

**Lower Colorado River Authority**  
**Financial Highlights**  
**September 2019**

**Lower Colorado River Authority**  
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**Key terms:**

**4CP** – Four-month coincident peak is the average of the peak Electric Reliability Council of Texas electrical demands (measured in kilowatts) during the months of June, July, August and September of the previous calendar year.

**FYE** – Fiscal year-end.

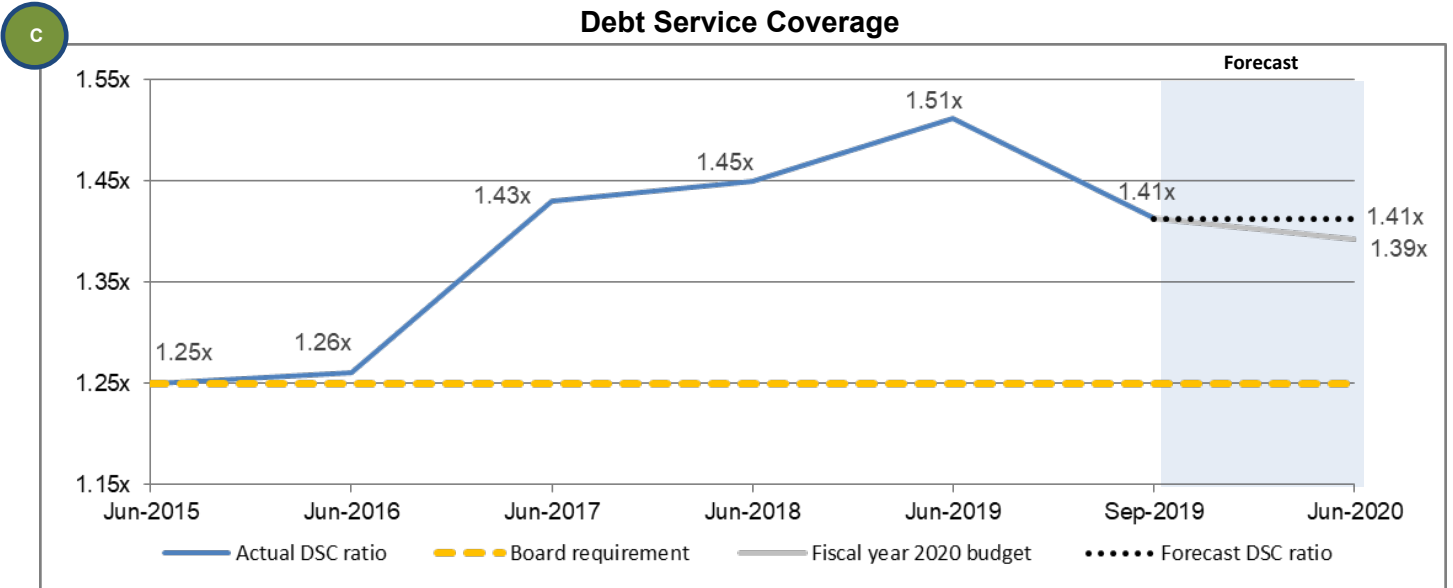
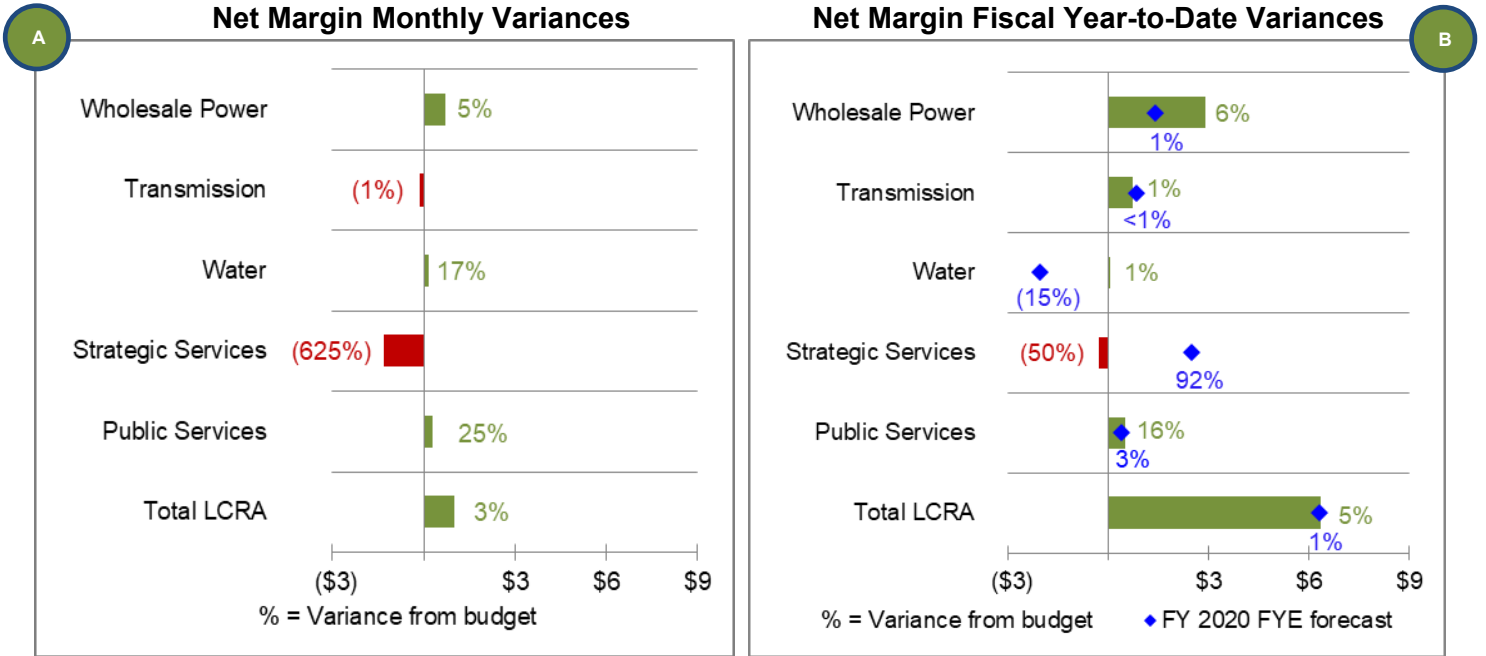
**Net margin** – Total operating revenues, including interest income, less direct and assigned expenses.

# Lower Colorado River Authority

Sept. 30, 2019

(Dollars in Millions)

## Budget-to-Actual Highlights



### Key takeaways:

- Higher-than-budgeted load drove Wholesale Power's monthly and year-to-date performance. Unbudgeted miscellaneous revenues drove the year-end forecast.
- Higher-than-budgeted material expenses for line operations primarily drove Transmission's monthly performance. Higher interest income, cost-of-service and miscellaneous revenues, offset by higher expenses, drove year-to-date performance. Higher-than-budgeted Transmission revenues due to a higher-than-planned interim capital addition rate filing primarily drove the year-end forecast.

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*(Dollars in Millions)*

### Key takeaways (continued):

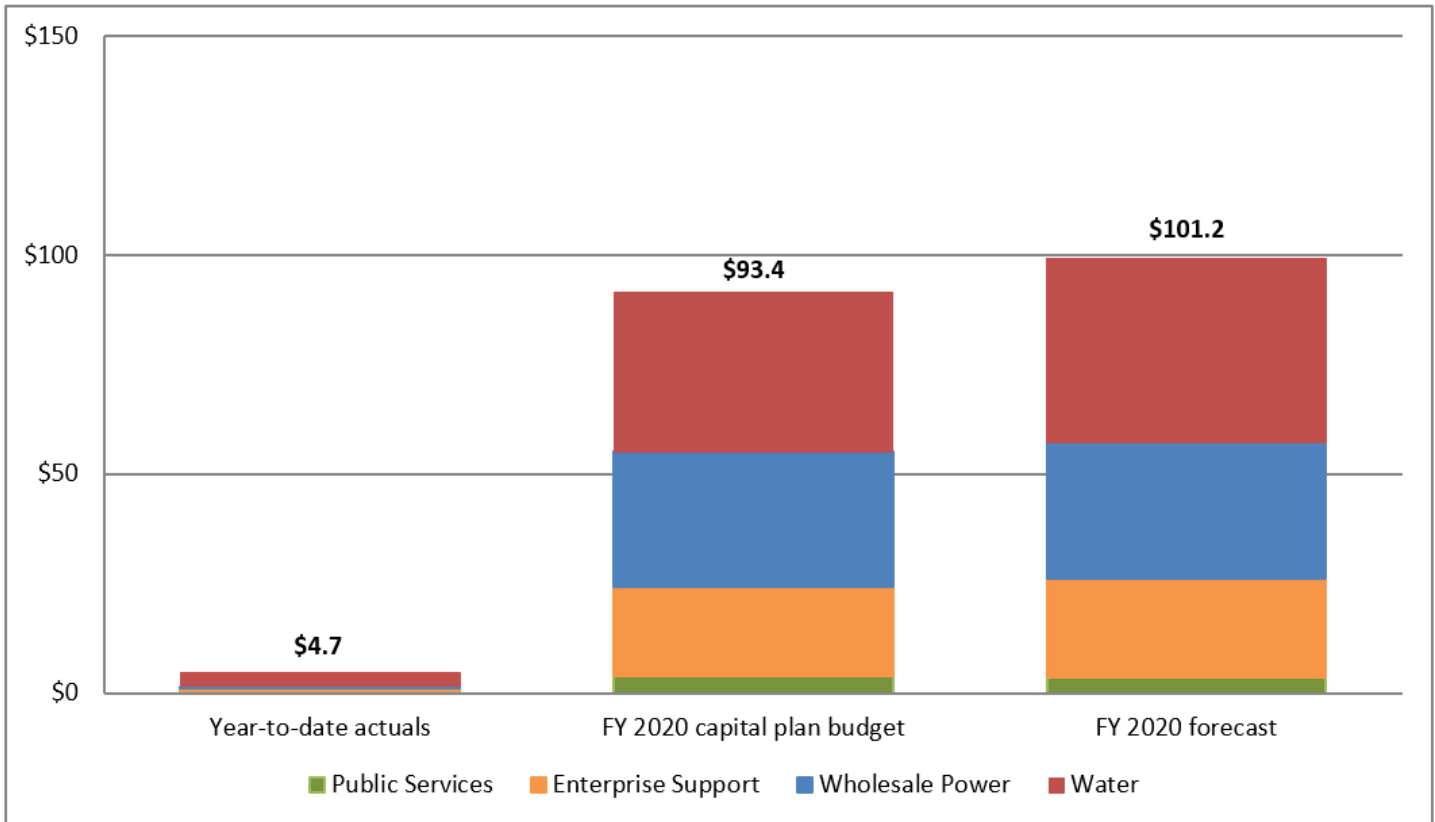
- Lower-than-budgeted expenses primarily drove Water's monthly performance. Lower-than-budgeted irrigation revenues offset by lower-than-budgeted river management expenses drove year-to date performance. Lower-than-budgeted irrigation revenues due to lower-than-budgeted acres planted and water use per acre drove the year-end forecast.
- The timing of billings for Strategic Services' work drove the monthly and year-to-date performances. An increase in transmission and telecommunications customer service work primarily drove the year-end forecast.
- Lower-than-budgeted expenses, including timing drove Public Services' monthly and year-to-date performances. Lower-than-budgeted parks' expenses drove the year-end forecast.
- Better-than-budgeted performances in Strategic Services, Wholesale Power, Transmission and Public Services are driving the higher-than-budgeted debt service coverage projection.

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### Capital Forecast



<b>Business area</b>	<b>Year-to-date actuals</b>	<b>Percentage of budget spent</b>	<b>FY 2020 capital plan budget</b>	<b>FY 2020 capital forecast</b>	<b>Variance to forecast</b>
Wholesale Power	\$ 0.3	1%	\$ 30.7	\$ 31.0	\$ (0.3)
Water	3.2	9%	36.5	42.2	(5.8)
Strategic Services	-	0%	1.9	1.8	0.0
Public Services	0.2	5%	4.0	3.5	0.5
Enterprise Support	1.0	5%	20.3	22.6	(2.3)
	<u>\$ 4.7</u>	<u>5%</u>	<u>\$ 93.4</u>	<u>\$ 101.2</u>	<u>\$ (7.8)</u>

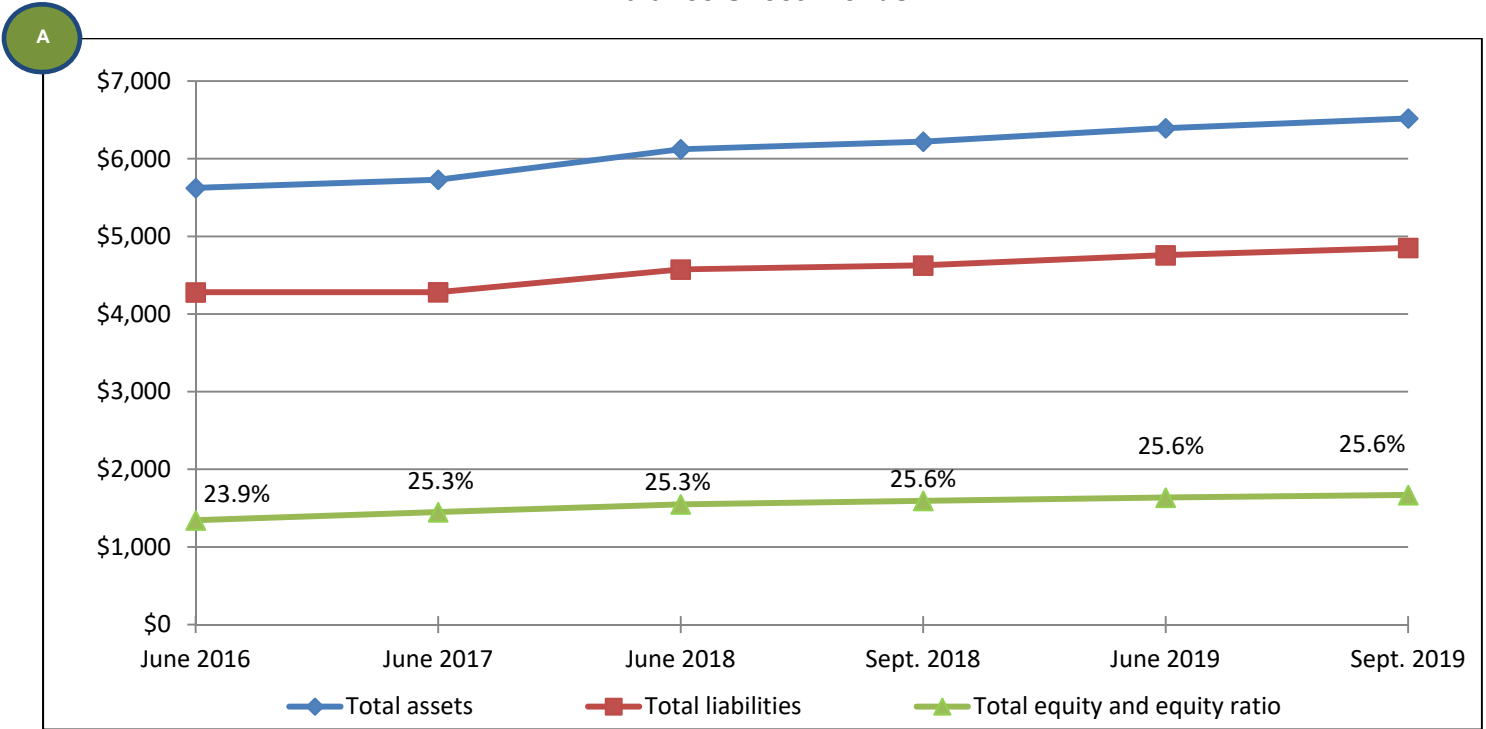
Note: Transmission's capital forecast is found in the LCRA Transmission Services Corporation Financial Highlights.

#### Key takeaways:

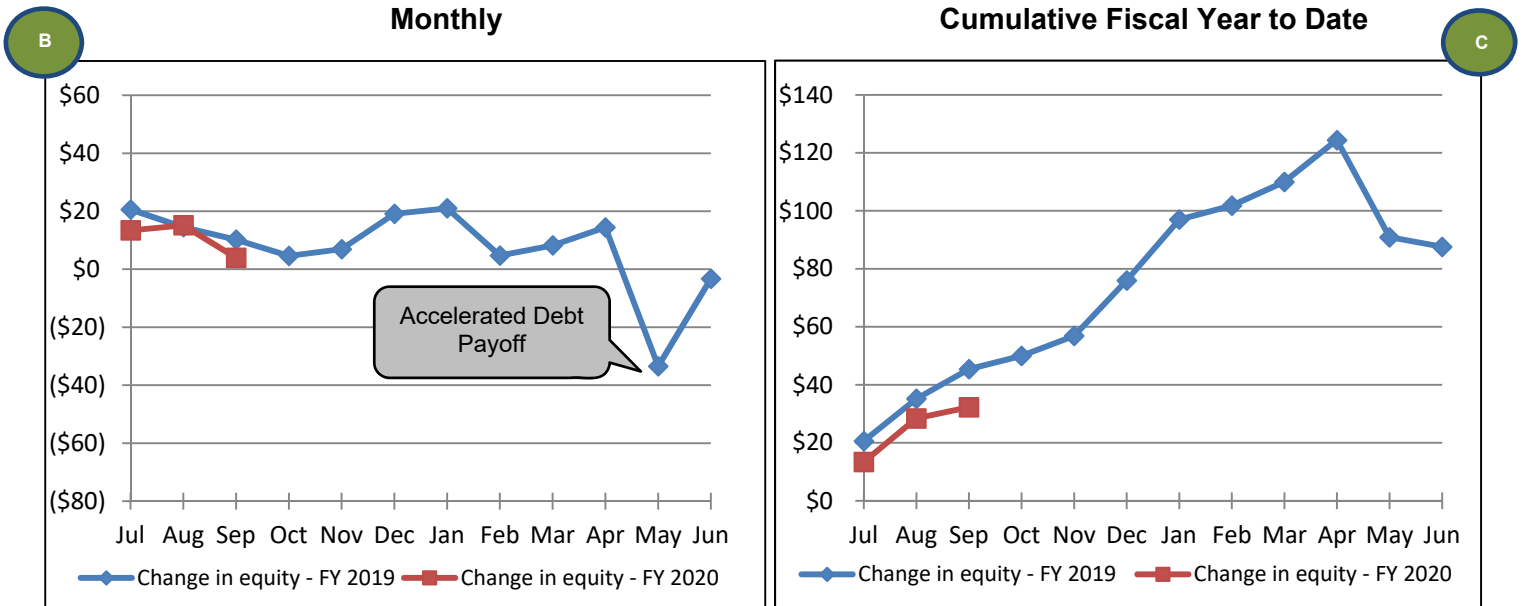
- LCRA currently is projecting capital spending for FY 2020 will be \$7.8 million over the capital plan budget of \$93.4 million. The primary drivers for the variance are increased fiscal year spending for the Arbuckle Reservoir project and the transfer of capital spending on Transmission minor capital from LCRA TSC to the Enterprise capital budget. Staff anticipates seeking Board authorization to amend the current fiscal year capital budget.
- For any project not previously authorized by the Board in the capital plan, authority is delegated to the general manager to approve any capital project with a lifetime budget not to exceed \$1.5 million, according to LCRA Board Policy 301 – Finance. The GM approved the following new project this quarter:
  - New project: Lost Pines Instrument Air Compressor Upgrade for \$328,000.

**Lower Colorado River Authority**  
**Financial Statement Trends**  
**Sept. 30, 2019**  
*(Dollars in Millions)*

**Balance Sheet Trends**



**Income Statement Trends**



**Key takeaways:**

- Assets and liabilities compared with September 2018 have trended upward due to construction activities related to the capital plan.
- Monthly change in equity was lower in September 2019 compared to September 2018 due to a misclassification of costs as O&M instead of capital, which will be corrected in October.

## Lower Colorado River Authority

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(Dollars in Millions)

### Condensed Balance Sheets

	Sept. 30, 2019	Sept. 30, 2018
<i>Assets</i>		
Total current assets	\$ 707.3	\$ 627.5
Total long-term assets	5,812.4	5,591.9
<b>Total Assets</b>	<b>\$ 6,519.7</b>	<b>\$ 6,219.4</b>
<i>Liabilities</i>		
Total current liabilities	\$ 715.1	\$ 655.5
Total long-term liabilities	4,136.2	3,970.0
Total liabilities	4,851.3	4,625.5
<i>Equity</i>		
Total equity	1,668.4	1,593.9
<b>Total Liabilities and Equity</b>	<b>\$ 6,519.7</b>	<b>\$ 6,219.4</b>

### Condensed Statements of Revenues, Expenses and Changes in Equity

	Fiscal Year to Date	
	2020	2019
<b>Operating Revenues</b>		
Electric	\$ 268.6	\$ 297.2
Water and irrigation	7.9	7.9
Other	33.8	13.9
<b>Total Operating Revenues</b>	<b>310.3</b>	<b>319.0</b>
<b>Operating Expenses</b>		
Fuel	84.6	102.6
Purchased power	49.1	42.8
Operations	43.3	41.7
Maintenance	14.5	9.1
Depreciation, depletion and amortization	43.8	42.2
<b>Total Operating Expenses</b>	<b>235.3</b>	<b>238.4</b>
<b>Operating Income</b>	<b>75.0</b>	<b>80.6</b>
<b>Nonoperating Revenues (Expenses)</b>		
Interest on debt	(41.2)	(40.3)
Other income (expenses)	(1.5)	5.1
<b>Total Nonoperating Expenses</b>	<b>(42.7)</b>	<b>(35.2)</b>
<b>Change in Equity</b>	<b>32.3</b>	<b>45.4</b>
<b>Equity - Beginning of Period</b>	<b>1,636.1</b>	<b>1,548.5</b>
<b>Equity - End of Period</b>	<b>\$ 1,668.4</b>	<b>\$ 1,593.9</b>

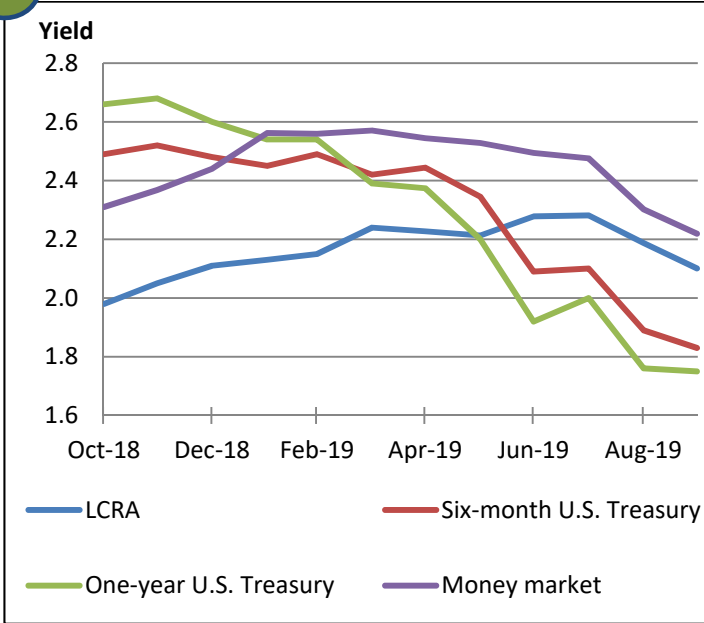
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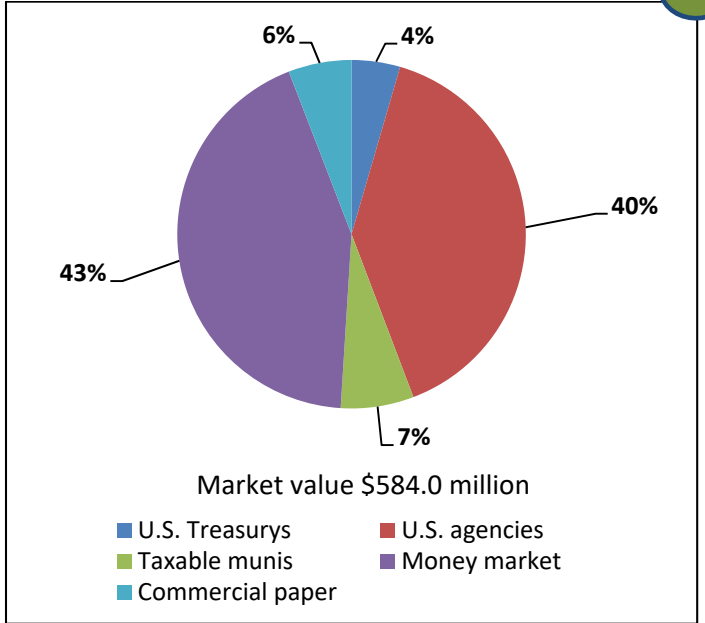
(Dollars in Millions)

## Investments and Debt

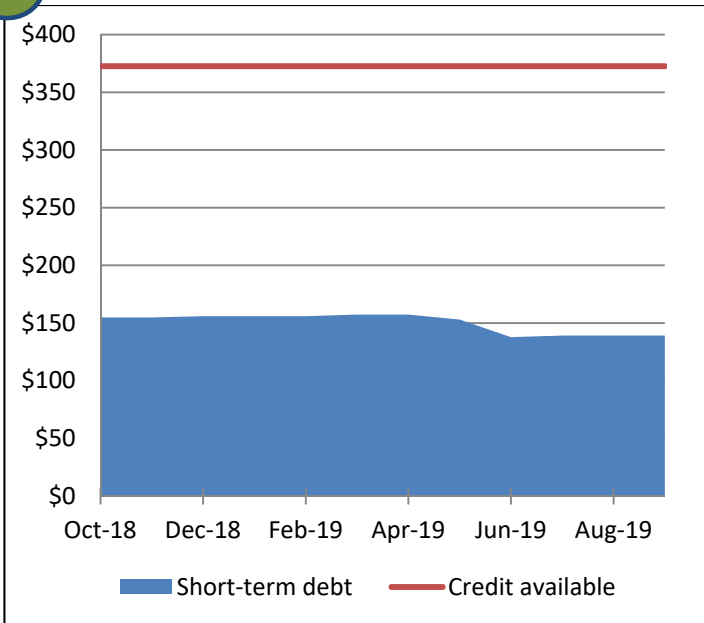
### Investment Portfolio Yield



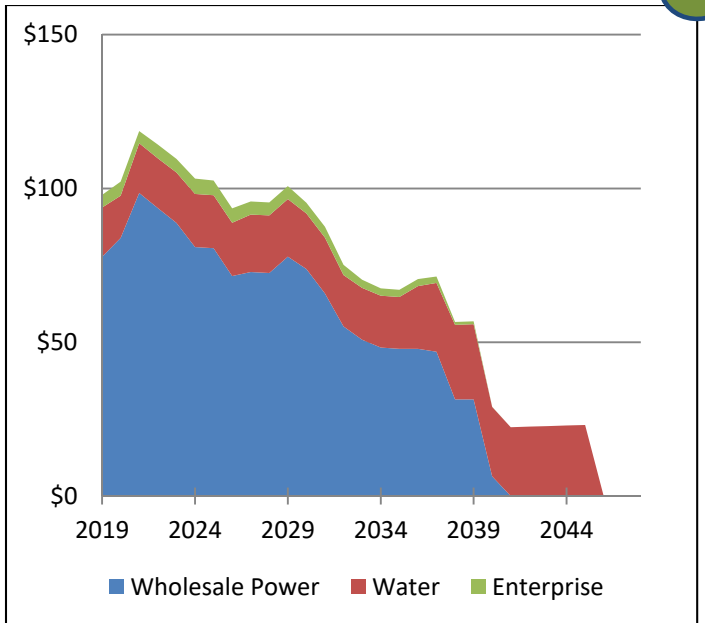
### Investment Portfolio Composition



### Short-Term Debt



### Bond Debt Service



### Key takeaway:

- The Federal Open Market Committee cut rates at the July and September 2019 meetings by 0.25% each. This leaves rates in the 1.75%-2.00% range. The market is anticipating an 87% chance of cutting rates by 0.25% at the October 2019 meeting leaving the federal funds target rate in the 1.50%-1.75% range.