2021 ANNUAL REPORT

GENERAL MANAGER'S MESSAGE

This fiscal year was another year of challenges, beginning with a COVID-19 pandemic surge that started in October. In February, Winter Storm Uri brought extreme cold weather conditions throughout Texas. As the storm intensified, the ERCOT power grid faced an unprecedented reduction of power supply due to power plants statewide going offline because of weather and fuel-related issues. To manage this grid emergency, ERCOT required local utilities to implement controlled outages, or power interruptions, in an attempt to keep the grid from going dark. With the storm continuing to impact power supplies over several days, the controlled outages caused hardships for customers across the state.

Throughout the event, GP&L's weatherized power plants continued to generate electricity. Once ERCOT instructed utilities to begin controlled outages, we delivered our allocated amount of power to as many customers as we could. Following the event and to be prepared for future crisis situations, GP&L has taken steps to improve our electric system and communications. More on these improvements can be found on page 4.

Even after experiencing one of the most significant storms Texas has ever encountered, GP&L's electric rates remain stable and very competitive as compared to retail providers in the Oncor electric delivery area. Prudent financial planning helped us weather the monetary effects of the storm, while other utilities had to implement rate increases.

Following the retirement of the Gibbons Creek Steam Electric Station, Garland and the other Texas Municipal Power Agency (TMPA) Member Cities sold the plant facility and reservoir. The mining land has been approved for sale by the TMPA Board, with an anticipated close date in fiscal year 2022.

Because it is important to represent GP&L and municipal utilities' interests within the electric industry, our employees continue to participate on ERCOT committees, and our Deputy General Manager and COO was elected in the spring to the ERCOT Board of Directors. As the Texas Public Power Association's Board president, it was an honor for me to work with other municipal utilities and electric cooperatives to advance public power initiatives.

As I retire this year, I will miss working as part of the great team at GP&L. We have achieved many goals over the years and faced many challenges. Our organization is strong because of our experiences. I'm confident that GP&L will have continued success because of our employees and their dedication to GP&L's mission of providing safe, reliable electric service at competitive rates to our customers.

Jeff Janke
General Manager and CEO

TIMELINE OF KEY EVENTS

For a second year, GP&L addressed significant challenges and opportunities.

October 2020

As the COVID-19 pandemic continued, a nationwide spike in positive cases brought a return to precautionary adjustments in work schedules and locations. These steps kept employees safe and available to provide electric service to our customers. As case counts declined, employees returned to their usual schedules and work sites.

January 2021

GP&L employees, along with employees from other City departments, began volunteering at the Garland COVID-19 Mass Vaccination site at Homer B. Johnson Stadium. This outdoor vaccination effort, led by the Garland Health Department, helped to reduce the spread of the virus by providing shots to nearly 47,000 individuals in the community.

February 11

The Texas Municipal Power Agency (TMPA), of which Garland is a Member City, announced the sale of the Gibbons Creek Steam Electric Station and reservoir in Grimes County, Texas. The purchaser assumed all environmental liabilities related to the plant site and indemnified TMPA and the Member Cities. The Agency retained ownership of the Gibbons Creek transmission assets and mining land. TMPA has approved the sale of the mining land, with an anticipated close date in fiscal year 2022.

February 15-19

With a frigid winter storm forecasted, GP&L prepared to generate and deliver power during the cold weather. However, the intensity of Winter Storm Uri led to interruptions in power generation across the state, with up to 48.6% of ERCOT's generation capacity lost during the event.

GP&L's power plants were weatherized, and our available Olinger Power Plant units operated throughout the event. However, some power generating facilities across Texas stopped producing power from lack of fuel supply or weatherization.

Because power supply was critically low on the grid, ERCOT initiated its energy emergency protocols, ultimately calling for controlled outages. During the multi-day event, utilities across the state, including GP&L, worked to carry out the outage rotations for customers. Several factors led to extended power outages for many customers, including low and frequently changing power supply; power required to support critical loads or grid stability; cold weather impacting automated equipment function and employee mobility; and other system limitations. Nevertheless, GP&L's grid controllers, line crews and engineers worked around the clock to deliver as much power to customers as ERCOT made available.

Late February

Scarcity of natural gas to generate electricity and low power supply availability on the grid during the winter storm drove up expenses for utilities as they attempted to generate or procure electricity for customers during the unprecedented winter event. While some utilities increased electric rates to cover these storm-related expenses, GP&L did not. Instead, GP&L used the Rate Mitigation Fund, which served its purpose of keeping rates stable by covering unforeseen costs. With historically low interest rates this year, GP&L was able to replenish this important fund.

April

Deputy General Manager and COO Tom Hancock was elected to the ERCOT Board of Directors, representing municipally owned utilities. In this role, he helped resolve issues identified during and after the winter storm.

The Public Utility Commission of Texas approved GP&L's interim transmission cost of service filing, increasing the utility's annual wholesale revenue by $4.8 million or 8.1%. Among the transmission investments included in the filing were the Nevill Road Switch Station, Nevill-Greasewood 345kV transmission line, Wynn Joyce-Miller Road transmission line rebuild, and Apollo-Lookout transmission line rebuild.

Spring-Fall

In the wake of the winter storm, reviews were conducted on GP&L's electric system and communications. As the in-depth analyses identified opportunities for improvement, enhancements were made to strengthen GP&L's ability to operate and communicate during a similar winter event or other emergency situations.

GP&L has taken these steps to prepare for seasonal impacts to the local electric system and to improve communications:

- Balanced the electricity load on all power line feeders so each serves a similar amount of load; this will help reduce service interruptions and facilitate restoration if controlled outages are requested by ERCOT
- Identified additional feeders that can be put into outage rotation
- Updated the automated load shed software program that reduces electricity use, to provide more efficient rotation during controlled outages
- Enhanced GP&L's power plant weatherization measures
- Combined GP&L and City communications resources during emergencies
- Requested enhanced communication from ERCOT during energy emergencies to obtain more information for our customers
- Participated in the legislative and rulemaking process on bills and projects related to the 2021 winter event
- Identifying telecommunications options to better handle high call volumes
- Adjusting public messages to be less technical and more in "layman's terms"

ENERGY SERVICES

GP&L provided value beyond reliable electric service to its local and wholesale customers.

More than 400 Garland residents and businesses participated in the EnergySaver Program to earn bill credits for qualifying energy efficiency upgrades. The Green Choice electric rate, which offers 100% Texas wind and solar energy, was the rate of choice for nearly 150 customers. GP&L inspected more than 160 new photovoltaic solar system installations for safety, and installed bi-directional meters to track net power flow.

To meet the needs of larger commercial customers, GP&L rolled out an online dashboard that provides 15-minute consumption data. This near real-time information can be graphed, and helps GP&L and its customers analyze power usage.

As the Garland VA Medical Center continued to settle into its new location, GP&L worked with the hospital to identify ways to enhance service reliability. This was accomplished by installing an automatic throw-over switch to access an alternative power feed.

At GP&L's power plants, maintenance and upgrades helped ensure unit availability for the peak winter and summer operating seasons. Annual weatherization measures were key in keeping the units running during Winter Storm Uri. For the summer run, a major turbine inspection and repairs were conducted on Olinger Unit #2, and a gas storage contract mitigated fuel costs by efficiently matching gas purchases to generation output on an hourly basis.

GP&L continued to provide important services to external customers through the utility's Qualified Scheduling Entity (QSE). Power scheduling agreements with New Braunfels Utilities and Greenville Electric Utility System were renewed for another year. The new Long Draw and Greasewood solar power purchase agreements were added to GP&L's renewable portfolio, and the QSE continued managing Sky Global Partner's Black Start contract with ERCOT.

SERVING GARLAND

Delivering electricity to customers involves many activities, including planning, engineering, construction and maintenance. GP&L's skillful coordination of these efforts with internal and external stakeholders supports service reliability, load growth and economic development within Garland.

GP&L completed year three of a 10-year pole inspection program that is working its way from older to newer poles. This year, nearly 3,000 poles were inspected visually and by drilling samples. If needed, poles are treated to extend longevity or replaced.

A different kind of pole review also took place in the form of an attachment audit. This audit occurs every five years to make sure GP&L's utility poles are not overcrowded by foreign pole attachments, including cable TV and communication circuits, and checks for any safety issues related to clearances and ground or guy wires. The review also provides updated information for GP&L to bill attaching companies for use of the poles.

The distribution underground loop replacement program continued, with GP&L replacing primary cable on several residential loops. These upgrades resolve service issues due to aging cable.

After studying Advanced Metering Infrastructure (AMI) and its ability to enhance utility services, GP&L hired a consultant to help write a request for proposal (RFP) to assess an AMI system. Representatives from GP&L and the City's Water, Customer Service and Information Technology departments have worked together to define the project's requirements.

New construction and upgrades support reliable service for our customers. These are some of the larger distribution projects from fiscal year 2021.

The Lively at Firewheel
Installed 24 pad-mount transformers and 6,400 feet of underground cable for new townhomes at the northeast corner of President George Bush Turnpike and Firewheel Parkway.

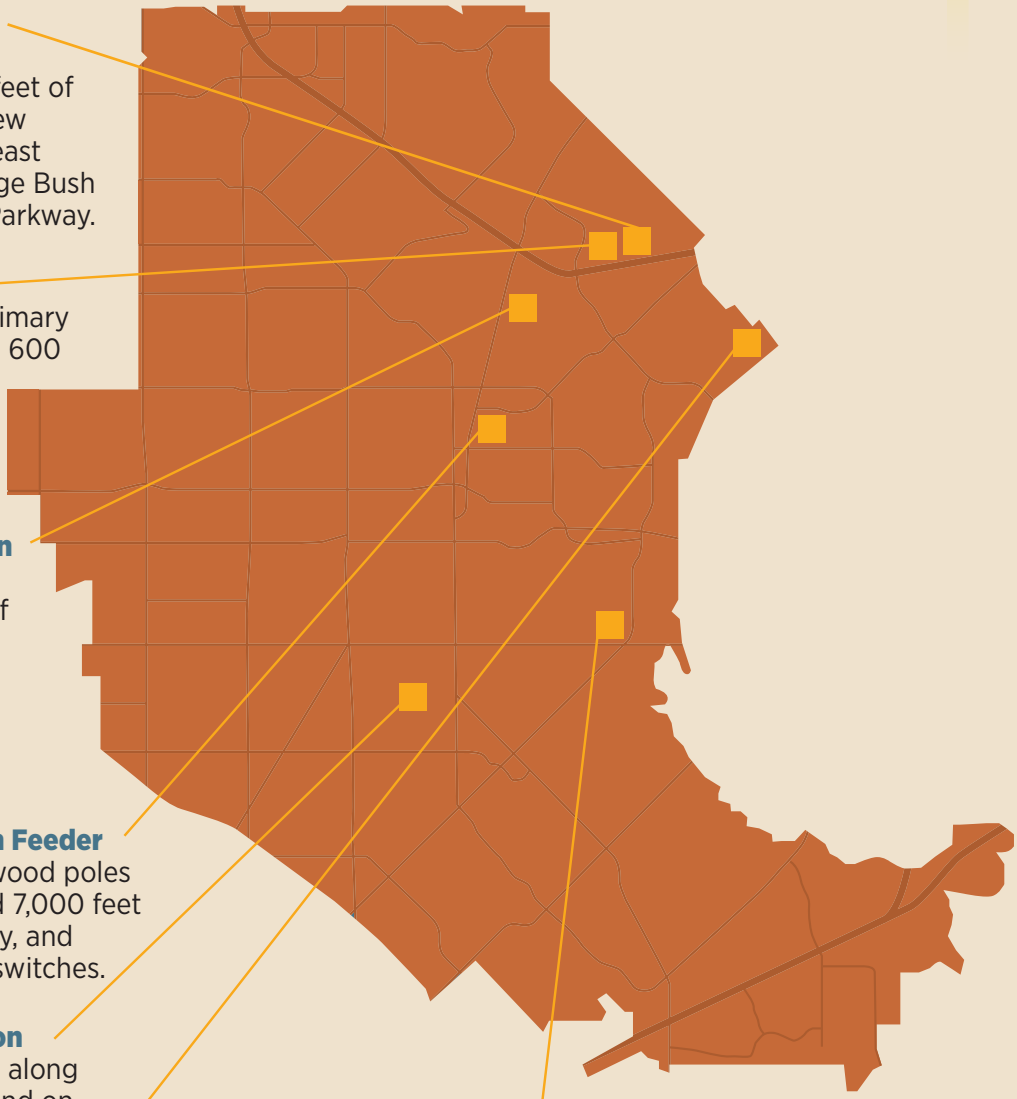
Firewheel Duct Line
Installed 8,400 feet of primary underground cable and a 600 amp pad-mount air switch to enhance reliability by connecting two distribution feeders.

Hidden Oaks Subdivision
Installed 3,800 feet of primary and 2,200 feet of secondary underground cable, and 15 pad-mount transformers for the new subdivision located near Crist and Foster roads.

Castle Road Distribution Feeder Upgrade – Replaced 16 wood poles with steel, reconductored 7,000 feet of cable to larger capacity, and converted to vertical air switches.

Overhead Line Relocation
Relocated overhead lines along Duck Creek to underground on South Glenbrook Drive due to erosion along the creek.

Distribution Line Upgrade
Changed out 19 poles and reconductored the line from single- to three-phase to support load growth near President George Bush Turnpike.



Creek Valley Subdivision
Installed 3,000 feet of underground cable for two loops and 11 pad-mount transformers for the new subdivision at Centerville and Country Club roads.

IMPROVING INFRASTRUCTURE

Substations and transmission lines are the backbone of GP&L's electric system. This year brought rebuilds, enhancements and expansion of this infrastructure.

The Apollo Substation rebuild in northwest Garland included two transformers, steel structures, a control house, ground grid and security fence. With the 138kV lines having been energized in fiscal year 2020, construction on the project was complete with the installation of 8,900 feet of underground cable for six distribution feeders exiting the substation.

In the center of Garland, work on the Newman Substation began in October 2020 with the demolition of the 69kV infrastructure. The upgrade to 138kV enhances GP&L's bulk power transmitting capability and overall system reliability. This new load-serving substation supplies four underground distribution feeders, and will allow for retirement of the nearby 69kV Castle Drive Substation and the conversion of the Newman-Walnut transmission line from 69kV to 138kV.

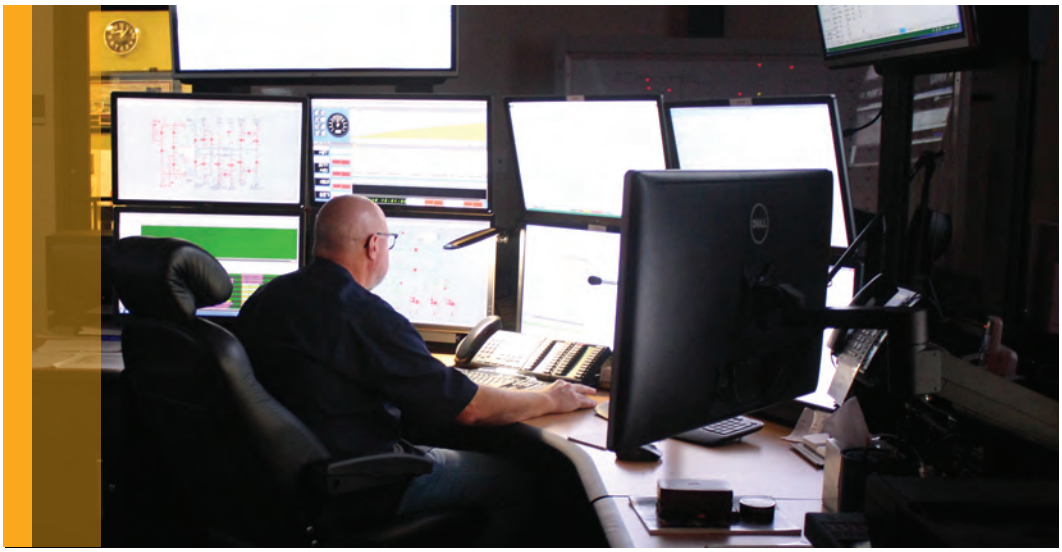
For secure and reliable communications with control centers, the communication infrastructure was upgraded at Newman Substation, at Nevill Road Switch Station and at a TMPA substation that GP&L operates. The new equipment included network gear and fiber optics.

After being damaged by a flooded Rowlett Creek, the Ben Davis Substation now has a new perimeter fence. With a reinforced foundation, the fence and gate have been designed to withstand the force of floodwater and help keep debris out of the substation.

To better support the amount of power coming out of Olinger Power Plant onto the grid, 2.3 miles of Olinger-Wylie transmission circuits crossing Lake Lavon were reconductored to higher capacity wire.

APPLYING TECHNOLOGY

Specialized software, hardware and applications are used by employees to carry out 24/7 utility operations. Upgraded technology offers faster performance and enhanced functionality, reliability, user interface and cybersecurity. New applications automate processes, bringing speed and accuracy. GP&L staff and vendors collaborated virtually to test and deliver the projects on time, overcoming hurdles created by the ongoing pandemic.



- The energy management system (EMS) and supervisory control and data acquisition system (SCADA) platform used to monitor GP&L's electrical systems had a complete upgrade of both software and hardware systems, a historical database conversion, and server and work station changeouts at the primary and backup control centers.
- The geographic information system (GIS) was upgraded to a newer version, while the old workforce management system and transformer management application were replaced by the web-based Lifecycle application, which required both software and infrastructure installations.
- Changes to the Responder outage management system included upgraded software, rebuilt custom features and scripts, and the combination of two databases to make the system work faster as outage reports are collected and managed.
- The Energy Transaction & Risk Management System was enhanced to invoice wholesale customers' solar or wind power purchases from GP&L, and to confirm GP&L's renewable purchases from suppliers.

- The Resource Outage Derate and Test (ODT) application replaces a manual process with a web-based tool that allows GP&L's QSE clients to securely submit information on outages, derates and testing for power generation units and associated transmission equipment. The Resource ODT logs the requests, presents information on a dashboard and reduces scheduling conflicts.

- Network hardware was refreshed at GP&L's primary data infrastructure location with the installation of a new clustered blade chassis. At the backup location, more computing and storage capacity was added to handle future needs.

- The Microsoft Exchange email environment was upgraded at both the primary and backup data infrastructure locations. The new version provides better performance as well as new and improved features.

GP&L continued to fortify its compliance program and build a safety culture that will send all employees home safely every day.

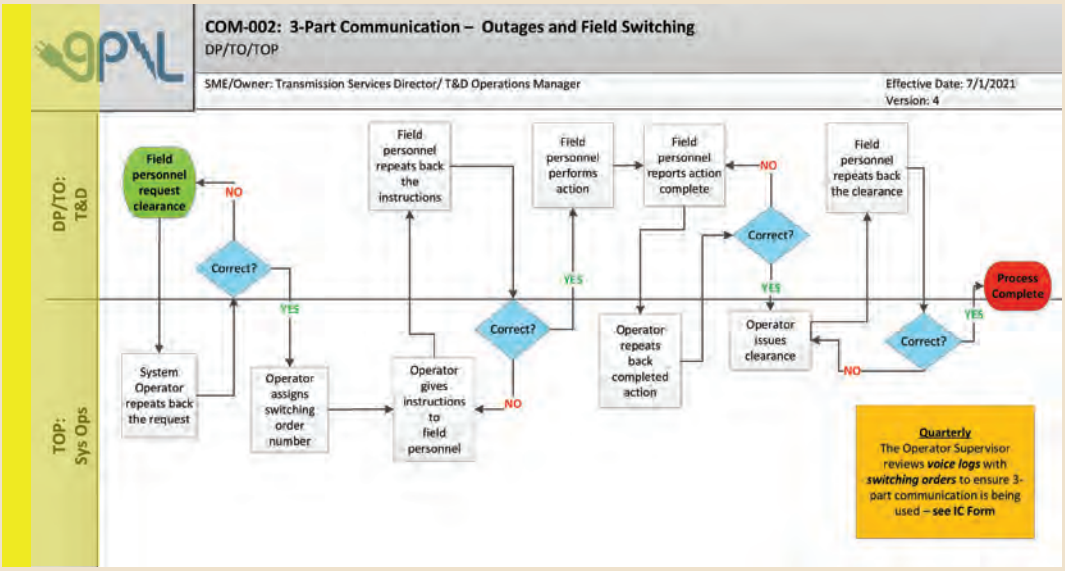
This fiscal year, the utility worked on North American Electric Reliability Corporation (NERC) transmission operations and planning audits for both GP&L and TMPA, and NERC Critical Infrastructure Protection (CIP) audits, also for both GP&L and TMPA.

The two transmission audits were limited in the number of requirements reviewed, but the information requests went deep into the selected reliability standards. In contrast, the two CIP audits were wide ranging, covering a sampling of the standards. Many GP&L employees were involved in providing the evidence to respond to the auditors' requests for information.

To strengthen the utility's compliance program, GP&L updated the Compliance Plan and Risk & Internal Controls Enforcement (RICE) Program.

Within the new Compliance Plan, the directives for organizing compliance among the GP&L departments are more concise and well defined. The RICE Program coordinates with the Compliance Plan and formally documents the processes, practices, policies and procedures needed to comply with NERC's reliability standards. As part of the RICE Program update, business process flow diagrams and internal control forms were revised or created to document GP&L's internal controls for compliance.

GP&L's culture of compliance is also evident in other steps taken this year. The Energy Services Division developed standardized processes for documentation, tracking and approvals to more efficiently manage QSE and Production compliance activities. The System Operations group and GP&L's application programmers improved the electronic logging tool to better capture historical data for auditing purposes.



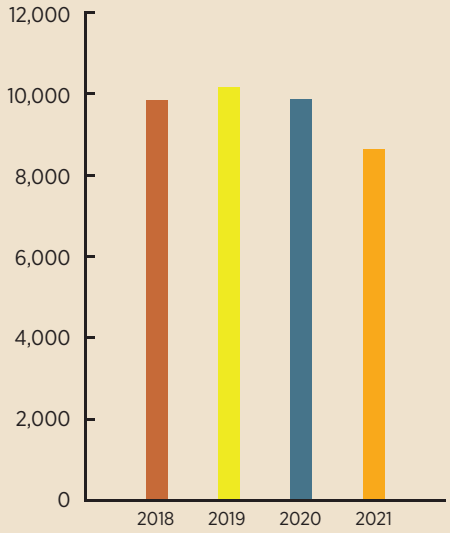
GP&L's online learning management system (LMS) was greatly expanded as a resource for compliance training and employee education. As the pandemic continued, LMS training met the needs of work groups who could no longer meet in person. Subsequently, the LMS has been extended to all employees to provide consistent training regardless of work location. New courses have been developed or purchased, including a safety training library for GP&L's enhanced safety program.

To help ensure our meter technicians have the skills to work safely, GP&L worked with training partners to update the meter technician apprenticeship program. This revised program was approved by the Department of Labor.

GP&L's Safety Steering Team (SST) took major steps toward building the utility's safety culture. The team conducted an Employee Safety Perception Survey to identify opportunities for improving safety. After analyzing the results, the SST selected "safety meetings" as the first topic for further exploration, and assembled the first Continuous Improvement Team to develop a new safety meeting process.

PERFORMANCE INDICATORS

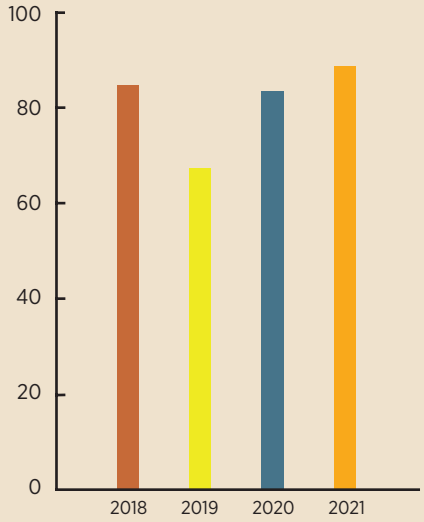
Work Orders



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.

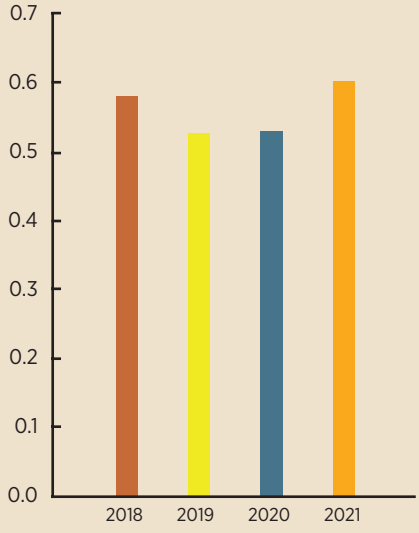
Operating Expenses per Megawatt Hour



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.

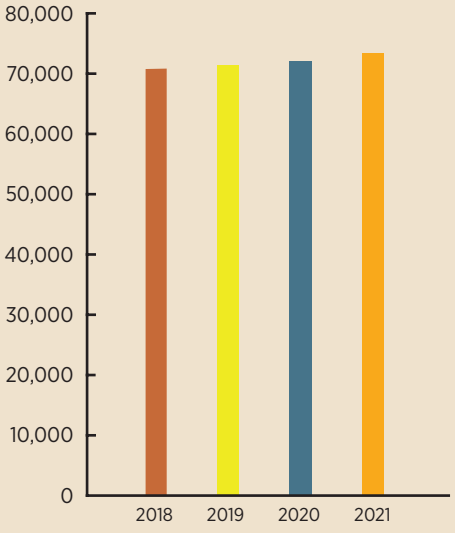
Interpretation: As this statistic is highly influenced by power and TMPA costs, comparisons between utilities must be made carefully.

Debt-to-Asset Ratio



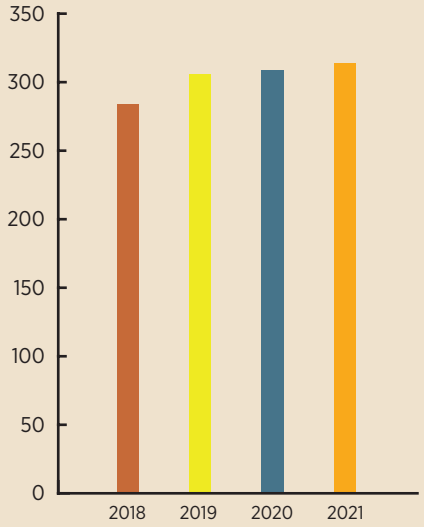
Description: The debt-to-asset ratio is a comparison of an organization's long-term debt to total assets. This ratio reflects to what degree an organization finances its assets with long-term debt.

Electric System Number of Retail Customers



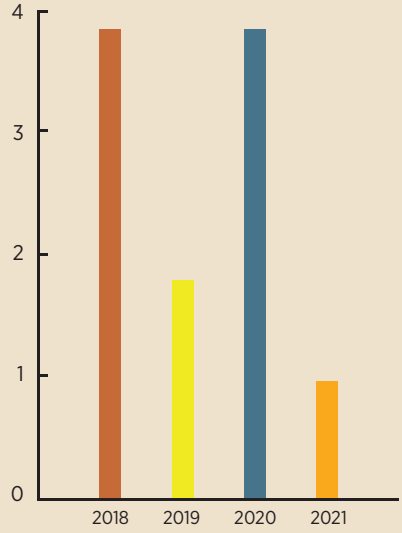
Description: Total customers.

Retail Customers per Employee



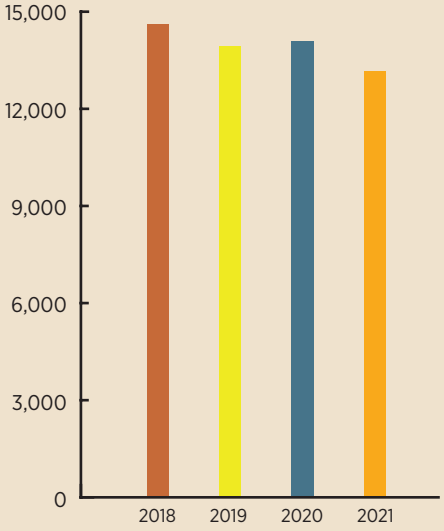
Description: Number of retail customers divided by the number of electric utility employees.

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.

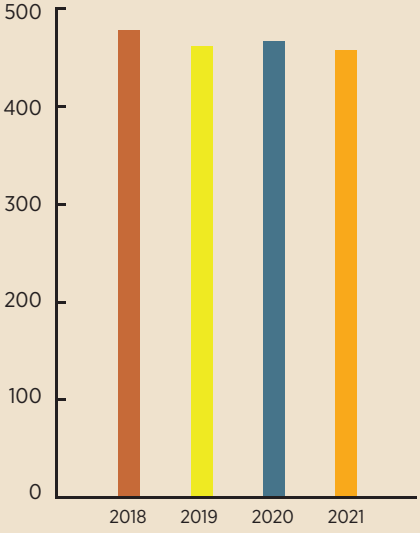
KWH Sales per Residential Customer



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.

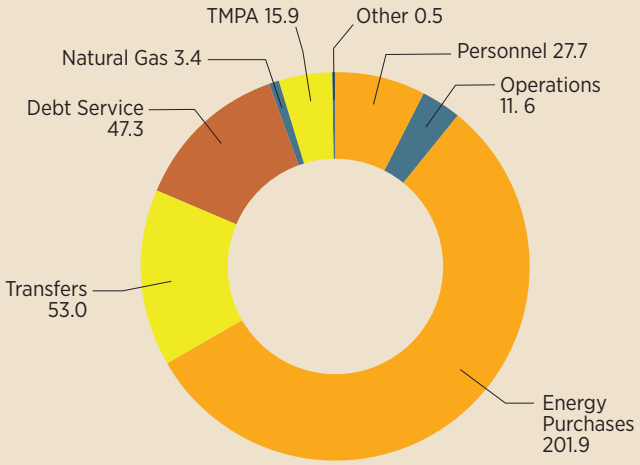
BALANCE SHEET

Fiscal Year Ended Sept. 30, 2021. (Unaudited) With comparative totals for Fiscal Year Ended Sept. 30, 2020. (Unaudited)

Assets	2021	2020
Current Assets:		
Cash and investments	$ 85,277,767	$ 72,738,646
Inventories	5,381,715	5,847,312
Receivables and other	69,911,082	66,267,897
Total Current Assets	160,570,564	144,853,855
Restricted Assets:		
Cash and investments	247,399,967	194,825,902
Accrued interest receivable	11,134	579,897
Total Restricted Assets	247,411,101	195,405,799
Property, Plant and Equipment –		
Net of accumulated depreciation	716,018,274	678,586,139
Other Assets	207,013,622	120,059,968
Total Assets	$ 1,331,013,561	$ 1,138,905,761

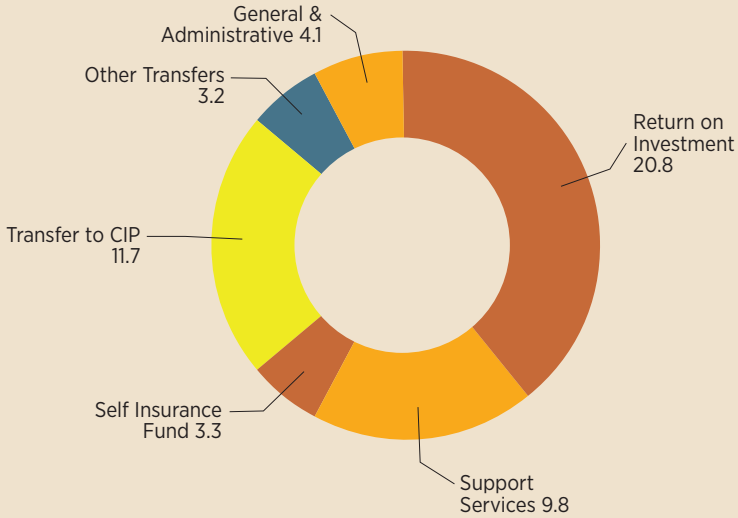
Fiscal Year 2021 Actual Expenditures

in millions of dollars



Fiscal Year 2021 Transfers

in millions of dollars



Liabilities

	2021	2020
Current Liabilities:		
From current assets		
Payables	$ 69,497,692	$ 45,899,826
Long-term Liabilities:		
From restricted assets		
Accounts payable	1,257,038	6,093,855
Retainage payable	20,135	821,900
Escrow payable	295,821	228,123
Total payables from restricted assets	1,572,994	7,143,878
Bonds payable and other	797,120,721	644,944,360
Total Long-term Liabilities	798,693,715	652,088,238
Total Liabilities	$ 868,191,407	$ 697,988,064

Equity

Retained Earnings:		
Invested in capital assets, net of debt	178,953,783	170,705,213
Restricted	228,689,008	192,192,288
Unrestricted	55,179,363	78,020,196
Total Retained Earnings	462,822,154	440,917,697
Total Liabilities, Contributed Capital and Retained Earnings	$ 1,331,013,561	$ 1,138,905,761

Audited financial statements providing greater detail can be obtained from the City of Garland Comprehensive Annual Financial Report for Fiscal Year Ended Sept. 30, 2021 located on GarlandTX.gov.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS

Fiscal Year Ended Sept. 30, 2021. (Unaudited) With comparative totals for Fiscal Year Ended Sept. 30, 2020. (Unaudited)

	2021	2020
Operating revenues:		
Charges for service	$ 356,541,531	$ 284,768,630
Other	8,931,246	13,650,941
Total Operating Revenues	365,472,777	298,419,571
Operating expenses before depreciation:		
Energy purchases/TMPA charges	207,863,943	130,004,461
Operating expenses	45,066,666	44,573,965
General and administrative	15,229,644	14,096,856
Total Operating Expenses Before Depreciation	268,160,253	188,675,282
Operating income before depreciation	97,312,524	109,744,289
Depreciation and amortization expense	33,245,017	34,682,721
Operating Income	64,067,507	75,061,568
Non-operating revenues (expenses):		
Return on investment	(20,836,716)	(20,132,093)
Earnings on investment	233,194	5,774,137
Interest expense	(15,952,084)	(13,523,088)
Other	(3,738,594)	(5,329,701)
Net transfers	(2,053,574)	(2,313,898)
Capital contributions	184,724	189,014
Net Non-operating Revenue (expense)	(42,163,050)	(35,335,629)
Net Income (Loss)	21,904,457	39,725,939
Retained Earnings at Beginning of Year	440,917,697	401,191,758
Retained Earnings at End of Year	$ 462,822,154	$ 440,917,697

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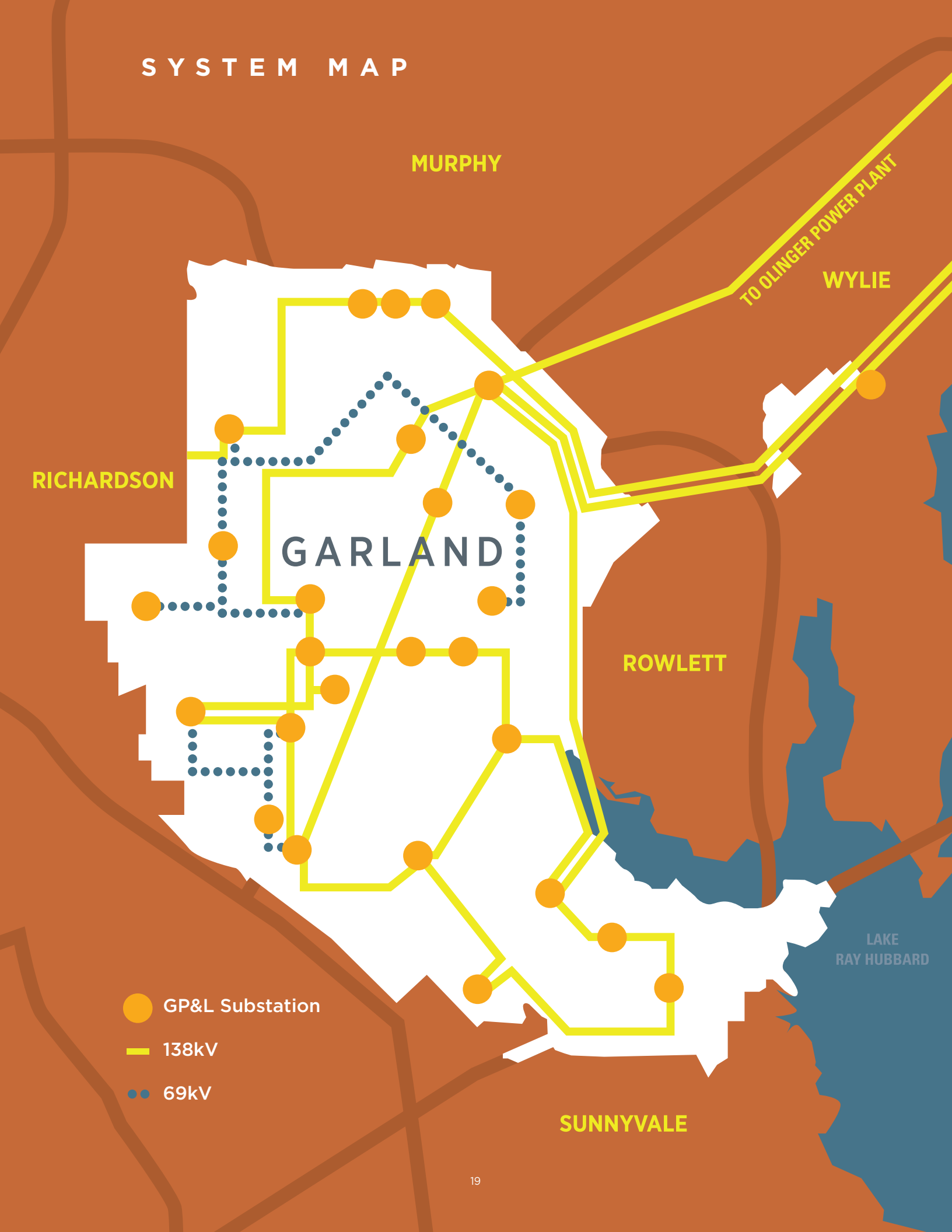
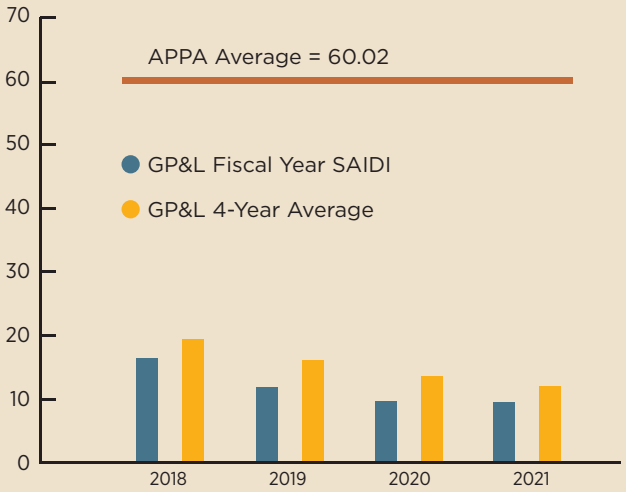
SYSTEM MAP


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)

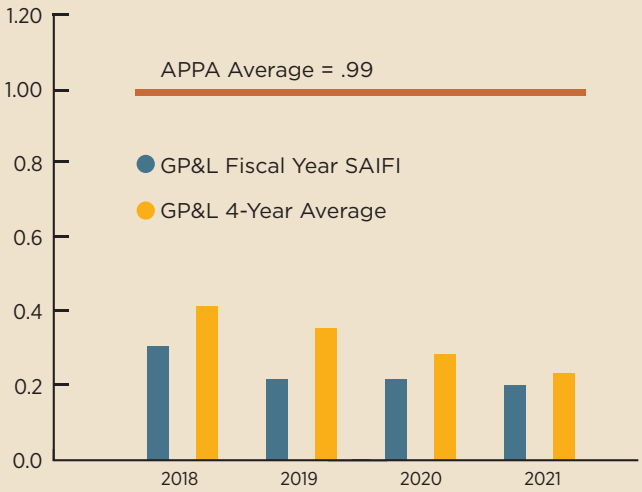
Fiscal Year Ended Sept. 30



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



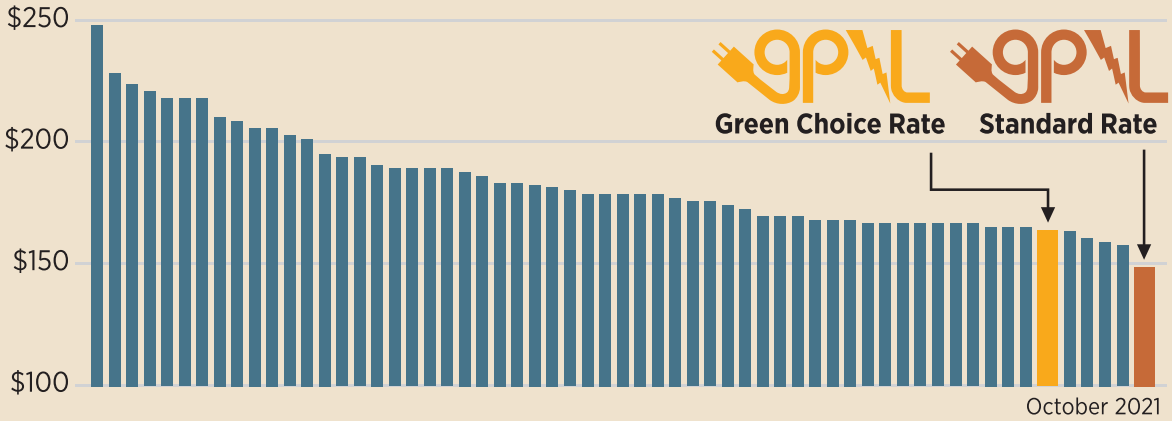
System Average Interruption Frequency Index (SAIFI) – This is defined as the average number of times that a customer is interrupted during a specified time period. It is determined by dividing the total number of customers interrupted in a time period by the average number of customers served. The resulting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

Garland Power & Light Residential Rate Comparison

Fiscal Year Ended Sept. 30, 2021

Oncor Electric Delivery Area – 1500 kWh Usage

Retail Electric Providers



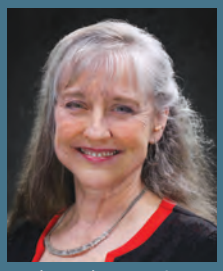
2021 Distribution Statistics

Distribution lines	12.8 miles of overhead added or replaced
	20.2 miles of underground added or replaced
Distribution poles added or replaced	592
Overhead operations & repairs	95
Overhead construction projects	560
Underground operations & repairs	248
Underground construction projects	432
Streetlights	1,023 operations & repairs
	1,615 LED conversions
Residential meter sets & changeouts	596
Commercial meter sets & changeouts	930
Meter operations, repairs & testing	1,502
Trouble calls	1,967
Tree trimming requests	161

Garland City Council

Scott LeMay
Mayor

Jeff Bass
District 1

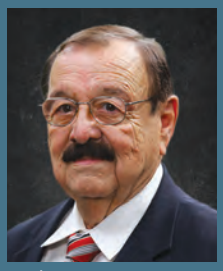


Deborah Morris
District 2

Ed Moore
District 3

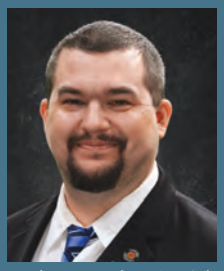
B.J. Williams
Dep. Mayor Pro Tem
District 4

Rich Aubin
District 5



Robert Vera
District 6

Dylan Hedrick
Mayor Pro Tem
District 7



Robert John Smith
District 8

Garland City Manager

Bryan L. Bradford

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