

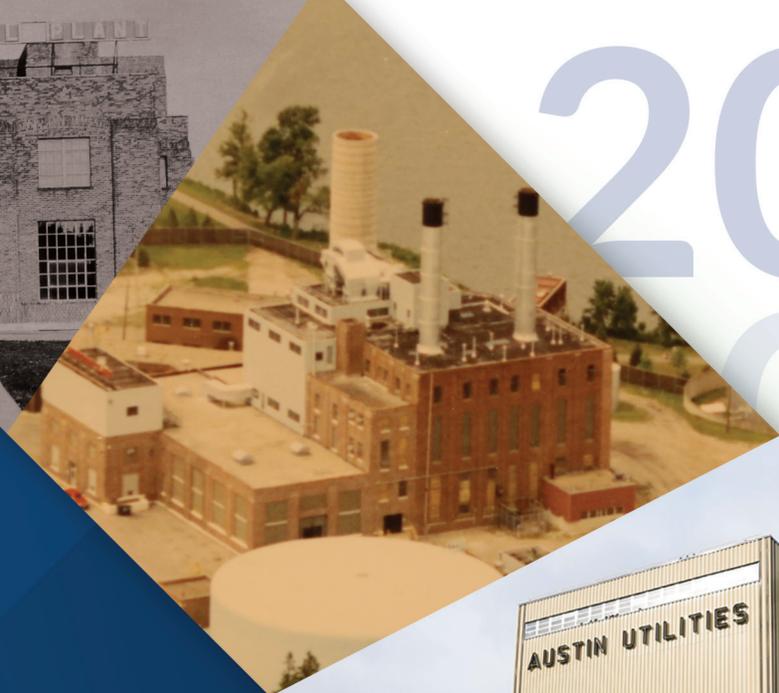
2019
2018
2017

2019 Annual Report

RESPECTING THE PAST

DELIVERING
THE FUTURE

THE FUTURE



AUSTIN
UTILITIES
Connections for Better Living®



“ Utilities have changed from power providers to service providers to meet community needs.”

Mark Nibaur



A message from ...

Mark Nibaur

General Manager

There was a time when power plants were icons in communities like Austin. The physical plant was a sign of reliability and economic strength. The same was true for Austin, and when I moved here in 2011, one of the first things I noticed was the iconic Downtown Power Plant building with its red neon sign.

The energy business is different now. Power is delivered through a regional electric grid to provide reliability from a mix of energy sources

at the best possible price. Utilities are not just about delivering power; they are about delivering a service. Consumers today want more choices and options from their gas, electric and water service provider.

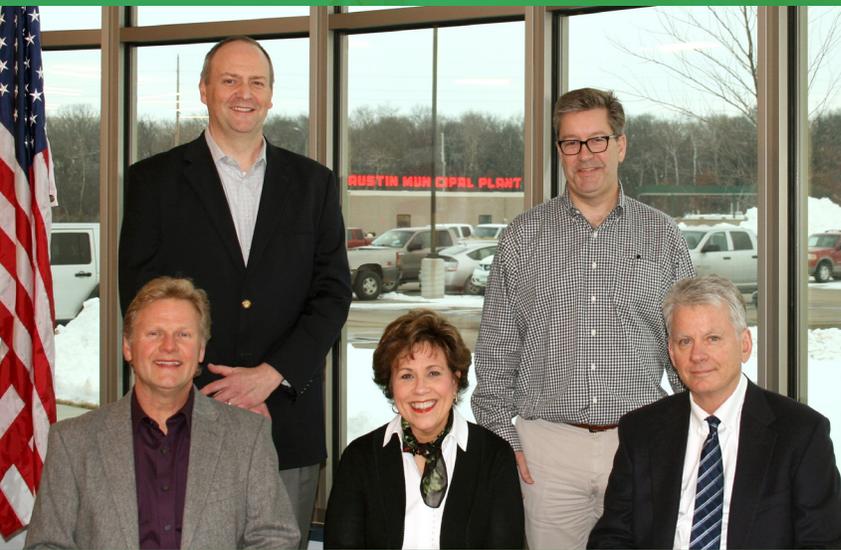
We spend a lot of time at Austin Utilities evaluating how we are delivering service to meet the expectations of our customers now and into the future. Our staff is continuously monitoring customer needs and technology to enhance the customer experience. If you have questions or want to learn more about how we are serving our community into the future, please stop by and see me.

Community Members

Understanding Community Needs

Austin Utilities is led by a group of 5 elected officials. Interestingly, Austin is one of only two municipal utilities in the state of Minnesota that have an elected, not an appointed, board of commissioners. As representatives of the homeowner, business owner and large corporate customer they are the voice of public power in our community. They approve the strategy developed by the Austin Utilities Leadership Team. The Leadership Team represents all areas of the organization and they make sure the strategic direction of the company is cohesive. Combined, they represent 136 years of experience within the organization.

The members of these groups are Austin residents and Austin Utilities customers. They conduct business with Austin Utilities and other businesses. They know how consumers think and how they want to communicate and conduct business. They use that information, along with industry information, to guide Austin Utilities to meet the needs of customers.



◀ Austin Utilities Board of Commissioners

Pictured front row:

Steve Greenman – Term: 1/1/2019–12-31-2022

Jeanne Sheehan – Term: 9/9/2003–12/31/2022

Tom Baudler – Term: 10/12/1999–12/31/2020

Pictured back row:

Tyler Hulsebus – Term: 7/1/2016–12/31/2020

Geoff Baker – Term: 1/1/2011–12/31/2020*

(*Retired March 2020)



▲ Austin Utilities Leadership Team

Combined our Leadership Team represents 136 year of experience within the organization.

Pictured from left: Kim Duncomb, Mark Nibaur, Ann Christianson, Alex Bumgardner, Tom Tylutki, Todd Jorgenson.



POWER PLANT

Austin Utilities (AU) commenced demolition of its Downtown Power Plant Tuesday, February 27, 2016. The Plant was an iconic Austin landmark. Constructed on the 1888 site of the original municipal water plant, various additions were made to the plant through 1985. It provided the first electrification for street lighting in 1889, and in its prime provided 31 megawatts of power generation and steam to a district heating system.

The original part of the Downtown Power Plant was built in the late 1800's but the plant saw many changes in its operation. Voters approved the formation of a municipal electric utility in 1900, and the plant was purchased from the Austin Electric Company. A single engine in the plant provided electricity only for street lighting. The Austin Utilities Commission, one of two elected municipal utilities commissions in the state (the other is in Blue Earth) was created in 1903. One of its first members was George A. Hormel.

Located across from city hall (and formerly AU headquarters), the plant was removed after AU made the decision to construct a new central facility that would allow them to combine seven buildings at three locations into one. This allowed a new community recreation center to be built in its place.



NORTHEAST POWER PLANT

By 1963, Austin Utilities staff and Commissioners were getting concerned over the growing demand of electricity in the Utilities service area. The Board of Commissioners decided to build the Northeast Power Plant on a 64-acre tract of land northeast of Austin.

The main equipment installed was a steam turbine generator and a steam boiler giving the plant the capacity to produce 32,350 kW. The total project cost for the Northeast Power Plant was approximately \$7,500,000. Actual construction on the plant began in March 1969 with the first kilowatt produced on April 25, 1971.

The Northeast Power Plant was leased by the Southern Minnesota Municipal Power Agency from 1991 until 2010 when they ended their Capacity Purchase Agreement. At that time, AU took over operation of the plant. In 2012 they discontinued burning coal and switched to natural gas as a fuel source. The NE Plant was placed into the Midcontinent Independent Transmission System Operator daily market to be dispatched to operate based on daily energy need and economics, but the technology did not fit in the new world of regional energy transmission. The NE plant was decommissioned in 2016 and is scheduled for demolition in 2020.

Technology to Deliver

The days of coal fired power plants are diminishing but reliable power is not. Power now comes to us through a complex grid system. That mix includes renewables like wind and solar energy that are not always dependable, so technology is more important than ever to manage affordable and reliable power. Technology is playing a big role in both service and operations at Austin Utilities today and as we plan for the future.

“Modern technology has allowed us to monitor and enhance”
operational safety and security of our system. Mark Nibaur

Supervisory Control And Data Acquisition (SCADA) allows us to monitor our electric, natural gas and water systems closely for any issues that may impact our ability to ensure customers get the reliability they have come to expect.

Geographic Information Systems (GIS) is allowing us to accurately map all assets of our system. It will be a key component of our outage reporting system. In the future customers can refer to our real time outage map for the cause and duration of any outage that occurs.

App Suite Mobile (APS) allows us to connect service orders to our technicians in the field with the click of a mouse. This system also allows technicians to complete service order “paperwork” onsite saving time, keeping our records current and saving a few sheets of paper at the same time.

Advanced Metering Infrastructure (AMI) is an integrated system of smart meters, communications networks, and data management systems that enables two-way communication between utilities and customers. After a successful installation pilot in 2019, AU is ready for a full implementation of AMI electric meters that will be completed in 2023.





Technology is changing the way we provide service to our customers.

As customers become more technology savvy they are looking for different ways to communicate with their utility provider in a safe and secure manner from the comfort of their computer, tablet or phone. They want information about their usage so they can take control of their costs.

Austin Utilities strives to meet our customer needs now and into the future. Our advanced meter installation will provide customers with the information they need to take control of their energy usage and costs. We are developing plans to offer customers more choices than ever before.



SmartHub is a safe and secure way for customers to connect to AU. It gives customers the ability to manage their account, view and pay bills and receive important notices, all from a phone, tablet or our convenient web portal. In the future, customers will be able to connect SmartHub to their A.I. Assistant and receive reminders and notifications about their bill before it arrives.



Online Applications are in development and will be available through a secure SmartHub portal. In the future, customers will be able to start, stop, or transfer service from the convenience of their tablet or mobile device.



Mobile Meter Reading has already been implemented and has allowed us to get more reads and more accurate reads in a fraction of the time it used to. It also reduces the need for AU staff to enter a customer's property or home. In the future, AU will be able to obtain instantaneous meter reads with the click of a button.



Advanced Metering Infrastructure (AMI) metering that is being installed for operational efficiencies will also benefit customers. These insightful devices will be the foundation for programs that allow customers to identify their usage patterns and participate in time-based rate, incentives, and load monitoring programs that will help them save energy and money.

Our Employees...

Working to enhance the quality of life in our community

Administration – **Mark Nibaur** (General Manager)

Sarah Douty

Accounting/Finance – **Ann Christianson** (Manager)

Joan Maxfield, Dana Steichen

Storeroom (Purchasing) – Pete Klingfus, Jerry Stowell

Employee Relations – **Kim Duncomb** (Director)

Jenny Loucks

Customer Service – **Melissa Swenson** (Supervisor)

Brad Bednar, Dar Duholm, Kerry Hall, Dale Helgeson, Beth Johannsen, John LaVelle, Mike Leidal, Ashley Stadheim, Michelle Orozco, Dave Thompson, Wendy Whalen, Kara Wollschlager

Marketing and Energy Services – **Kelly Lady** (Manager)

Electric Distribution – **Tom Tylutki** (Director) and **Bill Bumgarner** (Supervisor)

Pat Andera, Doug Barth, Pat Donovan, Gilbert Ferguson, Jr., Mark Gerstner, Trevor Herfindahl, Jeff Martinson, Kurt Regenscheid, Colin Roberts, Doug Rysavy, Dillon Sprague, Steve Tieg, Tyler Underdahl

Gas & Water Operations – **Todd Jorgenson** (Director)

Gas & Water Construction – **Jeff Majerus** (Supervisor)

Matt Ball, Rob Cabeen, Willie Granholm, Brian Gunderson, Wayne Guyette, Adam Heimer, Hunter Yocom, Brandon Hemry, Matias Martin, Wade Nelson, Justin Peterson, Brandon Schaefer, Larry Sunderman, Craig Weis

Gas & Water Services – **Rob Gleason** (Supervisor)

Joe Bartholomew, Ryan Bell, Jason Cummings, Jessie Dumais, Gary Gabrielson, Marty Johnson, Dave Maloney, John Troupe, Scott Wangen.

Energy Resources & Utility Operations – **Alex Bumgardner** (Director)

Engineering Services – **Keven Maxa** (Supervisor)

Samantha Bekaert, Derek Berndt, Mike Jensen, Alex Johnson

Information Systems – **Butch Goergen** (Manager)

Jonas Morehouse

Utility Operations – **Jess Dunlap** (Supervisor)

Steve Bissett, Jay Halleck, Mike Johnson, Brian Klapperick, Jay Kohnke, Duane McGonigle, Brad Sistek, Dave White

Delivering Reliability and Service

Austin Utilities earned the Best Places to Work Southeast Minnesota for the second year in a row in 2019. The time and investment AU puts into their staff are a big reason for earning this award again. Training and planning aimed at changes in our industry keeps us prepared to meet upcoming demands of our industry so we can continue to provide the level of reliability and service our customers have come to expect.



2019 Financial Highlights

The following graph depicts the percent of revenue spent for each major category of expense. Sixty-two percent of revenues are spent on purchased power costs and natural gas purchases. Operating expenses are the next highest expense at 23%. Depreciation and Contributions in Lieu of Taxes make up 7% and our Operating Margin makes up the remaining 8%.



Our margin remained steady last year as the increase in sales was sufficient to cover our increased cost of purchases and depreciation. As you can see, our financial position has remained strong.

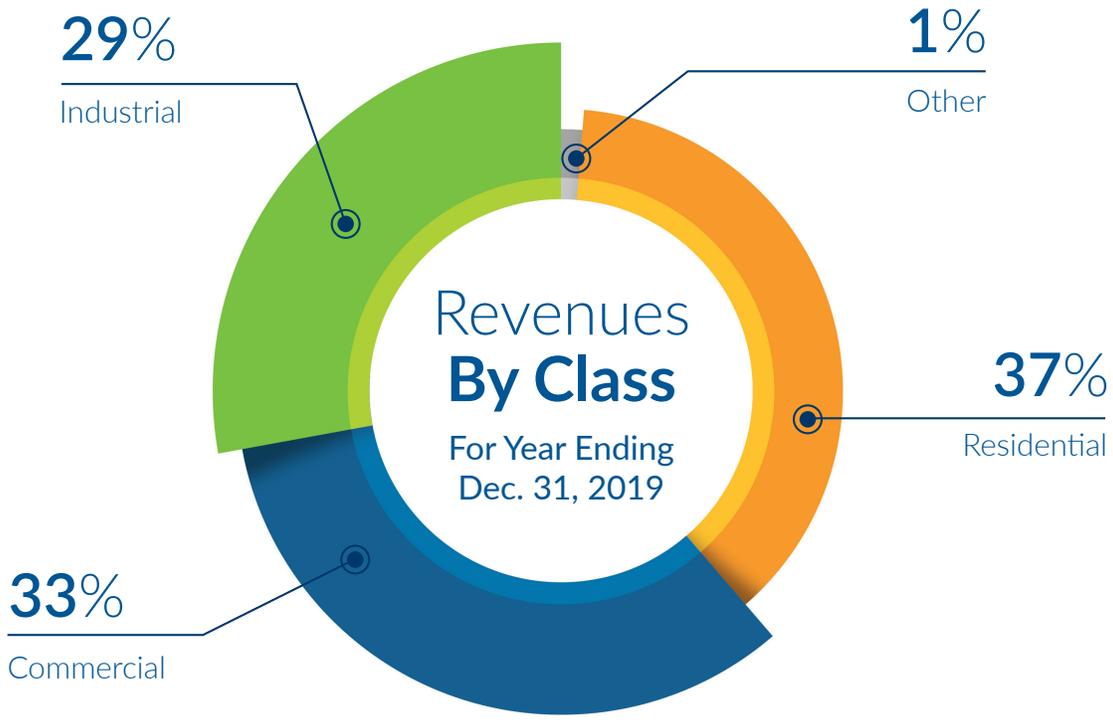
- **62%** Purchased Power & Natural Gas Purchases
- **23%** Operating Expenses
- **3%** Contributions in Lieu of Taxes
- **4%** Depreciation
- **8%** Operating Margin

Operating costs were lower than previous years, and total assets increased with our improved infrastructure. There were no increases in sales as we reduced electric rates. As we look ahead to 2020, we will continue to diligently manage our costs in order to mitigate rate impacts to our customers.

	2019	2018
Total Assets	\$105.7 Million	\$101.0 Million
Equity	\$57.0 Million	\$50.3 Million
Revenue	\$57.5 Million	\$59.3 Million
Operating & Fixed Expenses	\$53.4 Million	\$58.4 Million
Other Income Expenses	\$0.9 Million	\$2.0 Million
Margins	\$5.0 Million	\$2.9 Million

Audited financial statements are available on our website at www.austinutilities.com.

2019 Revenues by Class and Source



2020 is the Year of the Customer!

In 2020, we plan to ramp up our focus on customers. Customers and good customer service have always been the foundation of our existence. In fact, over 87% of our customers are currently satisfied with the service we provide. Today our customers are looking for products and services that meet the needs of their busy lifestyle. In 2020 we will start offering more products and service to make your life easier.



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