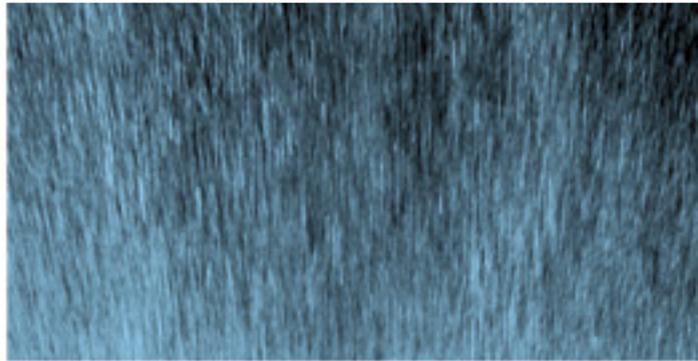


FOCUSED



2015 ANNUAL REPORT



A TEXAS MEDICAL CENTER INSTITUTION

TABLE OF CONTENTS

Board of Directors	2
Letter from President and CEO Stephen K. Swinson, PE and Chairman Bradley N. Howell	3
FOCUSED	
Excellence: Denise Castillo-Rhodes	4
Excellence	6
Lifelong Learning	10
LOOKING BACK	
FY2015 Accomplishments	16
REVIEWING THE ASSETS	
Metrics	17
EVALUATING THE NUMBERS	
Financials and Operating Statistics	18
FOCUSED ON EXCELLENCE AND LIFELONG LEARNING	
The TECO Team	20

BOARD OF DIRECTORS



Bradley N. Howell
Chairman, TECO Board of Directors
Chairman & CEO, Lodestar Logistics
Representative, The Texas Medical Center



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Senior Vice President & Chief
Facility Services Officer,
Memorial Hermann Health System



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Vice Chairman, TECO Board of Directors
Director, DeWalch Technologies Inc.
Representative, Texas Children's Hospital



Barry Nelson, Ph.D.
Vice President for Finance and
Administration, The Texas A&M University
System Health Science Center



Kevin Dillon
Senior Executive Vice President, Chief
Operating and Financial Officer,
The University of Texas Health Science
Center at Houston



Bruce Phillips
Partner, PinPoint Commercial, LP
Representative, CHI St. Luke's Health



Weldon Gage
Chief Financial Officer, The University of
Texas MD Anderson Cancer Center



Joe Standridge, Jr., PE
Associate Vice President, Facilities
Management and Construction,
Texas Woman's University

David Dixon
Executive Director of Program Management
Office of Facilities Planning and Construction,
The University of Texas System

PRESIDENT AND CEO



Stephen K. Swinson, PE
President and Chief Executive Officer

ALTERNATE DIRECTORS

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Facilities Manager Houston
Texas Woman's University

Denise Castillo-Rhodes
Secretary, TECO Board of Directors
Executive Vice President & CFO, Finance & Administration
The Texas Medical Center

Peter Dawson
Senior Vice President Facilities Services
Texas Children's Hospital

Clay Hanks, Ph.D.
Director of Operations
The Texas A&M University System Health Science Center

Michael Hatton
Vice President, System Facilities Engineering
Memorial Hermann Health System

Richard McDermott*
Vice President, Facilities, Planning and Engineering
The University of Texas Health Science Center at Houston

Spencer Moore
Chief Facilities Officer
The University of Texas MD Anderson Cancer Center

*Retired November 2015; replaced by Williams "Wes" Stewart in February 2016

To our customers and friends in the Texas Medical Center and our energy industry colleagues

There is no such thing as an uneventful day on the Texas Medical Center campus. We sometimes hear news about a new treatment for kidney cancer, a successful separation of conjoined twins, a global health collaborative conference drawing the world's top healthcare professionals, or the newest class of companies named to the Texas Medical Center accelerator (TMCx) – all in one day.

Whether you're reading the news on "TMC Today" or directly involved in its achievement, it's clear that institutions at the Texas Medical Center are committed to excellence and lifelong learning. We're honored that in the following pages TMC's Chief Financial Officer and TECO's Executive Committee member Denise Castillo-Rhodes expounds on those cornerstones, sharing how dedicated employee engagement is vital to making world-leading strides in patient care, research and education.

Thermal Energy Corporation (TECO), too, aims for continuous improvement by investing in employee training and education. Not only is it a way to show employees they are valued, but it instills confidence and improves performance. By making advancement and mobility possible within the company, we retain

good people, keep them fresh and preserve institutional memory.

In this year's annual report, "Focused," a number of our employees tell their stories – in their own words – about how a focus on excellence and lifelong learning has made a difference in their lives. Their stories just scratch the surface, reflecting on all of the talented people who cross our threshold each and every day to serve chilled water and steam to our customers, our inspiration and driving force.

In 2015, our employees once again helped us achieve 100% chilled-water and steam service reliability and provide customers with a refund, this year nearly \$3.2 million. They are supported by an engaged Board of Directors that supports our efforts and understands the investments needed to achieve such success. We are grateful.

2015 also brought TECO into the limelight. Our 48 MW combined heat and power (CHP) system garnered a 2015 ENERGY STAR CHP Award from the U.S. Environmental Protection Agency's CHP Partnership. This national award was bestowed on just three organizations in 2015, recognizing those that use CHP

systems to improve electric generation efficiency and reduce emissions. We thank our employees and our Board of Directors who made that achievement possible.

TECO is proud to be just one of the many award-winning organizations on the Texas Medical Center campus. We look forward to moving together into the years ahead, all staying focused on the mission at hand, always leading the way.



Stephen K. Swinson, PE
President and Chief Executive Officer



Bradley N. Howell
Chairman



“It’s clear that our best long-term investment is in them,
our incredibly talented team members...”

Denise Castillo-Rhodes

FOCUSED EXCELLENCE



Denise Castillo-Rhodes

Executive Vice President and Chief Financial Officer, Texas Medical Center
Secretary, TECO Board of Directors

Responsibilities

Castillo-Rhodes: Let’s see. I started working at Texas Medical Center in 2000, right after TMC purchased the former Nabisco cookie factory, where I was “chief cookie bean counter.” I like to say that I wrote myself into the sales contract and chained myself to the building and said we were a package deal!

In 2004, I became TMC’s chief financial officer with oversight and leadership of accounting, finance, budgeting, billing and collections, investments, debt financing and tax compliance. Additionally, as a member of the executive leadership team, I am involved in the formation of the long-term strategic initiatives and planning, which includes the development of the

collaborative bio-life science ecosystem.

TMC’s most important asset

Castillo-Rhodes: TMC’s most important asset and resource is human capital. There are so many kind, caring and brilliant people who work here because they want to make a difference in people’s lives. It’s invigorating to see them at the forefront of finding cures for numerous life-threatening diseases and illnesses.

It’s clear that our best long-term investment is in them, our incredibly talented team members – just as an investment in an excellent preventative maintenance program keeps physical infrastructure in top operating condition. Our people bring excellence to the table.

Without them we would not be able to achieve our goals.

As a result, we are now focusing on four areas to create an environment in which employees can go faster, soar higher and grow stronger: development, retention, engagement and mentorship. Employees stay engaged at work because they see opportunities for career growth, lifelong learning and development. The cost of replacing talented employees can average as much as three times that employee’s annual salary.

Once they’re here, we need to do our best to keep employees engaged. Disengaged employees cost enormous sums of money in lost productivity and tend to bring morale down for the rest of the organization.

Just over 15 years ago, Denise Castillo-Rhodes left the aroma of freshly baked cookies and her job as controller at Nabisco Biscuit Company to join the Texas Medical Center. Today she is Texas Medical Center’s chief financial officer and that former cookie factory has transformed into the John P. McGovern Campus, a Life Science Campus featuring the TMC Accelerator (TMCx), co-working space TMCx+, and a wet lab incubator called JLABs@TMC. Castillo-Rhodes shares a look back, a look ahead and a look at **TECO**.



Texas Medical Center transformed a former cookie factory into the vibrant John P. McGovern Campus, a Life Science Campus, with the opening of the TMC Accelerator (TMCx), co-working space TMCx+, and a wet lab incubator called JLABs@TMC.

Finally, people with mentors are twice as likely to stay inside an organization and are more productive. So pairing employees with a mentor is important.

Involvement with TECO

Castillo-Rhodes: I joined TECO’s Finance and Audit Committee right after moving into my role as TMC’s chief financial officer. I took over as committee chair a few years later.

The Finance and Audit Committee provides oversight and supports TECO’s commitment to conduct business in a fiscally responsible, transparent manner under the highest ethical standards. This fiscal rigor has greatly contributed to TECO’s financial success and resulted in a credit rating increase to AA by Standard & Poor’s and Moody’s a few years back.

Over the years, TECO has transitioned its audit services from an international to a national accounting firm, incorporated risk management and capital improvement reserves, and implemented a fuel-purchasing program to mitigate fuel-cost volatility. Plus, it has added substantial network capacity, lowering the fixed costs per unit of measure while increasing revenue. TECO also refinanced some debt, resulting in millions of dollars in savings for customers.

TECO’s employees made these changes happen, and it’s a pleasure to work with them. Everyone I’ve worked with at TECO is passionate about what they do. Striving for quality and achieving 100% reliability are always front and center on their minds.

Texas Medical Center’s overarching goals:

Provide the best healthcare for patients.

Provide the best academic training for healthcare professionals.

Support medical research.

FOCUSED EXCELLENCE

Maintenance



Johnny Runyan, Maintenance Supervisor. Joined TECO: 1982

When Johnny Runyan started at TECO, all employee scheduling was done on 3"x5" index cards. So yes, Johnny admits, he has been around a while!

Given the system's growth and change, Johnny is grateful that TECO has now computerized both staff and maintenance scheduling. "We probably have four times as much equipment as we had before we added our combined heat and power system," says Johnny. "But computerization allows us to better track our maintenance tasks and has served as a training tool to learn more about our CHP system and ancillary equipment. It keeps overhead down by putting information at our fingertips."

Maintenance tools have also evolved with the introduction of infrared imaging and vibration-monitoring instruments, to name

a few. Equipment readings are even more accurate, with little room for error.

"Diagnostics are invaluable, but you still need a human on the job," says Johnny. "Each piece of equipment has a special sound and feel, and after you've been around a while you can quickly tell if something's off, giving us a head start on resolving any issues."

Although Johnny first worked on TECO's boilers as a contractor back in 1970, he still finds the job exciting. "I like to describe TECO as dynamic. Nothing here is stagnant. There is always something new, which keeps you challenged and satisfied. TECO and I get along great. Right now I may be supervising 18 people, but all of the folks here are family."

"Diagnostics are invaluable, but you still need a human on the job."

“When people hear I do maintenance work, they immediately think I’m just turning wrenches. I may turn a wrench or two, but it’s much more than that. You have to know how the equipment works, where to look if it doesn’t and which tools to use to fix it. We now align equipment with lasers and use borescopes to inspect inside. That saves time since we can pinpoint problems more quickly and precisely. It’s one way to go the extra mile. If you get it right the first time, you don’t have to redo it. Our number one priority is to keep this plant running. It’s more than a job to me because of the people we serve.”

Mike Handorf, Mechanic III, Backup Maintenance Supervisor
Joined TECO: 1983



“I started as a mechanic III, but later was put in the position to oversee the combined heat and power system, coordinating CHP operation and maintenance. I direct our participation in the Operational Reliability Analysis Program that captures data from international power plants so we can compare our CHP performance against others and identify ways we can improve. On site, I work closely with our turbine manufacturer, GE, to test new technologies under its guidance. TECO is committed to staying ahead of the curve by learning from industry leaders, then setting an example as well.”

Don Stowe, Gas Turbine Specialist
Joined TECO: 2010



IN FOCUS

TECO retains three full-time coating specialists who keep plant and piping materials free of corrosion.

FOCUSED EXCELLENCE

Human Capital

“As I continued to ask for additional responsibilities, they provided lots of mentoring and guidance.”



Rey Regresado, PE, Instrument & Controls Field Engineer. Joined TECO: 2007

Rey Regresado has wanted to work with electricity ever since he was a 10-year-old fascinated by the single light bulb that lit his family’s home in the Philippines.

Rey pursued his vision, got his education and became an instrument technician working in a local paper mill – leaving only when he and his wife moved to Houston to further her nursing career. He soon answered TECO’s newspaper ad for an instrument technician and became part of the TECO family.

But it wasn’t necessarily an easy transition. “In addition to adjusting to the

culture, I had to learn all new equipment and switch from metric to standard measurement,” says Rey. “But the folks at TECO sent me to special training to get me up to speed. As I continued to ask for additional responsibilities, they provided lots of mentoring and guidance.” Rey was fully on board and part of the commissioning process when TECO started up its expansion project in 2011.

Yet Rey wanted to learn even more. When he told his supervisor that he was interested in pursuing his Professional Engineer license, the company’s “PEs”

took a vested interest, and TECO provided financial assistance through its educational reimbursement program. They helped him meet his requirements, including documenting his eight years of work experience.

The result? Rey received his Professional Engineer license in 2015 and is slated to take additional courses on programming controls. He has come a long way from that single light source in the Philippines!



“One day I might be assisting in the warehouse, performing maintenance on a 5,000-ton chiller, or overseeing a boiler retubing project. On yet another I might be operating a manlift assisting contractors and employees. I like the variety. I may be the new kid

on the block, but I like working hard and improving my skills. Although I’m not an operator, I’m voluntarily taking TECO’s operator training courses to learn more about the purpose of each piece of equipment, figuring it will help me do my job. I finished the online training and am

going to continue with the book learning. My direct supervisor, his supervisor and the president have all inspired me. I’m going to keep it up!”

Ryan Doucet, Mechanic II
Joined TECO: 2012

Fiscal Rigor



“So far the best part of working here has been participating in the FY2015 audit. It was my first audit at TECO, and all went smoothly. It was rewarding to hear that we got a passing grade – no exceptions. Plus, soon after I started, TECO sent me to an International District Energy Association conference to learn more about the industry. I’m not an engineer, but the experience was invaluable. I was able to put what we do in context and even better understand that optimal finance and accounting functions are critical to keeping the system running smoothly.”

Jared Schneider, CPA,
Financial Operations Accountant
Joined TECO: 2014



“I’m drawn to anything analytical, so my job is an excellent fit. I started here as a financial analyst, then transitioned into Business Operations where my primary role is to monitor customer metering and consumption and plant metrics. Our goal is high accuracy, so I work closely with our instrument technicians when readings appear to be off so they can quickly make adjustments. To help me in that role, I obtained my Business Energy Professional certification through the Association of Energy Engineers. TECO provided me with this training, and it piqued my interest. I’m ready to continue learning.”

Jared Marish, Energy Analyst
Joined TECO: 2003



“This might be pushing it, but I’m kind of the company’s energy-efficiency guru. TECO has me crunch the numbers, analyze plant data and create daily efficiency reports to share with operating shift leaders. They compare data between shifts to see what was done differently from shift to shift, adjusting operations accordingly to improve efficiencies. Then we archive the data. I love my work and was looking for a way to add to my knowledge. In 2015, I obtained my Energy Efficiency Practitioner certificate from the Association of Energy Engineers and am pursuing my Professional Engineer license – all with TECO’s support.”

Kyle Fridley, Energy Engineer
Joined TECO: 2013

FOCUS
EXCELLENCE

FOCUSED LIFELONG LEARNING

Operator Training



Antonio Lopez, Operations Supervisor; Leader, Operators Training and Certification Program. Joined TECO: 1983

If anyone asks Antonio Lopez if achieving the American dream is possible, he quickly answers, “yes!” He’s living proof. Originally from El Salvador, Lopez first set foot at TECO as a member of the building’s cleaning crew, running a vacuum, dusting the offices and taking out the trash. Today Lopez is TECO’s operations supervisor and runs the on-the-job training for the company’s Operators Training and Certification Program (OTCP).

Given Lopez’s rise through the organization, he’s a natural fit to lead the program since he genuinely understands its importance. For Lopez it all began when TECO recognized

his potential and tapped him for its distribution maintenance crew. After that he moved to maintenance and then to operations, where he became an operations shift leader. In 2008, he was promoted to operations supervisor.

“We all want to move up in life,” says Lopez. “So I don’t think I’m that different from anyone else. But I took advantage of the training they gave me and listened closely to my supervisor. One thing he said is that as a leader it’s okay to be firm, but there are respectful ways to lead. I’ll never forget that.”

Since 2010, Lopez has worked closely with TECO Executive Vice President Larry Null, who developed the OTCP,

providing an operator’s insight on how to make the program most effective. He and Null continue to expand and optimize it.

“It’s rewarding to see the operators work their way through the program,” says Lopez. “I see myself in them and hope they have the same opportunity to succeed here that I’ve had.”



“Before I came to TECO, I was a water plant operator in Iraq and Afghanistan, which gave me some of the experience I needed before starting here. First I was an operator trainee, then moved to operator I, and now I’m operator II. I’ll be going for my First Grade Stationary Engineer License through the City of Houston in 2016. Given what I’ve learned on the job and through our

training program, I have a great chance of passing the exam. Once you get your license, you can expand your responsibilities within the plant. But there’s always plenty to do, especially when we hit the cooling season. That’s our busiest time of year.”

Dennis Foster, Operator II
Joined TECO: 2010

“I started in distribution system maintenance, then moved to plant maintenance, and now I’m a plant operator. When I worked on the distribution system, I came in contact with customers and saw first-hand how they rely on us to keep their patients and staff comfortable and the research safe. So I can see why it’s important to keep learning. TECO helped me get my Associate’s degree in physical science in 2009, and now I’m going after my Bachelor’s degree. I’ve gone through the OTCP and just received the City of Houston’s First Grade Stationary Engineer license. We have to be on our toes and ready for anything.”

Lamont McClinnis, Operator II
Joined TECO: 2008



“I started at TECO before it had the current operator training program. We certainly got good training, but not anywhere near what we have now. Even those of us who have been around a while have gone through the new program. There are written tests and you have to test out of one area before moving on to the next. The best part is learning specifics about equipment you

work with every day. Sometimes the manufacturers come to provide the training. I’ve learned things I didn’t know, even though the equipment is under my nose every day. So it’s been good. There’s always something you can learn.”

Javier Castillo, Operator II
Joined TECO: 2008

“TECO has an extensive operator training program. As an operator trainee, I took online classes to learning the basics about the technology. Now I’ve moved on to learn more about how specific pieces of equipment work. Plus, I work alongside the operators every day to see what they do and how they do it. It’s been especially interesting to learn about the combined heat and power

system and how they keep that running reliably and safely. In addition to my training at TECO, I’m taking classes at Lee College to get my Associate’s degree in process technology. Together they’ve gotten me off to the right start.”

Shane Williams, Operator Trainee
Joined TECO: 2014





OPERATOR TRAINING

Operator Training and Certification Program (OTCP) -
Rolled out FY2010 to train employees on new equipment associated with expansion; expanded FY2012 to include existing equipment.

19

Average number of TECO operators annually

14

Average years of TECO operators' service

Nearly
\$307,000

OTCP's direct expenses and administrative costs for FY2014 and FY2015

5,463

Number of operator training hours logged FY2012-FY2015

7

Position advancements resulting from OTCP completion FY2012-FY2015

13

City of Houston tests passed, boiler licenses obtained FY2012-FY2015

FOCUSED LIFELONG LEARNING

Educational Support



Austin Kelly, PE, Supervisor, IT & Plant Security. Joined TECO: 2006

Ready. Set. Intern! That's how Austin Kelly worked his way onto the TECO team.

Austin heard about a summer internship opportunity at TECO just as he was finishing up his freshman year at Harding University. He applied, was accepted and spent that summer – and the next two – in TECO's engineering department. After graduating with a Bachelor's degree in electrical engineering, Austin wanted to tackle more and went on to get his Master's degree in electrical engineering (power systems) from Texas A&M University in 2011.

But Austin didn't just go to school. He also worked at TECO, in return for TECO helping with his Master's degree tuition and the promise that he'd join the company full-time after graduation.

Since coming on board, Austin has served as a project engineer and added security supervisor to his role in 2013, coordinating security cameras and initiating a visitor badge program. He also spearheaded the installation of 9.2 miles of fiber optic cable to gather data from customer meters.

"TECO may not be that big of a company," says Austin, "but there is so much opportunity to learn and grow. There's a lot of cross-training among departments, which is invaluable. I recently became IT supervisor, too, which ties many of my previous projects together."

Under mentors like TECO's Paul Stephenson, Tim Brown and Bruce Turner, Austin says he sees a bright

future ahead. And with boundless energy – he just got his Professional Engineer license – Austin will be helping TECO serve its customers for many years to come.

"TECO may not be that big of a company, but there is so much opportunity to learn and grow. There's a lot of cross-training among departments, which is invaluable."

"I've learned that the more tools you've got in your tool box, the more work you can do. That's still a driving force for me. So far, I've earned numerous certifications and am on track to get my Bachelor's degree. I started off working for my uncle, who is a master electrician in the U.S. Virgin Islands. After that I worked as an electrical technician in the oil and gas industry for more than 12 years, so when I came to TECO, the environment was pretty familiar. What's different is that this job isn't just a paycheck. I'm passionate that many people's lives depend on what I do every day. That matters."

Chris Beroo, Electrician III
 Joined TECO: 2014



"Sometimes it's hard to believe that I started at TECO as a temporary file clerk. It was a six-month job, but they kept me on. I've taken numerous classes to move up to where I am today. I have handled major IT system upgrades, managed servers, and helped select and roll out the company's new enterprise asset management system. Nolan Lambert was my supervisor for many years and continues to be a great mentor. I've learned a lot and have taken the next logical step: working on my MBA. TECO is helping to cover the costs, and I'm now studying at the kitchen table right along with my three kids!"

Shelly Pesak, IT Systems Administrator
 Joined TECO: 2000



"I can't imagine another place where I could pick up as much diversity on the job as I have here. There are so many types of plant equipment to master. We learn from each other, too. For example, we discovered different methods to work on gas analyzers and barometers. In addition, I've taken classes and recently earned my Associate's degree with TECO's financial assistance. I was able to take one or two classes each semester to make it happen. Some companies say everyone is important, but it's hard to believe them. Here I'm reassured of my importance. It's good to work in a place where they believe and trust in you."

Travis Hampton, Instrument Technician
 Joined TECO: 2014

"I really believe that divine intervention landed me here. I've held several positions at TECO, the longest being accounts payable coordinator for 12 years. Every step of the way I've received great mentoring support. Plus, the management team members are accessible to all. It's always been that way. That encouragement helped convince me to go back to school to complete my Bachelor's degree in business, and I will soon pursue certification from the International Association of Administration Professionals. Now I feel it's my role to mentor others at TECO to provide them with the same support that I've gotten since day one."

Karen Thomas, Executive Assistant
 Joined TECO: 2002



IN FOCUS

Interns: Mentored and Engaged

More than 25 years ago, TECO started its student internship program. It offered summer internships to employees' children who were at least 18 years old and enrolled in college.

The paid internship program continues today and is now open to

students outside the TECO family. TECO does its best to place successful applicants in departments that match their interest areas.

The goal is to mentor and engage the students to ensure they have a solid learning experience and bring

value to TECO and its customers.

Most internships last from May to August, with some interns returning a second summer. Several have even become TECO employees after graduation. Case in point: Supervisor, IT & Plant Security Austin Kelly.

LOOKING BACK

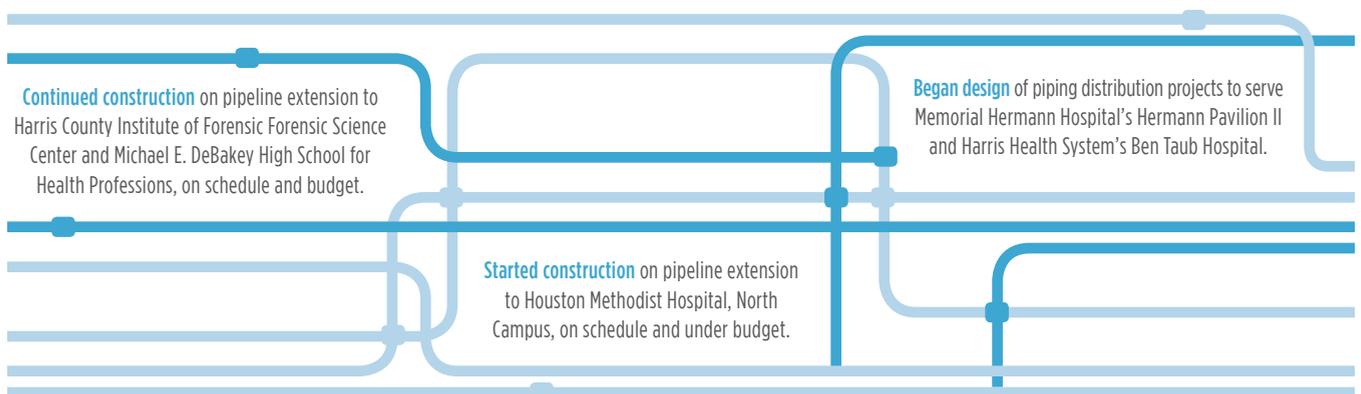
Finance and Administration

- Refunded \$3,166,000 to customers from FY2015* net income. As a result, customer rates for 2015 were reduced by 4.1% compared to FY2014*.
- Exceeded budget expectations for FY2015 and presented a FY2016 budget that was approved by the Board of Directors.
- Completed FY2015 financial audit. There were no notable comments regarding FY2015 financial results, accounting methods, process or internal controls.
- Received the U.S. Environmental Protection Agency's 2015 ENERGY STAR CHP Award. <http://tinyurl.com/TECOaward>
- Named a participant in the United Nations Environment Program (UNEP) Global District Energy in Cities Initiative. <http://www.districtenergyinitiative.org/>
- Maintained TECO's financial closing on the third business day of each month.
- Prepared accurate forward-year rate forecast for institutions that need the information for their budgeting process early in the year.
- Produced and distributed TECO's 2014 Annual Report, "The Power of Collaborative Energy."
- Conducted customer satisfaction survey. When asked specifically about satisfaction with chilled-water and steam service, all respondents logged satisfaction with each service and 80% noted TECO exceeded expectations.

* Fiscal year September 1 - August 31

System Growth

Worked on **9 pipeline connection projects** that will increase peak chilled-water load by almost 20,000 tons over the next three years. For example:

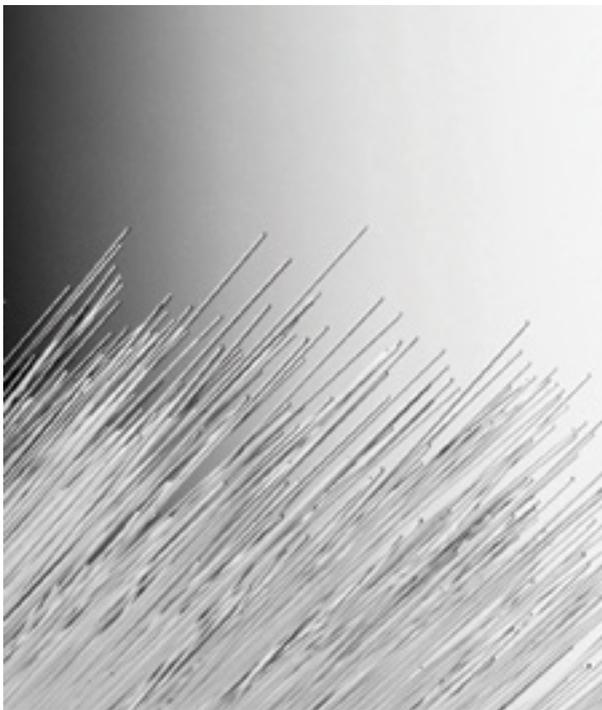


Operation

- Provided 100% chilled-water and steam service reliability to customers.
- Generated 100% of own power during peak power demand periods recorded by Electricity Reliability Council of Texas (ERCOT). The CHP system eliminated the risk that chilled-water and steam customers could be negatively affected by a potential power grid failure.
- Completed installation of 9.2 miles of fiber optic cable, a \$700,000 project that connected customer meters to TECO for data gathering.
- Monitored and held back Brays Bayou floodwaters resulting from torrential rainfalls in May 2015.
- Continued Operator Training and Certification Program. (See detail on page 13.)
- Had no citations relating to environmental, safety or regulatory requirements.
- Maintained a Workers Compensation Experience Modifier of 1.0, well in line with the industry's average.
- Successfully followed the Energy Policy initiated by the Board of Directors in 2006, which helps TECO lock in fuel purchases at the lowest-possible cost.
- Continued to fund the Major Equipment Replacement Program (MERP) and the insurance reserve fund at levels evaluated and adjusted annually. MERP ensures funding will be available for future equipment replacement as needed assuming normal equipment life cycles. By regularly allocating money to an insurance reserve fund, TECO can raise deductibles and reduce insurance premiums.
- Continued to operate and maintain The University of Texas Health Science Center's Research Park Energy Plant, South Campus. TECO remotely monitors plant operations 24 hours a day, and operators make routine daily visits the plant, saving UTHealth \$500,000 annually.
- Continued to serve as the point of contact for monitoring Metro Stray Current issues and their effect on institutions in the Texas Medical Center.
- Successfully completed on schedule and budget capital projects to enhance performance, efficiency and reliability.

REVIEWING THE ASSETS

9.2 miles of fiber optic cable installed connecting customer meters to **TECO**, a \$700,000 project.



CHILLED WATER

STEAM

CUSTOMERS

Number of customers	18	18
Number of buildings served	45	35
Square feet served	19.3 million	15.2 million
Energy sales	274,314,295 ton-hr	856,235 Mlb

ENERGY SOURCES

Paul G. Bell, Jr. Energy Plant – Central Plant

Number of boilers, chillers/fuels	14 chillers	7 boilers
	electricity and natural gas	natural gas and diesel
Thermal storage tank	8.8 million-gallon	n/a
	chilled-water storage tank	

South Main Plant

Number of boilers, chillers/fuels	13 chillers	2 boilers
	electricity	natural gas and diesel

OPERATIONS/DISTRIBUTION

Capacity	120,170 tons	890,000 lb/hr
	(including thermal storage)	(with heat-recovery steam generator and duct firing)
Supply temperature	40°–42° F	450° F
Supply pressure	65° psi	250° psi
Return temperature	54° F	150° F
Water volume in system	12.4 million gallons	n/a
Steam pressure	n/a	400 psi
Piping type	Welded steel coated with coal/tar epoxy	Welded steel, Schedule 40 with insulation
Piping diameter range	6 to 60 inches	2 to 16 inches
Piping trench feet	7.5 miles	7.5 miles (portions of the line have three pipes)

POWER

PAUL G. BELL, JR. ENERGY PLANT – CENTRAL PLANT

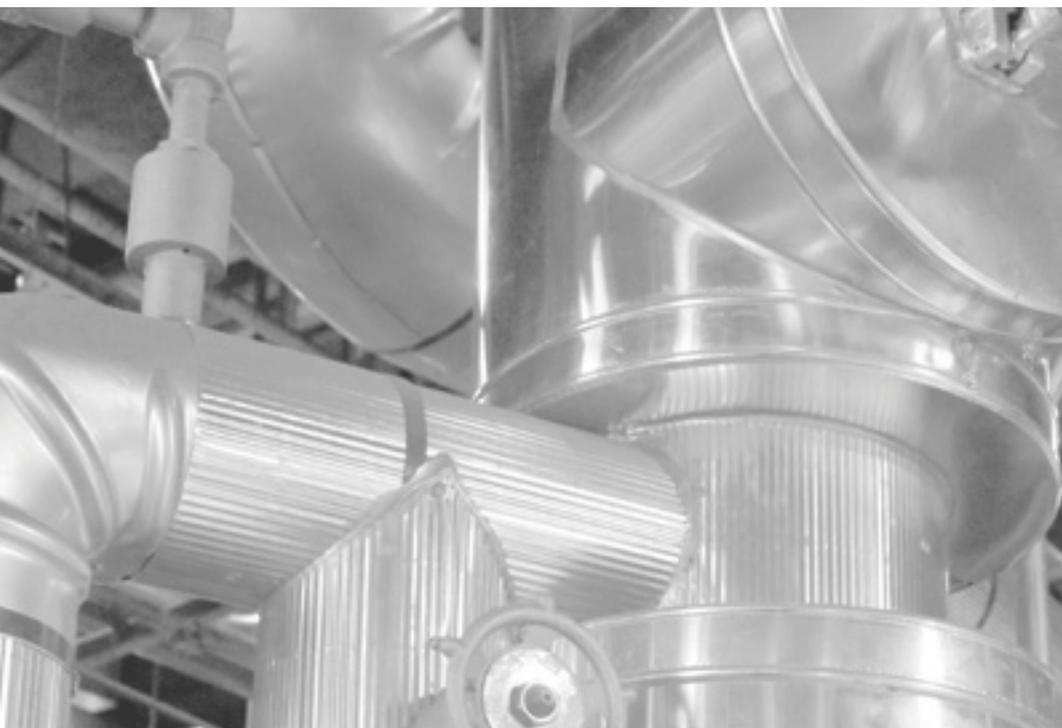
Combined heat and power system	48 MW
Standby generation	14 MW

SOUTH MAIN PLANT

Standby generation	2 MW
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FINANCIALS AND OPERATING STATISTICS

EVALUATING THE NUMBERS



Thermal Energy Corporation completed FY2015 with operating revenues at budget (before a year-end customer rebate) and operating expenses 4.1% under budget.

A majority of the expense variance is because (1) fuel costs were 7% below budget due to operating efficiencies and favorable market conditions, (2) personnel costs net of those capitalized to large projects finished below budget by 3%, and (3) capital costs were below budget by 1.5% due to a variation in the timing of when fixed assets were placed in service.

Operating revenues (actual) were slightly higher and operating expenses were 3.6% higher compared with FY2014.

The favorable expense variance allowed for a customer rebate of \$3.166 million (4.1%) in August 2015. TECO realized its below-budget fuel cost without deviating from its energy policy, which provides fuel price stability so that high fuel costs do not affect the company's rates during a budget year.

The company's net income from operations in FY2015 was approximately \$4.7 million; total revenues in excess of expenses were approximately \$4.1 million, with an unrealized loss of approximately \$.6 million.

The unrealized loss is the result of the required reporting of unrealized mark-to-market losses or (gains) associated with an interest rate swap on the company's 2012 bonds.

FY2015's reported cooling degree-days were 3,272 compared to 3,121 in FY2014. The year's reported heating degree-days were 1,439 compared to 1,736 in FY2014.

The company met all of its planned cash, internally set financial, and debt covenant mandated requirements for FY2015.

RATES AND UNITS

Fiscal year September 1 - August 31	FY2015	FY2014
CHILLED WATER		
Rate (\$/ton-hr)	\$ 0.2206	\$ 0.2223
Rate (\$/MMBtu)	\$ 18.38	\$ 18.52
Peak Demand (tons)	66,500	66,398
Average Demand (tons)	33,156	32,781
Load Factor	50%	49%
Peak (sq ft/ton)	291	291
Production (sq ft/ton-hr)	0.07	0.07
Production (ton-hr)	290,450,607	287,164,532
Cooling Degree-Days (3,308 normal)	3,272	3,121
Fuel Consumption (natural gas and electricity) MWh	214,362	225,350

STEAM

Rate (\$/Mlb)	\$ 17.83	\$ 18.38
Rate (\$/MMBtu)	\$ 14.85	\$ 15.30
Peak Demand (lb/hr)	225,000	259,406
Average Demand (lb/hr)	118,202	128,022
Load Factor	53%	49%
Peak (sq ft/lb)	67.4	58.4
Production (sq ft/Mlb)	15	14
Production (Mlb)	1,035,447	1,121,470
Heating Degree-Days (1,081 normal)	1,439	1,736
Fuel Consumption (natural gas) MMBtu	1,237,596	1,471,073

REVENUE AND EXPENSES

Fiscal year September 1 - August 31	FY2015	FY2014
OPERATING REVENUE		
Chilled Water	\$ 62,261,832	\$ 61,999,947
Steam	\$ 15,601,745	\$ 15,872,474
Other	\$ 3,035,429	\$ 2,920,708
Total Operating Revenue	\$ 80,899,006	\$ 80,793,129
OPERATING EXPENSES		
Fuel		
Electric	\$ 8,288,992	\$ 6,336,769
Gas	\$ 7,899,302	\$ 8,840,231
Fuel Oil	\$ 77,198	\$ 67,122
Other Operating Expense	\$ 56,777,240	\$ 55,293,390
Total Operating Expenses	\$ 73,042,732	\$ 70,537,512
Customer Rebate Reduction	\$ (3,166,000)	\$ (5,038,253)
Net from Operations	\$ 4,690,274	\$ 5,217,364
Non-Operating Revenue (Expense)	\$ (608,657)	\$ (1,159,062)
Revenue in Excess of Expenses	\$ 4,081,617	\$ 4,058,302

“TECO doesn’t just train its operations and maintenance employees; it also helps the administrative staff get the education we need. I started here in 2014, and TECO supported me while I studied for my CPA exam, covering most of the cost through its reimbursement program. I’ve since earned my CPA and can apply what I learned on a daily basis.”

Jared Schneider, CPA,
Financial Operations Accountant

THE TECO TEAM

FOCUSED ON EXCELLENCE and LIFELONG LEARNING



Marsha Ackman
Craig Acree
Henry Barrios
Rohn Benfeld
Chris Beroo
Clarissa Brewster
Julian Brewster
Patrick Brown
Randy Brown
Tim Brown
Keith Bryant
Javier Castillo
Milton Cowan
Jim Daniel, Jr.
Charles Darden
Ruth Davis
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Jose Garcia
Joseph Garcia

Kevin Giblin
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Ram Goonie
Todd Gryseels
Manny Guerra
Daryle Hall
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Mike Handorf
Jess Harper
Ron Hendershott
Troy Hollin
Steve Hyde
Shane Janki
Juan Jimenez
Brandon Johnson
Barbara Johnston
Brady Jones
Denise Karstedt
Austin Kelly
Zhanna Kogan
Nolan Lambert
Roger Lambert
William Lambert
Steve Lehr

Antonio Lopez
A.C. Lynch
Jared Marish
Joel McCormick
Lamont McInnis
Charlie Michalak
Dan Mitten
Frederick Musil
Philip Muzar, Jr.
Stephen Nagy
Larry Null
Fidel Orizaba
Aurelio Ortiz
Walter Pascua
Thomas Penzi, III
Shelly Pesak
Kelly Powell
Sean Price
Faustino Quiroz
Rey Regresado
Janice Ricks
Juan Rodriguez
Brad Rogers
Lloyd Rothe

Johnny Runyan
Jake Ruttle
Tong Sahnnon
Isauro Salinas
Jared Schneider
Olin Seago
Donald Seay
Ernestine Shepard
Jeffrey Snover
Phyllis Sousley
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Scotty Walker
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“One of the best parts about working at TECO is that I look forward to coming to work. The people here are special, and there’s lots of diversity. It’s a place where I can grow as a person.”

Karen Thomas, Executive Assistant



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