

# A FOCUS ON 2012



GARLAND POWER & LIGHT  
ANNUAL REPORT





*“ Serving GP&L’s customers  
remains our highest priority”*

**Jeff Janke**

**In 2012, GP&L focused on making strategic business decisions** resulting in stable rates and reliable electric service for our customers and the fulfillment of the utility's regulatory and financial responsibilities.

We accomplished our fundamental goal of keeping rates steady by pursuing cost savings and achieving increased revenue through power management and wholesale energy services. GP&L's generation facilities remained valuable assets for the utility as we balanced our production capabilities with the purchase of wholesale energy in order to meet our power obligations.

This year GP&L assumed a more active leadership role with the operations of the Texas Municipal Power Agency (TMPA). Repositioning the Gibbons Creek Plant from a baseload to an intermediate generation facility allows the unit to be run more cost effectively with a smaller workforce and lower expenditures for coal and rail transportation.

Improved operations at Gibbons Creek is just one way in which GP&L is working to manage the City's TMPA debt obligation, for which payments will increase in 2013. Utility-wide budget reductions, funds from external revenue streams, and scheduled withdrawals from the rate mitigation fund will help ensure the debt is paid with the least impact on our local customers.

Environmental, regulatory and legislative issues continued to be actively addressed in 2012 with a variety of achievements, including centralizing the internal flow of compliance data and leveraging internal and external resources to successfully represent GP&L's interests with regulators and the Legislature.

Looking forward to the coming year, we will continue to look for savings in all areas of our business. We will complete construction on our CREZ transmission lines in West Texas and explore additional revenue-generating opportunities. We will continue to meet our power obligations cost effectively and enhance our local electric delivery system.

Serving GP&L's customers remains our highest priority, with an unwavering commitment to stable rates, reliable service and outstanding support of our environment.



Jeff Janke  
Senior Managing Director



# A focus on solid business strategies

In 2012, GP&L continued to execute the utility's successful power marketing strategy, broadening the flexibility for market buy/sell opportunities and minimizing the utility's fuel expenses. The strategy balances the efficient utilization of generation with the selling of excess power or the purchase of power depending on market conditions. The result of this market optimization approach is a net cost savings for the utility's customer base.



To streamline its participation in the fuel and energy transaction market, the Wholesale Energy & QSE Operations Division installed custom-built software to keep pace with the market speed as the utility submits energy trades, bids and offers into the ERCOT\* system. Another application was developed to manage the utility's gas supply, which is projected on a day-ahead basis. This tool helps to minimize natural gas expenses and provide accurate price signals to GP&L's power desk.

Success in the complex energy marketplace requires coordination across much of GP&L. This year, communication between the Production and Wholesale Energy & QSE Operations Divisions continued to strengthen, resulting in an ever-increasing level of efficiency.

The Production Division fully supported GP&L's power marketing strategy by responding nimbly to Wholesale Energy/QSE's requests for power generation. To meet and anticipate market demands, Production reevaluated long-range resource strategies. This approach helped GP&L thrive in a competitive market that was influenced by the low cost of natural gas and generation resource adequacy issues in ERCOT.

Following record demand for power in the winter and summer of 2011, maintenance opportunities at the power plants were fully identified and addressed in 2012. Extensive maintenance at GP&L's generation facilities was accomplished within the existing budget, which had been set before the Spencer Plant was brought back into service to help meet summer demand in 2011.

\*Electric Reliability Council of Texas



Preventive maintenance at the power plants was conducted mostly in-house for cost savings. During this year's major and successful refurbishment project on the Olinger Unit 2 generator field rotor, cross-trained employees removed the 35-ton rotor; shipped it away to be re-wound; cleaned the generator stator; and installed the rotor upon its return.

GP&L also took steps to improve unit efficiency, reliability and operability by enlarging capacity at the evaporation ponds; improving the efficiency of the clean water system; recycling a large fuel oil storage tank for water storage; improving and repairing feedwater heaters and water circulation piping; and installing an automated water valve controller at the hydro plant.

Through innovation and prioritization, GP&L effectively and reliably maintained and operated both the Spencer and the Olinger Power Plants with a crew originally allocated to one plant. Both plants generated power successfully during the summer months, producing power for GP&L customers and the wholesale market.

# A focus on new business opportunities

As GP&L entered 2012, the utility continued to pursue alternative revenue sources to help stabilize the cost of power for GP&L's native load.



Opportunities to provide Qualified Scheduling Entity (QSE) and power supply services for other utilities developed as the year progressed. The cities of Georgetown and Weatherford, Fayette Electric Cooperative and San Bernard Electric Cooperative all signed on for QSE services. Three of these customers (Fayette, San Bernard and Weatherford) expanded their relationships with GP&L by signing wholesale power supply contracts. Additionally, existing customers renewed contracts – Greenville Electric Utilities System for QSE services and Sharyland Utilities for both power supply and QSE services.

GP&L also extended Transmission Operator consulting services to Denton Municipal Electric (DME). GP&L skillfully assumed its operating role for DME's 138kV transmission system by identifying and documenting the assets it would be monitoring and controlling; verifying communication paths between assets and control center equipment; upgrading associated systems; and defining operations in order to comply with NERC and ERCOT regulations. This relationship benefits both utilities, and has opened up negotiations between GP&L and other entities for similar services.

Support for GP&L's flourishing service agreements with outside customers was accomplished smoothly all across the utility, with the new work swiftly and expertly integrated into ongoing business processes.

GP&L continued to make progress on its segments of the Competitive Renewable Energy Zone (CREZ) transmission project, which will move power from West Texas wind farms to major load centers. In working with partner South Texas Electric Cooperative, engineering construction plans for GP&L's two sections were finalized as land acquisition proceeded. CREZ transmission lines, from which GP&L will earn a return on its investment, are scheduled for completion by the end of 2013.



*Opportunities to provide Qualified Scheduling Entity (QSE) and power supply services for other utilities developed as the year progressed*

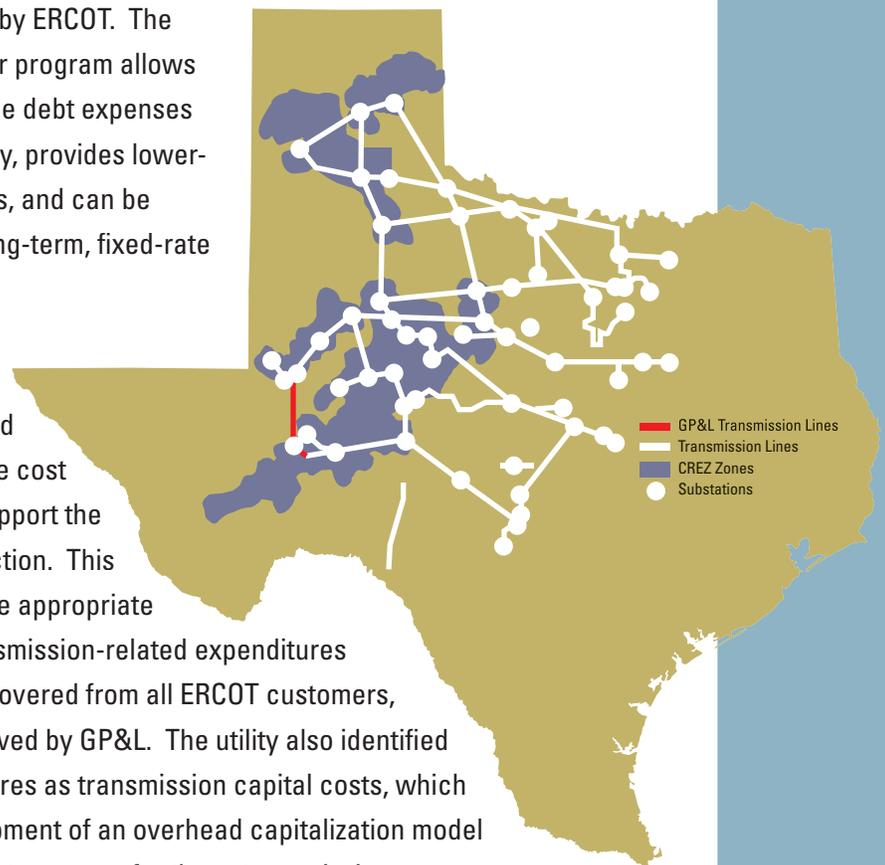
## A focus on financial strategies

GP&L built on previous years' cost management successes through meticulous attention to the administration of financial transactions. For the first time, GP&L established a short-term commercial paper program, an efficient financing structure that uses short-term financing to fund GP&L's participation in the CREZ transmission project. Over time, this approach will provide \$135 million to cover project expenses, which will be recaptured through transmission fees assessed to every customer served by ERCOT. The commercial paper program allows GP&L to closely tie debt expenses with cost recovery, provides lower-cost interest rates, and can be converted to a long-term, fixed-rate debt issue.

During the year, GP&L restructured accounting for the cost centers which support the transmission function. This will allow for more appropriate allocation of transmission-related expenditures which can be recovered from all ERCOT customers, not just those served by GP&L. The utility also identified certain expenditures as transmission capital costs, which led to the development of an overhead capitalization model to better align cost recovery for these transmission expenses.

In a change of practice and for savings, the Finance & Accounting Division began utilizing new, in-house resources to do financial work previously provided by third parties. These projects included the development of GP&L's annual Earnings Monitoring Report that is submitted to the Public Utility Commission of Texas and services regarding Texas Municipal Power Agency (TMPA) financial activities.

*...meticulous attention to the administration of financial transactions*





In anticipation of the increase in TMPA debt obligation payments in 2013, GP&L is carefully managing utility costs to help ensure funds will be available to pay off the debt by 2018. Additionally, GP&L is actively working with Member Cities on the TMPA Planning and Operating Committee and TMPA Board of Directors to help reduce operating, maintenance and capital expenditures at the TMPA Gibbons Creek Plant. These entities are also determining the best way to maintain and operate TMPA's transmission facilities and how to optimize the generating unit so that it can run competitively during off-peak months.



# A focus on reliable electric service for customers

GP&L's well-deserved reputation for outstanding reliability requires coordination across the entire utility, including the Transmission & Distribution Division (T&D), which undertook significant construction projects in 2012.

T&D completed a three-mile section of the Lawler-to-Apollo 138kV transmission line, marking the end of a multi-year project between the Lawler, Jupiter and Apollo Substations. Finished in phases, this was a continuation of the north loop conversion to 138kV. This challenging project along busy Jupiter Road required coordination with the city of Richardson and also with Atmos Energy and Verizon to relocate gas and communication lines.



The Shiloh Substation was completely reconstructed, including the installation of multiple automated controls and functions on the site of the previous substation. Shiloh was expanded from a two- to a four-terminal ring bus substation, with the connecting transmission lines modified and improved. The fully modern substation is now remotely viewed and controlled, and the equipment and control devices are supported by a new Supervisory Control and Data Acquisition (SCADA) database. Shiloh went into service in four phases, meeting the target dates which had been established with ERCOT far in advance.

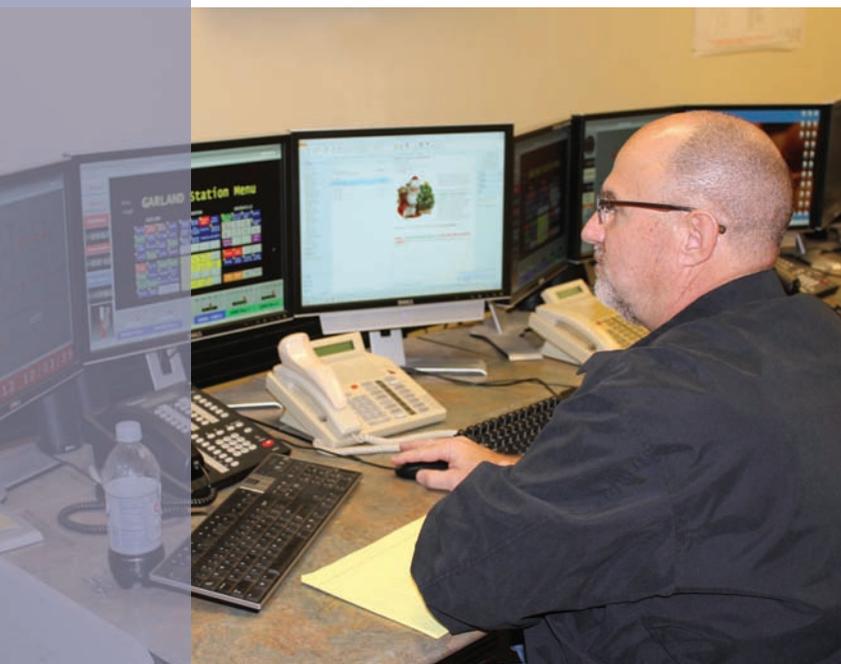
At the Plastipak customer-owned substation, GP&L installed new breakers to accommodate a loop transmission feed from the Fairdale-to-Plastipak and Plastipak-to-Shiloh Substations. This provides power from two directions to Plastipak, GP&L's largest industrial customer, ensuring reliable power delivery for its operations. The utility also resolved a phasing sequence issue in the Plastipak Substation and upgraded the transmission lines connecting it to Shiloh.

As part of the ongoing program to upgrade aging underground distribution lines in the GP&L system, crews replaced nearly 100,000 feet of underground primary with cable made of better materials and protected by conduit. In addition, GP&L extended one of the distribution feeders from the Ben Davis Substation to support new load, and added a new feeder from the Rosehill Substation along Roan Road in preparation for the expansion of that substation. At the Wynn Joyce Substation, GP&L halted soil erosion by adding a stormwater drainage system in anticipation of the substation being rebuilt.



With computer support critical to daily operations, GP&L upgraded and developed systems which help ensure work accuracy and optimization of the electric system. Upgrades to the Geographic Information System (GIS) made the application faster, more flexible and web-based. The improvements provide the ability to more quickly display the mapping information specified by GIS users. Additionally, linemen in the field can now electronically access current information on the location of assets and run electrical traces. The GIS will also allow for enhanced remote computing in the future.

A newly installed distribution load flow system analyzer contains a distribution system model on which studies can be run to locate weak points. Based on GIS data, this model will improve reliability by identifying equipment that should be upgraded and improving fuse coordination between distribution and substation breakers. The ability to pinpoint specific areas for modification will also make capital expenditures more effective.



The System Operations Division took steps to enhance how the electric system is controlled. By establishing an Operations Backup Center with full system redundancies, GP&L has provided an extra level of reliability in case the primary facility in Garland is out of service. Electric system operations were further enhanced by a software upgrade to the Energy Management System (EMS) to provide operators with better alarm processing capabilities and new documentation tools that support regulatory compliance activities. Additionally, new web-based breaker reports allow authorized users to access the information from any location with Internet access.

Weather is always a factor in operating an electric system. A new weather station installed at the McIntire Operations Center records site-specific conditions such as precipitation accumulation, air temperature, barometric pressure, relative humidity, wind direction and wind speed. In addition to providing the utility with local weather conditions for real-time operations, the data is recorded for load planning at the electric feeder level.



## A focus on employees

As the energy business increased in complexity, GP&L's employees rose to the challenge by proving their ability to fully engage, grow and develop ways to improve productivity.

Production employees carefully planned and prioritized projects for the Spencer and Olinger Plants following the reactivation of the Spencer Plant in late 2011. With a limited budget and no increase in staff, employees successfully maintained and operated both plants. Credit for this success can be attributed to years of generation experience as well as initiatives that supported Production employees' professional growth and succession planning. The cross-training effort continued to broaden skills, and new work assignments developed project management experience.

The value of a well-trained work force is also appreciated in other areas of GP&L. This year, the utility expanded safety and skills training for linemen to a monthly, all-day training session covering such skills as transmission grounding, meter work, and streetlight repair and rewiring. Safety was enhanced with instruction on new equipment and updated CPR techniques.

Training across divisions also proved beneficial as linemen, substation technicians and system operators learned more about each other's work during on-site information sharing opportunities. These familiarization visits allowed for demonstration and question-and-answer periods that provided employees with a better understanding of the challenges others face as they work together to operate and maintain GP&L's electric system.

The use of technology to streamline and automate processes continued to provide strong support to employees as they performed their jobs. Several applications were developed in-house or customized for the utility's specific needs, including ones

*The cross-training effort continued to broaden skills*





which automated data flow and processes for the Settlements group. With the move to the nodal market and the addition of new QSE customers, these programs help ensure accuracy and efficiency in settlement activities.

In System Operations, electronic record keeping on the intranet replaced time-consuming, manual efforts on procedures such as daily system operational logs, substation check-ins, and the operators' daily check-offs. Feeder lockout texting and TMPA work orders were also automated into the searchable electronic log.

Another new tool, the web-based Access Tracker, was developed to manage the granting or revoking of access to critical assets, including critical cyber assets as required by NERC reliability standards. This application provides access status, email notifications for training and background check updates, and printed reports.





## A focus on regulatory compliance

Each year brings mounting environmental regulations, and 2012 was no different, with GP&L dealing with regulations set by national, state and local entities.

GP&L demonstrates compliance by adhering to best practices in management and operations. This way of doing business helped the utility secure numerous environmental permits for its generation facilities, ensuring the continued availability of these resources to generate power. It also aided in the Climate Action Reserve's verification of the 2011-2012 carbon credits from the C. M. Hinton Landfill gas collection and control system.

Compliance at GP&L is also achieved through organization and technology. System Operations, the division most subject to regulatory requirements, installed a project management application to keep compliance activities on schedule. With tasks and deadlines assigned to employees, this tool tracks multiple requirements from NERC reliability standards and ERCOT protocols and operating guides on an ongoing basis.





As a highly respected small utility, GP&L is known for continually monitoring current and proposed regulations – especially those that may not be in the best interest of GP&L and its customers. The utility carefully reviewed regulations to determine their application to GP&L, not only to ensure compliance, but also to see if liability could be reduced by claiming exemptions to the rules.

The utility actively participated in industry committees and working groups with regulatory bodies, such as ERCOT and NERC, which create or affect operating and environmental rules. GP&L's involvement has multiple goals – to obtain advance knowledge of potential regulatory changes; to help shape regulations with which the utility must be compliant; and to support improved reliability of the electric grid.

As part of NERC's Reliability Assurance Initiative, GP&L participated in a focus group reviewing the possible roll-back of NERC regulations on smaller utilities and those with extremely good compliance records, such as GP&L. If implemented, this initiative could significantly reduce the scope and increase the time between NERC audits for GP&L, provided that the utility can demonstrate an ability to self-regulate compliance activities.

GP&L also gave input to NERC's newly created Reliability Issues Steering Committee (RISC), which is examining the areas where NERC should focus attention to ensure system reliability. These include physical and cyber security issues, plus extraordinary high-impact low-frequency events, such as a dramatic loss of the grid or extensive rolling blackouts.

The year brought a special emphasis on disaster recovery, with state regulators taking a rigorous look at all contingencies. GP&L participated in comprehensive black start simulation training in which utilities practiced recovering the grid from complete failure. Physical and cyber security standards also received enhanced attention, with FERC approving updated Version 4 Critical Infrastructure Protection (CIP) Reliability Standards and NERC approving the significantly more comprehensive Version 5 CIP Reliability Standards.

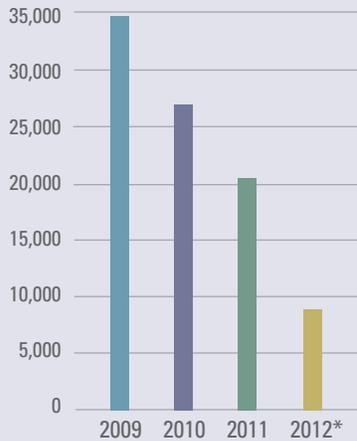
### Permits renewed, amended or obtained in 2012

- Renewal of the EPA Title V permit for the Olinger Power Plant, confirming compliance with air quality emission limits
- Renewal of SB-7 state air emission permits for Olinger Units 1 and 2 and Spencer Units 4 and 5
- Renewal of the city of Denton industrial/commercial wastewater permit for the Spencer Plant
- Amendment of the EPA air permit authorizing startup and shutdown emissions for Olinger Unit 3
- Amendment of the EPA air permit authorizing planned maintenance, startup and shutdown emissions for Olinger Unit 4
- Acquisition of EPA permits approving the quality of the stormwater runoff at the Olinger and Spencer Plants

# Performance indicators

Fiscal Year Ended September 30<sup>th</sup>

## Service Requests

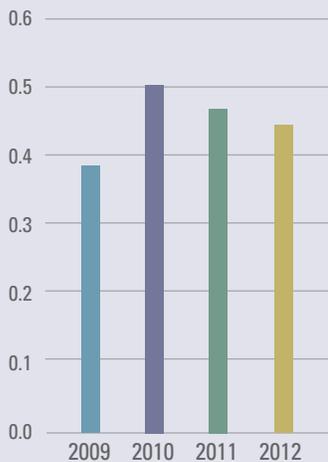


Description: Total number of annual requests for distribution and transmission services.

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; however, over time the statistic can indicate the division's overall productivity.

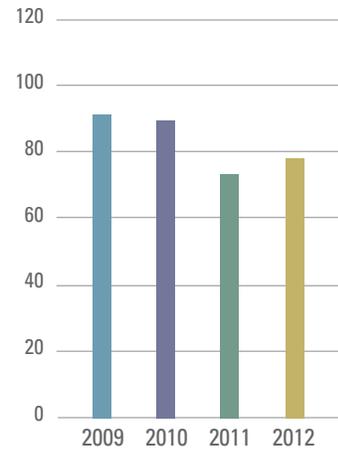
\*The significant decrease reflects the outsourcing of line locates.

## Debt-to-Asset Ratio



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

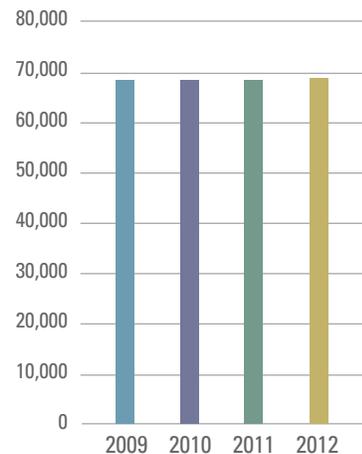
## Operating Expenditures per Megawatt Hour



Description: Total GP&L expenses (including TMPA purchases) for utility operation divided by the total kilowatt hours of sales x 1,000.

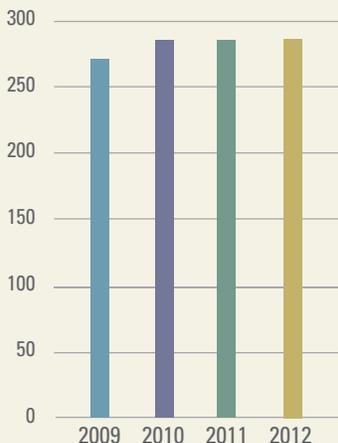
Interpretation: As this statistic is highly influenced by fuel cost, TMPA costs and debt service requirements, comparisons between utilities must be made carefully.

## Electric System Number of Retail Customers



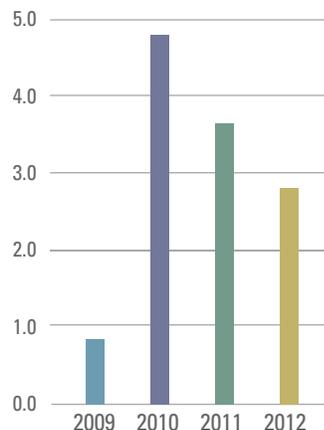
Description: Total annual customers.

### Retail Customers per Employee



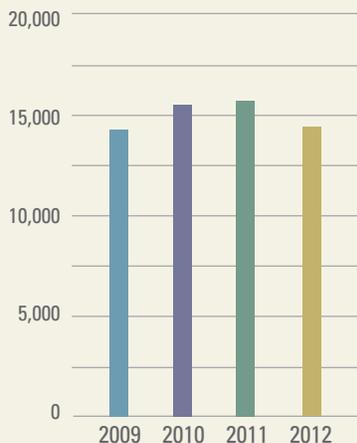
Description: Number of retail customers divided by the number of electric utility employees.

### 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.

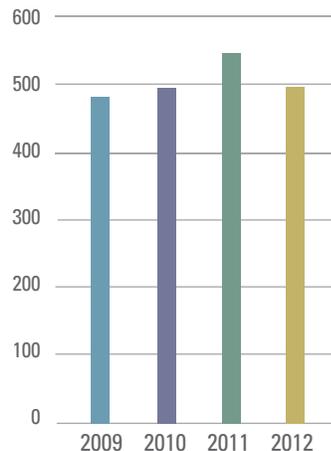
### KWH Sales per Residential Customer



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, 2012.  
With comparative totals for Fiscal Year Ended September 30, 2011.

## ASSETS

### Current Assets:

Cash and investments	\$ 43,856,397	41,884,976
Inventories	4,639,850	2,847,095
Receivables and other	43,461,874	36,679,114
<b>Total Current Assets</b>	<b>91,958,121</b>	<b>81,411,185</b>

### Restricted Assets:

Cash and investments	213,450,827	178,293,676
Accrued interest receivable	196,590	96,168
<b>Total Restricted Assets</b>	<b>213,647,417</b>	<b>178,389,844</b>

### Property, Plant and Equipment -

Net of accumulated depreciation	273,966,364	272,320,046
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### Other Assets

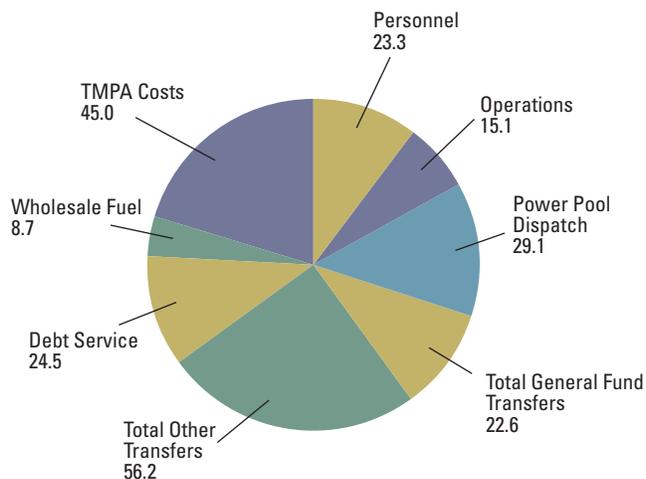
	120,971,244	127,883,886
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### Total Assets

	\$ 700,543,146	\$ 660,004,961
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## Fiscal Year 2012 Total Expenditures

in millions of dollars



## LIABILITIES

### Current Liabilities:

From current assets  
payables

	2012	2011
	\$ 35,813,966	22,026,966

### Long-term Liabilities:

From restricted assets

Accounts payable

Retainage payable

Total payables from restricted assets

1,218,386

14,160

1,232,546

1,641,809

26,700

1,668,509

Bonds payable and other

Total Long-term Liabilities

275,370,826

276,603,372

287,469,177

289,137,686

**Total Liabilities**

312,417,338

311,164,652

## EQUITY

### Retained Earnings:

Invested in capital assets, net of debt

Restricted

Unrestricted

121,533,515

193,962,533

72,629,760

119,355,353

156,435,062

73,049,894

**Total Retained Earnings**

388,125,808

348,840,309

**Total Liabilities, Contributed  
Capital and Retained Earnings**

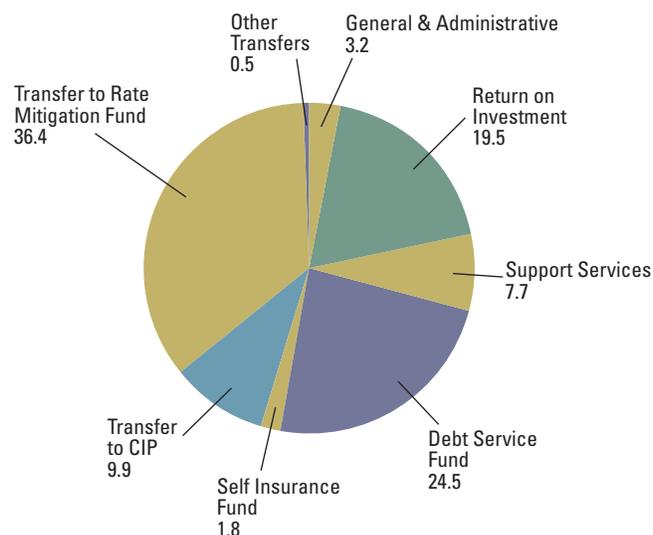
\$ 700,543,146

\$ 660,004,961

## Fiscal Year 2012

### Transfers to Other Funds

in millions of dollars



# Statement of revenues, expenses and changes in retained earnings

Fiscal Year Ended September 30, 2012.  
With comparative totals for Fiscal Year Ended September 30, 2011.

## Operating revenues:

	2012	2011
Charges for service	\$ 222,228,397	222,638,789
Other	<u>1,472,387</u>	<u>866,189</u>
Total Operating Revenues	<u>223,700,784</u>	<u>223,504,978</u>

## Operating expenses before depreciation:

Fuel purchases/Demand charges	82,829,698	86,167,423
Operating expenses	40,435,003	34,856,581
General and administrative	<u>10,674,684</u>	<u>10,726,365</u>
Total Operating Expenses Before Depreciation	<u>133,939,385</u>	<u>131,750,369</u>
Operating income before depreciation	89,761,399	91,754,609
Depreciation and Amortization expense	<u>19,481,133</u>	<u>18,576,466</u>

<b>Operating Income</b>	<u>70,280,266</u>	<u>73,178,143</u>
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## Non-operating revenues (expenses):

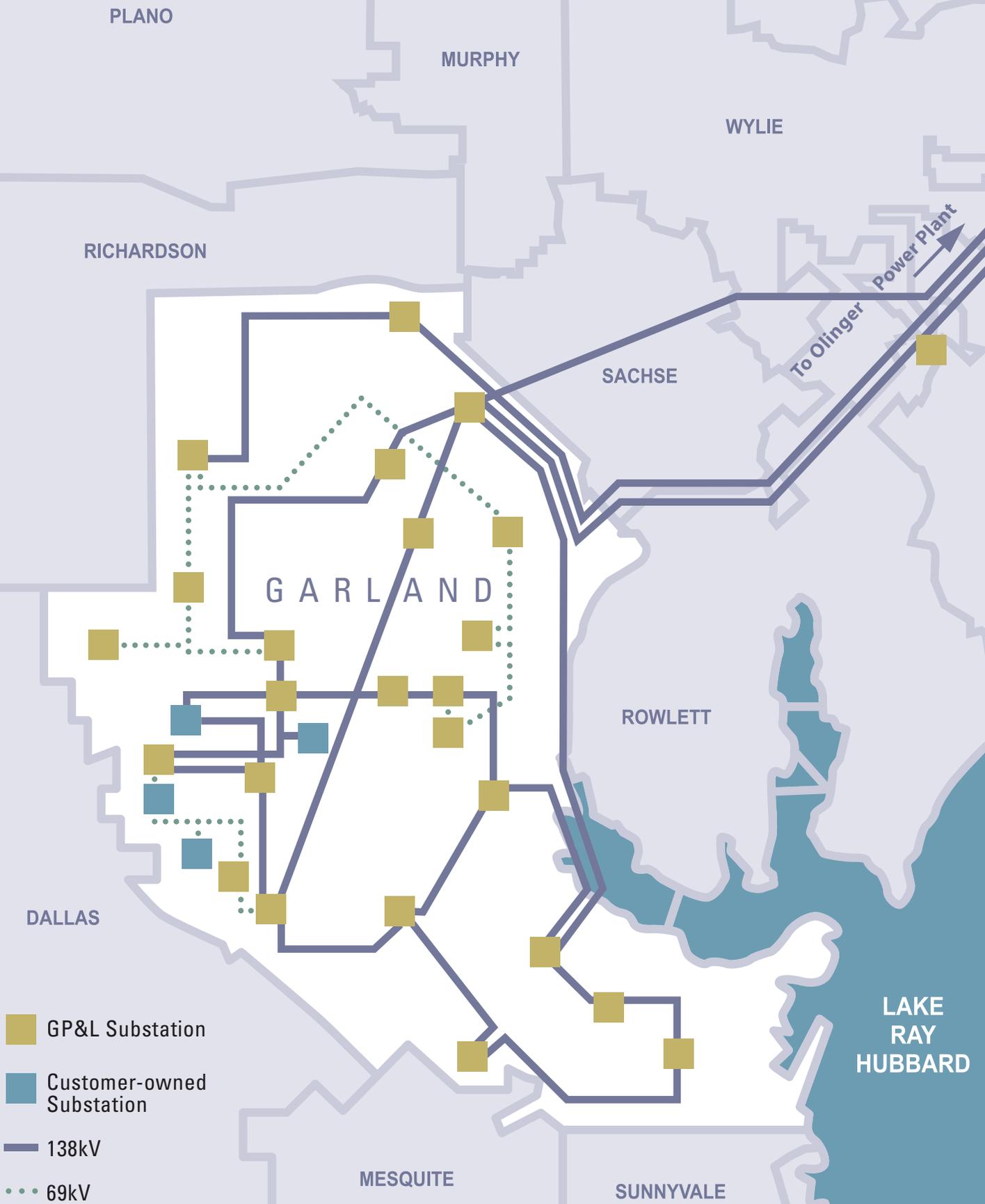
Return on investment	(19,451,298)	(19,451,298)
Earnings on investments	1,393,215	854,835
Interest expense	(10,739,376)	(11,714,879)
Other	(1,464,313)	538,293
Net transfers	<u>(732,995)</u>	<u>(862,899)</u>
Net Non-operating Revenue (expense)	<u>(30,994,767)</u>	<u>(30,635,948)</u>

<b>Net Income</b>	39,285,499	42,542,195
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<b>Retained Earnings at Beginning of Year</b>	348,840,309	306,298,114
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<b>Retained Earnings at End of Year</b>	<u>\$ 388,125,808</u>	<u>\$ 348,840,309</u>
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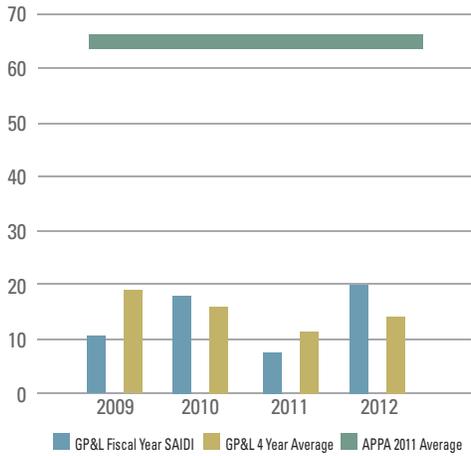
Audited financial statements providing greater detail can be obtained from the City of Garland Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2012. The CAFR report is located on the City of Garland website at [www.garlandtx.gov/gov/eg/finance/compfinanreport.asp](http://www.garlandtx.gov/gov/eg/finance/compfinanreport.asp)



# Key statistics

## System Average Interruption Duration Index (SAIDI)

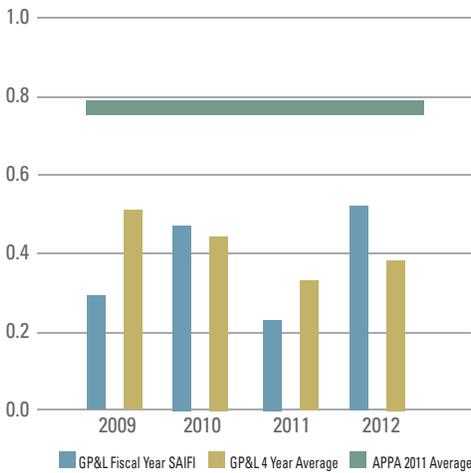
Fiscal Year Ended September 30<sup>th</sup>



System Average Interruption Duration Index (SAIDI) - Designed to give information about the average time that the 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)

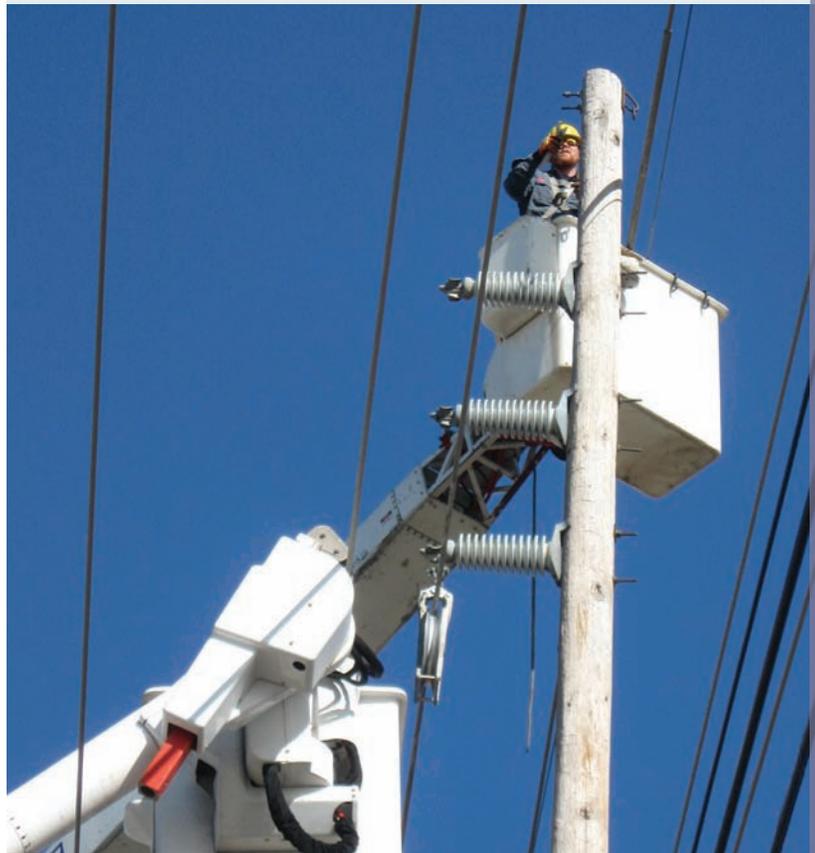
Fiscal Year Ended September 30<sup>th</sup>



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."

## 2012 Transmission & Distribution Statistics

Transmission lines	1.5 miles of 69kV reconstructed to 138kV
Distribution lines	2.5 miles of overhead added or replaced 16.1 miles of underground added or replaced
Distribution poles added or replaced	412
Overhead operations & repairs	135
Overhead construction projects	397
Underground operations & repairs	424
Underground construction projects	387
Street lights	1,671 operations & repairs 186 construction projects
Residential meter sets & changeouts	389
Commercial meter sets & changeouts	160
Meter operations, repairs & testing	1,227
Trouble calls	2,793
Tree trimming requests	244





## Garland City Council

*Standing (left to right)*

Anita Goebel – District 2

B.J. Williams – District 4

Rick Williams – District 7

Jim Cahill – District 8

Tim Campbell – District 1

Lori Barnett Dodson – District 6

*Seated (left to right)*

John Willis – District 5  
Mayor Pro Tem

Ronald Jones – Mayor

Preston Edwards – District 3  
Deputy Mayor Pro Tem

## Utility Services Committee

Lori Barnett Dodson, Chair

Preston Edwards

Rick Williams

John Willis



## City Manager

William E. Dollar



Garland Power & Light  
P.O. Box 469002  
Garland, Texas 75046-9002  
972-205-2650  
[garlandpower-light.org](http://garlandpower-light.org)