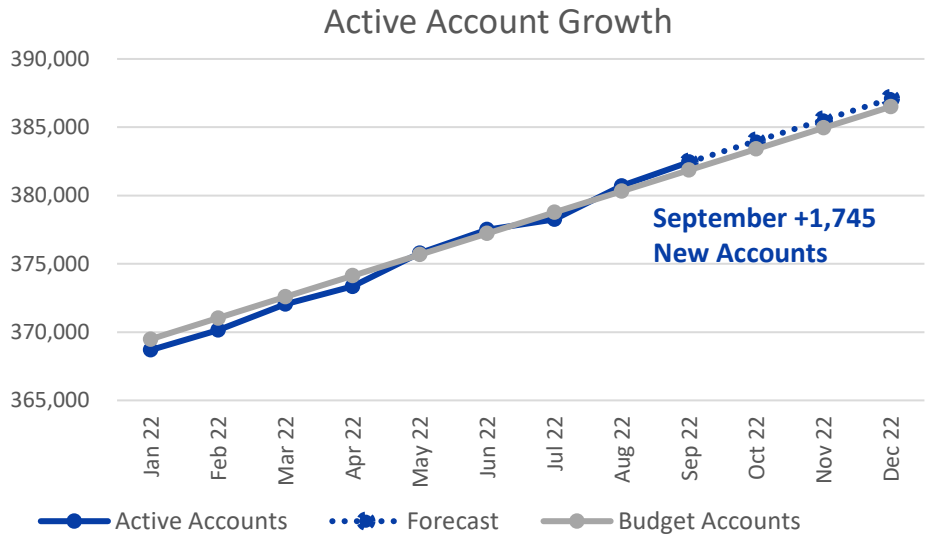
September 2022 Financial Presentation to the Board

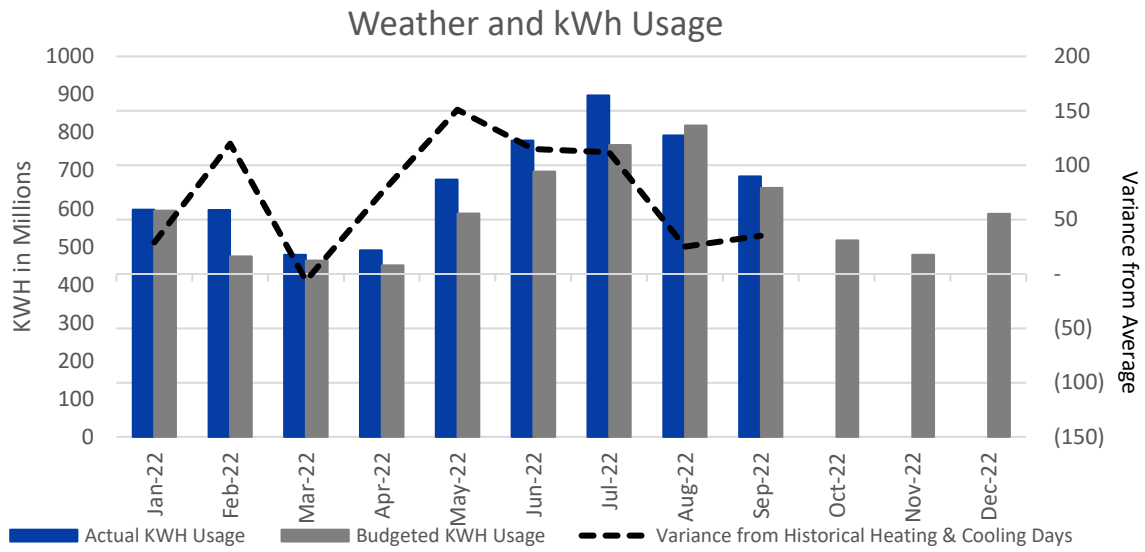
Randy Kruger| Chief Financial Officer

Finance at a Glance – September 2022

	MTD ($ in millions)			YTD ($ in millions)		
	Actual	Budget	Variance	Actual	Budget	Variance
MWH Sold	684,551	654,425	30,126	5,993,459	5,509,046	484,412
Gross Margins	$ 30.8	$ 29.5	$ 1.3	$ 266.9	$ 255.5	$ 11.4
Net Margins	$ 5.5	$ 6.9	$ (1.4)	$ 47.8	$ 43.0	$ 4.8
EBIDA	$ 17.6	$ 16.9	$ 0.7	$ 160.6	$ 132.8	$ 27.8
Revenue O/(U)	$ 2.4	$ 2.1	$ 0.3	$ 30.3	$ 26.1	$ 4.2
EBIDA(X)	$ 20.0	$ 19.0	$ 1.0	$ 190.9	$ 158.9	$ 31.9

	Liquidity Coverage
Cash & Marketable Securities	$ 12,207,944
Short Term Facilities	505,000,000
Less: Short Term Borrowings	114,862,687
Available Liquidity	$ 402,345,257
Liquidity Coverage (Days)	**231**

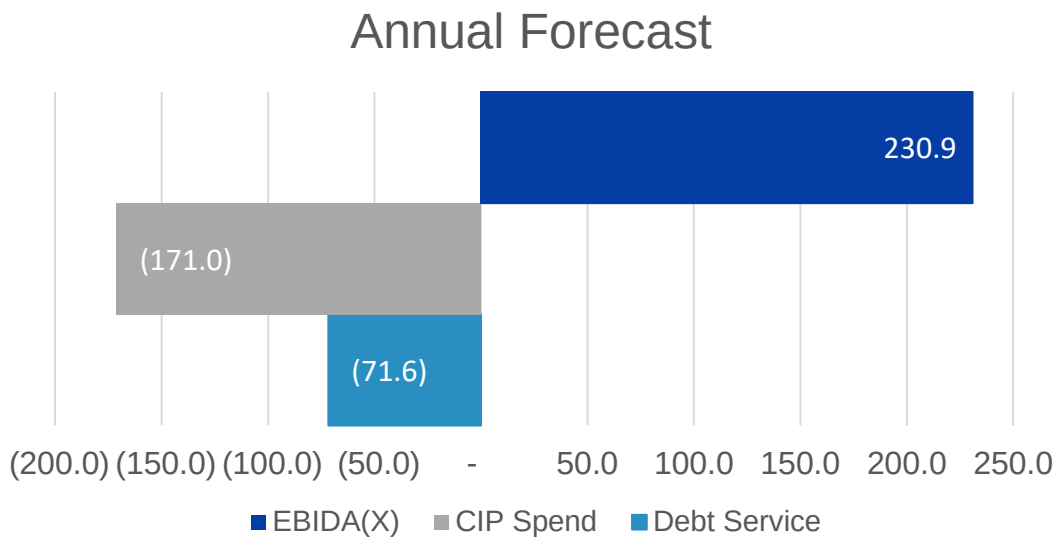


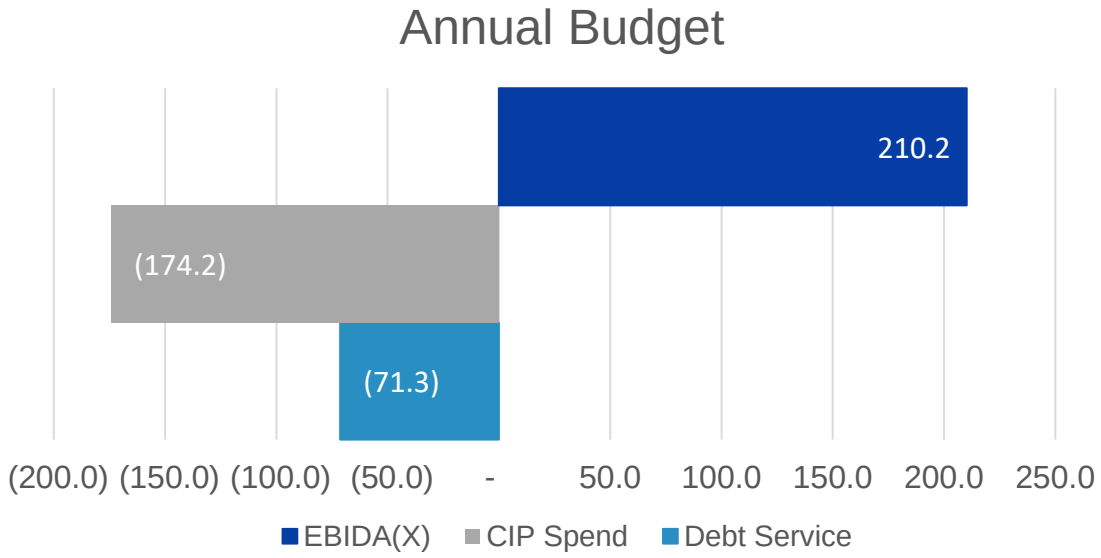


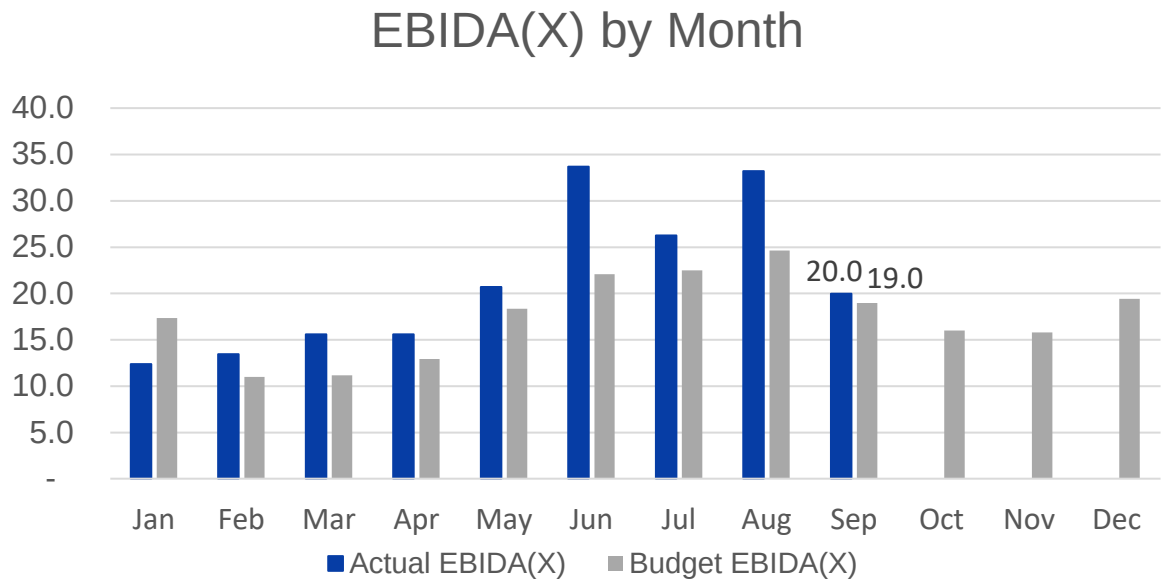
Financial Performance

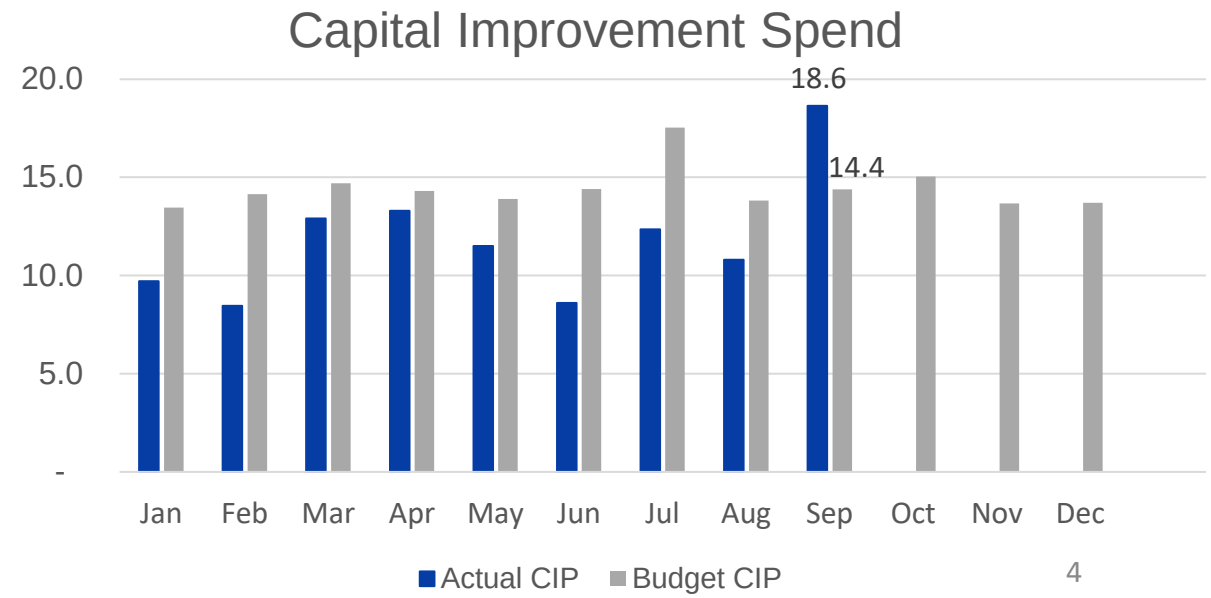
	MTD			YTD			Annual		2021 to 2022
	Actual	Budget	Prior Year	Actual	Budget	Prior Year	Forecast	Budget	% Change
Gross Margins	**$ 30,836,129**	**$ 29,525,133**	**$ 28,566,237**	**$ 266,862,686**	**$ 255,473,271**	**$ 237,767,355**	**$ 344,662,830**	**$ 332,824,766**	12.24%
Operating Expenses Ex. Depreciation	14,533,408	14,050,572	11,326,814	112,168,980	125,194,767	120,286,486	154,664,067	165,745,081	-6.75%
Depreciation	8,266,127	6,391,252	5,939,528	79,028,562	57,521,269	52,572,891	103,475,413	76,695,026	
Interest Expense	3,840,407	3,592,730	3,680,971	33,797,417	32,334,568	29,492,078	44,561,032	43,103,481	
Other Income and Interest Expenses	(1,285,987)	(1,405,727)	(1,260,127)	(5,932,114)	(2,553,823)	(2,988,082)	(6,034,034)	(2,655,711)	
Net Margins	**$ 5,482,174**	**$ 6,896,307**	**$ 8,879,051**	**$ 47,799,841**	**$ 42,976,490**	**$ 38,403,982**	**$ 47,996,352**	**$ 49,936,889**	
EBIDA	**$ 17,588,708**	**$ 16,880,289**	**$ 18,499,550**	**$ 160,625,820**	**$ 132,832,327**	**$ 120,468,951**	**$ 196,032,796**	**$ 169,735,396**	33.33%
Over (Under) Collected Revenues	2,397,822	2,087,744	1,791,251	30,257,440	26,116,181	(133,239,225)	$34,855,538	40,435,604	
EBIDA(X)	**$ 19,986,530**	**$ 18,968,032**	**$ 20,290,801**	**$ 190,883,260**	**$ 158,948,508**	**$ (12,770,274)**	**$ 230,888,334**	**$ 210,171,001**	
Total Long-Term Debt							$ 1,012,706,551	$ 1,040,538,177	
Debt Service							71,637,156	71,288,720	
Debt Service Coverage Ratio							2.74	2.38	
Equity as Percent of Assets							40.6%	40.3%	
Net Plant in Service							$ 1,896,982,134	$ 1,923,846,600	
Capital Improvement Spend							$ 170,980,335	$ 174,212,349	
Energy Sales kWh	684,551,115	654,425,218	632,235,109	5,993,458,659	5,509,046,481	5,220,119,213	7,575,632,048	7,091,219,870	14.81%
Energy Purchases kWh	713,015,956	697,904,078	685,886,648	6,345,288,516	5,874,811,914	5,564,287,466	8,046,018,263	7,571,421,437	14.04%
Active Accounts				382,457	381,866	363,045	387,096	386,505	5.35%

Financing Sources & Uses

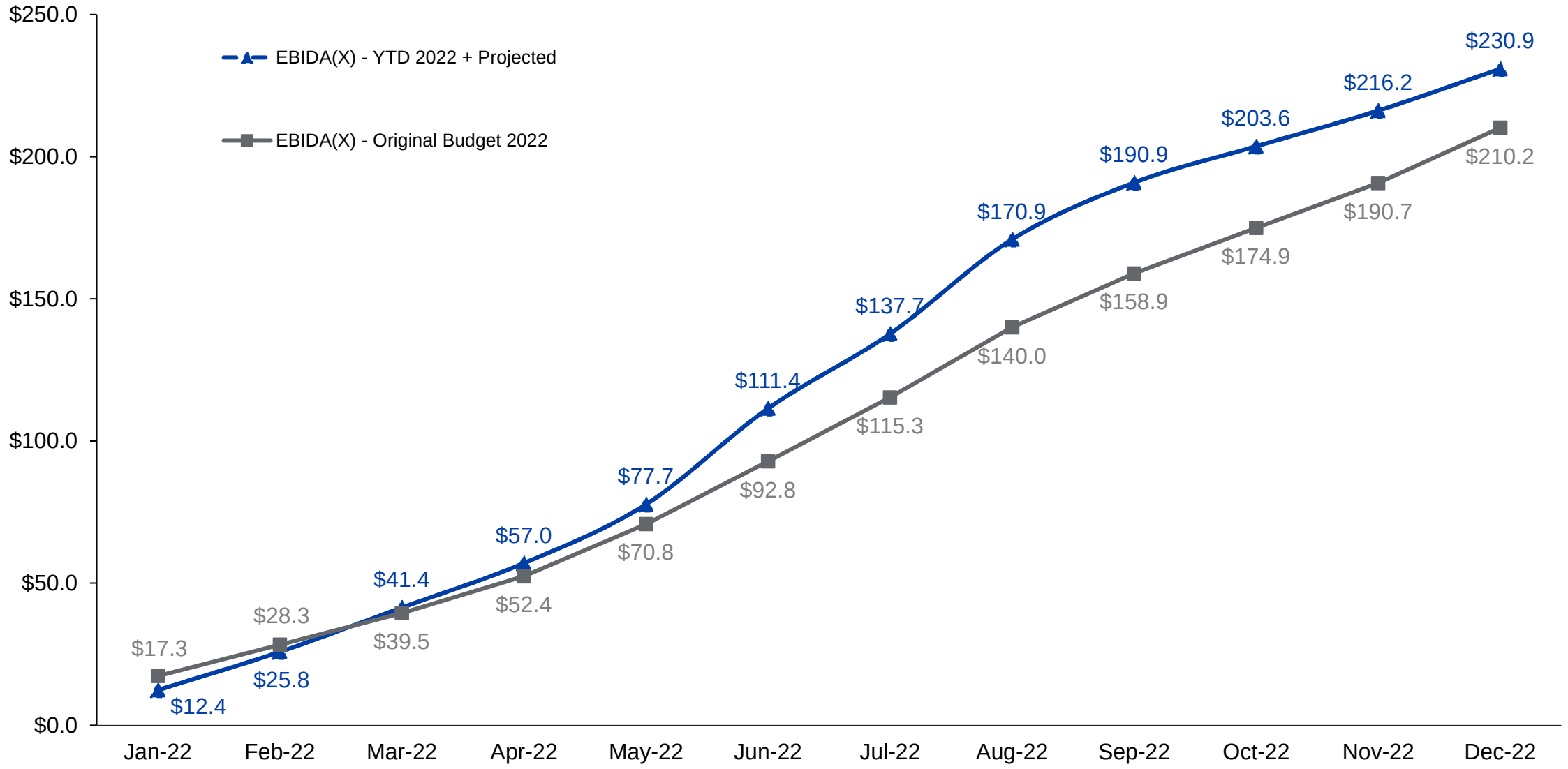




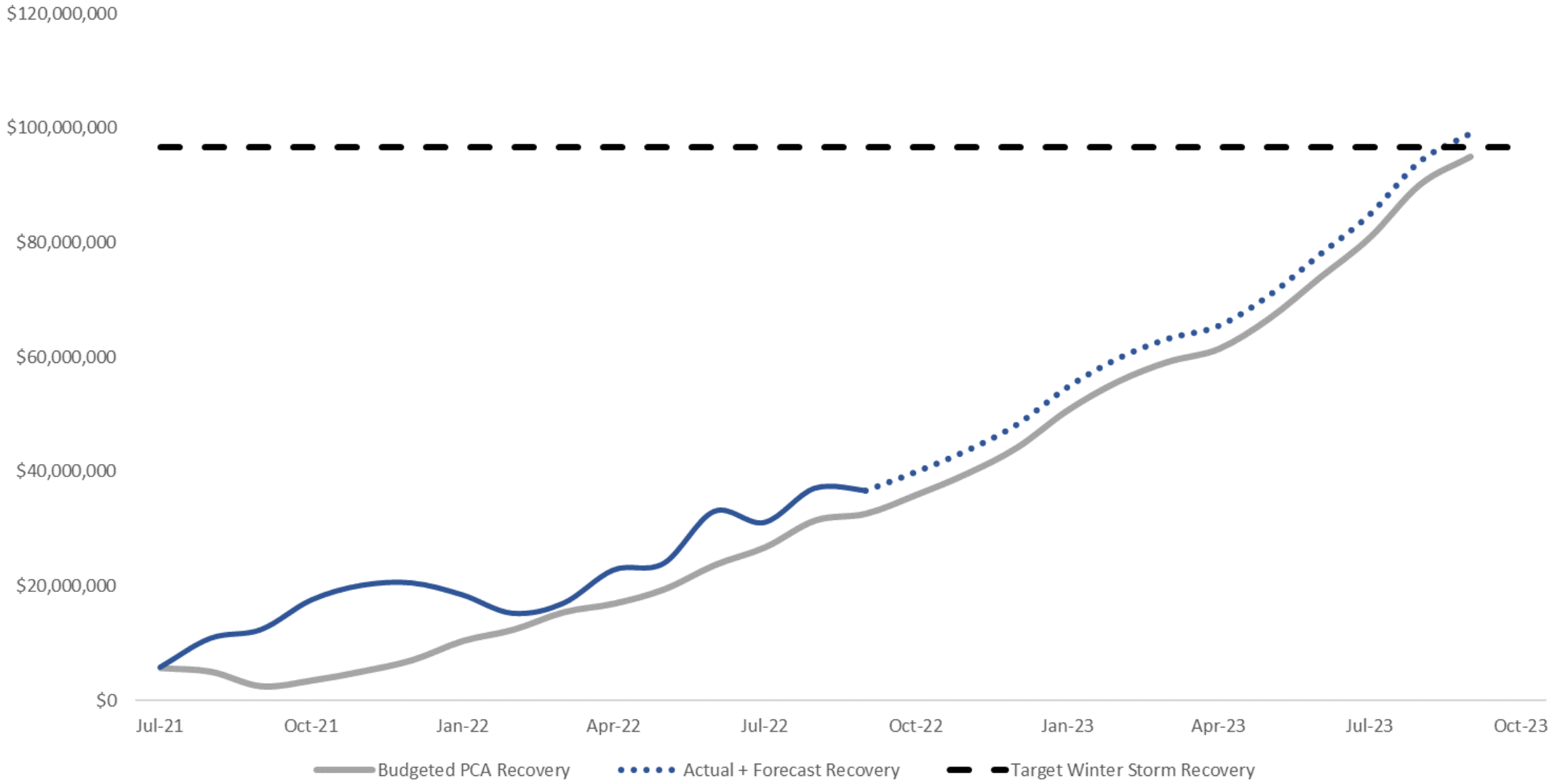




EBIDA(X) Year to Date (in millions)

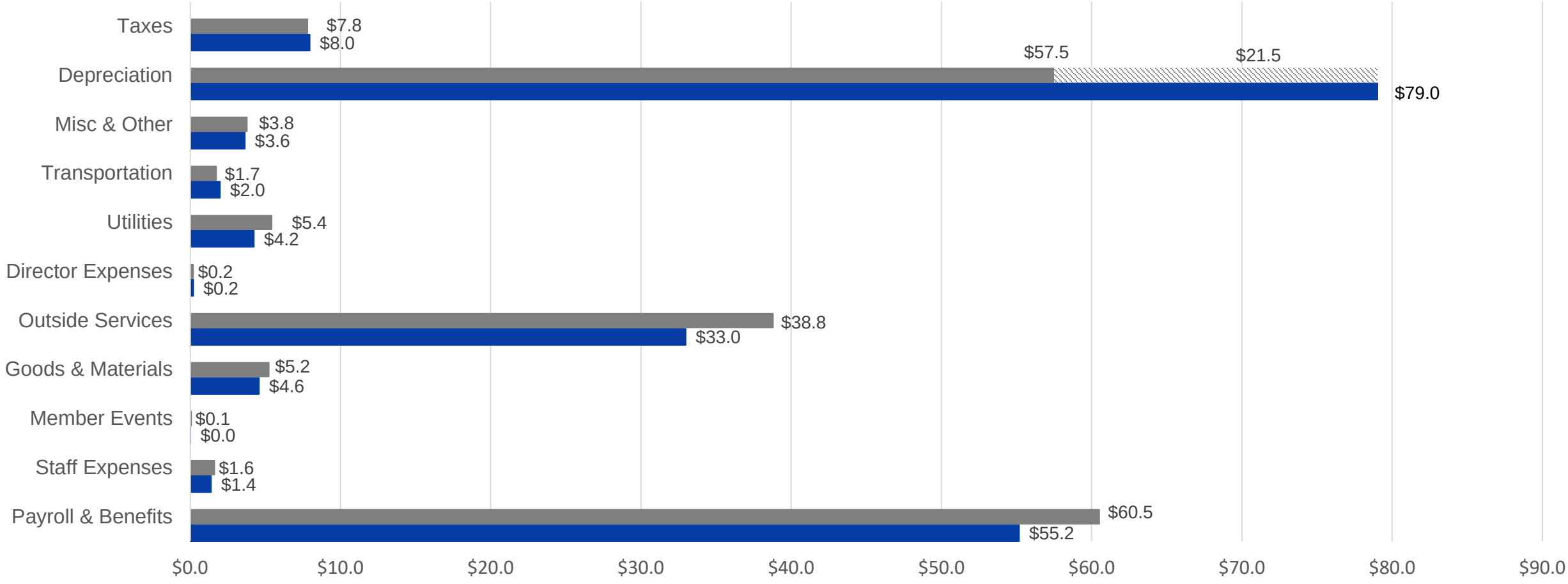


Base Power Over/(Under) Recovery



Cost of Service (in millions)

YTD Actual vs Budget through September 2022



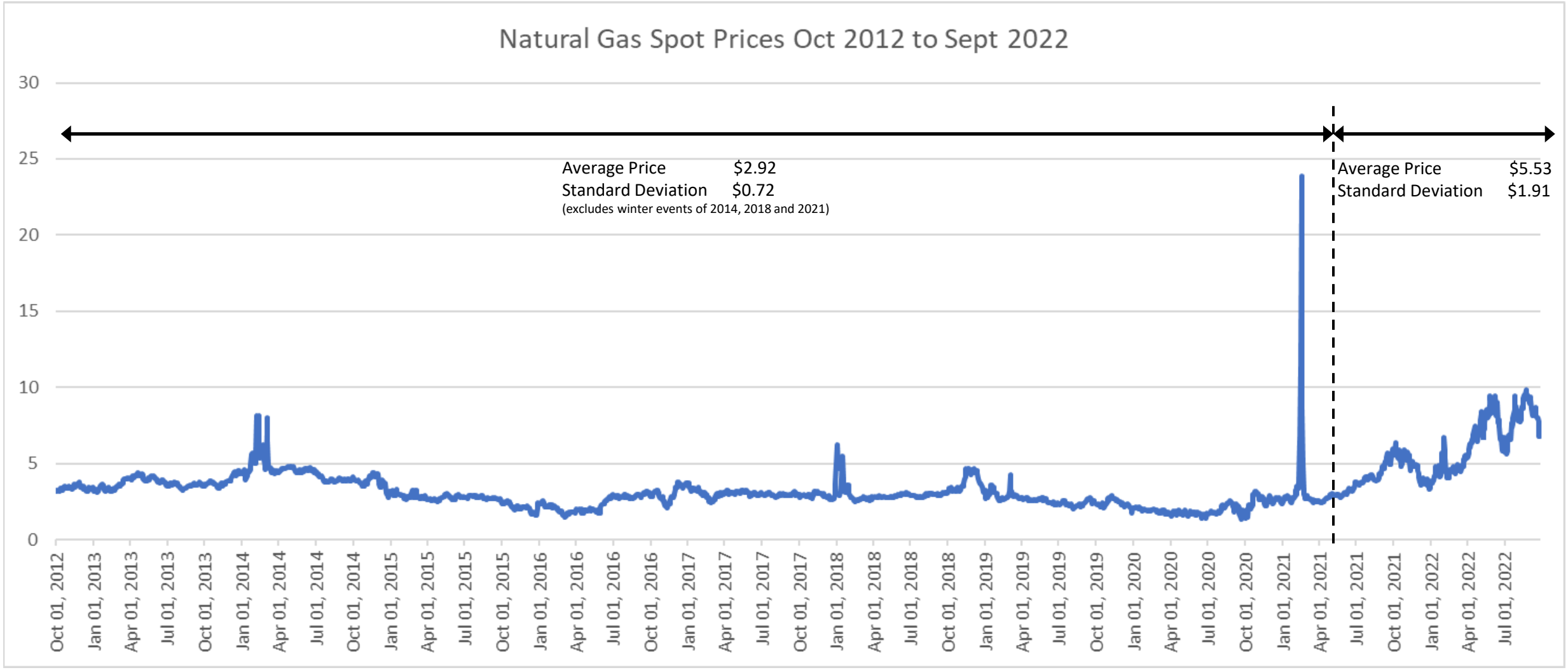
CIP Spend

Construction Category & Description		YTD Actuals	YTD Budget	Variance (Over)/Under Budget	Amended Annual Budget
Distribution					
100	New Lines (Line Extensions for new primary, secondary and service lines)	$ 5,805,847	$ 6,825,000	$ 1,019,153	$ 9,100,000
200	Tie Lines (new construction between existing lines)	3,605,636	5,441,535	1,835,899	7,052,396
300	Conversions or Line Changes	13,904,453	14,041,949	137,496	19,623,189
600	Miscellaneous Distribution Equipment	36,252,993	36,313,407	60,413	48,417,876
700	Other Distribution Items	124,984	75,000	(49,984)	100,000
Distribution Total		**$ 59,693,913**	**$ 62,696,891**	**$ 3,002,979**	**$ 84,293,462**
Substation					
400	New Substations, Switching Stations and Meter Points	$ 3,051,477	$ 5,505,000	$ 2,453,523	$ 6,820,000
500	Substations, Switching Stations and Meter Point changes	6,815,280	6,894,694	79,414	9,758,111
Substation Total		**$ 9,866,758**	**$ 12,399,694**	**$ 2,532,937**	**$ 16,578,111**
Transmission					
800	New Transmission Lines	$ 2,253,691	$ 2,666,250	$ 412,559	$ 3,777,000
1000	Line and Station Changes	9,383,441	13,231,650	3,848,209	17,762,000
Transmission Total		**$ 11,637,132**	**$ 15,897,900**	**$ 4,260,768**	**$ 21,539,000**
General Plant					
2000	Facilities	$ 14,193,335	$ 24,356,250	$ 10,162,915	$ 32,825,000
3000	Information Technology	3,142,268	10,175,242	7,032,974	12,013,000
4000	Tools & Equipment	159,060	388,155	229,095	433,155
5000	Vehicles	1,253,211	4,897,966	3,644,755	6,530,621
Total General Plant		**$ 18,747,873**	**$ 39,817,613**	**$ 21,069,739**	**$ 51,801,776**
Accrued WIP		**$ 6,357,629**	**$ -**	**$ (6,357,629)**	**$ -**
Total Capital Improvement Plan Spend		**$ 106,303,304**	**$ 130,812,098**	**$ 24,508,794**	**$ 174,212,349**

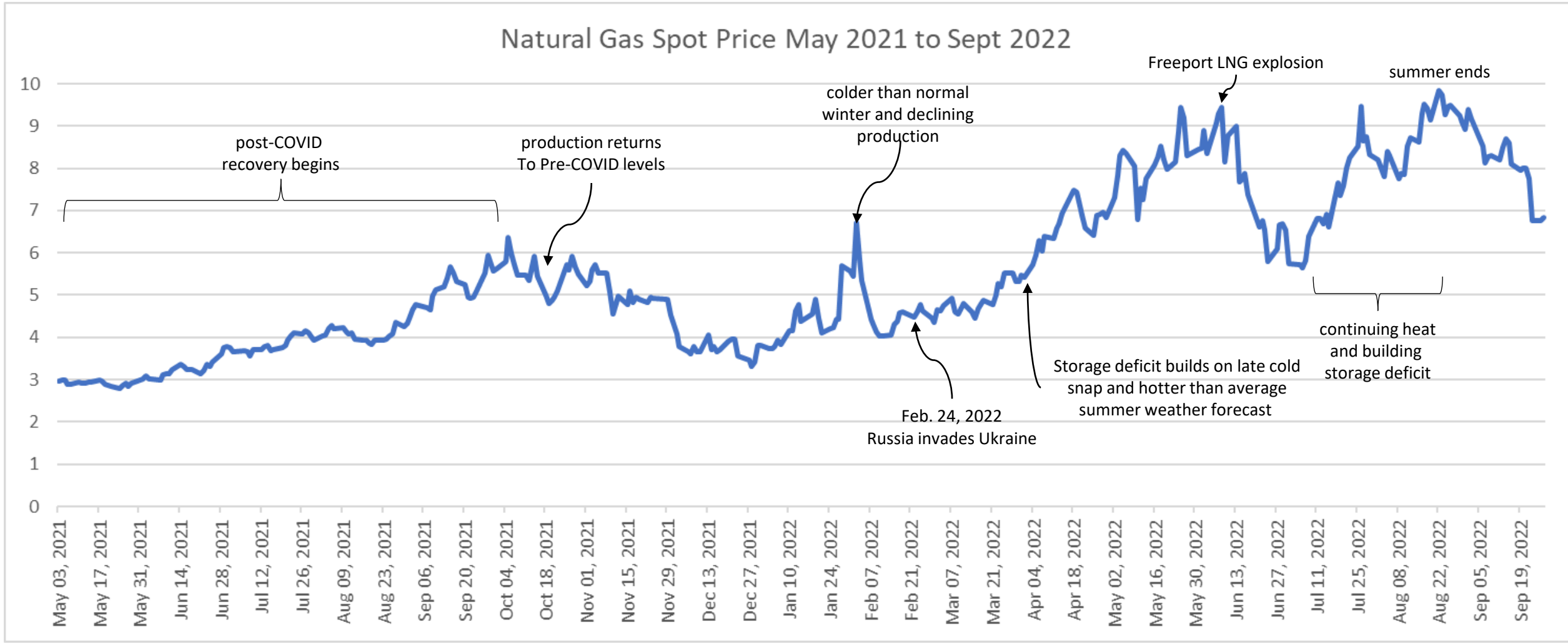
CIP Multiyear Project Spend

Construction Category & Project	Prior Year Spend	YTD Actuals	Project Actuals Post Approval	Project Budget	Remaining Budget
Distribution					
Johnson City Make-ready & Voltage Conversion	$ 1,919,850	$ 2,365,859	$ 4,285,709	$ 5,000,000	$ 714,291
Fairland Make-ready & Voltage Conversion	386,199	746,070	1,132,270	4,500,000	3,367,730
Convert Burnet to 24.9KV	831,495	818,724	1,650,218	5,000,000	3,349,782
Distribution Total	**$ 3,137,544**	**$ 3,930,653**	**$ 7,068,197**	**$ 14,500,000**	**$ 7,431,803**
Substation					
Yarrington Purchase, Cut In, and Construct	$ 6,831	$ 2,892,882	$ 2,899,713	$ 9,150,000	$ 6,250,287
Junction Upgrade T1 to 22.3 MVA	335,823	612,335	948,158	8,740,000	7,791,842
Hero Way Construct new 46.7 MVA Subst	-	538,041	538,041	8,150,000	7,611,959
Substation Total	**$ 342,654**	**$ 4,587,089**	**$ 4,929,743**	**$ 35,841,000**	**$ 30,911,257**
Transmission					
Wimberley Loop	$ 135,023	$ 54,329	$ 189,352	$ 33,500,000	$ 33,310,648
T323 PF-MF Overhaul and Remote Ends	246,651	24,423	271,074	15,500,000	15,228,926
MF-TP (T315) Storm Hardening and Remote Ends	315,877	998,339	1,314,216	13,340,000	12,025,784
T333 LV to NL Overhaul and Remote Ends	293,275	88,613	381,888	13,312,000	12,930,112
T327 LA-NL Overhaul	-	164,233	164,233	11,830,000	11,665,767
T623 TP-CV Storm Hardening and Remote Ends	37,698	137,057	174,755	8,147,000	7,972,245
T324 ML-HT Storm Hardening and Rebuild	1,363,964	251,434	1,615,398	3,620,000	2,004,602
EMS Hardware Software	-	1,602,871	1,602,871	3,187,000	1,584,129
Transmission Total	**$ 2,392,488**	**$ 3,321,299**	**$ 5,713,787**	**$ 102,436,000**	**$ 96,722,213**
General Plant					
Transmission Control Center	$ 9,111,608	$ 10,769,116	$ 19,880,724	$ 32,950,000	$ 13,069,276
Cedar Park Accessibility Improvements	479,577	1,303,223	1,782,800	8,250,000	6,467,200
Total General Plant	**$ 9,591,185**	**$ 12,072,339**	**$ 21,663,524**	**$ 41,200,000**	**$ 19,536,476**

Increasing Price Levels and Volatility

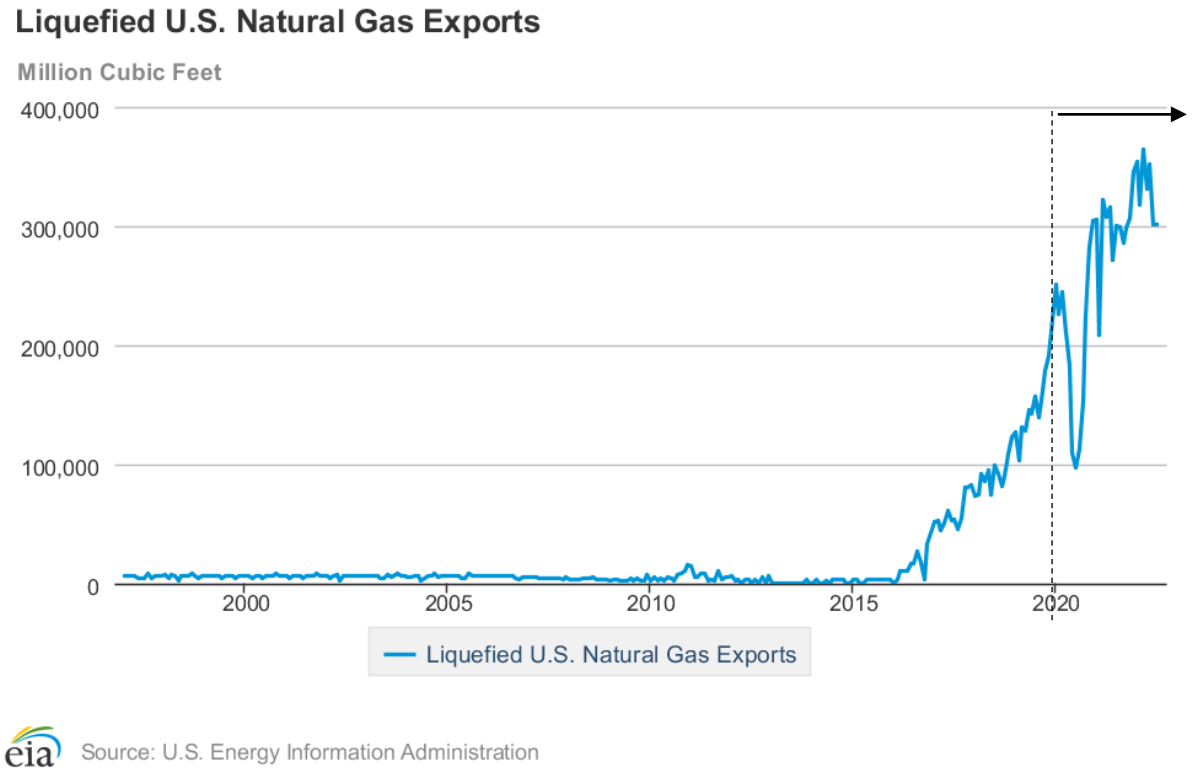


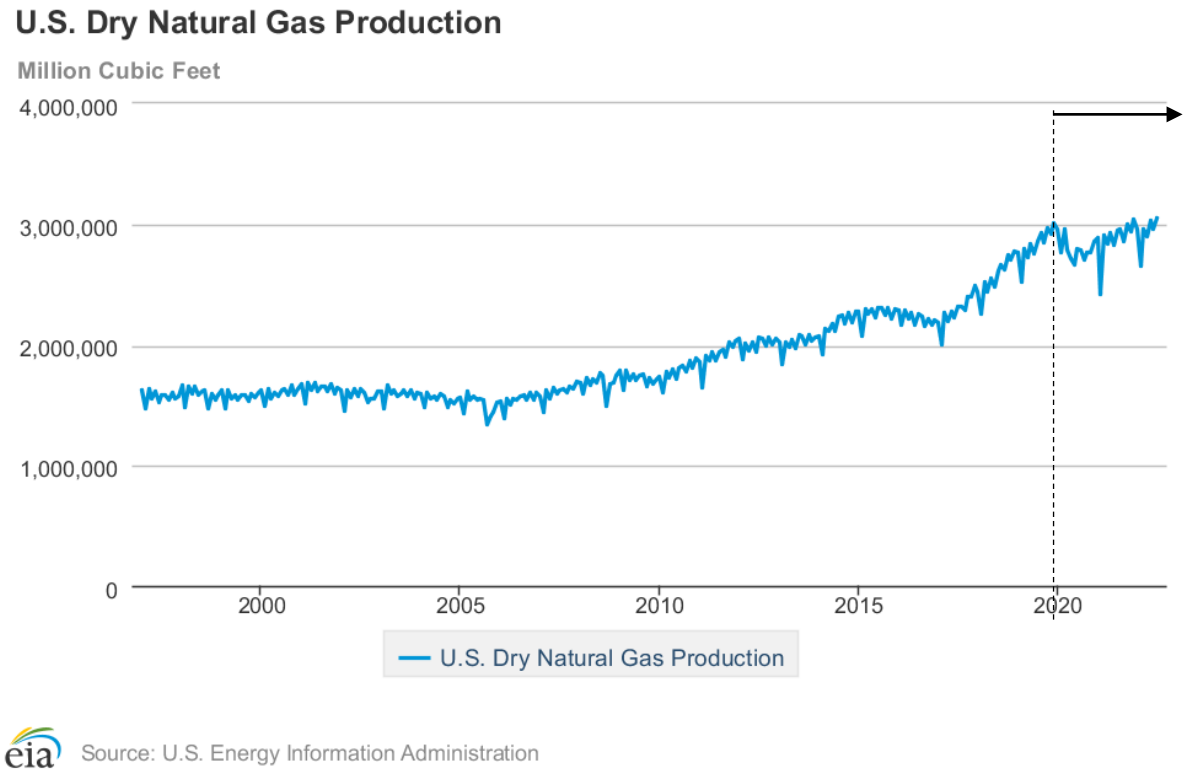
Post-COVID Era



- LNG exports rising at levels faster than production
- Lower price elasticity due to limited opportunities for coal to gas switching
  - 50GW of retired coal generation since 2018
  - U.S. gas-fired generation hits record high in mid-July despite prices above $7/mmbtu

Monthly LNG Exports and Production

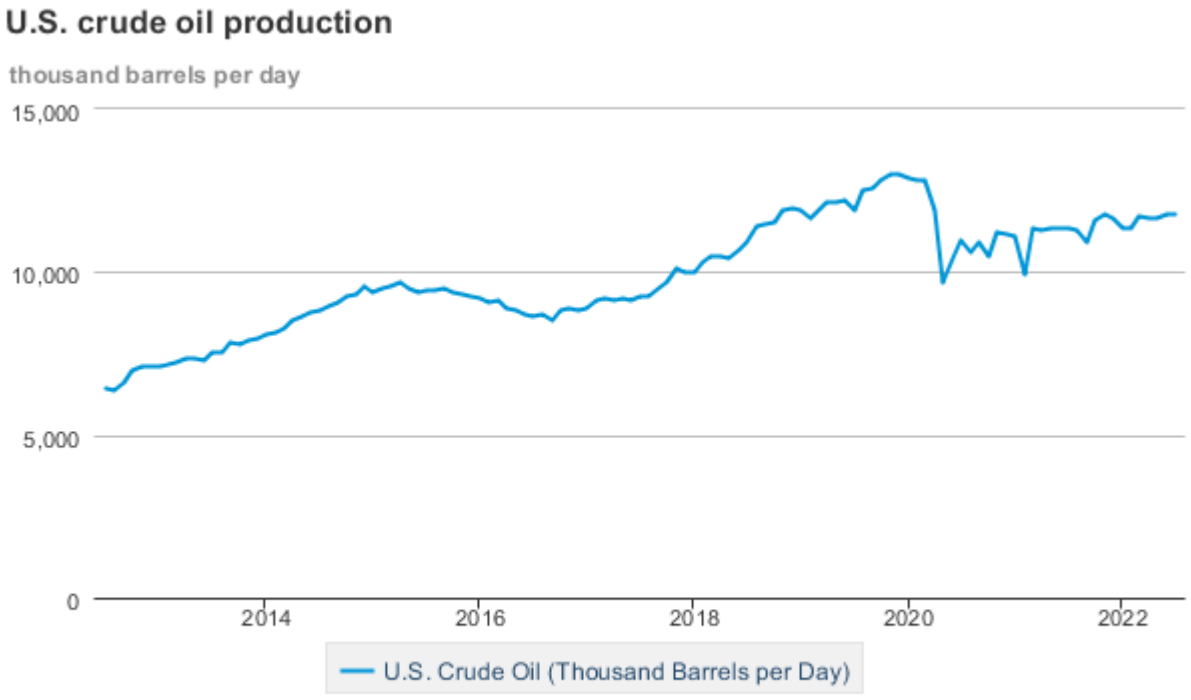




- LNG exports approximately 100 Bcf/month or 3.3 Bcf/day higher than pre-COVID levels and production has been flat over same time period

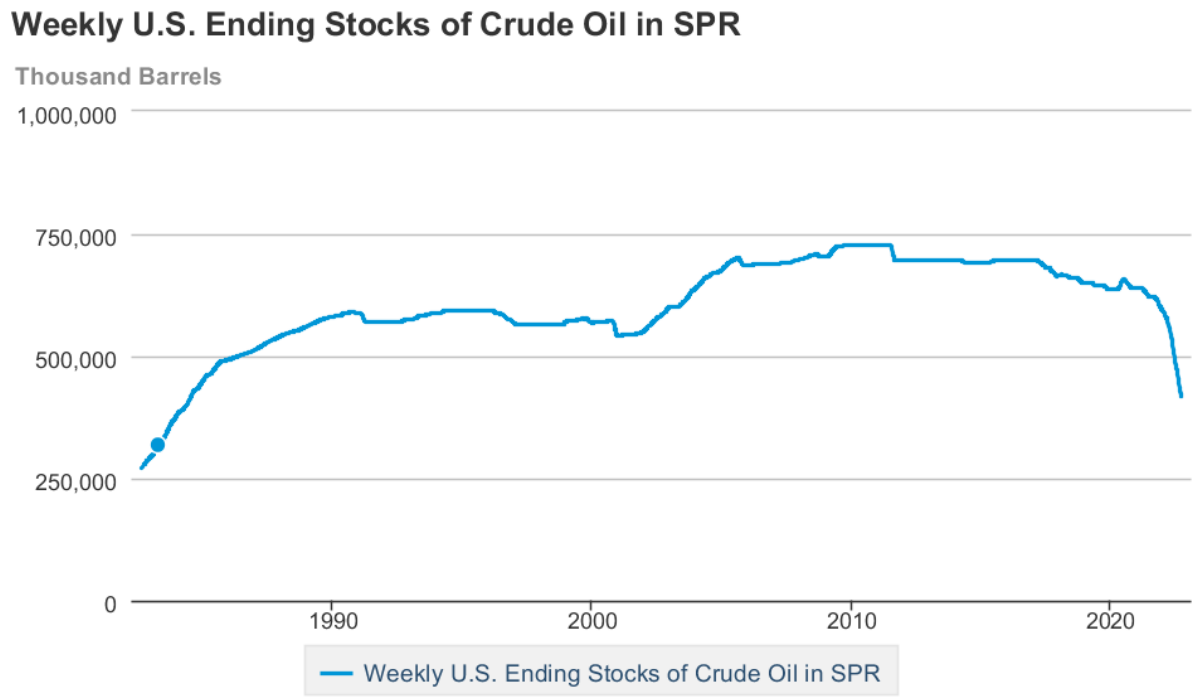
U.S. Crude Oil Production and the SPR

U.S. crude production has not returned to pre-COVID levels



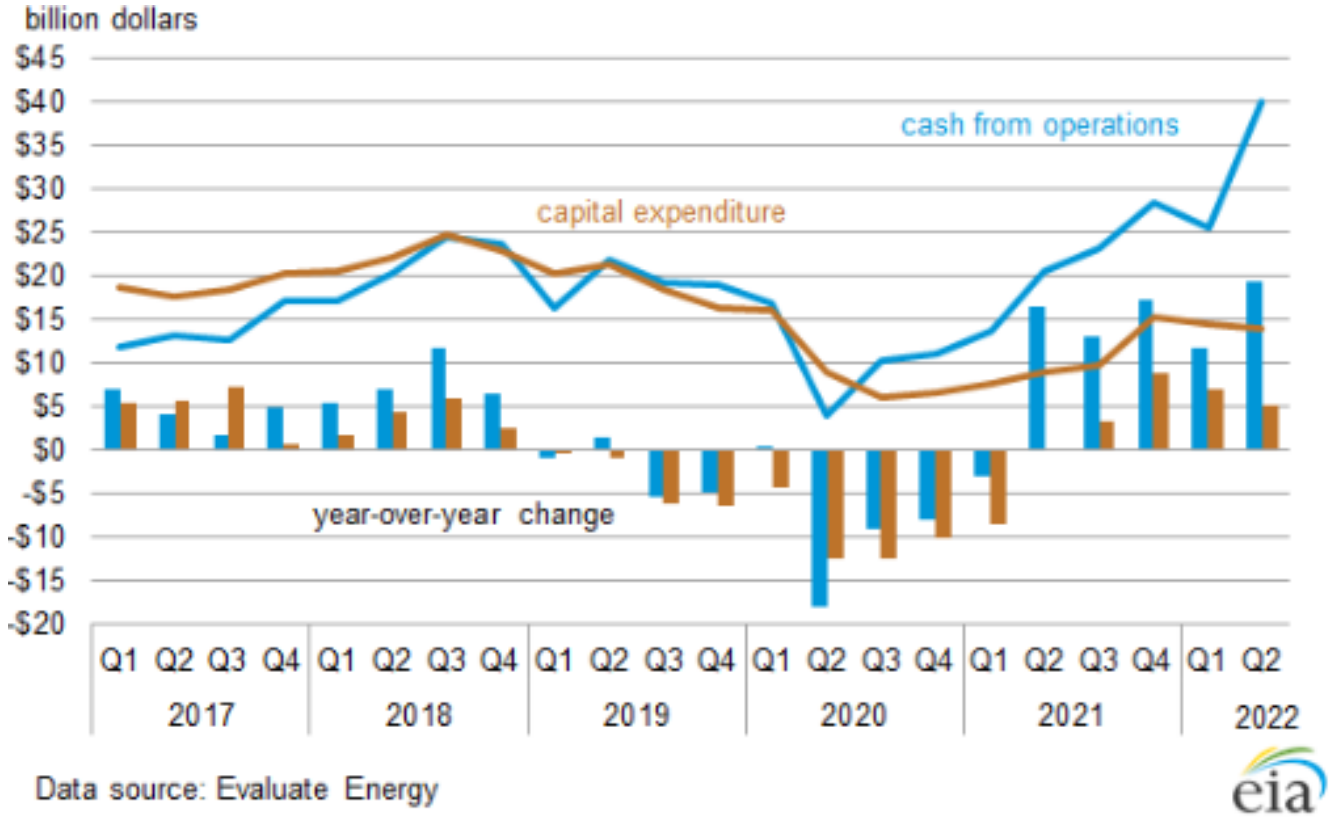
eia Source: U.S. Energy Information Administration

Strategic Petroleum Reserve at lowest levels since 1984



eia Source: U.S. Energy Information Administration

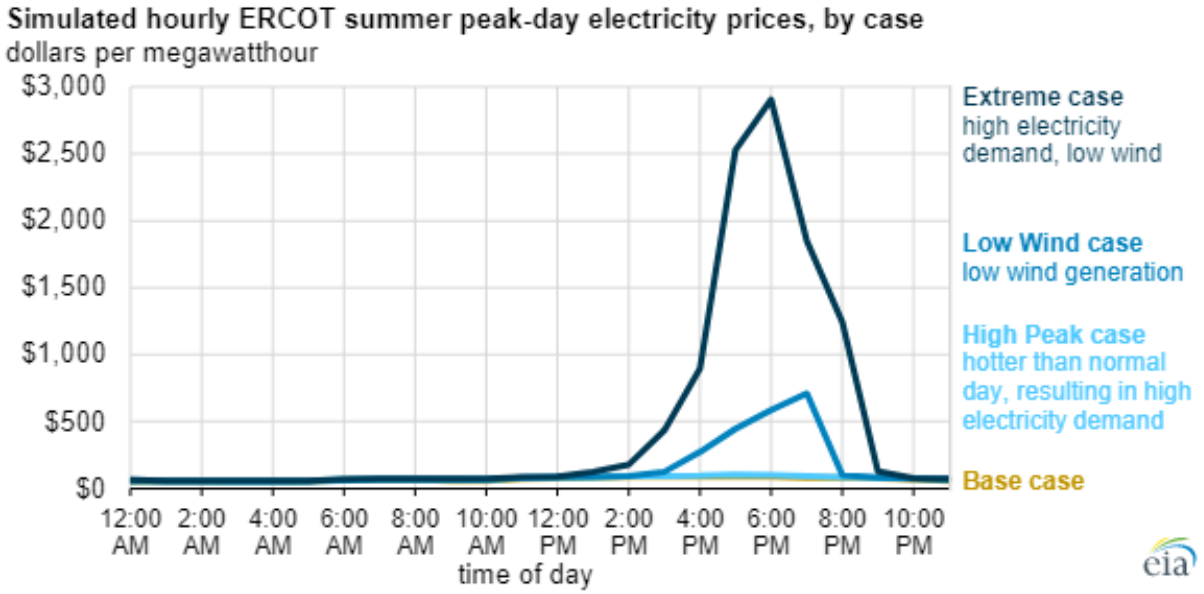
Oil and Gas Company Cash Flows are Up but Capital Expenditures are not



- Cash flows at oil and gas companies are largest in 5 years
- Companies have kept capital expenditures below historical levels and redirected their cash flows from operations to debt reduction, share purchases and dividends.

U.S. Energy Information Administration Study

Sources of Price Volatility in the ERCOT Market



	Base	High Peak	Low Wind	Extreme
Peak load (megawatts)	77,498	80,152	77,498	80,152
Wind availability (megawatts)	10,144	10,144	3,064	3,064
Maximum simulated wholesale price (dollars per megawatthour)	$90	$105	$709	$2,905
Energy component	$90	$105	$ 99	$ 601
Scarcity adder	—	—	$610	$2,304

Data source: U.S. Energy Information Administration, Short Term Integrated Forecasting System simulation of the Electric Reliability Council of Texas (ERCOT) power market

Study concluded that expected variability in peak load has less of an impact on price than expected variability in wind generation. Note variances from the base case.

"The growth in ERCOT's peak electricity load combined with its increasing use of intermittent renewable generation sources has supported recent price volatility."

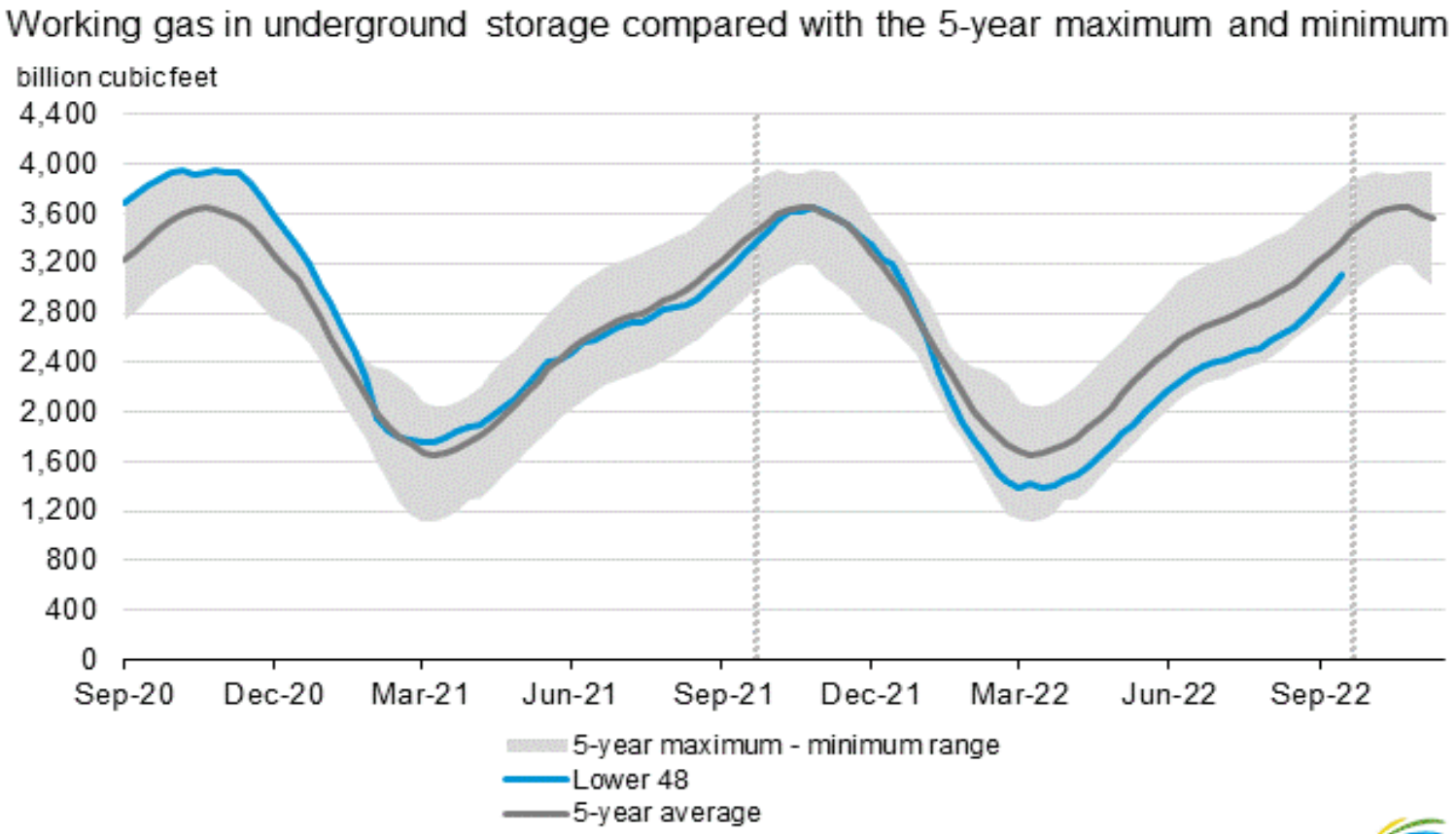
Take Aways On Volatility

We are likely to be living with increased price volatility for some time, making hedging more challenging and lowering budgeting/forecasting accuracy

- In the near term the gas market will contribute to increasing power market price volatility
  - Tight supply demand balance due to plateauing production in the face of increasing demand
  - Reserves exist but need investor and regulatory support to convert them into production
- Many forecasters believe that in the longer-term gas production will increase and prices (along with volatility) will come down. Therefore, we see a backwardated price curve.
  - If returns are there capital will follow
- Increased volatility in the power market due to higher supply-side volatility from renewable penetration.

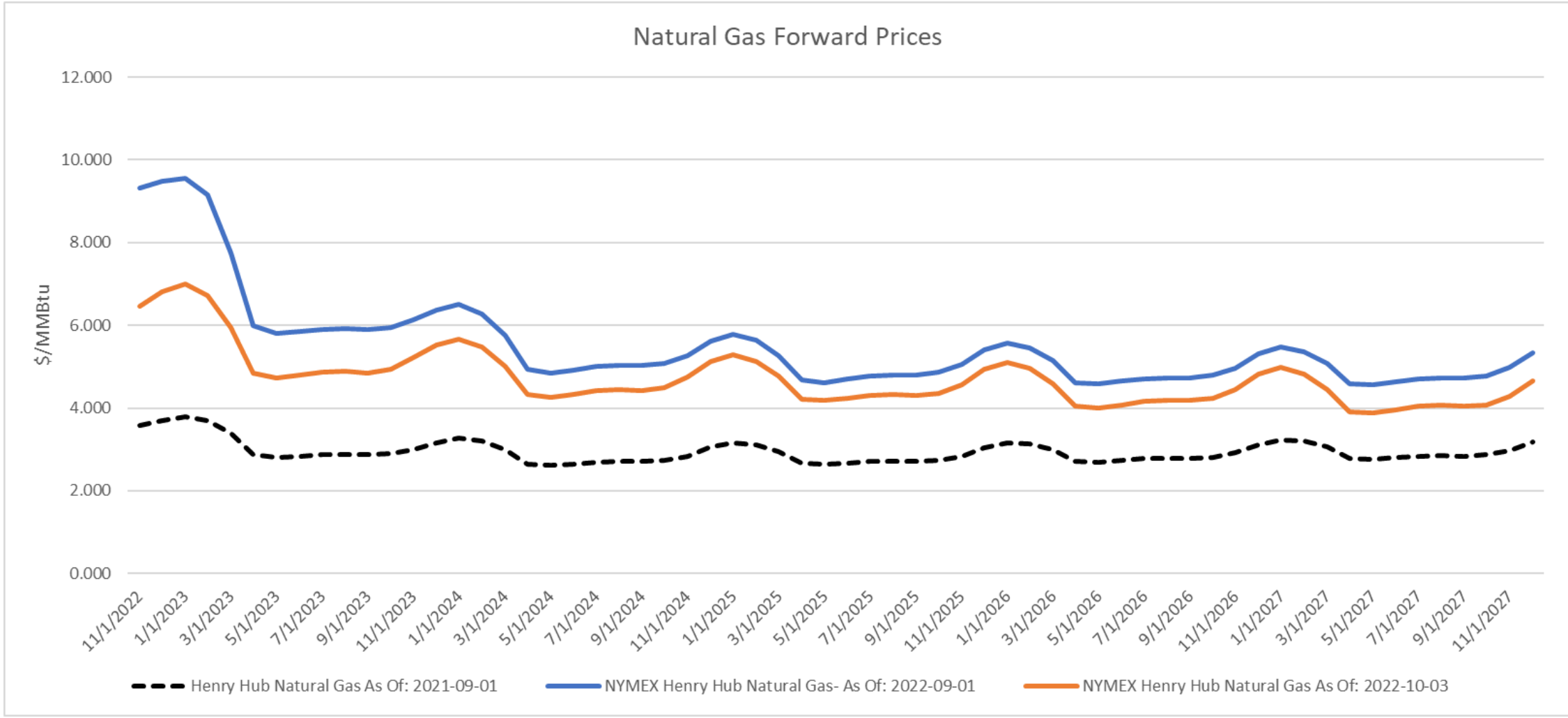
Gas Storage

- Larger than normal Sept. injection—higher production and lower demand from cooler weather and Hurricane Ian



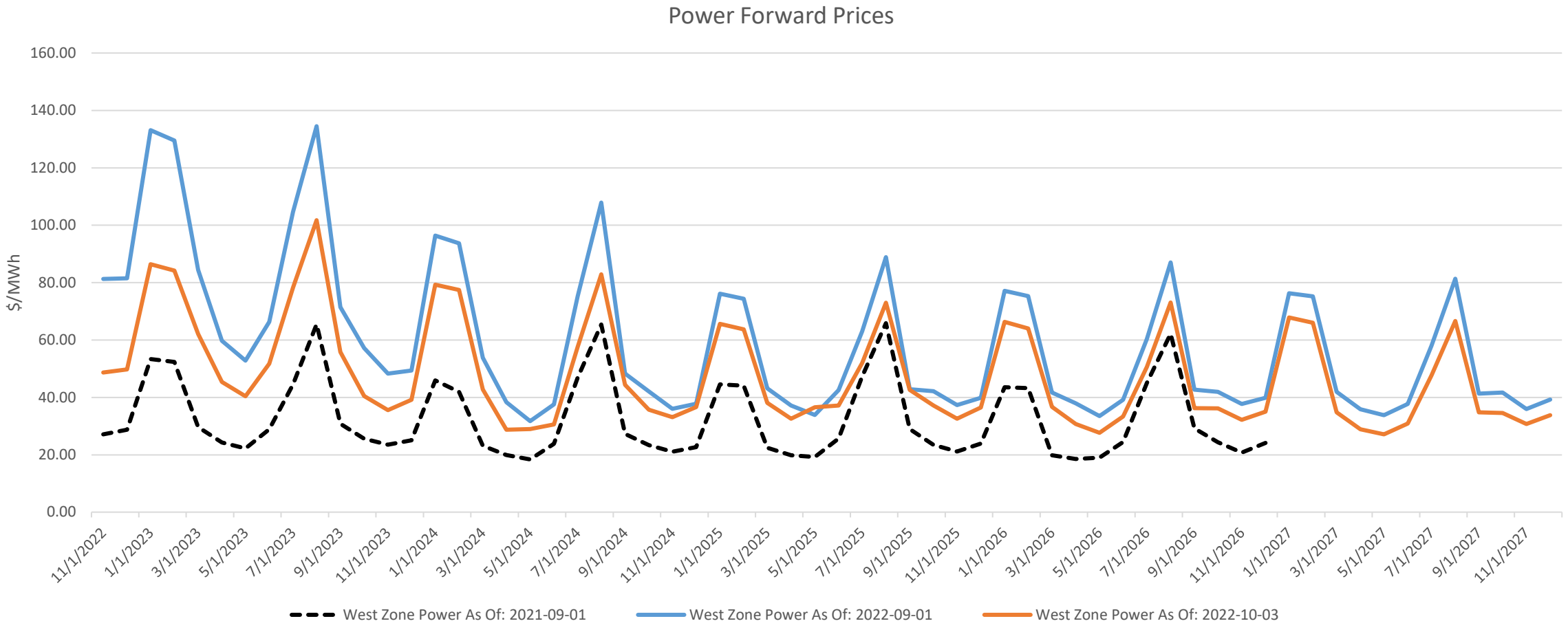
Forward Natural Gas Prices

Natural gas prices are down on storage build and milder weather, but up from 2022 budget



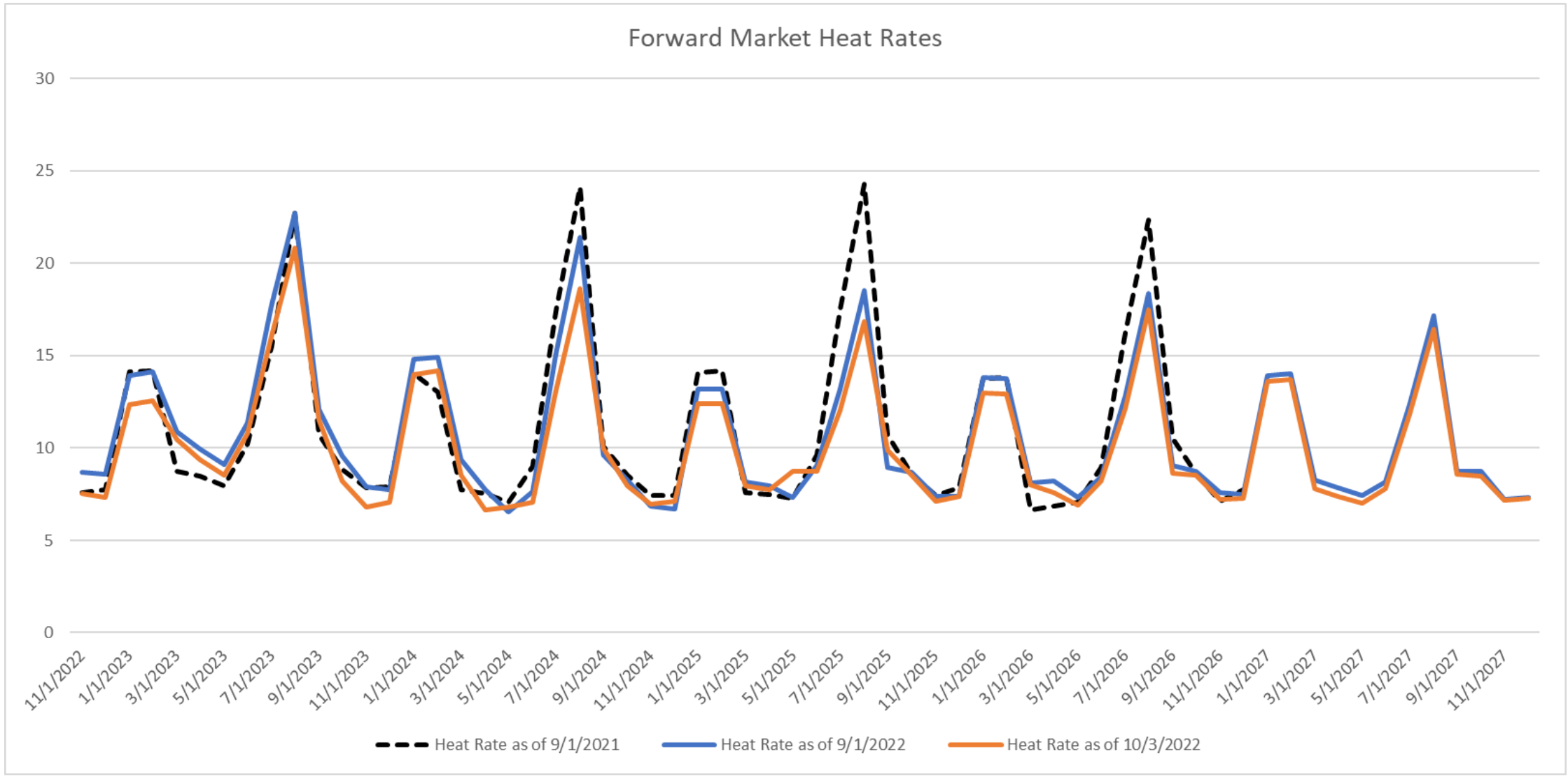
Forward Power Prices

Forward power prices have followed gas prices



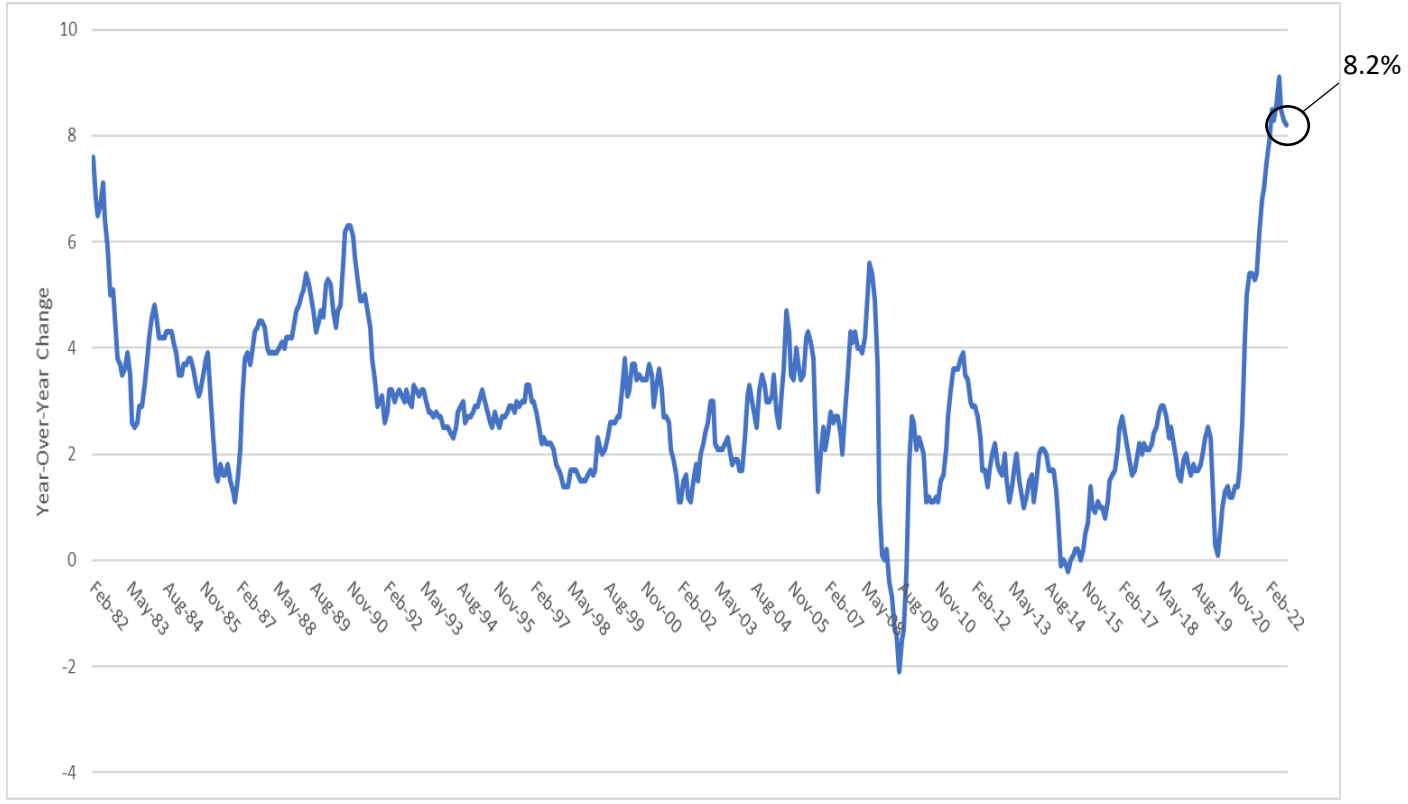
Market Heat Rates

Heat rates down from prior month and budget



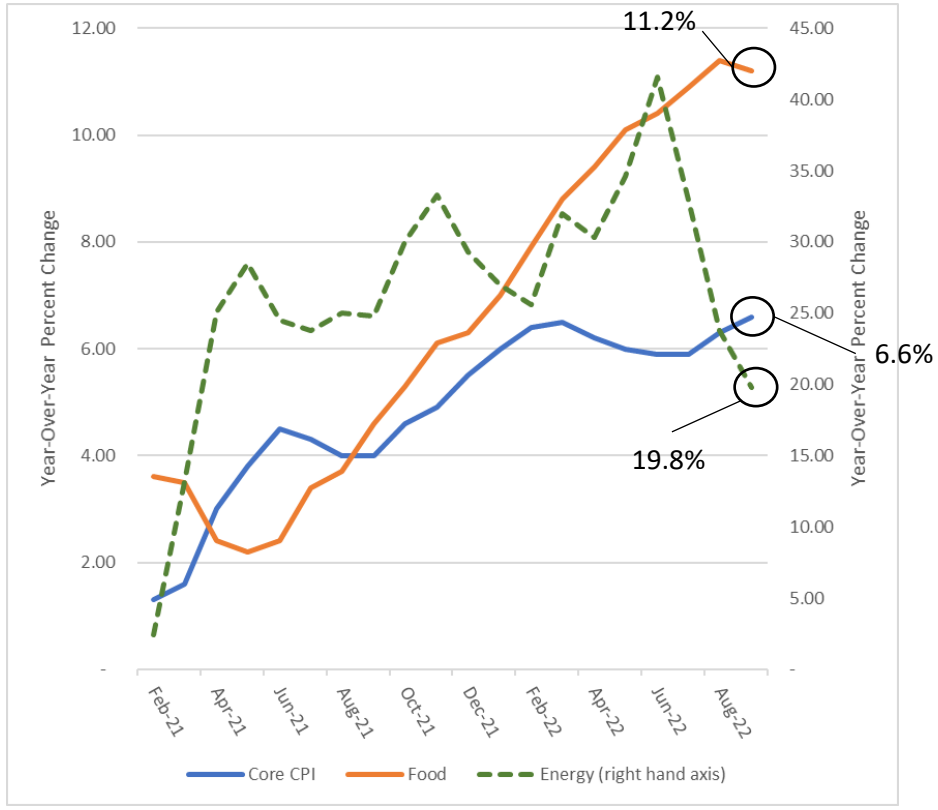
Inflation

CPI Jan 1982 to Sept 2022



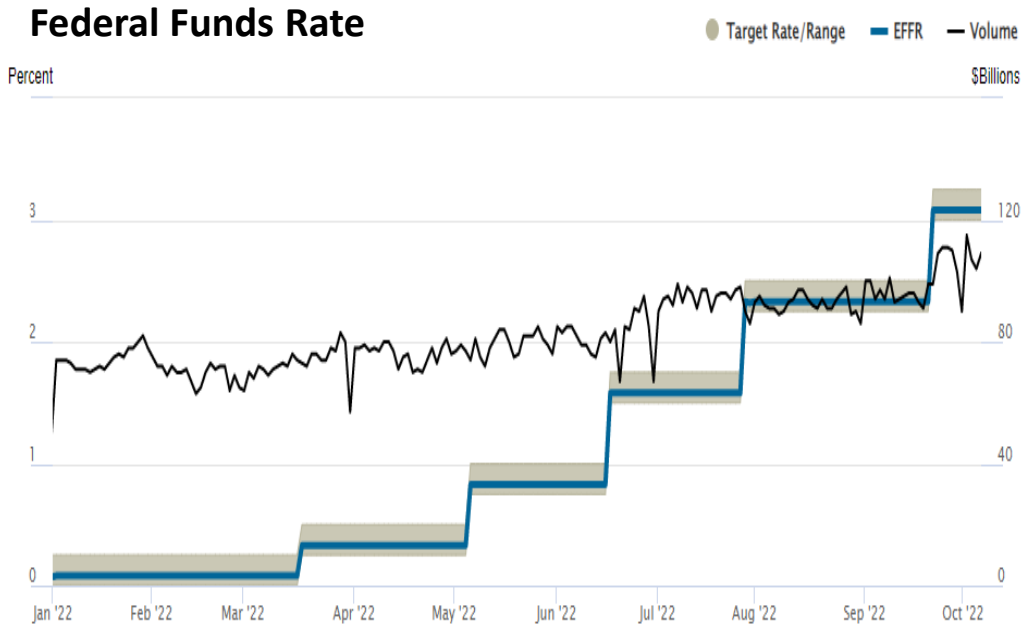
Source: U.S. Bureau of Labor Statistics

Core CPI, Food and Energy
Jan 2021 to Sept 2022



Source: U.S. Bureau of Labor Statistics

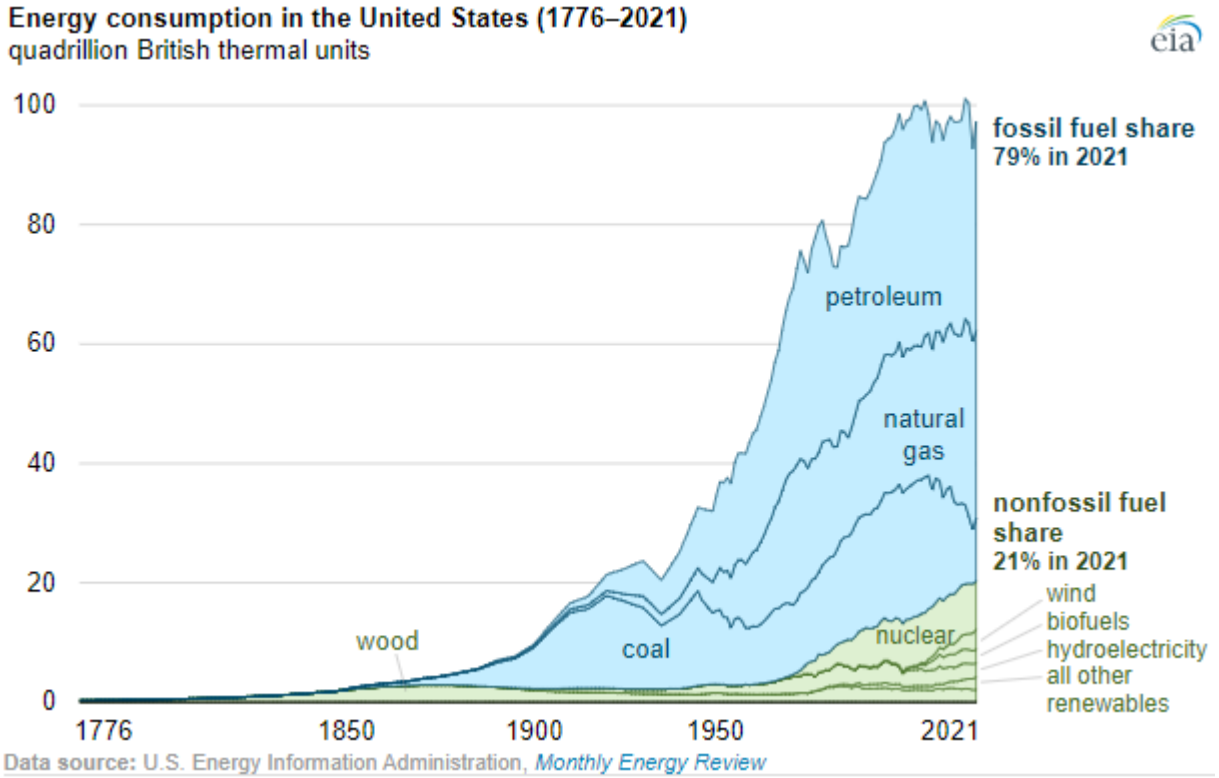
Interest Rates

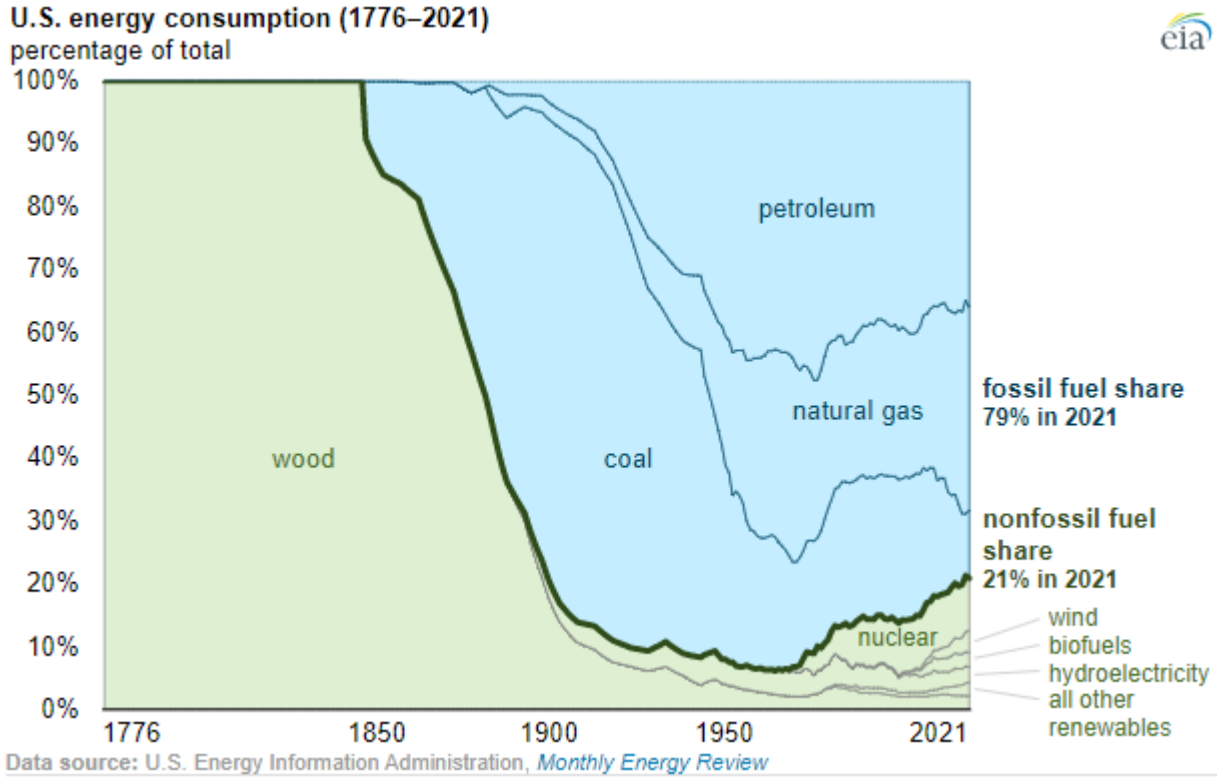


Source: Federal Reserve Bank of New York

Source: *The Wall Street Journal*

U.S. Energy Mix Since 1776





- High degree of correlation between access to energy and standard of living
- Industrial and transport sectors account for over half of end-use consumption

PROUD