BRYAN TEXAS UTILITIES

BTU

THE DIFFERENCE IS **YOU**

Annual Performance Report

For the Fiscal Year Ended September 30, 2017 (FY17)

Prepared in compliance with Resolution No. 3337, adopted by the Bryan City Council on December 14, 2010

Bryan Texas Utilities
Report of Customers and Revenues by Customer Class and Average Residential Usage and Average Residential Bill

City Electric System	FY17 Average Number of Customers	FY17 Total Revenue	FY16 Average Number of Customers	FY16 Total Revenue	FY15 Average Number of Customers	FY15 Total Revenue	FY14 Average Number of Customers	FY14 Total Revenue	FY13 Average Number of Customers	FY13 Total Revenue
Residential	31,777	$39,111,757	30,982	$ 38,743,627	30,573	$ 37,994,138	29,951	$ 37,528,503	29,335	$ 35,526,822
Commercial	4,493	36,017,676	4,379	36,833,406	4,335	36,089,688	4,232	35,880,572	4,104	34,842,038
Large Industrial	17	10,307,465	19	9,721,163	19	9,020,189	19	8,597,081	14	7,845,580
Transmission Service	1	2,468,989	1	1,757,245	1	1,199,685	1	10,171		
Security&Street Lights *	N/A	1,247,533	N/A	1,214,451	N/A	1,162,539				
Total	36,288	$ 89,153,422	35,381	$ 88,269,892	34,928	$ 85,466,239	34,203	$ 82,016,327	33,453	$ 78,214,440
Average Monthly Residential Usage (Kwh)	1,000		1,009		1,049		1,032		1,013	
Average Residential Bill	$ 101.94		$ 104.21		$ 103.56		$ 104.42		$ 100.92	
Average cents/kwh - Residential	10.20		10.33		9.88		10.12		9.96	
Average regulatory cents/kwh - Residential	1.33		1.34		1.12		1.15		N/A	
All other average cents/kwh - Residential	8.87		8.99		8.76		8.97		N/A	

Rural Electric System	FY17 Average Number of Customers	FY17 Total Revenue	FY16 Average Number of Customers	FY16 Total Revenue	FY15 Average Number of Customers	FY15 Total Revenue	FY14 Average Number of Customers	FY14 Total Revenue	FY13 Average Number of Customers	FY13 Total Revenue
Residential	16,475	$29,757,029	15,520	$ 28,293,319	14,872	$ 27,113,275	14,351	$ 25,060,389	13,884	$ 22,394,725
Commercial	4,207	13,462,635	4,009	12,671,991	3,808	11,226,511	3,582	10,254,341	3,363	9,493,758
Security&Street Lights *	N/A	543,925	N/A	540,471	N/A	524,509				
Total	20,682	$ 43,763,589	19,529	$ 41,505,781	18,680	$ 38,864,295	17,933	$ 35,314,730	17,247	$ 31,888,483
Average Monthly Residential Usage (Kwh)	1,376		1,419		1,559		1,580		1,467	
Average Residential Bill	$ 150.51		$ 151.92		$ 151.93		$ 145.52		$ 134.42	
Average cents/kwh - Residential	10.94		10.62		9.74		9.21		9.16	
Average regulatory cents/kwh - Residential	1.16		1.17		0.98		0.74		N/A	
All other average cents/kwh - Residential	9.77		9.45		8.76		8.47		N/A	

* Beginning in FY15, Security & Street Lights are reported as a separate category.

Bryan Texas Utilities
Known or Projected Changes in Base and Fuel Rates

On October 1, 2016, BTU implemented phase three of a three phase electric rate adjustment for the City Electric System which includes City of Bryan retail customers and the Rural Electric System wholesale rate. These changes were identified as being necessary cost-of-service adjustments during the rate study completed in 2014. Overall, base rates increased 2.4% over the prior three years.

During fiscal year 2017, the City Electric System did not adjust the Power Supply Adjustment (PSA) component of its rates for retail customers. The PSA is a pass-through used to recover fuel costs, net purchased power costs, and adjustments for the over or under recovery for such costs from preceding periods.

During fiscal year 2017, the City Electric System did not adjust the Regulatory Charge (RC) component of its rates for retail customers and the Rural Electric System wholesale rate. The RC is a pass-through used to recover BTU's Transmission Cost of Service charges as established by the Public Utility Commission of Texas and for other fees assessed by regulatory bodies.

The City Electric System does not anticipate making any additional rate changes during fiscal year 2018.

Bryan Texas Utilities
Average Customer Outages
FY2017

	SAIFI Average Number of Outages per Customer per Year	SAIDI Average Minutes of Outages per Customer per Year
City Electric System	0.25 Occurrences	12.39 Minutes
Rural Electric System	0.36 Occurrences	32.33 Minutes

SAIFI - System Average Interruption Frequency Index
SAIDI - System Average Interruption Duration Index

Bryan Texas Utilities
Equivalent Availability Factor for Generation Facilities
Twelve Months Ended September 2017 *

	Equivalent Availability Factor	Unplanned Outages of More than 12 hours
Dansby 1	81.38%	--
Dansby 2	76.56%	2
Dansby 3	98.04%	1
Atkins 7	95.32%	--

*** reported based on FY to be consistent with the remainder of the Annual Performance Report**

Bryan Texas Utilities
Operating and Capital Expenditures

CITY ELECTRIC SYSTEM

	FY2017		FY2016		FY2015		FY2014		FY2013	
	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET
OPERATING EXPENSES										
Energy Cost	$ 69,993,591	$ 77,678,795	$ 71,333,494	$ 81,237,423	$ 74,683,129	$ 84,941,256	$ 84,178,564	$ 72,353,799	$ 70,327,522	$ 70,589,070
Capacity Cost	28,370,440	27,494,469	29,998,113	30,672,501	27,202,304	28,744,823	21,956,707	22,462,543	25,342,258	24,993,963
TCOS Expense	16,063,152	15,245,133	15,840,864	15,721,121	13,498,758	14,778,356	11,151,480	13,424,705	12,076,405	9,766,769
TCOS Expense - Wholesale	3,081,627	3,083,291	3,072,887	3,473,579	2,900,296	3,257,310	2,711,867	4,170,562	-	-
Departmental Expenses	23,879,734	23,841,914	22,663,829	23,976,157	21,545,100	21,811,868	19,358,083	21,609,181	19,112,807	20,659,441
Administrative Reimbursement to COB	754,049	921,487	768,630	894,648	881,813	868,590	774,208	773,783	630,954	541,576
Administrative Reimbursement from COB	(1,762,263)	(1,505,592)	(1,515,748)	(1,575,675)	(1,529,782)	(1,529,782)	(1,331,857)	(1,331,857)	(1,344,820)	(1,344,820)
TOTAL OPERATING EXPENSES	140,380,330	146,759,498	142,162,068	154,399,754	139,181,618	152,872,421	138,799,051	133,462,716	126,145,126	125,205,999
NON-OPERATING EXPENDITURES										
Annual Capital Expenditures from Rates	12,903,718	17,920,167	11,319,894	9,584,420	7,621,312	8,572,977	6,335,750	10,045,610	8,928,711	6,894,260
Right of Way Payments to COB	11,918,376	12,435,095	11,908,617	12,299,680	11,411,380	11,619,122	10,598,712	10,202,226	9,196,836	9,234,062
Debt Service Requirements	23,304,109	23,263,080	22,176,065	22,240,941	22,369,965	22,369,965	19,511,538	21,563,753	19,921,938	20,286,419
TOTAL NON-OPERATING EXPENDITURES	48,126,204	53,618,342	45,404,576	44,125,041	41,402,656	42,562,064	36,446,000	41,811,589	38,047,485	36,414,741
TOTAL OPERATING AND OTHER EXPENDITURES	$ 188,506,534	$ 200,377,840	$ 187,566,644	$ 198,524,795	$ 180,584,274	$ 195,434,485	$ 175,245,051	$ 175,274,305	$ 164,192,611	$ 161,620,740
AMENDED BUDGET		$ 200,377,840		$ 198,524,795		$ 195,434,485		$ 184,518,304		$ 161,620,740
FINANCED CAPITAL IMPROVEMENTS										
Annual Capital Expenditures from Bonds	$ 29,035,480	$ 53,256,857	$ 16,194,138	$ 47,730,810	$ 13,346,896	$ 17,397,470	$ 25,479,698	$ 34,816,132	$ 26,895,920	$ 46,801,455
TOTAL FINANCED CAPITAL IMPROVEMENTS	$ 29,035,480	$ 53,256,857	$ 16,194,138	$ 47,730,810	$ 13,346,896	$ 17,397,470	$ 25,479,698	$ 34,816,132	$ 26,895,920	$ 46,801,455

RURAL ELECTRIC SYSTEM

	FY2017		FY2016		FY2015		FY2014		FY2013	
	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET
OPERATING EXPENSES										
Purchased Power										
Purchased Power - Base	$ 17,162,790	$ 17,053,855	$ 16,374,791	$ 16,531,434	$ 15,878,248	$ 14,817,878	$ 13,510,263	$ 12,041,419	$ 14,121,248	$ 13,282,058
Purchased Power - Fuel	14,405,520	14,943,280	13,933,366	14,467,848	12,279,545	14,092,628	12,925,728	12,078,996	11,893,932	11,625,597
Regulatory Charge	4,779,258	4,299,280	4,540,617	4,469,453	3,910,141	4,040,567	2,768,191	2,542,270	-	-
Departmental Expenses	1,673,282	1,835,721	1,664,352	1,701,309	1,162,435	1,539,346	1,266,929	1,389,532	1,186,133	1,371,076
All Other	35,291	35,000	35,688	25,000	34,457	25,000	31,645	25,000	29,896	45,000
TOTAL OPERATING EXPENSES	38,056,141	38,167,136	36,548,814	37,195,044	33,264,826	34,515,419	30,502,756	28,077,217	27,231,210	26,323,731
NON-OPERATING EXPENDITURES										
Annual Capital Expenditures from Rates	3,043,910	3,664,749	4,461,957	2,816,752	4,234,453	3,338,737	4,349,656	4,291,296	4,196,319	3,843,975
Debt Service Requirements	1,822,098	1,968,879	1,201,009	1,890,887	1,204,659	1,204,659	1,204,362	1,144,668	775,000	1,002,097
TOTAL NON-OPERATING EXPENDITURES	4,866,008	5,633,628	5,662,965	4,707,639	5,439,112	4,543,396	5,554,018	5,435,964	4,971,319	4,846,072
TOTAL OPERATING AND OTHER EXPENDITURES	$ 42,922,149	$ 43,800,765	$ 42,211,780	$ 41,902,683	$ 38,703,938	$ 39,058,815	$ 36,056,774	$ 33,513,181	$ 32,202,529	$ 31,169,803
AMENDED BUDGET		$ 46,800,765		$ 43,902,683		$ 39,058,815		$ 37,202,180		$ 32,619,803
FINANCED CAPITAL IMPROVEMENTS										
Annual Capital Expenditures from Bonds	$ 3,775,974	$ 4,308,359	$ 2,833,604	$ 4,225,128	$ 1,653,883	$ 2,134,603	$ 2,525,299	$ 2,107,852	$ 924,250	$ 2,362,486
TOTAL FINANCED CAPITAL IMPROVEMENTS	$ 3,775,974	$ 4,308,359	$ 2,833,604	$ 4,225,128	$ 1,653,883	$ 2,134,603	$ 2,525,299	$ 2,107,852	$ 924,250	$ 2,362,486

Bryan Texas Utilities
System Average Production Costs

	FY17	FY16	FY15	FY14	FY13
Total Cost*	$ 89,029,262	$ 87,997,702	$ 89,128,942	$ 88,643,908	$ 85,473,065
Total MWh	1,458,868	1,422,071	1,429,844	1,377,209	1,326,544
$/MWh	$61.03	$61.88	$62.33	$64.36	$64.43

** Includes power production expenses as defined by FERC accounting guidelines. Costs are offset by any* revenues from wholesale sales.

Bryan Texas Utilities
Annual Bad Debt Expense

	FY17	FY16	FY15	FY14	FY13
City Electric System	$175,262	$66,319	$125,520	$146,887	$272,787
Rural Electric System	$30,356	$24,711	$25,321	$29,411	$38,598

Bryan Texas Utilities
City and Rural Bond Ratings

	FY17	FY16	FY15	FY14	FY13
BTU - City Electric System					
Moody's	A2	A2	A2	A2	A1
S&P	A+	A+	A+	A+	A+
Fitch	A+	A+	A+	A+	A+

	FY17	FY16	FY15	FY14	FY13
BTU - Rural Electric System					
Moody's	A2	A2	A2	A2	A2
S&P	A+	A+	A+	A+	A+
Fitch	A+	A+	A+	A+	A+

Bryan Texas Utilities

SmartHOME & SmartBUSINESS Programs FY17

Rebate Programs	Budget FY17	Total Amount Rebated FY17	Number of Customers Participating	kW Saved
SmartHOME	$100,000	$64,014	162	73.03
SmartBUSINESS	$300,000	$278,938	47	944
Total for FY17	$400,000	$342,952	209	1017

Bryan Texas Utilities
Wind and Solar Energy Utilized in 2017

Utility Scale

Wind Generation	191,941,000 kWh*
Solar Generation	23,576,000 kWh*

*BTU has sold all Renewable Energy Credits (RECs) associated with this generation. As such, BTU cannot claim that we utilized any renewable energy from these sources.

Distributed Renewable Generation

Solar (Photo Voltaic) Generation	No longer available [(1)]
Solar (Photo Voltaic) Generation Systems > 100 kW	130,853 kWh
Solar Thermal (Water Heating) Generation Offset**	No longer available [(1)]

**Solar thermal generation is used to heat water, offsetting electricity that would have otherwise been consumed.

[(1)] BTU no longer requires a meter that tracks solar generation on residential and commercial solar installations that are <100kW due to the discontinued solar rebate offer.

Bryan Texas Utilities
Customers Enrolled In Special Programs
On December 30, 2017

Program Name	Program Description	Participants
Bank Draft	Allows bill payment through automatic draft of customers bank account.	**8,455**
E-Billing	Customers receive their invoice in electronic format via email.	**6,167**
Pay Arrangement	Schedules final payments on inactive accounts.	**10**
Recurring Credit Card	Allows automatic monthly bill payment against customers credit card.	**5,035**
Medical Alert	Identifies Customers that have a medical necessity for electricity.	**76**
Budget Billing	Allows customers to be billed based on average historical usage.	**467**
Social Security Extension	Customers qualifying for Social Security are allowed additional time to pay their bill.	**0**

Customer Satisfaction Survey

The attached survey was completed in FY16 and presented as part of the FY16 Performance Report.
Customer satisfaction surveys are conducted every two years.

Customer Satisfaction Study

greatblue

Presentation of Findings

12 September 2016

Research Methodology Snapshot

Methodology	No. of Completes	No. of Questions	Time Compensation	Sample
Telephone	201	52*	None	Customer list
Target	**Quality Assurance**	**Margin of Error**	**Confidence Level**	**Research Dates**
Commercial	Dual-level**	6.9%	95%	Jun 2 - Jun 7

* This represents the total possible number of questions; not all respondents will answer all questions based on skip patterns and other instrument bias.

** Supervisory personnel in addition to computer-aided interviewing platform ensure the integrity of the data is accurate.

Research Methodology Snapshot

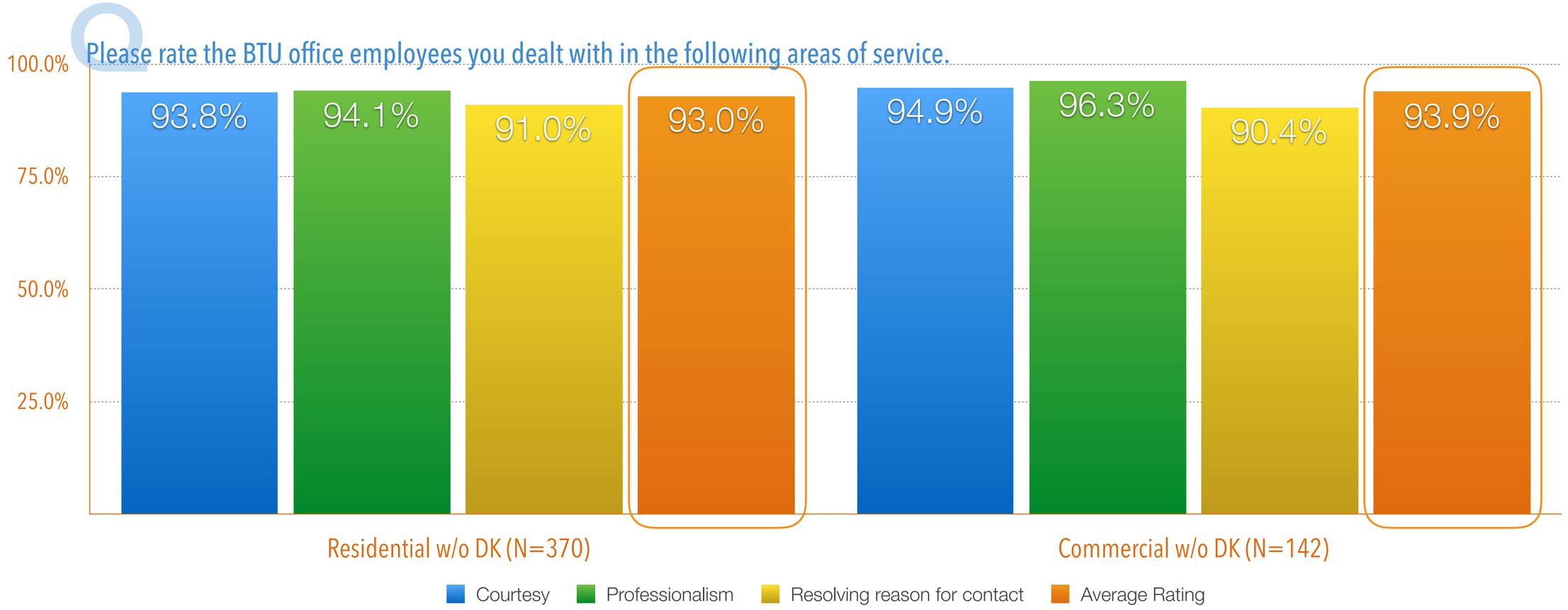
Methodology Telephone	No. of Completes 600	No. of Questions 47*	Time Compensation None	Sample Customer list
Target Residential	Quality Assurance Dual-level**	Margin of Error 3.9%	Confidence Level 95%	Research Dates Jun 8 - Jun 13

* This represents the total possible number of questions; not all respondents will answer all questions based on skip patterns and other instrument bias.

** Supervisory personnel in addition to computer-aided interviewing platform ensure the integrity of the data is accurate.

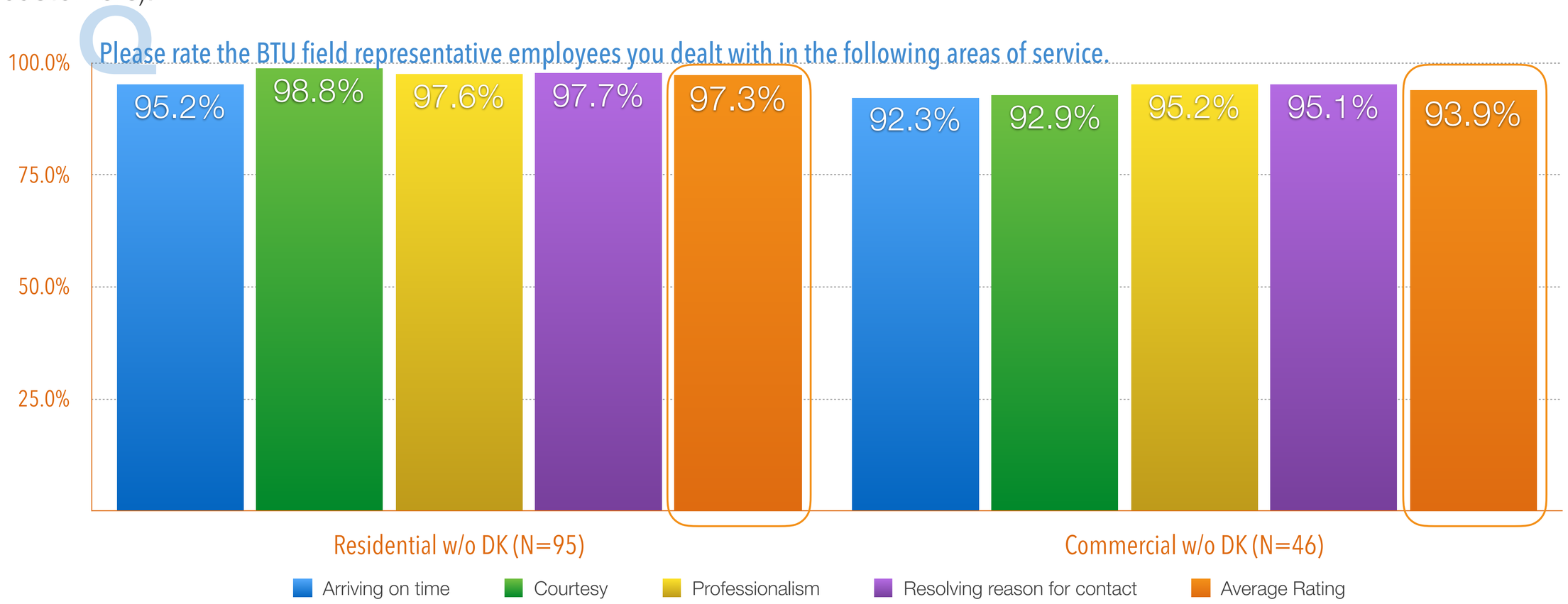
Satisfied with office personnel

Impressively, the majority of customers who interacted with any office personnel at BTU provided a positive rating for the employee's "courtesy," "professionalism," and "resolving the reason for contact." While still strong, slightly fewer customers provided positive ratings regarding the employee's ability to resolve their reason for contact.



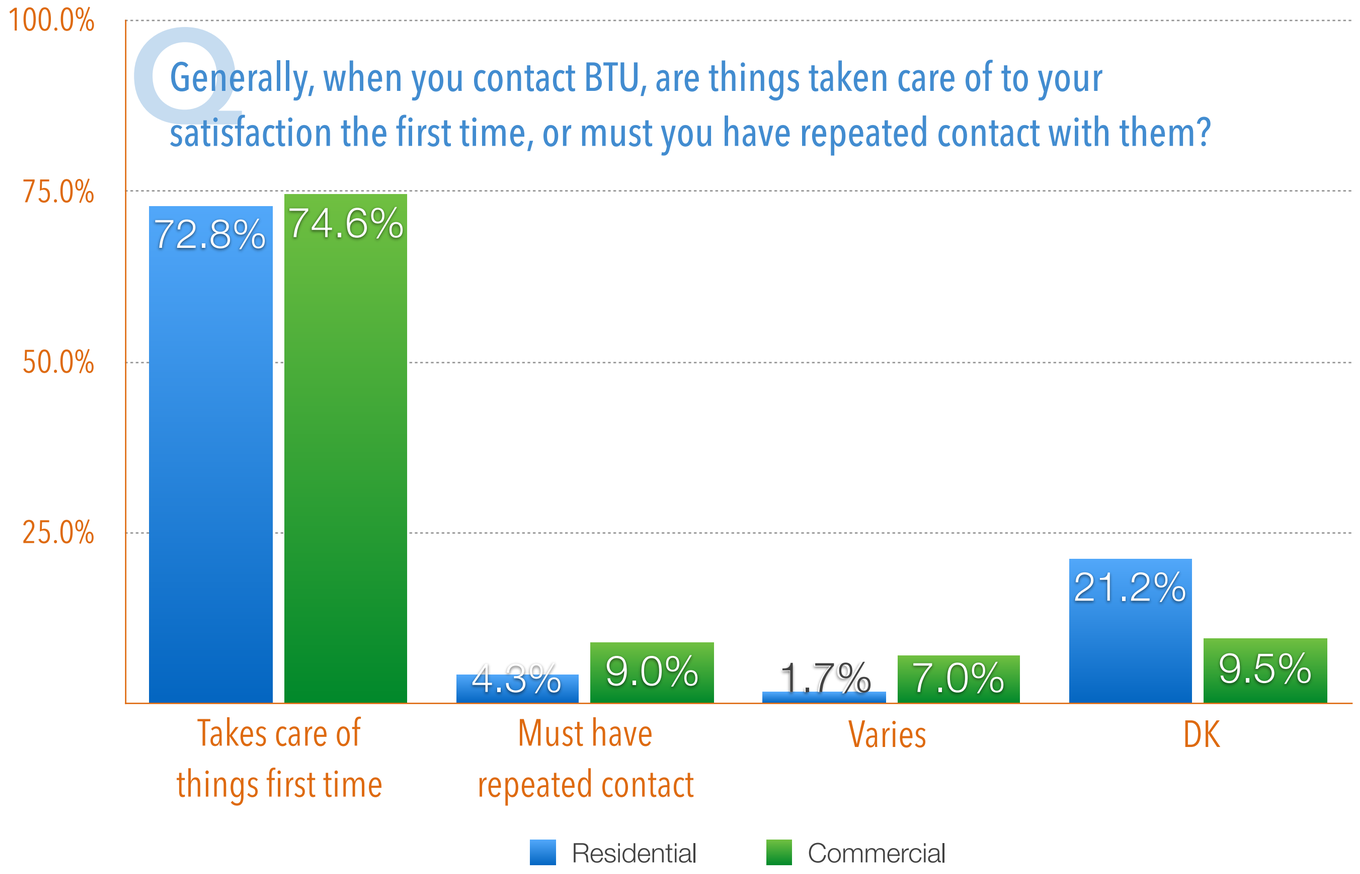
Higher satisfaction with field personnel

Among customers who had a visit from a field representative, the majority were satisfied with the interaction. While both segments of customers provided highly positive ratings, residential customers rated their experience as satisfactory at a higher rate than commercial customers, with an average positive rating of 97.3% (compared to 93.9% among commercial customers).



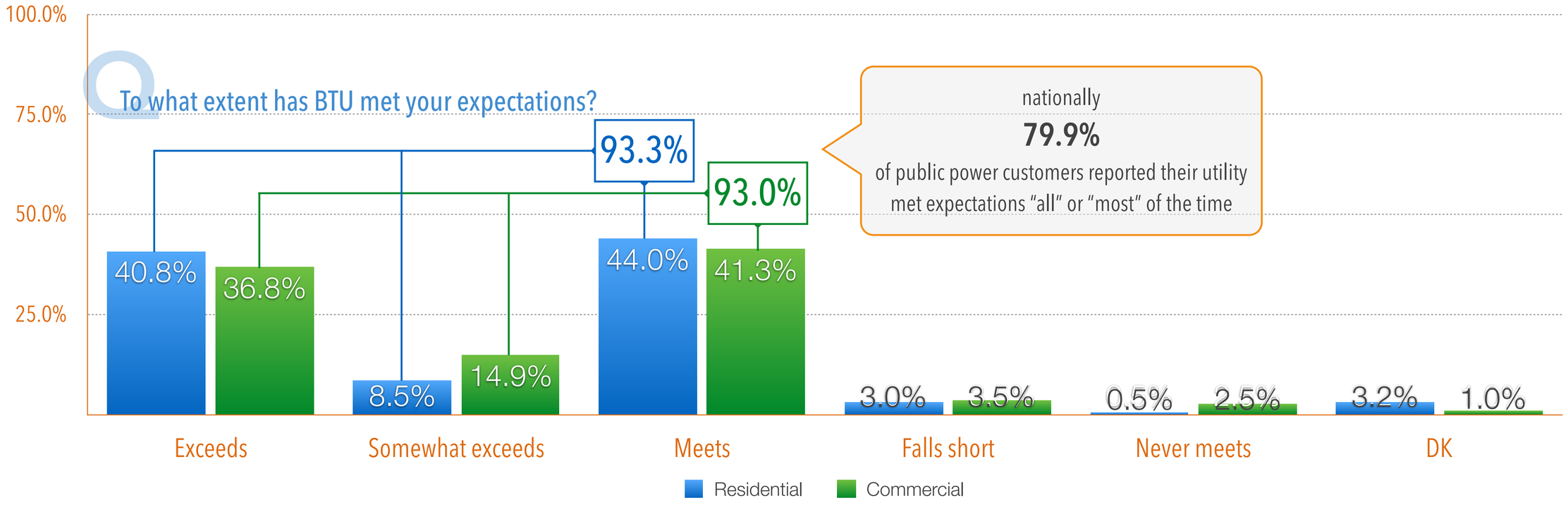
High rate of first contact resolution

In general, BTU tends to resolve 3 out of 4 issues on the first contact for all customer needs. However, while 21.2% of residential customers were unsure of the frequency of interactions it takes BTU to resolve their reason for contact, 16.0% of commercial customers reported instances that have required multiple contacts (9.0%) or variations in contact resolution (7.0%).



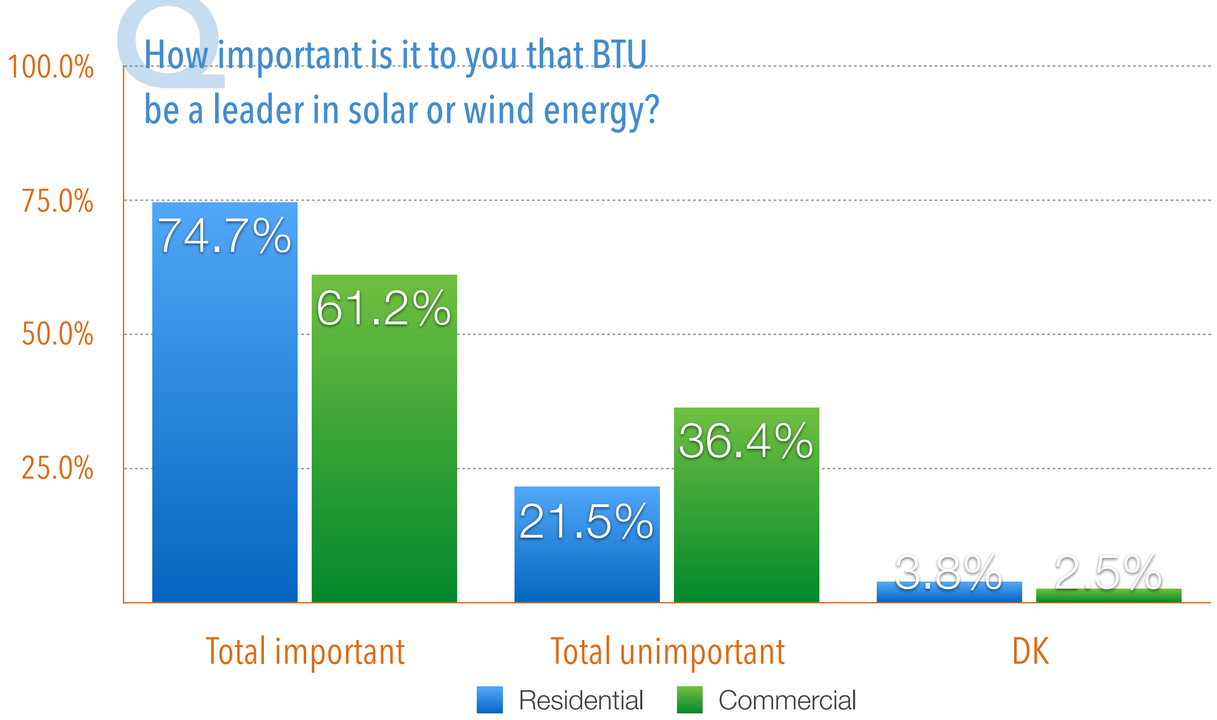
BTU excels at servicing customer expectations

Overall, 93.3% of residential customers and 93.0% of commercial customers reported BTU “exceeds,” “somewhat exceeds,” or “meets” their expectations. This is important to note as a similar question employed in GreatBlue’s national municipal utility study found that 79.9% of all public power customers reported their utility met expectations “all” or “most” of the time.



Renewable energy important

Although 74.7% of residential customers believed it is important for BTU to be a leader in solar or wind energy, fewer commercial customers agreed (61.2%). While both reported similar levels of awareness that BTU purchases solar and wind power on a utility scale, customers who were aware of this had investigated solar panels at a higher rate in the past year compared to those who were unaware.



33.7%
residential customers aware that BTU purchases solar and wind power as part of their generation supply

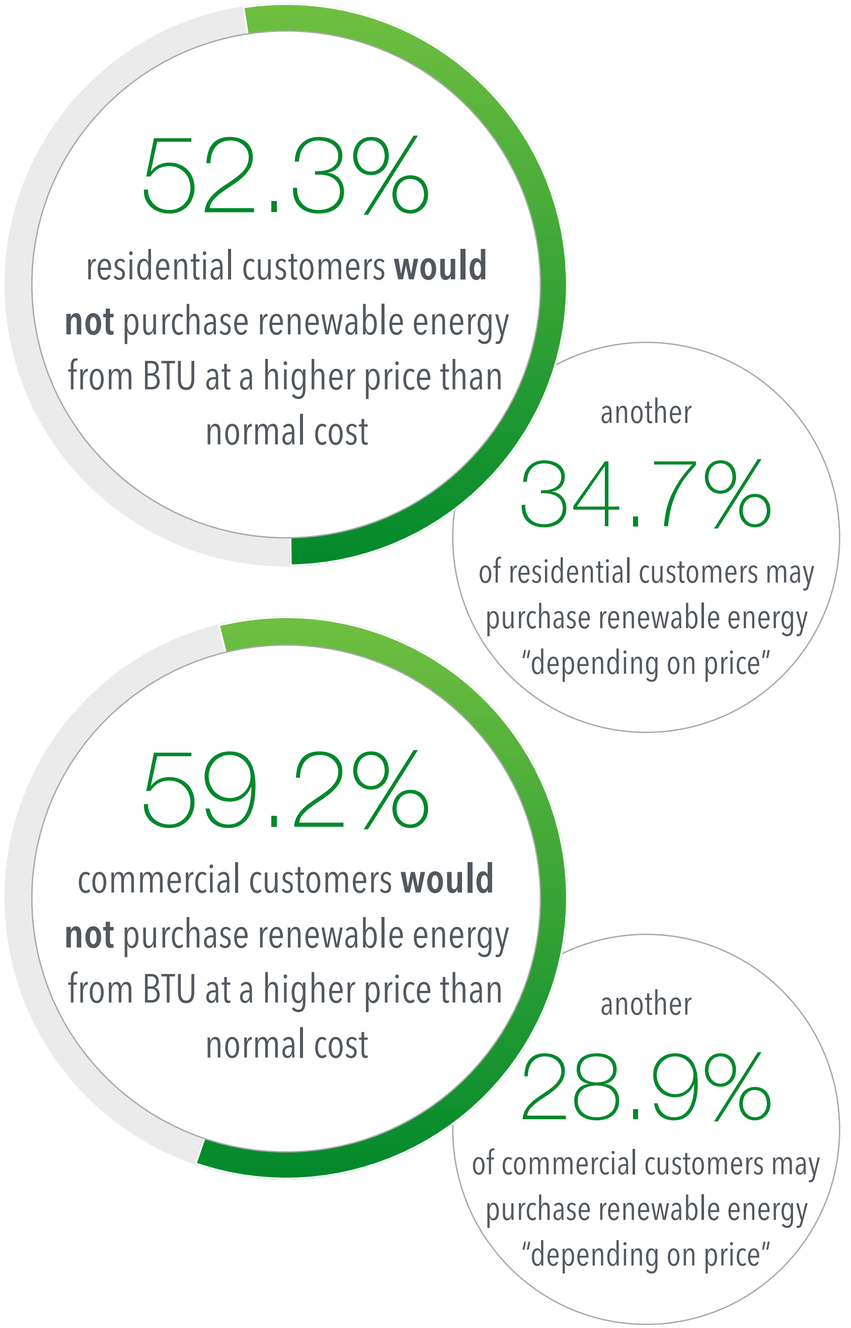
19.3%
of **aware** customers investigated solar panels in the past year (compared to 14.5% unaware)

35.3%
commercial customers aware that BTU purchases solar and wind power as part of their generation supply

21.1%
of **aware** customers investigated solar panels in the past year (compared to 12.4% unaware)

Price deterrent to purchasing renewable energy

Despite solar energy being a priority for many residential and commercial customers, ultimately customers were less willing to financially invest in renewable energy as part of their personal energy portfolio. Over half of residential customers (52.3%) and commercial customers (59.2%) reported they would not purchase renewable energy from BTU at a higher price than normal cost.



Opportunities to align communications

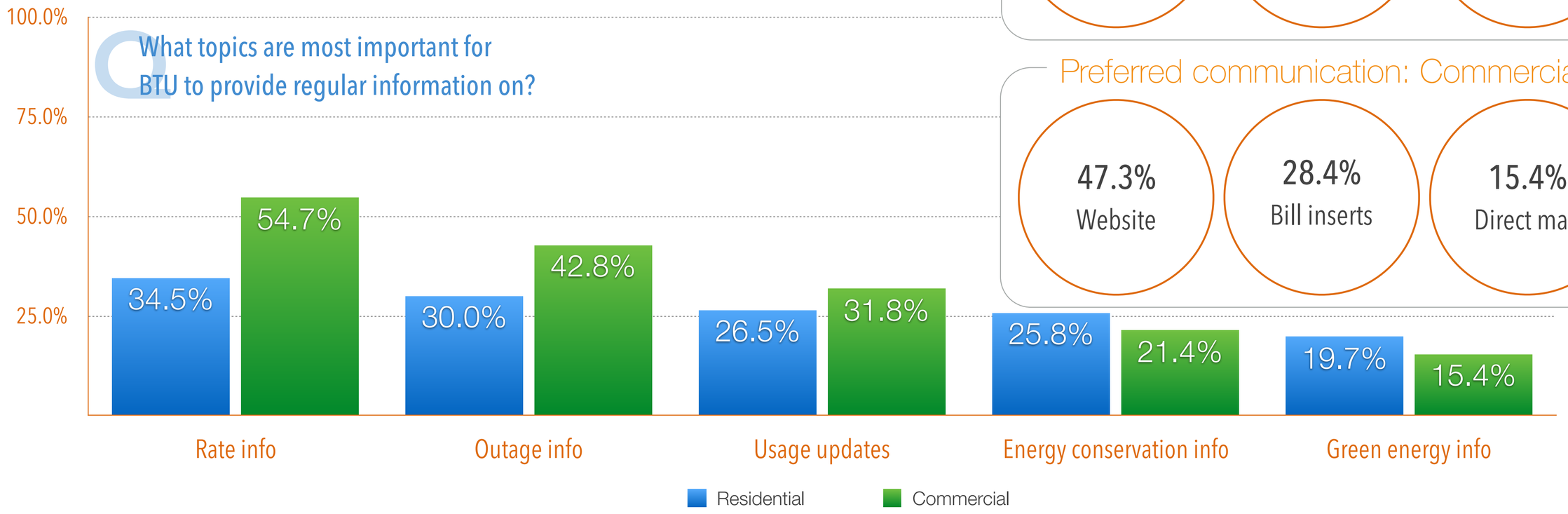
Both customers primarily prefer to seek information about BTU on their website. However, residential customers alternatively seek information from “direct mail” (26.7%), while commercial customers turn secondly to “bill inserts” (28.4%). In addition, both customers were aligned in what they believed to be the most important information to receive from BTU.

Preferred communication: Residential

- 39.7% Website
- 26.7% Direct mail
- 22.0% Bill inserts

Preferred communication: Commercial

- 47.3% Website
- 28.4% Bill inserts
- 15.4% Direct mail



High readership & satisfaction with newsletters

While residential customers tend to read the “PlugIn” newsletter (45.7%) and the Texas Co-op Power Magazine (57.5%) at higher rates than commercial customers (41.3% and 47.3%, respectively), commercial customers were more satisfied with the publications. Texas Co-op Power Magazine, in particular, was well-received by 94.7% of commercial customers.