

# Austin Energy

*Presentation to  
Electric Utility Commission  
August 15, 2011*

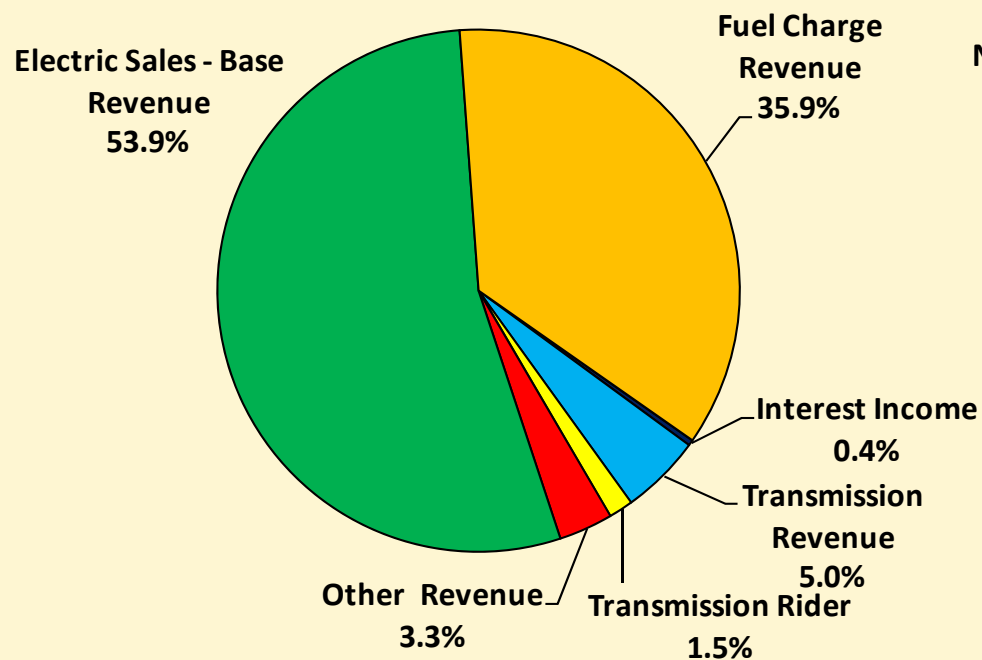
***Mission:** Deliver clean, affordable, reliable energy  
and excellent customer service.*



# FY12 Budget

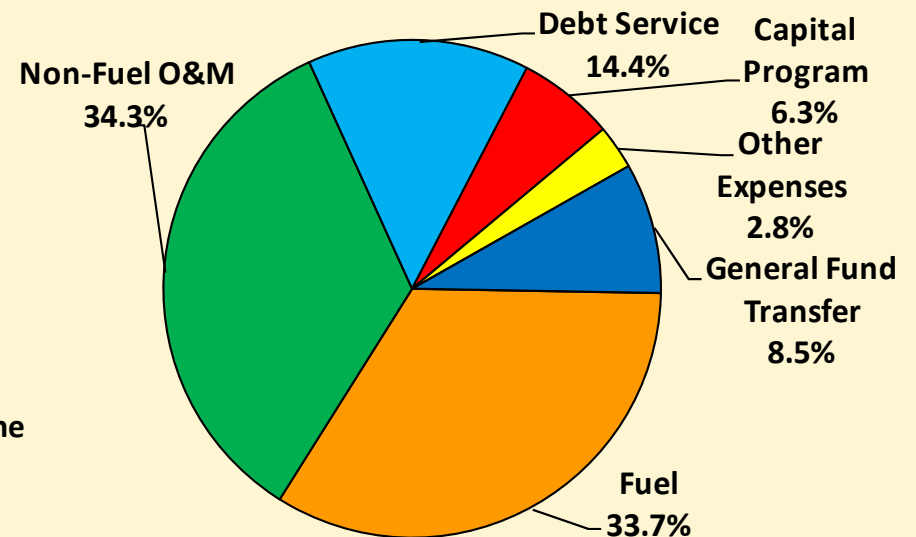
## Sources of Funds

\$1,139 Million  
(In Millions)



## Uses of Funds

\$1,215 Million  
(In Millions)



Austin Energy's FY12 Budget is presented without a rate increase. A rate review is currently underway and expected to be implemented in the second quarter of FY 2011-12.

# Cost Drivers -- \$26.0 million

- City-wide personnel changes \$6.3 million
  - Salary adjustments (\$2.7 million)
  - Health insurance (\$1.3 million)
  - Supplemental Retirement Contribution (\$2.3 million)
- Transmission expense \$3.8 million for rising cost of Texas grid
- Coal & Nuclear plant operating expense \$2.7 million
- Energy efficiency automation projects \$2.6 million
- Convert electric service to GreenChoice® \$1.4 million
- Franchise fees \$1.0 million
- Related to Capital Improvements Plan \$8.2 million
  - Debt service \$5.7 million
  - Transfer to Capital \$2.5 million

# Cost Containment Efforts

- No new positions added in 2012
- Six vacant positions eliminated
- \$12 million budget reductions
  - \$1.5 million eliminate FY 2011 one-time expenses
  - \$1.0 million defer solar rebates – program funding at \$3.0M
  - \$630,000 reduce contracts for electric line clearing
  - \$500,000 reduced scope for rate review consultants
  - \$478,000 reduce billing costs for printing, supplies and postage
- Planned capital improvements reduced by \$15 million from forecast published in April
  - \$220 million planned for 2012, primarily electric service delivery projects and a new system control center

# FY12 Revenue/Rates

- Rate Review in progress since spring 2010; plan for implementation in second quarter of FY12
  - AE's Rate Analysis & Recommendations Report
    - Post to website August 29; present September 1
  - Electric Utility Commission (EUC) Rate Review
    - September 1 - special meeting
    - September 19 - regular meeting
    - October 3 - special meeting
    - October 17 - regular meeting
    - All to be held at Town Lake Center beginning at 6:00 p.m.
  - City Council Rate Presentations & Approval
    - November 2011 - January 2012
- No fee changes

Rate Review website [www.rates.austinenergy.com](http://www.rates.austinenergy.com)

# FY12 Budget

		Amended 2011	Estimated 2011	Budget 2012*
<b>Beginning Balance</b>	\$	<b>169.4</b>	<b>152.8</b>	<b>115.4</b>
Revenue	\$	1,230.3	1,140.4	1,139.4
<b>Available Funds</b>	\$	<b>1230.3</b>	<b>1,140.4</b>	<b>1,139.4</b>
Fuel	\$	490.2	390.2	408.9
Operating Requirements (Non-fuel)	\$	419.9	418.2	422.5
Debt Service	\$	169.5	167.5	175.1
Transfers Out	\$	178.1	178.1	180.1
Other Requirements	\$	24.5	23.8	28.2
<b>Total Requirements</b>	\$	<b>1,282.2</b>	<b>1,177.8</b>	<b>1,214.8</b>
<b>Excess (Deficiency)</b>	\$	<b>(51.9)</b>	<b>(37.4)</b>	<b>(75.4)</b>
<b>Ending Balance</b>	\$	<b>117.5</b>	<b>115.4</b>	<b>40.0</b>
<b>Strategic Reserve Fund</b>	\$	<b>137.9</b>	<b>137.6</b>	<b>137.6</b>

\* Austin Energy's FY12 Budget is presented without a rate increase. A rate review is currently underway and expected to be implemented in the second quarter of FY 2011-12.

# Budget Highlights

- Austin Energy's customers have benefited from more than fifteen years of stable electric rates.
  - Base electric rates (excluding fuel) unchanged since 1994
- A combination of cutting costs and using accumulated fund balances have been needed to balance the budget for the past three years.
  - Austin Energy implemented cost management efforts in its operations and capital improvements program.
  - These efforts alone not sufficient to achieve ongoing structural balance, indicating the need for a rate review.
- Rate review is underway and a rate increase will be needed to eliminate continued budget shortfalls in FY 2012 and beyond.
  - Budget excludes additional revenue from planned rate increase due to timing of implementation
    - Final analysis, rate design and revenue estimates still being developed

# Budget Highlights

## Operating Budget

- Rate review currently underway; implementation planned for 2<sup>nd</sup> quarter of FY 2012
- Transmission rider recovers increasing Texas grid costs
- Over \$12 million operating cost reductions implemented
- General Fund transfer rate of 9.1% maintained
- Strategic Reserve sustained





# Budget Highlights

## Capital Improvements Program

### \$1.0 Billion Five Year Capital Spending Plan

\$ in Millions	Estimate						2012-2016
	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	Total
Distribution	\$ 59	\$ 54	\$ 62	\$ 53	\$ 54	\$ 56	\$ 279
Distribution Substation	8	11	8	12	17	23	71
Transmission	19	22	27	16	14	15	94
Electric Service Delivery	86	87	97	81	85	94	444
Power Production	66	36	51	37	96	178	398
Customer Service Billing & Metering	14	12	6	3	2	1	24
Facilities, Technology & Support Services	31	85	23	22	7	16	153
Total	\$ 197	\$ 220	\$ 177	\$ 143	\$ 190	\$ 289	\$ 1,019

- Projects for power supply, reliability and customer service
- \$1,019.4 Million 5-year plan with \$220.4 Million in 2012
  - Electric Service Delivery - 44% of 5-year plan
  - Power Production - 39% of 5-year plan & includes 200 MW expansion at Sand Hill Energy Center in FY 2015-2017 (deferred 2 years)

# Budget Highlights

## Capital Improvements Program

### **5-year plan \$1,019M with \$220M in FY 2012 – Major Projects**

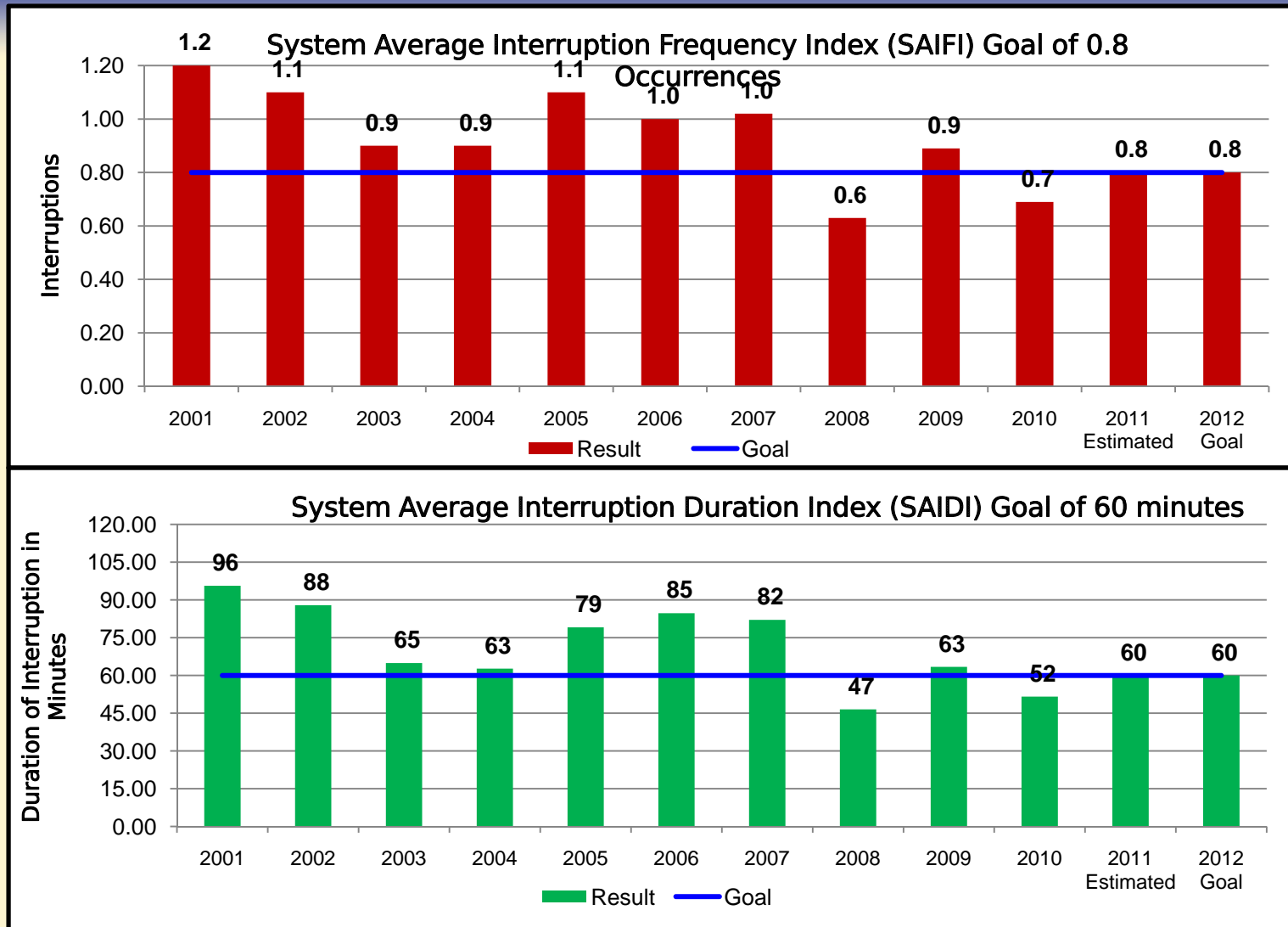
- Customer Information System Replacement
  - \$7.2M in FY2012 - Total cost \$41.6M – Complete 2011
- System Control Center Relocation
  - \$63.3M in FY2012 - Total cost \$95.7M - Complete 2013
- Holly Power Plant Decommissioning
  - \$11.8M in FY2012 - Total cost \$24.3M – Complete 2013
- Transmission improvements
  - \$15.9M in FY2012 for substations - complete Mueller, begin Dunlap
- Sand Hill Energy Center Expansion
  - \$227.8M Build-out Combined Cycle Gas Turbine 200 MW – Deferred two years to FY 2015-2017

# Performance Measure Highlights

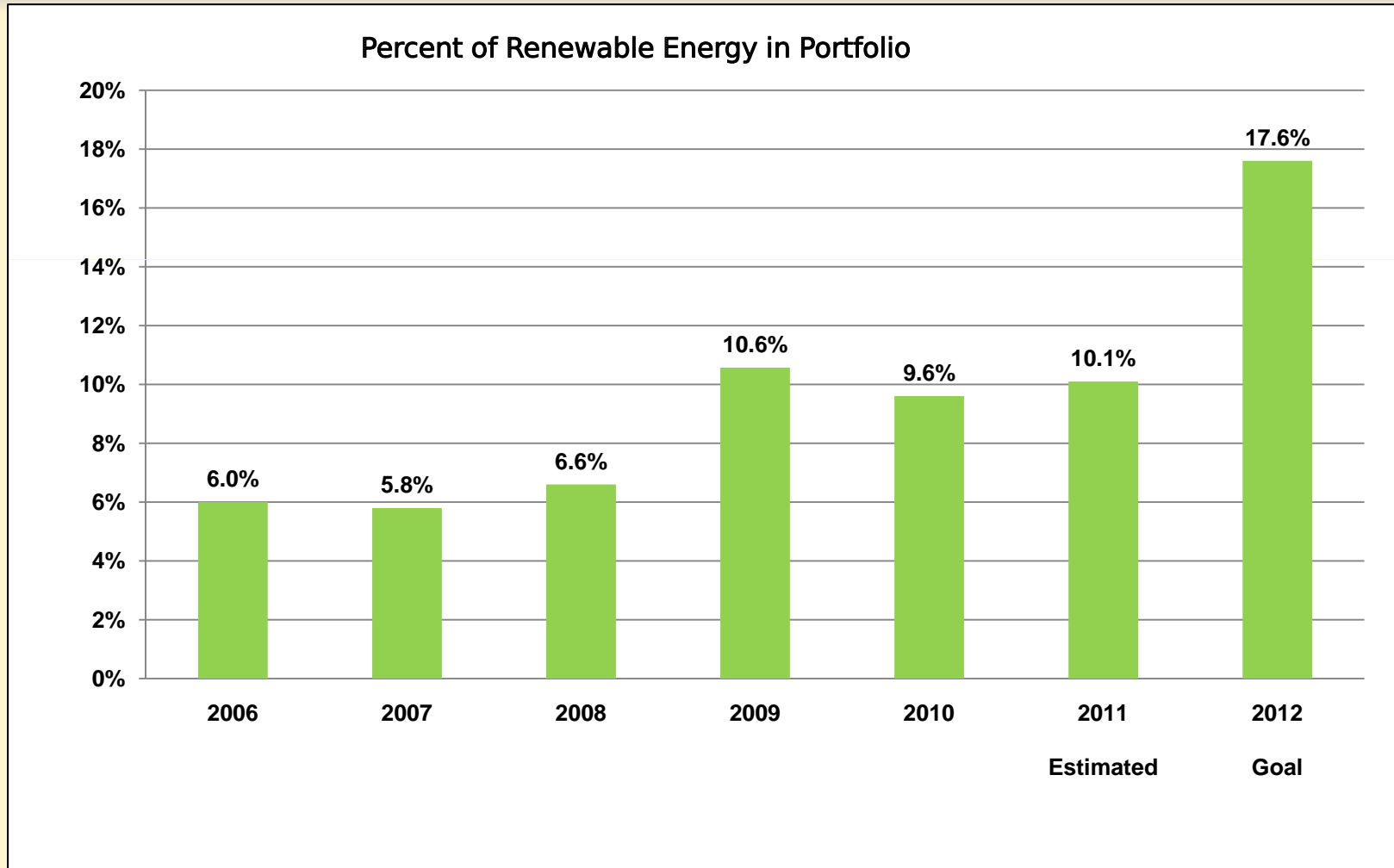
<b><u>Measure</u></b>	<b><u>2008-09 Actual</u></b>	<b><u>2009-10 Actual</u></b>	<b><u>2010-11 Estimated</u></b>	<b><u>2011-12 Budget</u></b>
<b>Credit rating for separate-lien electric utility system revenue bonds (Standard &amp; Poor's rating)</b>	<b>A+</b>	<b>A+</b>	<b>A+</b>	<b>AA</b>
<b>Fuel Cost Average</b>	<b>3.37</b>	<b>3.45</b>	<b>3.25</b>	<b>3.25</b>
<b>Equivalent Availability Factor of South Texas Nuclear Plant</b>	<b>93%</b>	<b>91%</b>	<b>92%</b>	<b>95%</b>
<b>Customer Satisfaction Index</b>	<b>78%</b>	<b>79%</b>	<b>83%</b>	<b>83%</b>



# Performance Measure Highlights



# Performance Measure Highlights



# Questions/Comments

More information at  
[www.AustinTexas.gov/finance](http://www.AustinTexas.gov/finance)

