SUPPORTING A GROWING COMMUNITY

2018 ANNUAL REPORT

BRYAN TEXAS UTILITIES

BTU

THE DIFFERENCE IS **YOU**

BRYAN TEXAS UTILITIES

BTU

THE DIFFERENCE IS YOU

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SUPPORTING A GROWING COMMUNITY

A LETTER FROM THE **GENERAL MANAGER**

Over the last several years the Brazos Valley and BTU have been growing at a record pace. Keeping up with that growth has been challenging, stressful, enjoyable and rewarding, all at the same time. A major project that is nearing completion is relocating the electric utility infrastructure from overhead to underground along South College Avenue from Villa Maria south to the city limits near Texas A&M University. This project, in conjunction with the reconstruction of the roadway by the City of Bryan Public Works Department, has greatly improved the look and feel of what is to become Bryan's new Midtown area. BTU continues to work very closely with the Bryan City Council to determine projects that will enhance the quality of life for City of Bryan residents both now and in the future.

To accommodate the growth in BTU's service territory, facilities and infrastructure must be upgraded or constructed. The accelerated growth of the RELLIS campus provides a significant challenge to ensure that BTU has the capacity to meet whatever needs may develop for the Texas A&M University System. Fortunately, BTU's engineering department was already working on a new transmission loop on the west side of our system that is designed to increase both capacity and reliability in the area. Construction of this transmission loop is underway and will be perfectly situated to supply both current and future needs for the new campus.

As our community grows, so does our appetite for electric energy. BTU's Power Marketing Department is diligent about making sure that energy is always available and at the least possible cost. To this end, several interesting milestones have occurred this year. First, Bryan's participation in generation at the Gibbons Creek coal-fired generating facility in Carlos, Texas is coming to an end. Gibbons Creek has reliably provided economical power to our community since 1983, but due to market conditions, there are equally reliable, but less expensive, options for the procurement of energy to meet our customer needs. BTU's Roland C. Dansby Power Plant continues to be an excellent resource that provides a backstop to our customers' power needs. The generation capability at the plant allows BTU to take advantage of low-priced energy from the market, which includes an abundance of energy produced by wind and solar facilities. Finally, beginning in 2022, BTU will begin receiving 100 MW of electricity generated by a solar farm to be located in north Texas. The energy generated by this solar facility will be among the most economical resources that we have added to our portfolio.

Customer satisfaction is one of our highest priorities, and we are dedicated to making sure that their needs are met. During the past year, we completely redesigned the BTU website to make it much more user friendly and intuitive. We continue to offer programs that encourage energy efficiency, and are available and affordable for all of our customers. Our social media presence on Facebook and Twitter continue to gain followers, and feedback from these platforms is very positive as we strive to provide helpful, timely, and relevant information.

It is an exciting time to live and grow in the Brazos Valley. BTU takes our position in the community very seriously as we strive to be an excellent business partner, not only in the provision of electric power and energy to our customers, but also to the many businesses from whom we subscribe to services, purchase materials and goods, and travel to throughout our busy days. The City of Bryan and the Brazos Valley area is an extraordinary place to learn and live. At BTU we endeavor every day to contribute our small part to the excellence of our community.

SUPPORTING A GROWING COMMUNITY

A Strong Foundation for an Ever-Growing, Ever-Changing Community

As continued growth brings new energy challenges and opportunities to the Brazos Valley, BTU's ability to adapt is what maintains the foundation of exceptional service the utility has been providing for more than 100 years.

You grow, we grow. That may sound like a bit of a cliché, but in a very real sense that is what Bryan Texas Utilities has been doing for more than 100 years. BTU grows and expands its level of service to meet the energy needs of its customers in the Brazos Valley.

Growth can be measured in many ways. Physical growth in terms of power lines and energy generation. Technological growth in terms of new ways to do business. Personal growth in terms of job creation and employee retention. These are all pieces of the puzzle that BTU must put together in order to maintain, and continually improve upon, its excellent levels of service.

A Thirst for Energy

For many, it's hard to imagine an era without technology and our never-ending thirst for the electricity that powers our lives. Phones, computers, TVs, security systems, appliances, power tools. The list goes on and on. Not to mention the mainstays like lighting, heating, and cooling.

When you combine exceptional population growth – BTU only had 768 customers in 1919, compared to more than 59,000 today – with exponential growth of new tools and devices that require power, the result is a massive increase in the amount of electricity that it takes to support our daily lives.

So, how does BTU meet that need for power? By growing in a slightly different way: Diversification.

BTU supplies power to its customers through multiple types of energy generation. BTU owns and operates Roland C. Dansby Power Plant at Lake Bryan, home to three natural gas-fueled generators, but it also purchases utility-scale wind and solar power from plants along the Texas Coast and in West Texas.

The energy needs of today, however, won't be the energy needs of tomorrow. There's a building boom on both sides of Bryan. To the west: Texas A&M University System's RELLIS Campus, ATLAS: Lake Walk Town Center and new residential construction. To the east: Phases of residential construction happening in the new Oakmont and Greenbrier subdivisions. To the south: Three new College Station ISD schools. The development is being spurred by residential growth and commercial such as grocery stores, shops, and services follow to support the residential area.

To plan for future growth, BTU has contracted to purchase power from a solar plant in North Texas that will be operational in 2022. These advance power purchases ensure that energy prices will remain predictable and reasonable for BTU customers.

A Need for Speed

As our dependence on technology continues to grow, the way we approach our lives and conduct business changes. Everything becomes faster. We get news and alerts in real-time. We don't have to leave home to shop or pay a bill. And we can find the answer to any question within seconds. There is an expectation for ever-faster, ever-easier ways to do things, and BTU has a responsibility to meet those expectations.

The BTU website is designed with speed in mind. It's lightning-fast, and mobile-friendly, allowing customers to quickly start, stop, or transfer services, estimate their bills based on a monthly usage number, make payments, and review historical usage. Customers can also apply for the SmartHOME Energy Efficiency Program, or view our Outage Management System (OMS) map, which displays outages in real time and indicates when a crew is assigned.

Though you might not see it, new BTU infrastructure is also making things faster and more efficient. For example, you don't have to call if you have a power outage. Our digital meters instantly report the outage for you. BTU also continues to invest in and upgrade electric lines and equipment, including rebuilding miles of lines, converting some areas to underground utilities, and adding technologically advanced equipment that improves customer service.

A Human Element

A growing community brings the need for more services, and more people to provide those services. BTU is proud to be keeping jobs in the Brazos Valley as it continues to expand to meet the needs of its customers. At nearly 175 employees, including our in-house call center team, BTU is positioned to provide a superior customer service experience.

New and updated facilities also provide a great working environment for our employees. Our System Operations Center and Engineering Design Center were constructed in 2017 and 2018, and a new Distribution Center is scheduled for completion in 2020. Along with improvements at the Main Office in Downtown Bryan, these facilities offer a state-of-the-art work experience.

A Tree Grows in Bryan

Vegetation Management, also known as tree trimming, is an important part of BTU maintaining reliability. It's not that BTU doesn't want trees to grow. Far from it. BTU just wants to make sure that trees grow and stay healthy in ways that won't compromise the integrity of the electrical system. That's one reason BTU employs a certified arborist to oversee this program. BTU has a 4- to 5-year trim cycle to adequately trim vegetation throughout the entire service area.

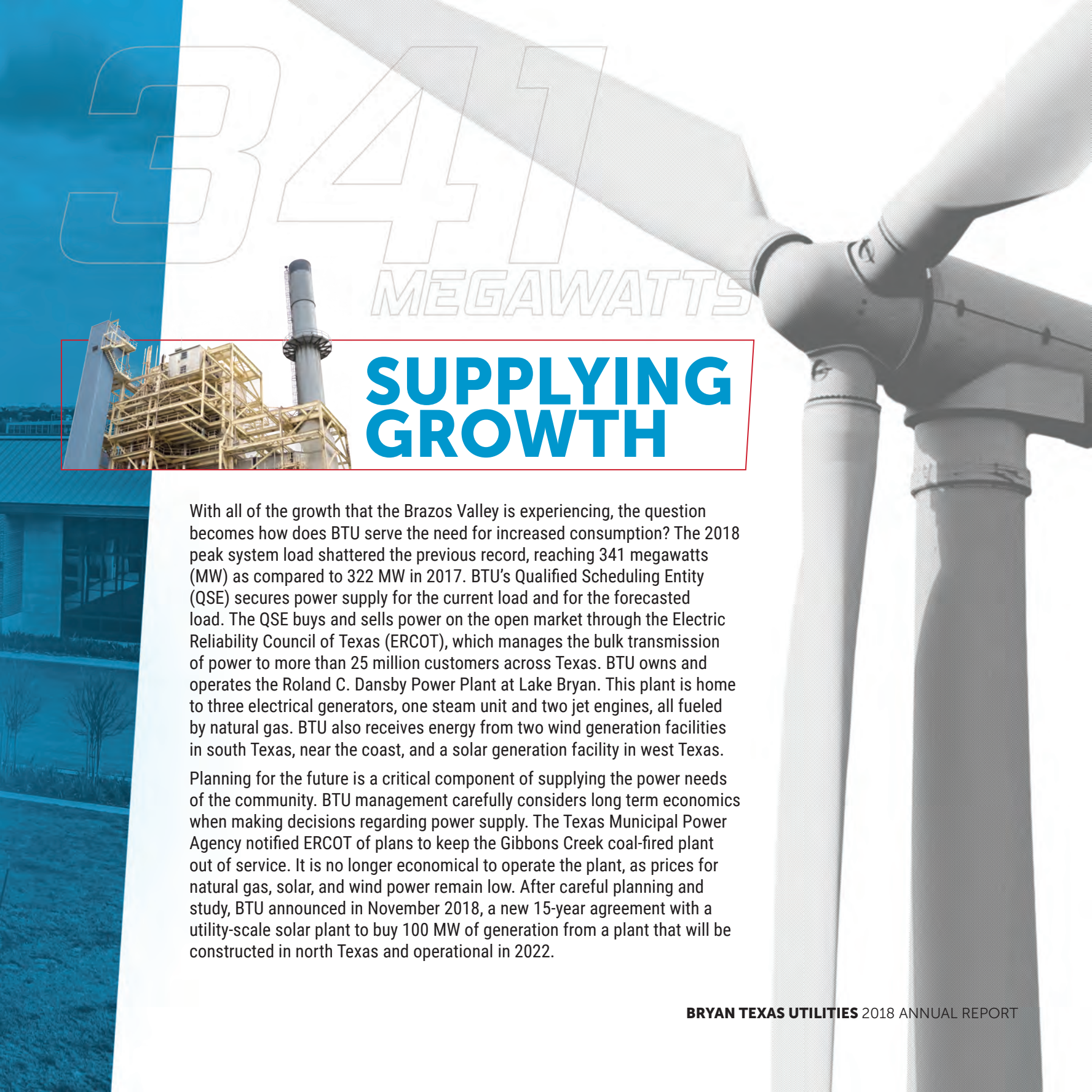
A Firm Foundation for the Future

Throughout its history, BTU has shown its ability to adapt to new challenges, to be a forward-thinker in terms of new energy opportunities, and to always provide the highest quality service to its customers. As the population of the Brazos Valley continues to grow, and the need for energy continues to increase, BTU stands on a solid foundation, prepared to grow alongside the community it serves.

VISIBLE GROWTH

The Brazos Valley has been experiencing exponential growth easily observed throughout BTU's 640 square mile territory. BTU's number of customers within the city limits of Bryan grew 2.3 percent in 2018, while the Rural System encompassing parts of the City of College Station, Burleson and Robertson Counties, and all of Brazos County grew at 2.4 percent.

Major areas of growth include the west side of Bryan and the area south of the City of College Station. The area west of Bryan is emerging as a commercial and residential hub, anchored by the innovative Texas A&M System RELLIS Campus. As the City of College Station continues to push southward, new residential and commercial development is being constructed in BTU territory, including three new College Station ISD schools.



SUPPLYING GROWTH

With all of the growth that the Brazos Valley is experiencing, the question becomes how does BTU serve the need for increased consumption? The 2018 peak system load shattered the previous record, reaching 341 megawatts (MW) as compared to 322 MW in 2017. BTU's Qualified Scheduling Entity (QSE) secures power supply for the current load and for the forecasted load. The QSE buys and sells power on the open market through the Electric Reliability Council of Texas (ERCOT), which manages the bulk transmission of power to more than 25 million customers across Texas. BTU owns and operates the Roland C. Dansby Power Plant at Lake Bryan. This plant is home to three electrical generators, one steam unit and two jet engines, all fueled by natural gas. BTU also receives energy from two wind generation facilities in south Texas, near the coast, and a solar generation facility in west Texas.

Planning for the future is a critical component of supplying the power needs of the community. BTU management carefully considers long term economics when making decisions regarding power supply. The Texas Municipal Power Agency notified ERCOT of plans to keep the Gibbons Creek coal-fired plant out of service. It is no longer economical to operate the plant, as prices for natural gas, solar, and wind power remain low. After careful planning and study, BTU announced in November 2018, a new 15-year agreement with a utility-scale solar plant to buy 100 MW of generation from a plant that will be constructed in north Texas and operational in 2022.

RURAL INFRASTRUCTURE

Development in the Brazos Valley has transformed pasture and farmland into residential subdivisions, industrial manufacturers, innovative research facilities, and commercial businesses of every genre. BTU's Rural System customers, those outside of the City Limits of Bryan, comprise 36 percent of BTU's total meter count. With unique structural and operational characteristics that differ from facilities in the City, BTU is tasked with keeping up and planning for the booming growth in the Rural System which makes up a large portion of BTU's 640 square mile service territory.

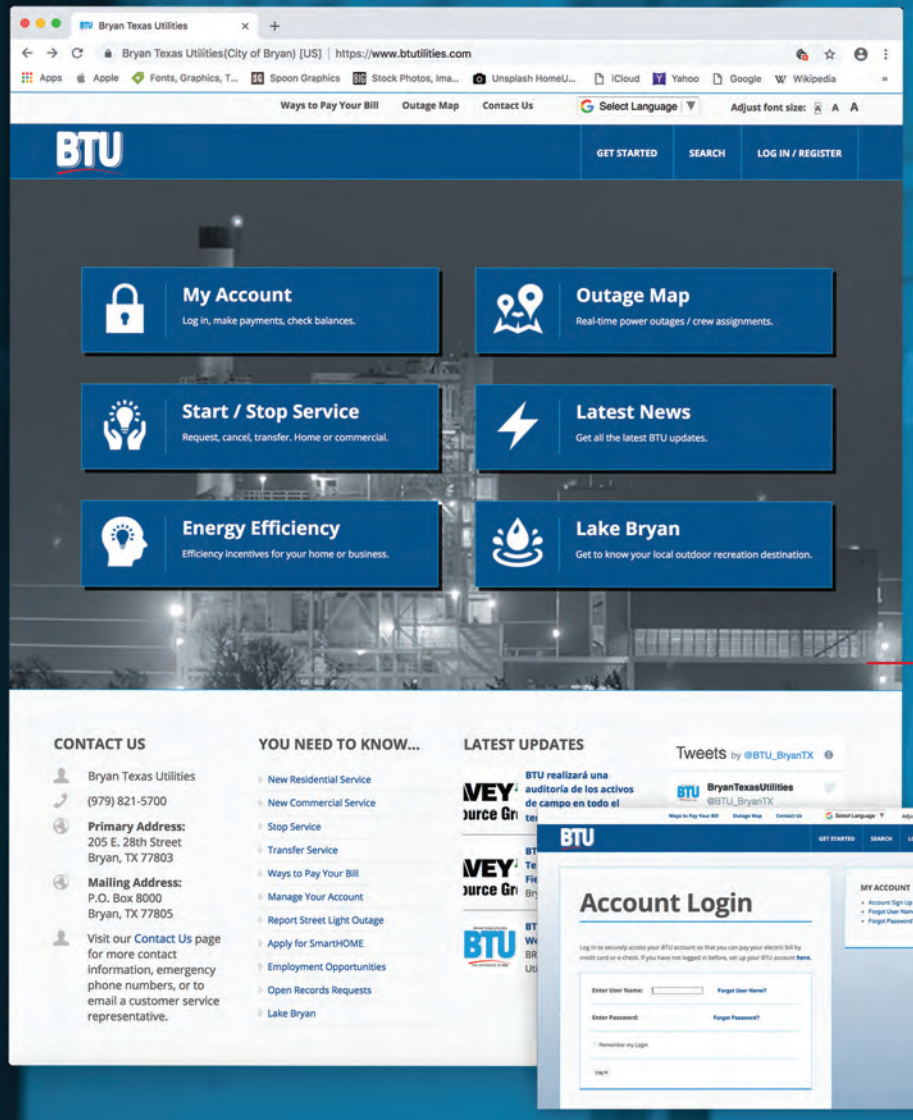
In 2018, BTU's Capital Improvement Plan (CIP) for the Rural System focused on upgrading distribution lines in key areas of development. These CIP projects were designed to add needed capacity to accommodate new customer growth and to improve reliability for existing customers.

In the northern portion of the BTU service territory, distribution improvements included the upgrade of four miles of poles and wire along OSR from Dick Elliot Road to Deep Well Road. Additionally, more than three miles of distribution lines were reconstructed along OSR from Highway 6 to FM 2223. These projects increased load capacity as required to support the growth in the area. They also significantly enhanced reliability in the areas near the Jack Creek and Kurten substations.

Increasing load and future development precipitated a need to upgrade a circuit in west Bryan adjacent to Leonard Rd near FM 2818. Along Highway 30 in east Bryan, a one-mile stretch of distribution line was upgraded to a larger wire size to better serve increasing commercial load along the Highway 30 corridor. Additionally, along FM 166 in Tunis, two miles of existing lines were reconstructed to three-phase, also to improve reliability and increase capacity to serve future development.

Finally, in the southern portion of the BTU service territory, two distribution circuits - one out of the Thompson Creek substation and another out of the Koppe Bridge substation, were extended to create a new tie between these substations. This new circuit tie will enhance reliability for area residents and businesses.

BTU is excited about the growth in our Rural System and we are working diligently to make sure that reliability is a first priority and that we are always prepared to serve the continued accelerated growth in the area.



BTUTILITIES.COM *Redesigned*

The redesigned Bryan Texas Utilities website aims to make doing business with BTU even easier for our 59,000+ customers throughout our service area, which includes Brazos, Robertson, and Burleson counties.

65,185

Total number of unique individuals who visited the website within first 6 months of the redesign

↑ 4.13%

Unique individuals who visited the site at least once

↑ 3.65%

Total number of visits

↑ 14.37%

Unique individuals using mobile device/tablet to visit website *(45.65% of all traffic)*

Numbers reflect most recent data available for comparison.

SAFETY

In May 2018, the American Public Power Association awarded BTU the Safety Excellence Award for a second time. The award recognizes public power utilities across the nation with the lowest overall recordable injuries and illness cases for all employees. Safety is of utmost importance to BTU, with employees taking part in an overall safety culture.

RP3

BTU has twice been awarded the Reliable Public Power Provider (RP3®) Diamond designation and the Safety Excellence Award by the American Public Power Association (APPA). The RP3® award recognizes public power utilities that provide safe and reliable service to customers while investing in workforce development and system improvements. The Diamond designation signifies that BTU scored between 98 and 100 out of the possible 100-point system. The term for the RP3® award is three years, with BTU first recognized in 2014 and again in 2017.

BRYAN CITY MANAGER

KEAN REGISTER NAMED TPPA PRESIDENT

Bryan City Manager Kean Register was named President of the Texas Public Power Association (TPPA), an organization that represents the interests of more than 72 public power providers across Texas, including municipally-owned electric utilities, river authorities, joint action agencies, and a number of electric cooperatives. As President of TPPA, Mr. Register will serve a one year term, representing publicly-owned utility providers at the state and national levels.

"BTU is the fifth largest publicly-owned electric service provider in the Electric Reliability Council of Texas territory. Our membership and active involvement in TPPA provides important networking opportunities to protect the best interests of our customers, our citizens."

In the past six years as a TPPA board member, Mr. Register served as both Secretary and Vice President, and assumed his new role as TPPA President on July 25, 2018. Prior to his seven-year tenure as Bryan City Manager, Mr. Register worked in the energy industry for twenty-five years including both investor and municipally-owned electric utilities. His experience in electric and natural gas utilities coupled with his time as a City Manager made him an ideal candidate for this role.

EXECUTIVE DIRECTOR

DAVID WERLEY

NAMED

CHAIRMAN OF THE APPA BUSINESS & FINANCE SECTION

David Werley, BTU's Executive Director of Business and Customer Operations, assumed the role of Chairman of the American Public Power Association's (APPA) Business and Financial Section for 2017-2018 after serving as the Vice Chairman for one year. The APPA is the voice of not-for-profit, community-owned utilities that power 2,000 towns and cities nationwide. These utilities serve over 49 million customers within the continental United States and American territories.

Mr. Werley has served in a variety of roles during his more than 35-year career in the public power industry. In his nine years with BTU, he has been responsible for economic development, corporate communications, retail regulatory compliance, retail pricing and all commercial and residential customer service functions. As Section Chair, Mr. Werley is responsible for managing issues brought before the APPA's Business and Finance Section as well as coordinating the annual APPA Business & Finance conference.

"It's an honor to have David represent BTU by serving in this capacity and to work with such an experienced and knowledgeable group of public power professionals from all over the United States."

- Gary Miller, BTU General Manager

CUSTOMER OPERATIONS DIVISION MANAGER

VICKI REIM

NAMED

CHAMBER OF COMMERCE CHAIRPERSON

Vicki Reim joined BTU in 1986 as the energy auditor where she focused on energy efficiency and managed several incentive programs. In that position, she came to know customers quite well, talking through individual needs with them, resolving issues, advising on energy efficiency and consumer options. In her current position as the Division Manager of Customer Operations, her focus remains on the residential and commercial aspects of the business. She is a Leadership Brazos graduate and has served in leadership roles within several organizations including the Junior League, Scotty's House, PTO, church committees, Women's Leadership Council and the Boys and Girls Clubs of the Brazos Valley. In October 2018, Mrs. Reim was named Chairperson of the Bryan/College Station Chamber of Commerce and since her induction, she has had the pleasure of representing the Chamber and BTU at a variety of business functions.

"I am christening this year as 'Chamber 101' to celebrate our hundred and first year," says Reim. "And to also acknowledge the importance of higher education here in the Brazos Valley. This chamber has been so fortunate to have had great leadership over many, many years and it plays a very important role in our community, just this past year: 1,550 members, nearly 200 special events, over 150 committee meetings, more than 15,000 volunteer hours... It's a great time to be living and doing business in the Brazos Valley, but then it's always been, hasn't it? And the Chamber is a very big part of that."

INVESTING IN THE FUTURE

As the community grows and times change, BTU works to complete many projects to enhance the quality of life for citizens of Bryan and the Brazos Valley.

In 2018, a lighting project along Boonville Drive in East Bryan was completed. The 189 installed lights improved safety and aesthetics along the thoroughfare. The project was a joint effort with funding from the Transportation Alternatives Program, funded by TxDOT.

Another large project was the relocation of infrastructure from overhead to underground facilities along South College Avenue from Villa Maria to the city limits. This required modifying existing service points on the homes and businesses to be compatible with underground service. This project improved aesthetics along the corridor from the City of Bryan leading to Texas A&M University. This also coincides with the City of Bryan's initiative to improve the Midtown area near the Travis B. Bryan Municipal Park.

BTU is also making investments in the transmission infrastructure to accommodate growth and improve reliability for our customers. This year, a project to completely rebuild the Steele Store substation began; it is slated to be completed in the summer of 2019. A new 138kV transmission line is also being constructed to tie into the newly renovated Steele Store Substation. The line will stretch from the Snook Substation to Steele Store Substation which is approximately a ten mile span. A new substation is also planned for the Leonard Road area. Site preparation began in June 2018 and phase one has been completed. The Leonard Road Substation is expected to be operational by summer of 2020.

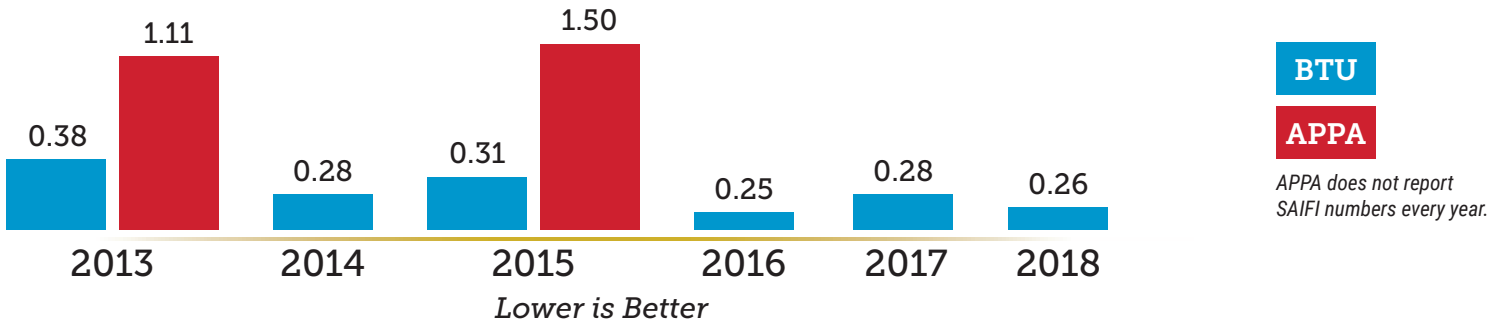
BTU staff and the Board of Directors are looking to the future by investing in projects that support the growth of the community while improving existing reliability and infrastructure for customers.

SYSTEM RELIABILITY

SAIFI - System Average Interruption Frequency 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. In 2018, a BTU customer would experience 0.26 outages per year while the most recent APPA national average was 1.50 outages per year.

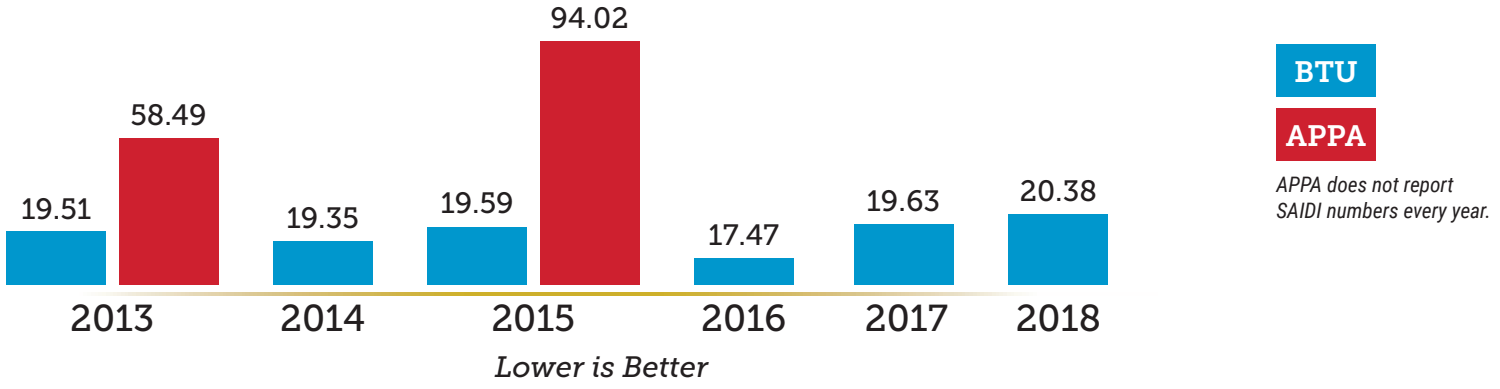
2013 to 2018 **SAIFI** Index



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. In 2018, BTU customers had an average duration of 20.38 minutes while the most recent APPA national average was 94.02 minutes.

2013 to 2018 **SAIDI** Index



PERFORMANCE

Operating Expenditures *(Per Megawatt Hour)*

2018	**$56.67**
2017	$63.92
2016	$66.58
2015	$60.21

Total expenses (excluding depreciation & amortization) for utility operation, less wholesale & TCOS revenue, divided by the total kilowatt hours of sales x 1,000

Electric System Number of Retail Customers

2018	**59,297**
2017	57,940
2016	55,871
2015	54,242

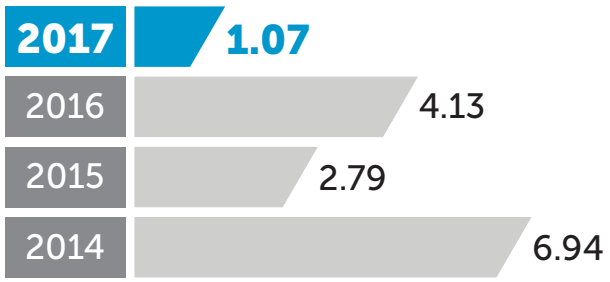
Total customers at year-end

Electric System Peak *(Megawatts)*

2018	**341**
2017	322
2016	323
2015	319

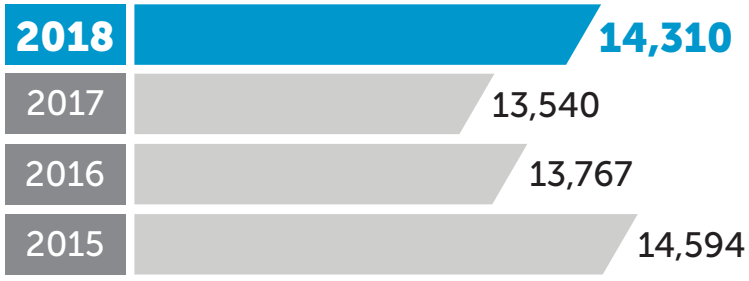
Peak demand for the fiscal year

Safety Incident 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.

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

CONDENSED FINANCIAL STATEMENTS:

CITY ELECTRIC SYSTEM

Condensed Statements of Net Position	FY2018	FY2017
Current assets	$ 103,868,643	$ 89,598,119
Capital assets, net	328,697,287	325,181,342
Restricted assets	48,820,482	53,624,401
Other	-	-
Total assets	**481,386,412**	**468,403,862**
Deferred outflows	**10,425,103**	**20,821,462**
Current liabilities	12,574,453	19,245,462
Current liabilities payable from restricted assets	40,888,367	18,198,088
Noncurrent liabilities	228,717,749	261,903,294
Total liabilities	**282,180,569**	**299,346,844**
Deferred inflows	**6,459,616**	**2,470,739**
Net investment in capital assets	125,967,009	125,683,387
Restricted	15,017,045	9,279,540
Unrestricted	62,187,276	52,444,814
Total net position	**$ 203,171,330**	**$ 187,407,741**

Condensed Statements of Revenues, Expenses and Changes in Net Position	FY2018	FY2017
Operating revenues	$ 199,082,844	$ 190,064,226
Operating expenses	162,522,523	166,211,379
Operating income	**36,560,321**	**23,852,847**
Investment income	776,947	784,398
Interest expense	(8,200,308)	(10,241,143)
Income before operating transfers & special items	**29,136,960**	**14,396,102**
Transfers, net	(10,738,229)	(10,156,113)
Changes in net position	**18,398,731**	**4,239,989**
Net position, beginning of period	187,407,741	183,167,752
Prior period adjustment - changes in net OPEB liability	(2,635,142)	-
Net position, beginning of period, restated	184,772,599	183,167,752
Net position, end of period	**$ 203,171,330**	**$ 187,407,741**

CONDENSED FINANCIAL STATEMENTS:

RURAL ELECTRIC SYSTEM

Condensed Statements of Net Position	FY2018	FY2017
Current assets	$ 18,472,305	$ 11,277,991
Capital assets, net	81,448,658	75,591,453
Restricted assets	4,552,080	9,125,221
Total assets	**104,473,043**	**95,994,665**
Current liabilities	8,829,322	3,753,116
Current liabilities payable from restricted assets	5,011,311	4,565,507
Noncurrent liabilities	20,826,015	21,943,108
Total liabilities	**34,666,648**	**30,261,731**
Deferred inflows	**10,098,799**	**8,897,380**
Net position:		
Net investment in capital assets	49,478,844	48,738,241
Restricted	585,769	572,436
Unrestricted	9,642,983	7,524,877
Total net position	**$ 59,707,596**	**$ 56,835,554**

Condensed Statements of Revenues, Expenses and Changes in Net Position	FY2018	FY2017
Operating revenues	$ 48,935,501	$ 44,224,725
Operating expenses	45,472,708	40,930,733
Operating income	**3,462,793**	**3,293,992**
Investment income	125,977	70,839
Interest expense	(716,728)	(733,466)
Change in net position	**2,872,042**	**2,631,365**
Net position, beginning of period	56,835,554	54,204,189
Net position, end of period	**$59,707,596**	**$56,835,554**

WHILE LAKE BRYAN IS A GREAT PLACE TO RELAX, BOAT, PADDLE BOARD AND FISH, IT'S MUCH MORE THAN THAT.

IT ALSO HELPS BTU KEEP YOUR LIGHTS ON.

2018 was an exciting year for Lake Bryan. The Roland C. Dansby Power Plant that calls Lake Bryan home, turned 40 years old. Within the park, a vendor installed a self-service paddle board and kayak rental station. The restaurant in the park is under new management and has recently reopened as The Hook at Lake Bryan. Customers can enjoy great food, cold drinks, and fun on the water.

www.btutilities.com **#LakeBryanTX**

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