	214.6	12.9	5.7%
Total nonfuel expenses	1,345.7	1,315.9	29.8	2.2%
Net income	\$ 2.1	\$ 37.3	\$ 35.2	1676.2%

Highlights:

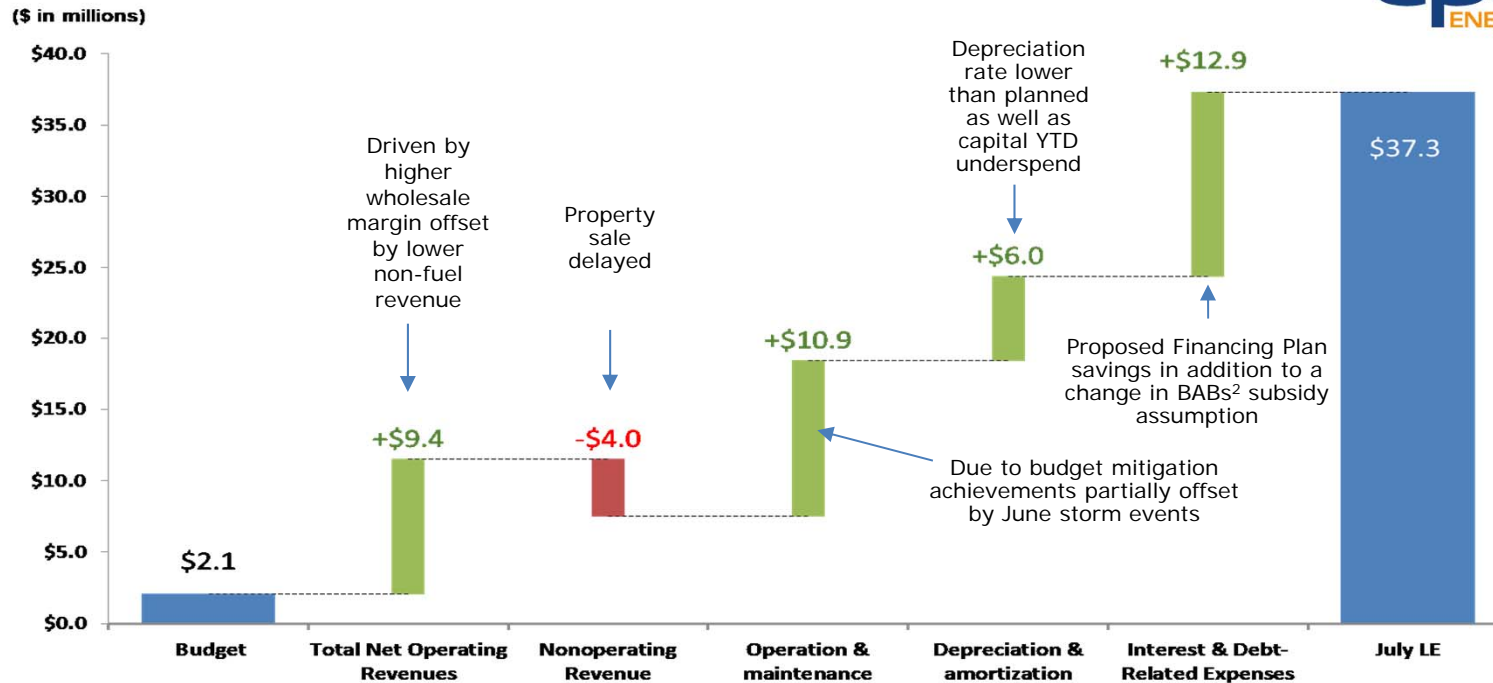
- **Net Operating Revenue** – Driven by higher net wholesale revenues offset by lower retail nonfuel revenue. Lower gas costs for gas purchased in West Texas resulted in lower fuel recovery revenue offset by lower fuel costs.
- **Nonoperating Revenue** – Lower due to projected timing of property sale.
- **O&M** – Lower due to achieved budget mitigations partially offset by June storm events.
- **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 budget due to higher wholesale margin, O&M budget mitigations, and lower interest costs.

¹ 6 months actual, 6 months forecast as of July 31, 2019

NET INCOME KEY DRIVERS

JULY 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 6 months actual, 6 months forecast as of July 31, 2019.
² BABS = Build America Bonds

FLOW OF FUNDS & CAPITAL EXPENDITURES

JULY FY 2020 FORECAST¹



(in millions)	FY 2020		Variance Fav (Unfav) Forecast to Budget	
	Budget	Forecast ¹	\$	%
Description				
Revenues, net of unbilled	\$ 2,599.0	\$ 2,535.1	\$ (63.9)	(2.5%)
Less: city pymt (CP) per flow of funds	343.9	336.3	7.6	2.2%
Revenues, net	2,255.1	2,198.8	(56.3)	(2.5%)
Less: fuel & regulatory expense	925.9	875.0	50.9	5.5%
Revenues, net fuel & regulatory	1,329.2	1,323.8	(5.4)	(0.4%)
Operation & maintenance	674.8	664.0	10.8	1.6%
Debt service	399.1	390.3	8.8	2.2%
Total expenses	1,073.9	1,054.3	19.6	1.8%
Total R&R fund additions	\$ 255.3	\$ 269.5	\$ 14.2	5.6%
Total capital expenditures	\$ 738.9	\$ 731.9	\$ 7.0	0.9%

Highlights:

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

R&R Fund additions are projected to be favorable to budget due to higher wholesale margin, O&M budget mitigations and interest cost savings, partially offset by lower fuel and regulatory recoveries.

¹ 6 months actual, 6 months forecast as of July 31, 2019.

KEY FINANCIAL METRICS

JULY 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	1.69	1.50	0.19	●
Days Cash on Hand (DCOH)	↑	246	258	150	108	●
Debt Capitalization (DC)	↓	61.8%	62.1%	60.0%	2.1%	●

Highlights

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

SUMMARY



Financial Health

- Month-over-Month Financials Improvement; On-going Monitoring

Actions

- S&P, Moody's & Fitch Reaffirmed Credit Ratings (June, August 2019)
- Target to complete Rio Nogales Bond Refunding (August 21, 2019)
- Financial Services Data Visualization Pilot Results





Thank You

