ANNUAL FINANCIAL REPORT

Fiscal Years Ended September 30, 2020 and 2019

...securing the future

Lubbock Power & Light

The power is yours.

Annual Financial Report

For the Fiscal Years Ended September 30, 2020 and 2019

Annual Financial Report

Elected, Appointed and Principal Officials

City Council

Daniel M. Pope	Mayor
Steve Massengale	Mayor Pro Tem – District 4
Juan A. Chadis	Council Member – District 1
Shelia Patterson Harris	Council Member – District 2
Jeff Griffith	Council Member – District 3
Randy Christian	Council Member – District 5
Latrelle Joy	Council Member – District 6

Electric Utility Board

Daniel L. Odom	Chair
Kevin McMahon	Vice Chair
Gwen Stafford	Secretary
Don Boatman	Board Member
Edwin E. "Butch" Davis	Board Member
Solomon Fields	Board Member
Jane U. Henry	Board Member
Edwin Schulz	Board Member
Greg Taylor	Board Member
Daniel M. Pope	Ex-Officio Member

Principal Officials and Financial Management

David McCalla	Director of Electric Utilities
Jenny Smith	General Counsel – LP&L
Andy Burcham	Assistant Director of Electric Utilities/CFO
Blair McGinnis	Chief Operating Officer
Ranu Manik, CPA	Financial Services Manager
Joe Jimenez	Financial Planning and Analysis Manager

Lubbock Power & Light
The power is yours.

Annual Financial Report

For the Fiscal Years Ended September 30, 2020 and 2019

Table of Contents

Lubbock Power and Light
An Enterprise Fund of the City of Lubbock
Introduction
September 30, 2020 and 2019

Lubbock Power and Light (LP&L) is pleased to present its Basic Financial Statements for the fiscal years ended September 30, 2020 and 2019. This report is published to provide the Electric Utility Board (Board), City of Lubbock (City), bondholders, rating agencies, representatives of financial institutions, and other interested parties detailed information concerning the financial condition of LP&L. The accompanying financial statements present only LP&L, and are not intended to fairly present the financial position or results of operations of the City.

LP&L operates the municipally owned electric utility and is an enterprise activity of the City. The Board, established on November 2, 2004, is appointed by the City Council and is empowered with the custody and management of LP&L operations. The City Council retains authority for approval of the annual budget, rates for electric service, eminent domain, and approval of debt financing.

LP&L management has prepared, and is responsible for, the financial statements and related information included in this report. Management believes that its policies and procedures provide guidance and reasonable assurance that LP&L operations are conducted according to management's intentions, and to a high standard of business ethics. In management's opinion, the financial statements present fairly, in all material respects, the net position, changes in net position, and cash flows of LP&L in conformity with accounting principles generally accepted in the United States of America.

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Members of the Board of Directors
Lubbock Power and Light
City of Lubbock, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Lubbock Power and Light, an enterprise fund the City of Lubbock, Texas, as of and for the year ended September 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise Lubbock Power and Light's basic financial statements, and have issued our report thereon dated February 12, 2021, which included emphasis of matter paragraphs regarding the presentation relating to only the enterprise fund of the City of Lubbock and the consistency of classification of franchise fee equivalents and payment in lieu of taxes.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lubbock Power and Light's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lubbock Power and Light's internal control. Accordingly, we do not express an opinion on the effectiveness of Lubbock Power and Light's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lubbock Power and Light's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
February 12, 2021

weaver
Assurance • Tax • Advisory

Independent Auditor's Report

Board of Directors
Lubbock Power & Light
City of Lubbock, Texas

Report on the Financial Statements

We have audited the accompanying basic financial statements of Lubbock Power & Light, an enterprise fund of the City of Lubbock, Texas, as of September 30, 2020 and 2019, and the related notes to the basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lubbock Power & Light, an enterprise fund of the City of Lubbock, Texas as of September 30, 2020 and 2019, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Weaver and Tidwell, L.L.P.
2300 North Field Street, Suite 1000 | Dallas, Texas 75201
Main: 972.490.1970

Board of Directors
Lubbock Power & Light

Emphasis of Matters

As discussed in Note 3 to the basic financial statements, the payments to the City of Lubbock's general fund for franchise fee equivalents and payments in lieu of taxes were classified as expenses beginning in fiscal year 2020. Such payments in the 2019 financial statements were classified as operating transfers and have not been reclassified in the presentation of the accompanying 2019 statements. Had such payments been reclassified as expenses rather than transfers in the 2019 statements, expenses would have increased and transfers would have decreased by $11,782,597.

As discussed in Note 1-A to the basic financial statements, the financial statements present only Lubbock Power & Light, and do not purport to, and do not, present fairly the financial position of the City of Lubbock, Texas, as of September 30, 2020 and 2019, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and pension and other post-employment benefits information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
February 12, 2021

Lubbock Power and Light
An Enterprise Fund of the City of Lubbock
Management's Discussion and Analysis
September 30, 2020 and 2019

INTRODUCTION

The following Management's Discussion and Analysis (MD&A) serves as an introduction to the financial statements of LP&L. It is intended to be an objective and easily understandable analysis of significant financial and operating activities and events for the fiscal year ended September 30, 2020 (FY 2020), compared to the fiscal year ended September 30, 2019 (FY 2019). This MD&A has been prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and should be read in conjunction with the audited financial statements and accompanying notes that follow.

BASIC FINANCIAL STATEMENTS

The financial statements report information about LP&L as a whole and are prepared using accrual accounting methods utilized by similar business activities in the private sector. LP&L's annual reporting period ends September 30th of each year.

Statement of Net Position: This statement includes LP&L's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. It also provides information about the nature and amount of assets and obligations (liabilities) of LP&L and provides the basis for the evaluation of LP&L's capital structure, liquidity, financial flexibility, and overall financial health.

Assets are separated into current and noncurrent categories and are reported in the order of liquidity. Current assets include unrestricted cash and cash equivalents, investments, net accounts receivable, interest receivable, prepaid expenses, and inventories. Noncurrent assets include investments that have been restricted (by state laws, ordinances, or contracts), prepaid expenses, and net capital assets.

Deferred outflows of resources are a consumption of net assets by LP&L that are applicable to a future reporting period and are reported as a separate section following assets in the Statement of Net Position. LP&L's deferred outflows of resources include deferred charges on bond refundings, deferred outflows from goodwill, deferred outflows from pensions (contribution and investment expense) and deferred outflows from other postemployment benefits (OPEB).

Consistent with the reporting of assets, liabilities are segregated into current and noncurrent categories. Current liabilities include net accounts payable, accrued liabilities, accrued interest payable, due to related party, customer deposits, compensated absences, notes payable, and bonds payable. Noncurrent liabilities include the Southwestern Public Service Company (SPS) hold harmless payment, compensated absences, OPEB, net pension liability, and bonds payable

Deferred inflows of resources are an acquisition of net assets by LP&L that are applicable to a future reporting period and are reported as a separate section following liabilities in the Statement of Net Position. LP&L's deferred inflows of resources include deferred inflows from pension and OPEB. Both the deferred inflows and deferred outflows are reported in accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.*

The components of net position are classified as net investment in capital assets, restricted for debt service, and unrestricted. An unrestricted designation indicates the net funds are available for operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

Statement of Revenues, Expenses, and Changes in Net Position: This statement presents the results of the business activities (revenues and expenses) over the course of the fiscal year and provides information about LP&L's recovery of costs. Operating revenues include charges for services, less a provision for bad debts. Operating expenses are presented by major cost categories, including personal services, supplies, maintenance, purchase of fuel and power, other services and charges, and depreciation and amortization. The remaining operating income is available to service debt, to fulfill City payment commitments, to finance capital expenditures, and to cover contingencies. Non-operating activities, which primarily relate to financing and investing, are reported separately. Other payments to the City and contributed capital are also reported separately as components of the change in net position.

Statement of Cash Flows: This statement presents cash receipts, cash disbursements, and net changes in cash resulting from operations, non-capital and related financing, capital and related financing, and investing activities.

Notes to the Financial Statements: The notes provide required disclosures and other detailed information that is essential to a full understanding of material data provided in the financial statements. The notes present information about LP&L's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies, and subsequent events.

FINANCIAL HIGHLIGHTS

Capital Assets – ERCOT Integration and Transmission & Distribution Upgrades – On March 8, 2018, the Public Utility Commission of Texas (PUCT) approved LP&L's application to join the Electric Reliability Council of Texas (ERCOT). LP&L is currently working with Oncor Electric Delivery Company LLC (Oncor) to build the transmission facilities to interconnect LP&L's system to ERCOT.

In addition to the ongoing investment in transmission interconnection facilities with ERCOT, significant additions to the system's capital assets were initiated and/or completed in FY 2020. These capital additions were related to an outer 115-kilovolt (kV) loop surrounding an inner 69-kV loop that is currently under construction and will be completed before the ERCOT integration, currently anticipated to occur on June 1, 2021. These upgrades represent the most cost-effective approach to ensure a continued reliable and robust internal LP&L system that will become part of the ERCOT transmission system upon the integration date.

Related to these capital additions, a total of 24 new capital projects and 30 existing capital projects were funded during FY 2020, totaling $192.1 million. The blend of funding sources used for these

projects was composed of 9 percent equity and 91 percent debt. The targeted blend of financing is set at 35 percent equity and 65 percent debt in the utility's financial model. Due to the large amount of debt funding for the significant transmission upgrades, the equity/debt shifted to be more heavily weighted with debt through FY 2020. For FY 2021 and future fiscal years, the capital program is largely funded with cash to offset the debt funding in FY 2020.

The significant projects funded during the fiscal year included the following:

Project Name	**Totals (in millions)**
Yellow House Canyon Substation	$9.3
Substation Rebuild - Northeast	3.7
Substation Upgrades	2.2
Posey Substation	9.9
Yellow House Canyon 345/115-kV Transformers	3.8
Dunbar 345/115-kV Transformers	4.2
North to X-fab 115-kV Line	3.2
Blackwater Draw to Folsom Point 345-kV line	24.2
Blackwater Draw to Double Mountain 345-kV line	53.1
Double Mountain to Fiddlewood 345-kV line	14.2
Posey to Oliver 115-kV Line	14.7
Dunbar Station Work	4.6
Yellow House Canyon Station Work	4.5
Dunbar Substation Work	10.3
115-kV Line Construction – Northwest to Mackenzie	1.6
69/115-kV Line Rebuild: Holly to Southeast	7.6
69/115-kV Line Rebuild: Holly to Slaton	5.1
FY 2019-20 Distribution Transformers	3.0
FY 2019-20 Distribution System Upgrade	2.4
FY 2019-20 Underground Distribution	2.6
FY 2019-20 Overhead Lines	2.0
Cooke Station Turbine #2	1.8
FY 2019-20 Vehicles and Equipment	2.6
Miscellaneous Projects	1.5
Totals	**$192.1**

LP&L's depreciable and non-depreciable capital assets increased $131.9 million in FY 2020 due to a significant amount of completed work related to the upgrade of the transmission system/lines, substation upgrade work, and autotransformer projects needed to interconnect with ERCOT. Of the $131.9 million increase in capital assets, a total of $107.1 million was related to current ongoing project costs that have been partially capitalized and a total of $24.8 million was related to capital projects that were completed and closed in FY 2020.

The drivers of the $107.1 million increase in partially capitalized, yet ongoing projects, include:

- An increase in construction in progress, totaling $51.0 million
- Transmission projects to install and rebuild 69/115-kV transmission lines, totaling $35.3 million
- Substation rebuilds for the Holly and Oliver Substations to accommodate the 115-kV system conversion, totaling $13.3 million

- Customer Service Information Systems (CSIS) project upgrades, totaling $14.8 million
- Autotransformer projects for the installation of autotransformers at the Mackenzie and Vicksburg Substations to connect the 69-kV system to the 115-kV system, totaling $10.1 million
- Annual projects for the purchase of vehicles and equipment along with the purchase and installation of overhead and underground distribution lines, totaling $6.3 million

Nine capital projects, totaling $24.8 million, were completed and closed in FY 2020 and were moved from construction in progress to appropriate capital asset categories. The appropriation for these projects totaled $27.8 million; therefore, these projects were completed under budget by $3.0 million. The significant projects completed in FY 2020 included:

- 2018-19 Underground Distribution ($2.9 million expended, under budget $0.1 million) – the installation of underground primary and secondary lines used to provide electric service to new and existing customers
- Mobile Substation ($1.6 million expended, under budget $1.0 million) – the purchase of a mobile substation to accommodate 115/69-kV to 23/15-kV substations
- 2018-19 Overhead Lines ($1.9 million expended) – the purchase of materials and the installation or extension of new overhead distribution lines to serve new and existing customers
- Massengale Unit 8 – Hot Section Overhaul ($2.2 million expended, under budget $0.6 million) - the hot section overhaul, repair of internal and external discrepancies, and required service bulletins for the gas turbine on Unit 8 at Massengale Station
- 2018-19 Vehicles and Equipment ($1.5 million expended, under budget $0.1 million) – the purchase of new vehicles and equipment to replace existing items in the fleet that exceeded the useful life or needed costly repairs
- 2018-19 Distribution Transformers ($2.7 million expended, under budget $0.1 million) - the purchase of overhead transformers, pad mounted transformers, switches and enclosures, transformers, and related equipment
- 2019-20 Overhead Lines ($2.0 million expended) – the purchase of materials and the installation or extension of new overhead distribution lines to serve new and existing customers
- Milwaukee Avenue Underground Feeders ($1.5 million expended) – to relocate 12-kV & 23-kV feeder lines from overhead to underground along the east side of Milwaukee Ave from the south side of Spur 327 to the north side of the Marsha Sharp Freeway
- Future Substation – Red Raider ($8.6 million expended, under budget $1.1 million) - the construction of a new substation, located in north central Lubbock, which is a 115/69:12.47-kV distribution substation

Power Cost Pass-Through Rate Stability - Since December 2013, LP&L's Electric Rate/Tariff Schedule (Tariff) has provided for the recovery of all purchased power costs incurred by LP&L in serving system demand and energy requirements. The Tariff incorporates a seasonal power cost recovery factor (PCRF), which may be adjusted a minimum of two times per year: once at the beginning of the summer season on June 1, and once at the beginning of the non-summer season on October 1.

The PCRF was established with the intent to match the pass-through revenues with actual power costs over the course of a fiscal year, giving consideration to seasonal fluctuations in load and in power prices. The Tariff allows for the PCRF to be adjusted more frequently if any over- or under-recovery exceeds the pre-defined maximum variance.

A PCRF cap totaling five percent of total annual forecasted power costs is required by the Tariff to manage any monthly over-recovery of power costs. If at any time the cumulative over-recovery balance is greater than the balancing account cap, a downward adjustment may be made to the PCRF with the intention of refunding the over-recovered amount. Additionally, a rate stabilization fund totaling $3.5 million is required to cushion any monthly under-recovery of power costs. If at any time the cumulative under-recovered balance draws down the rate stabilization fund, an upward adjustment may be made to the PCRF with the intention of replenishing the rate stabilization fund.

LP&L tracks actual revenues collected from the PCRF and compares these revenues to the actual power costs incurred each month. The cumulative balance is reported to the Board on a monthly basis. The financial statements recognize the over-recovery as a deferred revenue in the accounts payable section on the Statement of Net Position and do not incorporate the associated revenue on the Statement of Revenues, Expenses, and Changes in Net Position. For more details on the PCRF over- or under-recovery changes by month, see *Table 1*:

Table 1 - PCRF Recovery by Month

PCRF Fund (in millions)	Beg. Bal	10/19	11/19	12/19	01/20	02/20	03/20	04/20	05/20	06/20	07/20	08/20	09/20
Monthly Over/(Under)	$ -	$ 2.1	$ (1.4)	$ (0.2)	$ 0.6	$ 0.7	$ 0.1	$ 0.6	$ (2.5)	$ (1.2)	$ (0.8)	$ (1.1)	$ 3.1
Cumulative Over/(Under)	$ 10.7	$ 12.8	$ 11.5	$ 11.3	$ 11.9	$ 12.6	$ 12.8	$ 13.4	$ 10.8	$ 9.6	$ 8.9	$ 7.8	$ 10.8

As of September 30, 2019, revenues collected from the PCRF portion of rates exceeded power costs in the amount of $10.7 million. By September 30, 2020, the PCRF over-recovery increased approximately $0.1 million to $10.8 million.

PCRF rates for the months of October 2019 through May 2020 (non-summer season) were initially set to under-recover approximately $4.3 million. Even with lower PCRF rates set for the non-summer season, the planned under-recovery did not occur. A major factor was that local natural gas prices in West Texas, as measured by the key West Texas trading hub and pricing point (Waha), remained low due to limited pipeline capacity to transport gas out of the region. For FY 2020, Waha spot prices, which touched a low of negative $4.77 in April, averaged 98 cents, compared to 99 cents in 2019 and $2.11 for the past five years (2015-2019)[1]. However, beginning in the first quarter of 2021 the Permian Highway Pipeline is scheduled to come online causing an expected rebound in Waha pricing.

PCRF rates for the months of June through September 2020 (summer season) were lowered to a level that was expected to under-recover for the remaining four months of the fiscal year. However, despite setting lower PCRF rates, the planned under-recovery did not occur mainly due to the 2019 production formula true-up from SPS that occurs annually each July (SPS True-Up). The calendar year 2019 SPS

[1] "Texas Waha NatGas Prices Drop to negative on Weak Demand", Oct 19, 2020: https://www.reuters.com/article/us-usa-natgas-texas/texas-waha-natgas-prices-drop-to-negative-on-weak-demand-idUSKBN2741L2

True-Up due to LP&L was a credit of $3.8 million, when LP&L had not anticipated any adjustment. SPS True-Ups are allowed under a FERC form template and were provided for in the total requirements power service agreement (SPS Power Agreement) between SPS and the West Texas Municipal Power Agency (WTMPA) that existed for a portion of calendar year 2019 and the 170 megawatt (MW) SPS Partial Requirements Power Purchase Agreement (Partial Requirements Agreement) contract between SPS and LP&L that commenced during calendar year 2019. Historic SPS True-Ups totaled $0.6 million and $4.5 million in FY 2018 and FY 2019 respectively. Both prior SPS True-Ups were a result of higher than expected costs from SPS and lower than expected energy sales volumes to spread those costs.

As of September 30, 2020, the PCRF revenues exceed power costs in the amount of $10.8 million, and going forward, are set to evenly recover power costs throughout the FY 2020-21 non-summer season to insulate the utility from unexpected power cost impacts during the ERCOT integration.

COVID-19 Impacts – FY 2020 was an unprecedented year due to the coronavirus disease 2019 (COVID-19) global pandemic that required health-related restrictions for the city, state and nation. Early in the pandemic, the electric load for the system operated at levels that were five to seven percent below normal weather-adjusted operating levels, but rebounded as the pandemic progressed and restrictions eased. Between March and September 2020, actual consumption levels were only 0.29 percent lower than projections. For FY 2020, total consumption was 2.556 million megawatt-hours (MWh) compared to 2.588 million MWh in FY 2019, a decrease of 1.24 percent.

On March 16, 2020, under the City's disaster declaration, the City of Lubbock Utilities suspended disconnections to assist customers who were experiencing financial hardship due to COVID-19. Payment plans of up to six months were made available to customers to assist them during this period. Additionally, payment assistance was made available through the City's Community Development Department who administered $1,000,000 in CARES Act funding through the Coronavirus Relief Fund and the Comprehensive Energy Assistance Program from the Texas Department of Housing & Community Affairs. These funds were available for rental assistance and utility payments for individuals who were financially impacted by COVID-19. Additional assistance was provided by other local assistance agencies as funding became available.

The suspension of disconnections also included the suspension of late fees and disconnect/reconnect fees through August. As a result, late fee and disconnect/reconnect fee revenues declined from $2.26 million in FY 2019 to $1.71 million in FY 2020, a decrease of approximately $0.55 million, or 24.3 percent.

Throughout the pandemic, LP&L tracked collection-related metrics very closely. As of September 30, 2020, past due accounts (over 30 days) totaled $3.9 million, compared to $3.2 million in September of the prior year. Past due account balances reached a high of $4.3 million in July, but saw reductions due to the availability of assistance funds and the extended payment plans.

At the beginning of the pandemic, measures were taken to offset potential revenue shortfalls. Some of those measures included the delay of cash-funded capital projects that were not deemed critical, a hiring freeze, and utility-wide budget reductions in travel and training/education, office supplies, clothing/uniform supplies, computer purchases, and certain professional services. Most of the

measures were lifted near the end of the fiscal year as it became apparent that revenues were not be materially impacted.

Deletion of Lubbock from WTMPA – Effective October 1, 2019, at the request of Lubbock and as a result of concurrent ordinances enacted by all member cities of WTMPA, Lubbock was deleted as a member public entity of WTMPA.

Since its inception in 1983, until October 1, 2019, LP&L was a member of WTMPA, a municipal power agency formed under Article 1435a, Vernon's Annotated Texas Civil Statutes, as amended (now codified as Chapter 163, Texas Utilities Code) by concurrent ordinances adopted by the governing bodies of the City, the City of Brownfield, the City of Tulia, and the City of Floydada. Prior to its deletion, the City's percentage of rights and liabilities in WTMPA was 85.21 percent.

Concurrent ordinances enacted by all members of WTMPA were required by law to complete the deletion of Lubbock as a member of WTMPA. The concurrent ordinances were effective on October 1, 2019.

Upon completion of the FY 2019 WTMPA financial audit, the re-created WTMPA was required to remit to the City 85.21 percent of all applicable assets, less any current liability obligations. This payment was received from WTMPA in May 2020 in an amount totaling $910,333, and was recorded in miscellaneous revenues. Any additional remittances are expected to occur throughout a prescribed 24-month period after the effective date of the re-created WTMPA. In FY 2020 LP&L received an additional remittance from WTMPA, totaling $3,289,068 for LP&L's share of the 2019 SPS True-Up.

Power Marketing – For FY 2020, the Brandon and Massengale units were used to provide capacity and energy for the LP&L load and were part of the utility's overall purchased power costs. LP&L contracted with a power marketing company (PMC) to register the Brandon and Massengale stations in the PMC's portfolio. The PMC managed and procured the natural gas needed to operate the Brandon and Massengale units and bid those units into the Southwest Power Pool (SPP) Integrated Marketplace (IM). These production units were used to produce power for the City in times where the SPP IM market energy prices were higher than the utility's production costs. As a result, the fuel costs to operate the production units, totaling $1.0 million, were netted against the revenues, totaling $5.4 million, from the SPP IM market and were included in the PCRF calculation.

Bank of America Direct Purchase Revolving Note Program – On April 23, 2019, the City Council approved the Electric Light and Power System Revenue Revolving Note Program (Note Program) in an aggregate principal amount not to exceed $300 million. The City selected Bank of America, N.A. as the counterparty. The Note Program consists of revolving notes (Notes) that are issued on a subordinate basis to LP&L's outstanding debt. The ordinance authorizing the Note Program is a "parameters ordinance" that delegates authority to the Mayor, City Manager, the Chief Financial Officer of the City, the Director of Electric Utilities, or the Chief Financial Officer of LP&L (each an Authorized Officer) to approve the principal amount, the interest rate, the number of series, the price and the other terms of the Notes and to otherwise take such actions as are necessary and appropriate to effect the sale of the Notes.

The proceeds of Notes will mainly fund transmission and distribution facilities in the LP&L system. The facilities represent a significant investment in new power lines and substation construction related to a 69-kV inner transmission loop, a 115-kV outer transmission loop, and a 345-kV interconnection to ERCOT. The Note Program is expected to be utilized through September 2021 to provide the interim financing, including the capitalization of interest during and after the period of construction of the facilities.

The Notes carry a maximum maturity date for individual Notes of 364 days from the purchase date, with a rate price equivalent to 80 percent of the London Interbank Offered Rate plus a fixed spread of 34 basis points (bps). Additionally, LP&L is required to pay an "undrawn rate" (the fee paid on the balance of the Note Program not outstanding) of 25 bps. The undrawn fee is eliminated during any time that LP&L has at least 50 percent of the full Note Program amount outstanding. At the conclusion of the Note Program, LP&L intends to issue long-term financing to convert all outstanding principal and interest amounts.

As of September 30, 2020, LP&L had issued $120.6 million in Notes. Of that amount, $83.5 was issued for capital project expenditures, mainly related to transmission and distribution facilities in the LP&L system; $36.8M was issued to advance-fund transmission-related capital project expenditures through a deposit to an escrow account held jointly by LP&L and Oncor; and $0.3M was related to capitalized interest on the Notes.

Meter Growth – LP&L's meter base totaled 107,899 and 107,239 meters at September 30, 2020 and 2019, respectively. The FY 2020 meter increase of 0.62 percent is in line with normal growth levels within the LP&L certificated area. Approximately 91 percent of the growth was attributable to new residential meters and the remaining 9 percent was related to new commercial meters.

RESULTS OF OPERATIONS

Table 2 - Condensed Statements of Revenues, Expenses, and Changes in Net Position

	2020	2019	2018
Program revenues			
Charges for services	$ 213,061,262	$ 211,188,949	$ 239,178,553
General revenues			
Investment earnings	3,195,923	5,963,641	1,710,341
Other revenues (expenses)	(14,437,868)	(18,252)	878,596
Total revenues	201,819,317	217,134,338	241,767,490
Program expenses (including interest)	184,416,877	187,616,615	210,045,820
Contributions	85,860	174,130	300,281
Excess before transfers	17,488,300	29,691,852	32,021,951
Transfers	290,585	(13,658,064)	(17,041,225)
Change in net position	17,778,885	16,033,789	14,980,726
Net position, beginning of year *	212,067,327	196,033,538	181,052,812
Net position, end of year	**$ 229,846,212**	**$ 212,067,327**	**$ 196,033,538**

* Restated beginning net position for FY 2018 due to change in GASB pronouncements.

Total Revenues

FY 2020 – Program revenues totaled $213.1 million, representing a 0.9 percent increase from FY 2019. (See *Table 3* below for a breakdown of program revenues by major category.):

Table 3 – 2020 Program Revenues

Program Revenues	2020	2019	Change
General Consumers Metered	$ 210,927,561	$205,822,646	$ 5,104,915
Unit Contingent	121	3,001,980	(3,001,859)
Fees, Charges, and Other	3,128,838	3,494,643	(365,805)
Bad Debt Expense	(995,258)	(1,130,320)	135,062
Total	$ 213,061,262	$211,188,949	$ 1,872,313

The primary driver of higher program revenues was an increase, totaling $5.1 million, in general consumers metered revenues (metered revenues). Metered revenues increased mainly due to a shift in consumption from commercial rates classes to residential rate classes as the global pandemic changed consumer behavior (For more detail on the breakdown of metered revenues, see *Table 4*). The increase in metered revenues was offset by a decrease of $3.0 million in Unit Contingent revenues due to the expiration of the unit contingent agreement (UCA) with SPS on June 30, 2019 and lower fees and charges due to the discontinuation of disconnect, reconnect, and late fees that occurred during the

height of the pandemic. Additionally, a higher level of recoveries in the allowance for uncollectable accounts led to a decrease in bad debt expense for FY 2020.

Table 4 – 2020 Metered Revenues

Metered Revenues	2020	2019	Change
Base Rates	$ 70,337,904	$ 67,524,201	$ 2,813,703
Power Cost Recovery Factor	131,064,840	128,960,928	2,103,912
Franchise Fee Equivalent	9,524,817	9,337,517	187,300
Total	$ 210,927,561	$ 205,822,646	$ 5,104,915

In FY 2020, electric consumption was comparable to FY 2019 with 2.556 million MWh consumed, compared to 2.588 million MWh in the prior year. However, there was a shift in rate class consumption with an approximate nine percent increase in residential rate classes, offset by decreases in commercial, school, and church rate classes. This shift was directly attributed to the COVID-19 pandemic, which resulted in decreased commercial usage and increased residential usage as the public was urged to remain at home. This resulted in higher revenues as the rates in residential rate classes are typically higher per-kilowatt hour (kWh) than in commercial rate classes.

PCRF revenues also increased due to the shift in consumption patterns between commercial and residential rate classes. PCRF rates were actually lower in FY 2020 than in FY 2019, however, the shift between rate classes caused this revenue stream to increase approximately 1.6 percent. For example, a Residential Rate 1 customer's PCRF rates averaged $0.05718/kWh in FY 2020 compared to an average of $0.06492/kWh in FY 2019, representing an 11.9 percent decrease. The decrease was related to much lower energy prices in FY 2020 combined with below-cost rates in order to return a portion of past PCRF over-recoveries to LP&L customers.

General revenues, comprised mainly of investment earnings, decreased from $6.0 million in FY 2019 to $3.2 million in FY 2020 (see *Table 2*). The large decrease in investment earnings was a result of decreases in the fed funds target rate by 50 basis points (bps) on March 3, 2020 and a decrease of 100 bps on March 16, 2020 due to slowing national economic growth caused by the COVID-19 pandemic.

Other revenues (expenses) changed from a net expense totaling $18,252 in FY 2019 to a net expense totaling $14.4 million in FY 2020. The substantial increase in FY 2020 was largely due to a change in the recording of the Franchise Fee Equivalent (FFE) and Payment in Lieu of Property Taxes (PILOT) as expenses rather than transfers out; write-offs, totaling $1.4 million, for various substation equipment; offset by the $1.0 million remittance from WTMPA for the City's 85.21 percent share of WTMPA's applicable assets, less current liability obligations that existed as of September 30, 2019. This increase in expense was offset by a large decrease in the transfers line item.

FY 2019 – Program revenues totaled $211.2 million, representing an 11.7 percent decrease from FY 2018. (See *Table 5* below for a breakdown of program revenues by major category.):

Table 5 - 2019 Program Revenues

Revenues	2019	2018	Change
General Consumers Metered	$ 205,822,646	$ 231,871,491	$ (26,048,845)
Power Mkt / Unit Contingent	3,001,980	4,942,840	(1,940,860)
Fees, Charges, and Other	3,494,643	3,338,423	156,220
Bad Debt Expense	(1,130,320)	(974,201)	(156,119)
Total	$ 211,188,949	$ 239,178,553	$ (27,989,604)

The primary driver of reduced program revenues was a decrease, totaling $26.0 million, in metered revenues. Metered revenues were down due to lower PCRF rates as a result of reduced power costs throughout the fiscal year. PCRF rates were lowered on October 1, June 1, and August 1 to return a portion of PCRF over-recoveries to LP&L customers. For more detail on the breakdown of metered revenues, see *Table 6* below:

Table 6 - 2019 Metered Revenues

Metered Revenues	2019	2018	Change
Base Rates	$ 67,524,201	$ 68,163,375	$ (639,174)
Power Cost Recovery Factor	128,960,928	153,068,258	(24,107,330)
Franchise Fee Equivalent	9,337,517	10,639,858	(1,302,341)
Total	$ 205,822,646	$ 231,871,491	$ (26,048,845)

Base rate revenues were also down due to lower consumption. In FY 2019, 2.588 million MWh were consumed, compared to 2.610 million MWh in FY 2018. Additionally, franchise fees were down as a result of the lower base rate and PCRF rate revenues.

Program revenues were also driven lower due to a $1.9 million reduction in power marketing/unit contingent revenues *(see Table 5);* an increase in bad debt expense as a result of an increase in past due balances greater than 90 days; offset by an increase in the "Fees, Charges and Other" category, which was driven by higher street light installations and increased work orders related to growth in LP&L's certificated area.

General revenues, comprised mainly of investment earnings, increased from $1.7 million in FY 2018 to $6.0 million in FY 2019 *(see Table 2).* The large increase was a result of higher investment balances, coupled with increases to the fed funds target rate by 25 bps on December 19, 2018. Rates remained elevated prior to the Federal Reserve's moves to decrease interest rates by 25 bps on July 31, 2019 and again on September 18, 2019 due to slowing national economic growth.

Other revenues changed from a net income totaling $0.9 million in FY 2018 to a net expense totaling $18K in FY 2019 *(see Table 2).* The FY 2019 expense was mainly associated with write-offs for various substation equipment and for the Slaton transmission line that was replaced.

Program Expenses

FY 2020 – Program expenses, excluding interest expense, totaled $178.6 million, representing a 1.9 percent decrease from FY 2019 (see *Table 2*). The cost of purchased fuel and power, totaling $125.9 million, represented 68.3 percent of total program expenses and decreased $3.4 million from FY 2019. The breakdown of purchased power costs are shown in *Table 7*, as follows:

Table 7 - 2020 Power Costs

Power Costs	2020	2019	Change
Energy	$ 60,067,543	$ 66,742,055	$ (6,674,512)
Demand	65,802,334	62,526,914	3,275,420
Total	$ 125,869,876	$ 129,268,969	$ (3,399,092)

- Energy costs decreased $6.7 million, or 10.0 percent, mainly due to market purchases of energy in the SPP IM, coupled with a heat rate call option, that provided the majority of LP&L's energy needs throughout the fiscal year. The SPP IM energy purchases provided savings from the SPS Power Agreement that was in effect for eight of the 12 months in FY 2019. Lower locational marginal prices (LMPs) in the SPP IM, averaging $18.01 in FY 2020 compared to $23.44 in FY 2019, continued due to low natural gas prices in the region. The average price of Waha natural gas in FY 2019 was $0.99 per one million British Thermal Units (MMBtu) and the average in FY 2020 was $0.98/MMBtu, a 0.6 percent decrease.
- Demand costs include capacity, transmission, and internal production-related operating and maintenance (O&M) costs. Demand costs increased $3.3 million due to an increase in transmission charges (up $5.4 million, or 19.7 percent) offset by a decrease in capacity charges (down $2.1 million, or 6.1 percent).
  - Regional and zonal transmission costs increased $1.0 million in FY 2020, which was attributed to higher costs in SPP. The primary drivers of the large transmission increases were as follows: (a) a 19.3 percent increase in transmission plant in service, which increased the dollar return on rate base and related income taxes for transmission owners; (b) a 47.7 percent increase in depreciation expense, due to increases in the depreciation rate and the plant-in-service balances; (c) a 39.5 percent increase in "Taxes Other Than Income Taxes" due to an increase in property taxes from the increased plant-in-service and general increases in property tax rates; and (d) LP&L's higher load ratio share in SPP (based on the 2020 coincident peak demand average).
  - Network services fees increased $1.9 million, mainly due to the addition of GridLiance High Plains, a transmission-only utility, who operated for the full 12-months of the fiscal year in SPP. The revenue requirement related to the addition of GridLiance increased LP&L's network service fees.
  - Credits from auction revenue rights (ARRs) and transmission congestion rights (TCRs) associated with SPP transmission network costs were reduced in FY 2020, causing an approximate $2.8 million increase to transmission costs. ARR/TCR credits are related to TCRs associated with firm transmission rights and hedging load. In general, the net credits associated with ARR/TCR's have been trending down, as significant additional transmission has been completed and put into service. Additional transmission built in

areas or regions with congestion tends to reduce congestion, and impact the cumulative net economic payback of TCR's and hedging activity.

- SPP's distribution service charge and scheduled system control charges decreased $0.3M. The distribution service charge rate changed from $3.97/kW to a fixed fee of $4,799 per month on October 1, 2019, resulting in reduced costs for FY 2020. The decrease in the scheduled system control charges was attributed to a 20.0 percent reduction in the SPP Schedule 1 rate for FY 2020. The Schedule 1 rate is based off of projected data comprised of Federal Energy Regulatory Commission (FERC) Uniform System of Accounts (USOA) 561.1-531.3 and 561.5 with a true-up in the following year for any over/under recoveries. The FY 2020 rate included a refund that occurred as a result of a 2018 over recovery, which was the primary driver of the rate reduction.
- Capacity payments were lower in FY 2020, resulting in $2.1 million in reduced costs. In FY 2019, LP&L paid an average of $6.78 per kilowatt (kW), and in FY 2020 paid an average of $6.48/kW. The reason for the decrease was the 400 MW SPS Capacity and Energy Scheduling Contract (Capacity Contract) and the Partial Requirements Agreement that commenced in June 2019. Costs in FY 2020 reflected savings from a full 12 months of these contracts versus the four months of savings in FY 2019.

Program expenses, excluding purchased power costs and interest expense, totaled $52.7 million, a decrease of $0.1 million, or 0.2 percent, compared to FY 2019. The decrease was mainly driven by decreases in personal services and depreciation and amortization, offset by increases in supplies, maintenance, and other services and charges. The breakdown of program expenses is shown in *Table 8* below:

Table 8 – Program Expenses, Excluding Purchased Power Costs and Interest Expense

Select Program Expenses	2020	2019	Change
Personal services	$ 21,015,714	$ 21,246,554	$ (230,840)
Supplies	1,307,477	1,199,646	107,831
Maintenance	3,618,461	2,972,963	645,498
Other services and charges	10,747,548	9,239,464	1,508,084
Depreciation and amortization	16,029,599	18,162,939	(2,133,340)
Select Program Expenses	$ 52,718,799	$ 52,821,566	$ (102,767)

Personal services decreased $0.2 million in FY 2020. Expenses related to pensions decreased $1.4 million (see *Note 8: Retirement Plan*), which was offset by increases in payroll and benefits costs, totaling $1.0 million and an increase in expenses related to OPEB, totaling $0.1 million. The main driver of increased payroll and benefits expense was the addition of a line crew in underground distribution and the three percent merit increase that went into effect on October 1, 2019.

Supplies increased $0.1 million due to increases in charges related to machinery and equipment supplies used in carrying out the functions of the production, distribution, and transmission departments. COVID-19 related purchases such as masks, hand sanitizers, and cleaning supplies also contributed to the increase in this category.

The $0.6 million increase in maintenance charges was driven largely by the general maintenance of overhead lines, underground lines, and street lights necessary to ensure a safe and reliable distribution system.

Other Services and Charges rose $1.5 million due to increases in professional services, including: (a) charges related to Software as a Service (SaaS) costs associated with implementing the new CSIS, totaling $0.8 million; (b) charges for outside legal services related to Certificate of Convenience and Necessity (CCN) and ERCOT Integration-related cases at the PUCT, and purchased power legal costs, totaling $0.7 million; and (c) professional services related to the hiring of an outside consultant to assist LP&L Transmission Operators achieve North American Electric Reliability Corporation (NERC) certifications; offset by a reduction in expenses for costs incurred in the prior fiscal year for various studies and consulting services, totaling $0.3 million.

Depreciation and amortization expense decreased $2.1 million in FY 2020 as a result of the SPS assets that were purchased in 2010 and fully depreciated in FY 2019. The annual depreciation expense for those assets in FY 2019 totaled approximately $3.3 million. Additional decreases in depreciable capital assets included a large number of meters that were taken out of service related to the CSIS project (approximately $1.2 million), and the demolition and decommissioning of existing assets associated with the transmission and distribution system upgrades (approximately $0.4 million). These decreases were offset by increased depreciation expense related to new capital assets added during the fiscal year, particularly in the transmission category.

FY 2019 - Program expenses, excluding interest expense, totaled $182.1 million, representing an 11.6 percent decrease from FY 2018. The cost of purchased fuel and power, totaling $129.3 million, represented 68.9 percent of total program expenses and decreased $25.7 million from FY 2018. The breakdown of purchased power costs are shown in *Table 9*, as follows:

Table 9 – 2019 Purchased Power Costs

Power Costs	2019	2018	Change
Energy	$ 66,742,055	$ 80,063,004	$ (13,320,949)
Demand	62,526,914	74,861,031	(12,334,117)
Total	$ 129,268,969	$ 154,924,035	$ (25,655,066)

- Energy costs decreased $13.3 million, or 16.6 percent, due to much lower natural gas prices in the region compared to the prior year. The average price of Waha natural gas in FY 2018 was $1.90/MMBtu and the average in FY 2019 was $0.99/MMBtu, a 48.2 percent decrease.
- Demand costs decreased $12.3 million due to a significant decline in demand charges (down 24.2 percent) and a slight decrease in transmission costs (down 4.0 percent).
  - Demand/capacity costs were down $11.2 million in FY 2019. In FY 2018, LP&L paid an average of $7.86 per kW, and in FY 2019 paid an average of $6.78/kW. The reason for the decrease was the Capacity Contract and Partial Requirements Agreement that commenced in June 2019. Through the end of May 2019, LP&L paid an average of $7.69/kW under the existing SPS Power Agreement. For June-September 2019, LP&L

paid an average of $5.32/kW under the new Partial Requirements Agreement and Capacity Contract.

- Transmission costs were $1.1 million lower in FY 2019. The reduction was due largely to decreased SPP regional and zonal transmission costs, totaling $3.3 million, due to LP&L's lower load ratio share in SPP (based on the 2018 coincident peak demand average) offset by an increase in SPP transmission network costs, totaling $2.2 million due to a reduction in credits from ARRs and TCRs.

Program expenses, excluding purchased power costs and interest expense, totaled $52.8 million, an increase of $1.9 million, or 3.7 percent, compared to FY 2018. The increase was mainly driven by increases in personal services and maintenance, offset by a reduction in other services and charges.

Contributions

FY 2020 – Contributions decreased from $174,130 in FY 2019 to $85,860 in FY 2020 as a result of decreased right-of-way acquisitions associated with the transmission construction related to the 69-kV to 115-kV transmission upgrade project.

FY 2019 – Contributions decreased from $300,281 in FY 2018 to $174,130 million in FY 2019, also as a result of the 69-kV to 115-kV transmission upgrade project mentioned above.

Transfers

FY 2020 – Net transfers-in for FY 2020 totaled $0.3 million, compared to net transfers out totaling $13.7 million in FY 2019. The difference was a change in the recording of the FFE and PILOT as expenses rather than transfers out, as in prior years. The shift in net transfers is offset by a large increase in other expenses. In FY 2020, the net transfers-in consisted of (i) a transfer in from the Water Fund for its share of Advanced Metering Infrastructure (AMI) Debt Service, totaling $0.1 million, (ii) transfers in from the City's Water, Wastewater, Storm Water, and Solid Waste funds (City Utility Funds) for their share of the Citizen's Tower and CSIS Debt Service, totaling $1.2 million, and (iii) transfers in from the City Utility Funds for their share of purchases for vehicles and equipment, totaling $1.3 million; offset by (i) General Fund indirect cost allocations, totaling $1.3 million, and (ii) a payment to the City's Debt Service Fund to fund LP&L's portion of the Citizen's Tower debt service totaling $1.1 million.

FY 2019 – Net transfers-out totaled $13.7 million, down from $17.0 million in FY 2018. The transfers were comprised of a PILOT, totaling $2.0 million; an FFE payment, totaling $9.8 million; an indirect cost allocation transfer to the City, totaling $1.2 million; payments to WTMPA for management and administrative services, totaling $0.4 million; a payment to the City's Debt Service Fund to fund LP&L's portion of the Citizen's Tower debt service, totaling $1.1 million; a payment to the City's General Fund for LP&L's participation in an asset management system, totaling 0.5 million; offset by a transfer-in totaling $1.3 million from the City Utility Funds constituting those utilities' share of the Citizen's Tower debt service related to the City of Lubbock Utilities. The overall decrease in transfers was primarily due to lower PILOT and FFE transfers, as a result of lower metered revenues; a reduced transfer to the City's Debt Service Fund for Citizen's Tower debt service as the transfer in FY 2018 was a true-up for all past Citizen's Tower debt service payments; a reduced transfer to WTMPA as

that relationship concludes; offset by a one-time transfer to the City's General Fund for the asset management system.

Change in Net Position

FY 2020 – Net position for FY 2020 and FY 2019 was $229.8 million and $212.1 million, respectively. Overall, LP&L's change in net position was a gain totaling $17.8 million in FY 2020 compared to a gain totaling $16.0 million in FY 2019, reflecting a year-to-year increase in net position, totaling $1.7 million. The drivers that affected net position are highlighted below:

- FY 2020 income before transfers, totaling $17.5 million, was $12.2 million lower than FY 2019 income due to: (a) the $14.4 million increase in other expenses, mainly related to the shift of PILOT and FFE payments from the transfer category; and (b) the $2.8 million decrease in general revenues; offset by (c) the $1.9 million increase in program revenues; and the $3.2 million decrease in program expenses.
- FY 2020 net transfers-in, totaling $0.3 million, was $13.9 million lower than the FY 2019 net transfers out due to the shift of PILOT and FFE payments to the other expense category.

FY 2019 – Net position for FY 2019 and FY 2018 was $212.1 million and $196.0 million, respectively. Overall, LP&L's change in net position was a gain totaling $16.0 million in FY 2019 compared to a gain totaling $15.0 million in FY 2018, reflecting a year-to-year change in net position, totaling $1.0 million. The drivers that affected net position are highlighted below:

- FY 2019 income before transfers, totaling $29.7 million, was $2.3 million lower than the FY 2018 income due to a $24.6 million decrease in total revenues, a $.01 million decrease in capital contributions (easements), and a $22.4 million decrease in program expenses.
- FY 2019 net transfers out, totaling $13.7 million, was $3.3 million lower than the FY 2018 net transfers out.

FINANCIAL POSITION

Condensed Statements of Net Position

Table 10 - Condensed Statements of Net Position

	2020	2019	2018
Assets:			
Current assets	$ 153,221,090	$ 143,738,843	$ 119,993,463
Capital assets, net	418,382,929	291,810,384	232,985,627
Noncurrent investments	68,247,391	81,667,434	135,717,814
Prepaid Expenses	1,211,109	1,344,442	1,477,776
Total assets	641,062,519	518,561,103	490,174,680
Deferred outflows of resources	5,172,815	10,730,633	5,264,975
Liabilities:			
Current liabilities	183,405,978	68,173,186	61,828,870
Noncurrent liabilities	226,141,696	247,164,661	234,121,088
Total liabilities	409,547,674	315,337,847	295,949,958
Deferred inflows of resources	6,841,448	1,886,562	3,456,159
Net position:			
Invested in capital assets, net of related debt	176,054,976	150,712,020	128,869,898
Restricted	14,726,286	17,745,364	20,372,130
Unrestricted	39,064,949	43,609,943	46,791,510
Total net position	**$ 229,846,212**	**$ 212,067,327**	**$ 196,033,538**

Current Assets

FY 2020 – Current assets at September 30, 2020, totaling $153.2 million were $9.5 million higher than the balance at September 30, 2019, mainly due to a $9.9 million increase in cash and investment balances, slightly offset by a $0.4 million decrease in receivables.

FY 2019 – Current assets at September 30, 2019, totaling $143.7 million were $23.7 million higher than the balance at September 30, 2018, mainly due to a $27.8 million increase in pooled cash and cash equivalents. The increase was offset by a decrease totaling $4.1 million in receivables.

Capital Assets, Net

FY 2020 - At September 30, 2020, net capital assets, totaling $418.4 million, increased $126.6 million due to significant investment in transmission and distribution infrastructure. The largest increases were found in the Distribution Plant, Transmission Plant, and Construction in Progress line items. The changes in Transmission Plant and Construction in Progress were largely related to the work associated with LP&L's completed and/or ongoing 69-kV to 115k-V upgrade project (see *Financial Highlights – Capital Assets – ERCOT Integration and Transmission & Distribution Upgrades*).

FY 2019 - At September 30, 2019, net capital assets, totaling $291.8 million, increased $58.8 million – from $233.0 million at September 30, 2018 – due to capital spending outpacing depreciation for the acquisition and development of capital assets. The largest increases were found in the Distribution Plant, Transmission Plant, and Construction in Progress line items. The changes in Transmission Plant and Construction in Progress were largely related to the work associated with LP&L's completed and/or ongoing 69-kV to 115-kV upgrade projects.

Noncurrent Assets

FY 2020 – Noncurrent assets (including restricted investments and prepaid expenses) totaled $69.5 million at September 30, 2020, a decrease totaling $13.6 million from the prior year. The decrease was mainly attributable to the expenditure of bond proceeds, totaling $46.2 million, of which 96.0 percent was expended from the 2018 Series of Electric Light & Power Revenue Bonds, offset by an increase of $32.8 million, in the escrow account held jointly by LP&L and Oncor to advance-fund transmission-related capital project expenditures.

FY 2019 – Noncurrent assets (including restricted investments and prepaid expenses) totaled $83.0 million at September 30, 2019, a decrease totaling $54.2 million from September 30, 2018. The decrease was mainly attributable to the expenditure of bond proceeds, totaling $54.1 million, of which 72.6 percent was expended from the 2018 Series of Electric Light & Power Revenue Bonds.

Current Liabilities

FY 2020 – Excluding current maturities of debt totaling $130.9 million, current liabilities increased $4.9 million, from $47.6 million in FY 2019 to $52.5 million (see the *Financial Highlights – Capital Assets – ERCOT Integration and Transmission & Distribution Upgrades* and *Outstanding Debt* sections for information related to notes and bonds payable). The increase was primarily related to higher accounts payable/due to related party balances associated with increased capital project activity, purchased power costs, and increases in customer deposits, offset by decreases in accrued interest payable and compensated absences.

The combined accounts payable and due to related party categories increased $5.0 million, with the majority of the increase related to increased capital project activity associated with the upgrade of the transmission system/lines, substation upgrade work, and autotransformers needed to interconnect with ERCOT. In FY 2019, the due to related party line item was made up of purchased power costs paid to SPS through WTMPA. For FY 2020, payables for purchased power were included in accounts payable due to the deletion of Lubbock from WTMPA.

As of September 30, 2019, revenues collected from the PCRF portion of rates exceeded power costs in the amount of $10.7 million. By September 30, 2020, the PCRF over-recovery increased approximately $0.1 million to $10.8 million. The over-recovery is recorded as a deferred revenue and included in the accounts payable liability category. Additionally, FFE revenues collected from customers but not yet earned as a result of the PCRF over-recovery are also recorded as a deferred revenue. (See *Table 11* below.)

Table 11 - 2020 Accounts Payable

Accounts Payable / Due to	2020	2019	Change
PCRF Payable	$ 10,841,105	$ 10,705,678	$ 135,427
FFE Payable	1,666,522	1,655,795	10,727
Accounts Payable	26,794,660	20,709,147	6,085,513
Due to Related Party (WTMPA)	-	1,256,754	(1,256,754)
Total Accounts Payable	$ 39,302,287	$ 34,327,373	$ 4,974,913

Accrued interest payable decreased $0.4 million, with the majority of the decrease related to the payoff of the 2010 debt issuance that was originally issued to purchase the SPS distribution assets.

The net increase in customer deposits totaled $0.3 million due to a $1.6 million increase related to growth in the customer base as well as deposit requirements in the Tariff that required residential deposits equal to two months of the reasonable and good-faith estimate of annual billings of the premise (whichever is greater). Offsetting the increase of residential deposits, were deposit refunds, totaling $1.3 million. The deposit refund program automatically refunds customers their initial deposit if they meet certain requirements, such as excellent credit, current account status, and a minimum one-year customer status. Under the terms of the deposit refund program, LP&L refunded 6,381 deposits in FY 2020.

FY 2019 – Excluding current maturities of debt totaling $20.5 million, current liabilities increased $4.4 million, from $43.2 million at September 30, 2018, to $47.6 million at September 30, 2019. The increase was primarily related to an increase in accounts payable associated with third-party purchased power invoices, an increase in customer deposits, and an increase in bonds/notes payable, offset by a reduction in the due to related party line item (related to WTMPA) due to the termination of the full-requirements contract with SPS.

Accounts payable increased $14.1 million, with a $15.6 million increase related to purchased power. Historically, all payables related to purchased power were recorded in the due to related party line item. The historical payments were made to WTMPA, which was a component unit of the City, and therefore a related party. As of June 1, 2019, all purchased power payments were made to third parties, and those amounts were recorded in accounts payable. The due to related party liability decreased $10.2 million due to a smaller amount owed to WTMPA as a result of lower purchased power costs in September 2019, compared to September 2018.

Additionally, FFE revenues collected from customers but not yet earned as a result of the PCRF over-recovery increased accounts payable approximately $1.0 million. Offsetting the increases from accounts payable and FFE payable, PCRF payables decreased $2.5 million due to a lower amount of over-recoveries recorded at fiscal year-end.

Accrued interest payable increased $1.0 million, with the majority of the increase related to the 2018 debt issuance. Accrued liabilities decreased $1.8 million, related to the payment of accrued customer account credits due to the Texas Tech University System during FY 2019.

The increase in customer deposits was due to a new deposit requirement in the Tariff, effective October 1, 2018, that increased residential deposits from a flat $135 to two months of the reasonable and good-faith estimate of annual billings of the premise (whichever is greater). Offsetting the increase of residential deposits, were deposit refunds, totaling $0.8 million, which were related to the deposit refund program. Under the terms of the deposit refund program, LP&L refunded 5,995 deposits in FY 2019.

Other Noncurrent Liabilities

FY 2020 – Excluding the noncurrent portion of debt, totaling $164.7 million, noncurrent liabilities decreased $8.5 million to $61.4 million at September 30, 2020. This decrease was driven by a $10.0 million decrease in net pension liability, offset by a $1.1 million increase in OPEB, and a $0.4 million increase in long-term compensated absences.

The net pension liability decreased $10.0 million, driven mainly by positive investment returns in plan year 2019. Investment losses totaled $3.6 million, a loss 2.1 percent, in plan year 2018 and investment income totaled $17.5 million, a return of 14.27 percent, in plan year 2019. The positive return in plan year 2019 was well above the Texas Municipal Retirement System's (TMRS) investment return assumption of 6.75 percent (see *Note 8: Retirement Plan* in the Notes to the Financial Statements for more details).

FY 2019 – Excluding the noncurrent portion of debt totaling $177.3 million, noncurrent liabilities increased $34.4 million to $69.9 million at September 30, 2019. This increase was driven by a $24.0 million reserve for the SPS hold harmless payment, a $0.2 million increase in OPEB, a $10.0 million increase in net pension liability and a $0.2 million increase in long-term compensated absences.

The net pension liability increased $10.0, driven mainly by negative investment returns in plan year 2018. Investment income totaled $14.5 million, a return of 13.78 percent, in plan year 2017 and investment losses totaled $3.6 million, a loss of 2.1 percent, in plan year 2018. The negative return in plan year 2018 was well below TMRS' investment return assumption of 6.75 percent.

Net Position

FY 2020 – Total net position increased $17.8 million, from the FY 2019 net position of $212.1 to $229.8 million in FY 2020. The subcomponents of net position changed as follows:

- The net investment in capital assets increased $25.3 million mainly due to the following: (a) a $126.6 million increase in net capital assets; (b) a $20.8 million reduction in bonds payable; (c) a $3.0 million reduction in the debt service reserve fund; (d) a $7.1 million increase in retainage, offset by (e) a $118.6 million increase in notes payable; (f) a $0.1 million decrease on refunding; and (g) a decrease of $13.4 million in restricted investments;
- restricted for debt service decreased in the amount of $3.0 million as described in the next paragraph; and,
- unrestricted net position decreased $4.5 million.

The $14.7 million balance in restricted for debt service is related to the capitalized interest fund established as a result of the 2017 and 2018 revenue bond issuances, totaling $4.7 million; the debt service reserve fund, totaling $8.1 million; and the interest and sinking fund, totaling $1.9 million. The amount of capitalized interest remaining at September 30, 2020 was $1.0 million for the 2017 Revenue Bonds and $3.7 million for the 2018 Revenue Bonds. These funds are established by bond covenants in order to make principal and interest payments on these bond issuances until LP&L enters ERCOT and begins receiving transmission cost of service (TCOS) revenues.

FY 2019 – Total net position increased $16.0 million, from the FY 2018 net position of $196.0 to $212.0 million in FY 2019. The subcomponents of net position changed as follows:

- The net investment in capital assets increased $21.8 million mainly due to the following: (a) a $58.8 million increase in net capital assets; (b) a $19.3 million reduction in bonds payable; (c) a $2.6 million reduction in the debt service reserve fund, offset by (d) a $58.1 million decrease in bond proceeds; (e) a $0.4 million charge on refunding; and, (f) a $0.4 million in retainage;
- restricted for debt service decreased in the amount of $2.6 million as described in the next paragraph; and,
- unrestricted net position decreased $3.2 million.

The $17.7 million balance in restricted for debt service was related to the capitalized interest fund established as a result of the 2017 and 2018 revenue bond issuances, totaling $7.8 million; the debt service reserve fund, totaling $8.1 million; and the interest and sinking fund, totaling $1.9 million. The amount of capitalized interest remaining at September 30, 2019 was $1.6 million for the 2017 Revenue Bonds and $6.1 million for the 2018 Revenue Bonds.

OUTSTANDING DEBT

FY 2020 – As of September 30, 2020, LP&L's total outstanding debt was $295.6 million. Bonds and Note Payable were comprised of $21.9 million in certificates of obligation, $136.1 million in revenue bonds, $120.6 million in short-term notes payable, and $17.0 million in bond premiums. All outstanding debt was comprised of fixed interest rate instruments.

Reductions – LP&L made principal payments totaling $15.4 million on its revenue bonds and $3.1 million on its certificates of obligation.

FY 2019 – As of September 30, 2019, LP&L's total outstanding debt was $197.8 million. Bonds and Notes Payable were comprised of $25.1 million in certificates of obligation, $151.6 million in revenue bonds, $2.0 million in short-term notes payable, and $19.2 million in bond premiums. All outstanding debt was comprised of fixed interest rate instruments.

Advance Refunding – In April 2019, the City issued $12.27 million General Obligation Refunding Bonds, Series 2019, with LP&L's portion being $4.05 million. This refunding transaction resulted in decreased total debt service requirements and a 11.72 percent savings on the refunded bonds. The true interest cost for this issue, which consists of serial bonds with maturities in 2020 through 2030, is 3.03 percent.

Reductions – In addition to the refunding described above, that resulted in a reduction in long-term debt outstanding, LP&L made principal payments totaling $15.5 million on its revenue bonds and $3.5 million on its certificates of obligation.

CURRENTLY KNOWN FACTS

Future Power Supply – On October 20, 2015, the Board and the City Council both took formal action to authorize LP&L to seek interconnection of 470 MW of LP&L's load (Affected Load) with ERCOT. LP&L did not seek to connect the remaining, approximately 170 MW of electric load to ERCOT (Unaffected Load). Since that time, LP&L has endeavored to gain regulatory approval to move the Affected Load from SPP to ERCOT, and has obtained that approval from the PUCT.

The Electric Reliability Council of Texas: Founded in 1970, ERCOT became the primary overseer of Texas' power grid and the independent system operator for a region that serves 90 percent of the state's electric load, or approximately 26 million customers. Since not all of Texas is deregulated, including the City of Lubbock, ERCOT manages the areas both where residents have the power to choose a retail electric provider, and other areas what are not open to retail electric choice, including municipalities and cooperatives that retain the local option to deregulate. ERCOT schedules power on an electric grid that connects more than 46,500 miles of transmission lines and more than 680 generating units.

ERCOT Integration Request Process: The formal process related to LP&L's integration of the Affected Load into ERCOT included integration studies, a PUCT project to identify issues pertaining to LP&L's proposal to become part of ERCOT, cost-benefit studies, a public interest determination and a CCN case. ERCOT's integration study determined that a configuration of transmission projects with three connection points between the ERCOT grid and the LP&L system—designated as Option 4ow—would present the lowest societal costs once capital costs and production cost effects were considered.

In September 2017, LP&L filed its application in PUCT Docket No. 47576, *Application of the City of Lubbock through Lubbock Power and Light for Authority to Connect a Portion of Its System with the Electric Reliability Council of Texas* (Application). Through the Application, LP&L sought PUCT authority to disconnect the Affected Load from SPP and to connect to ERCOT, along with related findings that would facilitate LP&L's integration into the ERCOT system, consistent with the public interest.

In March 2018, the PUCT approved the integration of the Affected Load to the ERCOT system through an Order in PUCT Docket No. 47576. With approval by the PUCT, LP&L then moved into the next phase of the ERCOT integration project, which was comprised of four CCN cases necessary to identify transmission line routes and substation locations necessary for the ERCOT integration.

ERCOT Transmission Assets and Approval Process: New transmission line routes and substation locations necessary for the ERCOT integration were identified in the CCN cases that were presented to the PUCT. There were four different CCNs and five orders associated with the ERCOT interconnection:

- PUCT Docket No. 48625 - Ogallala to Abernathy–final order signed on September 26, 2019
- PUCT Docket No. 48668 - Abernathy to Wadsworth–final order signed on December 13, 2019
- PUCT Docket No. 48909 - Wadsworth to Farmland–final order signed on January 23, 2020
- PUCT Docket No. 48909 - Southeast to Oliver–final order signed on January 23, 2020
- PUCT Docket No. 49151 - Abernathy to North– final order signed on March 12, 2020

After approval of the CCNs, a majority of the easements were secured in a three- to six-month timeframe, with only a minimal amount of easements still in negotiation. Engineering, right-of-way acquisition and construction are ongoing, and completion of the work is currently on schedule to meet the anticipated integration date of June 1, 2021.

Participation Agreement: On August 21, 2018, LP&L and Sharyland Utilities, LP (Sharyland) entered into a Participation Agreement, as amended, that sets forth the rights, responsibilities, and expectations of Sharyland and LP&L in connection with the LP&L integration to ERCOT and memorialized the terms and conditions regarding, (i) the ownership allocation between LP&L and Sharyland, (ii) the CCN applications, (iii) the engineering, design, and construction of the facilities, (iv) LP&L's payment obligations to Sharyland for its services for the construction of the LP&L's transmission assets, and the LP&L integration to ERCOT, (v) the coordination necessary to ensure successful completion of the LP&L integration, and (vi) the subsequent transfer of LP&L's transmission assets and, to the extent applicable, the LP&L CCN rights from Sharyland to LP&L. Through an Agreement and Plan of Merger, dated October 18, 2018, Oncor became the successor, by merger and acquisition of Sharyland, to the Participation Agreement. As a result, Oncor has acquired real property interests necessary for the ERCOT integration and is currently constructing the facilities.

ERCOT Infrastructure Cost and Financing: LP&L currently estimates the cost of additional infrastructure necessary for LP&L to integrate into ERCOT at approximately $373.8 million, of which approximately one half will be owned by LP&L and the other half to be owned by Oncor. LP&L's cost to fund the needed additional infrastructure will be funded through short-term financing during the construction phase and converted to long-term financing upon substantial completion. Additionally, capital projects currently included in LP&L's existing long-term capital improvement plan are related to reliability and will cover a portion of system improvements necessary prior to a final transition.

ERCOT 2021 Power Supply: LP&L has secured services to facilitate its power supply upon its entry to ERCOT. In addition to power supply, LP&L has secured Qualified Scheduling Entity (QSE) and Load Serving Entity (LSE) services, which are explained below:

- QSE Services: A QSE is required to submit offers to sell and/or bid to buy energy in the Day-Ahead Market and Real-Time Markets in ERCOT. The QSE is also responsible for submitting a Current Operating Plan for all resources it represents and offering or procuring Ancillary Services as needed to serve its represented load.

- LSE Services: An LSE manages physical, financial, and commercial transactions for scheduling Energy, Capacity, and Ancillary Services through the bilateral wholesale market and the markets operated by ERCOT.

Transmission Cost of Service Revenues: LP&L filed a TCOS application in Docket No. 51100 on August 18, 2020 with the PUCT in order to earn a rate of return on its transmission assets. The parties have reached an agreement in principle regarding all matters at issue in the TCOS docket, and a final agreement is subject to appropriate approvals. The new revenue stream will commence upon the integration of the relevant portion of LP&L's load with ERCOT, which is expected to occur by June 1, 2021. The resulting rates will be based on the Commission-approved 2020 four coincident peak calculation (4CP).

Hold Harmless Payments: PUCT Docket No. 47576 requires that, upon integration to ERCOT on June 1, 2021, LP&L will make a one-time payment totaling $24.0 million to SPS to indemnify SPS and its customers for LP&L's integration into ERCOT. LP&L utilized the energy and capacity savings afforded by very low natural gas prices and the Capacity Contract and reserved $24.0 million from this savings prior to the end of FY 2018-19.

In addition to the SPS Hold Harmless Payment, the PUC ordered LP&L to pay $22 million each year for the first five years upon integration into the ERCOT market. The funds will be credited to ERCOT wholesale transmission customers to mitigate integration costs. This amount will be netted against the TCOS revenues received from ERCOT.

Opt-In to Retail Competition: In January 2018, the Lubbock City Council and the Board announced their intent to study the feasibility of opting-in to retail customer choice. LP&L continues to work through issues regarding opting-in to retail competition and anticipates that opt-in to the ERCOT Competitive retail electric market will occur by June 1, 2023. Any opt-in assumption is contingent on both governing bodies of LP&L voting to opt-in to competition, which has not yet occurred.

Customer Service Information Systems (CSIS) – LP&L manages and operates the customer service department (City of Lubbock Utilities) for the utility in addition to performing customer service and billing services for the City Utility Funds. The City of Lubbock Utilities is included in LP&L's budget with 44.98 percent of all costs reimbursed from the City Utility Funds.

The City of Lubbock Utilities currently utilizes an aged computer information system (CIS) for its billing and customer service platform. The current system is outdated, inflexible, and does not allow for new or innovative rate structures without expensive custom coding and time-consuming workarounds. On May 29, 2018, Oracle Corporation (Oracle) and Itron, Inc. (Itron) were selected to provide the products and services necessary for a complete CSIS package, with the following components:

- Customer Cloud Service (CCS) – Oracle was selected to provide their utility meter-to-cash solution that delivers a platform for customer care and billing. The system connects customer care and billing with advanced metering; provides a complete view of customer accounts and activities; and outsources information technology support through Oracle's SaaS.
- Advanced Metering Infrastructure (AMI) – Itron was selected to provide an integrated system of meters and communications networks that involves the ability to record consumption of electric and water services in intervals of an hour or less and communicates that information at least daily to the utility for monitoring and billing.

- Meter Data Management (MDM) – Oracle's CCS includes an MDM that provides long-term data storage and management for the large quantities of data delivered by AMI – the data consists primarily of interval data and meter events.
- Mobile Workforce Management (MWFM) – Oracle's Field Service Cloud is a category of software and related services used to manage employees working outside the utility's premises.

Beginning in April 2019, Itron actively deployed electric and water meters throughout the entire service territory. As of September 30, 2020, deployment was substantially complete, with electric deployment at 96 percent and water deployment at 94 percent. City of Lubbock Utilities began billing customers in May 2019, taking advantage of the AMI meter data. By the end of calendar year 2019, the primary focus shifted to the CCS/MDM/MWFM projects and overall change management. As of September 30, 2020, the CSIS is nearing completion, and is expected to go-live in February 2021. Once live, there is expected to be over 300 internal end users spanning eight City departments.

Base Rate Adjustment – Rates are set by the Board and approved by the City Council. On September 8, 2020, the City Council approved a tariff to become effective on October 1, 2020 that did not include a base rate increase. The long-term financial model does not anticipate a base rate adjustment in the near future.

Economic Factors – The Department of Energy, via the U.S. Energy Information Administration (EIA), forecasts key energy economic indicators in the United States. Key economic factors that will play a role in operations for FY 2021 as reported by the EIA are as follows:

- Natural Gas Prices – The EIA expects the New York Mercantile Exchange (NYMEX) natural gas spot price to average $3.01 per MMBtu in calendar year 2021, compared with $2.07 per MMBtu in calendar year 2020. The increase is driven by declines in production and increases in liquefied natural gas exports.
    - Natural gas production has been declining as producers have scaled back drilling in response to low commodity prices and weak demand caused by the COVID-19 pandemic. The EIA forecasts that declines in U.S. natural gas production this winter compared with last winter will more than offset the declines in natural gas consumption, which will contribute to inventory withdrawals outpacing the five-year average during the remainder of the winter season that ends in March.
    - The EIA expects liquefied natural gas (LNG) demand to continue increasing. The primary drivers of this increase are forecasts of colder-than-normal winter weather in Northern Asia and Europe and coal plant closures in South Korea that could increase demand for LNG for power generation.
    - Although NYMEX prices are projected to increase in 2021, natural gas prices in West Texas as measured by Waha are expected to remain slightly lower than NYMEX through 2021.
    - The addition of the Permian Highway Pipeline is scheduled to start service in early 2021, as well as the addition of Whistler Pipeline, which is scheduled to enter service in the third Quarter of 2021. As the pipelines enter service, Waha prices are expected to normalize to their historical relationship levels with NYMEX pricing. Declining

Permian production amid lower crude oil production, however, will reduce the region's reliance on new pipeline takeaway infrastructure in the short term.

- Coal Prices – The EIA expects coal production to increase 20 percent between 2020 and 2021 because of increased coal demand from the electric power sector amid higher natural gas prices in 2021. The EIA also expects the delivered coal price to average $2.05/MMBtu in 2021, compared to $1.94/MMBtu in 2020.
- Electricity Generation – The EIA expects the share of U.S. total utility-scale electricity generation from natural gas-fired power plants to decline from 39 percent in 2020 to 34 percent in 2021 and electricity generation from coal to increase from 20 percent in 2020 to 24 percent in 2021.
- Electricity Retail Prices – The continued shift in the national generation portfolio from coal to natural gas in 2021 is the primary factor for a projected rise in the price of electricity. The EIA expects electricity prices to average 13.2 cents per kWh for calendar year 2021, which is a 0.9 percent increase over 2020.
- Generation Mix – LP&L is in the SPP which maintained the following generation mix in each of the following time periods:

Table 12 - SPP Generation Portfolio

	2020	2019	2018
Natural Gas	27.0%	25.9%	23.5%
Coal	30.7%	34.8%	42.2%
Wind	31.0%	27.4%	23.6%
Nuclear	6.4%	6.0%	5.4%
Hydro	4.5%	5.6%	4.9%
Solar	0.2%	0.2%	0.2%
Fuel Oil	0.0%	0.0%	0.1%
Other	0.1%	0.1%	0.1%
	100.0%	**100.0%**	**100.0%**

Legislation and Regulations – There are several federal and state environmental regulations that pertain to power plant and air pollution controls addressing emission allowance and trading programs. The ability to operate LP&L's electric generation facilities could be restricted, unless additional allowances are acquired, when needed, or LP&L could choose to limit the operating hours of the facilities. These regulations include the federal Revised Cross-State Air Pollution Rule, the federal Acid Rain Program and the state Electric Generating Facility Emissions Banking and Trading Program.

Federal and regional electric reliability standards apply to LP&L. LP&L is registered for the functional ownership and operation of a Radial Distribution System at voltages from 4-kV to 69-kV operating in the Eastern Interconnection's SPP, under the oversight of the Midwest Reliability Organization. Presently, LP&L's 115-kV / 230-kV transmission system falls under a federal NERC exemption, and therefore is not regulated by the Midwest Reliability Organization or SPP.

As applicable regulations change, LP&L is continually monitoring the regulatory agencies that enforce the regulations to assess the impact on LP&L operations. In addition to acquiring vendor support to perform gap analysis and regulatory review as needed, LP&L has dedicated regulatory compliance specialists on staff to coordinate compliance efforts. Management is committed to maintaining a culture of regulatory compliance at LP&L.

REQUESTS FOR INFORMATION

Questions concerning any of the information found in this report, or requests for additional information should be directed to Finance Department, Lubbock Power and Light, P.O. Box 2000, Lubbock, TX 79457.

Lubbock Power and Light
An Enterprise Fund of the City of Lubbock
Statement of Net Position
September 30, 2020 and 2019

	FY 19-20	FY 18-19
ASSETS		
Current assets:		
Cash and cash equivalents	$ 3,281,115	$ 3,001,695
Investments	121,826,606	112,241,171
Accounts receivable, net	25,932,868	26,379,590
Interest receivable	355,966	174,038
Prepaid expenses	25,000	25,000
Inventories	1,799,535	1,917,349
Total current assets	153,221,090	143,738,843
Noncurrent assets:		
Restricted investments	68,247,391	81,667,434
Prepaid expenses	1,211,109	1,344,442
	69,458,500	83,011,876
Capital assets:		
Non-Depreciable	20,090,580	18,047,692
Construction in progress	94,805,793	43,818,507
Depreciable	571,183,503	492,319,639
Less accumulated depreciation	(267,696,947)	(262,375,454)
Total capital assets	418,382,929	291,810,384
Total noncurrent assets	487,841,429	374,822,260
Total assets	$ 641,062,519	$ 518,561,103
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	$ 458,924	$ 607,903
Deferred outflow goodwill	-	265,416
Deferred outflows from pensions	2,898,488	8,685,534
Deferred outflows from OPEB	1,815,403	1,171,780
Total deferred outflows of resources	$ 5,172,815	$ 10,730,633

See accompanying Notes to Basic Financial Statements

Lubbock Power and Light
An Enterprise Fund of the City of Lubbock
Statement of Net Position
September 30, 2020 and 2019

	FY 19-20	FY 18-19
LIABILITIES		
Current liabilities:		
Accounts payable, net	$ 39,302,286	$ 33,070,620
Accrued liabilities	1,838,586	1,836,502
Accrued interest payable	3,085,945	3,441,090
Due to related party	-	1,256,754
Customer deposits	6,151,612	5,806,225
Compensated absences	2,122,549	2,221,995
Notes Payable	120,600,000	2,000,000
Bonds payable	10,305,000	18,540,000
Total current liabilities	183,405,978	68,173,186
Noncurrent liabilities:		
Hold Harmless Payment	$ 24,000,000	$ 24,000,000
Compensated absences	1,170,405	796,829
Post employment benefits	20,661,185	19,562,120
Net pension liability	15,566,804	25,524,306
Bonds payable	164,743,302	177,281,406
Total noncurrent liabilities	226,141,696	247,164,661
Total liabilities	$ 409,547,674	$ 315,337,847
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows from pensions	$ 5,123,839	$ 1,019,082
Deferred inflows from OPEB	1,717,609	867,480
Total deferred inflows of resources	$ 6,841,448	$ 1,886,562
NET POSITION		
Net investment in capital assets	176,054,976	150,712,020
Restricted for:		
Debt service	14,726,286	17,745,364
Unrestricted	39,064,949	43,609,943
Total net position	$ 229,846,212	$ 212,067,327

See accompanying Notes to Basic Financial Statements

Lubbock Power and Light
An Enterprise Fund of the City of Lubbock
Statement of Revenues, Expenses, and Changes in Net Position
September 30, 2020 and 2019

	FY 19-20	FY 18-19
OPERATING REVENUES		
Charges for services	$ 213,061,262	$ 211,188,949
OPERATING EXPENSES		
Personal services	21,015,714	21,246,554
Supplies	1,307,477	1,199,646
Maintenance	3,618,461	2,972,963
Purchase of fuel and power	125,869,876	129,268,969
Other services and charges	10,747,548	9,239,464
Depreciation and amortization	16,029,599	18,162,939
Total operating expenses	178,588,675	182,090,535
Operating income	34,472,587	29,098,414
NON-OPERATING REVENUES (EXPENSES)		
Interest income	3,195,923	5,963,641
Disposition of assets	(1,603,310)	(896,400)
Miscellaneous	(12,834,558)	878,148
Interest expense on bonds	(5,828,202)	(5,526,080)
Total non-operating revenues (expenses)	(17,070,147)	419,309
Income before contributions and transfers	17,402,440	29,517,723
Capital contributions	85,860	174,130
Transfers, net	290,585	(13,658,064)
Change in net position	17,778,885	16,033,789
Net position - beginning	212,067,327	196,033,538
Net position - ending	$ 229,846,212	$ 212,067,327

See accompanying Notes to Basic Financial Statements

Lubbock Power and Light
An Enterprise Fund of the City of Lubbock
Statement of Cash Flows
September 30, 2020 and 2019

	FY 19-20	FY 18-19
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 213,654,138	$ 237,779,327
Payments to suppliers	(136,249,320)	(135,068,775)
Payments to employees	(19,501,712)	(21,246,554)
Other receipts (payments)	(12,834,558)	878,148
Net cash provided by operating activities	45,068,549	82,342,146
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES		
Transfers in from other funds	2,696,693	1,315,028
Transfers out to other funds	(2,406,108)	(14,973,092)
Net cash provided (used) by noncapital and related financing activities	290,585	(13,658,064)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(144,297,602)	(77,398,115)
Sale of capital assets	576,758	87,181
Principal paid on bonds	(18,540,000)	(18,555,000)
Issuance of bonds and notes	118,600,000	1,841,827
Bond issuance costs	-	206,001
Interest paid on bonds	(8,267,472)	(6,975,699)
Net cash used by capital and related financing activities	(51,928,316)	(100,793,805)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	34,153,468	54,147,103
Purchase of investments	(30,318,861)	(28,541,616)
Interest earnings on cash and investments	3,013,995	5,861,443
Net cash provided by investing activities	6,848,602	31,466,930
Net increase (decrease) in cash and cash equivalents	279,421	(642,793)
Cash and cash equivalents - beginning of year	3,001,695	3,644,488
Cash and cash equivalents - end of year	3,281,115	3,001,695
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	34,472,587	29,098,414
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	16,029,599	18,162,939
Miscellaneous income (expense)	(12,834,558)	878,148
Change in current assets and liabilities:		
Accounts receivable	446,722	4,092,204
Inventory	117,814	66,714
Accounts payable	6,085,512	15,610,333
Deferred revenues	146,154	22,498,174
Due to related party	(1,256,754)	(10,230,150)
Accrued liabilities	2,084	(1,785,810)
Customer deposits	345,387	1,253,761
Compensated absences and retirement benefits	1,514,002	2,697,419
Net cash provided by operating activities	45,068,549	82,342,146
Supplemental cash flow information:		
Noncash capital contributions and other changes	$ 85,860	$ 174,130

See accompanying Notes to Basic Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Matters

The accompanying financial statements include only LP&L, an enterprise fund of the City. The results of operations and cash flows are in conformity with generally accepted accounting principles. LP&L's financial statements are not intended to present fairly the financial position of the City, and are included as an enterprise fund in the City's Comprehensive Annual Financial Report (CAFR); LP&L has no component units in its reporting entity.

In 1916, the citizens of Lubbock voted to establish a municipal electric company, which was organized to manage the energy needs of the City. Therefore, for the past 103 years, LP&L has served the majority of citizens in this community. On November 2, 2004, Lubbock voters elected to amend the City Charter to provide for a Board composed of nine Lubbock citizens and eligible voters appointed by the City Council to govern, manage and operate LP&L. The Board is responsible for the governance and management of LP&L in providing dependable and reliable electric service at reasonable and competitive rates to the citizens of Lubbock while being financially self-sustaining.

At the present time, LP&L's product is the generation, distribution, and service of electricity. LP&L operates in SPP and serves customers within the confines of its certificated areas as established by the PUCT. The PUCT regulates certain utility rates, operations, and services within the State, however, the PUCT does not have general jurisdiction of LP&L because it is a municipally owned utility. The PUCT does has authority over transmission rates, certificated areas of operation, and certain reporting requirements under the Texas Public Utility Regulatory Act. LP&L is authorized to charge and collect reasonable rates necessary to produce revenues sufficient to pay operational and maintenance expenses, debt service requirements, and other contractual commitments.

LP&L is currently in the process of constructing significant transmission assets in order to improve the reliability of the LP&L transmission system as well as to connect the LP&L system to the ERCOT power grid by June 1, 2021. An overview of the integration is included at the beginning of this report in the *Currently Known Facts* section of the MD&A. The ERCOT integration and system upgrades began to affect the asset structure in FY 2018-19, and will continue to impact the asset structure in the following two fiscal years. The ERCOT integration will also have a substantial impact on the Statement of Revenues, Expenses, and Changes in Net Position in future fiscal years.

B. Significant Accounting Policies

The financial statements are presented on an accrual basis and are in conformity with accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental enterprise funds. LP&L has adopted the principles promulgated by GASB.

The financial statements are prepared using the economic resources measurement focus. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Operating revenues are defined as revenues received from the sale of electricity and associated services. Revenues from capital and related financing and investment activities are defined as non-operating revenues. Restricted net position represents constraints on resources that are imposed by

bond indentures and may be utilized only for the purposes established by the bond indentures. Unrestricted net position may be utilized for any purpose approved by the Board and by the City Council through the budget process. When both restricted and unrestricted net position might be used to meet an obligation, LP&L first uses the restricted net position.

Equity in Cash and Investments

The City pools the resources of the various funds, including LP&L, to facilitate the management of cash and enhance investment earnings. Records are maintained that reflect each fund's equity in the pooled investments. Government agency bonds and municipal bonds are stated at fair value; while the Texas Short Term Asset Reserve (TexSTAR), Local Government Investment Cooperative (LOGIC), and Texas Cooperative Liquid Assets Securities System (Texas CLASS) state pools are stated at net asset value. Money market mutual funds (MMMFs) and the TexPool Local Government Investment Pool (TexPool) are stated at amortized cost.

Cash Equivalents

Cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and have original maturities of three months or less when purchased, which presents an insignificant risk of changes in value because of changes in interest rates.

Investments

Investments include State Investment Pools and securities in the Federal Home Loan Banks (FHLB), Federal Home Loan Mortgage Corporation (FHLMC), Federal National Mortgage Association (FNMA), Federal Farm Credit Bank (FFCB), Federal Agricultural Mortgage Corporation (FAMCA), Municipal Bonds, Commercial Paper, and MMMFs. Restricted investments include investments that have been restricted for bond- and note-financed capital projects and funds that have been restricted by bond covenants for debt service requirements.

Accounts Receivable

Accounts receivable balances represent amounts due primarily from metered customers. Metered revenues for the first fifteen days of every month are attributable to billing cycles in the prior month; therefore, metered revenues for the first fifteen days of the first month after the fiscal year-end are accrued and reported in accounts receivable. LP&L does not require collateral to support its accounts receivable. Management believes the recorded receivables, net of allowances totaling $3,434,626 are collectible.

Inventories

Inventories consist of expendable supplies held for consumption. Inventories are valued using the average cost method of valuation and are accounted for using the consumption method of accounting, e.g., inventory is expensed when used rather than when purchased.

Capital Assets and Depreciation

Capital assets are defined as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. All expenses associated with the development and construction of LP&L's ownership interests in the electric system have been recorded at original cost and are being depreciated on a straight-line basis over the estimated useful life of each asset.

LP&L utilizes the FERC USOA to classify fixed assets. The useful life of each asset is estimated as follows:

Intangible Plant	6-45 years	Production Plant	1-50 years
Transmission Plant	30-60 years	Distribution Plant	6-50 years
Regional Transmission and Market Operation Plant	5 years	General Plant	2-45 years

Major outlays for capital assets and improvements are capitalized as the projects are constructed. The cost of normal maintenance and repairs that do not increase the value of the asset or materially extend the useful life, are expensed when incurred.

Construction in Progress

All expenses related to capital additions are capitalized as construction in progress until they are completed. Depreciation expense is recognized on these items after the projects are completed. LP&L capitalizes interest costs according to GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre- November 30, 1989 FASB and AICPA Pronouncements*. LP&L capitalized interest totaling approximately $980,339, net of interest earned during FY 2020, and $1,221,386 net of interest earned during FY 2019.

Hold Harmless Payment

PUC Docket No. 47576 requires that upon integration to ERCOT on June 1, 2021, LP&L will make a one-time payment totaling $24.0 million to SPS to indemnify SPS and its customers for LP&L's integration into ERCOT. LP&L utilized the energy and capacity savings afforded by very low natural gas prices and the Capacity Contract and reserved $24.0 million from this savings. The payment is recorded in non-current liabilities.

Net Position

Total net position includes net investment in capital assets, along with restricted and unrestricted net assets. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted expendable net position includes noncapital assets that must be used for a particular purpose as specified by creditors, grantors or donors external to LP&L and the City, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings. Unrestricted net position includes remaining assets and deferred outflows, less remaining liabilities and deferred inflows that do not meet the definition of net investment in capital assets, restricted expendable, or restricted nonexpendable.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, deferred inflows, and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Interfund Transactions

Interfund transactions are accounted for as revenues or expenses on the Statements of Revenues, Expenses, and Changes in Net Position. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from that fund that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. In addition, transfers are made between funds to shift resources from a fund legally authorized to receive revenue to a fund authorized to expend the revenue. For additional information on interfund transactions, reference *Note 3: Interfund Transactions*.

GASB Pronouncements Effective in FY 2020

In FY 2020 there were no GASB pronouncements issued that would impact LP&L.

GASB Pronouncements Effective in FY 2019

In November 2016, GASB issued Statement No. 83 (GASB 83), *Certain Asset Retirement Obligations (ARO)* (GASB 83). GASB 83 establishes uniform criteria for governments to recognize and measure certain asset retirement obligations, defined as a legally enforceable liability associated with the retirement of a tangible capital asset. An ARO is recognized when the liability is incurred, which is manifested by the occurrence of both an external obligating event (such as a legally binding contract or a court judgment) and an internal obligating event (such as placing a tangible capital asset into service). A government also recognizes a deferred outflow of resources when it recognizes an ARO liability. The ARO is measured at the best estimate of the current value of outlays expected to be incurred. Additional note disclosures are required. GASB 83 was effective for the fiscal period ending September 30, 2019. The implementation had no material impact on LP&L.

In June 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* (GASB 88). GASB 88 specifies disclosures that should be made in the financial statements related to debt. It also provides a definition of debt so that governments know which types of liabilities should be included in those disclosures. If a government has direct borrowings or direct placements, disclosures related to these should be provided separately from disclosures related to other types of debt. GASB 88 was effective for the fiscal period ending September 30, 2019. The implementation had no impact on LP&L.

In December 2019, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* (GASB 89). GASB 89 requires that interest costs incurred before the end of a construction period be recognized as expenses in the period in which the costs are incurred. As a result, the interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. GASB 89 is effective for reporting periods beginning after December 31, 2019. LP&L is exempt from this standard as it operates in a regulated industry.

GASB Pronouncements Issued but not Yet Effective

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities* (GASB 84). GASB 84 establishes criteria for identifying fiduciary activities. It presents separate criteria for evaluating component units, pension and other postemployment benefit arrangements, and other fiduciary activities. GASB 84 is effective for the fiscal period ending September 30, 2021, however implementation will have no impact on LP&L.

In June 2017, GASB issued Statement No. 87, *Leases* (GASB 87). GASB 87 requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. GASB 87 is effective for the fiscal period ending September 30, 2022; however, implementation will have no impact on LP&L.

Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. LP&L has deferred charges on debt refunding. A deferred charge is the difference in the carrying value of refunded bonds and the reacquisition price and is deferred or amortized over the shorter of the life of the refunded bonds or the refunding bonds. LP&L has deferred outflows for pensions related to contributions, changes in actuarial assumptions and investment experience and for OPEB related to benefit payments and changes in actuarial assumptions. As of September 30, 2020, LP&L had fully amortized all goodwill as a deferred outflow of resources. (GASB Statement No. 85, *Omnibus 2017*, required goodwill from acquisitions under GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, to be reported as deferred outflow.)

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. Deferred inflows include pension actuarial differences in expected and actual experience, per GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. For additional information on deferred outflows/inflows related to pensions, reference *Note 8: Retirement Plan*.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the TMRS Plan and additions to/deductions from the TMRS' fiduciary net position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the City's total pension liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with GASB Statement No. 68. For additional information on deferred outflows/inflows related to pensions, reference *Note 8: Retirement Plan*.

NOTE 2: DEPOSITS AND INVESTMENTS

On September 30, 2020, the bank balance of LP&L's deposits was $3,728,713, with a carrying value of $3,281,115. All of the bank balances are covered by federal depository insurance or are fully collateralized.

Custodial Credit Risk – Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, a government's deposits may not be returned. The City's investment policy related to custodial credit risk requires compliance with the provisions of the Texas Public Funds Investment Act (PFIA).

State law requires collateralization of all deposits with federal depository insurance, eligible securities, or a surety bond having an aggregate value at least equal to the amount of the deposits. LP&L pools its monies with the City, and the City oversees and administers LP&L's investments. The City's investment policy requires the minimum collateral level to be 102% of market value of principal and accrued interest.

At September 30, 2020, City bank balances were not exposed to custodial credit risk as follows:

Insured	$ 96,450
Uninsured and collateral held by a third party financial institution in the City's name	3,632,263
Total	$ 3,728,713

Custodial Credit Risk - Securities

Securities with FNMA, FAMCA, FFCB, FHLMC, FHLB and municipal bonds are held in the City's name in third party safekeeping by a Federal Reserve member financial institution designated as a City depository. The City shall maintain a list of authorized broker/dealers and financial institutions, which are approved by the City's Audit and Investment Committee for investment purposes.

At September 30, 2020, LP&L had the following investments and maturities:

	30-Sep-20		
		Maturities in Years	
Type	Fair Value	Less Than 1	1-5
Federal Farm Credit Bank (FFCB)	$ 553,505	$ -	$ 553,505
Farmer Mac (FAMCA)	618,700	618,700	-
Federal Home Loan Banks (FHLB)	617,719	617,719	-
Federal Home Loan Mortgage Corporation (FHLMC)	-	-	-
Federal National Mortgage Association (FNMA)	470,593	-	470,593
Municipal Bonds	46,889,519	12,048,159	34,841,360
Commercial Paper	3,350,653	3,350,653	-
Money Market Mutual Funds	14,811,505	14,811,505	-
State Investment Pools *	122,761,803	122,761,803	-
Total	$ 190,073,997	$ 154,208,539	$ 35,865,458

*State Investment Pools are considered investments for financial reporting purposes.

At September 30, 2019, LP&L had the following investments and maturities:

	30-Sep-19		
		Maturities in Years	
Type	Fair Value	Less Than 1	1-5
Federal Farm Credit Bank (FFCB)	$ 5,127,293	$ 2,954,380	$ 2,172,913
Farmer Mac (FAMCA)	933,252	308,139	625,113
Federal Home Loan Banks (FHLB)	4,648,351	1,240,595	3,407,756
Federal Home Loan Mortgage Corporation (FHLMC)	3,240,396	1,078,488	2,161,908
Federal National Mortgage Association (FNMA)	4,570,043	1,541,095	3,028,948
Municipal Bonds	34,531,161	7,298,052	27,233,109
Commercial Paper	1,997,825	1,997,825	-
Money market mutual funds	7,504,879	7,504,879	-
State Investment Pools *	131,355,405	131,355,405	-
Total	$ 193,908,605	$ 155,278,858	$ 38,629,747

*State Investment Pools are considered investments for financial reporting purposes.

Investment in State Investment Pools

The City utilizes four state local government investment pools (LGIPs) that include: TexPool, TexSTAR, LOGIC and Texas CLASS.

The Texas Comptroller of Public Accounts (Comptroller) is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company (Trust Company), which is authorized to operate the TexPool Portfolios. Pursuant to the TexPool Participation Agreement, administrative and investment services to the TexPool Portfolios are provided by Federated Hermes, Inc. (Federated), under an agreement with the Comptroller, acting on behalf of the Trust Company.

The Comptroller maintains oversight of the services provided to the TexPool Portfolios by Federated. In addition, the TexPool Advisory Board advises on the investment policies for the TexPool Portfolios and approves any fee increases. As required by the PFIA, the Advisory Board is composed equally of participants in the TexPool Portfolios and other persons who do not have a business relationship with the TexPool Portfolios who are qualified to advise the TexPool Portfolios. TexPool is rated AAAm by Standard & Poor's (S&P). TexPool is not registered with the Securities and Exchange Commission (SEC) as an investment company. The pool offers same day access to its funds.

TexPool does not have any limitations or restrictions on participants' withdrawals that would have to be disclosed in the notes to the financial statements. All TexPool securities are reported within the highest category of credit ratings and are denominated in U.S. dollars. Per GASB Statement No. 40, *Deposit and Investment Risk Exposure*, TexPool is not exposed to custodial credit risk. Additionally, TexPool utilizes shadow pricing, which is consistently within 0.5% of amortized cost value per unit.

TexSTAR's governing body is a five-member board of directors. Three directors are officers or employees of participants; one member is employed by J.P. Morgan Investment Management Inc. (JPMIM); or an

affiliate; and one member is employed by Hilltop Securities Inc. (HTS), or an affiliate. TexSTAR's bylaws also require the TexSTAR board to appoint an advisory board.

The TexSTAR advisory board currently consists of six members, each of whom is either a representative of a participant or a person who has no business relationship with TexSTAR. The primary investment objectives of TexSTAR, in order of priority, are (i) the preservation of capital and protection of principal, (ii) the maintenance of sufficient liquidity, and (iii) yield. TexSTAR is rated AAAm by S&P. The pool offers same day access to investment funds.

LOGIC was established pursuant to an Interlocal Agreement, which was subsequently amended and is now entitled Participation Agreement and Trust Instrument between participating government entities. Participation in the pool is limited to those eligible government entities who have become parties to the participation agreement. Assets in the pool are represented by units of beneficial interest, which are issued in discrete series, as authorized from time to time by the LOGIC board. Assets invested in any series will be managed separately, and segregated from, the assets of every other series. Since September 2005, JPMIM has served as investment manager to LOGIC. Day to day administration of the pool is performed by HTS, and JPMIM. JPMIM or its affiliates provide investment management, custody and fund accounting services. The investment objectives of the pool are to seek preservation of principal, liquidity in accordance with the operating requirements of the participants, and a competitive rate of return. LOGIC is rated AAAm by S&P. The pool offers same day access to investment funds.

Texas CLASS was created specifically for the use of Texas local government entities and seeks to provide safety, liquidity, convenience, and competitive rates of return. Public Trust Advisors, LLC serves as the pool's administrator and investment adviser. The marketing and operation functions of the portfolio are also performed by Public Trust Advisors, LLC. The pool is subject to the general supervision of its board of trustees and its advisory board, both of which are elected by the Texas CLASS participants. Public Trust Advisors, LLC serves as the program administrator and Wells Fargo Bank, N.A. serves as custodian for the pool. The investment objective and strategy of the pool is to seek preservation of principal, liquidity and current income through investment in a diversified portfolio of short-term marketable securities. Texas CLASS is rated AAAm by S&P. The pool offers same day access to investment funds.

Interest Rate Risk

As a means of limiting its exposure to fair value losses due to rising interest rates, the City's investment policy limits investments to those that can be held to maturity and limits final maturity to no more than five years. The City uses the specific identification method for positions in fixed-rate securities. The LGIPs utilized by the City have laddered maturities within their funds, yet are redeemable in full within one day to the governments investing in the pooled funds. The City only invests in government pools and funds that maintain a stable $1 net asset value. While the interest income derived from these particular types of investments fluctuates based on market movements and the characteristics of the pools and funds, the value of the principal is not affected.

Credit Risk

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The City's investment policy allows investment in direct obligations of and other obligations guaranteed as to principal of the U.S. Treasury and U.S. agencies and instrumentalities and collateralized mortgage obligations directly issued by a federal agency or instrumentality of the U.S. The City's policy also allows

investment in obligations of the State of Texas or its agencies and obligations of states, agencies, counties, cities, and other political subdivisions rated not less than A or its equivalent. The City may also invest in collateralized certificates of deposit, banker's acceptances with stated maturities of 270 days or fewer, commercial paper rated at a minimum of A-1 or P-1 with stated maturities 270 days or fewer, no-load money market funds registered with the SEC, and constant dollar investment pools authorized by the City Council. On September 30, 2020, S&P rated the LGIPs AAAm. The senior unsecured debt for investments in FHLB, FAMCA, FFCB, FHLMC, and FNMA are rated AA+ by S&P and Aaa by Moody's. The municipal bond investments are rated between an AAA and A- by S&P and between an Aaa and A1 by Moody's.

Custodial Credit Risk

State statutes require that all City deposits in financial institutions be fully insured by the Federal Deposit Insurance Corporation, collateralized by U.S. Government obligations or obligations of Texas and its agencies that have a market value of not less than the principal amount of the deposits, or by a Letter of Credit from a Federal Agency.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The City requires that deposits and repurchase agreements be held in an institution that has a minimum collateral level of 102.0 percent of the market value. FNMA, FAMCA, FFCB, FHLMC, FHLB and Municipal Bond investments are held in the City's name in third party safekeeping by a Federal Reserve member financial institution designated as a city depository. The City shall maintain a list of authorized broker/dealers and financial institutions, which are approved by the Audit and Investment Committee for investment purposes.

Concentration of Credit Risk

The City places limits on the amount that may be invested in any one issuer, with the exception of U.S. Treasury obligations and LGIPs. As of September 30, 2020, LP&L's investments constituted the following percentages of total investments:

Investment	Percentage	WAM (Days)	Rating	Rating Agency
State Investment Pools	64.59%	1	AAAm	S&P
Municipal Bonds	24.67%	651	AA/Aa2	S&P/Moody's
Money Market	7.79%	1	AAAm/Aaa-mf	S&P/Moody's
FFCB	0.29%	853	AA+/Aaa	S&P/Moody's
FHLB	0.32%	64	AA+/Aaa	S&P/Moody's
FNMA	0.25%	544	AA+/Aaa	S&P/Moody's
FHLMC	0.00%	0	AA+/Aaa	S&P/Moody's
Commercial Paper	1.76%	102	A-1+/P-1	S&P/Moody's
FAMCA	0.33%	199	AA+/Aaa	S&P/Moody's

The City's investment policy places the following limits on the amount the City can invest in any type of authorized investment. All securities are rated A-, or equivalent, or better.

Authorized Investment	Policy Limitation
U.S. Treasury Obligations	100%
Agency Bonds	80%
Municipal Bonds	50%
Investment Pools	100%
Certificates of Deposit	30%
No Load Mutual Fund	30%
Commercial Paper	10%
Banker's Acceptance	10%

Foreign Currency Risk

This risk relates to adverse effects on the fair value of an investment from changes in exchange rates. The City has no foreign currency risk.

Disclosures about Fair Value of Assets and Liabilities

The City categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs.

There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities.

Recurring Measurements

LP&L has the following recurring fair value measurements based on the hierarchy above as of September 30, 2020:

September 30, 2020	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Federal Farm Credit Bank (FFCB)	$ 553,505	$ -	$ 553,505	$ -
Farmers Mac (FAMCA)	618,700	-	618,700	-
Federal Home Loan Bank (FHLB)	617,719	-	617,719	-
Federal Home Loan Mortgage Corporation (FHLMC)	-	-	-	-
Federal National Mortgage Association (FNMA)	470,593	-	470,593	-
Municipal Bonds	46,889,519	-	46,889,519	-
Commercial Paper	3,350,653	3,350,654	-	
Total investments by fair value level	$ 52,500,689	$ 3,350,654	$ 49,150,036	$ -
Investments measured at the net asset value				
TexStar	$ 51,612,736			
LOGIC	35,875,546			
Texas Class	32,823,451			
Total investments measured at the NAV	$ 120,311,733			
Investments measured at amortized cost				
TexPool	$ 2,450,070			
Money Markets	14,811,505			
Total investments at amortized cost	$ 17,261,575			
Total Investments	$ 190,073,997			

LP&L has the following recurring fair value measurements based on the hierarchy above as of September 30, 2019:

September 30, 2019	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Federal Farm Credit Bank (FFCB)	$ 5,127,293	$ -	$ 5,127,293	$ -
Farmers Mac (FAMCA)	933,252	-	933,252	-
Federal Home Loan Bank (FHLB)	4,648,351	-	4,648,351	-
Federal Home Loan Mortgage Corporation (FHLMC)	3,240,396	-	3,240,396	-
Federal National Mortgage Association (FNMA)	4,570,043	-	4,570,043	-
Municipal Bonds	34,531,161	-	34,531,161	-
Commercial Paper	1,997,825	1,997,825	-	
Total investments by fair value level	$ 55,048,321	$ 1,997,825	$ 53,050,496	$ -
Investments measured at the net asset value				
TexStar	$ 60,736,934			
LOGIC	31,555,411			
Texas Class	38,146,951			
Total investments measured at the NAV	$ 130,439,296			
Investments measured at amortized cost				
TexPool	$ 916,109			
Money Markets	7,504,879			
Total investments at amortized cost	$ 8,420,988			
Total Investments	$ 193,908,605			

LP&L's investments in debt securities are valued using Level 2 by FTI Consulting using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Matrix prices are verified against investment reports from the City's Safekeeping Institution, Wells Fargo.

NOTE 3: INTERFUND TRANSACTIONS

For FY 2020, there was no due to related party balance as Lubbock was deleted as a member public entity of WTMPA, effective October 1, 2019. For FY 2019, the due to related party balance was a short-term payable due to WTMPA, totaling $1,256,754.

At September 30, 2020 and 2019, LP&L had no internal financing.

A change occurred in FY 2020 that recorded PILOT and FFE payments as expenses, rather than transfers-out. Consistent treatment of these payments in FY 2020 would have resulted in "Transfers, net" totaling ($11,492,012) compared to ($13,658,064) in FY 2019. The offset for this change is recognized in Miscellaneous non-operating revenues (expenses). FY 2020 net transfers-in from other City Funds to LP&L, totaling $290,585, were the result of (i) a transfer in from the Water Fund for its share of AMI Debt Service, totaling $142,256, (ii) transfers in from the City Utility Funds for their share of the Citizen's Tower and CSIS Debt Service, totaling $1,222,871, and (iii) transfers in from the City Utility Funds for their share of purchases for vehicles and equipment, totaling $1,331,566; offset by (i) General Fund indirect cost allocations, totaling $1,266,838, and (ii) a payment to the City's Debt Service Fund to fund LP&L's portion of the Citizen's Tower debt service totaling $1,139,270 million. For additional information on transfers, refer to the *Results of Operations - Transfers* section of the MD&A.

For FY 2020, a transfer to WTMPA for management and administration did not occur due to the deletion of Lubbock as a member public entity of WTMPA, effective October 1, 2019. Additionally, the payments to the City's General fund for FFE and PILOT were classified as expenses rather than transfers beginning in FY 2020.

Net transfers out, totaling $13,658,064 for FY 2019, from LP&L to other City funds were the result of (i) General Fund indirect cost allocations, totaling $1,155,378; (ii) payments to WTMPA for management and administration, totaling $404,918; (iii) City franchise fee equivalents, totaling $9,818,831; (iv) Payment in lieu of taxes, totaling $1,963,766; (v) a payment to the City's Debt Service Fund to fund LP&L's portion of the Citizen's Tower debt service, totaling $1,602,863 million; offset by (i) a transfer in from the Water Fund for its share of AMI Debt Service, totaling $69,595; and (ii) a transfer in from the City Utility Funds, totaling $1,218,097.

NOTE 4: INVENTORY

The inventory at September 30, 2020 and 2019 was $1,799,535 and $1,917,349, respectively and was comprised of equipment and repair parts used in the maintenance and operations of the utility.

NOTE 5: PREPAID EXPENSES

The total prepaid expenses included in noncurrent assets, totaling $1,211,109 in 2020 and $1,344,442 in 2019, represent an advertising contract with Texas Tech University. The amortization began when the United Supermarkets Arena opened in FY 2000 and is for a total of thirty years.

NOTE 6: GOODWILL

The deferred outflow for goodwill represents the unamortized excess purchase price over the estimated value of capital assets related to the purchase of Southwestern Public Services Company (SPS) in 2011. The goodwill was being amortized over a 10-year period. Goodwill was completely amortized in FY 2020.

NOTE 7: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2020:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital Assets, Not Depreciated:				
Construction in Progress	$ 43,818,507	$ 144,480,796	$ 93,493,510	$ 94,805,793
Electric Production Plant	75,410	-	-	75,410
Electric Transmission Plant	421,061	1,955,325	-	2,376,386
Electric Distribution Plant	17,233,268	87,563	-	17,320,831
Electric General Plant	317,953	-	-	317,953
Total Capital Assets, Not Depreciated	61,866,199	146,523,684	93,493,510	114,896,373
Capital Assets, Depreciated:				
Electric Production Plant	91,660,709	-	5,375,413	86,285,296
Electric Transmission Plant	57,099,111	53,751,500	1,014,553	109,836,058
Electric Distribution Plant	308,344,702	34,324,675	5,395,236	337,274,141
Electric General Plant	35,215,117	3,277,111	704,220	37,788,008
Total Capital Assets, Depreciated	492,319,639	91,353,286	12,489,422	571,183,503
Less Accumulated Depreciation:				
Electric Production Plant	62,492,655	3,247,963	5,375,413	60,365,205
Electric Transmission Plant	13,172,770	1,276,698	821,485	13,627,983
Electric Distribution Plant	163,901,418	8,938,212	3,931,483	168,908,147
Electric General Plant	22,808,611	2,167,973	180,972	24,795,612
Total Accumulated Depreciation:	262,375,454	15,630,846	10,309,353	267,696,947
Total Capital Assets Depreciated, Net	229,944,185	75,722,440	2,180,069	303,486,556
Capital Assets, Net	$ 291,810,384	$ 222,246,124	$ 95,673,579	$ 418,382,929

Capital asset activity for the year ended September 30, 2019:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital Assets, Not Depreciated:				
Construction in Progress	$ 24,601,082	$ 77,717,065	$ 58,499,640	$ 43,818,507
Electric Production Plant	75,410	-	-	75,410
Electric Transmission Plant	35,046	386,015	-	421,061
Electric Distribution Plant	16,655,745	577,523	-	17,233,268
Electric General Plant	302,521	15,432	-	317,953
Total Capital Assets, Not Depreciated	41,669,804	78,696,035	58,499,640	61,866,199
Capital Assets, Depreciated:				
Electric Production Plant	89,510,463	2,150,246	-	91,660,709
Electric Transmission Plant	44,027,557	17,000,509	3,928,955	57,099,111
Electric Distribution Plant	278,989,598	35,753,248	6,398,144	308,344,702
Electric General Plant	32,928,812	2,898,216	611,911	35,215,117
Total Capital Assets, Depreciated	445,456,430	57,802,219	10,939,010	492,319,639
Less Accumulated Depreciation:				
Electric Production Plant	58,929,017	3,563,638	-	62,492,655
Electric Transmission Plant	16,060,554	675,441	3,563,225	13,172,770
Electric Distribution Plant	158,055,433	11,685,513	5,839,528	163,901,418
Electric General Plant	21,095,603	1,839,315	126,307	22,808,611
Total Accumulated Depreciation:	254,140,607	17,763,907	9,529,060	262,375,454
Total Capital Assets Depreciated, Net	191,315,823	40,038,312	1,409,950	229,944,185
Capital Assets, Net	$ 232,985,627	$ 118,734,347	$ 59,909,590	$ 291,810,384

Construction Commitments

LP&L had active construction projects at fiscal year-end. Projects included the continued construction of transmission lines, distribution lines, substation expansions, power plant upgrades, and electric system improvements.

Construction Commitments at September 30, 2020 were as follows:

Original Commitments	Spent-to-Date	Remaining Commitments
$ 428,288,386	$ 212,030,606	$ 216,257,780

NOTE 8: RETIREMENT PLAN

The City participates in TMRS for its retirement plan. All eligible employees are required to participate in TMRS. Neither the City, nor LP&L, maintains the accounting records, holds the investments, or administers the retirement plan.

The total of LP&L's net pension liabilities, deferred outflows of resources, and deferred inflows of resources related to pensions as of September 30, 2020 and 2019, and the pension expense for the years then ended are as follows:

	TMRS 2020	TMRS 2019
Net pension liability:	$ 15,566,804	$ 25,524,306
Deferred outflows of resources:	2,898,488	8,685,534
Deferred inflows of resources:	5,123,839	1,019,082
Pension expense:	3,590,063	4,941,896

Plan Description

LP&L provides pension benefits for all of its full-time employees through the City's pension benefits plan. The City participates as one of 888 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by TMRS. TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS' defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. Allocation of pension items to LP&L is done on the basis of payroll of LP&L participant employees in relation to total City employees. For 2020 and 2019 measurement periods, the allocation percentages were 19.17% and 19.30%, respectively. TMRS issues a publicly available CAFR that can be obtained at www.TMRS.com.

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the City Council, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits, with interest, were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

The adopted plan provisions for plan years 2019 and 2018 were as follows:

	Plan Year
Employee Deposit Rate	7.0%
Matching Ratio (City to Employee)	2 to 1
Years Required for Vesting	5
Service Retirement Eligibility (Expressed as Age/Years of Service)	60/5, 0/20

Contributions

The contribution rate for employees is 7% of employee gross earnings, and the matching percentage is 200%, both as adopted by the City Council. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

The employer contribution rates were 17.57% and 17.71% in calendar years 2020 and 2019, respectively. LP&L's contributions to TMRS for the years ended September 30, 2020 and 2019, were $3,673,229 and $3,546,906 respectively, and were equal to the required contributions.

Net Pension Liability

LP&L's net pension liability (NPL) was measured as of December 31, 2019 and 2018, and the total pension liability (TPL) used to calculate the NPL was determined by actuarial valuations as of these dates.

Actuarial Assumptions

The TPL in the December 31, 2019 and 2018 actuarial valuations was determined using the following actuarial assumptions:

2019:	
Inflation	2.5% per year
Overall payroll growth	2.75% per year
Investment Rate of Return	6.75%, net of pension investment expense, including inflation
2018:	
Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75%, net of pension investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with Public Safety table used for males and the General Employees table used for females. Mortality rates for healthy retirees and beneficiaries are based on the gender-distinct 2019 Municipal Retiree of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by the Society of Actuaries' ultimate mortality improvement scale (UMP scale) to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a four-year set-forward for males and a three-year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate is applied, for males and females respectively,

to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013.

Plan assets are managed on a total return basis, with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining the best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, Gabriel, Roeder, Smith & Company (GRS) focused on the area between (i) arithmetic mean (aggressive) without an adjustment for time (conservative) and (ii) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of arithmetic real rates of return for each major asset class in fiscal year 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
Non-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	10.0%	7.75%
Total	100.0%	

Discount Rate

The discount rate used to measure the TPL was 6.75% for both the December 2019 and 2018 actuarial valuations. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive plan members. Therefore, the long-term expected rate of return

on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

Changes in the Net Pension Liability	Increase (Decrease)		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (a)-(b)**
Balance at 9/30/2019	$ 133,136,822	$ 107,612,516	$ 25,524,306
Changes for the year:			
Service cost	3,401,281	-	3,401,281
Interest	9,296,376	-	9,296,376
Change of benefit terms	-	-	-
Difference between expected and actual experience	(645,102)	-	(645,102)
Contributions – employer	-	3,560,090	(3,560,090)
Contributions – employee	-	1,407,267	(1,407,267)
Change in assumptions	325,118	-	325,118
Net investment income	-	17,469,554	(17,469,554)
Benefit payments, including refunds of employee contributions	(7,031,899)	(7,031,899)	-
Administrative expense	-	(98,770)	98,770
Other changes	-	(2,967)	2,967
Net changes	$ 5,345,774	$ 15,303,275	$ (9,957,501)
Balance at 9/30/2020	**$ 138,482,596**	**$ 122,915,791**	**$ 15,566,805**

Sensitivity of the NPL to Changes in the Discount Rate

The following represents the NPL of LP&L at September 30, 2020, calculated using the discount rate of 6.75%, as well as what LP&L's NPL would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	**Discount Rate (6.75%)**	**1% Increase in Discount Rate (7.75%)**
LP&L Net Pension Liability	$ 33,924,315	$ 15,566,804	$ 440,016

Changes in the Net Pension Liability	Increase (Decrease)		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (a)-(b)**
Balance at 9/30/2018	$ 128,992,621	$ 113,437,814	$ 15,554,807
Changes for the year:			
Service cost	3,250,256	-	3,250,256
Interest	9,077,328	-	9,077,328
Change of benefit terms	-	-	-
Difference between expected and actual experience	(1,199,095)	-	(1,199,095)
Contributions – employer	-	3,469,374	(3,469,374)
Contributions – employee	-	1,345,605	(1,345,605)
Net investment income	-	(3,583,095)	3,583,095
Benefit payments, including refunds of employee contributions	(6,984,288)	(6,984,288)	-
Administrative expense	-	(69,275)	69,275
Other changes	-	(3,619)	3,619
Net changes	$ 4,144,201	$ (5,825,298)	$ 9,969,499
Balance at 9/30/19	**$ 133,136,822**	**$ 107,612,516**	**$ 25,524,306**

Sensitivity of the NPL to Changes in the Discount Rate

The following represents the NPL of LP&L at September 30, 2019, calculated using the discount rate of 6.75%, as well as what LP&L's NPL would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	**Discount Rate (6.75%)**	**1% Increase in Discount Rate (7.75%)**
LP&L Net Pension Liability	$ 43,618,804	$ 25,524,306	$ 10,638,265

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately-issued TMRS financial report, which can be obtained on TMRS' website at www.TMRS.com.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources (Related to Pensions)

For the years ended September 30, 2020 and 2019, LP&L recognized pension expense of $3,590,063 and $4,941,896 respectively. At September 30, 2020 and 2019, LP&L reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Balance at September 30, 2020	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ 242,479	$ -
Difference in expected and actual experience	-	1,147,955
Difference between projected and actual investment earnings	-	3,975,884
Contributions subsequent to the measurement date	2,656,009	-
Total	**$ 2,898,488**	**$ 5,123,839**

Balance at September 30, 2019	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ 19,034	$ -
Difference in expected and actual experience	-	1,019,082
Difference between projected and actual investment earnings	6,106,161	-
Contributions subsequent to the measurement date	2,560,339	-
Total	**$ 8,685,534**	**$ 1,019,082**

At September 30, 2020, the amount totaling $2,656,009 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability as of September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30:	
2021	$ (1,551,062)
2022	(1,528,269)
2023	181,672
2024	(1,983,701)
Total	**$ (4,881,360)**

NOTE 9: OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

LP&L participates in the City's OPEB, described as follows: The City sponsors and administers an informal single-employer health/dental plan. Texas statute provides that retirees from a municipality with a population equal to, or greater than, 25,000 and that receive retirement benefits from a municipal retirement plan are entitled to purchase continued health benefits coverage for the person and the person's dependents unless the person is eligible for group health benefits coverage through another employer. The State of Texas has the authority to establish and amend the requirements of this statute. No assets are accumulated in a trust that meets the criteria in paragraph four of GASB Statement 75. Neither the City, nor LP&L, issue stand-alone financial statements for the health/dental plan, but all required information is presented in the City's CAFR.

Benefits Provided

The contribution requirements of plan members are established by the City and may be amended as needed. Retiree medical/dental coverage levels are the same as coverage provided to active City employees in accordance with the terms and conditions of the current City Benefit Plan. Employees who retire with 15 or more years of service that retire who have a balance in excess of 90 days sick leave are eligible to continue receiving medical coverage in full 30 day periods for the term of their sick leave balance. Plan members may purchase retiree health/dental care coverage for eligible spouses and dependents at their own expense and receive a benefit from the blended premium rate from all of the employees participating in the City's health insurance plans. The City is not required to make contributions to the plan on behalf of the retirees and funds the plan on a projected pay-as-you-go financing method. The plan has 2,233 active participants who pay monthly premiums of $409/$23 (medical/dental) for single coverage and $777/$39 (medical/dental) for family coverage, pre-65.

Actuarial Methods and Assumptions

The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation rate	2.5% per annum
Actuarial cost method	Individual Entry Age
Discount rate	2.75%
Healthcare cost trend rate	Initial rate of 7.0% declining to an ultimate rate of 4.15% after 15 years
Salary increases	TMRS: 3.5% to 11.5%, including inflation

Demographic assumptions were updated to reflect the 2019 TMRS Experience Study as of December 31, 2018.

Mortality rates for TMRS: for healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas Mortality tables are used. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the mortality tables to account for future mortality improvements.

The healthcare trend rates were updated to better reflect the plan's anticipated experience and the repeal of the excise tax on high-cost employer health plans.

Discount Rate

For plans that do not have formal assets, the discount rate should equal the tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. For purposes of the most recent OPEB valuation, the municipal bond rate is 2.75% (based on the daily rate closest to but no later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"). The discount rate was 3.71% as of the prior measurement date.

Change in the Total OPEB Liability

	Total OPEB Liability
Balance at September 30, 2019	**$ 19,562,120**
Changes for the year:	
Service cost	1,151,287
Interest	694,564
Difference between expected and actual experience	(1,144,893)
Changes of assumptions	935,061
Benefit payments	(536,954)
Net changes	$ 1,099,065
Balance at September 30, 2020	**$ 20,661,185**

Sensitivity of the total OPEB Liability to Changes in the Discount Rate

	1% Decrease in Discount Rate (1.75%)	Discount Rate (2.75%)	1% Increase in Discount Rate (3.75%)
LP&L's Total OPEB Liability	$ 21,693,209	$ 20,661,185	$ 17,430,911

Sensitivity of the total OPEB Liability to Change in the Healthcare Cost Trend Rate

	1% Decrease in Healthcare Cost Trend Rate	Current Healthcare Cost Trend Rate Assumption	1% Increase in Healthcare Cost Trend Rate
LP&L's Total OPEB Liability	$ 17,693,703	$ 20,661,185	$ 21,466,392

OPEB Expense and Deferred Outflow of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2020 the LP&L recognized total OPEB expense of $1,814,982.

At September 30, 2020, LP&L reported deferred outflows of resources and deferred inflows of resources related to OPEB for the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference in expected and actual experience	$ -	$ 1,094,590
Changes in assumptions	1,409,147	623,019
Contributions subsequent to the measurement date	406,256	-
Total	**$ 1,815,403**	**$ 1,717,609**

Deferred outflows of resources (related to OPEB resulting from benefit payments subsequent to the measurement date), totaling $406,256, will be recognized as a reduction of the total OPEB liability as of September 30, 2020. Changes in assumptions within the OPEB deferred outflows and inflows of resources will be recognized in OPEB expense as follows:

Year ending September 30:	
2021	$ (31,004)
2022	(31,004)
2023	(31,004)
2024	(31,004)
2025	(99,990)
Thereafter	(84,456)
Total	**$(308,462)**

NOTE 10: DEFERRED COMPENSATION

LP&L participates in the City's deferred compensation program and offers its employees five deferred compensation plans in accordance with Internal Revenue Code Section 457. The plans are available to all LP&L's employees, and the plans permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The plans' assets are held in trust for the exclusive benefits of the participants and their beneficiaries. Neither the City, nor LP&L, provide administrative services or have any fiduciary responsibilities for these plans; therefore, they are not presented in the financial statements.

NOTE 11: LONG-TERM LIABILITIES

General Obligation Bonds and Certificates of Obligation

The City issued General Obligation Bonds and Certificates of Obligation on behalf of LP&L. The amounts of all outstanding balances are as follows:

Average Interest Rate	Issue Date	Final Maturity Date	Amount Issued	Balance Outstanding 9-30-20*	Balance Outstanding 9-30-19**
1.61	04/15/13	04/15/21	$ 5,990,000	285,000	$ 570,000
1.76	04/15/13	04/15/24	2,585,000	820,000	1,335,000
2.63	05/01/14	04/15/26	4,515,000	2,535,000	2,535,000
2.37	04/15/15	04/15/28	12,840,000	9,665,000	10,885,000
2.41	04/15/16	02/15/34	3,060,000	2,815,000	3,060,000
2.47	11/01/16	02/15/34	36,780,000	1,670,000	2,180,000
2.76	04/04/18	02/15/30	480,000	415,000	445,000
2.13	04/04/19	02/15/30	4,050,000	3,740,000	4,050,000
Total			**$ 70,300,000**	**$ 21,945,000**	**$ 25,060,000**

* Balance outstanding exludes $2,047,304 of net bond premiums and discounts.

** Balance outstanding exludes $2,598,253 of net bond premiums and discounts.

At September 30, 2020, the City and LP&L management believes it was in compliance with all financial bond covenants on outstanding general obligation bonded debt and certificates of obligation.

Electric Revenue Bonds

Interest Rate	Date	Date	Issued	9-30-20*	9-30-19**
2.45	10/15/10	04/15/20	$ 73,295,000	$ -	$ 8,655,000
1.90	05/21/13	04/15/24	14,960,000	5,225,000	6,910,000
3.09	05/01/14	04/15/34	16,245,000	10,615,000	11,635,000
3.41	04/15/15	04/15/35	11,865,000	9,720,000	10,185,000
3.04	04/15/16	04/15/46	8,155,750	6,240,000	6,585,000
3.60	08/15/17	02/15/47	17,760,000	16,930,000	17,200,000
3.64	07/12/18	04/15/48	93,925,000	87,395,000	90,380,000
Total			**$ 236,205,750**	**$ 136,125,000**	**$ 151,550,000**

* Balance outstanding exludes $14,930,998 of net bond premiums and discounts.

** Balance outstanding exludes $16,613,153 of net bond premiums and discounts.

At September 30, 2020, the City and LP&L management believes it was in compliance with all financial bond covenants on outstanding revenue bonds. The annual requirements to amortize LP&L's outstanding debt are as follows:

Fiscal	General Obligation Bonds		Revenue Bonds	
Year	Principal	Interest	Principal	Interest
2020-21	$ 3,260,000	$ 1,111,773	$ 7,045,000	$ 6,422,644
2021-22	3,110,000	967,894	8,170,000	6,104,494
2022-23	3,235,000	821,588	8,545,000	5,736,919
2023-24	2,500,000	675,438	8,275,000	5,324,106
2024-25	2,610,000	538,388	7,070,000	923,731
2026-30	7,230,000	601,488	30,310,000	19,502,406
2031-35	-	-	22,435,000	13,582,294
2036-40	-	-	16,360,000	8,959,550
2041-45	-	-	16,870,000	5,159,663
2046-50	-	-	11,045,000	1,042,725
Total	**$ 21,945,000**	**$ 4,716,569**	**$ 136,125,000**	**$ 72,758,532**

Long-term obligations (net of discounts and premiums) for the fiscal years ended September 30, 2020 and 2019 are as follows:

Fiscal Year 2020	Balance 9/30/2019	Additions	Deletions	Balance 9/30/2020	Due in one year
LP&L activities:					
General Obligation Bonds	$ 25,060,000	$ -	$ 3,115,000	$ 21,945,000	$ 3,260,000
Revenue Bonds	151,550,000	-	15,425,000	136,125,000	7,045,000
Bond Premiums	19,211,406	-	2,233,104	16,978,302	-
Compensated Absences	3,018,824	2,159,738	1,885,608	3,292,954	2,122,549
Other Postemployment Benefits	19,562,120	1,845,852	746,788	20,661,184	-
Net Pension Obligation	25,524,306	12,799,394	22,756,895	15,566,805	-
Total LP&L activities	$ 243,926,656	$ 16,804,984	$ 46,162,395	$ 214,569,245	$ 12,427,549

Fiscal Year 2019	Balance 9/30/2018	Additions	Deletions	Balance 9/30/2019	Due in one year
LP&L activities:					
General Obligation Bonds	$ 28,550,000	$ 4,050,000	$ 7,540,000	$ 25,060,000	$ 3,115,000
Revenue Bonds	167,090,000	-	15,540,000	151,550,000	15,425,000
Bond Premiums	21,503,661	316,828	2,609,083	19,211,406	-
Compensated Absences	2,808,238	1,952,043	1,741,457	3,018,824	2,221,995
Other Postemployment Benefits	19,348,418	1,716,921	1,503,219	19,562,120	-
Net Pension Obligation	15,554,807	12,400,478	2,430,979	25,524,306	-
Total LP&L activities	$ 254,855,124	$ 20,436,270	$ 31,364,738	$ 243,926,656	$ 20,761,995

Proceeds from the sale of bonds are used for the purpose of paying contractual obligations incurred for various electric system improvements and professional services rendered in connection therewith and costs associated with the issuance of the bonds. Proceeds from debt issuances are used primarily for capital related purposes and are included in net assets invested in capital assets, net of related debt.

General Obligation Bonds and Certificates of Obligation are payable from a combination of (i) the proceeds of continuing direct annual ad valorem tax, levied within the limits prescribed by law, on all taxable property within the City, and (ii) a pledge of surplus net revenues of the City's Waterworks System not to exceed $1,000. Electric Light and Power System Revenue Bonds are secured by a first lien on and pledge of the Net Revenues of the City's Electric Light and Power System. The City has not covenanted nor obligated itself to pay the Revenue Bonds from monies raised or to be raised from taxation.

In prior years, the City defeased bonds by placing the proceeds of the refunding bonds in an irrevocable trust account to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the government's financial statements. At September 30, 2020, LP&L has no outstanding defeased debt.

NOTE 12: SHORT-TERM LIABILITIES

LP&L entered into a note purchase agreement (direct borrowing) on April 23, 2019 with Bank of America, N.A. as part of the utility's Electric Light and Power System Revenue Revolving Note Program. The total aggregate principal amount available under this agreement is not to exceed $300 million. Under this agreement, LP&L can issue revolving notes with a maximum maturity date of 364 days from the purchase date. For notes issued by LP&L, the drawn rate pricing is 80 percent of the London Interbank Offered Rate plus a fixed spread of 34 basis points. For additional information on the program, refer to *Bank of America Direct Purchase Revolving Notes Program* section of the MD&A.

As of September 30, 2020, LP&L had notes outstanding, totaling $120,600,000, with a weighted average interest rate of 0.62% and a latest maturity date of August 2, 2021.

NOTE 13: RISK MANAGEMENT

The Risk Management Fund of the City accounts for liability and workers' compensation claims, and premiums for property/casualty insurance coverage. The Risk Management Fund generates its revenue through charges to other departments, including LP&L, which are based on costs.

In April 1999, the City purchased workers' compensation coverage, with no deductible, from the Texas Municipal League Intergovernmental Risk Pool with continuous coverage through September 30, 2009. Effective on October 1, 2009 through September 31, 2018 the City purchased workers' compensation coverage from Texas Political Subdivisions Joint Self-Insurance Fund (TPS). TPS operates as a self-insurance pool offering coverage to municipalities and other political subdivisions in accordance with the terms of inter-local agreements among members. The City obtains workers' compensation coverage through a guaranteed-cost plan. Guaranteed-cost members combine their contributions to cover pooled losses and expenses.

As required by an inter-local agreement, TPS obtains specific excess of loss coverage over and above the self-insured retention stated in the agreement so that members will not have joint and several liabilities beyond their required contribution. Effective October 1, 2018 the City purchased workers' compensation insurance with no deductible from Texas Mutual Insurance Company. Prior to April 1999 the City was self-insured for workers' compensation claims. Any claims outstanding prior to April 1999 continue to be the City's responsibility.

The City's self-insurance liability program is funded on a cash flow basis, which means that the servicing contractor processes, adjusts, and pays claims from a deposit account provided by the City until October 1, 2017. After October 1, 2017, all self-insurance liability claims are being adjusted and paid through the use of an in-house claims adjuster who, with the assistance of the City's risk manager, sets reserves. The City accounts for the liability program by charging premiums to replenish funds based upon losses, administrative fees, premiums, and reserve requirements. In order to control the risks associated with liability claims, the City purchases excess liability coverage with a $10 million annual aggregate limit and is subject to a $500,000 deductible per claim.

For self-insured coverage, the Risk Management Fund establishes claim liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Because actual claim costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claim liabilities does not necessarily result in an exact amount, particularly for liability coverage. Claim liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. Adjustments to claim liabilities are charged or credited to expense in the period in which they are incurred.

Additionally, property and boiler coverage is accounted for in the Risk Management Fund. Beginning in FY 2018, LP&L's property and boiler and machinery coverage was separated from the City's coverage as a cost savings measure. LP&L also purchases property coverage to include boiler and machinery coverage from an outside carrier. The policy has various deductibles for both property and boiler and machinery coverage. Premiums are charged based upon estimated premiums for the upcoming year.

Other small insurance policies, such as surety bond coverage and miscellaneous floaters, are also accounted for in the Risk Management Fund. LP&L is charged based on premium amounts and administrative charges.

The City accounts for all insurance activity in its Internal Service Funds.

NOTE 14: HEALTH INSURANCE

LP&L participates in the City's medical and dental insurance programs. LP&L provides medical and dental insurance for all full-time employees that are accounted for in the City's Health Benefits Fund. Revenue for the health insurance program is generated from each cost center based upon the number of active full-time employees. The City's plan is self-insured under an Administrative Services Only Agreement. The City purchases excess coverage totaling $700,000 per covered individual annually. Beginning on January 1, 2012, the City discontinued coverage that included an aggregate cap. The insurance vendor, based on medical trends, claims history, and utilization, assists in the determination of the individual deductible. The actuarially determined calculation of the claim liability was $1.87 million at September 30, 2020 for all health insurances including medical, prescription drugs, and dental. The City charges LP&L for health insurance, and LP&L reimburses the City through direct charges.

The City also provides full-time employees basic term life insurance. The life insurance policy has a face value totaling $10,000 per employee.

Full-time employees may elect to purchase medical insurance for eligible dependents at a reduced rate. Employees may elect to purchase dental insurance for eligible dependents. Employees may also elect, at their cost, to participate in several voluntary insurance programs such as vision insurance, voluntary life, and personal accident insurance.

NOTE 15: LITIGATION

LP&L is involved in various legal and regulatory proceedings. The following represents the outstanding claims against the City that relate to LP&L during the time period covered by the financial statements:

Associated Supply Company, Inc. and Federated Mutual Insurance Company
Associated Supply Company, Inc. (ASCO), and its insurer, Federated Mutual Insurance Company, have asserted a claim against the City of Lubbock, acting by and through LP&L, for approximately $360,996, related to alleged damages to a crane LP&L rented from ASCO on or about May 30, 2019. Currently, no litigation has been filed. While LP&L denies the liability and damages alleged, and will defend any such claims, the parties involved are attempting to resolve the disputed claims without litigation. The City of Lubbock is also working with its property insurer, AEGIS, regarding coverage for the repair costs component of ASCO's claim. Settlement negotiations remain ongoing.

Lubbock Power and Light
Required Supplementary Information
For the Year Ended September 30, 2020

LP&L's Schedule of Changes in Net Pension Liability and Related Ratios
Texas Municipal Retirement System (TMRS)

	2020	2019	2018	2017	2016	2015
Total pension liability						
Service Cost	$ 3,401,281	$ 3,250,256	$ 3,094,041	$ 2,944,598	$ 2,875,400	$ 2,528,145
Interest (on the Total Pension Liability)	9,296,376	9,077,328	8,538,646	8,107,660	7,972,442	7,639,097
Changes of benefit terms	-	-	-	-	-	-
Difference between expected and actual experience	(645,102)	(1,199,095)	(133,708)	(21,609)	(424,313)	(1,012,979)
Change of assumptions	325,118	-	-	-	199,125	-
Benefit payments, including refunds of employee contributions	(7,031,899)	(6,984,288)	(6,658,022)	(5,962,200)	(5,926,334)	(5,266,488)
Net Change in Total Pension Liability	5,345,774	4,144,201	4,840,957	5,068,449	4,696,318	3,887,775
Total Pension Liability - Beginning	133,136,822	128,992,621	124,151,664	119,083,215	114,386,897	110,499,122
Total Pension Liability - Ending (a)	$ 138,482,596	$ 133,136,822	$ 128,992,621	$ 124,151,664	$ 119,083,215	$ 114,386,897
Plan Fiduciary Net Position						
Contributions - Employer	$ 3,560,090	$ 3,469,374	$ 3,276,308	$ 3,112,712	$ 3,207,998	$ 3,061,656
Contributions - Employee	1,407,267	1,345,605	1,277,854	1,213,195	1,209,360	1,127,051
Net Investment Income	17,469,554	(3,583,095)	14,484,811	6,642,534	145,404	5,346,027
Benefit payments, including refunds of employee	-	-	-	-	-	-
contributions	(7,031,899)	(6,984,288)	(6,658,022)	(5,962,200)	(5,926,334)	(5,266,488)
Administrative Expense	(98,769)	(69,274)	(75,081)	(75,034)	(88,569)	(55,818)
Other	(2,967)	(3,619)	(3,806)	(4,042)	(4,374)	(4,589)
Net Change in Plan Fiduciary Net Position	15,303,276	(5,825,298)	12,302,064	4,927,165	(1,456,516)	4,207,839
Plan Fiduciary Net Position - Beginning	107,612,516	113,437,814	101,135,750	96,208,585	97,665,101	93,457,262
Plan Fiduciary Net Position - Ending (b)	$ 122,915,792	$ 107,612,516	$ 113,437,814	$ 101,135,750	$ 96,208,585	$ 97,665,101
Net Pension Liability - Ending (a) - (b)	$ 15,566,804	$ 25,524,306	$ 15,554,807	$ 23,015,914	$ 22,874,630	$ 16,721,796
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	88.76%	80.83%	87.94%	81.46%	80.79%	85.38%
Covered Payroll	20,102,133	19,220,910	18,243,168	17,476,056	17,259,301	16,080,396
Net Pension Liability as a Percentage of Covered Payroll	77.44%	132.79%	85.26%	131.70%	132.54%	103.99%

Lubbock Power and Light
Required Supplementary Information
For the Year Ended September 30, 2020

LP&L's Schedule of Contributions
Texas Municipal Retirement System (TMRS)

	2020	2019	2018	2017	2016	2015
Actuarially Determined Contribution	$ 3,673,229	$ 3,546,906	$ 3,351,716	$ 3,187,375	$ 3,090,958	$ 3,063,920
Contributions in relation to the actuarially determined contribution	$ 3,673,229	$ 3,546,906	$ 3,351,716	$ 3,187,375	$ 3,090,958	$ 3,063,920
Contribution deficiency (excess)	-	-	-	-	-	-
Covered payroll	20,861,435	19,925,007	18,597,062	17,754,334	17,054,069	16,406,171
Contributions as a percentage of covered payroll	17.61%	17.80%	18.02%	17.95%	18.12%	18.68%

Notes to Schedule of Contributions

Valuation Date:	December 31, 2019
Notes	Actuarially determined contribution rates are calculated as of December 31st and become effective in January, 12 months and one day later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	26 years
Asset Valuation Method	10 Year smoothed market, 12% soft corridor
Inflation	2.5%
Salary Increases	3.5% to 11.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB (10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.
Other Information:	
Notes:	There were no benefit changes during the year.

Information in this table has been determined as of the City's most recent fiscal year-end (September 30) and will ultimately contain information for ten years.
Source: TMRS Reporting Package

Lubbock Power and Light
Required Supplementary Information
For the Year Ended September 30, 2020

LP&L's Schedule of Changes in Total OPEB Liability and Related Ratios

	2020	2019	2018
Total OPEB liability			
Service Cost	$ 1,151,287	$ 1,071,285	$ 946,297
Interest (on the Total OPEB Liability)	694,564	645,635	669,193
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(1,144,893)	(158,630)	-
Change of assumptions	935,061	(843,145)	1,007,111
Benefit payments	(536,954)	(501,443)	(730,310)
Net Change in Total OPEB Liability	1,099,065	213,702	1,892,291
Total OPEB Liability - Beginning	19,562,120	19,348,418	17,456,127
Total OPEB Liability - Ending (a)	$ 20,661,185	$ 19,562,120	$ 19,348,418
Covered Payroll	16,259,982	16,958,146	16,596,735
Net OPEB Liability as a Percentage of Covered Payroll	127.07%	115.36%	116.58%

NOTE: The City implemented GASB Statement No. 75 in FY 2018. Information in this table has been determined as of the measurement date (December 31) of the total OPEB liability and will ultimately contain information for ten years.

Changes in assumptions: reflects a change in the discount rate from 3.31% as of December 31, 2018 to 2.75% as of December 31, 2019, revised demographic and salary increase assumptions, and updates to the health care trend assumption.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Lubbock Power and Light
An Enterprise Fund of the City of Lubbock
Glossary

4CP	Four Concident Peak Calculation
AMI	Advanced Metering Infrastructure
APR	Annuity Purchase Rates
ARO	Asset Retirement Obligation
ARR	Auction Revenue Rights
bps	Basis Points
CAFR	Comprehensive Annual Financial Report
CCN	Certificate of Convenience and Necessity
CCS	Customer Cloud Service
CIS	Customer Information System
COVID-19	Coronavirus Disease 2019
CSIS	Customer Service Information Systems
EAN	Entry Age Normal
EIA	U.S. Energy Information Administration
ERCOT	Electric Reliability Council of Texas
FAMCA	Federal Agricultural Mortgage Corporation
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FFCB	Federal Farm Credit Bank
FFE	Franchise Fee Equivalent
FHLB	Federal Home Loan Banks
FHLMC	Federal Home Loan Mortgage Corporation
FNMA	Federal National Mortgage Association
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GASB	Governmental Accounting Standards Board
HTS	Hilltop Securities, Inc.
IM	Integrated Marketplace (Southwest Power Pool)
KW	Kilowatt
KWH	Kilowatt-hour
JPMIM	J.P. Morgan Investment Management Inc.
kV	Kilovolt
LGIP	Local Government Investment Pools
LMP	Locational Marginal Price
LOGIC	Local Government Investment Cooperative
LP&L	Lubbock Power & Light
LSE	Load Serving Entity
MD&A	Management’s Discussion and Analysis
MDM	Meter Data Management System
MMBTU	One million British Thermal Units
MMMF	Money Market Mutual Funds
MWFM	Mobile Work Force Management
MW	Megawatt
MWH	Megawatt-Hour
NERC	North American Electric Reliability Corporation
NPL	Net Pension Liability
NYMEX	New York Mercantile Exchange
O&M	Operations & Maintenance
OMS	Outage Management System
OPEB	Other Postemployment Benefits
PFIA	Public Funds Investment Act
PILOT	Payment in Lieu of Taxes
PMC	Power Marketing Company
PCRF	Power Cost Recovery Factor
PUCT	Public Utility Commission of Texas
QSE	Qualified Scheduling Entity
RP2000	Society of Actuaries Retirement Plan 2000 Mortality Table
S&P	Standard & Poor's
SAAS	Software as a Service
SCADA	Supervisory Control and Data Acquisition
SEC	Securities & Exchange Commission
SPP	Southwest Power Pool
SPS	Southwestern Public Service Company
TCOS	Transmission Cost of Service
TCR	Transmission Congestion Rights
TMRS	Texas Municipal Retirement System
TPL	Total Pension Liability
TPS	Texas Political Subdivisions
TTUS	Texas Tech University System
UCA	Unit Contingent Agreement
USOA	Uniform System of Accounts
WAHA	The key West Texas trading hub and pricing point
WTMPA	West Texas Municipal Power Agency

Acknowledgements

LP&L would like to thank the City of Lubbock Accounting Department for their assistance in preparing the FY 2020 LP&L Annual Financial Report. Preparation of this report would not have been possible without the timely cooperation and assistance of the following individuals:

D. Blu Kostelich	Chief Financial Officer
Linda Cuellar, CPA	Director of Accounting
Brack Bullock	Accounting Manager
Veronica Valderaz	Accounting Manager
Deborah Hansard	Senior Accountant
Amber Aguilar	Senior Accountant
Amber Painter, CPA	Senior Accountant
Meg Beverly	Senior Accountant

Additionally, employees of the LP&L Finance, Accounting and Customer Information Systems Departments have provided many hours of work in preparing the FY 2020 LP&L Annual Financial Report. Preparation of this report would not have been possible without the efforts of the following individuals:

Kacey Ortiz	Accountant II
Ricky L. Rodriguez	Accountant I
Pratik Bhakta	Account Clerk
Daniel Garcia	Electric Utility Financial Analyst
Tonika Thomas	Financial Analyst I
Crystal Brown	Utility Billing & CIS Supervisor

Lubbock Power & Light • 1314 Avenue K, 5th Floor • Lubbock, TX 79401
www.LPandL.com • (806) 775-2509