BRYAN TEXAS UTILITIES

BTU

THE DIFFERENCE IS **YOU**

2022 ANNUAL REPORT

FOCUSING ON WHAT MATTERS MOST

Reliability, Affordability, Stability, Community

2022 BOARD OF DIRECTORS

A. BENTLEY NETTLES
CHAIRPERSON

ROSEMARIE SELMAN
VICE CHAIRPERSON

PETE J. BIENSKI, JR.
SECRETARY

JOHNNY BOND
MEMBER

PAUL MADISON, SR.
MEMBER

GREG OWENS
MEMBER

PAUL TURNEY
MEMBER

JASON BIENSKI
EX-OFFICIO

BUPPY SIMANK
EX-OFFICIO

A LETTER FROM THE GENERAL MANAGER

GARY MILLER
GENERAL MANAGER

The theme of this year's annual report is "Focusing on What Matters Most". We considered four pillars of importance to customers; reliability, affordability, stability and community. BTU's foundation is rooted in providing exceptional service, whether that is through rates that our customers pay, the dependability of electric service to their homes and businesses, or perhaps, most importantly, through interactions with our employees on a day-to-day basis.

During BTU's Fiscal Year 2022, the electricity market in Texas experienced some interesting changes that resulted in unusual price swings for retail customers. Most areas of the state experienced significant rate increases due to high natural gas prices and the lingering effects of Winter Storm Uri. Some areas saw electric rates effectively double. Many of these areas will see these effects for quite some time to come. Due to effective planning and fiscal responsibility, we were able to hold rates steady for our customers. Now, BTU customers have some of the lowest electric rates in the state.

One way in which BTU has been able to maintain the stability of electric rates is the addition of a large solar facility located in northeast Texas. This facility will deliver low-cost energy to BTU customers throughout the Brazos Valley.

BTU continues to experience exceptional growth within the service territory. Since 2002, the number of meters served has increased more than 60%. This growth combined with supply chain issues made 2022 a difficult year for construction. Electric equipment such as transformers, meters and wire were difficult to procure at times. However, successful planning by BTU's Engineering department as well as our alliance partnership with the Texas Electric Cooperatives (TEC) warehousing operation allowed us to maintain and supply all of our customer needs during this challenging period.

Growth within the service territory also requires growth within the company. While we have been able to maintain levels of service, BTU's facilities have become dated and in need of expansion. In 2022, BTU's new Distribution Service Center (DSC) opened for operation. The DSC campus includes offices and meeting rooms, safety and training areas, and warehousing and material storage and preparation areas.

Working with and serving our community is paramount. At BTU, we strive to have a positive influence on the youth and future leaders of our community. BTU's sponsorship of the annual Government-in-Action Youth Tour to Washington D.C. and the annual Kids Calendar are just a couple of ways in which BTU endeavors to support the next generation of leaders. We are proud to be doing our small part to make this community the premier place to live and work in Texas.

FOCUSING ON WHAT MATTERS MOST

Our customers expect the lights to come on when they flip a switch; ***reliability***. They want to know they can pay their utility bills without creating hardships; ***affordability***. Customers want to trust their utility provider and know they will not be surprised by ever-changing rates or procedures; ***stability***. And finally, our customers are more than customers. They are our friends and neighbors who appreciate a business who gives back and participates in local events and organizations; ***community***.

DISTRIBUTION SERVICE CENTER

HOME TO MORE THAN **75 EMPLOYEES**

MORE THAN **75k SQUARE FEET OF SPACE**

In 2022, BTU completed construction on its new Distribution Service Center. The new facility is located on Fountain Street adjacent to the former distribution building, originally constructed in 1954. The Distribution Service Center is home to approximately 75 employees from the Distribution and Metering departments. The improved campus provides more than 75,000 square feet of space for materials storage, fleet and tool accommodations, job preparation space, training facilities, and office and meeting areas.

BTU began planning for the new facility in 2018 with construction beginning in 2019. Customer and system load growth led to a need for larger and more modern facilities to provide employees with a productive work environment. The 2010 to 2020 census reported a 20 percent growth in Brazos County, much of which is served by BTU.

In addition to needed expansion, the new space increases efficiency by providing queuing space for crews to gather and prepare materials for construction jobs. The more efficient work space helps reduce outage response times and supports storm recovery efforts. The facility also improves safety and security for BTU employees and materials. The new Distribution Service Center allows BTU to support continued growth in the Bryan/College Station area well into the future.

ADDRESSING GROWTH

Planning for the current and future needs of the citizens of Bryan and the Brazos Valley is a focus for BTU. For the past five years, BTU has been discussing and planning to address growth with a new BTU Administration Building. A new facility will enable BTU to continue supporting the thriving community in the Brazos Valley.

On December 6, 2022, the results of these discussions and plans came to fruition as the City of Bryan City Council and BTU Board of Directors broke ground on the new BTU Administration Building at 2611 N. Earl Rudder Parkway in north Bryan off of Texas Highway 6.

4 ACRE Site located adjacent to the Bryan Regional Athletic Complex

43ft maximum height

25ft x 84ft skylight

2 Stories

39,242 Sq ft

Drive through lanes: 2

Board room with seating for 50+

Electric Vehicle charging parking spaces: 4

On-site generator for backup power

Self-serve kiosk

DISTRIBUTION

Electricity powers daily life. Reliability and resiliency of electricity is critical to the nation's economic vitality and societal well-being. Reliability is also critical to the more intangible parts of life; lighting up memories. The stadium lights illuminating Friday night football games, the soft light of a lamp when a new mother is caring for her baby at night, and the cozy family movie night are all powered by electricity. BTU customers expect the light to come on when they flip the switch, and BTU takes a proactive approach to ensure they can enjoy all the little moments in life.

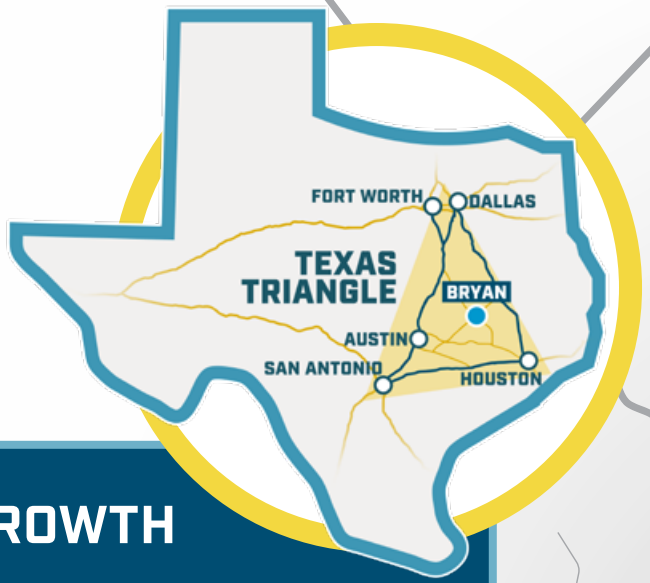
Performed reliability and capacity upgrades to
MORE THAN **23 MILES**
OF DISTRIBUTION LINES

The electric meter department performed
3,155
METER SITE INSPECTIONS

UNDERGROUND CABLE

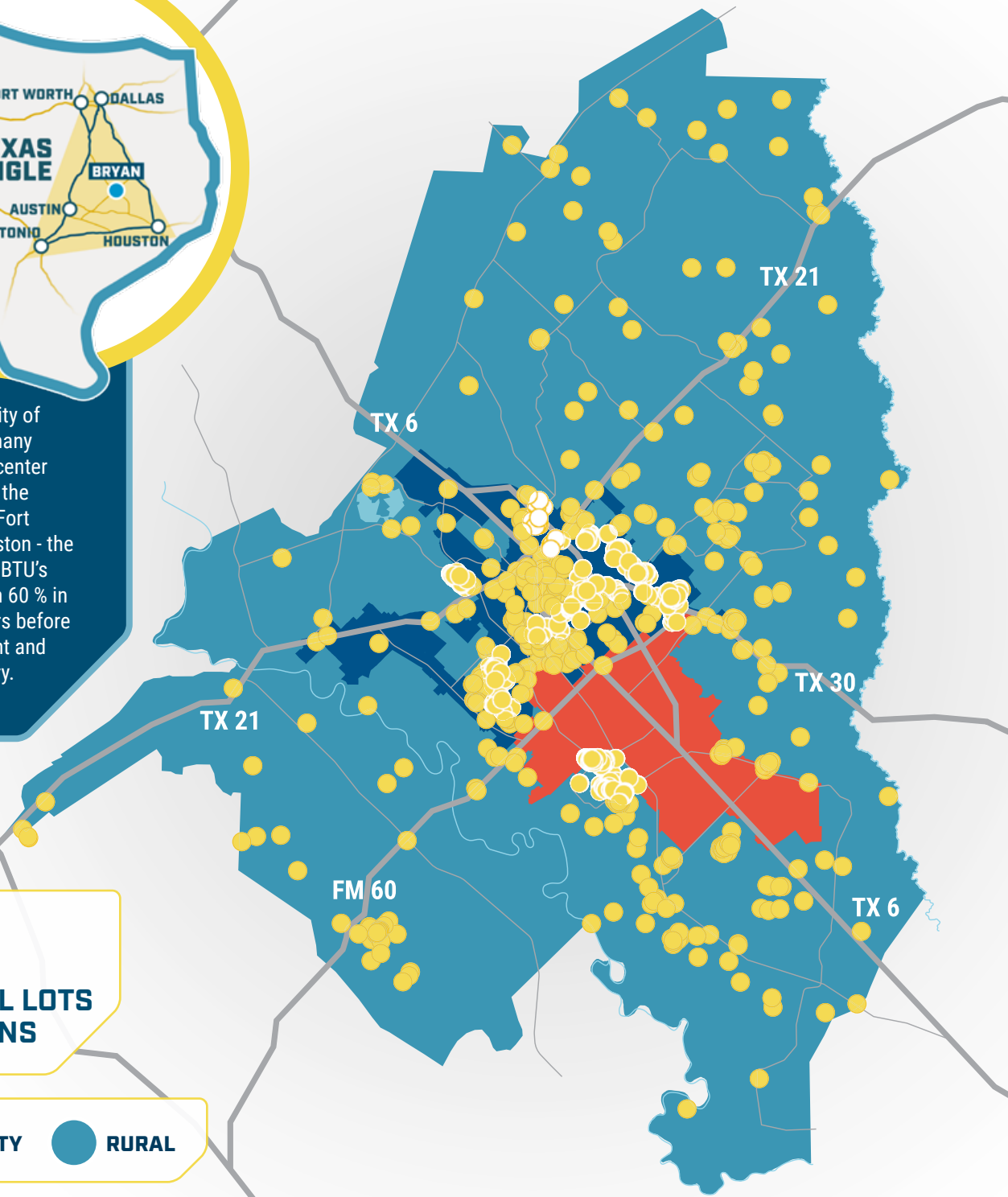
103 sections tested for performance

14 repaired or replaced sections



GROWTH

Growth has been a theme and a reality of the Bryan/College Station area for many years. Since Bryan is located in the center of the Texas Triangle - composed of the major metropolitan areas of Dallas/Fort Worth, Austin/San Antonio and Houston - the area is well suited for development. BTU's customer base has grown more than 60 % in the last twenty years. 2022, like years before it, brought more growth, development and prosperity to the BTU service territory.



2022:

841
NEW RESIDENTIAL LOTS IN 24 SUBDIVISIONS

BTU SERVICE AREA: CITY RURAL

TRANSMISSION

A common metaphor used to explain the electric grid is to liken it to a system of roadways allowing vehicles to move from one area to another. Electric distribution lines are like residential streets crisscrossing neighborhoods and delivering energy to the end use customers. Transmission lines are akin to the interstates and toll roads that allow more vehicles to move at a greater volume and rapid pace. As a community grows, it needs more and more roadways to support vehicle traffic. The same is true with electric infrastructure. As the Brazos Valley grows, BTU is investing in increased transmission infrastructure to support development.

In 2022, BTU's Transmission Division accomplished the following:

DESIGNED

- RELLIS Switching Station
- Wellborn Substation expansion
- Kurten Substation expansion
- Smetana Substation to Leonard Road Substation 138kV line
- Shady Lane Substation rebuild
- The Transmission Division is preparing to build 4 new substations in the next few years.

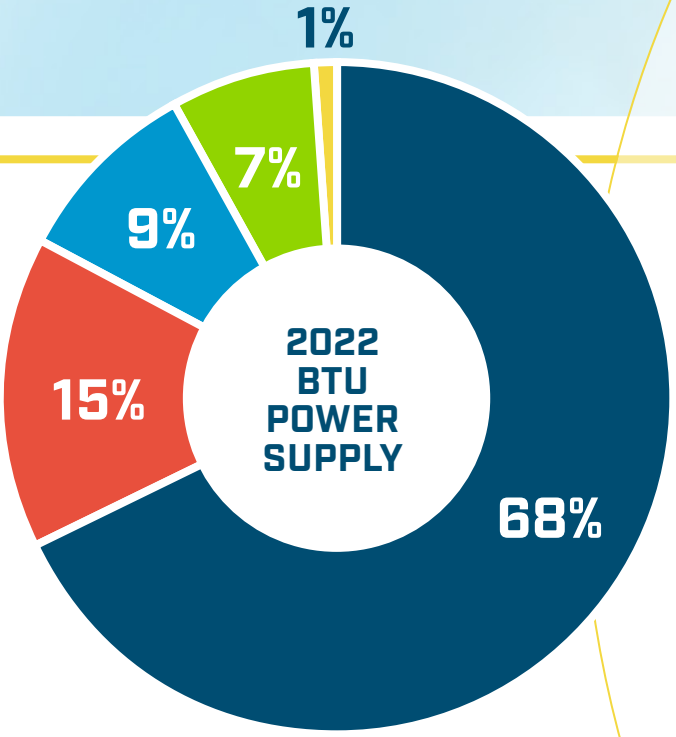
COMPLETED

- Commissioned Smetana Substation
- Rebuilt 4 miles of 69kV line between Rodgers Substation and Rayburn Substation
- Installed 4 miles of 138kV line between Steele Store Substation and Smetana Substation
- Added additional capacity at Steephollow Substation

BTU owns and maintains **50 miles of 69kV line** *and* **142 miles of 138kV line**

POWER SUPPLY

Diverse sources of power generation are essential to providing stable and economical rates to BTU customers. BTU's Qualified Scheduling Entity (QSE) and Generation departments work together to provide low cost energy to BTU customers. The QSE plans for long-range resource adequacy for the system's needs. This allows BTU to enter into agreements for reasonably priced long-term energy supply, providing a stable and predictable cost. The QSE also determines when it is advantageous for BTU to generate power at its power plants or when energy can be procured at a lower cost in the market. This insulates BTU customers against market volatility and keeps rates affordable and stable.



Dansby 1	110 MW natural gas	Brazos County
Dansby 2	48 MW natural gas	Brazos County
Dansby 3	48 MW natural gas	Brazos County
Atkins 7	20 MW natural gas	Brazos County
Los Vientos V	30 MW wind	Starr County
Penascal II	30 MW wind	Kenedy County
Bryan Solar	10 MW solar	Presidio County
Samson Solar (Q4 2022)	75 MW solar	Lamar County

- Fixed-Cost Energy Purchases
- Market Purchases
- BTU-owned Facilities *(Dansby and Atkins Power Plants)*
- Wind Power Purchase Agreements
- Solar Power Purchase Agreements

SOLAR

BRYAN TEXAS UTILITIES is now receiving power from one of the largest photovoltaic solar installations in the nation.

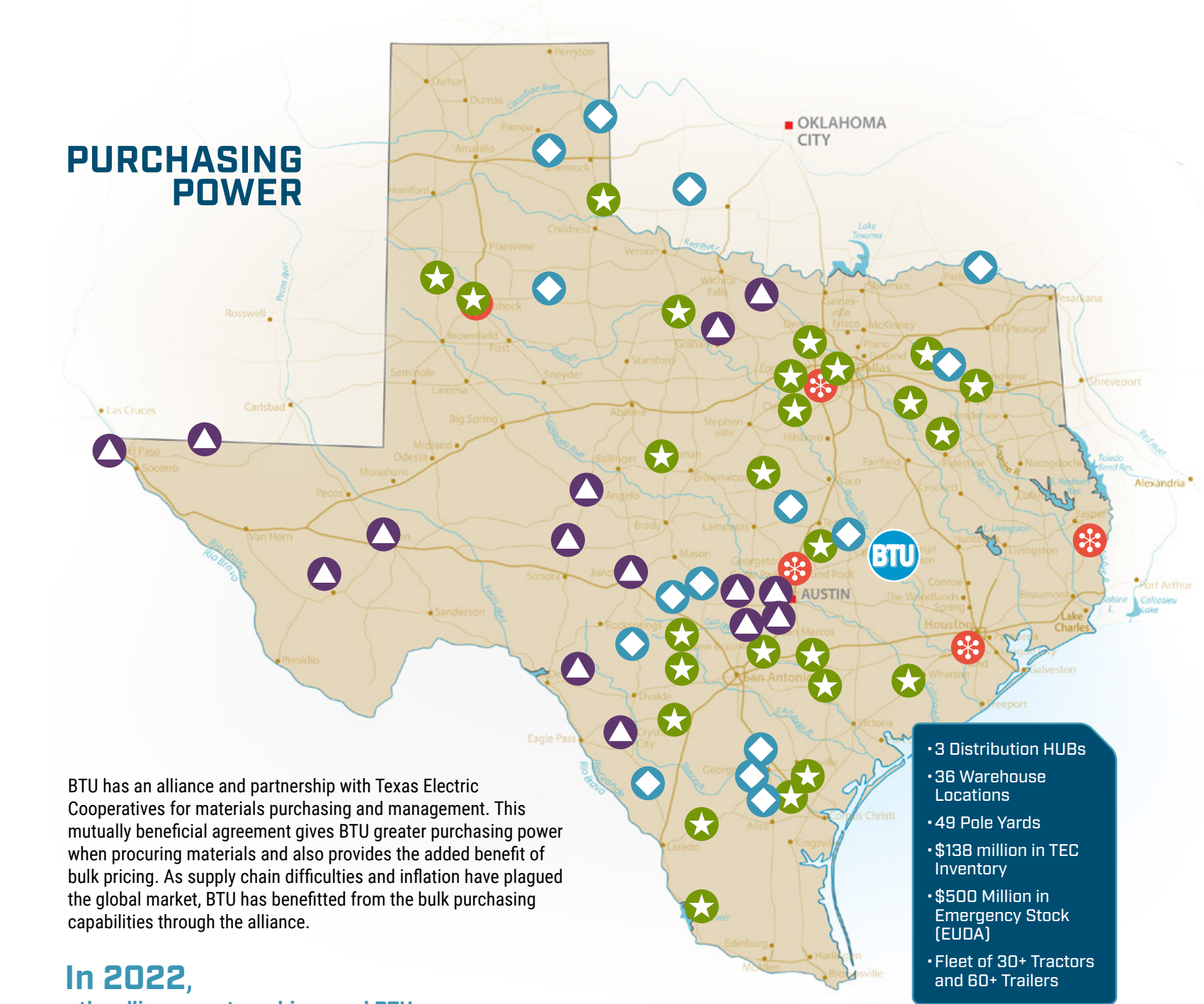
In late 2022, BTU began receiving power from one of the largest photovoltaic solar installations in the nation. The Samson Solar Energy Center, owned and operated by Invenergy, spans three counties in northeast Texas. Construction began in July of 2020 with energy starting to flow to BTU in December 2022.

Invenergy's project will have the capacity to generate 1,310 megawatts of sustainable energy upon its completion. That is enough electricity to power about 300,000 homes. By aggregating such a large facility, Samson was able to utilize benefits from bulk material purchases, reduced land prices and lower labor expenses to maximize the cost-efficiency of the energy produced.

BTU has a diverse generation portfolio that includes solar, wind and natural gas facilities. Diversity is essential to providing dependable and reasonably priced power to the Bryan/College Station community. BTU's Power Purchase Agreement (PPA) with Samson is for 75 megawatts of power. Partnership in the Samson Solar Energy Center helps BTU meet a goal of providing reliable energy at an affordable cost.

Samson Solar Invenergy

PURCHASING POWER



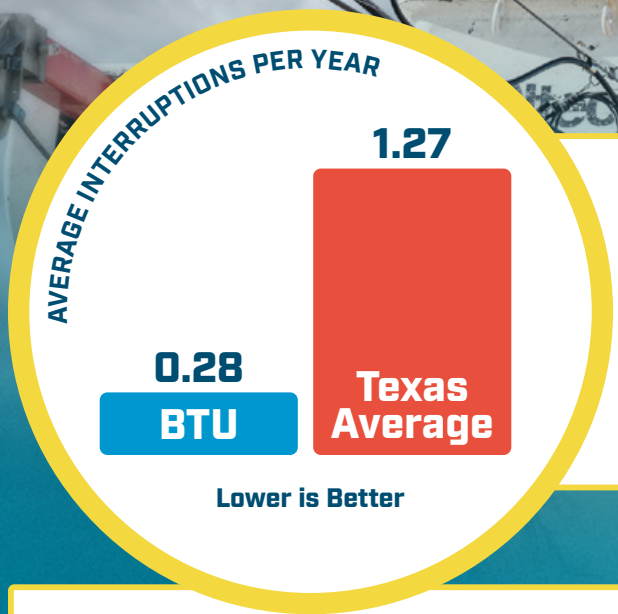
BTU has an alliance and partnership with Texas Electric Cooperatives for materials purchasing and management. This mutually beneficial agreement gives BTU greater purchasing power when procuring materials and also provides the added benefit of bulk pricing. As supply chain difficulties and inflation have plagued the global market, BTU has benefitted from the bulk purchasing capabilities through the alliance.

- 3 Distribution HUBs
- 36 Warehouse Locations
- 49 Pole Yards
- $138 million in TEC Inventory
- $500 Million in Emergency Stock (EUDA)
- Fleet of 30+ Tractors and 60+ Trailers

In 2022,
the alliance partnership saved BTU – and BTU customers – about 17% on materials purchasing and management costs.

Alliance HUB **Alliance Warehouse** **Alliance Pole Yards** **Sole Source Alliance**

SYSTEM RELIABILITY



2022 SAIFI

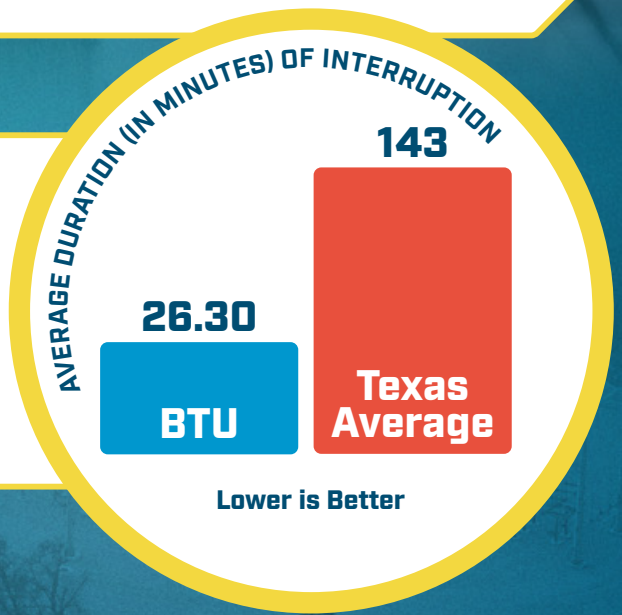
- System Average Interruption Frequency Index

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 2022, a BTU customer would experience 0.28 outages per year while the Texas average was 1.27 outages per year.

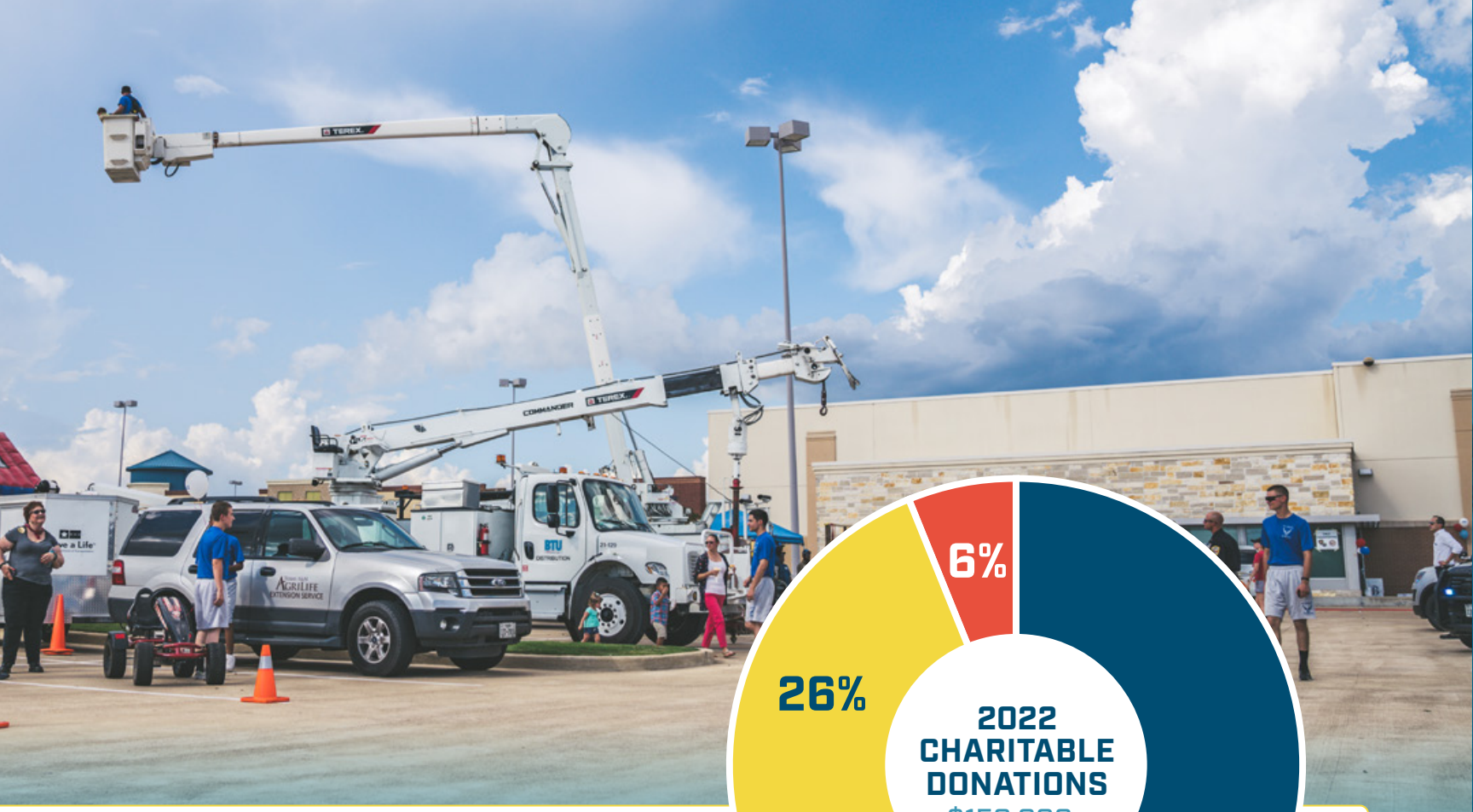
2022 SAIDI

- 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 2022, BTU customers had an average duration of 26.30 minutes while the Texas average was 143 minutes.



Source · U.S. Energy Information Administration Report / eia.gov



SERVING THE COMMUNITY

BTU is committed to empowering the community it serves, and that means more than providing electricity. In 2022, BTU gave more than $150,000 back to those it serves through charitable donations. Donations focused on strengthening the community and economic prosperity such as the Bryan/College Station Chamber of Commerce, caring for those in need such as the Brazos Valley Food Bank or the Salvation Army, and empowering the next generation of community leaders with participation in worthwhile programs such as the George and Barbara Bush High School Public Service Scholarship or The Hispanic Forum of Bryan/College Station.

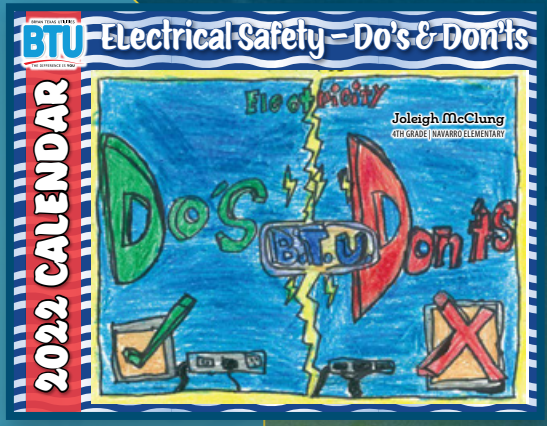
- **Economic development and civic organizations**
- **Charitable, non-profit organizations**
- **Scholarships and youth service programs**

YOUTH TOUR

Each year, BTU sponsors local high school students on an all-expense-paid, 10-day trip to Austin, TX and Washington, D.C. Participants from across the country get to experience all of the amazing sites and rich history of our nation's capital. They will tour monuments and memorials, visit museums and archival libraries and pay their respects at Arlington National Cemetery and the Tomb of the Unknown Soldier. The leadership development trip also provides students with an unmatched opportunity to visit with their congressional representatives in their offices on Capitol Hill.

STUDENT CALENDAR

For nearly 30 years, BTU has partnered with local elementary schools to create an annual calendar showcasing young artists and electrical awareness. Each year, the calendar theme aims to teach the student-artists, and any member of the public that receives a calendar, about the electric industry. The theme varies from year to year, but typically involves electrical safety, energy conservation or an understanding of the way electricity was discovered, produced or transported. In 2022, BTU received over 400 art submissions from 11 local elementary schools. BTU distributed more than 15,000 calendars to students and the community at large. BTU is grateful for the community's support and partnership in this long-running, locally favorite publication.



CONDENSED FINANCIAL STATEMENTS

CITY ELECTRIC SYSTEM

Condensed Statements of Net Position	FY2022	FY2021
Current assets	$ 136,418,056	$ 196,142,055
Capital assets, net	452,639,672	419,562,866
Restricted assets	173,503,541	31,523,576
Other	17,737,838	10,752,274
Total assets	**780,299,108**	**657,980,770**
Deferred outflows of resources	**3,050,408**	**3,103,596**
Current liabilities	16,616,057	17,513,378
Current liabilities payable from restricted assets	111,516,560	23,286,165
Noncurrent liabilities	312,188,954	330,777,546
Total liabilities	**440,321,571**	**371,577,089**
Deferred inflows of resources	**16,463,924**	**9,611,946**
Net position:		
Net investment in capital assets	202,318,185	95,252,928
Restricted	17,116,712	13,758,535
Unrestricted	107,129,123	170,883,867
Total net position	**$ 326,564,021**	**$ 279,895,330**

Condensed Statements of Revenues, Expenses and Changes in Net Position	FY2022	FY2021
Operating revenues	$ 237,447,855	$ 362,660,519
Operating expenses	163,161,346	304,791,901
Operating income	**74,286,509**	**57,868,618**
Investment income	3,130,470	363,245
Interest expense	(11,353,314)	(8,952,675)
Investment Mark to Market	(6,240,305)	(630,213)
Income before operating transfers	**59,823,360**	**49,279,188**
Transfers, net	(13,154,669)	(12,109,173)
Extraordinary item: - 2021 Winter Weather Event		(14,299,522)
Changes in net position	**46,668,691**	**22,870,493**
Net position, beginning of period	279,895,330	257,024,837
Net position, end of period	**$ 326,564,021**	**$ 279,895,330**

RURAL ELECTRIC SYSTEM

Condensed Statements of Net Position	FY2022	FY2021
Current assets	$ 28,525,996	$ 38,078,703
Capital assets, net	128,616,670	120,449,676
Restricted assets	12,849,263	2,169,198
Total assets	**169,991,929**	**160,697,577**
Current liabilities	5,311,009	7,516,189
Current liabilities payable from restricted assets	3,951,581	3,954,035
Non-current liabilities	53,401,068	55,337,780
Total liabilities	**62,663,658**	**66,808,004**
Deferred inflows of resources	**14,408,310**	**13,998,559**
Net position:		
Net investment in capital assets	68,751,415	48,294,155
Restricted	406,250	276,875
Unrestricted	23,762,296	31,319,984
Total net position	**$ 92,919,962**	**$ 79,891,014**

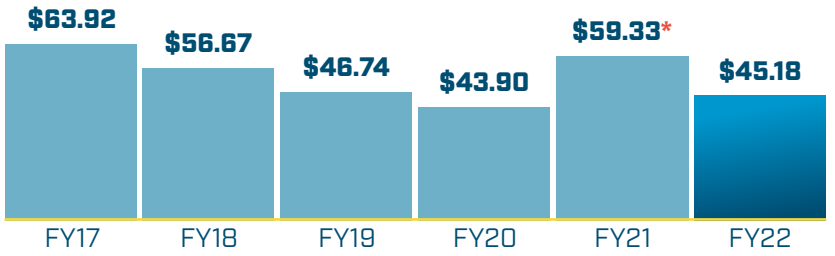
Condensed Statements of Revenues, Expenses and Changes in Net Position	FY2022	FY2021
Operating revenues	$ 57,642,815	$ 48,006,906
Operating expenses	42,080,537	36,631,358
Operating income	**15,562,278**	**11,375,548**
Investment income	332,425	68,686
Interest expense	(1,849,440)	(1,457,939)
Investment Mark to Market	(1,016,315)	(56,427)
Non-operating income/(expense)	**(2,533,330)**	**(1,389,253)**
Extraordinary item: 2021 Winter Weather Event		(9,244,578)
Change in net position	**13,028,947**	**741,716**
Net position, beginning of period	79,891,014	79,149,298
Net position, end of period	**$ 92,919,962**	**$ 79,891,014**

PERFORMANCE

OPERATING EXPENDITURES
(Per total retail MWh sales)

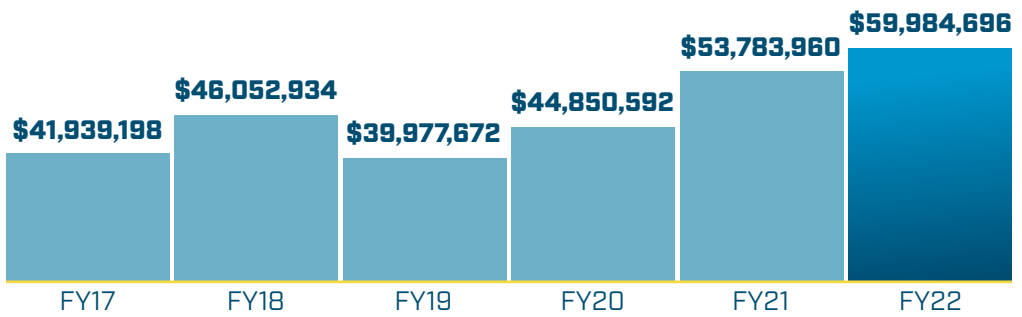
*Total affected by Winter Storm Uri

BTU has consistent costs for operations and maintenance despite a growing customer base.



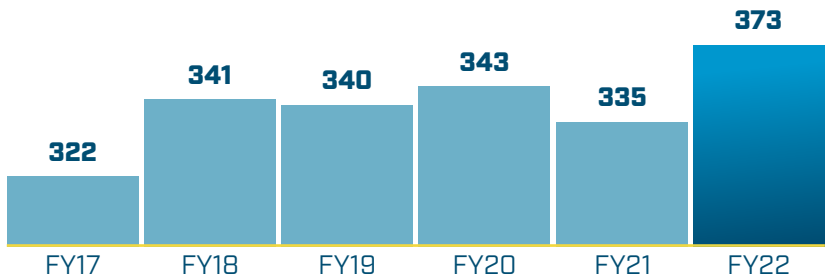
CAPITAL EXPENDITURES
(Actual)
City + Rural

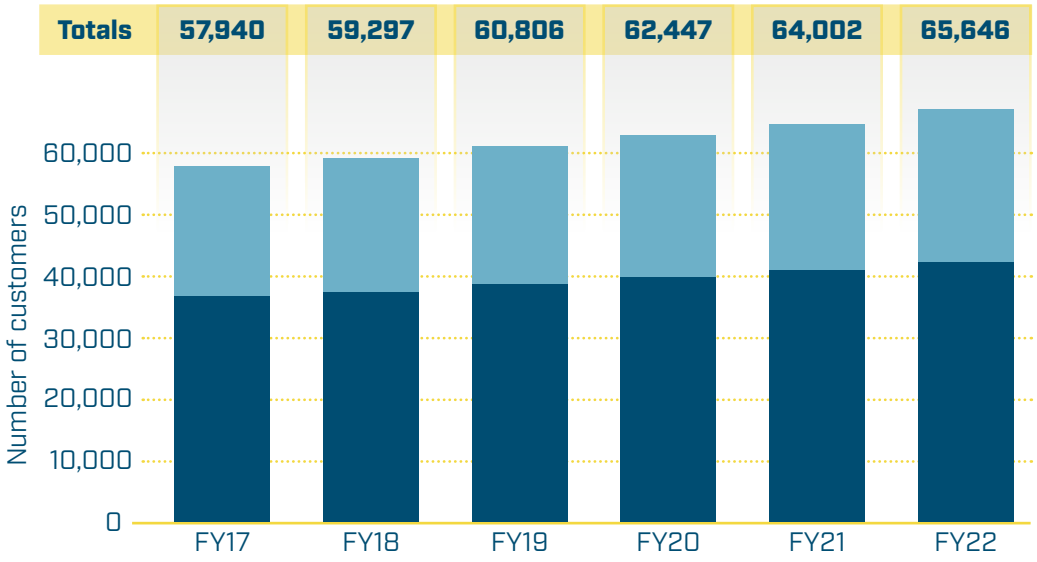
BTU is reinvesting in the system for reliability and resiliency.



SYSTEM PEAK *(Megawatts)*

Along with number of meters served, the demand for energy in the BTU service territory is growing.





NUMBER OF CUSTOMERS
City and Rural

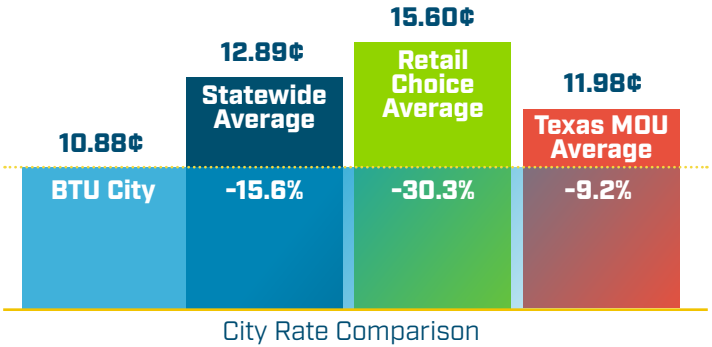
BTU service territory is growing.

CITY

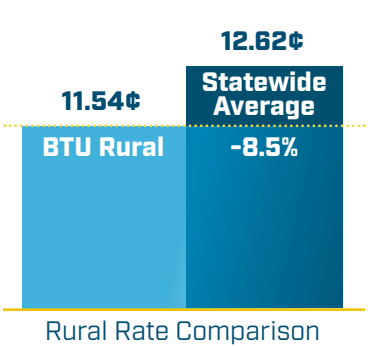
RURAL

BTU AND STATEWIDE RATE COMPARISON *(Cents/kWh)*

BTU provides stable and economical rates.



City Rate Comparison



Rural Rate Comparison

BRYAN TEXAS UTILITIES

BTU

THE DIFFERENCE IS **YOU**

2022 ANNUAL REPORT

FOCUSING ON WHAT MATTERS MOST

Reliability, Affordability, Stability, Community

btutilities.com

03/2023 Bryan Texas Utilities / City of Bryan Marketing & Communications