GARLAND POWER & LIGHT

2018 ANNUAL REPORT

We are honored to serve our hometown

customer

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2018 GENERAL MANAGER'S MESSAGE

At Garland Power & Light, we take pride in delivering reliable and competitively priced electric service to our community. One way we keep rates competitive is by investing in revenue-generating opportunities. Seeing the success of our largest-ever capital project made for an exciting year.

Energized this spring, GP&L's portion of the Limestone-to-Gibbons Creek 345kV transmission line is part of the northern section of the Houston Import Project. This high-voltage line supports grid reliability by delivering power to meet growing demand in southeast Texas. GP&L will begin earning revenue on this investment after the approval of our interim Transmission Cost of Service filing in the coming fiscal year.

I'm proud to say that GP&L customers have not seen an electric rate increase since 2006, which was followed by five reductions over the years. Our competitive rates are a result of the utility's strong revenues and ongoing cost management.

Careful financial management led to other achievements. GP&L successfully maintained high-quality credit ratings of AA- and A+ with Fitch Ratings and S&P Global Ratings, respectively. These ratings allowed us to increase our commercial paper program from $60 million to $80 million at competitive rates, providing GP&L access to funding for future projects.

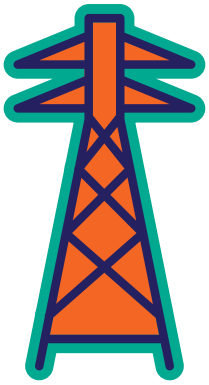
The Texas Municipal Power Agency's generation debt was paid off this year by the Member Cities, including Garland. The Agency's Gibbons Creek Power Plant ran on a seasonal basis after being shut down October through May. After coming online in June, the facility operated into mid-September.

In support of the City's economic development efforts, GP&L was instrumental in securing Digital Realty as the second data center in Garland. Once built out, this campus is expected to use in excess of 150 MW.

In the coming year, our launch of Green Choice will give customers the option to select 100 percent Texas renewable energy for an additional penny per kilowatt-hour. Honored to serve our hometown, we will continue to support community events, local arts, education and other programs that benefit Garland.

In reading this report, you will see accomplishments that support GP&L's mission of providing safe, reliable electric service in a cost-effective manner. As always, we remain committed to serving Garland and appreciate the support of our customers.

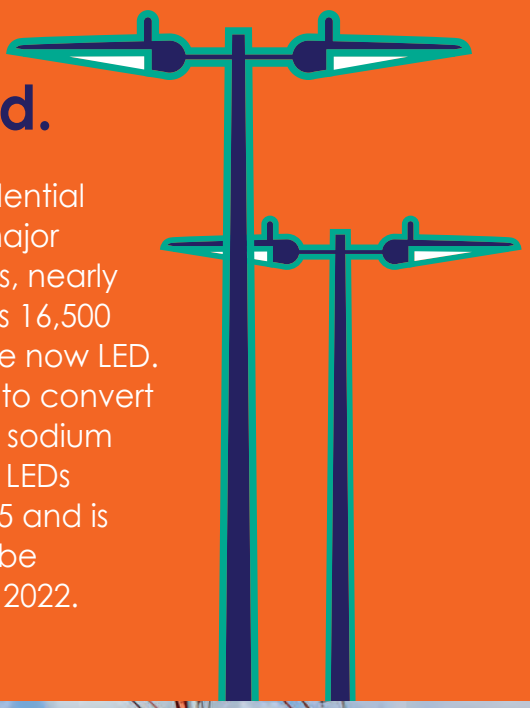
Jeff Janke
General Manager & CEO



Throughout the year, Garland Power & Light's accomplishments enhanced service to customers and strengthened the state's electric grid.

To support staff in managing a growing number of construction projects, GP&L implemented a new transmission and distribution engineering hierarchy. A significant remodel of the distribution building also improved productivity and collaboration between work groups.

Energy-efficient streetlight upgrades continue across Garland.



On both residential streets and major thoroughfares, nearly half of GP&L's 16,500 streetlights are now LED. The program to convert high-pressure sodium streetlights to LEDs began in 2015 and is expected to be complete by 2022.

Projects to support development and growth in Garland included:

Gramercy Park Subdivision

Underground primary and secondary cable, streetlights, and transformers for the 112-home Gramercy Park Subdivision at Campbell and Holford roads.

Riverset Subdivision

Infrastructure for the underground feeder line for the new Riverset Subdivision, a development at the southwest corner of Shiloh and Buckingham roads that will eventually comprise 600 homes.

Garland Business Park

A double-circuit extension of the Shiloh 4 feeder with steel poles to support the new Garland Business Park. The project required four 1500 kVA transformers with secondary cubicles to supply power to the approximately 770,000 square feet of building space.

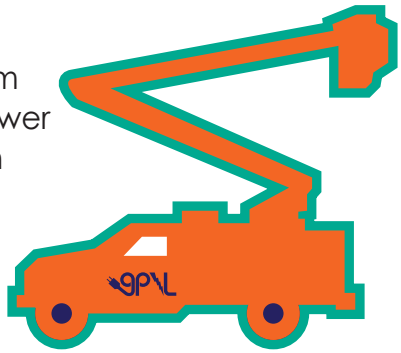
Interstate 30 Crossing

Six new steel poles along Broadway Boulevard crossing Interstate 30 to replace wood poles and allow for gradual elevation of the line on both sides of the freeway.

Year-round maintenance supports service reliability.

Ongoing system maintenance on aging infrastructure keeps electric service reliable for customers. Throughout the city, GP&L upgrades underground loops, changes out poles, and rebuilds feeders and lateral lines.

GP&L's proactive tree-trimming program plays a key role in reducing the frequency and duration of power outages. The utility's vegetation management team keeps limbs trimmed away from power lines, while following guidelines to keep trees healthy.



To improve system reliability and power capacity in north Garland, the utility completed two phases of construction on an 8.7-mile transmission line between the Wylie Switchyard and Firewheel Substation. The line, which crosses Lake Ray Hubbard, replaced a double-circuit, single-pole transmission line with higher amp conductor on side-by-side steel monopoles.

Reliability for industrial customers in central Garland was enhanced by the new Forest Lane Substation and transmission lines, which established a 138kV loop feed from the Fairdale and Marquis substations.

GP&L invests in opportunities outside of Garland.

GP&L's largest transmission investment to date was completed this year, with the utility owning the southern portion (38.9 miles) of the Limestone-to-Gibbons Creek section of the Houston Import Project. This 345kV transmission line brings additional power delivery to southeast Texas and strengthens the Electric Reliability Council of Texas (ERCOT) grid. GP&L monitored the construction, inspection and testing of this segment of the line, and served as the outage coordinator.

Progress was made on another strategic transmission endeavor as GP&L obtained approval to construct a transmission line that will enhance reliability and meet load growth in the Greenville, Texas area. The project consists of a new line terminal at the existing Shelby Substation, a 5.7-mile transmission line, and a new 138kV Dent Road Substation.

As renewable energy generation facilities are being developed in West Texas, the utility's stake in the Competitive Renewable Energy Zone (CREZ) is proving more valuable. GP&L signed an interconnect agreement with Roadrunner Solar Project to connect a planned 400 MW solar farm to GP&L's CREZ line near McCamey, Texas in 2019. The transmission project will include a new switching station and a five-mile 345kV line.

Dependable and efficient resources, both the utility's own generating facilities and its power portfolio, were central to GP&L's success this year.

GP&L's power plants met the demands of freezing winter temperatures and the enduring heat of summer.

January: In response to three cold-weather events, GP&L ran all four units at the Olinger Power Plant, a rare occurrence in winter.

April: A fire at the Spencer Power Plant threatened plans to run units #4 and #5. Production employees and contractors worked around the clock to restore the facility's two units, including computers and control systems, in time for the peak summer operating season.

July: High summer temperatures and growth across the state brought about an ERCOT system-wide peak demand record of 73,473 MW on July 19. Generating units at GP&L's Olinger and Spencer plants continued to run through July and August to support grid reliability.

Maintenance projects and dedicated employees kept units ready to run when needed:

- Turbine control system retrofits for Olinger units #2 and #3
- Boiler control and forced draft fan repairs on Olinger Unit #3
- Four technicians achieved Production Technician II qualifications

GP&L's business of providing energy supply services to other utilities across Texas continues to grow.

GP&L sustained the wholesale power supply and Qualified Scheduling Entity (QSE) services business with four customer extensions and the acquisition of Central Texas Electric Cooperative as a wholesale power customer. Two new QSE services customers, Riggins Solar and Sky Global, were integrated into GP&L's QSE processes.

Planning for local power needs, GP&L bought affordable on- and off-peak power to augment power supply resources for the next eight years.

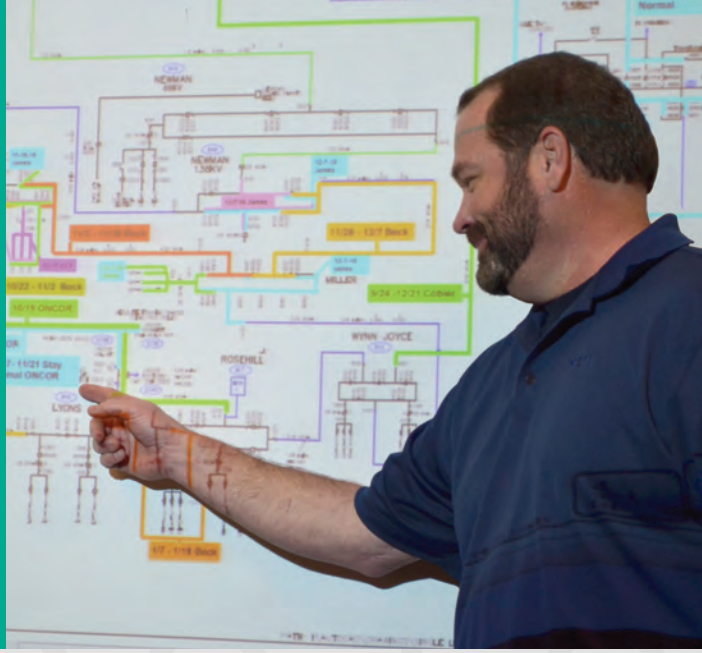
To better serve residential and commercial customers, GP&L developed several new rates for the coming year.

- **Green Choice** – for residents and businesses who want 100 percent Texas wind and solar power
- **Large Load Customer Service** – for distribution service customers whose monthly measured demand is at or over 1 MW
- **Transmission Voltage Service** – for commercial customers who bring power into their own substations
- **Power Factor Improvement** – to incentivize GP&L's largest customers to increase their overall power factor to an ERCOT-accepted level

Improvements, upgrades and new developments to GP&L's technology infrastructure benefited both customers and employees.

Customers can now report a power outage via text message. GP&L's outage text reporting system was launched early this year, allowing customers to text OUT or their account number to notify GP&L of an outage.

Electronic calendars and maps for outage planning enabled utility project managers, engineers and supervisors to more efficiently coordinate maintenance and construction outages on distribution and transmission lines.



As a best practice for keeping the email system stable and secure, GP&L's Exchange server was upgraded.

Monthly security awareness training for all employees continues to protect the utility's technology systems against cybersecurity threats. Technology Services employees also took part in advanced cybersecurity education.

Enhancements to both cyber and physical security at facilities remain a priority of GP&L, as the utility complies with critical infrastructure protection standards designed to safeguard electric service reliability.

Successful management of GP&L's regulatory and compliance activities includes external and internal audits, changes to organizational structure, and active participation in the electric industry.

In a busy year, the utility completed Transmission Owner and Critical Infrastructure Protection audits for TMPA, and Transmission Owner and Operator audits for GP&L. Successful completion of these examinations included the participation of many GP&L employees to find and compile supporting evidence, as well as communication with other utilities.

To keep the utility prepared for upcoming reviews, GP&L's internal audit team began in-depth audits of all six North American Electric Reliability Corporation (NERC) functions in August.

A reorganization of GP&L's regulatory and compliance staff puts these responsibilities within the departments that perform them on a daily basis. This allows staff to track regulatory activities more closely, and to more efficiently update and modify policies.

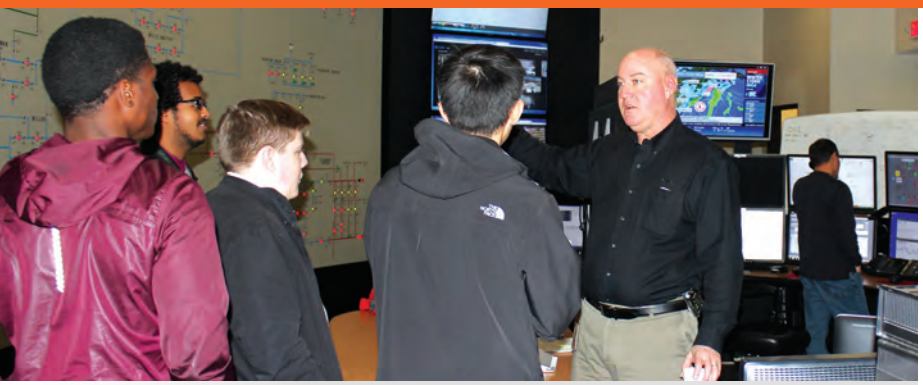
System operators and real-time traders completed training to maintain NERC certifications. This included black start training and an operator training seminar.

At ERCOT, a strong lineup of GP&L employees represents the utility; in 2018, participants served on 20 ERCOT committees, subcommittees, working groups and task forces.

This participation enables employees to stay informed on market developments and advocate for GP&L's interests, while strengthening both ERCOT and GP&L systems and procedures.

GP&L employees also represent the utility as president and treasurer of the Municipal Electric Safety Exchange (MESE). Employees gain safety knowledge and skills through this industry network.

GP&L is proud to serve the Garland community through partnerships, sponsorships and participation in community events.



GP&L supports education in Garland:

In November, GP&L hosted three GISD students as part of a job shadow program. Two high school students shadowed employees in System Operations, and one student shadowed Communications employees. Following this event, engineering students from across GISD were invited to tour GP&L's operations facilities in an ongoing partnership. Staff also gave presentations on electric generation, transmission and distribution at North Garland High School, which hosts the engineering program.

GP&L sponsors community events throughout the year:

- Tree Power Free Tree Giveaway
- Sweetheart Dance
- Annual Chamber Golf Tournament
- NAACP Freedom Brunch
- Hispanic Heritage Banquet
- Christmas on the Square
- Garland Civic Theatre

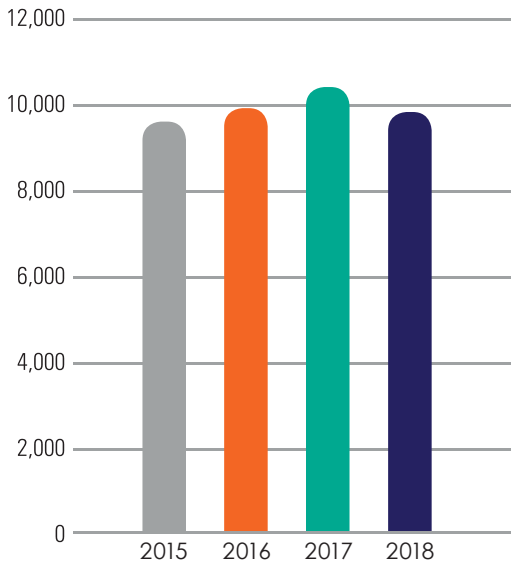
GP&L takes part in numerous other events, educating customers and community members:

- Garland's Earth Day Celebration
- Neighborhood Summit
- ¡Infórmate! Noche Informativa en Español
- Garland Chamber of Commerce Business Expo
- Garland Realtor Workshop

PERFORMANCE INDICATORS

Fiscal Year Ended September 30

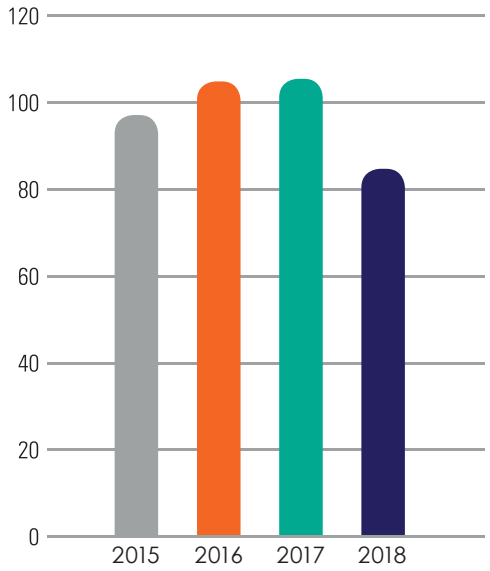
Work Orders



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

Interpretation: Service requests are the macro level indicator of the productivity in the Transmission & Distribution Division. Incidents such as major storms can impact the totals.

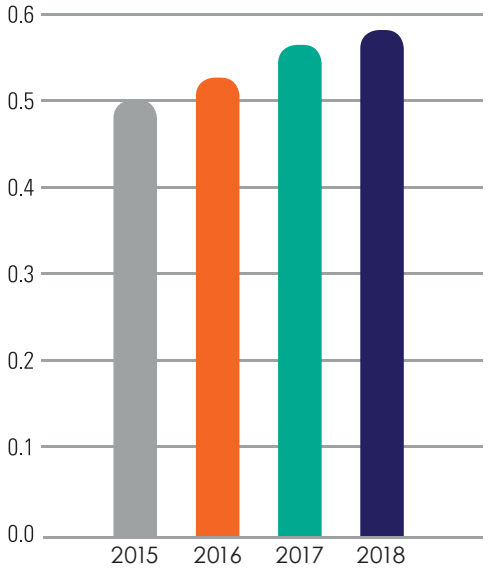
Operating Expenses per Megawatt Hour



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.

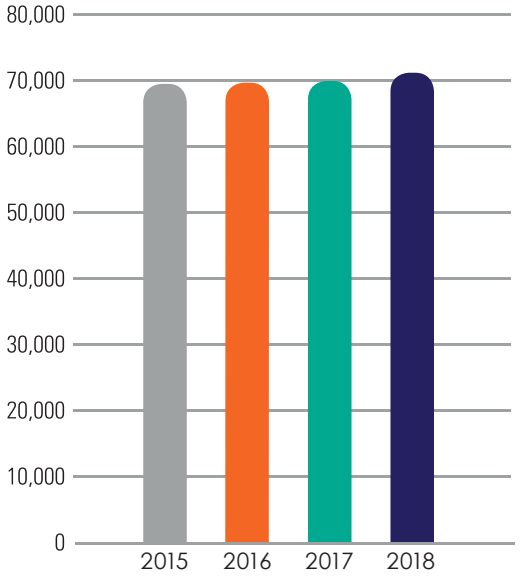
Interpretation: As this statistic is highly influenced by power and TMPA costs, comparisons between utilities must be made carefully.

Debt-to-Asset Ratio



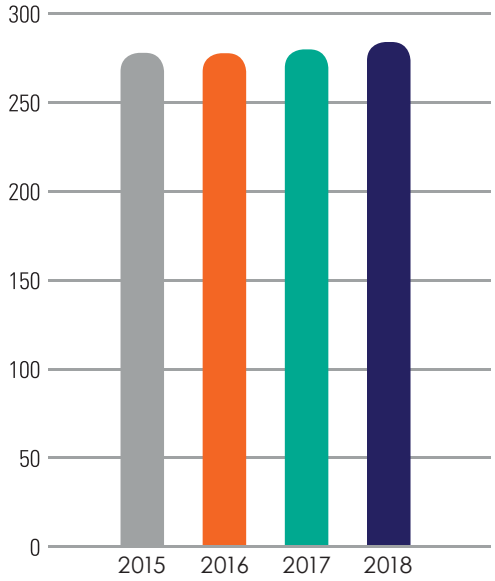
Description: The debt-to-asset ratio is a comparison of an organization's long-term debt to total assets. This ratio reflects to what degree an organization finances its assets with long-term debt.

Electric System Number of Retail Customers



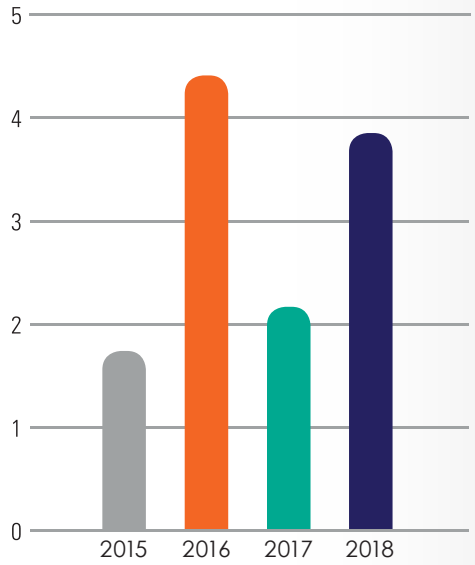
Description: Total customers.

Retail Customers per Employee



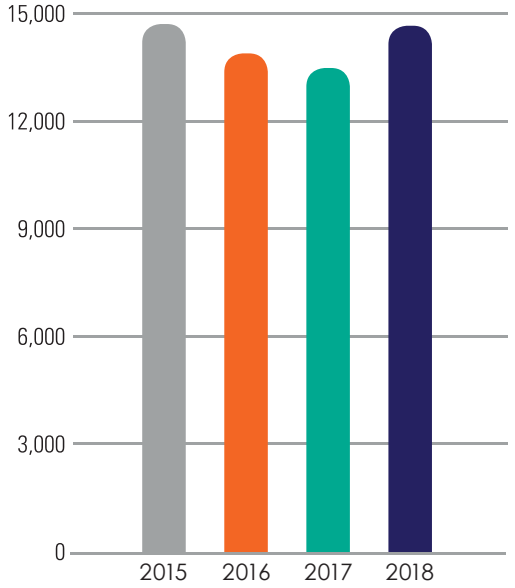
Description: Number of retail customers divided by the number of electric utility employees.

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.

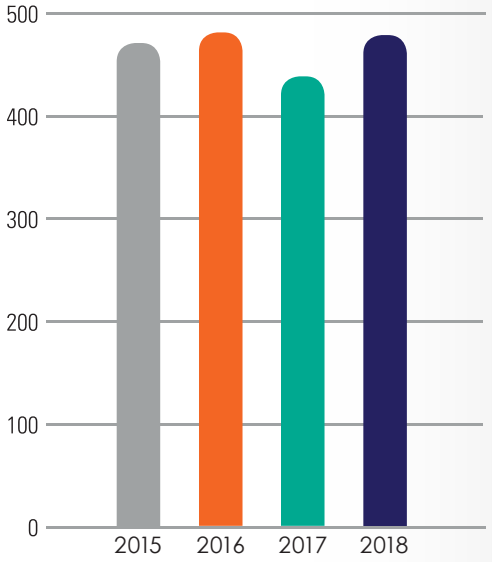
KWH Sales per Residential Customer



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.

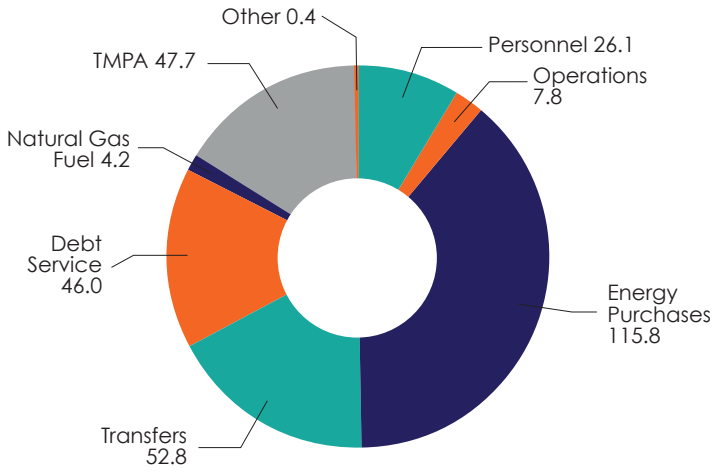
BALANCE SHEET

Fiscal Year Ended September 30, 2018. With comparative totals for Fiscal Year Ended September 30, 2017. (Unaudited)

Assets	2018	2017
Current Assets:		
Cash and investments	$ 39,589,346	$ 43,333,387
Inventories	4,390,052	4,310,542
Receivables and other	59,313,443	47,251,402
Total Current Assets	103,292,841	94,895,331
Restricted Assets:		
Cash and investments	159,784,917	186,355,904
Accrued interest receivable	285,705	220,661
Total Restricted Assets	160,070,622	186,576,565
Property, Plant and Equipment –		
Net of accumulated depreciation	565,824,702	510,469,293
Other Assets	89,795,829	100,680,574
Total Assets	$ 918,983,994	$ 892,621,763

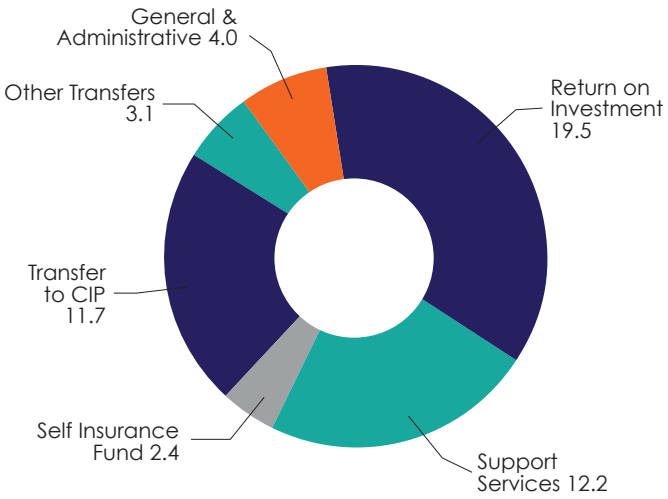
Fiscal Year 2018 Actual Expenditures

in millions of dollars



Fiscal Year 2018 Transfers

in millions of dollars



Liabilities

	2018	2017
Current Liabilities:		
From current assets		
Payables	$ 52,290,611	$ 47,208,803
Long-term Liabilities:		
From restricted assets		
Accounts payable	2,984,290	9,703,236
Retainage payable	–	336,662
Escrow payable	254,675	253,131
Total payables from restricted assets	3,238,965	10,293,029
Bonds payable and other	514,847,176	482,136,684
Total Long-term Liabilities	518,086,141	492,429,713
Total Liabilities	$ 570,376,752	$ 539,638,516

Equity

Retained Earnings:		
Invested in capital assets, net of debt	179,751,762	165,591,695
Restricted	156,551,361	179,449,020
Unrestricted	12,304,119	7,942,532
Total Retained Earnings	348,607,242	352,983,247
Total Liabilities, Contributed Capital and Retained Earnings	$ 918,983,994	$ 892,621,763

Audited financial statements providing greater detail can be obtained from the City of Garland Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2018. The CAFR report is located on the City of Garland website at GarlandTX.gov.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS

Year Ended September 30, 2018. With comparative totals for year ended September 30, 2017. (Unaudited)

Operating revenues:	2018	2017
Charges for service	$ 287,169,337	$ 279,846,202
Other	1,353,744	606,519
Total Operating Revenues	288,523,081	280,452,721
Operating expenses before depreciation:		
Energy purchases/Demand charges	167,718,488	162,740,343
Operating expenses	38,482,500	39,808,896
General and administrative	16,592,158	13,898,390
Total Operating Expenses Before Depreciation	222,793,146	216,447,629
Operating income before depreciation	65,729,935	64,005,092
Depreciation and amortization expense	23,532,869	51,615,039
Operating Income	42,197,066	12,390,053
Non-operating revenues (expenses):		
Return on investment	(19,451,298)	(19,451,298)
Earnings on investment	2,559,172	1,678,712
Interest expense	(12,267,269)	(12,322,745)
Other	(2,889,229)	(2,785,504
Net transfers	(7,914,600)	(268,478)
Capital contributions	108,784	11,450
Net Non-operating Revenue (expense)	(39,854,440)	(33,137,863)
Net Income (Loss)	2,342,626	(20,747,810)
Retained Earnings at Beginning of Year	352,983,247	373,731,057
Cumulative effect of change in accounting principle	(6,718,631)	–
Retained Earnings at End of Year	$ 348,607,242	$ 352,983,247

The loss for Fiscal Year 2017 reflects GP&L's planned reduction in fund balance and the payoff of TMPA generation debt by Fiscal Year 2018.

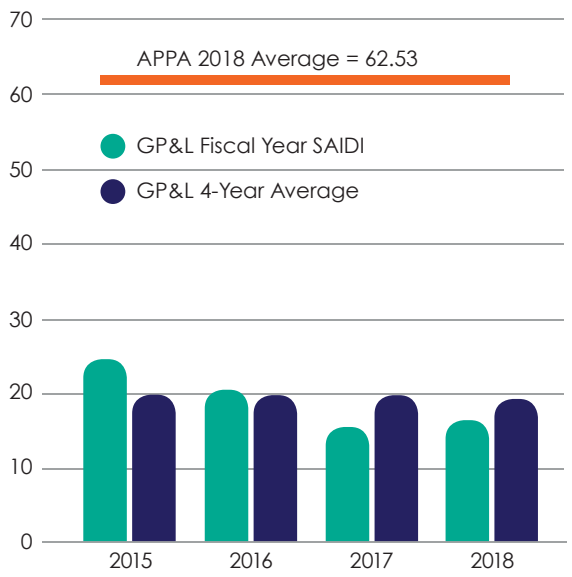
Audited financial statements providing greater detail can be obtained from the City of Garland Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2018. The CAFR report is located on the City of Garland website at GarlandTX.gov.

SYSTEM MAP

TO OLINGER POWER PLANT
GARLAND
LAKE
RAY HUBBARD
GP&L Substation
138kV
69kV

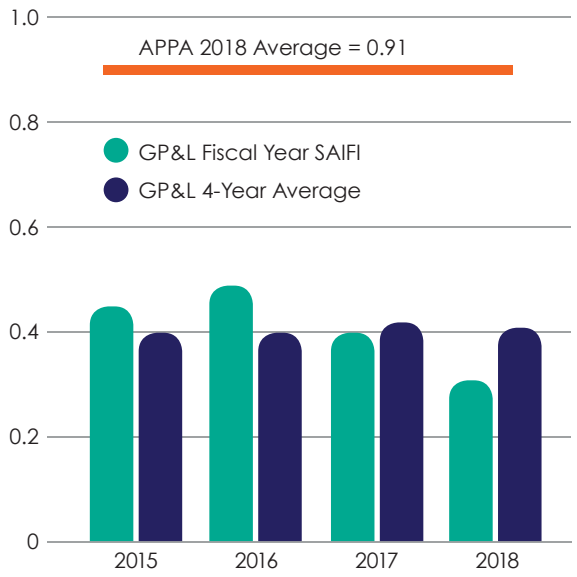
KEY STATISTICS

System Average Interruption Duration Index (SAIDI) Fiscal Year Ended September 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.

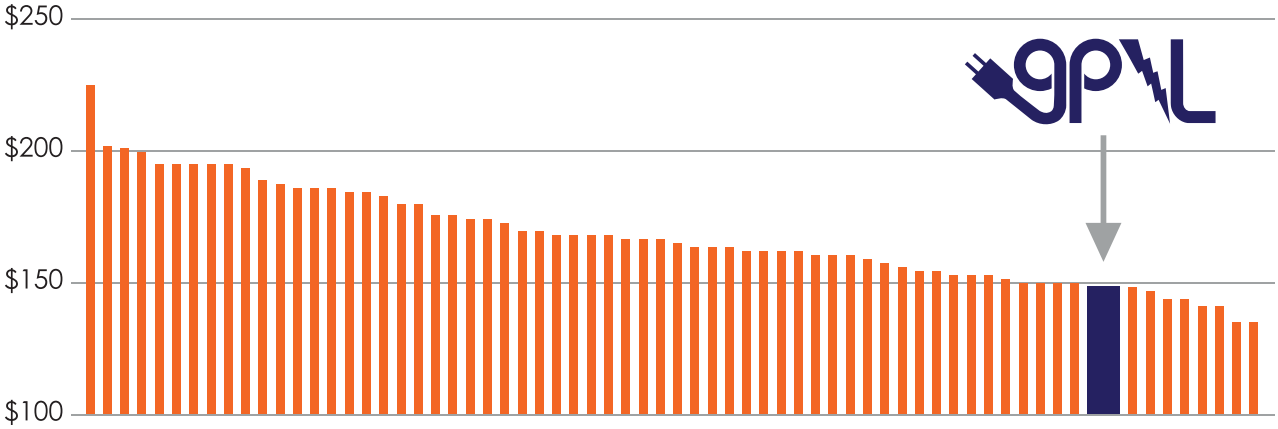
System Average Interruption Frequency Index (SAIFI) Fiscal Year Ended September 30



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

Retail Electric Providers
Oncor Electric Delivery Area – 1500 kWh Usage
As of Fiscal Year Ended September 30, 2018



2018 Distribution Statistics

Distribution lines	13.7 miles of overhead added or replaced
	22.0 miles of underground added or replaced
Distribution poles added or replaced	379
Overhead operations & repairs	110
Overhead construction projects	396
Underground operations & repairs	377
Underground construction projects	354
Streetlights	1,453 operations & repairs
	2,280 LED conversions
Residential meter sets & changeouts	456
Commercial meter sets & changeouts	1,077
Meter operations, repairs & testing	1,780
Trouble calls	2,296
Tree trimming requests	181

GARLAND CITY COUNCIL

Lori Barnett Dodson
Mayor

David Gibbons
District 1

Deborah Morris
District 2

Jerry Nickerson
District 3

Jim Bookhout
District 4

Rich Aubin
District 5
Mayor Pro Tem

Robert Vera
District 6

Scott LeMay
District 7
Deputy Mayor Pro Tem

Robert John Smith
District 8

GARLAND CITY MANAGER

Bryan L. Bradford

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