2020

ANNUAL REPORT

Jeff Janke
General Manager & CEO
Garland Power & Light

GENERAL MANAGER'S MESSAGE

This fiscal year was certainly memorable for both its challenges and opportunities. In October 2019, a tornado hit southwest Garland, damaging a portion of GP&L's electric system. The arrival of the COVID-19 pandemic in spring 2020 brought other hurdles, which GP&L employees addressed with ingenuity and unwavering dedication to serving our customers.

I'm pleased to share that we again met our goal of keeping electric rates competitive and stable for GP&L customers. This was supported by sound cost management, a diverse power supply portfolio, and revenues from wholesale customers and transmission investments.

Our business strategies not only helped to maintain the $12 million annual customer rate savings enacted four years ago, they also earned GP&L AA- and Aa3 credit ratings with Fitch and Moody's respectively. These quality ratings will allow us to borrow money at lower rates to cost-effectively fund our revenue-producing investments. Returns on transmission investments increased this year when the Public Utility Commission of Texas approved GP&L's interim transmission cost of service filing, raising our annual revenue by $7.7 million.

GP&L employees sustained an important tradition of active involvement in Texas' electricity industry. Many participated on ERCOT committees, subcommittees, working groups, and task forces to advocate for GP&L's interests and stay informed on market developments. Some of our linemen provided mutual aid to municipal electric utilities in East Texas after Hurricane Laura.

My own contribution to the industry increased this summer as I assumed the role of Texas Public Power Association Board president. I look forward to leading the efforts of fellow public power utilities as we provide critical electricity supplies to the grid during the pandemic, continue our work on cybersecurity preparedness, represent public power interests during the 2021 Texas Legislative Session, and provide reliable, affordably-priced energy to the customers we are privileged to serve.

Jeff Janke
General Manager & CEO

RESILIENCE

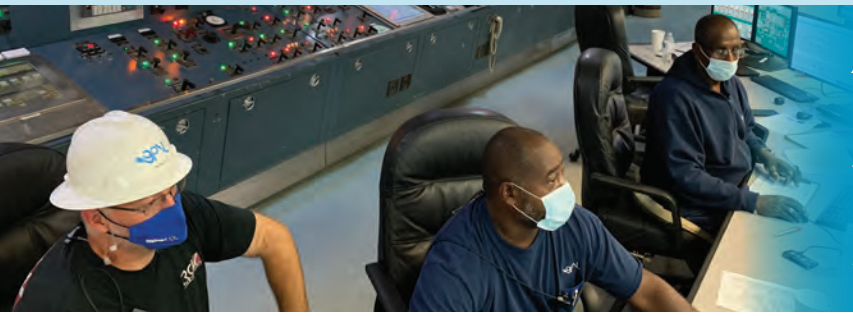
Garland Power & Light's resilience was proven this year. This ability to rebound after adversity was first tested in the fall after an EF2 tornado with winds from 111 to 135 mph hit southwest Garland, damaging about 175 residential and commercial structures.

GP&L's system damage included broken poles and downed wire on two transmission lines with distribution underbuild. The Shiloh Substation and overhead distribution lines in neighborhoods were also heavily damaged by wind and debris. GP&L crews, along with contractors and mutual aid crews from the city of Farmersville and Denton Municipal Electric, restored power within three days to the customers who could safely receive power.

After a mild winter, the threat of COVID-19 brought uncertainty and change to Garland. As providers of electricity, an essential service, GP&L successfully adapted work processes to shelter-in-place orders in March and again as the community began to open up later in the year. Throughout, GP&L maintained reliable electric service for local customers who came to depend on it even more for online school and telework.

DURING THE PANDEMIC, THE VITAL WORK OF THE UTILITY CONTINUED ACROSS GP&L, WHETHER IT WAS IN THE FIELD, IN THE OFFICE, OR AT REMOTE LOCATIONS.

- GP&L's Technology Services team worked long hours prior to shelter-in-place to build and make infrastructure changes that would support GP&L employees working remotely. For all employees, the team established platforms for virtual meetings and training.
- The System Operations, Energy Services and Distribution work groups adjusted their shift schedules to enhance staffing availability for 24/7 coverage.
- Transmission staff continued to work on substation and line projects to meet critical ERCOT timelines and contracted interconnections with solar generators.
- The Production team completed off-season maintenance at the Olinger and Spencer power plants, and operated the units during the peak summer run.
- The Administration group completed operating and capital budgets, and supported work groups across GP&L.



A GP&L customer wrote: "Thank you all for providing excellent service to your Garland customers throughout the years and especially now during this challenging time."

With bases covered in Garland and as grateful recipients of mutual aid earlier in the year, GP&L Distribution crews eagerly stepped up to assist fellow public power utilities in East Texas impacted by Hurricane Laura in August. The first stop was in Jasper, Texas, a town that GP&L aided in 2005 after Hurricane Rita. After repairs were complete in Jasper, the crews assisted with power restoration efforts in nearby Newton. The American Public Power Association commended GP&L for the mutual aid provided to these two towns.

Jasper Commendation

Newton Commendation

SERVING CUSTOMERS

GP&L delivers the reliable electric service that customers count on. Reliability scores as compared to national averages continue to show that GP&L has significantly fewer outages, and those that do occur are shorter in duration (see page 20). Preventive maintenance, system upgrades, power factor studies on the lines, and vegetation management all contribute to GP&L's outstanding service.

Both residents and businesses enjoyed the ability to participate in programs that meet their needs and interests in energy efficiency, renewable energy, and electric rates.

- 396 participated in the EnergySaver Program, earning bill credits for efficiency measures, including HVAC and lighting upgrades, ceiling insulation, and weatherization
- 117 signed up for GP&L's new Green Choice 100% Texas renewable energy plan
- 146 installed solar photovoltaic systems, for which GP&L performed engineering reviews, tested safety requirements, and installed bi-directional meters
- 24 participated in the Power Factor Program
- 8 qualified for either the Large Load Customer Service or Transmission Voltage Service tariffs

As Garland welcomed the opening of the Garland VA Medical Center, GP&L worked closely with the previous owners and the VA North Texas Health Care System to discuss power and infrastructure needs, resulting in a smooth energy transition for the facility.

PREVENTIVE MAINTENANCE, SYSTEM UPGRADES, POWER FACTOR STUDIES, AND VEGETATION MANAGEMENT ALL CONTRIBUTE TO GP&L'S OUTSTANDING SERVICE.

GP&L's wholesale energy business continues to bring in revenue by providing power, scheduling and other services to other utilities across Texas. This year, qualified scheduling entity (QSE) agreements were extended with Greenville Electric Utility System, San Bernard Electric Cooperative, and New Braunfels Utilities. GP&L also began managing Sky Global Partners' Black Start contract with ERCOT, and retained the contract for providing QSE services for the Riggins Solar facility on behalf of the city of Georgetown.

Effective power generation strategies supported GP&L's ability to produce electricity in a safe, reliable and competitive manner. Maintenance and upgrades readied the units for summer availability, and a gas storage contract limited fuel costs by efficiently matching gas purchases to when the units were scheduled to run at peak times.

GROWING GARLAND

Lennox Crown Apartments

Installed 31 pad-mount transformers on six loops comprising 8,350 feet of underground primary cable. Relocated a portion of a nearby feeder and installed two pad-mount switches on another feeder. Upon completion, this complex at Lookout Drive and Campbell Road will have about 460 meters.

Apollo Substation Feeder Exits

Installed six feeder exits consisting of 1,800 feet of underground cable and six new risers. This is part of the Apollo Substation upgrade project, which will enhance reliability in the area.

Riverset Subdivision

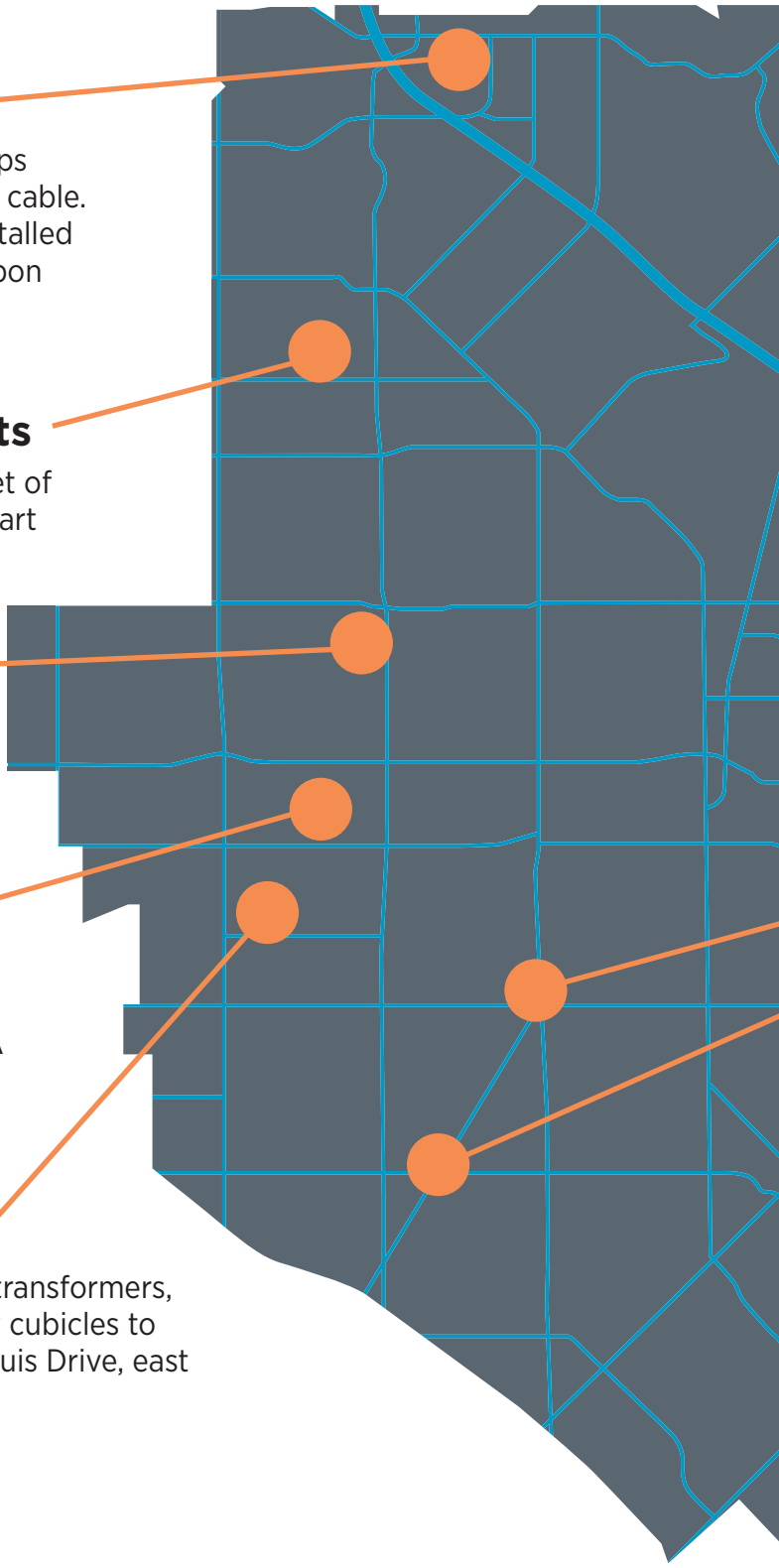
Installed six loops consisting of 16,000 feet of cable and 62 single-phase pad-mount transformers, bringing service to homes in phase one of this development at the southwest corner of Shiloh and Buckingham roads.

Garland Steel

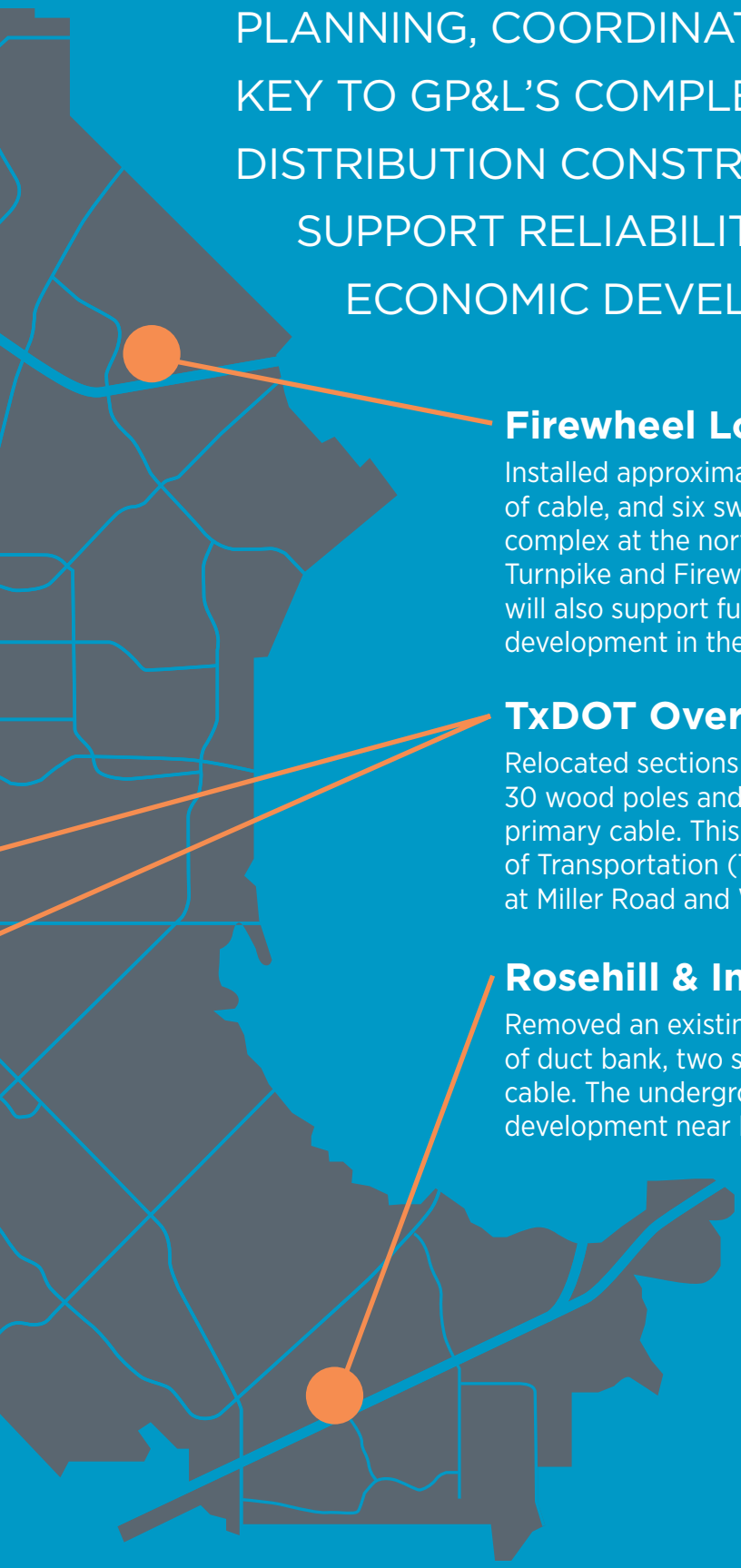
Installed a three-phase lateral loop, a 1500 kVA transformer, and 585 feet of underground primary to bring electrical service to a new building at this facility north of Forest Lane.

Marquis Distribution Center

Installed two three-phase loops, two 750 kVA transformers, 1,929 feet of primary cable, and two secondary cubicles to serve this new commercial warehouse on Marquis Drive, east of Jupiter Road.



PLANNING, COORDINATION AND TEAMWORK WERE KEY TO GP&L'S COMPLETION OF SEVERAL LARGE DISTRIBUTION CONSTRUCTION PROJECTS, WHICH SUPPORT RELIABILITY, LOAD GROWTH AND ECONOMIC DEVELOPMENT IN GARLAND.



Firewheel Lofts Apartments

Installed approximately 1,900 feet of duct bank, 7,600 feet of cable, and six switchgears, bringing electrical service to this complex at the northeast corner of President George Bush Turnpike and Firewheel Parkway. This underground project will also support future commercial and residential development in the area.

TxDOT Overhead Feeder Relocation

Relocated sections of three feeders, which included installing 30 wood poles and reconductoring 3,936 feet of overhead primary cable. This work accommodates new Texas Department of Transportation (TxDOT) right-turn lanes along Highway 78 at Miller Road and West Kingsley Road.

Rosehill & Interstate 30 Development

Removed an existing 12-pole overhead line, and installed 1,320 feet of duct bank, two switchgears, two manholes, and 10,500 feet of cable. The underground construction will support new development near Interstate 30 and Rosehill Road.

TRANSMISSION INVESTMENTS

This year saw the completion of several transmission projects, which not only bring in revenue to help keep customer rates stable, but also add capacity to the grid and enhance service reliability.

GP&L's Competitive Renewable Energy Zone (CREZ) transmission lines in West Texas are the backbone for two of the new projects, which represent more than $50 million of investment for long-term returns.

- The King Mountain 345kV transmission line and switch station was energized in October. This is the utility's first transmission interconnection for solar power, connecting the Roadrunner Solar project to GP&L's North McCamey-Odessa CREZ line.
- The Nevill Road-Greasewood 345kV transmission line and switch station connects the Greasewood solar farm to GP&L's North McCamey-Bakersfield CREZ line. For this fast-moving Nevill project, the certificate of convenience and necessity was approved, and the facilities were constructed and energized within the year.

Closer to Garland, GP&L energized a 5.7-mile 138kV transmission line and Dent Road Switch Station in late winter. These facilities enhance reliability, and support growth in and around Greenville, Texas.

GP&L'S COMPETITIVE RENEWABLE ENERGY ZONE (CREZ) TRANSMISSION LINES IN WEST TEXAS ARE THE BACKBONE FOR TWO OF GP&L'S NEW TRANSMISSION PROJECTS.

A multi-year project in North Garland was completed when the 138kV Lookout-Apollo transmission line was energized in May. This final section of the high-capacity "Cumberland Trail" transmission corridor will be connected to the Apollo Substation after it is rebuilt.

Responsible for transmission operations, construction, and maintenance for the Texas Municipal Power Agency (TMPA), GP&L reconductored the TMPA Ben Davis-McCree 138kV transmission line. Running between north and south Garland, this major line supports power reliability for both the City and the ERCOT grid.

In preparation for the widening of Interstate 635, GP&L relocated six transmission structures, which are part of the TMPA McCree-Centerville 345kV line. Planning for the future, the wire was upgraded to dual Cumberland conductor.

In anticipation of selling the TMPA Gibbons Creek Power Plant and associated property, GP&L employees located at TMPA, who support both GP&L and the Agency's transmission facilities, relocated to nearby Bryan.

APPLYING TECHNOLOGY

Technology supports and brings efficiencies to operations throughout GP&L. Various applications and systems record data, provide actionable information, enhance processes, and help ensure reliable service for our customers.

These technology resources were created, installed or enhanced this year:

Energy Transaction & Risk Management System

The project team completed the implementation of this multifunctional system, which integrates information from market activities. Work included in-depth testing, documentation and cross-training among the programmers.

System Operations Dynamic Video Wall

Electric grid controllers can now customize dashboards on a giant video wall for improved situational awareness of real-time operations. The wall can feature electric grid information, energy management system displays, and weather forecasts. Multiple people can easily see the information during an event or training.

Transmission Vegetation Management Application

This new tool tracks where and when vegetation maintenance activities have taken place. The entries help document GP&L's compliance with North American Electric Reliability Corporation (NERC) vegetation management requirements.

System Operations Electronic Log

This custom log, which replaced an older application, provides a 24/7 chronological journal of System Operations activities and events. This documentation supports compliance reporting requirements.

QSE Activity Electronic Log

This custom log, which replaced an older application, records QSE-related activities and events 24/7. It is used to improve operations and supports compliance reporting requirements.

Outage Text Reporting System

The customer outage reporting tool was enhanced to send outage updates when the reporting customer texts “Status” as a reply.

Automatic Vehicle Location (AVL) Fleet Tracking

Technicians upgraded the system by replacing 200 modems in the Transmission & Distribution vehicle fleet. Software upgrades to the AVL administration module facilitated the change-out.

GP&L utilizes various systems and infrastructure to facilitate employees’ use of technology. To support employees working remotely during the pandemic, Technology Services established a new backup internet provider, installed a router with more capacity, and set up a new virtual private network (VPN) architecture, which included more licenses. Skype, which had previously been used internally, was customized to add external capabilities for instant messaging, online meetings and screen sharing.

With this year’s new and upgraded transmission facilities requiring cyber and physical security systems, network equipment was installed at these locations, and a third-party communications provider was established for the West Texas sites.

The replacement of the continuous emissions monitoring system (CEMS) at the Spencer Power Plant included installation of a new network, servers and software. In anticipation of next year’s energy management system upgrade, the transmission management system infrastructure was set up, with new servers ready to support monitoring and security systems.

SECURING THE SYSTEM

As a utility operating within the Bulk Electric System, GP&L must comply with new and changing regulatory standards to help maintain a reliable and secure electric system. This year, the utility implemented four Critical Infrastructure Protection (CIP) standards covering Transmission and Production processes. Preparations continued on three other standards, which were delayed due to the pandemic, including the much-anticipated NERC CIP-013 Supply Chain standard.

The purpose of CIP-013 is to mitigate risk of third parties in the supply chain of the control system equipment, software and services used to operate electric systems. Security protocols created for this standard are designed to identify potential cyber threats in the supply chain, with the goal of preventing data breaches or service interruptions.

To address the CIP-013 standard, GP&L created a supply chain plan, which includes flow charts, assessments and detailed wording for bidders in the purchasing process. As clarifications are made to the guidance of this standard, the plan will be adjusted accordingly.

GP&L and City Purchasing Department employees have been trained on the standard and plan, and a third party has

THIS YEAR, THE UTILITY IMPLEMENTED FOUR CRITICAL INFRASTRUCTURE PROTECTION (CIP) STANDARDS COVERING TRANSMISSION AND PRODUCTION PROCESSES.

been hired to help conduct risk assessments on vendors and resellers of equipment, software, and services. A GP&L team will review the vendor risk assessments and determine if mitigation plans need to be developed to offset the risk.

Throughout the year, GP&L employees continued to develop a heightened awareness of cyber and physical security through training opportunities. A three-day CIP boot camp provided attendees with an in-depth understanding of the CIP standards, whether they work with the standards regularly or have the potential to do so in the future.

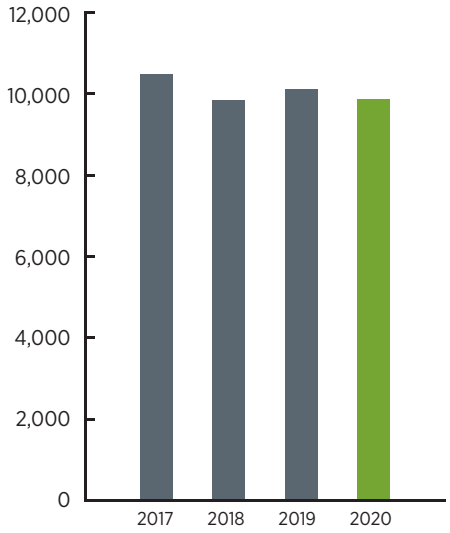
With GP&L's online learning management system, employees trained on both compliance standards and safety requirements. A new substation access course focused on how to work safely in substations. Other courses met Texas Legislature requirements for HB 4150, which required training on the National Electric Safety Code, and HB 3834, which required cybersecurity training for all municipal employees.

Utility employees were joined by Garland Fire, Police and Office of Emergency Management employees for the GridEx V tabletop exercise, which tested response and recovery to simulated cyber and physical security attacks. This two-day drill presented realistic scenarios tailored to GP&L's assets. Participants were challenged to quickly asses the situations, consider options, and communicate with other participants.

Beyond tailoring exercises for GP&L, compliance employees have shared their physical security expertise by training others within the industry on how to design security programs for their utilities using the Design Basis Threat approach.

PERFORMANCE INDICATORS

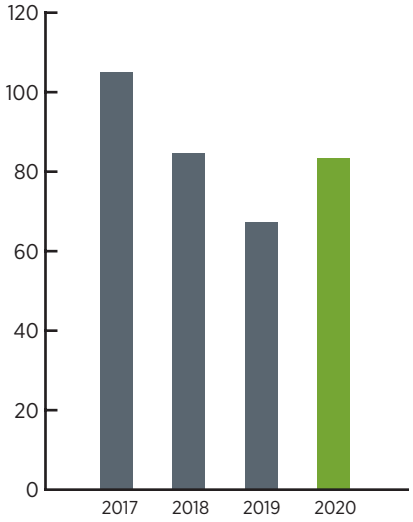
Work Orders



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

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

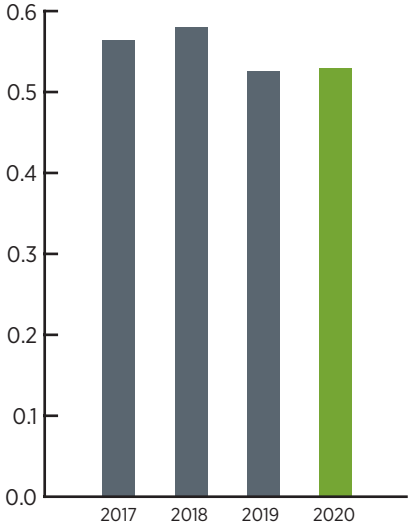
Operating Expenses per Megawatt Hour



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.

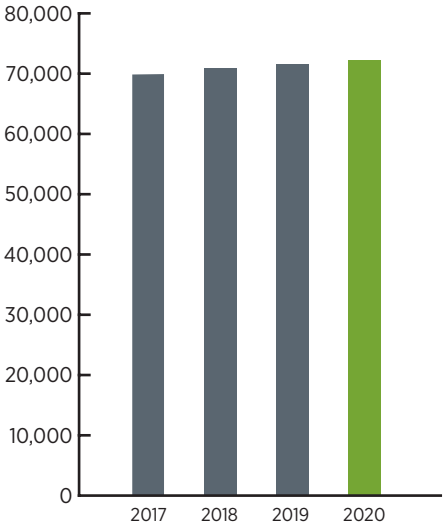
Interpretation: As this statistic is highly influenced by power and TMPA costs, comparisons between utilities must be made carefully.

Debt-to-Asset Ratio



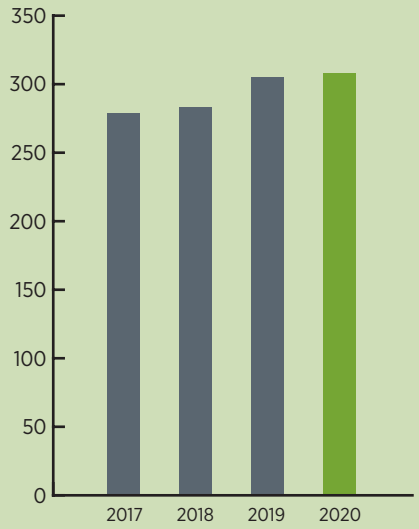
Description: The debt-to-asset ratio is a comparison of an organization's long-term debt to total assets. This ratio reflects to what degree an organization finances its assets with long-term debt.

Electric System Number of Retail Customers



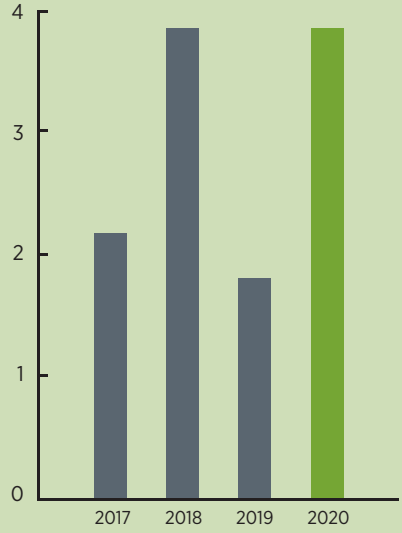
Description: Total customers.

Retail Customers per Employee



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

OSHA Incidence Rate



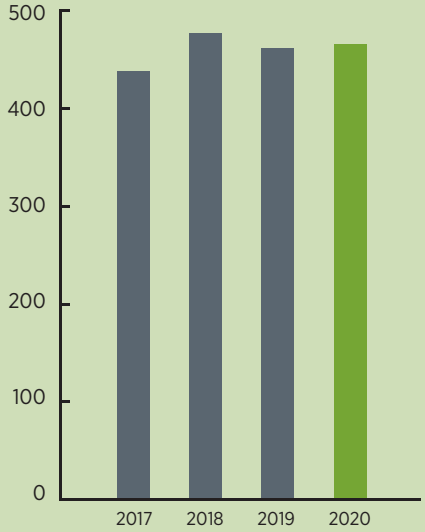
Description: This is the standard indicator utilized by the industry to report lost time accidents. It is produced by multiplying the number of lost time accidents by 200,000, then dividing that number by the total hours worked by the employees.

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.

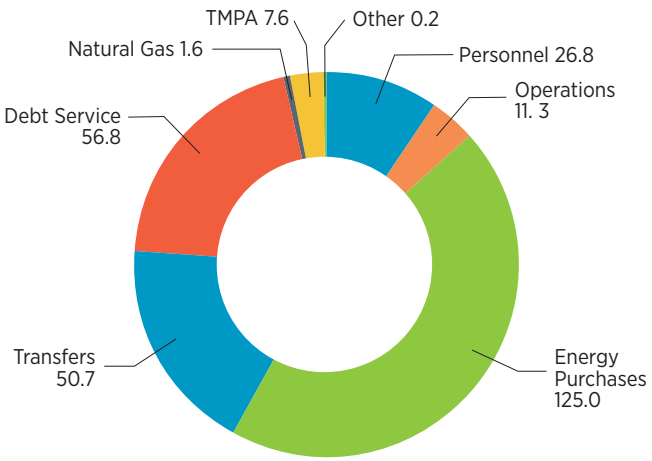
BALANCE SHEET

Fiscal Year Ended Sept. 30, 2020. (Unaudited) With comparative totals for Fiscal Year Ended Sept. 30, 2019. (Unaudited)

Assets	2020	2019
Current Assets:		
Cash and investments	$ 72,738,646	$ 52,586,209
Inventories	5,847,312	5,583,010
Receivables and other	66,267,897	86,856,850
Total Current Assets	144,853,855	145,026,069
Restricted Assets:		
Cash and investments	194,825,902	180,686,088
Accrued interest receivable	579,897	621,616
Total Restricted Assets	195,405,799	181,307,704
Property, Plant and Equipment –		
Net of accumulated depreciation	678,586,139	614,303,713
Other Assets	120,059,968	141,692,125
Total Assets	$ 1,138,905,761	$ 1,082,329,611

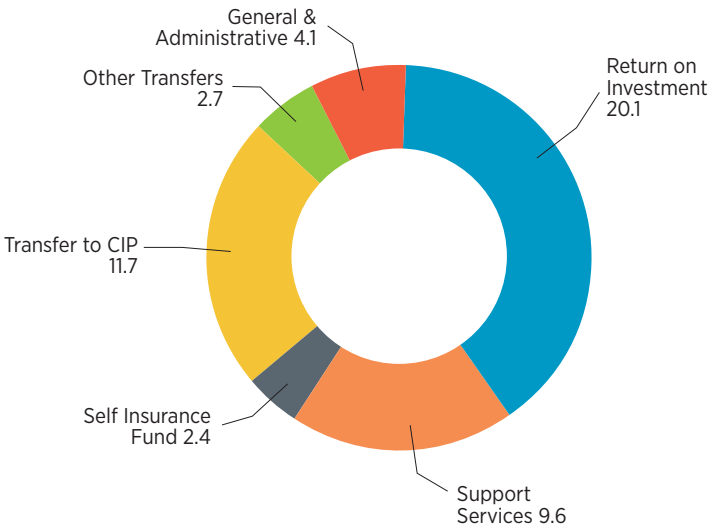
Fiscal Year 2020 Actual Expenditures

in millions of dollars



Fiscal Year 2020 Transfers

in millions of dollars



Liabilities

	2020	2019
Current Liabilities:		
From current assets		
Payables	$ 45,899,826	$ 66,380,408
Long-term Liabilities:		
From restricted assets		
Accounts payable	6,093,855	9,904,827
Retainage payable	821,900	856,818
Escrow payable	228,123	140,710
Total payables from restricted assets	7,143,878	10,902,355
Bonds payable and other	644,944,360	603,855,090
Total Long-term Liabilities	652,088,238	614,757,445
Total Liabilities	$ 697,988,064	$ 681,137,853

Equity

Retained Earnings:		
Invested in capital assets, net of debt	170,705,213	178,255,059
Restricted	192,192,288	173,892,697
Unrestricted	78,020,196	49,044,002
Total Retained Earnings	440,917,697	401,191,758
Total Liabilities, Contributed Capital and Retained Earnings	$ 1,138,905,761	$ 1,082,329,611

Audited financial statements providing greater detail can be obtained from the City of Garland Comprehensive Annual Financial Report for Fiscal Year Ended Sept. 30, 2020 located on GarlandTX.gov.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS

Fiscal Year Ended Sept. 30, 2020. (Unaudited) With comparative totals for Fiscal Year Ended Sept. 30, 2019. (Unaudited)

	2020	2019
Operating revenues:		
Charges for service	$ 284,768,630	$ 291,458,932
Other	13,650,941	10,224,577
Total Operating Revenues	298,419,571	301,683,509
Operating expenses before depreciation:		
Energy purchases/Demand charges	130,004,461	128,010,918
Operating expenses	44,573,965	43,402,976
General and administrative	14,096,856	13,504,901
Total Operating Expenses Before Depreciation	188,675,282	184,918,795
Operating income before depreciation	109,744,289	116,764,714
Depreciation and amortization expense	34,682,721	25,661,789
Operating Income	75,061,568	91,102,925
Non-operating revenues (expenses):		
Return on investment	(20,132,093)	(19,451,298)
Earnings on investment	5,774,137	6,690,944
Interest expense	(13,523,088)	(16,863,256)
Other	(5,329,701)	(4,264,609)
Net transfers	(2,313,898)	(4,787,242)
Capital contributions	189,014	186,570
Net Non-operating Revenue (expense)	(35,335,629)	(38,488,891)
Net Income (Loss)	39,725,939	52,614,034
Retained Earnings at Beginning of Year	401,191,758	348,607,242
Cumulative effect of change in accounting principle	–	(29,518)
Retained Earnings at End of Year	$ 440,917,697	$ 401,191,758

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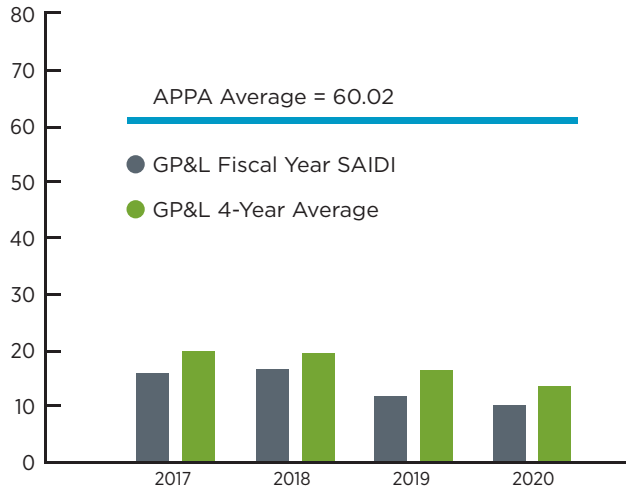
SYSTEM MAP


MURPHY
TO OLINGER POWER PLANT
WYLIE
RICHARDSON
GARLAND
ROWLETT
LAKE
RAY HUBBARD
SUNNYVALE
GP&L Substation
138kV
69kV

KEY STATISTICS

System Average Interruption Duration Index (SAIDI)

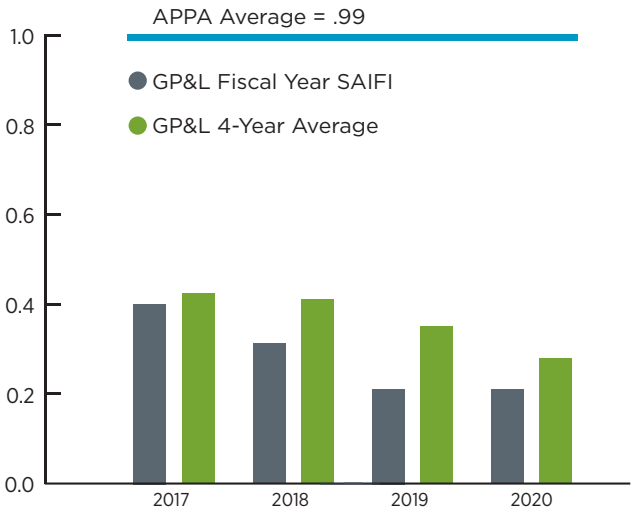
Fiscal Year Ended Sept. 30



System Average Interruption Duration Index (SAIDI) – Designed to give information about the average time that 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 Sept. 30



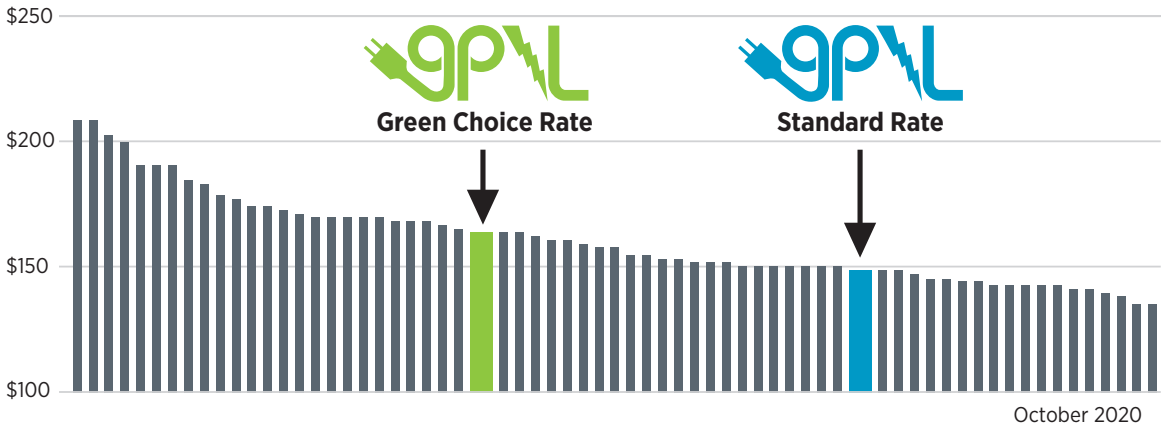
System Average Interruption Frequency Index (SAIFI) – This is defined as the average number of times that a customer is interrupted during a specified time period. It is determined by dividing the total number of customers interrupted in a time period by the average number of customers served. The resulting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

Garland Power & Light Residential Rate Comparison

Fiscal Year Ended Sept. 30, 2020

Oncor Electric Delivery Area – 1500 kWh Usage

Retail Electric Providers



2020 Distribution Statistics

Distribution lines	8 miles of overhead added or replaced
	27.2 miles of underground added or replaced
Distribution poles added or replaced	425
Overhead operations & repairs	112
Overhead construction projects	508
Underground operations & repairs	313
Underground construction projects	380
Streetlights	1,367 operations & repairs
	1,630 LED conversions
Residential meter sets & changeouts	653
Commercial meter sets & changeouts	465
Meter operations, repairs & testing	2,465
Trouble calls	2,367
Tree trimming requests	162

Garland City Council

Scott LeMay
Mayor

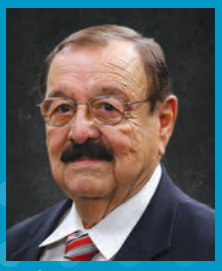
David Gibbons
District 1

Deborah Morris
District 2

Jerry Nickerson
District 3

Jim Bookhout
District 4

Rich Aubin
District 5



Robert Vera
Dep. Mayor Pro Tem
District 6

Dylan Hedrick
District 7

Robert John Smith
Mayor Pro Tem
District 8

Garland City Manager

Bryan L. Bradford

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