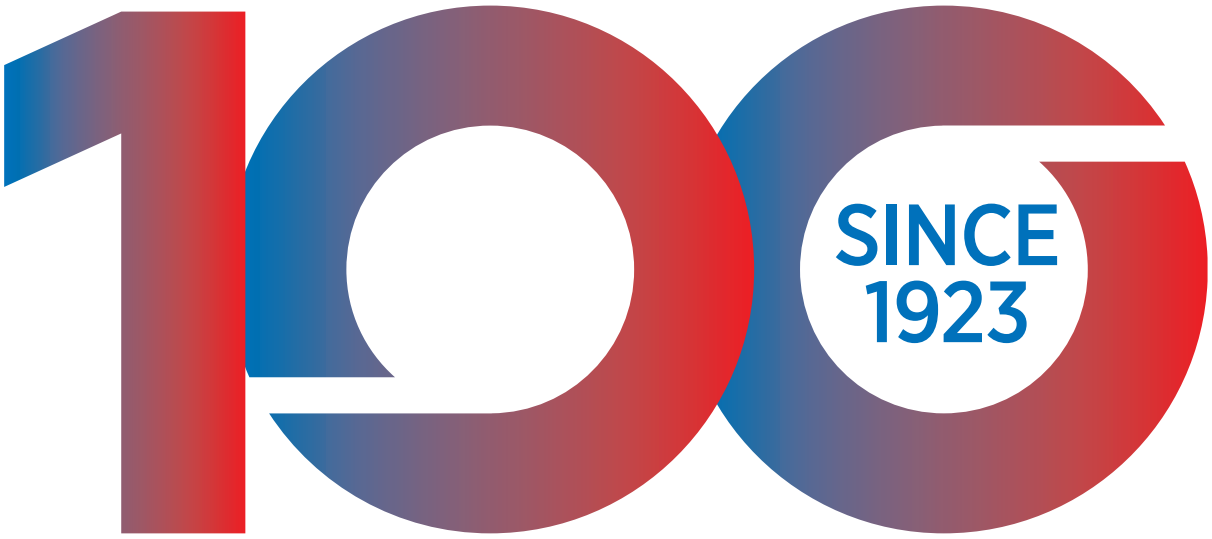


POWERING GARLAND

GARLAND POWER & LIGHT

2023 ANNUAL REPORT

100
SINCE 1923
POWERING GARLAND
GPL
GARLAND POWER & LIGHT

GENERAL MANAGER'S MESSAGE

In 2023, Garland Power & Light celebrated 100 years of providing power to Garland residents and businesses. GP&L has come a long way since the first generator was started on Avenue A in Downtown Garland. To mark this occasion, we celebrated with employees, retirees, elected officials and, most importantly, with the residents of Garland.

As everyone in Texas knows, summer was incredibly hot, and it presented challenges for the electric industry. Ten all-time peak demand records, numerous days of tight supply and demand, and a conservative grid operating strategy resulted in high market prices for power in ERCOT over the summer months and into early September.

To improve communications during power interruptions, we partnered with a third-party call center to take calls that come into our emergency outage line. This change will help facilitate outage reporting during times of high call volumes.

Our employee-led safety program, now branded as SPARK, made great progress this year. Safety awareness and knowledge continued to grow as employees led and attended monthly safety meetings, which feature topics relevant to each work group. A new project to enhance the jobsite evaluation process will further improve our safety culture.

During the 88th Texas Legislative Session, GP&L advocated for our positions on market reforms. We also worked with the Texas Public Power Association to support public power goals. Participation on ERCOT committees and working groups proved beneficial in protecting GP&L's interests and gaining insight into market changes.

By the end of the year, we overcame some of our staffing challenges, but supply chain issues continued. Because some items are still difficult to procure, inventories will be monitored closely, and projects diligently planned and prioritized.

As GP&L looks forward to the next 100 years, our efforts will remain focused on providing safe and reliable electric service at competitive, stable rates to our customers, and enhancing the City of Garland's financial and economic position.

Darrell Cline
General Manager and CEO

GP&L'S CENTENNIAL CELEBRATION

After the local, privately owned electric utility refused to give the City of Garland a favorable electric rate to power the pump at the newly constructed water well, civic leaders decided to create a new electric system for Garland. The leaders purchased a generator on credit, and when C.E. Newman closed the switch on the 117 kW diesel generator on April 1, 1923, Garland Power & Light commenced operations.

This year, GP&L celebrated the 100th anniversary of providing power to residents and businesses in Garland by hosting three events. At an employee breakfast, the utility recognized the dedicated efforts of current and past employees. At a luncheon held at the site of the original power plant on Avenue A in Downtown Garland, appreciation was extended to current and former elected officials for their support of GP&L over the years.

The final event was a large celebration in Winters Park for all of Garland to enjoy. Three bands played music from each decade starting with the 1920s, and GP&L employees demonstrated the skills and equipment they use to keep the lights on. This family-friendly event also featured games, bounce houses, food trucks and opportunities to learn about other City departments and programs. It was a special day for customers, retirees, officials, employees and their families to connect and celebrate GP&L's 100th anniversary.

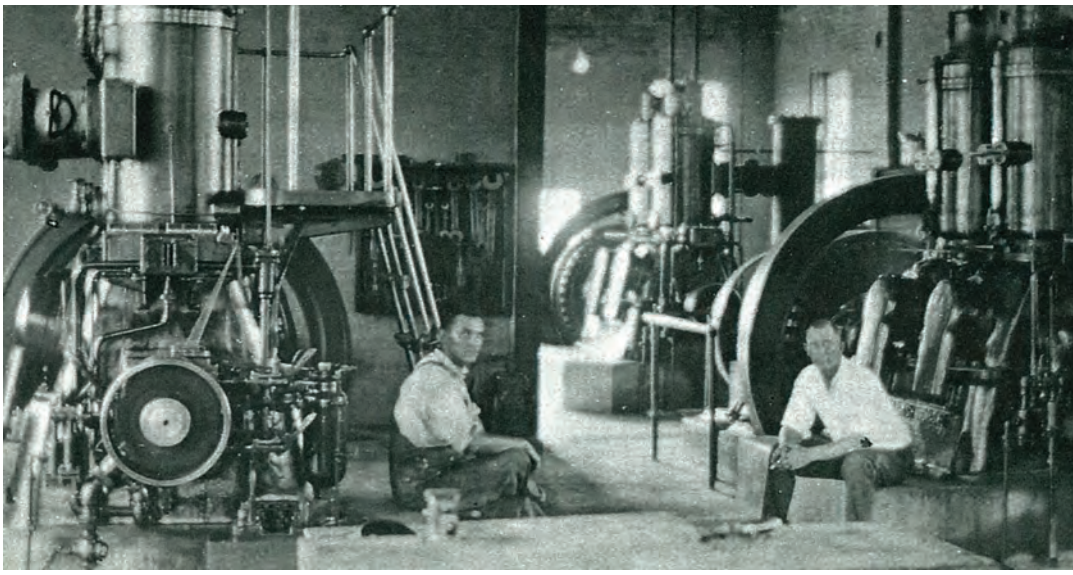
More photos starting on page 15

GP&L Through the Decades timeline displays were set up at anniversary events and various locations in Downtown Garland. These important moments in history are also shared here:

1920s

April 1, 1923 C.E. Newman closes the switch on GP&L's 117 kW diesel generator, bringing service to 300 customers

By **October 1923,** GP&L needs to add a third generator to meet rapid customer growth



1930s

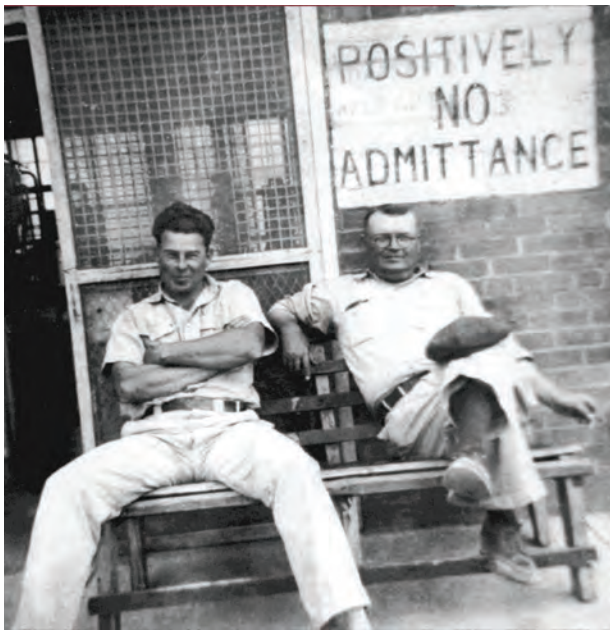
1930 To meet a growing Garland's needs, generating capacity increases to 420 kW

GP&L THROUGH THE DECADES

1940s

1943 First interconnection with another utility, Brazos Electric Power Cooperative

1942–1945 During World War II, the possibility of sabotage drives locals to increase security at critical places around Garland, including the power plant. For the first time, officials bar anyone other than approved personnel from entering the plant.



1950s

1952 First line truck is purchased

1955 Final expansion of the diesel plant is completed

1957 Construction is completed on C.E. Newman Power Plant Units #1 and #2, bringing capacity to 26 MW

1960s

1964 Final expansion of the Newman Plant to five units; C.E. Newman retires, with GP&L having grown to 15,000 customers

1967 Construction of Ray Olinger Power Plant Unit #1 is completed near Lavon Lake

1970s

1971 Olinger Plant Unit #2 is completed

1974 GP&L's System Operations Center opens

1975 Olinger Plant Unit #3 is completed, with GP&L at 35,000 customers

1977 Garland becomes a partner in the Texas Municipal Power Agency (TMPA), created to construct a coal-fueled plant to eliminate dependence on natural gas as a boiler fuel

GP&L THROUGH THE DECADES

1980s

1980 The diesel plant on Avenue A is retired

1983 TMPA's 420 MW Gibbons Creek Steam Electric Station is completed

1984 Naaman Substation is the first substation completed in-house by GP&L personnel

1990s

1993 GP&L purchases Farmer's Electric Cooperative facilities within Garland city limits

1994 GP&L develops its first employee apprenticeship training program for distribution line workers

2000s

2001 75 MW combustion turbine generator (Unit #4) is installed at Olinger Plant, with GP&L at 66,000 customers

2003 GP&L purchases Spencer Power Plant in Denton, adding as much as 166 MW of energy production

2007 GP&L and Garland Parks & Recreation establish the Tree Power Free Tree Giveaway program to provide free trees to Garland residents

2010s

2014 GP&L completes two transmission lines to bring renewable power from West Texas

2018 GP&L completes its portion of the Houston Import Project, a series of critical bulk power transmission lines for the ERCOT grid

2018 Green Choice plan offers 100% renewable wind and solar energy to customers

2020s

2020+ GP&L provides safe, reliable electric service at competitive rates to Garland residents during the global COVID-19 pandemic

2021 TMPA sells the Gibbons Creek Steam Electric Station

2023 With more than 74,000 customers, GP&L is the fourth largest municipal utility in Texas and the 43rd largest in the nation

SERVING CUSTOMERS

Summer 2023 brought new challenges with a changing ERCOT market, the grid setting 10 all-time peak demand records, 11 requests from ERCOT for conservation, and an Energy Emergency Alert 2. GP&L's power generation units ran throughout the summer, and the transmission and distribution systems performed well under the stress of the high temperatures and record load.

ERCOT's mid-summer implementation of a new Ancillary Service, ERCOT Contingency Reserve Service (ECRS), added to the difficulty of navigating the record summer. Designed to increase the amount of reserve power in the market, ECRS deployment during peak demand helped drive up market prices.

Because of the increased demand for power and the addition of ECRS, GP&L's units ran more this year, with significantly more starts than in previous years. At times, the units were not able to run at full capacity due to equipment failures. Nevertheless, the units ran, producing as much power as possible to support GP&L's needs. A renewed commitment to identifying the root cause of equipment failures will improve unit availability and reliability.

To help manage the cost of power, GP&L extended the term of natural gas storage contracts by two months. Now, in addition to having price certainty on stored gas for power generation, more gas can be stored in months when prices are low. The utility also worked on securing more energy trading counterparties to increase options for purchasing competitively priced power.

With a focus on enhancing customer service, GP&L contracted with a third-party call center to take customer outage calls. This call center is integrated with GP&L's outage management system, and customers can use the automated system or speak to a representative to report a power outage.

Customers continued to benefit from utility programs and projects. The small commercial account program provided energy audits and helped 217 customers establish their accounts. GP&L inspected 260 rooftop solar installations for connection to the grid, raising customer-installed solar generation capacity to 8.5 MW. The Green Choice power plan provided affordable, renewable energy to 196 customers, and the LED streetlight conversion project to reduce streetlight energy usage and better illuminate residential streets was completed.

Garland continued to grow, with many developments that had been delayed by the pandemic making progress. To support this growth, GP&L designed and coordinated construction on more than $4 million of new distribution construction projects.

- At the Embree East Side Apartments, five pad-mount transformers of various sizes were set, and 947 feet of underground cable was installed.
- For the Alta Firewheel Apartments, four 300 kVA and three 150 kVA pad-mount transformers were set, along with four secondary cubicles.
- At Marquis Logistics Center 1 & 2, two 750 kVA pad-mount transformers were set, and 1,788 feet of primary cable was installed for two, three-phase underground loops.
- For new Fire Station #6 on President George Bush Turnpike, designs were completed for the duct bank and switchgears, and a 150 kVA pad-mount transformer was installed.
- To accommodate road widening on Naaman School Road, 12 steel distribution poles were installed.
- For a new data center north of President George Bush Turnpike, a double circuit distribution feeder requiring 20 new structures was constructed.

RELIABILITY

GP&L is constantly working to enhance service reliability across its system. This year, the first full cycle of the distribution utility pole inspection and replacement program was completed. As part of the program to upgrade underground loops, more than two miles of underground distribution cable were replaced.

To help keep power flow on distribution feeders reliable, electric load was balanced as needed, and a fully automated process for voltage reduction was implemented. To initiate this improved process, the required percentage of voltage reduction is entered into the energy management system, which signals transformer controls to lower the voltage accordingly.

Reliability enhancements were also made to GP&L's transmission system. A Static Synchronous Compensator (STATCOM) was installed at the Lookout Switch Station. The STATCOM provides dynamic reactive support for voltage, automatically raising or lowering the voltage as needed in the North Garland area. To increase reliability in South Garland, the McCree Substation was converted to a breaker-and-a-half scheme with two 345kV auto transformers.

The ongoing conversion of the Garland transmission system from 69kV to 138kV continued, with upgrades to the Naaman Substation and the transmission line from Naaman to the Apollo Substation. These improvements doubled the available capacity of this line.

Additional transmission projects improved or expanded Garland's interconnections within the ERCOT grid. On the Ben Davis Substation-Royce Switch Station transmission line, a lattice structure with an eroding foundation was replaced with two monopoles. To provide a 138kV power interconnection to Farmers Electric Cooperative, GP&L built the Millwood Switch Station and expanded the Elm Grove Switch Station.

Supply chain issues continued to complicate the completion of GP&L's projects, with some divisions feeling the effects more than others. Distribution kept sufficient inventory of items, such as loadbreak elbows and single-phase

transformers, on hand to maintain service to existing customers. With wood poles taking longer to acquire, ductile iron and concrete poles were added to inventory and used in construction. Similarly, a change was made to use a smaller, more available underground cable. Because of such tight supplies, ordering and receiving all materials before starting a new project became the practice.

Supply constraints affecting Production led to creative problem solving. With delivery of a new transformer months away, employees designed a way to backfeed power into the Olinger Power Plant. This alternative source of power will remain available as a backup even after the transformer arrives.

SAFETY AND COMPLIANCE

GP&L's employee-led safety program took several steps forward this year. The Safety Steering Team (SST) branded the safety program as SPARK, an acronym for Safety, Performance, Accountability, Resolve and Knowledge. The SST chose these words because they represent aspects of a strong safety culture, which is continuing to grow at GP&L.

Continuous Improvement Team #1 established an adaptable, sustainable and effective safety meeting process, which requires each work group to host a monthly safety meeting and employees to attend a meeting each month. This initiative has improved safety mindfulness both at work and home.

Next, the SST charged Continuous Improvement Team #2 with creating an improved jobsite safety evaluation process. Once the pilot is complete in Distribution, the process will be rolled out to each GP&L department.

A combined SST and Technology Services project made the GP&L Safety Manual and Standard Operating Procedures available electronically. Now, employees can easily access these resources on their phones or laptops while they are in the field.

Safe and reliable electric service requires compliance with numerous standards and regulations. GP&L's electric grid controllers took part in ERCOT's annual Black Start training, and the Qualified Scheduling Entity (QSE) began training employees in multiple roles to increase employee adaptability to the constantly changing ERCOT market. Transmission Engineering continued high-voltage line inspections, verifying compliance with the National Electric Safety Code.

After enhanced weatherization rules were established by the Public Utility Commission of Texas, GP&L developed additional processes and procedures to meet the seasonal and climate-specific requirements. The new weatherization practices were implemented at the power plants and substations, and attestations of compliance were submitted. The utility passed winter and summer weatherization inspections with no violations.

GP&L also passed Texas Commission on Environmental Quality air audits at both the Olinger and Spencer plants, and the Title V Air Permit was renewed for Olinger. Reviews of the Railroad Commission of Texas' Integrity

Management Plan and Operations, Maintenance and Emergency Manual, which cover gas pipeline safety at Olinger, were closed without violation.

To increase efficiency and consistency of compliance activities throughout the utility, GP&L began implementation of NovaSync compliance software. Data input and user acceptance testing was a massive undertaking for several work groups this year. As the central location for compliance information, this repository will contain the policies, procedures and data required for state and national audits. Reminders for tasks and deadlines will be scheduled in and disseminated by the software, and a dashboard will provide a concise look at compliance status.

Cybersecurity remains a priority, with GP&L continuing to enhance technical security controls and employee awareness. This year, a new Cybersecurity Awareness Training Policy was implemented to specify employee responsibilities and accountabilities, as well as cybersecurity awareness training program requirements. The goal is to properly educate employees on information security, best practices and risks, to help reduce information security risks and probability of incidents.

TECHNOLOGY

In addition to the new compliance software, several technology enhancements were made to facilitate how business is conducted at GP&L and in conjunction with City of Garland applications.

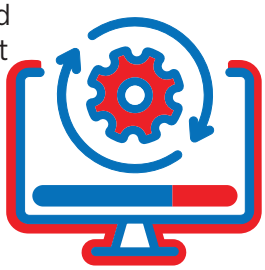
- The implementation of Microsoft 365 enabled the transition to Microsoft Teams for messaging and video conferences. With this change, the Teams and Exchange email environments became cloud based.

- After the City completed its rollout of voice over internet protocol (VoIP) for the phone system, GP&L activated an application within Microsoft 365 to integrate the utility's email system with the voicemail service to send voicemail messages to employees via email.

- The utility established a second network connection to City applications and the VoIP phone system to provide a redundant, automatic failover in case the main connection is interrupted.

- As a best practice to mitigate cybersecurity risk, GP&L continued to install multifactor authentication in front of utility applications.

- The geographic information system (GIS), ARC FM Designer, and Responder outage management system were upgraded to newer versions.



- Software for the Lifecycle work order system and database was upgraded in advance of the City's rollout of the Workday system, which will support human resources, payroll and financial processes.

- The Energy Transaction & Risk Management System was upgraded several times throughout the year to adapt the software to changes made in the ERCOT market.

More Photos from GP&L's Anniversary Events


100
SINCE
1923


GP&L 100th Anniversary
100
POWERING GARLAND SINCE 1923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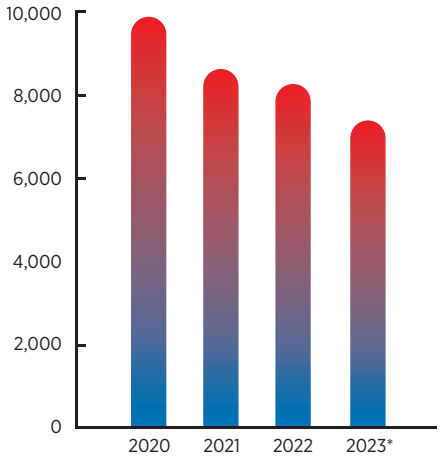
POWERING GARLAND
SINCE 1923
GPL
GARLAND POWER & LIGHT

PERFORMANCE INDICATORS

Work Orders

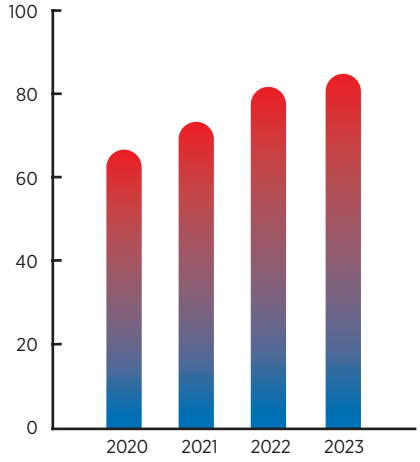


Description: Total number of annual requests for distribution and transmission services.

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.

*Work order processes were consolidated.

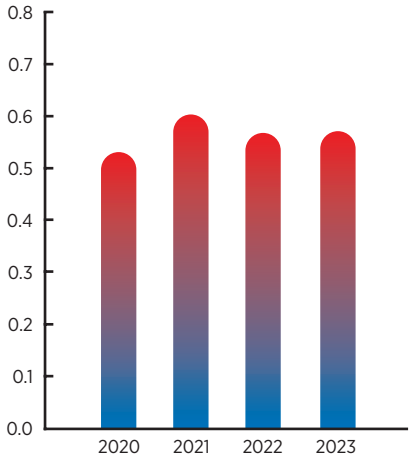
Operating Expenses per Megawatt Hour



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.

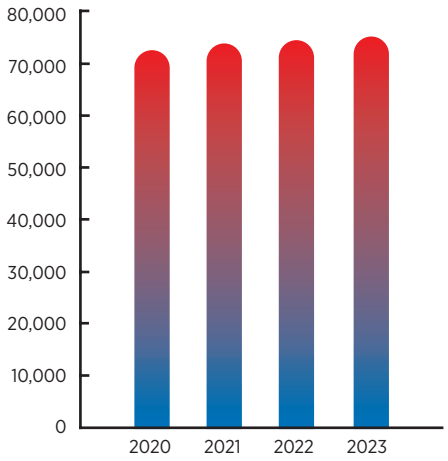
Interpretation: As this statistic is highly influenced by power and TMPA costs, comparisons between utilities must be made carefully.

Debt-to-Asset Ratio



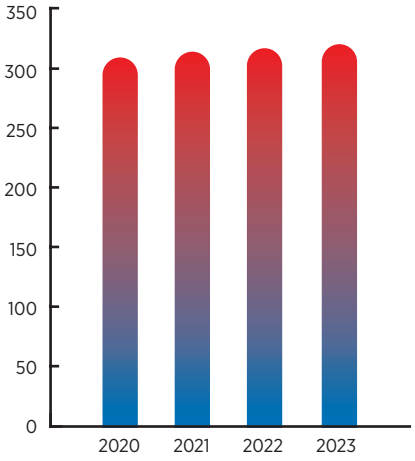
Description: The debt-to-asset ratio is a comparison of an organization's long-term debt to total assets. This ratio reflects to what degree an organization finances its assets with long-term debt.

Electric System Number of Retail Customers



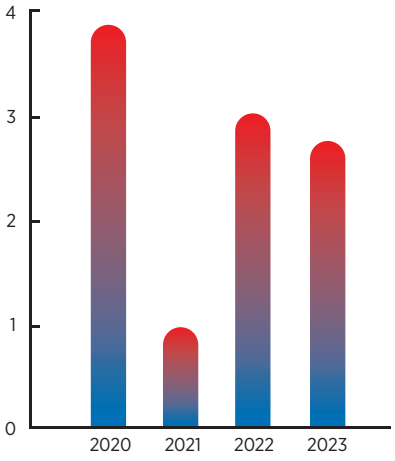
Description: Total retail customers.

Retail Customers per Employee



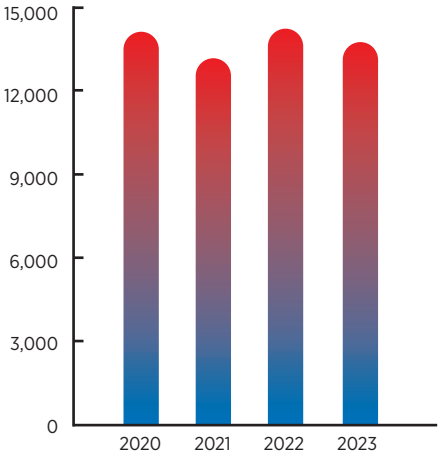
Description: Number of retail customers divided by the number of electric utility employees.

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.

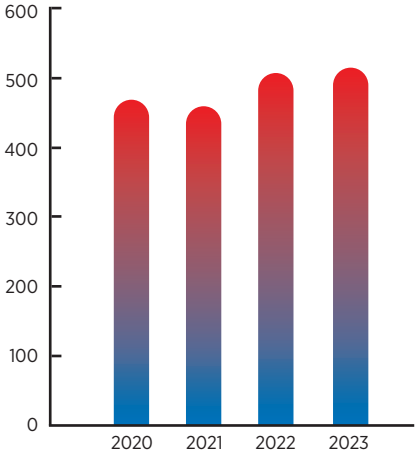
KWH Sales per Residential Customer



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.

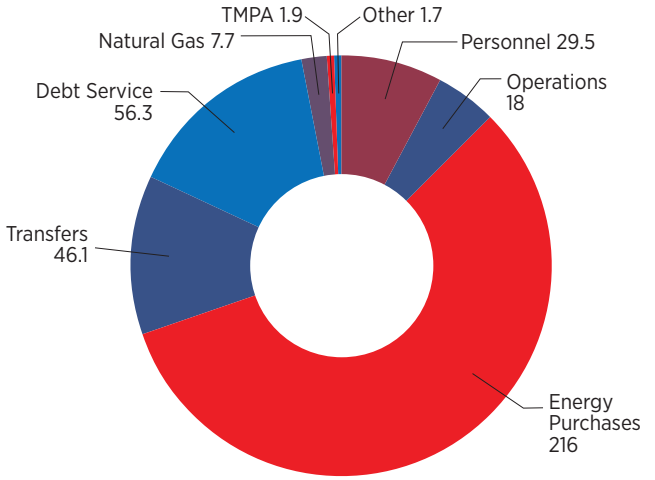
BALANCE SHEET

Fiscal Year Ended Sept. 30, 2023. (Unaudited) With comparative totals for Fiscal Year Ended Sept. 30, 2022. (Unaudited)

Assets	2023	2022
Current Assets:		
Cash and investments	$ 84,349,765	$ 84,160,824
Inventories	6,020,616	5,357,396
Receivables and other	77,043,595	69,747,364
Total Current Assets	167,413,976	159,265,584
Restricted Assets:		
Cash and investments	292,174,298	304,998,074
Accrued interest receivable	407,338	91,903
Total Restricted Assets	292,581,636	305,089,977
Property, Plant and Equipment –		
Net of accumulated depreciation	782,007,669	745,987,489
Other Assets	202,605,355	206,770,922
Total Assets	$ 1,444,608,636	$ 1,417,113,972

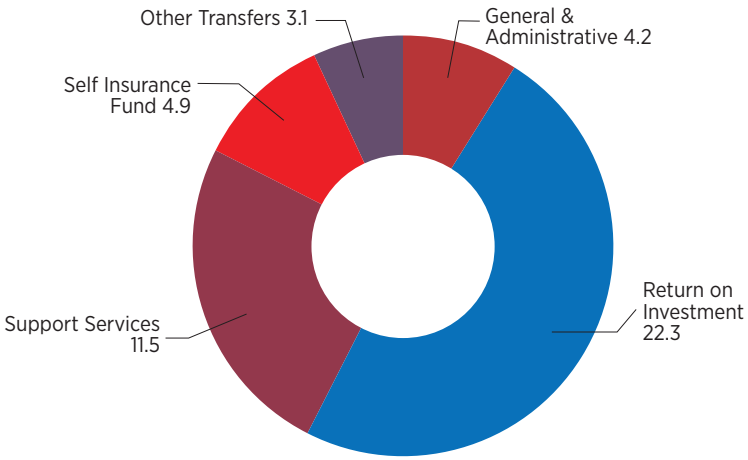
Fiscal Year 2023 Actual Expenditures

in millions of dollars



Fiscal Year 2023 Transfers

in millions of dollars



Liabilities

	2023	2022
Current Liabilities:		
From current assets		
Payables	$ 74,108,103	$ 55,828,765
Long-term Liabilities:		
From restricted assets		
Accounts payable	6,055,711	2,215,934
Retainage payable	15,957	218,167
Collateral payable	37,276,400	52,639,170
Escrow payable	919,421	375,919
Total payables from restricted assets	44,267,489	55,449,190
Bonds payable and other	810,318,657	805,994,745
Total Long-term Liabilities	854,586,146	861,443,935
Total Liabilities	$ 928,694,249	$ 917,272,700

Equity

Retained Earnings:		
Invested in capital assets, net of debt	216,954,845	208,018,403
Restricted	246,718,384	241,582,271
Unrestricted	52,241,158	50,240,598
Total Retained Earnings	515,914,387	499,841,272
Total Liabilities, Contributed Capital and Retained Earnings	$ 1,444,608,636	$ 1,417,113,972

Audited financial statements providing greater detail can be obtained from the City of Garland Annual Comprehensive Financial Report for Fiscal Year Ended Sept. 30, 2023, located on GarlandTX.gov.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS

Fiscal Year Ended Sept. 30, 2023. (Unaudited) With comparative totals for Fiscal Year Ended Sept. 30, 2022. (Unaudited)

	2023	2022
Operating revenues:		
Charges for service	$ 369,778,809	$ 347,199,616
Other	10,384,202	9,705,700
Total Operating Revenues	380,163,011	356,905,316
Operating expenses before depreciation:		
Energy purchases	225,655,431	212,481,123
Operating expenses	55,483,570	42,774,486
General and administrative	17,177,652	17,000,597
Total Operating Expenses Before Depreciation	298,316,653	272,256,206
Operating income before depreciation	81,846,358	84,649,110
Depreciation and amortization expense	35,457,562	34,034,564
Operating Income	46,388,796	50,614,546
Non-operating revenues (expenses):		
Return on investment	(22,320,809)	(21,565,999)
Earnings on investment	16,398,458	226,398
Interest expense	(22,638,256)	(20,681,631)
Other	(84,232)	31,399,160
Net transfers	(2,291,835)	(4,341,672)
Capital contributions	620,993	1,368,316
Net Non-operating Revenue (expense)	(30,315,681)	(13,595,428)
Net Income (Loss)	16,073,115	37,019,118
Retained Earnings at Beginning of Year	499,841,272	462,822,154
Retained Earnings at End of Year	$ 515,914,387	$ 499,841,272

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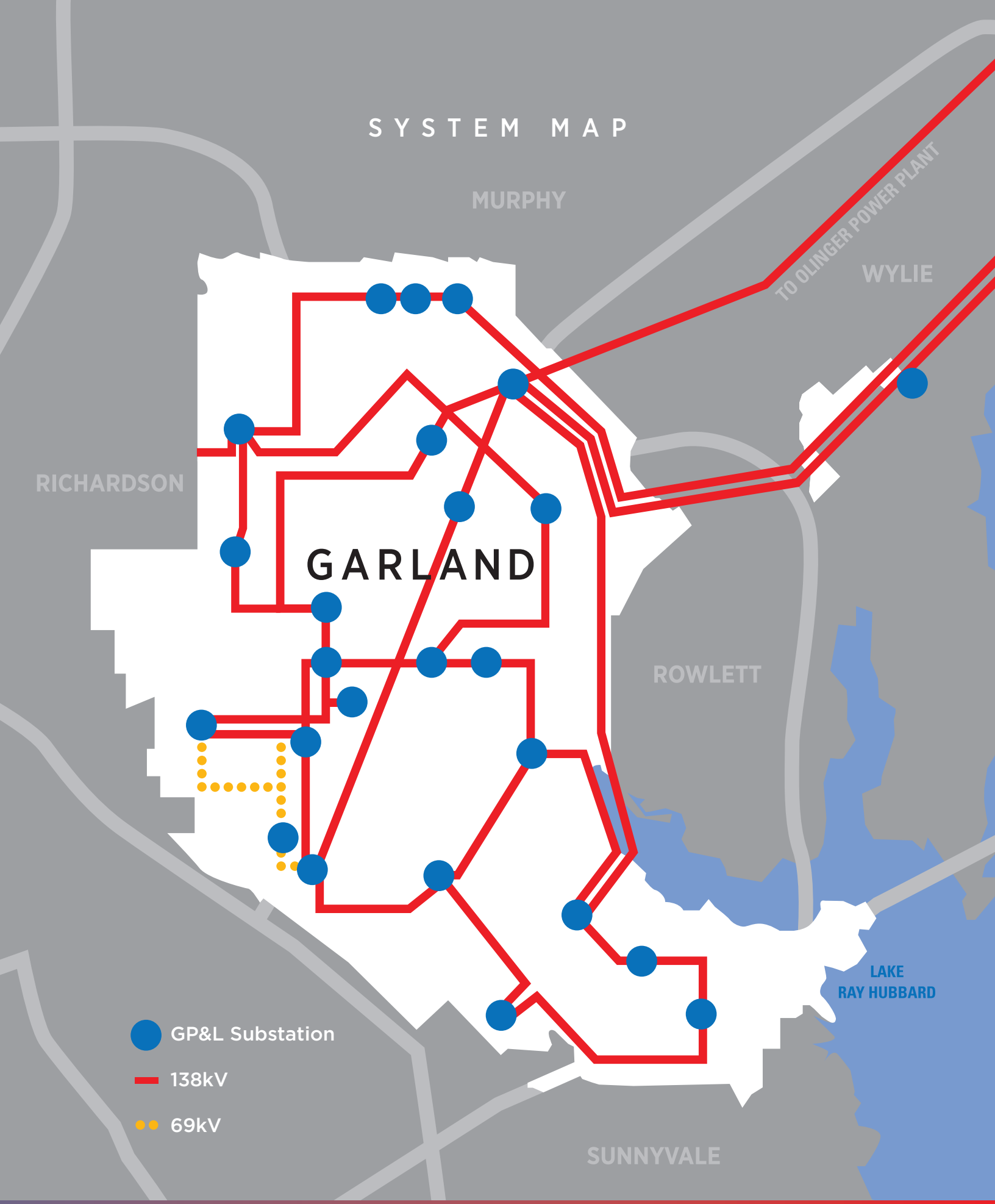
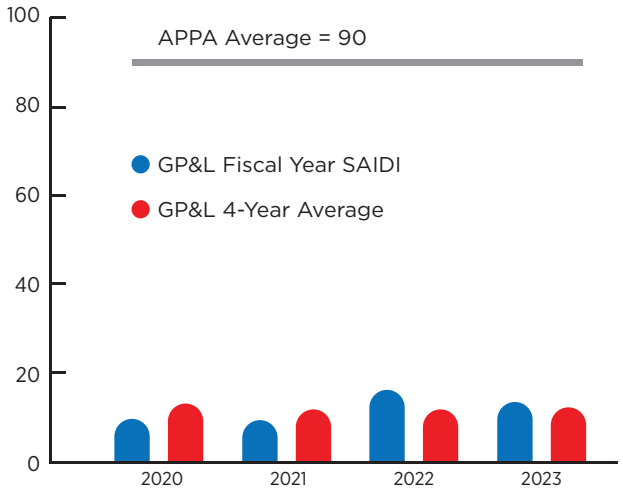
SYSTEM MAP


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)

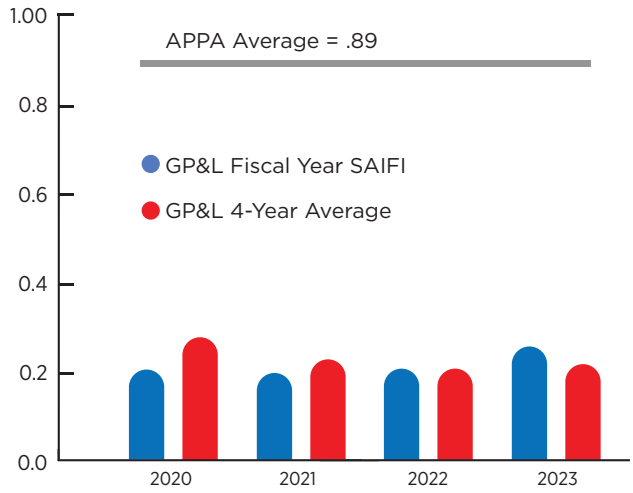
Fiscal Year Ended Sept. 30



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)

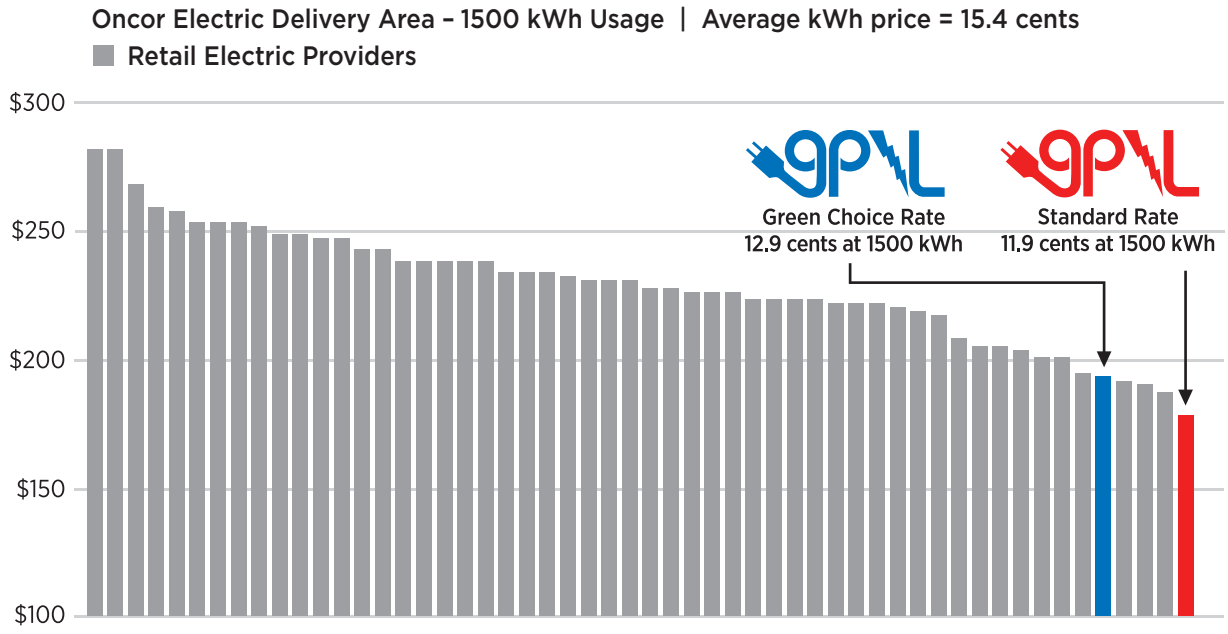
Fiscal Year Ended Sept. 30



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, 2023



2023 Distribution Statistics

Distribution lines	6.8 miles of overhead added or replaced
	15.5 miles of underground added or replaced
Distribution poles added or replaced	337
Overhead operations & repairs	73
Overhead construction projects	433
Underground operations & repairs	315
Underground construction projects	440
Streetlights	678 operations & repairs
	488 LED conversions
Residential meter sets & changeouts	586
Commercial meter sets & changeouts	549
Meter operations, repairs & testing	890
Trouble calls	2,340
Tree trimming requests	147

Garland City Council

Scott LeMay
Mayor

Jeff Bass
Mayor Pro Tem
District 1

Deborah Morris
District 2

Ed Moore
Dep. Mayor Pro Tem
District 3

B.J. Williams
District 4

Margaret Lucht
District 5

Carissa Dutton
District 6

Dylan Hedrick
District 7

Chris Ott
District 8

Garland City Manager

Judson Rex

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