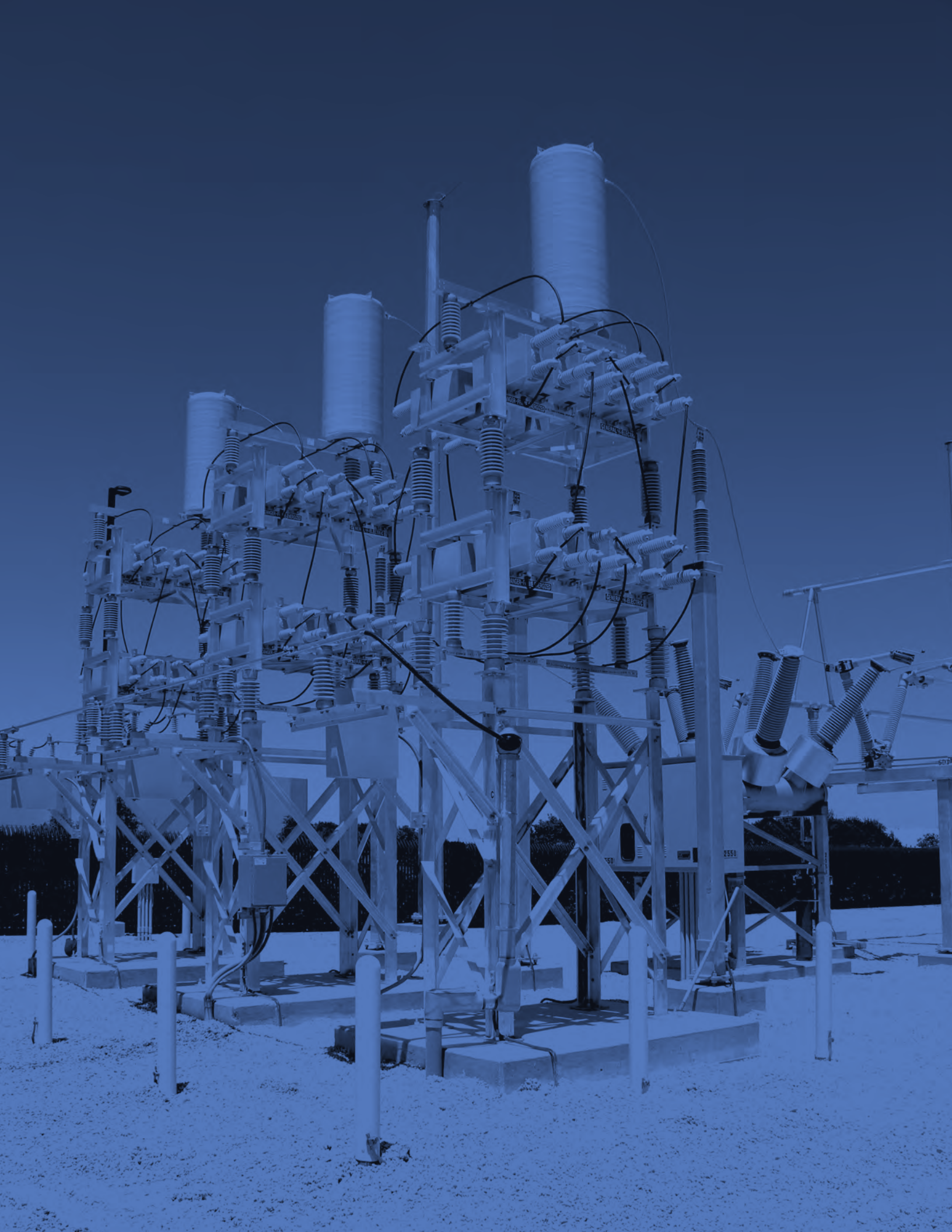
2022 ANNUAL REPORT

GARLAND POWER & LIGHT



GENERAL MANAGER'S MESSAGE

This year, I was pleased to assume the role of General Manager and CEO of Garland Power & Light. As we moved forward from the COVID-19 pandemic and Winter Storm Uri, we experienced some new challenges and opportunities.

Global instability led to a rapid and considerable surge in the price of natural gas, the largest fuel source for power generation in Texas. As a result, electric rates increased approximately 8 cents per kWh in the Electric Reliability Council of Texas (ERCOT) deregulated market. To help offset the higher cost of natural gas and purchased power, GP&L raised the Recovery Adjustment Factor (RAF) component of the electric rate by 2 cents per kWh, our first increase in more than 16 years. This rate change was significantly lower than other power providers thanks to GP&L's Rate Mitigation Fund reserves and diverse power generation portfolio. As compared to the rates in the Oncor delivery area, GP&L's rates remained very competitive.

Even with high gas prices and other market uncertainty, Fitch and S&P Global Ratings affirmed GP&L's credit ratings at AA- and A respectively. The agencies also revised the rating outlook to stable from negative. Another financial success this year was the sale of more than 10,000 acres of Texas Municipal Power Agency mining land.

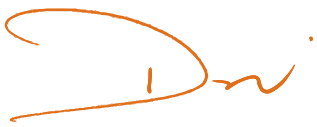
GP&L implemented measures to improve the weatherization of our infrastructure, including several completed in a short time frame once new weatherization rules were passed by the Public Utility Commission of Texas. These steps made GP&L more resilient during this past winter and will allow us to better serve our customers during future extreme weather events.

Because it is important to represent the interests of GP&L and municipally owned electric utilities, some of our employees served on state or national boards, committees and associations. This participation has proven extremely beneficial as the electric industry continues to evolve.

In an effort to retain and attract employees in a highly competitive labor market, we conducted comprehensive job market studies. These provided insight on positions with below-market pay ranges, which we adjusted to be in line with the industry.

Enhancing the safety culture at GP&L is also a top priority. The Safety Steering Team and the first Continuous Improvement Team made great strides this year, and I look forward to seeing more positive results from this employee-driven safety program.

As Garland advances, GP&L will continue to support economic development opportunities that can enhance the City's financial and economic position. Furthermore, I look forward to working with the great employees at GP&L to provide safe and reliable electric service at competitive, stable rates.



Darrell Cline
General Manager and CEO

ADAPTING TO CHANGE

As the ever-evolving ERCOT market and global factors impacted all utilities this year, GP&L took steps to address and minimize how these circumstances impacted operations.

One of the biggest challenges was the cost of power, driven up by the cost of natural gas. To help manage fuel costs, GP&L utilized a natural gas storage contract designed to minimize pack and draft fees for scheduling natural gas use for power generation.

GP&L has not been immune to post-COVID-19 supply chain issues affecting many people and businesses worldwide. Staff monitored inventories and orders to make the best use of available supplies for work projects. Nevertheless, the lengthened time frame to acquire materials and resources led to some projects taking longer to complete than originally planned.

To help shape the future of municipal utilities and the electric industry, GP&L employees participated on committees for ERCOT and the North American Electric Reliability Corporation, as well as the Texas Energy Reliability Council. The knowledge shared and gained by these representatives is beneficial for both GP&L and the industry.

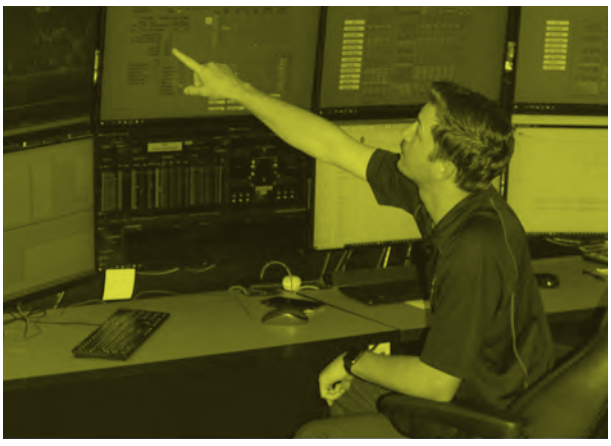
The Qualified Scheduling Entity (QSE) business adjusted some of its processes and support systems. To minimize risk for GP&L, new QSE services contracts shifted to an Agent QSE agreement. This new type of agreement allows for QSE-related activity to be performed by GP&L, but the financial obligation shifts to the wholesale utility customer. These customers are provided with a tool that can be used to download data files directly from ERCOT and validate the day-to-day business activity.

The QSE also implemented new software products to support daily operational planning and business flow.

- Whiteboard is an interface between the QSE and power plants, which includes ERCOT data and unit availability. In addition to serving as an informational dashboard, it can also log the operators' notes.

- The related Nightshade tool improves process efficiency by uploading data files to Settlements and creating daily planning files. It also produces flat files for ERCOT submission.

- The Sweetwater database replaced an old program, providing more information for analysis and planning. It collects a variety of data, such as generation forecasts, generation, load and pricing.



With increased numbers of demand-side solar systems and electric vehicles, GP&L commissioned a study to analyze the impact of those technologies on the electric system and identify infrastructure upgrades that may be necessary to support them. Analysis of the final report will guide GP&L on next steps.


One of the biggest challenges has been the cost of power, driven up by the cost of natural gas.

SAFETY AND SECURITY

Sending employees home safely every day is the goal of GP&L's safety program. As part of creating a strong safety culture, the Safety Steering Team tasked a cross-departmental employee team with developing a plan for safety meetings to be held by every GP&L work group, not just those who work in the field.

Within a few months, Continuous Improvement Team (CIT) #1 created an adaptable, sustainable and effective safety meeting process, and piloted it with five departments. After incorporating learnings from the pilot, the process was rolled out to all of GP&L, with each work group able to hold similarly structured monthly safety meetings on topics relevant to the work group. This new safety meeting process was an important step in expanding safety awareness, and making safety part of everyday conversation and practice, both at work and home.

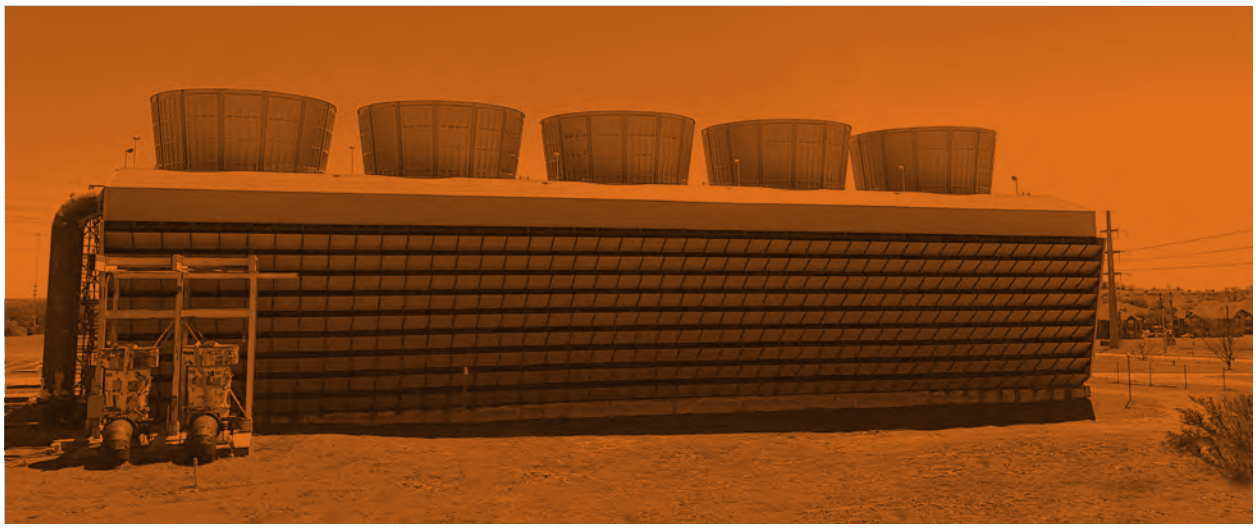
Because keeping the utility's computer systems safe from bad actors is essential, steps were taken to improve the cybersecurity hygiene of GP&L. The Cybersecurity Roadshow brought mandatory, hands-on cybersecurity training in small groups to all employees. Training focused on phishing, password use and multifactor authentication, and will be required for all new employees.

The effectiveness of GP&L's cybersecurity training was tested during the annual Critical Infrastructure Protection (CIP) exercise covering CIP-008 and CIP-009. Employees participating in small groups analyzed changes or problems presented in the scenario, and worked on a resolution. More practice came when GP&L representatives took part in the Public Utility Commission of Texas' statewide cybersecurity drill.

GP&L also utilized technology to enhance cybersecurity. This included implementing a new cybersecurity framework to better align the utility's practices with industry standards and adding multifactor authentication to all energy management system servers. Additionally, a hardware refresh was completed on the firewalls, and an endpoint management tool was added to deploy and verify security updates to desktop and laptop computers.

Keeping the utility's computer systems safe from bad actors is essential.

SERVING CUSTOMERS



Following Winter Storm Uri, GP&L made substantial efforts to prepare both customers and infrastructure for the next winter. A communications campaign explained to customers how power supply works within the ERCOT market, the ERCOT alert levels, and the steps they can take to prepare for possible outages. These and other customer messages were written using less technical wording.

Changes were also made to GP&L's electric system, including balancing the electric load on power line feeders and identifying additional feeders to be put into outage rotation. Enhanced weatherization steps were taken at the power plants to support cold weather operations. The weatherized generating units met resource availability during high demand in both winter and summer months.

At the Spencer Plant, Unit #5 returned to service after the original wooden cooling tower was replaced. The new tower was constructed with fiber-reinforced plastic and steel, making the tower easier to maintain and longer lasting. The cooling tower on Spencer Unit #4 was proactively rebuilt using the same materials.

The number of GP&L customers selecting 100% Texas renewable wind and solar energy continued to grow, with 175 customers on the Green Choice rate. Over the past year, GP&L integrated 260 new solar customers onto the distribution system, bringing the customer-installed solar generation capacity to 6.6 megawatts.

To better assist local customers, a program was established to support the needs of small to mid-size commercial customers. Additionally, an upgraded interface between the Outage Management System and the Customer Information System provides for a 10-minute refresh, resulting in the availability of more timely information for customer services.

The Energy Transaction & Risk Management system was upgraded to a newer version, which allows for more insight into the energy supply

and wholesale customer business. The system enhancements help with generation fuel cost management, provide accounting features to settle business transactions, and establish a repository for data that can be used to evaluate the QSE business. Weekly wholesale customer reports have been automated, allowing for a more efficient compilation and review of activity and trends.

As GP&L engages with new energy counterparties or renews agreements with others, newly updated standard agreements for both physical and financial transactions will be used. These documents detail financial obligations and will strengthen the contract process.

Progress was made toward obtaining advanced metering infrastructure (AMI) for both electric and water meters. A request for a review of the proposals is underway.

The weatherized generating units met resource availability during high demand in both winter and summer months.

SUPPORTING GARLAND

As Garland welcomed more residents and businesses to the city, GP&L built or upgraded infrastructure to provide reliable electric service to both new and existing customers.

The following projects supported new residential home and multifamily developments, commercial projects and road widenings:

- For the Draper Apartments at South Garland Avenue and West Avenue B, overhead wire was upgraded and crossarms were replaced on the power line that will serve the complex.
- At Embree Hill Apartments Phase 2 along East Interstate 30, eight 100 kVA pad-mount transformers and eight secondary cubicles were set.
- For the Lyons Crest Estates housing addition near Lyons Road, 18 pad-mount transformers and 5,000 feet of underground cable were installed.
- In the Riverset Phase 2 housing addition at the southwest corner of Shiloh and Buckingham roads, 16 transformers and four LED streetlights were installed.
- At the Raising Cane's on North Garland Avenue at President George Bush Turnpike, a 150 kVA pad-mount transformer and three-phase service were installed.
- For the QuikTrip south of East Interstate 30 at Bobtown Road, a 300 kVA pad-mount transformer for underground service was installed.
- To accommodate road-widening projects across Garland, distribution power lines were relocated prior to the road construction.

Other construction projects supported system reliability through upgrades or routine maintenance. Major projects included:

- Reconductoring 2,000 feet of overhead line to higher capacity wire on Travis Street between North First Street and North Glenbrook Drive to serve additional load.
- Replacing three vertical air switches and 37 wood poles with steel poles to rebuild the Lookout-Apollo distribution line to serve additional load.
- Installing six self-supporting steel structures along Apollo Road near Glen Canyon Drive.
- Replacing 13 wood poles with self-supporting steel structures on Belt Line Road between North Glenbrook Drive and Kingsbridge Drive.
- Relocating overhead lines near a creek to underground along Saturn Springs Drive near South Glenbrook Drive. (Phase 1)
- Converting overhead lines near a creek to underground in the English and Sussex drives area. (Phase 3)
- Replacing aging cable on four residential underground loops.
- Continuing the pole inspection program by inspecting 4,310 poles this year and replacing 136.

Other projects were completed to enhance or assess GP&L's electric system.

- The power factor on 16 feeders was adjusted to keep three substations in compliance with ERCOT requirements.
- Feeder analysis was conducted to determine the capacity available to support additional load for new developments.
- The daily activity reporting system was upgraded with new data search capabilities and other features to improve the user experience.

REINFORCING THE GRID

GP&L constructs and maintains transmission projects in Garland and in other locations throughout the state. These projects add capacity to the grid, enhance service reliability, and generate revenue to help keep customer rates stable.

Over the years, GP&L has converted 69kV high voltage power lines to 138kV to better serve Garland and support the grid. This year, most of the College-Jupiter transmission line was upgraded to 138kV and relocated to make it more accessible from major roadways. Following this line upgrade and another completed last year, the Lawler and Castle 69kV substations were deenergized, and the distribution load was permanently rerouted to other substations.

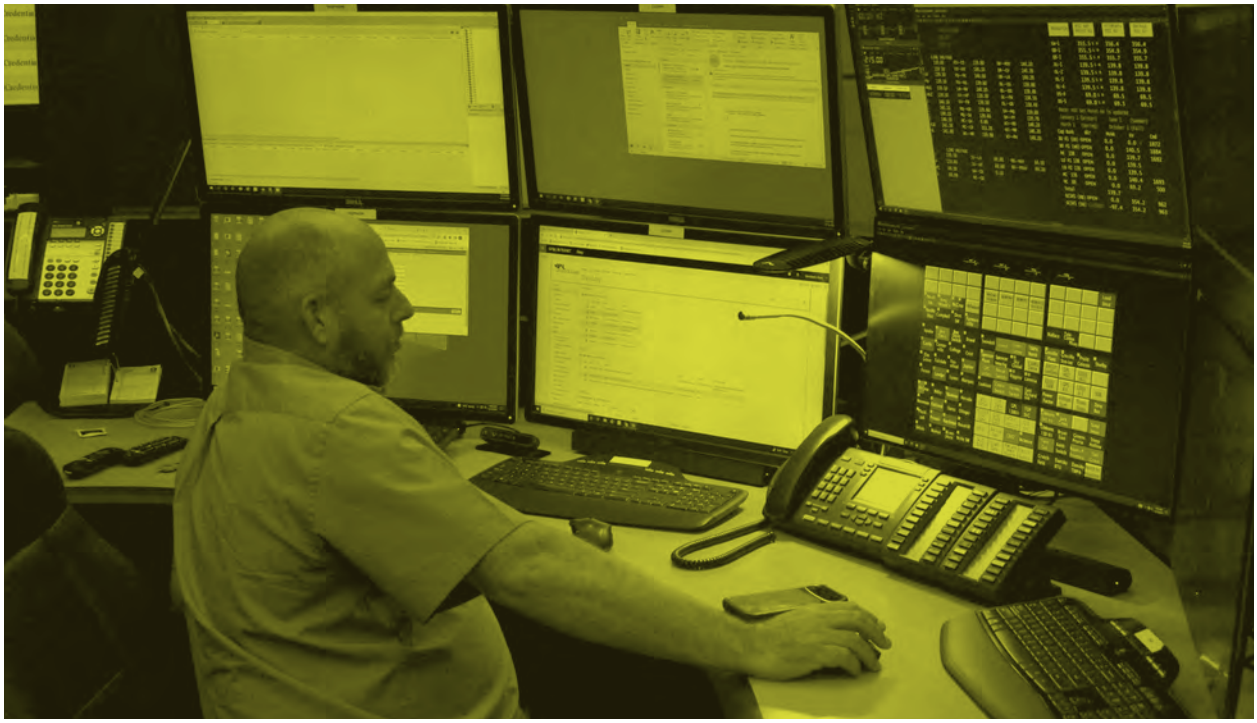
To support grid reliability in North Garland, two 138kV 30 MVAR capacitor banks were installed at the Lookout Switch Station. This was Phase 1 of a project to mitigate low voltage issues.

In South Garland, a 600 MVA autotransformer was installed at the McCree Substation to meet increased load requirements and provide backup for maintenance outages.

In West Texas, GP&L connected a 50 MW battery storage facility to the grid, the first resource of this type to be connected via the utility's transmission assets. This required the addition of a new terminal at GP&L's King Mountain Switch Station and a .6-mile transmission line to the battery site.


These projects add capacity to the grid, enhance service reliability, and generate revenue to keep customer rates stable.

APPLYING TECHNOLOGY



Several technological improvements were made to support GP&L's business operations. Upgraded communication circuits at four infrastructure locations increased bandwidth and reduced costs. At select remote sites, new camera servers save data on-site and support remote viewing.

The adoption of voice over internet protocol (VoIP) for voice calls required other upgrades. The phone network was upgraded to support ERCOT's transition to VoIP hotlines to control centers, and the recording servers at the primary and backup control centers were replaced.

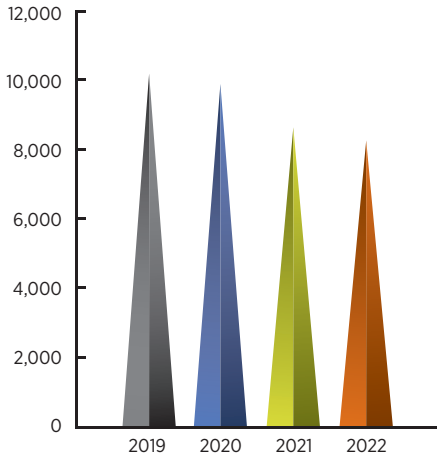
Some servers were transformed. The operating system on the utility's virtual servers was upgraded to better manage the workload, and legacy compliance applications were migrated onto other servers for cost savings and efficiency.

Software on laptops and computers continued to be refreshed, keeping workstations up to date and operating at the highest level. The print solution and antivirus resource was moved to the cloud, allowing faster access to these resources.

GP&L upgraded communication circuits at four infrastructure locations.

PERFORMANCE INDICATORS

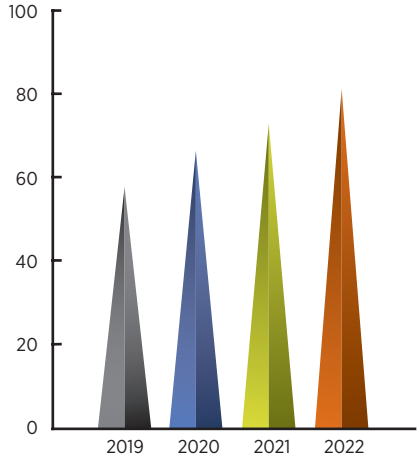
Work Orders



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.

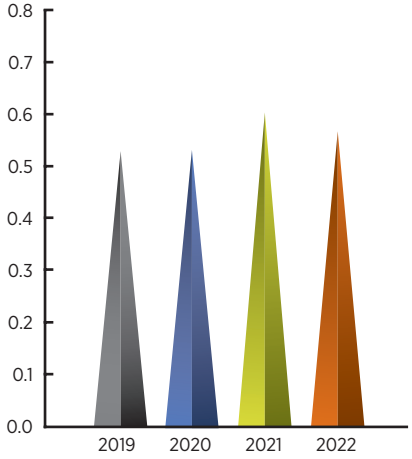
Operating Expenses per Megawatt Hour



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.

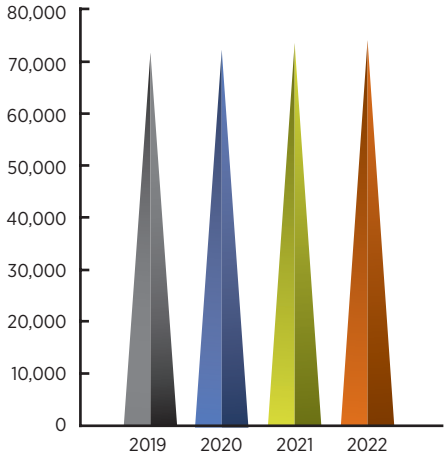
Interpretation: As this statistic is highly influenced by power and TMPA costs, comparisons between utilities must be made carefully.

Debt-to-Asset Ratio



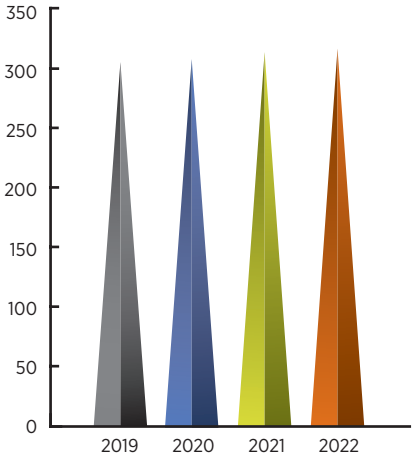
Description: The debt-to-asset ratio is a comparison of an organization's long-term debt to total assets. This ratio reflects to what degree an organization finances its assets with long-term debt.

Electric System Number of Retail Customers



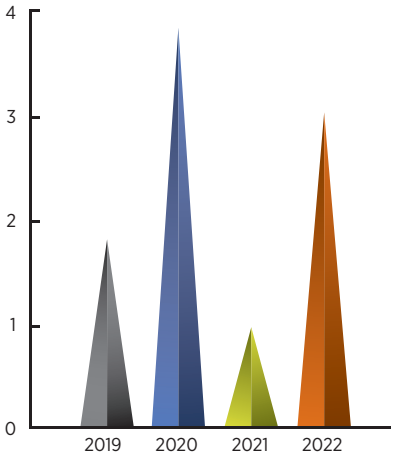
Description: Total customers.

Retail Customers per Employee



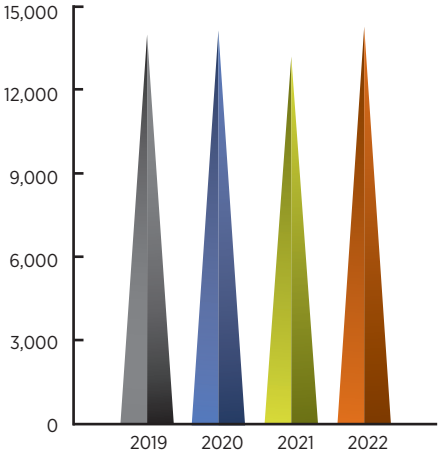
Description: Number of retail customers divided by the number of electric utility employees.

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.

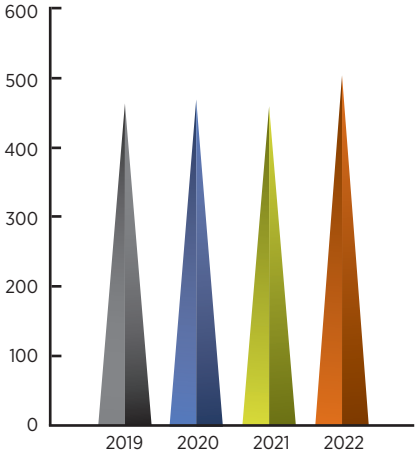
KWH Sales per Residential Customer



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.

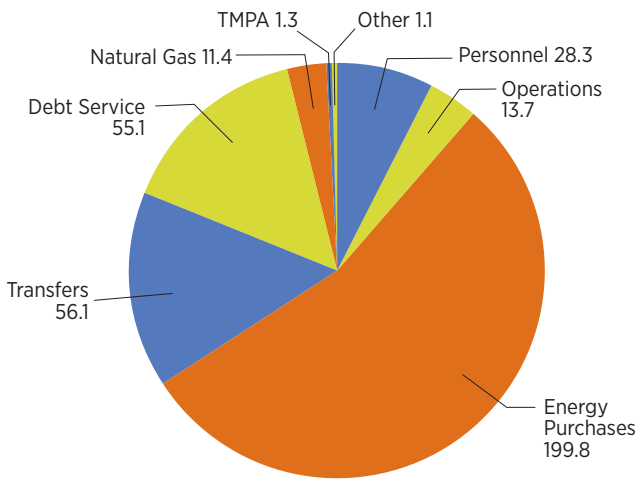
BALANCE SHEET

Fiscal Year Ended Sept. 30, 2022. (Unaudited) With comparative totals for Fiscal Year Ended Sept. 30, 2021. (Unaudited)

Assets	2022	2021
Current Assets:		
Cash and investments	$ 84,160,824	$ 85,277,767
Inventories	5,357,396	5,381,715
Receivables and other	69,747,364	69,911,082
Total Current Assets	159,265,584	160,570,564
Restricted Assets:		
Cash and investments	304,998,074	247,399,967
Accrued interest receivable	91,903	11,134
Total Restricted Assets	305,089,977	247,411,101
Property, Plant and Equipment –		
Net of accumulated depreciation	745,987,489	716,018,274
Other Assets	206,770,922	207,013,622
Total Assets	$ 1,417,113,972	$ 1,331,013,561

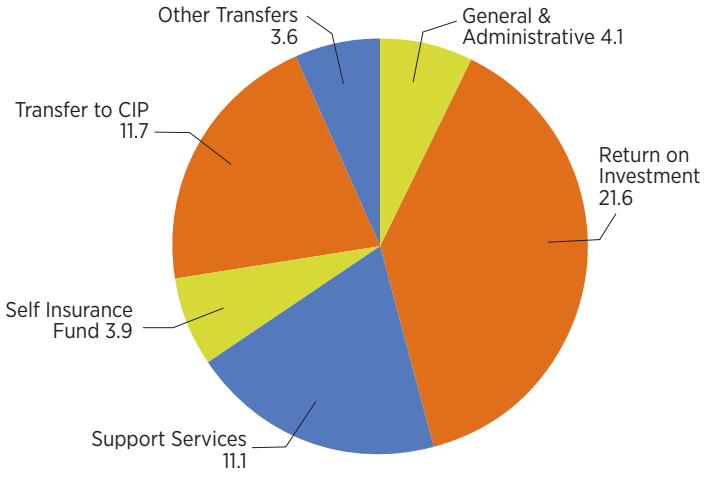
Fiscal Year 2022 Actual Expenditures

in millions of dollars



Fiscal Year 2022 Transfers

in millions of dollars



Liabilities

	2022	2021
Current Liabilities:		
From current assets		
Payables	$ 55,828,765	$ 58,112,921
Long-term Liabilities:		
From restricted assets		
Accounts payable	2,215,934	1,257,038
Retainage payable	218,167	20,135
Collateral payable	52,639,170	11,384,771
Escrow payable	375,919	295,821
Total payables from restricted assets	55,449,190	12,957,765
Bonds payable and other	805,994,745	797,120,721
Total Long-term Liabilities	861,443,935	810,078,486
Total Liabilities	$ 917,272,700	$ 868,191,407

Equity

Retained Earnings:		
Invested in capital assets, net of debt	208,018,403	178,953,783
Restricted	241,582,271	217,304,237
Unrestricted	50,240,598	66,564,134
Total Retained Earnings	499,841,272	462,822,154
Total Liabilities, Contributed Capital and Retained Earnings	$ 1,417,113,972	$ 1,331,013,561

Audited financial statements providing greater detail can be obtained from the City of Garland Comprehensive Annual Financial Report for Fiscal Year Ended Sept. 30, 2022, located on GarlandTX.gov.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS

Fiscal Year Ended Sept. 30, 2022. (Unaudited) With comparative totals for Fiscal Year Ended Sept. 30, 2021. (Unaudited)

	2022	2021
Operating revenues:		
Charges for service	$ 347,199,616	$ 356,541,531
Other	9,705,700	8,931,246
Total Operating Revenues	356,905,316	365,472,777
Operating expenses before depreciation:		
Energy purchases/TMPA charges	212,481,123	207,863,943
Operating expenses	42,774,486	45,066,666
General and administrative	17,000,597	15,229,644
Total Operating Expenses Before Depreciation	272,256,206	268,160,253
Operating income before depreciation	84,649,110	97,312,524
Depreciation and amortization expense	34,034,564	33,245,017
Operating Income	50,614,546	64,067,507
Non-operating revenues (expenses):		
Return on investment	(21,565,999)	(20,836,716)
Earnings on investment	226,398	233,194
Interest expense	(20,681,631)	(15,952,084)
Other	31,399,160	(3,738,594)
Net transfers	(4,341,672)	(2,053,574)
Capital contributions	1,368,316	184,724
Net Non-operating Revenue (expense)	(13,595,428)	(42,163,050)
Net Income (Loss)	37,019,118	21,904,457
Retained Earnings at Beginning of Year	462,822,154	440,917,697
Retained Earnings at End of Year	$ 499,841,272	$ 462,822,154

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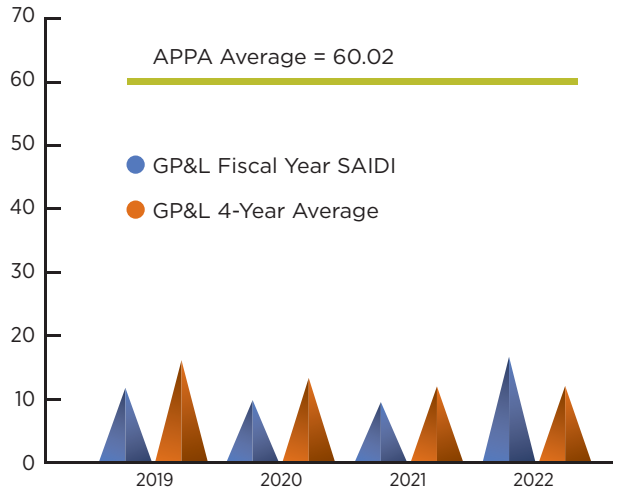
SYSTEM MAP


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)

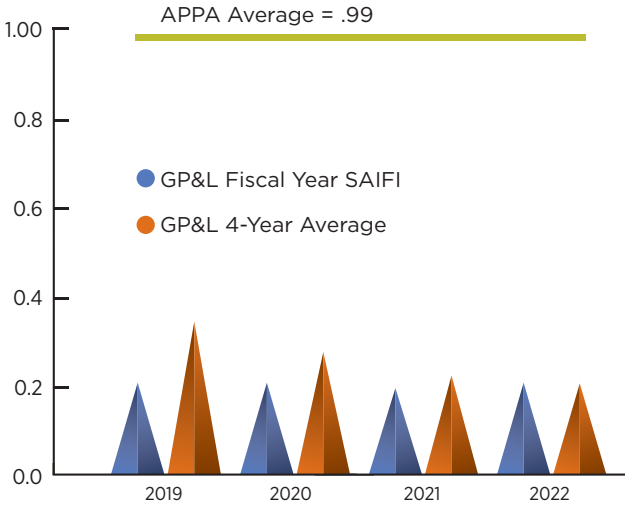
Fiscal Year Ended Sept. 30



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)

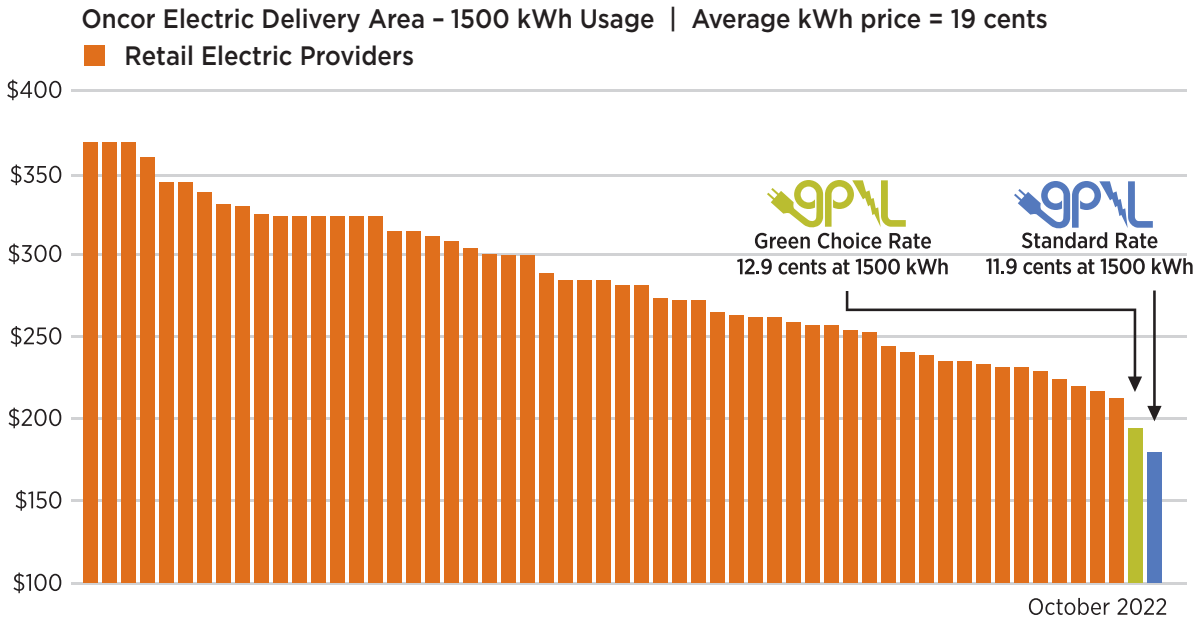
Fiscal Year Ended Sept. 30



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, 2022



2022 Distribution Statistics

Distribution lines	7.4 miles of overhead added or replaced
	22.4 miles of underground added or replaced
Distribution poles added or replaced	404
Overhead operations & repairs	96
Overhead construction projects	559
Underground operations & repairs	257
Underground construction projects	356
Streetlights	680 operations & repairs
	1,610 LED conversions
Residential meter sets & changeouts	644
Commercial meter sets & changeouts	491
Meter operations, repairs & testing	1,106
Trouble calls	2,571
Tree trimming requests	195

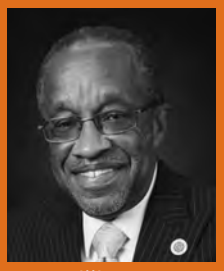
Garland City Council

Scott LeMay
Mayor

Jeff Bass
District 1

Deborah Morris
Mayor Pro Tem
District 2

Ed Moore
District 3



B.J. Williams
District 4

Margaret Lucht
District 5

Robert Vera
District 6

Dylan Hedrick
District 7

Robert John Smith
Dep. Mayor Pro Tem
District 8

Garland City Manager

Bryan L. Bradford

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