



Sand Hill Energy Center



City of Austin, Texas Austin Energy

Mission: Deliver clean, affordable, reliable energy and excellent customer service.

*Electric Utility Commission
FY 2010-2011 Budget Reduction Strategies
May 17, 2010*



FY 2011 Budget Calendar

- November-January Departmental Business Planning
- February-March Develop Horizon Issues & Forecast
- April 21 Economic Outlook, General Fund Forecast and Horizon Issues
- April 28 Enterprise Fund's Forecast
- March - June AE Budget Development
- May 17 Electric Utility Commission (EUC) Meeting for Budget Input
- June 7 Departments submit proposed budgets to City Budget Office
- June 21 and July 19 EUC Agenda Items
 - Update on budget submittal for continued EUC input
 - Community input on budget
- July 28 Proposed Budget Presented to City Council
- August 4, 18 and 25 Budget Work Sessions & Public Hearings
- August 16 Present Proposed Budget to Electric Utility Commission
- September 13, 14 and 15 Budget Approval Readings





FY 2011 Budget Development

- Forecast shows a funding gap in each year
 - \$83 million shortfall in FY 2011
- Work toward closing gap in FY 2011 proposed budget
 - Maintain existing services and reliability
 - “Hold the line” on cost
 - FY 2011 Transmission Rider begins recovery of rising transmission costs

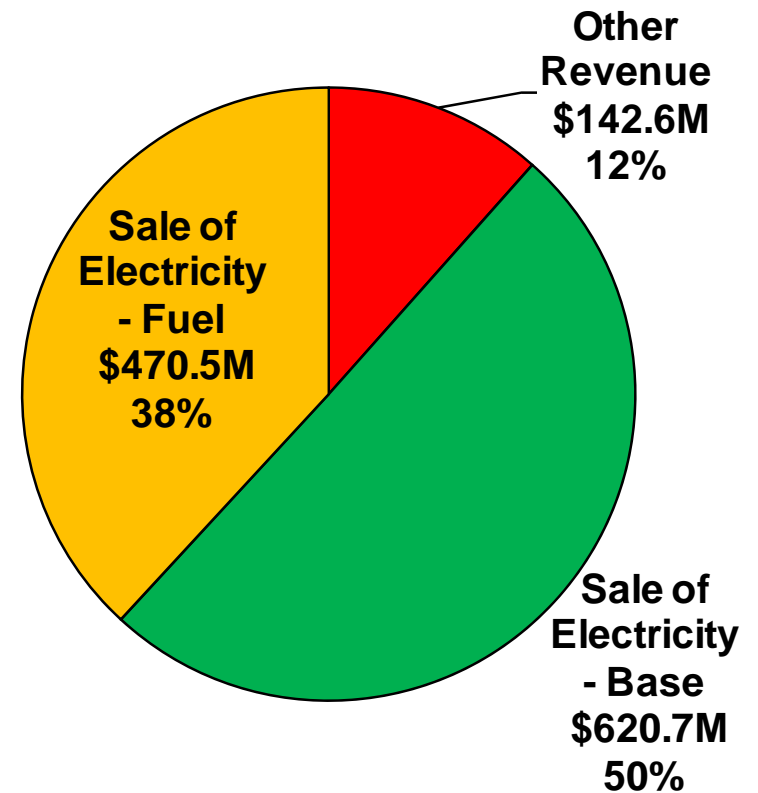




FY 2011 Revenue Components (\$ in million)

- Base Electric Revenue
- Fuel Revenue
- Other Revenue
 - *Transmission*
 - *Wholesale Sales*
 - *Infrastructure Rental*
 - *District Cooling*
 - *Customer Fees*
 - *Interest Income*

FY 2011 Revenue \$1,233.8M





ASSUMPTION: Renewable in 2013-2015 as Construction of Plant

Forecast Revenue Summary (\$ in millions)

		2010 Amended	2010 CYE	2011	2012	2013	2014	2015
Beginning Balance	\$	174.8	237.1	160.3	77.1	43.9	(41.4)	(131.4)
Revenue	\$	1,242.3	1,188.6	1,233.7	1,299.0	1,341.5	1,373.2	1,398.2
Transfers In	\$	2.0	2.0	0.0	0.0	0.0	0.0	0.0
Available Funds	\$	1,244.3	1,190.6	1,233.7	1,299.0	1,341.6	1,373.2	1,398.2

- FY 2011 Revenue \$8.6 million net increase over FY 2010 Budget
 - kWh sales growth of 1.7% derived from normalized weather
 - Base revenue up \$9.8 million at compounded average growth of 1.5%
 - Transmission rider \$7.3 million
 - Wholesale sales decline \$8.5 million
 - Interest income declines \$1.6 million
- FY 2011 No Transfers In





FY 2010 Cost Controls

Operating - \$1.3 Billion Requirements

- City-wide reductions
 - No pay increase or market adjustment
 - Unpaid furlough to be reviewed mid-year (\$971,000)
- Department reductions
 - No new FTEs, 3 Transfers from other City Departments
 - \$2.2 million Engineering & consulting services
 - \$1.7 million Customer Care Temporary Services (2009 added FTEs)
 - \$110.0 million reduced Capital Transfer – spending plan \$42.0 million lower than 2009; use unspent capital cash balances
 - \$15.0 million Debt Service - lower interest rate & less debt to be issued
 - No Transfer to Repair & Replacement Fund (2009 \$5.0 million)
 - 2010 Q1 cost containment to achieve budgeted vacancy rate, service incentive pay & furlough (\$4.6 million)
 - Increased review of requests to fill vacant positions to determine critical need

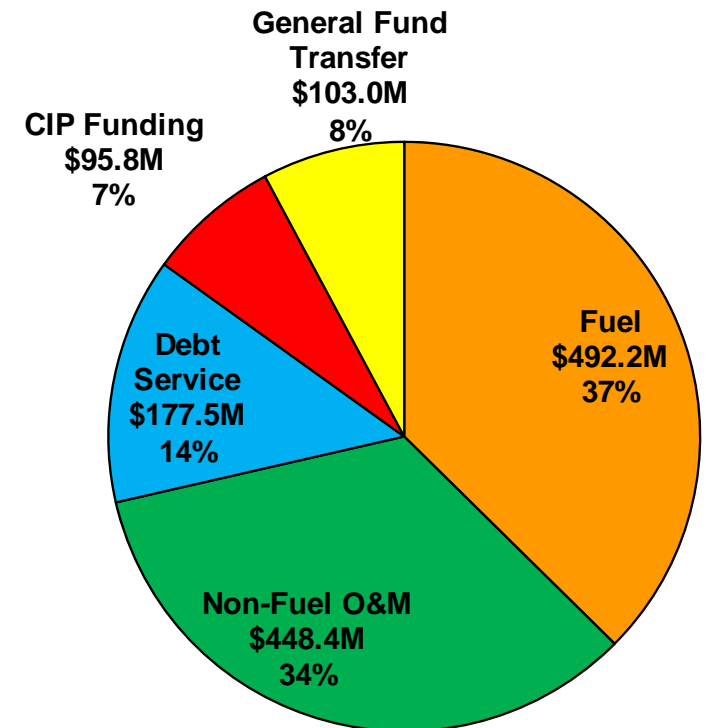




FY 2011 Expenditure Components (\$ in million)

- Operating & Maintenance
 - *Fuel*
 - *Non-fuel*
- Capital Improvements (CIP)
 - *Debt Service*
 - *CIP Cash Funding*
- General Fund Transfer

FY 2011 Requirements \$1,316.9M





**ASSUMPTION: Renewable in
2013-2015 as Construction of
Plant**

Forecast Expenditure Summary (\$ in millions)

		2010 Amended	2010 CYE	2011	2012	2013	2014	2015
Fuel	\$	501.3	458.7	492.2	525.7	561.5	567.0	565.1
Non- Fuel Operating	\$	409.2	406.0	427.3	444.6	503.1	544.7	592.7
Debt Service	\$	178.3	179.1	177.3	184.0	189.6	194.3	144.7
Transfers Out	\$	205.3	205.3	199.3	159.1	158.8	155.6	171.5
Other Requirements	\$	18.3	18.3	20.8	21.4	22.0	22.5	23.1
Total Requirements	\$	1,312.4	1,267.4	1,316.9	1,334.8	1,435.0	1,484.1	1,497.1
FTEs		1,722	1,722	1,722	1,722	1,722	1,722	1,722

- FY 2011 Expenditures \$4.5 million net increase over FY 2010 Budget
 - Fuel \$ 9.1 million decrease
 - Non-fuel operating \$18.1 million increase
 - Debt service \$1.0 million decrease
 - Transfers Out \$6.0 decrease
 - Other requirements \$2.5 million increase





FY 2011 Cost Controls

- “Hold the line” on cost
 - City-wide increases for health insurance, salary adjustments and retirement contributions \$7.8 million
 - Increased plant operating costs for South Texas Nuclear and Fayette Power plants (co-owned facilities) \$11.2 million
 - General Fund Transfer \$2.0 million (based on current formula)
- Proposed budget reductions
 - No new FTEs
 - Increased review of requests to fill vacant positions to determine critical need
 - Reduced travel and training
 - Computer hardware and software maintenance
 - Controllable expense items (e.g., office supplies, small tools)
 - Educational and promotional items





FY 2011 Unfunded Needs - Operating

Increases requested, but trying to “hold the line” on cost

Evaluating repurposing and reallocating proposed budget

- Conservation Rebates increase \$3.7 million
- Computer software and hardware maintenance \$2.4 million
- Other contracted services \$1.9 million
 - Enhancements in customer service for call monitoring and current diversion detection; increased billing services cost
 - Increased contract services for several business units
- Additional preventative maintenance \$1.8 million (power & chilled water plants)
- Consulting services \$1.3 million (compliance, energy efficiency)
- Customer Care temporary services contract increase \$1.0 million





FY 2011 Unfunded Needs - Operating

Increases requested, but trying to “hold the line” on cost

Evaluating repurposing and reallocating proposed budget

- Additional overtime \$1.0 million for billing system replacement and after hours trouble calls
- Engineering services \$700,000
- Additional distribution contractor services \$400,000
- Parts and equipment for plant & substation maintenance \$380,000
- Increased scheduled facility maintenance \$300,000
- Additional customer surveys \$270,000





ASSUMPTION: Renewable in 2013-2015 as Construction of Plant



2011-2015 Capital Spending Plan

**Austin Energy Capital Improvement Spending Plan
Forecast FY 2011-2015 Spending Plan Summary**

Capital Improvement Spending Plan (in \$000s)	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	Total FY2011-2015
Distribution	\$ 58,540	\$ 55,744	\$ 55,010	\$ 53,860	\$ 54,000	\$ 277,154
Distribution Substation	\$ 15,198	\$ 10,998	\$ 13,203	\$ 19,662	\$ 11,000	\$ 70,061
Transmission	\$ 25,819	\$ 27,050	\$ 28,710	\$ 15,968	\$ 22,000	\$ 119,547
Electric Service Delivery	\$ 99,557	\$ 93,792	\$ 96,923	\$ 89,490	\$ 87,000	\$ 466,762
Power Production	\$ 79,351	\$ 26,394	\$ 384,831	\$ 268,331	\$ 313,278	\$ 1,072,185
Customer Service Billing & Metering	\$ 15,115	\$ 2,536	\$ 2,560	\$ 2,584	\$ 5,000	\$ 27,795
Facilities, Technology & Support Service	\$ 79,879	\$ 12,700	\$ 16,281	\$ 14,005	\$ 24,000	\$ 146,865
Total	\$ 273,902	\$ 135,422	\$ 500,595	\$ 374,410	\$ 429,278	\$ 1,713,607

Capital Improvement Plan Funding Sources (in \$000's)	FY2011	FY2012	FY2013	FY2014	FY2015	Total FY2011-2015
Unspent Cash Balance Carried Forward	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ 10,000
Transfers from Operating to CIP	\$ 83,663	\$ 58,290	\$ 56,919	\$ 52,710	\$ 67,290	\$ 318,872
Commercial Paper	\$ 168,081	\$ 75,951	\$ 443,536	\$ 321,700	\$ 361,988	\$ 1,371,256
Other	\$ 12,158	\$ 1,181	\$ 140	\$ -	\$ -	\$ 13,479
Total	\$ 273,902	\$ 135,422	\$ 500,595	\$ 374,410	\$ 429,278	\$ 1,713,607

- Spending plan impacts debt service payments & capital cash funding levels
- Generation Plan Build Scenario, primarily impacts 2013-2015
- Many alternative scenarios involving build or buy decisions to be considered





2011-2015 Capital Spending Plan - Cost Controls

- Generation Plan – Flexible and Dynamic – 2011-2015 components
 - Retained combined cycle (natural gas) build-out at Sand Hill Energy Center
 - 2011 & 2013 wind projects – assumed financing structure with long-term ownership coupled with purchased power agreement short-term
 - 2014 solar project – assumed financing structure with long-term ownership coupled with purchased power agreement short-term
 - 2015 biomass project shifted one year
- Electric service delivery \$32.6 million below forecast
- Other reductions over \$48.0 million – reassess in future capital plans





Unfunded Needs – Capital Spending Plan

Increases requested, but trying to “hold the line” on cost

Reassess in future capital plans

- Customer care telephone system replacement \$3.6 million
- Customer Service Representative software replacement \$2.8 million
- 311 self service enhancement \$1.6 million
- Maximo energy delivery software component \$7.0 million
- Server data storage \$3.8 million

Evaluating repurposing and reallocating proposed budget

- Electric vehicle charging stations \$27.2 million
- Delay rooftop solar project \$4.0 million (from FY 2011 to FY 2014 – 2015)





ASSUMPTION: Renewable in 2013-2015 as Construction of Plant

Forecast Fund Summary (\$ in millions)

		2010 Amended	2010 CYE	Forecast 2011	Amended vs. Forecast	% Change
Beginning Balance	\$	174.8	237.1	160.3	(14.5)	(8.3)%
Revenue	\$	1242.3	1,188.6	1,233.7	(8.6)	(0.7)%
Transfers In	\$	2.0	2.0	0.0	(2.0)	(100)%
Available Funds	\$	1244.3	1,190.6	1,233.7	(10.6)	(8.5)%
Operating Requirements	\$	910.5	864.7	919.5	9.0	0.9%
Debt Service	\$	178.3	179.1	177.3	(1.0)	(0.6)%
Transfers Out	\$	205.3	205.3	199.3	(6.0)	(2.9)%
Other Requirements	\$	18.3	18.3	20.8	2.5	13.7%
Total Requirements	\$	1312.4	1,267.4	1,316.9	4.5	0.3%
Excess (Deficiency)	\$	(68.1)	(76.8)	(83.2)	(15.1)	(22.2)%
Ending Balance	\$	106.7	160.3	77.1	(29.6)	(27.7)%
Strategic Reserve Fund	\$	138.1	138.1	138.1	0.0	0%
Debt Service Coverage		1.75	1.71	1.66	(0.09)	
FTEs		1,722	1,722	1,722	0.0	0%

Ending Balance includes working capital reserve in accordance with City Financial Policy.





Next Steps

- Balance budget needs against Austin Energy's mission of clean, affordable and reliable energy with excellent customer service
- Solicit input from Electric Utility Commission
- Complete FY 2011 proposed budget development by June 7
- June 21 and July 19 EUC Agenda Items
 - Update on budget submittal for continued EUC input
 - Community input on budget



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