Garland Power & Light

2016 ANNUAL REPORT

General Manager's Message

In 2016, Garland Power & Light performed beyond expectations, both in the service we provide to customers and in the pursuit of our business strategies. Among the year's successes were a reduction in how much our customers pay for electricity, progress in developing revenue growth opportunities, and our response to the December tornado.

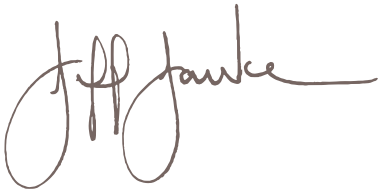
GP&L's continued revenue growth and careful cost management allowed us to decrease the Recovery Adjustment Factor (RAF) component of our electric rate and avoid taking a planned transfer from the Rate Mitigation Fund. The change in the RAF equates to a 7% or $117 per year decrease in the electric bill of a customer using an annual average of 1300 kWh per month. The reduction also keeps GP&L's electric rates competitive with deregulated electric providers in the area, and is truly the culmination of all we do to keep electricity affordable for our customers.

We made progress on new business endeavors designed to support rate stability. Our participation in the Houston Import Project was approved by the Public Utility Commission of Texas (PUCT). The PUCT also approved the certificate of convenience and necessity (CCN) for the Rusk-Panola Transmission Project, making GP&L the first municipal utility to be granted a CCN under new legislation.

Another significant achievement was the execution of a Joint Operating Agreement among the Texas Municipal Power Agency (TMPA) Member Cities. This agreement sets the framework for the future of the Agency, including the ability to dissolve TMPA and sell its generation, transmission and mining assets. Garland and the other Member Cities continue to evaluate options for the sale of the Gibbons Creek Power Plant and the future of TMPA.

On December 26, 2015, southeast Garland experienced the devastating effects of an EF4 tornado, which destroyed homes and caused considerable damage to electric facilities. GP&L crews worked safely and efficiently to get the lights back on for more than 4,000 customers. The outstanding efforts of our employees during this event reflect the dedication I see every day throughout the organization.

Looking forward, we have many opportunities to grow our business and continue involvement on industry committees that are framing operating standards. In the upcoming Texas Legislative Session, we will actively monitor legislation relevant to public electric utilities.



Jeff Janke
General Manager & CEO

Transmission Initiatives

Participation in transmission projects outside of Garland continues to bring value to Garland Power & Light and its customers. These investments throughout the state earn incremental revenue, helping to offset GP&L customers' share of projected increases in Electric Reliability Council of Texas (ERCOT) transmission charges.

This year, GP&L moved forward with involvement in the Houston Import Project, a major transmission line designed to provide power to Southeast Texas and improve reliability of the ERCOT system. In the spring, the Public Utility Commission of Texas (PUCT) confirmed the need for the new line and approved the route. With a completion target of June 2018, the pre-construction process is on track, including the acquisition of rights of way and engineering design.

With the Rusk-Panola Transmission Project, GP&L became the first municipal electric utility to apply for and receive a certificate of convenience and necessity (CCN) from the PUCT under new legislation passed in 2015. The Rusk-Panola line will connect two switching stations near the Texas-Louisiana border as part of the 400-mile Southern Cross Transmission Project, which will link (via a direct-current tie) the ERCOT grid to the SERC Reliability Corporation in Mississippi and Alabama.

Supporting transmission reliability in GP&L's service territory, the Lookout Substation was brought online in September. North of Highway 190 near Telecom Parkway, Lookout provides 138kV transmission service to an adjacent utility's distribution substation, as well as distribution service to GP&L load, including the new RagingWire Data Center.

The majority of the work to design, construct and energize the Wylie Switchyard in Lavon was completed in 2016. After going online, the nearly five-acre, 138kV facility will improve transmission reliability within the ERCOT system and support load growth in the north Garland area.

To begin recovering capital expenses for recently completed transmission investments, including the Wynn Joyce Substation, GP&L submitted an interim Transmission Cost of Service filing. In October 2015, the PUCT approved an annual revenue increase of more than $1.1 million for the utility.

GP&L's extensive transmission expertise enables the utility to provide these services to other entities. As Transmission Operator, GP&L assisted in commissioning two substations for the City of Weatherford. This included preparing Network Operations Model Change Request (NOMCR) submittals to ERCOT and managing the outages associated with bringing the substations online.

In providing construction, maintenance and operations services to the Texas Municipal Power Agency (TMPA), GP&L made improvements to the Agency's transmission facilities. At the Gibbons Creek Switchyard, the utility installed two 100 MVAR reactors, which allow grid operators to fine-tune voltage on the transmission lines. GP&L also began equipping the switchyard to accommodate four new 345kV lines associated with the Houston Import Project.

Transmission projects bring value to GP&L and customers

Power Resources

With the goal of lowering the overall power cost to customers, GP&L's Energy Services Division continued to implement strategies to reduce demand, effectively utilize generation and power supply resources, and provide services to external customers.

Efforts to reduce power demand were valuable for both the utility and its customers. Through coordination with GP&L's System Operations and the City's Facilities Management Department, Energy Services utilized several demand reduction initiatives. These saved money for the City and electric ratepayers by making power available to ERCOT during usage peaks.

For a second year, GP&L successfully coordinated the use of City-owned backup generators in ERCOT's Emergency Response Service (ERS) to supply power back to the grid in times of high demand. To help secure the generators' eligibility in the program, the utility installed a diesel oxidation catalyst on each generator.

GP&L also worked with five local industrial customers to integrate their facilities into ERS. These customers agreed to shed load when requested by ERCOT. The generator and industrial resources were compensated by ERCOT for their involvement in ERS.

The EnergySaver Program remains popular, with more than 400 customers receiving utility bill credits for energy efficiency upgrades this year. Of these customers, 14 participated in the solar generation program. The commercial lighting program provided incentives to Baylor Scott & White – Garland, Garland Independent School District, Sonic Drive-In, 7-Eleven and RaceTrac for converting to energy-efficient lighting systems.

The Production group achieved a milestone when all production technicians earned the Level 1 Operator qualification, allowing them to fulfill auxiliary operator duties. Through these ongoing cross-training efforts, the Olinger and Spencer plants operated without an increase in staffing.

GP&L EnergySaver PROGRAM

After four years offline, the Lewisville Hydroelectric Plant was restored to service, fulfilling a request from the U.S. Corps of Engineers. Mechanical parts were refurbished and replaced, and electronic controls were changed out to bring the plant back online.

At the Spencer Power Plant, planned maintenance was conducted on Unit #4, including an overhaul of the turbine and generator. This was the first major outage for the unit in more than ten years, a testament to the outstanding maintenance work by Production employees.

This year, the Olinger Plant industrial wastewater permit was approved by the Texas Commission on Environmental Quality, and GP&L submitted Olinger's Title V air permit renewal application to the agency.

Strategies to lower overall power cost

GP&L made progress on including renewable energy into its power supply mix when the Los Vientos V wind farm began operations in South Texas. Three new power agreements will bring more renewables online in the coming year. Salt Fork in the Panhandle and Albercas in South Texas will deliver additional wind energy, and the Lamesa solar project in West Texas will further diversify the resource portfolio with solar power. With each of these power agreements, GP&L owns the renewable energy credits (RECs), whose benefits may be used for the utility and its customers, or for interested third parties.

As these power projects come online, GP&L integrates the resources into Qualified Scheduling Entity (QSE) processes. This includes coordination between GP&L's Technology Services and QSE work groups to establish communication and real-time telemetry with the remote wind farms, and to modify the systems used in QSE market interactions with ERCOT.

GP&L's business of providing QSE and wholesale energy services to other utilities continues to add significant value to the utility. The contract to provide Georgetown Utility Systems with QSE services was extended, with the addition of QSE services for Georgetown's solar project. San Bernard Electric Cooperative signed a QSE services contract, and agreements were extended with Greenville Electric Utility System and the city of College Station.

To enhance operations, the QSE adopted a congestion management software system that aids congestion revenue rights (CRR) auction strategies. The group also worked with Settlements and Finance to develop a proposal for a system that will enhance front-to-back office processes ranging from ERCOT transactions to QSE wholesale customer billing.

Service & Reliability

Always committed to providing customers with reliable electric service, GP&L was active this year in making upgrades to existing infrastructure, as well as supporting new development throughout Garland.

The utility continued its initiative to replace GP&L's 14,000 streetlight luminaires with energy-efficient light-emitting diodes (LEDs). The program also features new streetlight poles and a management system, which communicates the operating status of each of the new lights. The streetlight conversion project began last year and is expected to be complete by 2022.

To improve distribution service reliability in south Garland, new steel poles and an upgraded 500-foot line were installed across Interstate 30 at Broadway Boulevard. The new overhead crossing is double circuit, providing a backup for other I-30 crossings.

Along busy Shiloh Road, both distribution and transmission facilities were relocated by GP&L to accommodate a City road project. Construction crews adjusted three transmission lines and multiple distribution lines. GP&L coordinated with other City departments and several area utilities on this project.

Providing reliable electric service for customers

In support of redevelopment in Downtown Garland, GP&L installed electric service and lighting around the Granville Arts Center, the William E. Dollar Municipal Building and the Oaks 5th Street Crossing apartments.

North of the President George Bush Turnpike, electric facilities were built for the new Campfire Crossing apartments. This included four single-phase loops and transformers, underground primary, and an extension of an underground duct line to feed the complex.

Several 2016 projects will benefit commercial expansion and growth in the city. GP&L reconfigured the distribution system at Daisy Brand to accommodate the facility's additional load. For future development along Broadmoor Drive, the utility constructed a temporary overhead line and installed a duct bank.

The distribution underground loop replacement program continued, with 65,000 feet of primary and 13,000 feet of secondary cable upgrades. Replacement was prioritized according to cable problem reports, allowing GP&L to proactively replace and upgrade cable before significant failure.

To maintain proper tracking of changes to the electric system, GP&L's Accounting group conducted a reconciliation of selected utility assets. The 2016 review encompassed transmission poles and distribution assets, excluding wire and transformers.

This year, 65 distribution construction standards were either revised or developed, and approved by GP&L's Construction Standards Committee. These standards covered the LED streetlight installations and other system upgrades, and included designs by engineering, and specifications for materials and labor.

In preparation for future construction, numerous distribution projects were designed: electric facilities for the Garland Logistics Center and the Domain at Firewheel apartment complex, a feeder rebuild of Shiloh-6, and overhead-to-underground conversions of the Shiloh-5 line, as well as lines along Brand Road and near Glenbrook Drive.

Strength in Operations

New tools and improvements in work processes at GP&L continue to enhance the utility's business operations and service to customers. As always, a strong commitment to regulatory compliance was seen throughout the organization.

This year, GP&L completed a NERC reliability audit covering the utility's functions as a Transmission Owner (TO), Transmission Operator (TOP), Transmission Planner (TP) and Distribution Provider (DP). The examination primarily included transmission, substation and system operations responsibilities.

Although the audit examined fewer requirements than in previous reviews, it covered 18 months of documentation and called for a greater amount of reliability-related data. GP&L's strong culture of compliance and last year's implementation of a rigorous internal audit program served the utility well, ensuring the audit went smoothly and quickly.

Illustrating the growing number of industry regulations, updates to more than 30 standards went into effect this year. This included all 11 Critical Infrastructure Protection (CIP) standards, which cover both physical and cyber security. GP&L implemented these changes, which included increased background check requirements for employees and the inclusion of additional electronic equipment into CIP standards.

Information technology within GP&L was secured with next-generation firewalls, user training on cyber security threats, and continuous monitoring of the utility's systems. Backend servers and storage were also added to improve system performance and reliability.

A strong commitment to regulatory compliance throughout GP&L

POWERnet, an upgraded intranet based on Microsoft SharePoint, was rolled out for employees. The site facilitates internal communication and provides a central location for tools and information, including an improved employee directory, a calendar, news and pictures. Work groups can keep resources and documents specific to their processes on department pages within the site.

New contract management software was installed to facilitate workflow by providing a central place to store and access contracts. The application has a search function and can send renewal reminders.

The backup operations center underwent remodeling, which included new floors, ceilings and desks. Improvements will enhance electric grid controller performance and control the noise level in the facility.

To fulfill regulatory requirements, voice recording software was installed at the operations center. This application documents all grid controller phone conversations, including those with field personnel and ERCOT. The system also has built-in search functionality and backs up records.

Expanded use of ERCOT transmission data and enhancements to grid controllers' electronic displays further increased situational awareness of the electric grid beyond Garland. The ability to view status of nearby power plants and substations allows GP&L electric grid controllers to provide voltage support, if needed.

Tornado Response

When an EF4 tornado hit Garland the day after Christmas in 2015, GP&L employees showed outstanding dedication in their efforts to restore power to customers safely and as quickly as possible. Passing through Garland at 6:45 p.m. near Interstate 30 and the President George Bush Turnpike, the tornado brought down poles and wire in its path. This destruction left 4,200 GP&L customers in and around the damaged area without power.

Immediately following the storm, GP&L worked overnight to stage wire, poles and other equipment, ensuring crews were ready to begin power restoration the morning of Sunday, December 27.

As soon as GP&L was granted access by first responders to the affected neighborhoods, crews worked around the clock to rebuild facilities and restore power. Over four days, GP&L replaced 40 poles and nearly nine miles of wire. By December 30, all buildings that could safely accept electric service were back online. In the days and weeks that followed, GP&L coordinated with customers whose homes were damaged and the City's Building Inspection Department to ensure power was restored to homes as soon as repairs were made.

GP&L employees showed outstanding dedication in their efforts to restore power

The severe weather on December 26 was not limited to Garland. North of the city, GP&L's transmission crew restored power to TMPA's Olinger–Pruitt transmission line by removing debris left on the phases by the tornado that passed through Copeville.

Through the Federal Emergency Management Agency (FEMA), GP&L was able to receive federal assistance with the cost of rebuilding electric facilities damaged by the tornado. The complex filing process included additional tracking and accounting by field crews, and coordination with the City and FEMA.


Altec
GMLAND

Customers recognized GP&L's efforts throughout the crisis, with many posting to social media:

We lost power this morning for about six hours. I was surprised when it came back on. These guys have worked so hard last night and into today. Thank you for all you are doing out in the cold to keep my family warm.

Thank you all for your hard work and dedication to ensure that our community gets power as soon as possible.

Thank you to everyone working so hard to get our power back on. Stay safe!

Thank you, each and every one of these workers is truly a blessing.

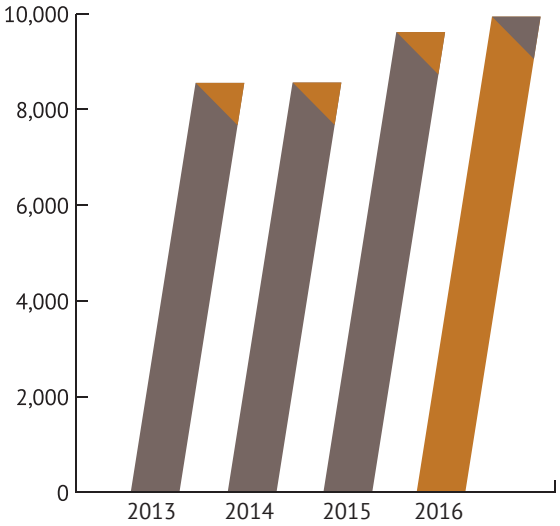
We really appreciate all the hard work that you do. We don't give you the credit that y'all deserve. Thank you.


SILVERADO

Performance Indicators

Fiscal Year Ended September 30

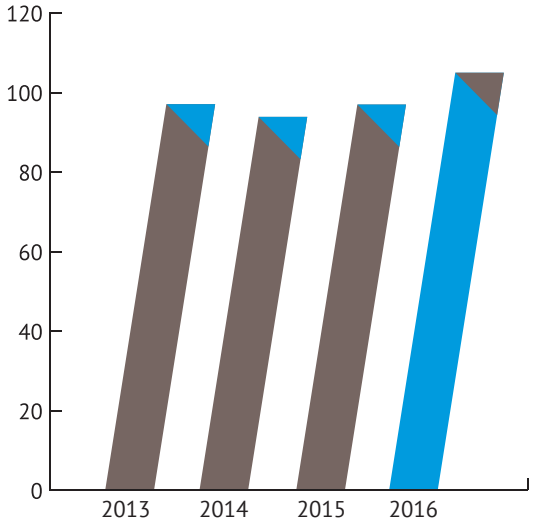
Service Requests



Description: Total number of annual requests for distribution and transmission services.

Interpretation: Service requests are the macro level indicator of the productivity in the Transmission & Distribution Division. Incidents such as major storms can impact the totals.

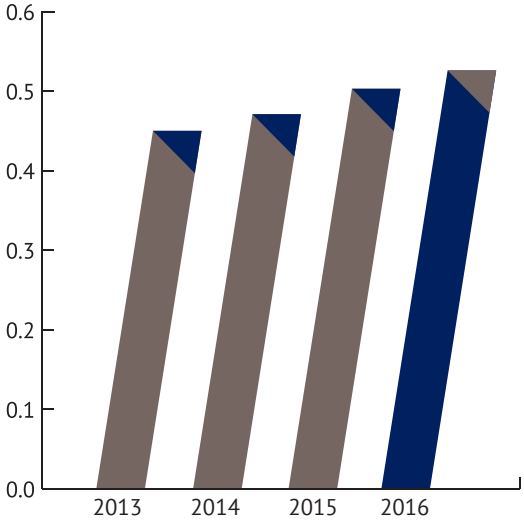
Operating Expenses per Megawatt Hour



Description: Total GP&L operating expenses for utility operation, excluding wholesale customer energy purchases, divided by the total kilowatt hours of retail sales x 1,000.

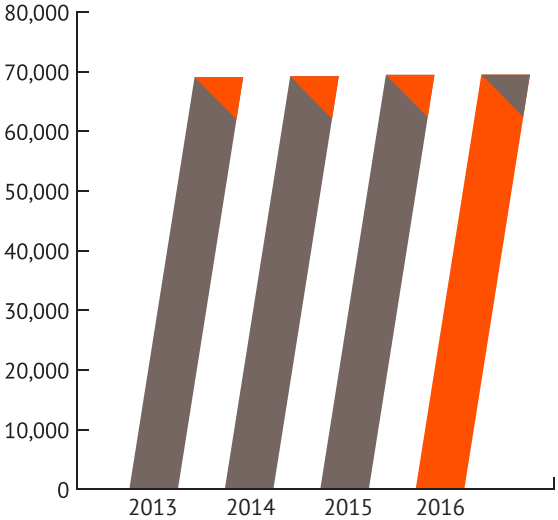
Interpretation: As this statistic is highly influenced by power and TMPA costs, comparisons between utilities must be made carefully.

Debt-to-Asset Ratio



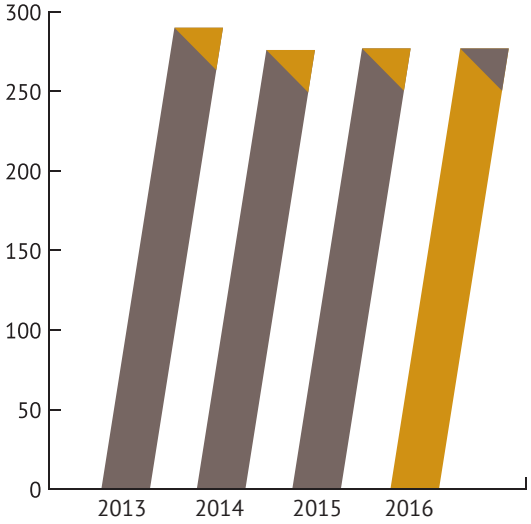
Description: The debt-to-asset ratio is a comparison of an organization's long-term debt to total assets. This ratio reflects to what degree an organization finances its assets with long-term debt.

Electric System Number of Retail Customers



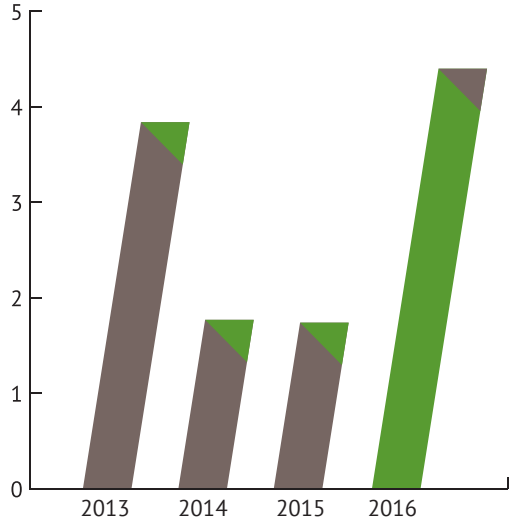
Description: Total annual customers.

Retail Customers per Employee



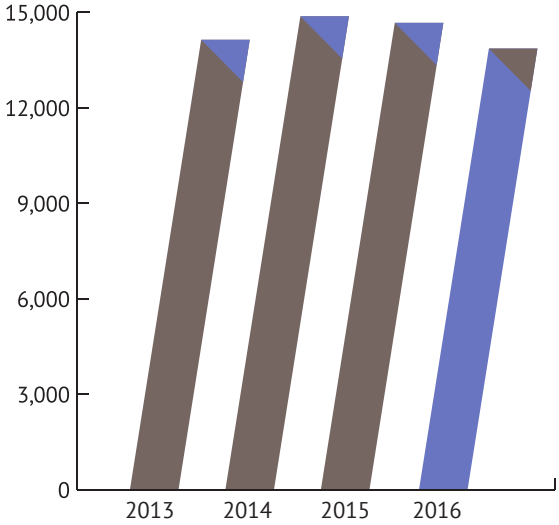
Description: Number of retail customers divided by the number of electric utility employees.

OSHA Incidence Rate



Description: This is the standard indicator utilized by the industry to report lost time accidents. It is produced by multiplying the number of lost time accidents by 200,000, then dividing that number by the total hours worked by the employees.

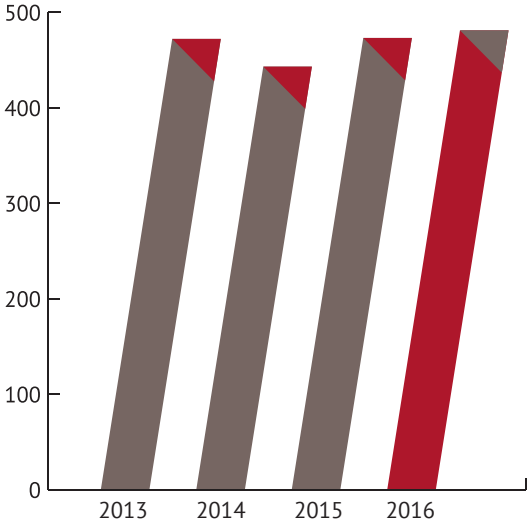
KWH Sales per Residential Customer



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

Interpretation: Changes in sales can be due to seasonal temperatures and customers' electricity utilization preferences.

Electric System Peak (Megawatts)



Description: Peak demand as reported to the U.S. Department of Energy.

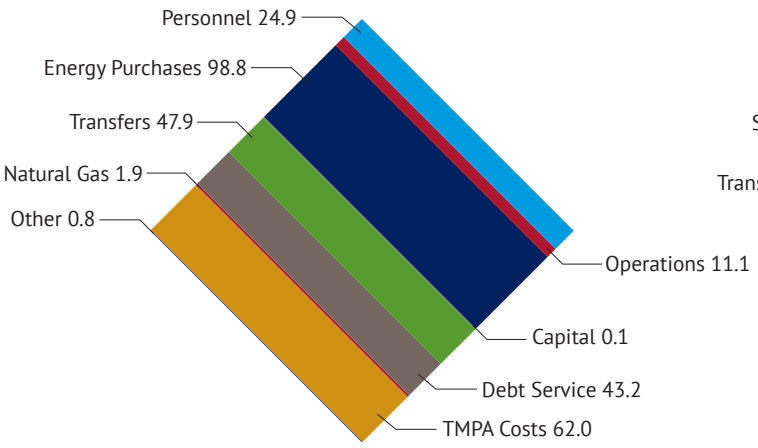
Balance Sheet

Fiscal Year Ended September 30, 2016. With comparative totals for Fiscal Year Ended September 30, 2015. (Unaudited)

Assets	2016	2015
Current Assets:		
Cash and investments	$ 53,199,258	$ 51,095,587
Inventories	4,269,106	4,086,794
Receivables and other	41,070,082	56,330,203
Total Current Assets	98,538,446	111,512,584
Restricted Assets:		
Cash and investments	190,760,015	186,696,376
Accrued interest receivable	245,782	174,269
Total Restricted Assets	191,005,797	186,870,645
Property, Plant and Equipment –		
Net of accumulated depreciation	412,675,476	376,275,423
Other Assets	139,442,598	177,358,294
Total Assets	$ 841,662,317	$ 852,016,946

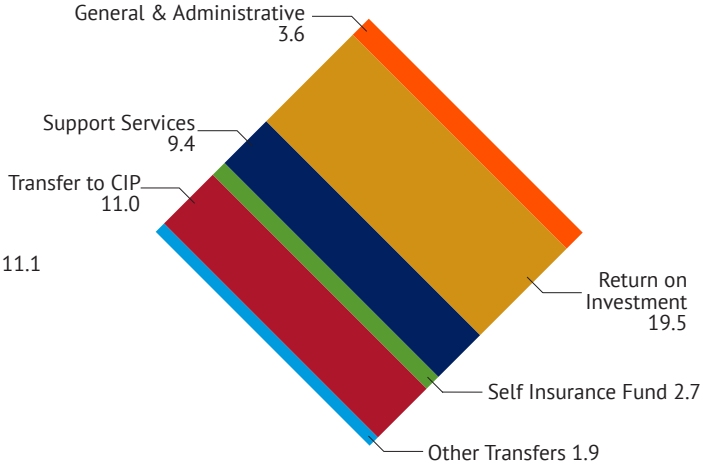
Fiscal Year 2016 Actual Expenditures

in millions of dollars



Fiscal Year 2016 Transfers

in millions of dollars



Liabilities

	2016	2015
Current Liabilities:		
From current assets payables	$ 41,613,891	$ 53,329,176
Long-term Liabilities:		
From restricted assets		
Accounts payable	3,325,148	1,110,428
Retainage payable	145,959	53,698
Total payables from restricted assets	3,471,107	1,164,126
Bonds payable and other	422,846,262	401,066,227
Total Long-term Liabilities	426,317,369	402,230,353
Total Liabilities	$ 467,931,260	$ 455,559,529

Equity

Retained Earnings:		
Invested in capital assets, net of debt	153,918,287	141,802,810
Restricted	178,325,654	177,452,404
Unrestricted	41,487,116	77,202,203
Total Retained Earnings	373,731,057	396,457,417
Total Liabilities, Contributed Capital and Retained Earnings	$ 841,662,317	$ 852,016,946

Audited financial statements providing greater detail can be obtained from the City of Garland Comprehensive Annual Financial Report (CAFR) for the Fiscal Year Ended September 30, 2016. The CAFR report is located on the City of Garland website at www.garlandtx.gov/gov/eg/finance/compfinanreport.asp

Statement of Revenues, Expenses and Changes in Retained Earnings

Year Ended September 30, 2016. With comparative totals for year ended September 30, 2015. (Unaudited)

Operating revenues:	2016	2015
Charges for service	$ 278,334,789	$ 338,473,487
Other	635,617	705,531
Total Operating Revenues	278,970,406	339,179,018
Operating expenses before depreciation:		
Fuel purchases/Demand charges	162,680,198	233,844,516
Operating expenses	41,180,788	36,711,697
General and administrative	13,109,511	12,157,156
Total Operating Expenses Before Depreciation	216,970,497	282,713,369
Operating income before depreciation	61,999,909	56,465,649
Depreciation and amortization expense	50,820,326	20,968,204
Operating Income	11,179,583	35,497,445
Non-operating revenues (expenses):		
Return on investment	(19,451,298)	(19,451,298)
Earnings on investment	1,405,124	1,531,555
Interest expense	(11,312,217)	(9,882,342)
Other	(1,477,865)	(6,197,673)
Net transfers	(3,069,687)	(1,974,870)
Net Non-operating Revenue (expense)	(33,905,943)	(35,974,628)
Net Income (Loss)	(22,726,360)	(477,183)
Retained Earnings at Beginning of Year	396,457,417	393,947,550
Cumulative Effect of Change in Accounting Principle	–	2,987,050
Retained Earnings at End of Year	$ 373,731,057	$ 396,457,417

For Fiscal Year 2016, GP&L reduced the Recovery Adjustment Factor (RAF) component of the rate by 3/4-cent for electric service. The loss for Fiscal Year 2016 reflects GP&L's planned reduction in fund balance and the payoff of TMPA generation debt by Fiscal Year 2018.

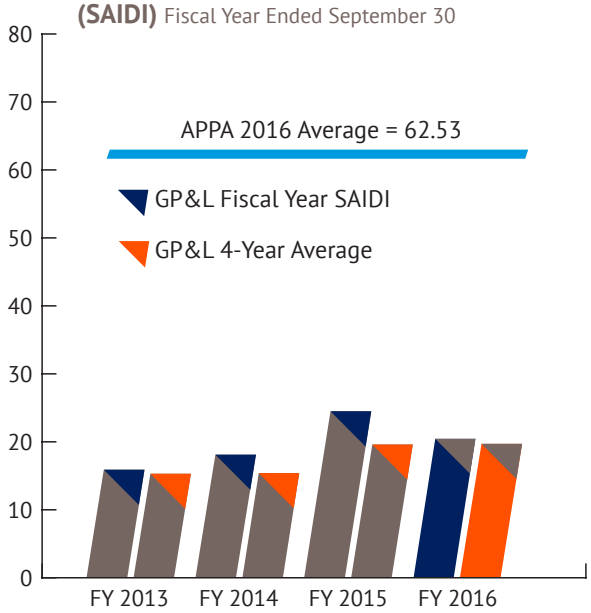
Audited financial statements providing greater detail can be obtained from the City of Garland Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2016. The CAFR report is located on the City of Garland website at http://www.garlandtx.gov/gov/eg/finance/compfinanreport.asp

System Map


TO OLINGER POWER PLANT
GARLAND
LAKE
RAY HUBBARD
GP&L Substation
Customer-owned Substation
138kV
69kV

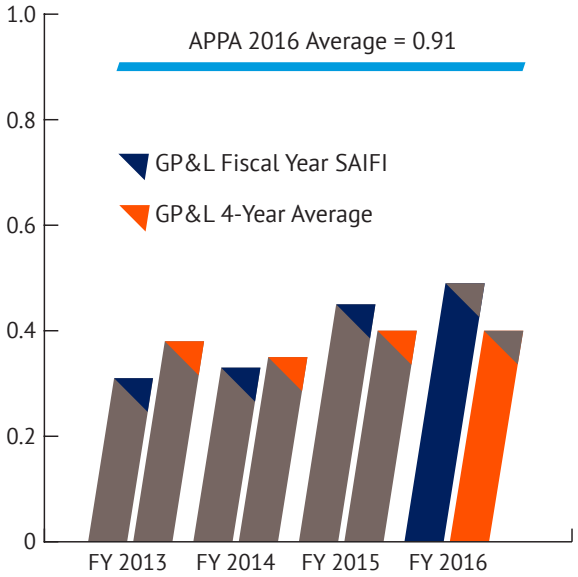
Key Statistics

System Average Interruption Duration Index (SAIDI) Fiscal Year Ended September 30



System Average Interruption Duration Index (SAIDI) – Designed to give information about the average time that the customers are interrupted. This index is commonly referred to as Customer Minutes of Interruption or Customer Hours. It is a measure of the response time or restoration time when outages occur, and is computed by dividing the sum of all customer interruption durations by the total number of customers served.

System Average Interruption Frequency Index (SAIFI) Fiscal Year Ended September 30



System Average Interruption Frequency Index (SAIFI) – This is defined as the average number of times that a customer is interrupted during a specified time period. It is determined by dividing the total number of customers interrupted in a time period by the average number of customers served. The resulting unit is "interruptions per customer."

2016 Transmission & Distribution Statistics

Distribution lines	6.4 miles of overhead added or replaced
	13.7 miles of underground added or replaced
Distribution poles added or replaced	558
Overhead operations & repairs	114
Overhead construction projects	519
Underground operations & repairs	408
Underground construction projects	466
Street lights	1,408 operations & repairs
	349 construction projects
Residential meter sets & changeouts	297
Commercial meter sets & changeouts	200
Meter operations, repairs & testing	2,781
Trouble calls	2,692
Tree trimming requests	69

City Manager
Bryan L. Bradford

Garland City Council

Standing (left to right)

Lori Barnett Dodson – District 6

B.J. Williams – District 4

Stephen W. Stanley – District 3

David Gibbons – District 1

Rich Aubin – District 5

Anita Goebel – District 2

Seated (left to right)

Scott LeMay – District 7
Mayor Pro Tem

Douglas Athas – Mayor

Jim Cahill – District 8

Editors: Elizabeth Kimbrough, Julie Bird
Design: Gates Creative