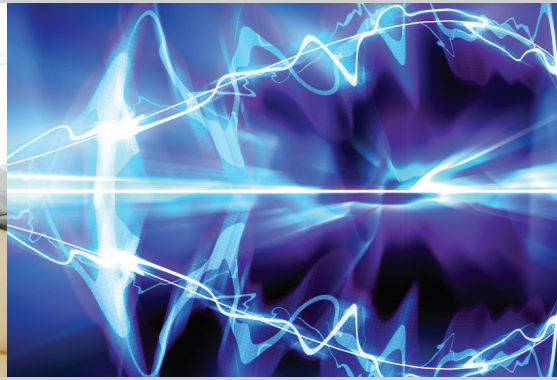
THE DIFFERENCE



IS YOU

BRYAN TEXAS UTILITIES

2013

Annual Report

GENERAL MANAGER'S MESSAGE

"The Difference Is YOU" is an easy tag line to put out there. Taking action and implementing programs that make this statement true is not as easy and requires constant effort by BTU Staff. At BTU we have re-dedicated ourselves to making sure that our customers understand that local control of their electric utility is important and in their best interest. The BTU Board of Directors and the BTU Staff work very closely with the Bryan City Council to insure that activities at BTU fully support the needs of the entire community."

Gary Miller
General Manager

As always, BTU Staff strives to provide quality customer service and exceptional reliability at rates that provide the highest value to our customers.

In addition to the normal hustle and bustle of daily activity at BTU, progress was made on several major projects. During 2013, BTU Transmission staff completed a major portion of the South Loop Transmission Project. Two new substations called Wellborn and Koppe Bridge were completed and placed in service, providing much needed support and additional reliability to those areas. Transmission lines connecting these new substations to the remainder of the BTU system in the Greens Prairie and Snook areas were also completed which also significantly improves service reliability to those high growth areas. Additional transmission projects are underway which will ultimately complete a West loop of the BTU system, providing increased security to the entire system.

BTU also completed installation of a new Outage Management System (OMS), which utilizes real-time data from the Automated Metering Infrastructure (AMI) to record and capture outage information for individual residences and businesses. The OMS has significantly improved BTU's knowledge of exactly where outages are occurring and has allowed us to much more accurately deploy crews to appropriate areas to get customers back online during storms and other events.

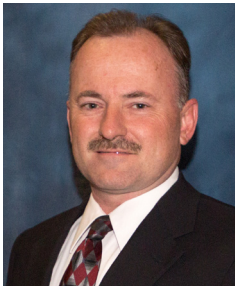
BTU actively participated in the economic development activities that ultimately brought Axis Pipe and Tube, and the jobs and economic impact these jobs will create, to the Brazos Valley. As a result of this new industry, BTU is investing in additional infrastructure which will allow Axis to take power and energy at transmission level voltage, as opposed to distribution level voltage. Axis Pipe and Tube will be the first BTU customer to take service at transmission voltage level.

BTU continues to invest in generation facilities. As a local generator of electricity in the Brazos Valley, BTU is able to better meet customer demand while controlling costs and additionally, supporting the area economy. To this end, we completed a major "tune-up" of one of our generation facilities in 2013, which should allow the facility to continue to be productive for years to come.

During 2013, we made major strides in revamping our energy efficiency programs to ensure that the programs were creating the proper incentives and creating the best value for our customers. We decided to label all of our programs with the SMART tag, such that home efficiency programs became SmartHOME and commercial programs became SmartBUSINESS. Additional SMART programs will follow. These programs are focused on adding value to the customer experience with BTU while also adding value to BTU as a whole. Energy efficiency at the home or business level allows all of our customers to benefit by offsetting the need for additional generating capacity.

Gary Miller
General Manager, Bryan Texas Utilities

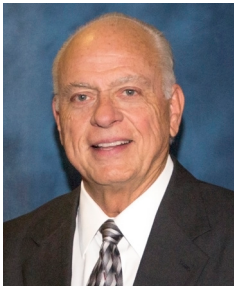
BOARD OF DIRECTORS



Carl L. Benner
Chairman

Chris Peterson
Vice Chairman

Paul Turney
Secretary Treasurer



Art Hughes
Ex Officio

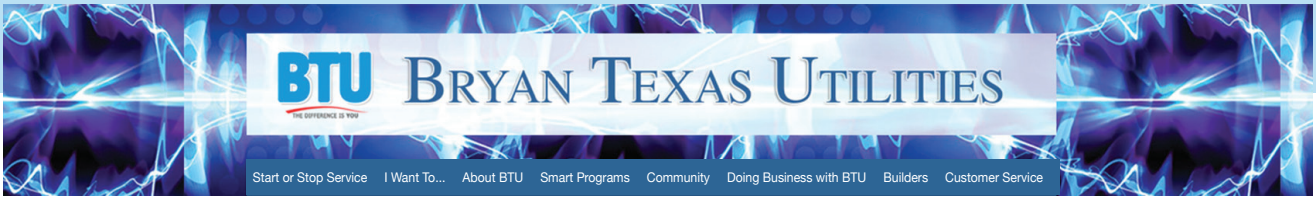
Flynn Adcock

David Bairrington

Bill Ballard

Ben Hardeman

In the digital age at BTU, "The Difference is You" on desktop, tablet, or mobile.



BTU's New Website

At BTU we say, "The Difference is You." And in the digital age, that means being available to customers whether they are at the office, on a desktop computer, at home on a tablet, or on-the-go with a mobile device.

The redesigned BTU website makes all of this possible by giving customers access to user-friendly information across all digital platforms. The primary goal of the BTU website redesign is to make the customer's user experience as easy and intuitive as possible, while giving them a robust amount of information and options.

By utilizing a responsive design framework, the BTU website's look and feel tailors itself to a user's needs depending on what type of device is being used. The site's content is displayed in a standard format on a traditional desktop computer, in an alternative format on a tablet, and then in a different alternative format on a smaller mobile device. And we achieve all this without watering down the content for devices. We are able to give users the exact same content on every platform, which optimizes their experience in any specific situation.

The site also has some functionality upgrades, including power outage updates via Twitter. Now, during a power outage, BTU public information officers can send out a tweet to the City of Bryan's Twitter account and use the hashtag #btualerts. The BTU website recognizes this tweet as a BTU alert, and displays the content in a power outages news feed on the BTU homepage.

So if the power goes out, a customer can use their mobile device to go to the website, see the status of the power outage, and find out how to report their specific outage to BTU.

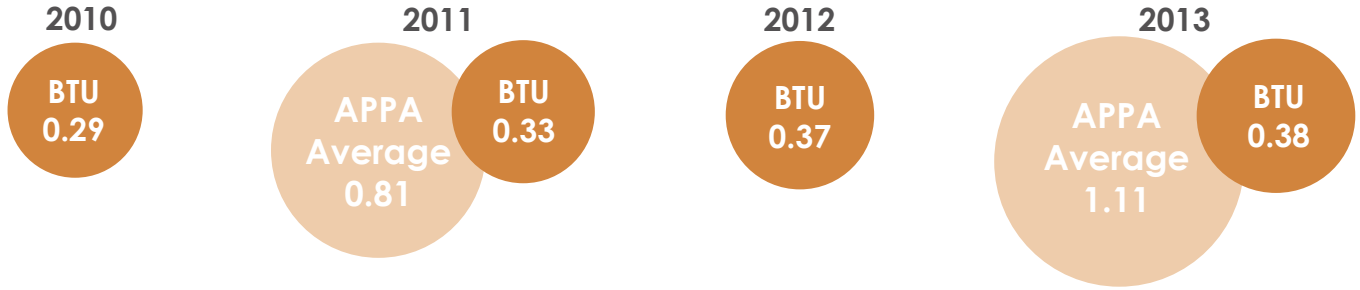
BTU is very proud of our proven record of providing reliable electric power to our customers. We track every outage and the duration of every outage that affects our customers and compare those results with the rest of the country. BTU service reliability is significantly better than the U.S. average when compared to data supplied by 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 used by BTU are **SAIFI** and **SAIDI**.

SYSTEM RELIABILITY

SAIFI - System Average Interruption Frequence Index

SAIFI is the average number of interruptions that a customer would experience over the course of a year. The lower the number, the fewer outages a customer would experience. According to the chart below, in 2013, a BTU customer would expect 0.38 outages per year while the APPA national average is 1.11 outages per year.

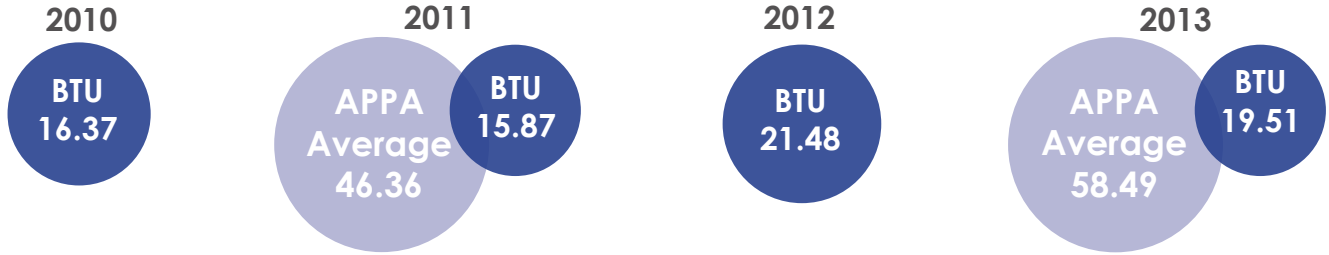
2010 to 2013 SAIFI Index The values should be as low as possible.



SAIDI - System Average Interruption Duration Index

SAIDI is the total duration (in minutes) of interruption for the average customer over the course of one year. Take the year 2013 from the chart below, BTU customers had an average duration of 19.51 minutes while the APPA national average was 58.49 minutes.

2010 to 2013 SAIDI Index The values should be as low as possible.



EASY PAYMENT OPTIONS

In addition to paying by kiosk, by mail or drive-through, we offer four easy options for convenient and quick payment without leaving home.

AUTOMATIC BANK DRAFT

Visit www.btutilities.com and fill out the bank draft form; send it to us with a copy of a voided check and we will do the rest.

RECURRING CREDIT CARD

Create an online account and set up your recurring credit card. It is simple and you can manage your own account.

INTERACTIVE VOICE RESPONSE

You can check your account balance, pay by credit card or e-check by calling our interactive voice response system at (979) 821-5700.

ONLINE

Pay online at www.btutilities.com 24 hours per day. We accept Visa, MasterCard and Discover.

NEW CONSTRUCTION

These projects, while costly and lengthy to complete, are another way that BTU provides reliable electric service to our friends, neighbors and customers.

New Construction for BTU

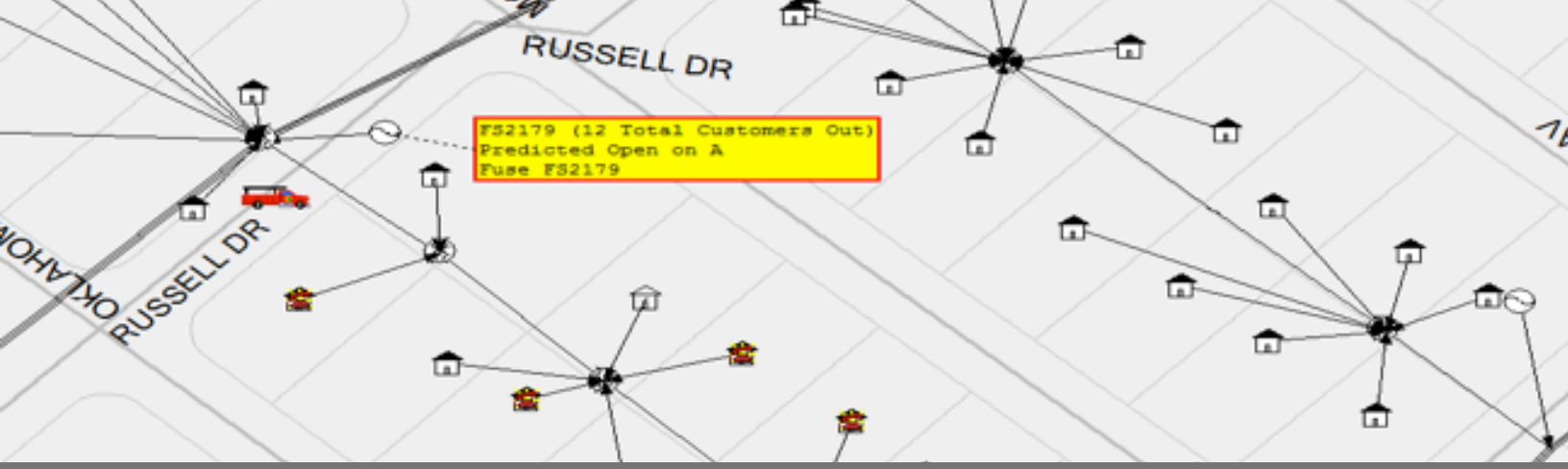
For BTU's Transmission Division, 2013 was a busy year for new construction projects. The biggest BTU project was referred to by our engineering department as the "South Loop Project." This project, which is projected to cost $46 million when completed and take two years to complete, consists of converting an existing 69 kV transmission line to 138 kV stretching from Greens Prairie Substation located on Old Arrington Road in College Station to Wellborn Substation and constructing a new 138 kV transmission line from Koppe Bridge Substation to Snook Substation. Work has begun on rebuilding the old 69 kV transmission line originally feeding the Snook Substation along State Highway 60 towards Bryan and finishing at BTU's Thompson Creek Substation located near the Texas A&M Health Science Center off of State Highway 47.

As busy as 2013 was, 2014 shows no signs of slowing down. BTU transmission construction will continue in the southern part of Brazos County. A new 138 kV transmission line will be built from Wellborn Substation toward Navasota. It will ultimately tie with a Brazos Electric Cooperative transmission line near the intersection of FM 2154 and Highway 6. This will bring another tie from the larger Texas electrical grid into Brazos County.

RELIABILITY MEASURES

Pole Inspection

Annually, BTU hires an outside contractor to perform a proactive, diagnostic wood pole inspection program targeting 10% of its 50,000 wood poles throughout its utility system. Certified pole inspectors inspect, evaluate, and identify the condition of these poles. In FY 2013, 4,910 poles were inspected. Over 3,800 of these poles were treated with a preservative to prolong the life of the poles. More than 120 poles were reinforced with special steel trusses (see photo). For a fraction of the cost of pole replacement, pole reinforcement restores required pole strength that may have been lost over time due to damage or decay. Unreinforceable poles that were found to be out of acceptable strength tolerances have been replaced or are slated for future replacement. This program helps BTU extend the life expectancy of its poles and identify poles needing replacement. These programs are an important way in which BTU works to contain operating costs and increase system reliability.

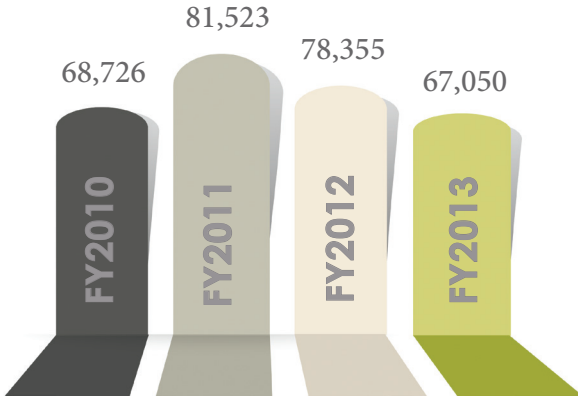


Outage Management System

In 2013, Bryan Texas Utilities purchased and implemented an Outage Management System (OMS). BTU strives to utilize the most cost effective systems and applications it can find to best serve its customers, and an automated OMS is an important component. In 2012, BTU completed the implementation of another key component – an Automated Metering Infrastructure (AMI). AMI is a network of systems which includes digital meters with two-way communication and a wide area communications infrastructure. By leveraging the AMI network, the Outage Management System is able to receive automated outage messages from meters in near real-time. The OMS then groups these outage messages with incoming information from the Interactive Voice Response (IVR) system and manual customer outage calls in order to predict outage sizes, locations, and likely affected device(s).

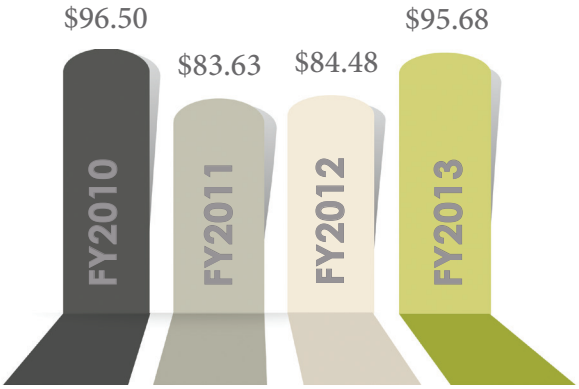
Logical location prediction enables speedy, effective, and accurate response and restoration. Using the detailed electric network connectivity model, outage information is displayed on a graphical map viewer (see photo). The OMS user interface allows BTU staff to track and update outage information, assign and track repair crews, and validate outages by requesting real-time data directly from meters in the field. Once outages are restored, the system can initiate automated callbacks as requested by customers to verify restoration. Utilization of the Outage Management System will help decrease outage durations and consequently improve reliability statistics. More importantly, the OMS enables BTU to improve customer service during both normal daily operations and severe weather events by ensuring timely and accurate communications with employees, customers and other stakeholders.

PERFORMANCE INDICATORS



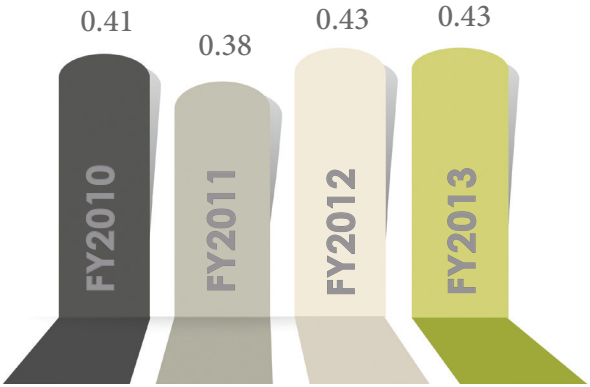
CUSTOMER SERVICE REQUESTS

Total number of annual requests for customer service and distribution services



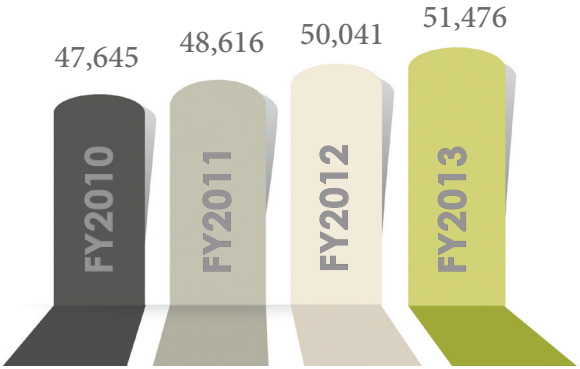
OPERATING EXPENDITURES (per Megawatt Hour)

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



DEBT-TO-ASSET RATIO

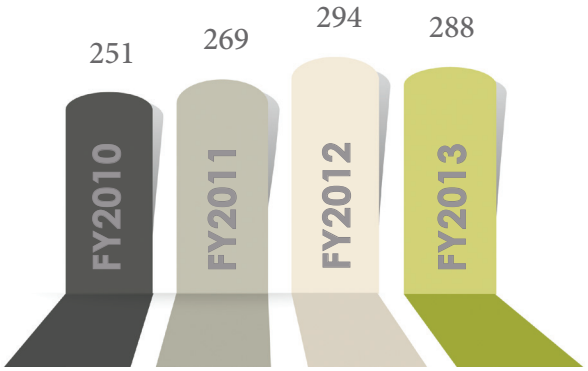
Total Debt (current and long-term) to Total Assets



ELECTRIC SYSTEM NUMBER OF RETAIL CUSTOMERS

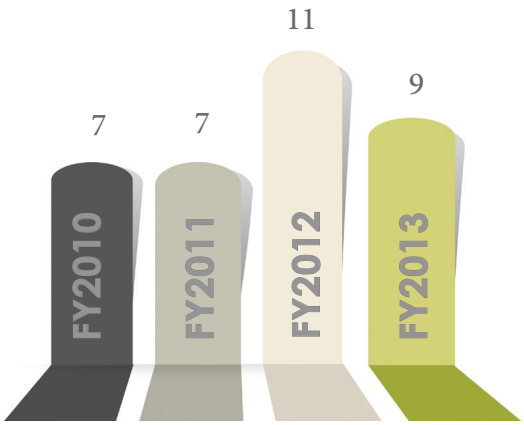
Total customers at year-end

PERFORMANCE INDICATORS



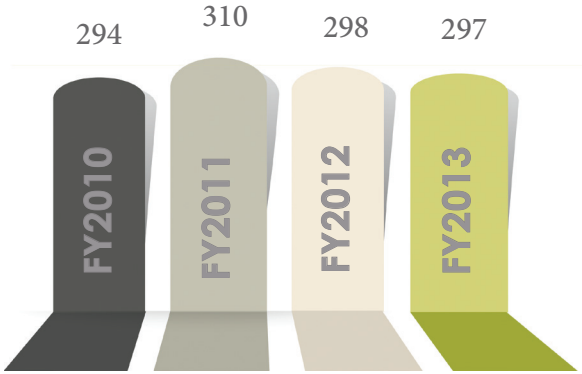
RETAIL CUSTOMER PER EMPLOYEE

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



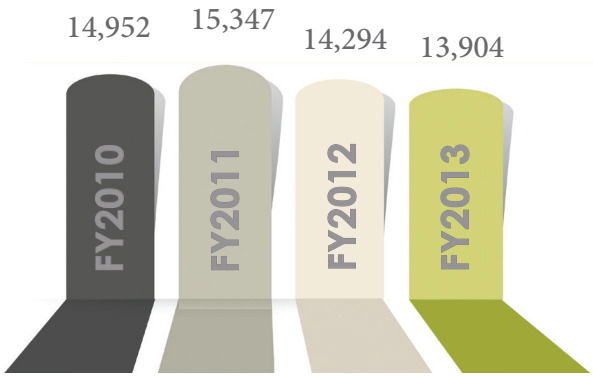
OSHA INCIDENCE RATES

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.



ELECTRIC SYSTEM PEAK
(Megawatts)

Peak demand for the fiscal year



ANNUAL kWh SALES
(per Residential Customer)

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

CITY ELECTRIC SYSTEM
CONDENSED FINANCIAL STATEMENTS

Condensed Statements of Net Positions	2013	2012
Current assets	$ 67,319,162	$ 72,761,182
Capital assets, net	255,942,025	230,256,346
Restricted assets	45,350,530	74,383,721
Other	39,904,157	48,492,280
Total assets	408,515,873	425,893,529
Deferred Outflows	21,104,372	22,348,549
Current liabilities	19,685,499	20,672,487
Current liabilities payable from restricted assets	26,188,232	27,692,682
Noncurrent liabilities	207,224,552	219,685,018
Total liabilities	253,098,284	268,050,187
Deferred Inflows	383,627	575,441
Net Position:		
Invested in capital assets, net of related debt	113,224,035	109,288,009
Restricted	19,556,975	20,209,795
Unrestricted	43,740,952	50,694,087
Total net position	$ 176,521,961	$ 180,191,891

Consolidated Statements of Revenues, Expenses and Changes in Net Position		
Operating revenues	$ 159,639,928	$ 153,855,690
Operating expenses	148,133,029	130,843,870
Operating Income	11,506,899	23,011,820
Investment income	407,920	369,937
Interest expense	(8,603,813)	(8,046,301)
Excess before special items & transfers	3,311,006	15,335,456
Special items - gain on sale of land	871,080	–
Special items - loss on disposal of legacy meters	–	(4,759,212)
Transfers, net	(7,852,016)	(7,572,702)
Change in net position	(3,669,929)	3,003,542
Net position, beginning of period	180,191,891	177,188,349
Net position, end of period	$ 176,521,962	$ 180,191,891

RURAL ELECTRIC SYSTEM
CONDENSED FINANCIAL STATEMENTS

Condensed Statements of Net Positions	2013	2012
Current assets	$ 9,081,912	$ 9,102,190
Capital assets, net	49,176,742	46,057,221
Restricted assets	9,759,115	5,635,308
Other	485,836	365,939
Total assets	68,503,605	61,160,658
Current liabilities	3,071,737	3,197,918
Current liabilities payable from restricted assets	5,072,253	5,411,206
Noncurrent liabilities	13,173,459	8,086,440
Total liabilities	21,317,449	16,695,564
Net Position:		
Invested in capital assets, net of related debt	40,408,674	37,779,032
Restricted	449,931	422,292
Unrestricted	6,327,552	6,263,770
Total net position	$ 47,186,157	$ 44,465,094

Consolidated Statements of Revenues, Expenses and Changes in Net Position		
Operating revenues	$ 32,257,374	$ 31,495,841
Operating expenses	29,218,722	28,250,732
Operating Income	3,038,651	3,245,109
Investment income	47,422	82,333
Interest expense	(365,010)	(352,876)
Excess before special items	2,721,063	2,974,566
Special items - loss on disposal of legacy meters	–	(2,135,132)
Change in net position	2,721,063	839,434
Net position, beginning of period	44,465,094	43,625,660
Net position, end of period	$ 47,186,157	$ 44,465,094

BRYAN TEXAS UTILITIES

BTU

THE DIFFERENCE IS YOU

THE DIFFERENCE IS **YOU**

Regulatory Charge

Beginning in October of last year, BTU implemented a new line item on customer bills labeled “Regulatory Charge”. Before that time the expenses now recovered through the Regulatory Charge had been included in the base electric rate. At the time of the change, customer Base Rates were reduced by the same amount that was now included as the Regulatory Charge.

While the Regulatory Charge primarily covers the transmission infrastructure costs of bringing wind energy generated in West Texas to population centers in other parts of the state, it also exists to facilitate the collection of expenses that are caused by outside agency action and not part of BTU’s normal cost-of-service rate structure. These regulatory expenses are collected under a “pass-thru” mechanism, meaning that BTU uses the funds collected to directly pay expenses related to outside agency action and does not retain any portion as revenue.

Since these regulatory expenses had historically been fairly stable, collecting them through base rates made sense. However, with the ongoing construction of many large electric transmission projects in the state, it was evident that clearly identifying these costs would be preferable. Identifying the causation of these increased expenses in the future gives BTU customers greater transparency as to items affecting their electric rates.