



BRYAN TEXAS UTILITIES

2012
Annual Report

BOARD OF DIRECTORS



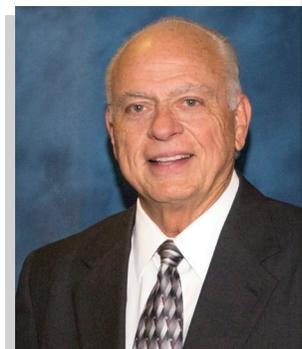
Carl L. Benner
Chairman



Chris Peterson
Vice Chairman



Paul Turney
Secretary/Treasurer



Art Hughes
Ex Officio

dedication



Flynn Adcock



David Bairrington



Bill Ballard



Ben Hardeman

LETTER FROM THE GENERAL MANAGER

2012 was a time of significant transition for BTU. Dan Wilkerson, a 32 year BTU employee, 28 of which were in the role of BTU General Manager, retired on June 30. Dan's leadership and vision shaped BTU's focus on customer satisfaction and reasonable rates for many years and will be missed. The makeup of the BTU Board of Director's also changed significantly during 2012 with five of the seven members newly appointed this year. Each of the new Directors bring with them their own areas of experience and expertise that will serve to make BTU a stronger and more progressive utility going forward.

On October 1, 2012, BTU implemented phase two of a two phase electric rate adjustment for the City and Rural Electric Systems. Overall, the new combined base and fuel rates reflect a modest 0.7% increase for City customers and a 0.2% increase for Rural customers. The phase two rates are designed to allow BTU to pay off final debt on TMPA generation facilities as well as pay for BTU's share of new transmission facilities being constructed throughout the state of Texas. In line with BTU's commitment to reasonable rates, the phase two rates remain among the lowest in Texas.



Gary Miller, General Manager

During 2012, BTU began construction of the South Transmission Project, which is a very large transmission construction project designed to increase reliability to the growing southern part of the BTU system. Reliability of electric service is a primary concern and the growth we are experiencing requires investment in infrastructure to insure that BTU will be able to meet all of the needs of its customers in the future.

Significant repairs were made to the dam at Lake Bryan, as areas of the dam were beginning to erode because of the cycle of drought followed by heavy rains. Lake Bryan not only provides cooling water for the Dansby Power Plant, but also serves as a significant recreation attraction and valuable local resource for the Brazos Valley.

“THERE WILL BE MUCH TO DO IN THE COMING YEAR, BUT REST ASSURED THAT WE WILL ALL BE WORKING TOWARD THE SAME PRIMARY MISSION THAT WE HAVE ALWAYS HAD, OF PROVIDING EXCELLENT SYSTEM RELIABILITY, COMPETITIVE RATES AND GREAT CUSTOMER SERVICE.”

BTU SYSTEM RELIABILITY A PROVEN PLUS FOR OUR COMMUNITY

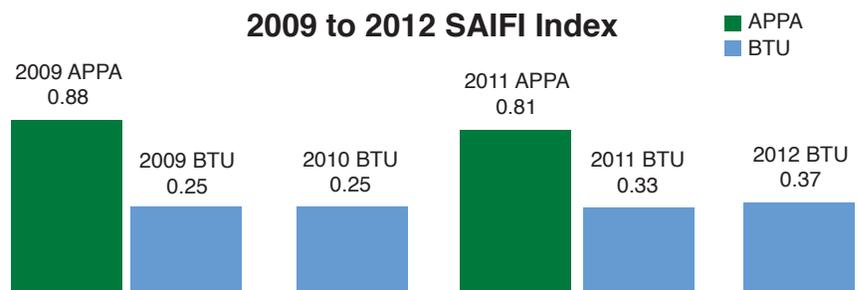
BTU is very proud of our proven reliability in providing electric power to our customers. We track every outage and the duration of every outage that affects our customers and we compare those results with the rest of the country. BTU service reliability is significantly better than the U.S. average according to the American Public Power Association (APPA). Reliability is a significant component of any utility's ability to measure long-term electric service, and BTU strives to remain very reliable year in and year out. Our reliability numbers prove that. The two main reliability measures are SAIFI and SAIDI.

SAIFI - System Average Interruption Frequency Index

SAIFI is the average number of times a customer is interrupted over a specific period of time, in this case a year, so a lower number is very good. For example, a SAIFI of .25 means that 1 out of every 4 customers experienced one outage per year.

SAIFI		
Year	APPA	BTU
2009	.88	.25
2010		.25
2011	.81	.33
2012		.37

*APPA only reports SAIFI numbers every other year



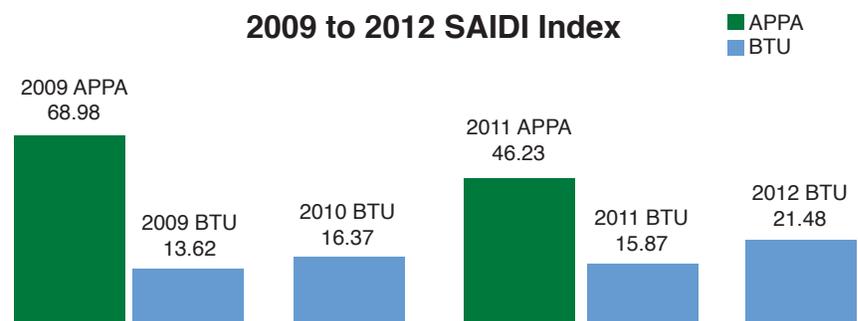
pride

SAIDI - System Average Interruption Duration Index

SAIDI is the measure of outage duration of each customer served, measured in minutes/year. Just like with SAIFI, you want this number to be as low as possible. As an example, a SAIDI of 13.62 means that the average customer experienced 13.62 minutes of outage time over the year.

SAIDI		
Year	APPA	BTU
2009	68.98	13.62
2010		13.62
2011	46.36	15.87
2012		21.48

*APPA only reports SAIDI numbers every other year



YEARS OF SERVICE

**BTU IS A FAMILY OF
DEDICATED EMPLOYEES
WORKING TOGETHER
FOR ALL OF OUR CUSTOMERS.**

We have many long-term employees.

Of a total of 170 employees...

- 17** have been employed at BTU more than 25 years
- 9** have been employed at BTU between 20 and 25 years
- 11** have been employed at BTU between 15 and 20 years
- 30** have been employed at BTU between 10 and 15 years
- 67** employees have been employed at BTU more than 10 years!

family

COMMUNICATIONS	31 years
QSE POWER MARKETING	44 years
KEY ACCOUNTS	52 years
INFORMATION TECHNOLOGY	60 years
ADMINISTRATION	79 years
FISCAL SERVICES	95 years
CUSTOMER SERVICE	144 years
TRANSMISSION	181 years
ENGINEERING & SYSTEM PLANNING	237 years
PRODUCTION	253 years
DISTRIBUTION SERVICES	<u>548 years</u>
	1724 TOTAL YEARS



**BTU EMPLOYEES, BRINGING A TOTAL OF
1724 YEARS OF EXPERIENCE TO WORK FOR YOU!**

FOOD FOR FAMILIES

BTU employees offered their support in the pre-dawn hours for the 17th Annual Food for Families Drive. In addition, BTU donated \$1,000 to help feed families in the Brazos Valley.



BTU HAS VOLUNTEERED TO START THE DAY AT THE FOOD DRIVE FOR AS MANY YEARS AS THE DRIVE HAS BEEN SERVING THE COMMUNITY.

community

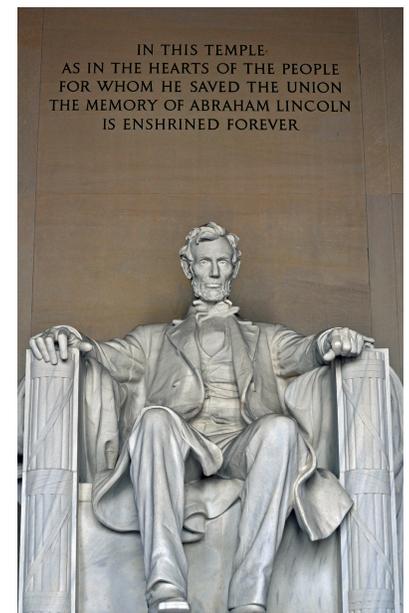
YOUTH TOUR 2012

EACH YEAR, BTU PROUDLY SENDS FOUR OF OUR SERVICE TERRITORY'S BEST STUDENTS TO WASHINGTON D.C. TO REPRESENT OUR COMMUNITY.

The four students are selected based on results of an essay contest, and this year's topic was: What does Smart Grid technology mean for the future of electricity?

The applications are available starting in December of each year and by the end of February the winners are announced. In June, the four selected winners begin their week long journey and fellowship in our nation's capital.

The fun-filled week takes the students to such sites as the Smithsonian Museums, Arlington National Cemetery, Vietnam Memorial, Washington and Lincoln Memorials, and many other exciting historical places. While there, the students will also get to speak with their Congressman.



LARGE TRANSMISSION PROJECT WILL IMPROVE RELIABILITY

BTU is working on a large transmission project called the South Transmission Project.

The project is intended to improve transmission reliability and allow BTU to serve growing customer loads in the southern part of its system. It entails the construction of 29 miles of new 138 kV transmission line and the construction of two brand new substations as well as significant modifications to two existing substations. Construction started in September, 2012 and is expected to extend through September, 2013.

During 2012, BTU completed the engineering phase, acquired the needed easements, received appropriate permits, and executed the necessary construction contracts to put the Project construction into motion. BTU's contractors completed the site work preparation and began the final construction phase for all of the new substations. Completion of the substations is scheduled for September 30, 2013. BTU's construction contractors also began installing poles for phase one of the project, a 15 mile stretch which extends along FM50 and FM 60 in Burleson County. Approximately 100 poles have been erected along this path and construction continues.

In 2013, BTU plans to energize 25 of the 29 miles of new transmission line and all of the new/upgraded substations.

dependability



THE DIFFERENCE IS YOU!

BTU's DANSBY DUO 5k run - 12 mile bike - 5k run April 28, 2012



BTU was proud to present the 4th annual Dansby Duo, a bike and run Duathlon. This event highlights Lake Bryan and promotes a healthy lifestyle for our community. Over 100 local participants came out and enjoyed the beautiful lake surroundings, music, awards, and fun atmosphere.

Proceeds from the race went to benefit Brazos Valley Children's Museum.

wellness

BTU'S 20TH ANNUAL POWER PEDAL



Mountain bike riders and trail runners took on the mud and tested their agility and stamina at BTU's 20th annual Power Pedal. Power Pedal is our local celebration of Public Power Week, a nation-wide program to celebrate the importance of public power to local citizens. Over 100 local residents competed in the trail runs and mountain bike race.

Proceeds from Power Pedal went to benefit Brazos Valley Rehabilitation Center.



FOCUS ON SAFETY



OUR SAFETY MEETINGS PROVIDE A CHANCE TO RECOGNIZE GOOD SAFETY BEHAVIOR AND REINFORCE THE NEED FOR OTHERS TO MODEL THE SAME BEHAVIOR.

In 2012, BTU implemented a safety incentive program for Transmission & Distribution (T&D) field personnel. The purpose of the program is to reduce the occurrence of vehicle collisions and injury. The objective of the program is to instill safety attitudes and awareness by achieving goals to earn a tangible benefit by recognizing and rewarding employees who perform their jobs without a reportable injury or collision.

Additionally, T&D holds two safety meetings per month in an effort to sharpen awareness by giving employees the opportunity to discuss safety hazards they have encountered. The meetings also increase involvement and encourage feedback from everyone, as well as keeping everyone informed of new hazards as they arise in the work environment.

SAFETY CITY SIMULATOR



“SAFETY CITY” IS AN INNOVATIVE TEACHING AID DESIGNED TO CONVEY IMPORTANT ELECTRICAL SAFETY MESSAGES TO SAFETY CONSCIOUS COMMUNITIES.

BTU’s “Safety City” simulator is a 3-D model that is used during safety presentations to schools and community audiences. In 2012, our “Safety City” presentation was conducted for Anson Jones Elementary School’s kindergarten classes, Cub Scout Pack 60, the St. Joseph 4-H Club and Bowen Elementary’s Camp Hero summer program. Total participation was well over 200.

LIDAR (LIGHT DETECTION AND RANGING)

During 2012, BTU’s Transmission Engineering Group contracted to perform a LIDAR (Light Detection and Ranging) survey of BTU’s 138 kV high voltage transmission system. These surveys are conducted by flying an airplane or helicopter over BTU’s 138 kV high voltage lines and using a process similar to RADAR to capture a 3D image of the equipment and surrounding vegetation and terrain. The images are then used to identify any problem areas and provide the information needed to make corrections and maintain a safe and reliable system.

SAFETY AND RELIABILITY MEASURES



DEAD TREE REMOVAL PROGRAM

Because of the devastating affect of the drought, dead trees had become potentially hazardous to BTU electric lines and equipment. BTU Operations started the removal of dead trees in October 2011. Through 2012, 1,033 work order tickets were completed, requiring the removal of approximately 3,500 dead trees.

The removal of dead trees before they fell into electric lines allowed BTU to be proactive and manage situations that may have otherwise resulted in service outages.

POLE INSPECTION AND TREATMENT

Annually, BTU hires an outside contractor to perform a proactive, diagnostic wood pole inspection program throughout its utility system. Certified pole inspectors inspect, evaluate, provide preservative treatment, and identify the condition of these poles. The inspection process involves digging around each pole, drilling inspection holes, using a hammer to “sound test” the pole, wrapping the ground line area of the pole with a protective wrap, and backfilling the hole. To help extend the usable life of these poles, the contractor will treat and, if necessary, reinforce the poles. Poles found to be out of acceptable tolerances are slated for future replacement.

This program helps BTU extend the life of its poles which in turn keeps our rates low and electric service reliability high.



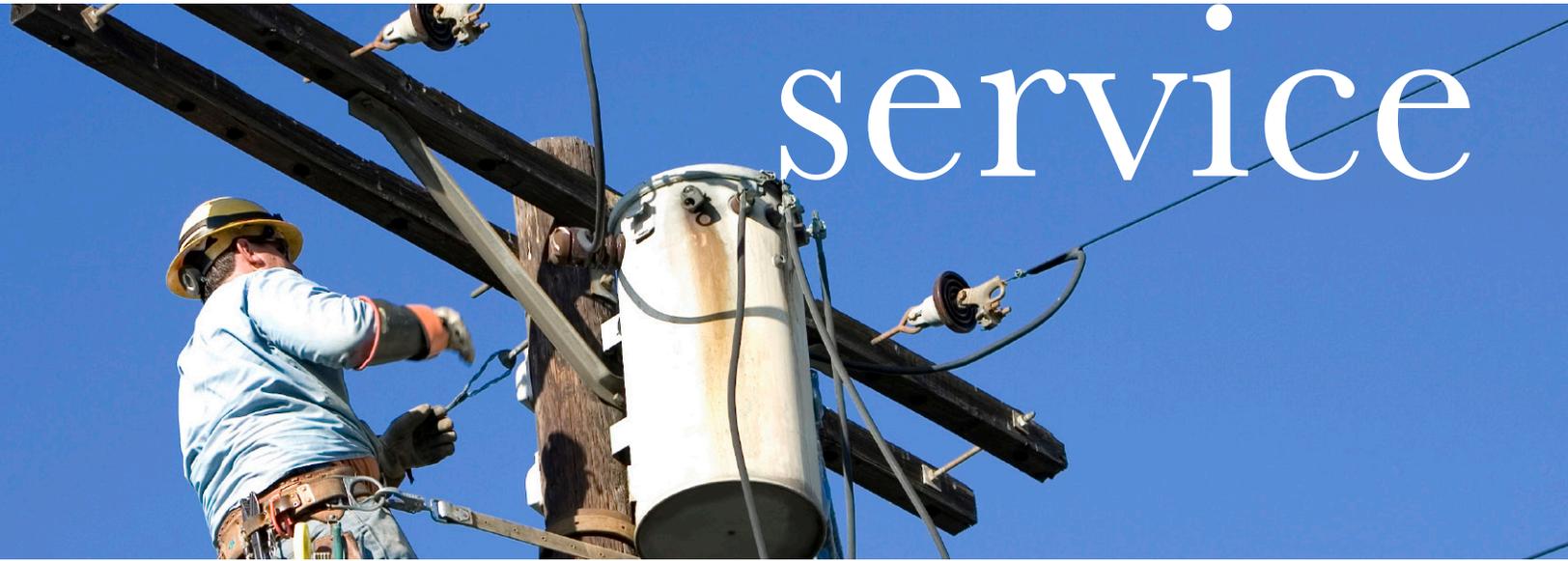
INFRARED SURVEY

BTU performs an annual infrared thermographic survey of electric power generating stations, substations, equipment, and transmission & distribution facilities. This survey is conducted with the intent of proactively identifying and recording abnormal high heat-conditions, “hot spots” which may indicate points of impending electrical failure. Professional thermographers scan equipment with special infrared cameras. Stillframe infrared photos, plain photographic prints, location information, and written summaries of infrared results for each “hot spot” are provided to BTU construction crews so that necessary repairs can be made.

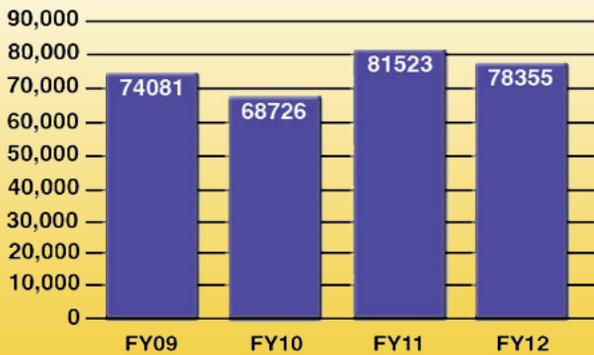
This survey is conducted with the intent of proactively identifying and recording abnormal high heat-conditions, “hot spots” which may indicate points of impending electrical failure.

PERFORMANCE INDICATORS

service



SERVICE REQUESTS



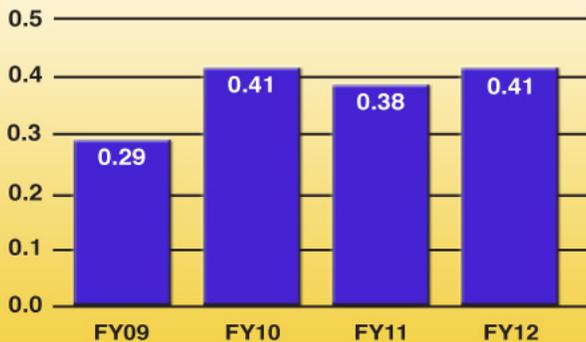
Total number of annual requests for customer service and distribution services

OPERATING EXPENDITURES (per Megawatt Hour)



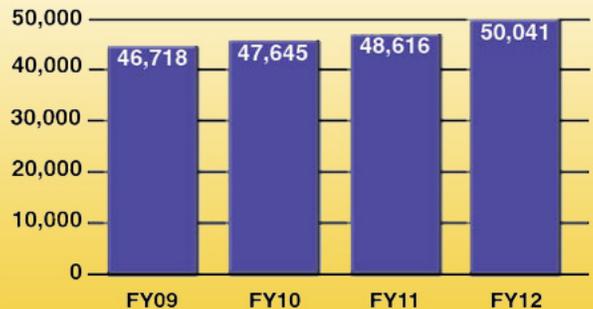
Total expenses for utility operation divided by the total kilowatt hours of sales x 1,000

DEBT-TO-ASSET RATIO



Total Debt (current and long-term) to Total Assets

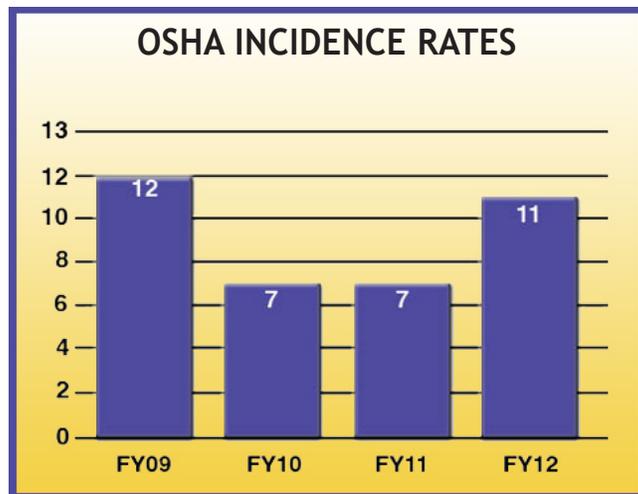
ELECTRIC SYSTEM NUMBER OF RETAIL CUSTOMERS



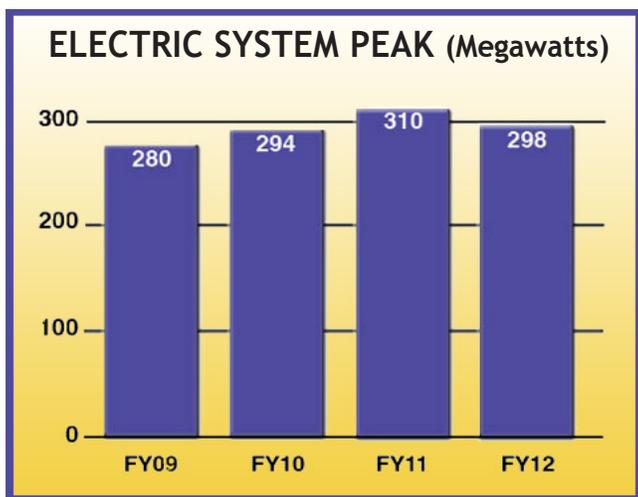
Total customers at year-end (per audited financial statements)



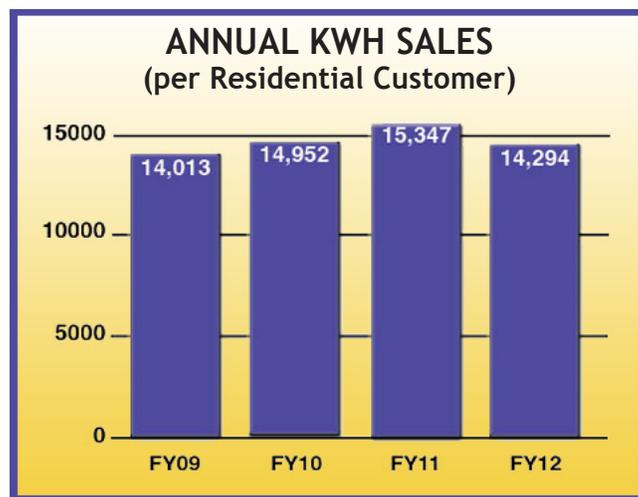
Number of retail customers divided by the number of electric utility employees



This is a standard indicator utilized by the industry to report the number of recordable injuries. It is produced by multiplying the number of recordable injuries by 200,000, then dividing that number by the total hours worked by the employees.



Peak demand for the fiscal year



Sales of electricity in kilowatt hours for the residential class customers divided by the total number of residential customers

accountability

CITY ELECTRIC SYSTEM CONDENSED FINANCIAL STATEMENTS

For the Fiscal Years Ended September 30, 2012 and 2011

Condensed Statements of Net Assets	<u>2012</u>	<u>2011</u>
Current assets	\$ 78,079,907	\$ 69,589,988
Capital assets, net	230,256,346	222,233,813
Restricted assets	74,383,721	34,079,434
Other	65,522,104	65,410,011
Total assets	<u>448,242,078</u>	<u>391,313,246</u>
Current liabilities	20,672,487	19,777,867
Current liabilities payable from restricted assets	27,692,682	24,727,673
Noncurrent liabilities	219,685,018	169,619,357
Total liabilities	<u>268,050,187</u>	<u>214,124,897</u>
Net assets:		
Invested in capital assets, net of related debt	109,288,009	120,097,924
Restricted	20,209,795	14,693,615
Unrestricted	50,694,087	42,396,810
Total net assets	<u>\$ 180,191,891</u>	<u>\$ 177,188,349</u>

Consolidated Statement of Revenues, Expenses and Cash Flows

Operating revenues	\$ 147,972,138	\$ 153,517,110
Operating expenses	106,259,604	117,869,352
Depreciation and Amortization	18,700,714	18,028,158
Operating income	<u>23,011,820</u>	<u>17,619,600</u>
Net adjustments and changes in financial position	25,873,264	19,256,855
Net cash provided by operating activities	48,885,085	36,876,455
Net transfers	(7,572,702)	(7,714,981)
Capital and prepaid power expenditures	(21,310,430)	(26,870,914)
Proceeds (uses) from capital debt and other financing activities	33,326,990	(18,573,044)
Net cash (used) provided by investing activities	<u>(39,012,005)</u>	<u>9,373,196</u>
Net increase (decrease) in cash	14,316,938	(6,909,288)
Balance - beginning of year	41,664,092	48,573,380
Balance - end of year	<u>\$ 55,981,030</u>	<u>\$ 41,664,092</u>

RURAL ELECTRIC SYSTEM CONDENSED FINANCIAL STATEMENTS

For the Fiscal Years Ended September 30, 2012 and 2011

Condensed Statements of Net Assets

	<u>2012</u>	<u>2011</u>
Current assets	\$ 9,102,190	\$ 8,133,214
Capital assets, net	46,057,221	41,865,079
Restricted assets	5,635,308	10,906,185
Other	365,939	449,590
Total assets	61,160,658	61,354,068
Current liabilities	3,197,918	3,760,370
Current liabilities payable from restricted assets	5,411,206	5,431,624
Noncurrent liabilities	8,086,440	8,536,414
Total liabilities	16,695,564	17,728,408
Net assets:		
Invested in capital assets, net of related debt	37,779,032	38,398,598
Restricted	422,292	416,042
Unrestricted	6,263,770	4,811,020
Total net assets	\$ 44,465,094	\$ 43,625,660

Consolidated Statement of Revenues, Expenses and Cash Flows

Operating revenues	\$ 31,495,841	\$ 31,851,185
Operating expenses	26,348,351	27,624,793
Depreciation	1,902,381	1,750,549
Operating income	3,245,109	2,475,843
Net adjustments and changes in financial position	603,150	4,393,700
Net cash provided by operating activities	3,848,259	6,869,543
Capital expenditures, net of financing	(7,284,124)	(3,773,497)
Proceeds (uses) from capital debt and other financing activities	(731,402)	2,620,422
Net cash (used) provided by investing activities	46,645	25,086
Net increase (decrease) in cash	(4,120,622)	5,741,554
Balance - beginning of year	12,430,682	6,689,128
Balance - end of year	\$ 8,310,060	\$ 12,430,682

KIOSKS LAUNCHED IN 2012

In 2012, BTU launched 5 kiosks at locations around Bryan, giving customers one more way to make it easier to pay their bill.



For the first two months, when the kiosks were in the BTU lobby, staff showed customers how easy they are to use. Now that they are in various locations, customers can use their keycards to quickly retrieve their account information. One of the central locations is available 24 hours per day. The kiosks accept cash, credit cards and checks. The kiosks have been well received by customers and will continue to be a convenient option.

fast, convenient, easy

BRYAN TEXAS UTILITIES - CONTACT INFORMATION

General Information	979-821-5715	
Customer Service	979-821-5700	PHYSICAL ADDRESS
Power Outage	979-822-3777	205 E. 28th St.
Line Design	979-821-5770	Bryan, TX 77803
Energy Related Questions	979-821-5715	MAILING ADDRESS
Website	www.btutilities.com	P.O. Box 1000
Email	ContactBTU@btutilities.com	Bryan, TX 77805
Hours of Operation:		
Lobby & Drive Thru	Monday - Friday, 8 a.m. - 5 p.m.	

THE DIFFERENCE IS YOU!

PRSRT STD
U.S. POSTAGE
PAID
PERMIT NO.77
BRYAN, TX

THE DIFFERENCE IS **YOU!**

