ANNUAL REPORT 2019

gpvl

GENERAL MANAGER'S MESSAGE

A commitment to providing customers with reliable service and value guides Garland Power & Light. Supporting this mission is our business philosophy of maintaining a diverse power supply portfolio, a combination of utility-owned generation assets and power contracts. This allowed us to weather fluctuations in the 2019 energy market, including dramatic summer price spikes. Similarly, transmission investments continued to benefit our customers.

Empowered by these sound strategies, GP&L kept rates competitive through another year. In fact, our rates were among the lowest as compared to area retail electric providers. A 2015 reduction in rates continues to save customers more than $12 million annually. Additionally, I am proud that GP&L customers can count on rates that are stable and transparent, with no hidden fees or hard-to-meet usage requirements.

In anticipation of tight summer energy supply, employees readied our generation resources to deliver much-needed power to the grid. Even when high temperatures stretched unusually late into September, gas units at the Olinger and Spencer plants were available to run as needed.

Along with the other Texas Municipal Power Agency (TMPA) Member Cities, Garland formalized the decision to decommission and permanently retire the Gibbons Creek Power Plant, which was no longer economical to run. Members continue to work on mining reclamation and the potential sale of plant and land assets.

Our October launch of Green Choice, GP&L's 100% renewable power plan, allows customers to support wind and solar energy. To further diversify our generation mix, we signed three power purchase agreements for Texas solar energy, which will begin delivery over the next three years.

A successful Transmission Cost of Service (TCOS) interim filing increased the utility's interim annual revenue requirement for transmission investments by nearly 50%. This was the largest TCOS filing in the City's history, and will allow the utility to recover capital expenditures on newer assets, including GP&L's portion of the Houston Import Project.

During the Texas legislative session, GP&L effectively advocated for the utility's interests. Legislative developments this year included the "Move Over or Slow Down" law, which will help keep our employees safe while working in the field, and a law affirming that the owners of existing transmission endpoints control the expansion of new facilities off of these properties.

Looking back on 2019, I am pleased that the success of our activities made it possible for GP&L to continue providing outstanding service to our customers. As demand for electricity grows, so will opportunities for new business endeavors, which will help sustain our ability to provide excellent service at competitive rates.

Jeff Janke
General Manager & CEO

PROVIDING VALUE TO CUSTOMERS

Numerous activities throughout the year highlighted GP&L's commitment to its customers. Local customers, both residential and commercial, and the utility's wholesale energy customers benefited from the addition and expansion of programs and services.

Residential and Commercial Customers

The launch of Green Choice gave customers the option to register for a power plan that provides 100% renewable energy from wind and solar resources in GP&L's portfolio. The first year of the plan was a success, with 101 customers enrolled.

GP&L brought more solar energy into the portfolio by signing three power purchase agreements totaling 100 MW. This further diversifies the sources of electricity available to serve local customers.

2019 Solar Power Purchase Agreements

Solar Project	MW for GP&L	Location	Projected Commercial Operations
Long Draw	25	West Texas	August 2020
Greasewood	50	West Texas	January 2021
Samson	25	North Texas	June 2022

The utility's EnergySaver Program continues to be popular; 388 customers received bill credits through the program for making qualifying energy efficiency upgrades, such as air conditioning systems and heat pumps, and home weatherization measures. By upgrading to high-efficiency lighting, seven Garland businesses collectively reduced demand by 733 kW.

To further assist customers in improving their energy efficiency, GP&L completed 168 energy audits. Through this free service, the utility's energy auditor walks customers through the details of their home or business's energy consumption, and discusses areas for potential money-saving improvements.

GP&L streamlined the management of its Emergency Response Service (ERS) demand response programs through a partnership with an energy services contractor, who oversees scheduling, testing, regulatory compliance and enrollment for the utility's internal and commercial programs.

Internal Program: City-owned backup generators stand ready to power water pumps and other facilities during a power emergency.

Commercial Program: Large retail or industrial customers are compensated for agreeing to reduce energy consumption during times of high power demand.

As the City's electricity experts, GP&L successfully negotiated multiyear contracts for favorably priced electric service on 48 accounts at City-owned facilities in the deregulated areas of Garland. This included a contract for the Duck Creek Wastewater Treatment Plant.

Wholesale and Energy Services Customers

GP&L continues to grow its business of providing Qualified Scheduling Entity (QSE) and wholesale energy services to utilities across the state. Contracts were extended with Fayette Electric Cooperative, and the cities of College Station, Farmersville and Weatherford. GP&L began providing load following services to Central Texas Electric Cooperative.

As an additional service to QSE customer Sky Global Partners, GP&L assisted with their Black Start bid submission to the Electric Reliability Council of Texas (ERCOT). The bid's acceptance means the Sky Global Power One generation facility will participate in re-energizing the power grid in the event of a shutdown.

OPERATING AT PEAK

An unpredictable summer, marked by a volatile ERCOT market and a season that ran unusually late, strained utilities across Texas. GP&L and its generating resources met the challenge and provided valuable support to the state's grid, which set a system-wide peak demand record of 74,820 MW on Aug. 12.

Production executed a successful summer run with generating units meeting or exceeding peak season availability goals, meaning resources were ready to run when called upon to meet demand. GP&L's work with the Olinger Plant's natural gas provider to resolve downstream gas pressure issues earlier in the year ensured an adequate supply for the plant's operations.

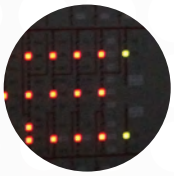
The Energy Services team led GP&L through a challenging summer, which saw sustained market cap pricing in August, two ERCOT Energy Emergency Alerts, and ERS deployments. Strong communication between the utility's power plants and QSE supported this success.

Complementing an outstanding summer, Production also saw a successful year for employee performance and development:

A positive safety culture at GP&L's plants resulted in a year without injuries.

Four more technicians were promoted to Production Technician II, qualifying them to perform both maintenance and operations work.

Continued close management of expenses kept the plants under budget for another year.



LOCAL RELIABILITY

On the front lines of providing reliable service to customers, GP&L's Distribution Division completed numerous projects, including feeder and facility improvements, and construction to support load growth.

For a rebuild of the Ben Davis 3 feeder in northeast Garland, 38 wood poles were replaced and 7,000 linear feet of wire was reconductored. The 1.5-mile distribution line was incorporated as underbuild on existing transmission poles.

A complete rebuild of the mile-long Shiloh 6 feeder included replacing 79 aging wood poles and reconductoring more than 5,000 linear feet of wire. In the alleyways, 8,800 linear feet of wire for secondary and service lines was replaced.

On Campbell Road, crews installed 16 steel poles as part of a distribution underbuild project on the Firewheel-Lookout transmission line. The line's redesign with steel poles instead of wood provides higher ground clearance.

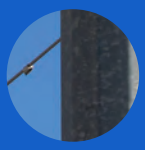
At The Arts at Broadway Commons apartments, 19 wood poles were changed out and the line was upgraded from single- to three-phase.

For a Downtown Garland upgrade just east of the square, crews installed a steel pole and reconductored a line to maintain adequate clearance over railroad tracks.

To accommodate an anticipated 3.6-MW load increase for manufacturer Andersen Windows, GP&L installed 5,000 feet of primary cable to provide additional capacity.

In support of construction for the new Enclave at Firewheel apartment complex, crews installed electric infrastructure consisting of 13 three-phase transformers and 17,000 feet of underground primary conductor. The complex will have 372 meters.

Developed in-house by the Distribution Engineering team, two original design tools enhance new construction system planning. A flicker spreadsheet model analyzes and recommends cable length and size needed to support air conditioning load at a service, with the goal of reducing the potential for flicker or voltage drop when the unit turns on. Another spreadsheet sizes fuses to loads based on project data, providing the team intuitive and user-friendly results.



GP&L's implementation of the National Joint Use Notification System (NJUNS) streamlined the process for managing foreign attachments to power poles. By using the shared software system, GP&L can easily notify other utilities or communications companies when lines or equipment need to be relocated from a pole.

TRANSMISSION INITIATIVES

Transmission projects in Garland and spanning the state kept GP&L busy this year, as the utility improved system reliability, added capacity and pursued revenue opportunities.

At the start of the fiscal year, GP&L wrapped up construction on the Firewheel-Lookout 138kV line in north Garland. In addition to upgrading to higher capacity conductor, new structures incorporated distribution underbuild into the line.

The third and final section of the 138kV Wylie-Firewheel transmission line was completed in May, despite spring rains and challenges presented by crossing two floodplains, two highways, railroad tracks and a golf course. This high-current line, along with the Firewheel-Lookout line, is part of the larger "Cumberland Trail" transmission corridor, which supports load growth in Garland.

In September, the Campbell Switching Substation was energized to feed an Oncor substation serving the Stream Data Centers campus on Lookout Drive. Constructed with two breaker positions feeding the Oncor facility and two feeding GP&L transmission line entrances, Campbell can accommodate another GP&L line in the future.

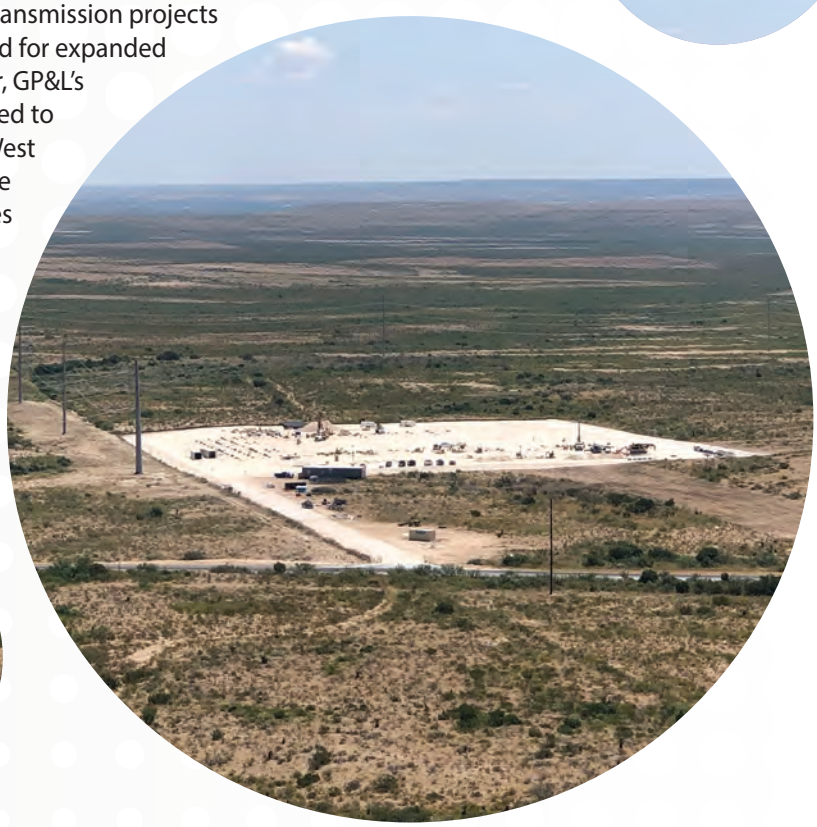
A rebuild of the Apollo Substation began this year to upgrade the facility into a breaker-and-a-half configuration, with five 138kV transmission line terminals and two 138-15kV power transformers. Work on the substation will be complete by the end of 2020.

New West Texas solar generating facilities wanting to connect to the ERCOT grid presented several opportunities for GP&L to participate in revenue-earning transmission projects beyond the utility's local service area.

> Near McCamey, development is on track for GP&L's King Mountain 345kV transmission line and switching station, which will connect the Roadrunner Solar Project to the utility's North McCamey-Odessa CREZ line. This is GP&L's first transmission interconnection for solar power.
>
> GP&L anticipates PUC approval on the proposed Nevill Road-Greasewood 345kV transmission line and switching station in Pecos County. These facilities will connect the planned Greasewood solar farm to GP&L's North McCamey-Bakersfield CREZ line.

In Greenville, Texas, GP&L is constructing the 138kV Dent Road Substation and a 5.7-mile transmission line terminating at the existing Shelby Substation. These facilities will increase reliability and support load growth in the area.

GP&L's continued involvement in transmission projects outside of Garland created the need for expanded security abilities. Acquired this year, GP&L's mobile security unit can be deployed to remote projects, such as those in West Texas. Project managers can use the device to monitor construction sites with cameras and heat detection in real time, or watch archived video as needed.



SUPPORTING THE UTILITY

Financial initiatives proved successful

GP&L's investment in transmission projects throughout Texas continued to be rewarding. Approval from the Public Utility Commission of Texas for an interim transmission cost-of-service rate request resulted in a $16 million annual increase in revenue. The filing covered several of GP&L's recent transmission investments, including the Wylie-Firewheel upgrade and the utility's portion of the Limestone-Gibbons Creek section of the Houston Import Project.

Affirming the utility's careful financial management, GP&L retained its high-quality credit ratings of AA- and A+ with Fitch Ratings and S&P Global Ratings, respectively.

GP&L successfully issued fixed-rate, long-term debt for $139 million to refund electric utility system drawdown notes, commercial paper notes and revenue bonds. These short-term loans allow GP&L to acquire funding as needed for capital projects.

New technology improved performance

The custom Market Risk Management system provides a beginning-to-end integration of energy transaction information for GP&L, and its QSE and wholesale energy customers. The system automates numerous activities, and serves as a central database from which employees across the utility can access and analyze information.

Technology Services developed two tools that enhance business intelligence. An internal mobile app allows GP&L decision makers to view key utility metrics from their mobile phones. The critical broadcast notification application provides employees with important electric system updates via text message. Alerts on large power outages or other situational updates can be sent to one or more GP&L employee groups defined within the tool.

Compliance activities kept GP&L secure and up to date

A successful audit by the Federal Energy Regulatory Commission was completed without violation at the Lewisville Hydroelectric Plant. This included an evaluation of the facility's emergency action plans and operating procedures.

Internal Compliance completed audits on a third of the 98 North American Electric Reliability Corporation (NERC) requirements applicable to GP&L. This included the standards likely to be audited by NERC, including the most difficult standards based on industry violation reports.

Employees and contractors required to complete NERC Critical Infrastructure Protection (CIP) training benefited from the launch of a new learning management system. Students enjoy an improved user experience, and program administrators have enhanced reporting functionality.

GP&L began preparations to implement new CIP requirements in 2020. The CIP-013 standard requires supply chain security controls to mitigate cyber security risks to the reliable operation of the bulk electric system. Revisions to standards covering electronic security perimeters, and configuration change management and vulnerability assessments, will also be addressed.

AWARDS & RECOGNITION

As GP&L sought to provide outstanding service to its customers and community, other accomplishments throughout the year also proved worthy of recognition.

For the utility's commitment to proper tree trimming, planting and care, GP&L was named a Tree Line USA utility for the ninth consecutive year. This award, presented by the Arbor Day Foundation, recognizes public and private utilities for their efforts to maintain healthy community forests.

In addition to a proactive tree-trimming schedule overseen by GP&L's certified arborist, the utility also encourages community tree planting through the annual Tree Power Free Tree Giveaway, a partnership with the Garland Parks, Recreation & Cultural Arts Department. During this event, 500 young oak trees are given to Garland residents.

GP&L's Communications team was honored with three awards this year. For the 2018 Annual Report, the utility received both an Award of Merit from the American Public Power Association, and an Award of Excellence from the Texas Association of Municipal Information Officers (TAMIO). For the utility's social media communications during an extended power outage in October, GP&L received a TAMIO Award of Merit.

The utility received gratitude and recognition from neighboring utility Greenville Electric Utility Systems (GEUS), after GP&L linemen traveled to Greenville to help restore power following severe storms that left 7,500 customers without power. GP&L's experience in post-storm power restoration proved valuable as employees worked to restore service to Greenville's wastewater treatment plant and areas near the city's downtown.

FROM GEUS GENERAL MANAGER ALICIA PRICE

Thank you for coming to our aid and quickly getting crews mobilized and on site in Greenville. In speaking with GEUS employees and others in the community, I am convinced the storm … created more extensive damage to our system than any storm in GEUS' history.

We can't thank you enough for the support and the resources GP&L provided to help GEUS get service back to our customers. They have been instrumental in our progress.

FROM GREENVILLE RESIDENTS

Thank you so much! As a Greenville resident, from the bottom of our hearts, thank you!!!

Jenny Querry Dickeson

THANK YOU GP&L!!!! We were without electricity for 24 hours and y'all got it back on for us!!! We appreciate y'all SO much! Y'all have been a blessing to us and the city of Greenville! Thank you, thank you, thank you!!

Ernie & Brooke Sellers

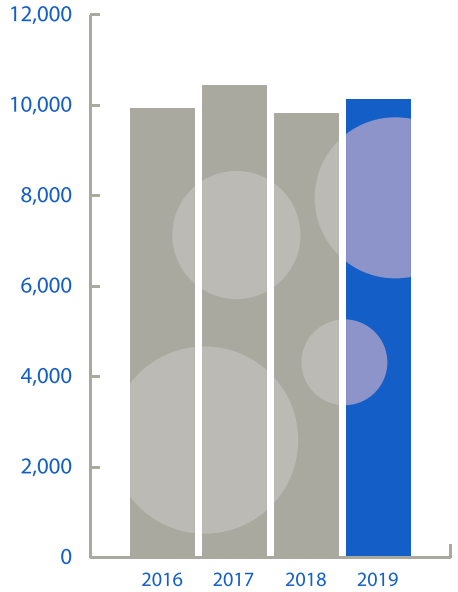
It made my heart happy seeing power trucks from other towns coming down I-30 today!!! We are grumpy and hot because of the outage, but SO appreciative of these linemen!

Shelly Mason-Little

PERFORMANCE INDICATORS

Fiscal Year Ended Sept. 30

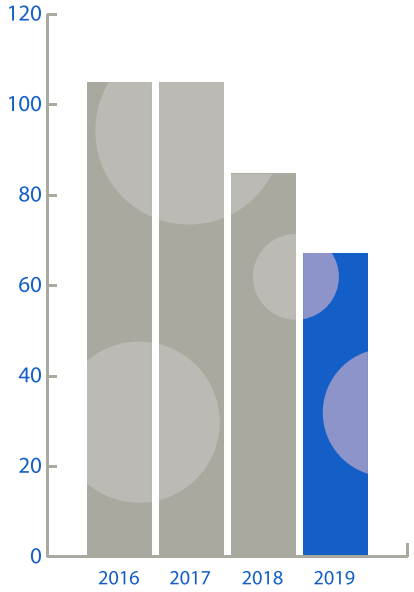
Work Orders



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.

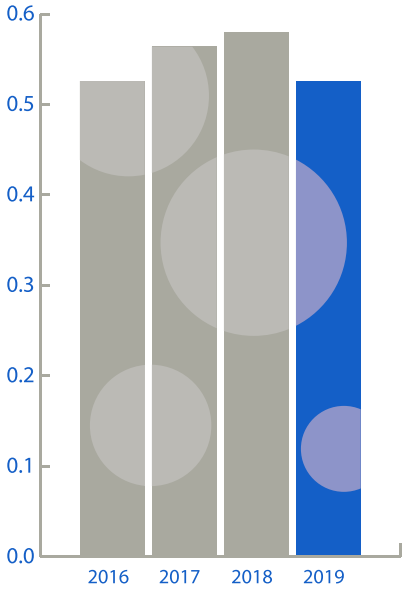
Operating Expenses per Megawatt Hour



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.

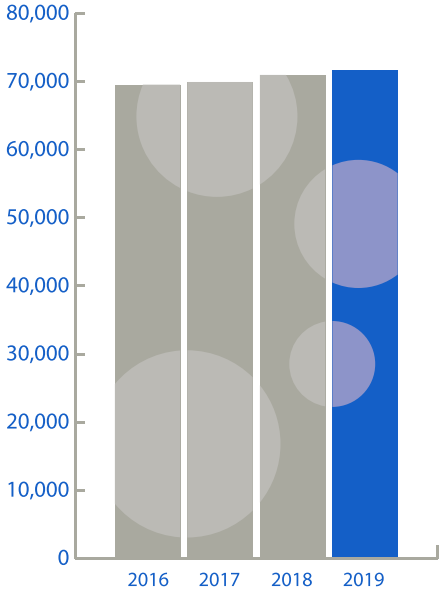
Interpretation: As this statistic is highly influenced by power and TMPA costs, comparisons between utilities must be made carefully.

Debt-to-Asset Ratio



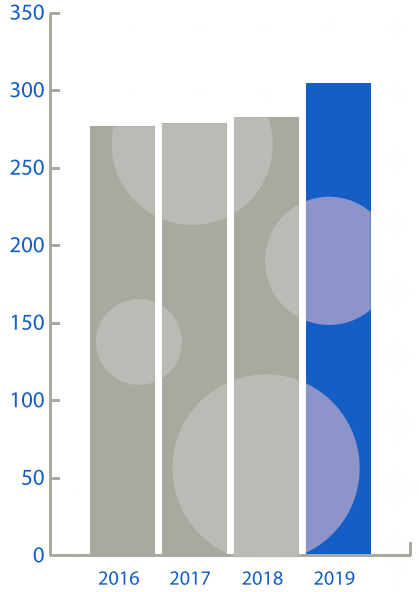
Description: The debt-to-asset ratio is a comparison of an organization's long-term debt to total assets. This ratio reflects to what degree an organization finances its assets with long-term debt.

Electric System Number of Retail Customers



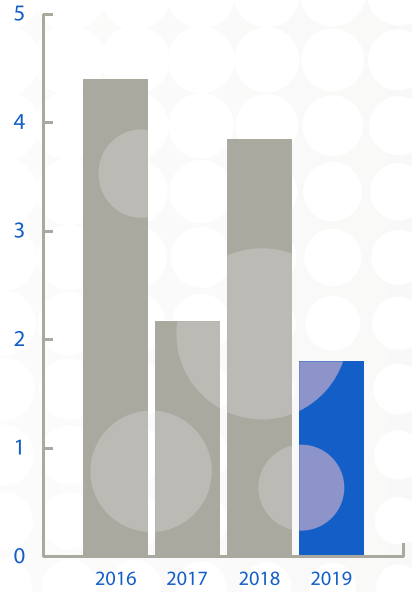
Description: Total customers.

Retail Customers per Employee



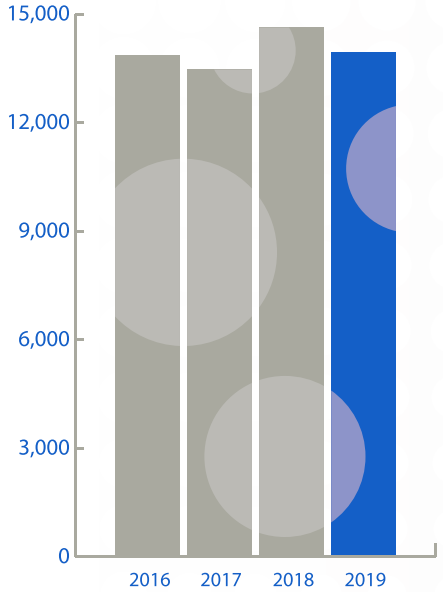
Description: Number of retail customers divided by the number of electric utility employees.

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.

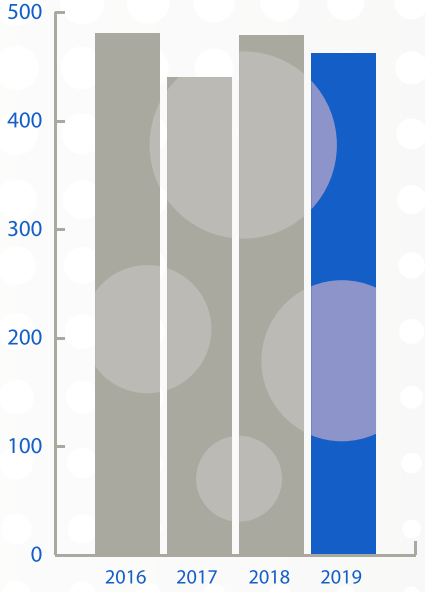
KWH Sales per Residential Customers



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.

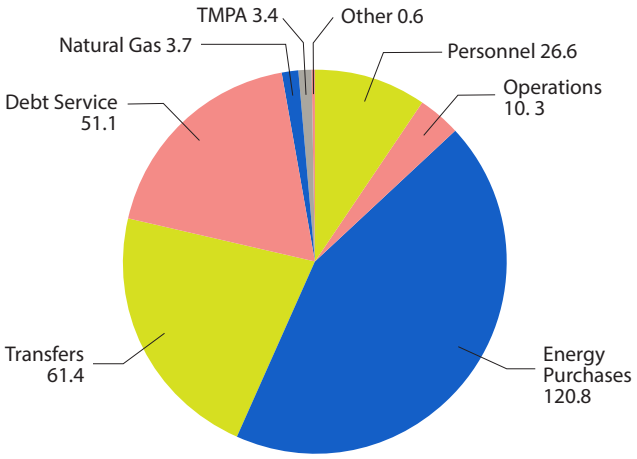
BALANCE SHEET

Fiscal Year Ended Sept. 30, 2019. With comparative totals for Fiscal Year Ended Sept. 30, 2018. (Unaudited)

Assets	2019	2018
Current Assets:		
Cash and investments	$ 52,586,209	$ 39,589,346
Inventories	5,583,010	4,390,052
Receivables and other	86,856,850	59,313,443
Total Current Assets	145,026,069	103,292,841
Restricted Assets:		
Cash and investments	180,686,088	159,784,917
Accrued interest receivable	621,616	285,705
Total Restricted Assets	181,307,704	160,070,622
Property, Plant and Equipment –		
Net of accumulated depreciation	614,303,713	565,824,702
Other Assets	141,692,125	89,795,829
Total Assets	$ 1,082,329,611	$ 918,983,994

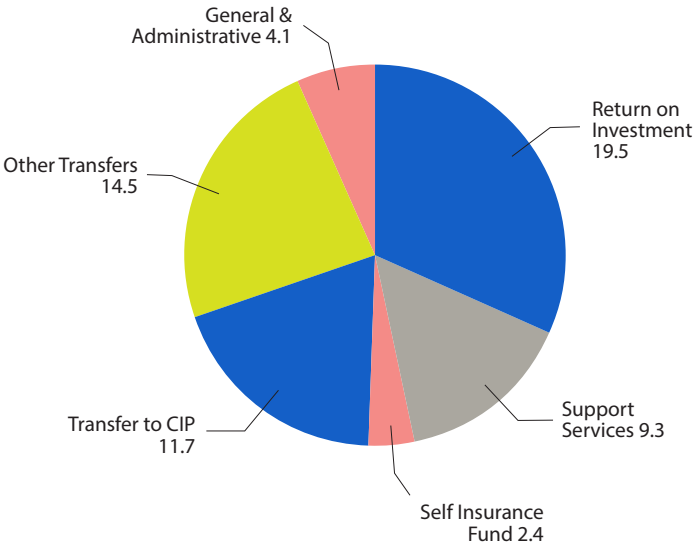
Fiscal Year 2019 Actual Expenditures

in millions of dollars



Fiscal Year 2019 Transfers

in millions of dollars



Liabilities

	2019	2018
Current Liabilities:		
From current assets		
Payables	$ 66,380,408	$ 52,290,611
Long-term Liabilities:		
From restricted assets		
Accounts payable	9,904,827	2,984,290
Retainage payable	856,818	–
Escrow payable	140,710	254,675
Total payables from restricted assets	10,902,355	3,238,965
Bonds payable and other	603,855,090	514,847,176
Total Long-term Liabilities	614,757,445	518,086,141
Total Liabilities	$ 681,137,853	$ 570,376,752

Equity

Retained Earnings:		
Invested in capital assets, net of debt	178,255,059	179,751,762
Restricted	173,892,697	156,551,361
Unrestricted	49,044,002	12,304,119
Total Retained Earnings	401,191,758	348,607,242
Total Liabilities, Contributed Capital and Retained Earnings	$ 1,082,329,611	$ 918,983,994

Audited financial statements providing greater detail can be obtained from the City of Garland Comprehensive Annual Financial Report for the Fiscal Year Ended Sept. 30, 2019. The CAFR report is located on the City of Garland website at GarlandTX.gov.

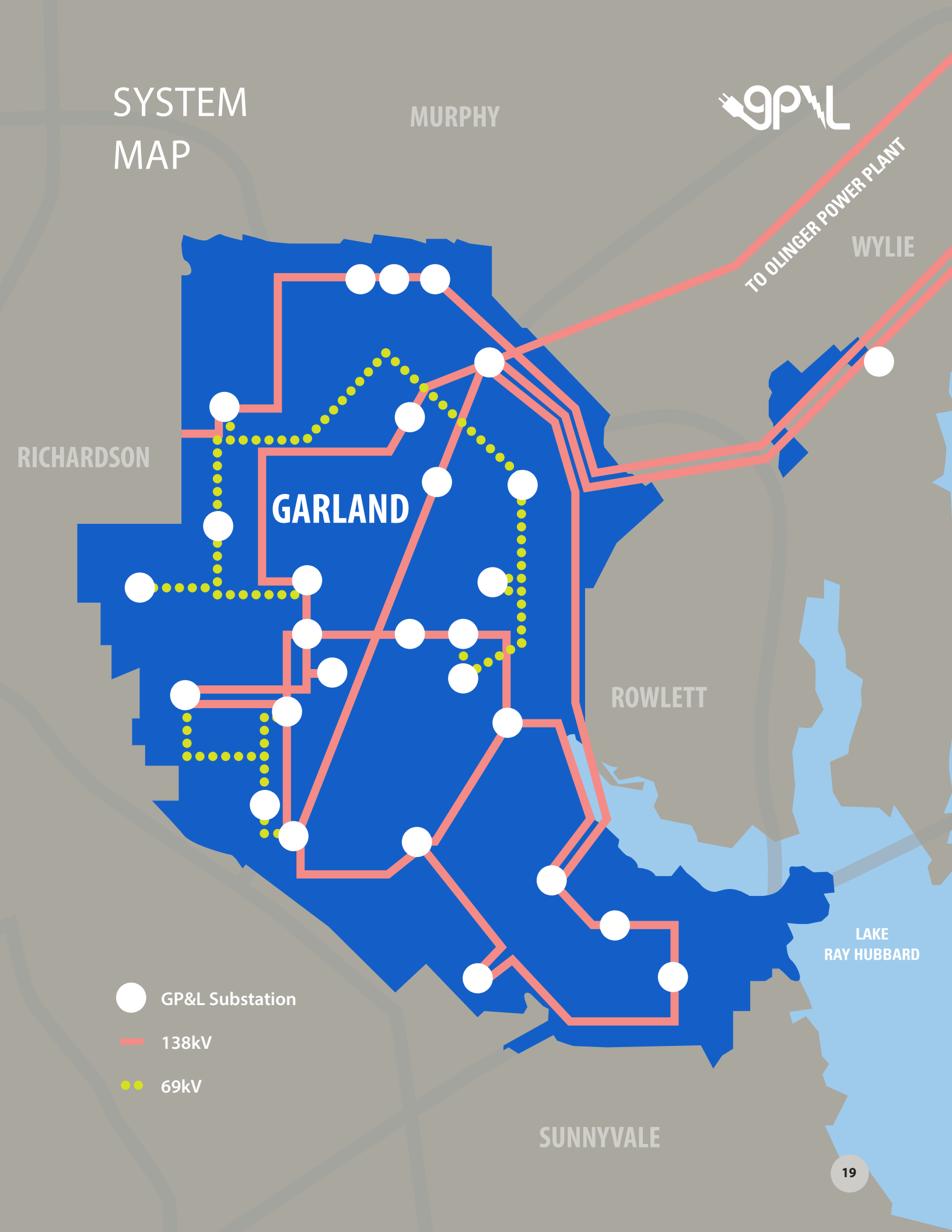
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS

Fiscal Year Ended Sept. 30, 2019. With comparative totals for Fiscal Year Ended Sept. 30, 2018. (Unaudited)

	2019	2018
Operating revenues:		
Charges for service	$ 291,458,932	$ 287,169,337
Other	10,224,577	1,353,744
Total Operating Revenues	301,683,509	288,523,081
Operating expenses before depreciation:		
Energy purchases/Demand charges	128,010,918	167,718,488
Operating expenses	43,402,976	38,482,500
General and administrative	13,504,901	16,592,158
Total Operating Expenses Before Depreciation	184,918,795	222,793,146
Operating income before depreciation	116,764,714	65,729,935
Depreciation and amortization expense	25,661,789	23,532,869
Operating Income	91,102,925	42,197,066
Non-operating revenues (expenses):		
Return on investment	(19,451,298)	(19,451,298)
Earnings on investment	6,690,944	2,559,172
Interest expense	(16,863,256)	(12,267,269)
Other	(4,264,609)	(2,889,229)
Net transfers	(4,787,242)	(7,914,600)
Capital contributions	186,570	108,784
Net Non-operating Revenue (expense)	(38,488,891)	(39,854,440)
Net Income (Loss)	52,614,034	2,342,626
Retained Earnings at Beginning of Year	348,607,242	352,983,247
Cumulative effect of change in accounting principle	(29,518)	(6,718,631)
Retained Earnings at End of Year	$ 401,191,758	$ 348,607,242

Audited financial statements providing greater detail can be obtained from the City of Garland Comprehensive Annual Financial Report for the Fiscal Year Ended Sept. 30, 2019. The CAFR report is located on the City of Garland website at GarlandTX.gov.

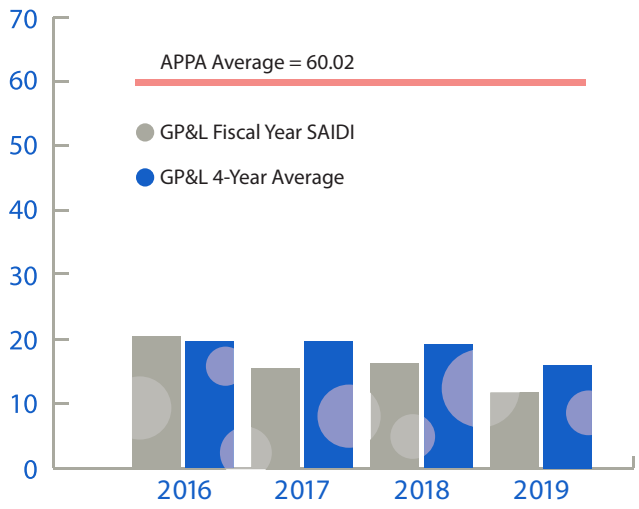
SYSTEM MAP


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)

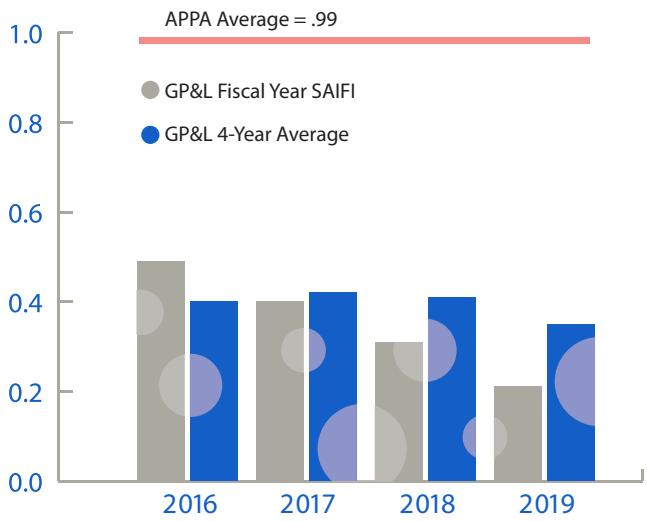
Fiscal Year Ended Sept. 30



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



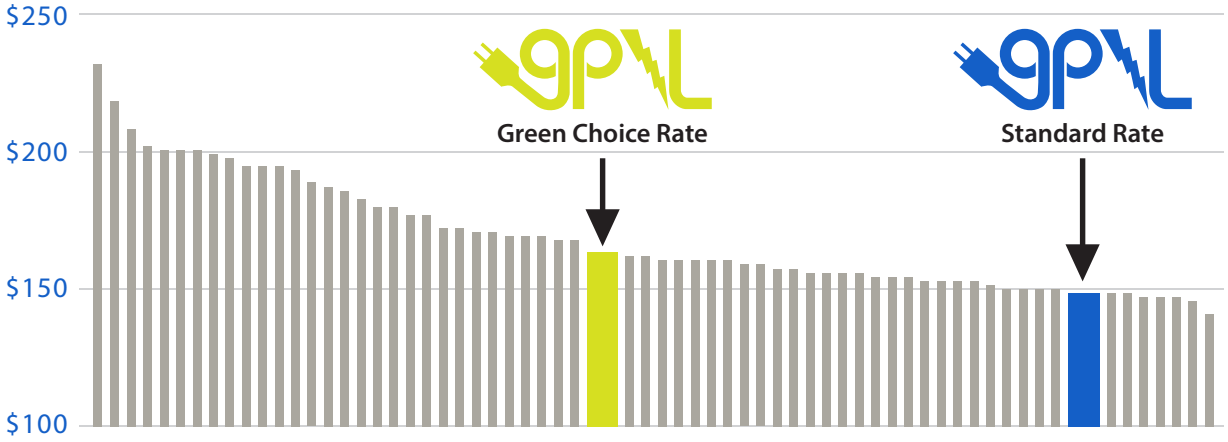
System Average Interruption Frequency Index (SAIFI) – This is defined as the average number of times that a customer is interrupted during a specified time period. It is determined by dividing the total number of customers interrupted in a time period by the average number of customers served. The resulting unit is "interruptions per customer."

Garland Power & Light Residential Rate Comparison

Fiscal Year Ended Sept. 30, 2019

Oncor Electric Delivery Area — 1500 kWh Usage

Retail Electric Providers



2019 Distribution Statistics

Distribution lines	13.9 miles of overhead added or replaced
	27.4 miles of underground added or replaced
Distribution poles added or replaced	523
Overhead operations & repairs	73
Overhead construction projects	515
Underground operations & repairs	337
Underground construction projects	429
Streetlights	1,229 operations & repairs
	1,983 LED conversions
Residential meter sets & changeouts	330
Commercial meter sets & changeouts	968
Meter operations, repairs & testing	2,282
Trouble calls	2,559
Tree trimming requests	216

GARLAND CITY COUNCIL

Scott LeMay
Mayor

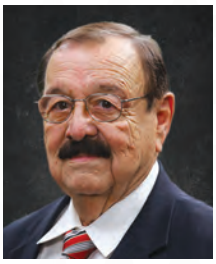
David Gibbons
District 1

Deborah Morris
District 2

Jerry Nickerson
District 3

Jim Bookhout
District 4

Rich Aubin
District 5


Robert Vera
Dep. Mayor Pro Tem
District 6

Dylan Hedrick
District 7

Robert John Smith
Mayor Pro Tem
District 8

GARLAND CITY MANAGER

Bryan L. Bradford

Editors: Elizabeth Kimbrough, Julie Bird
Design: Gates Creative

Garland Power & Light | P.O. Box 469002 | Garland, Texas 75046-9002 | 972-205-2650 | gpltexas.org