



YOUR ELECTRIC RATES

Austin has changed in the 17 years  
since our last rate review.

Our commitment to our customers remains unchanged.

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

***Electric Rate Proposal  
September 1, 2011***



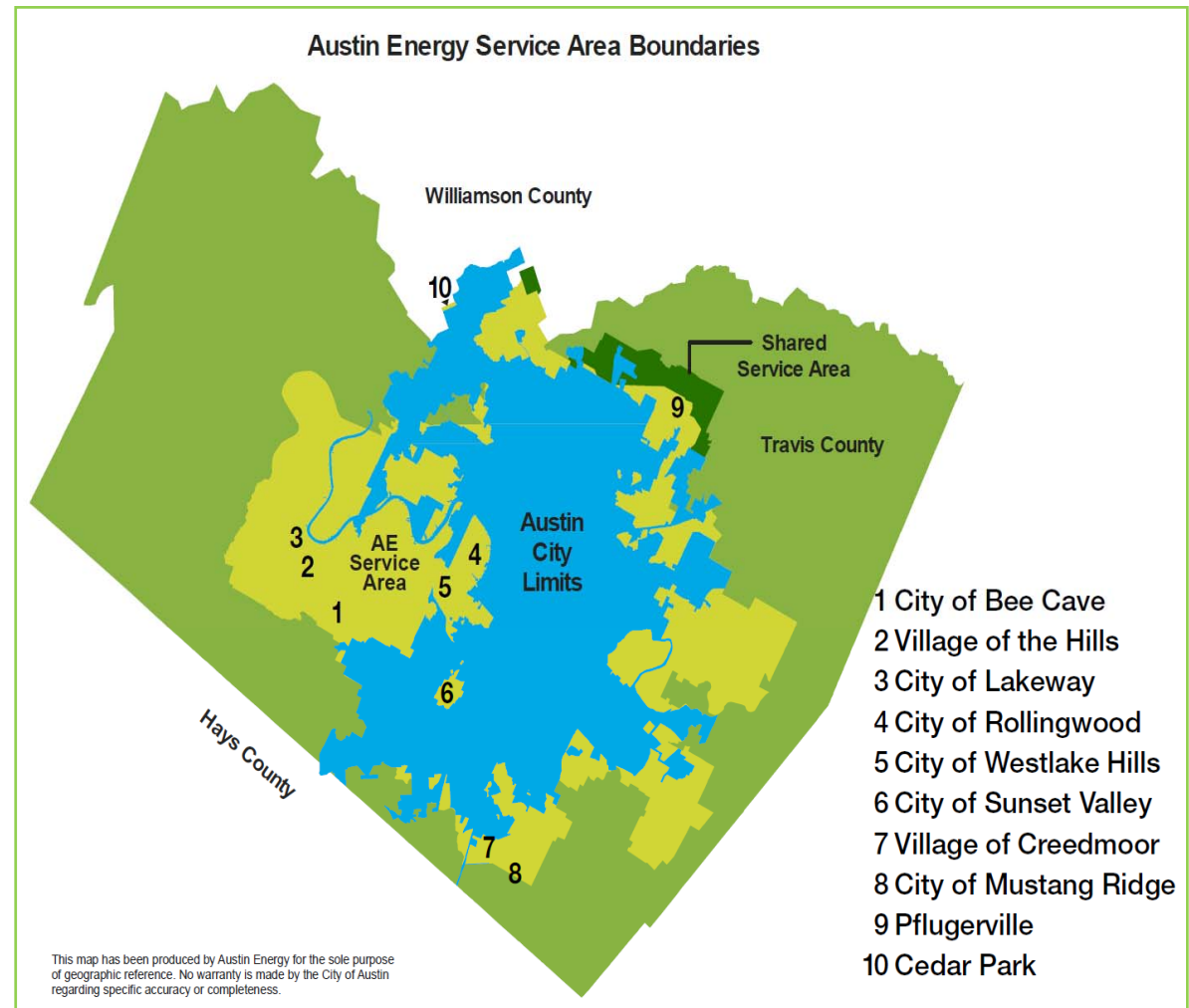
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# Public Power Benefits

- 100+ years
- Local Control
- Competitive Rates
- Community Values
- Local Decision Making
- Community Investments





## Strategic Plan

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- Clean Energy Resources - Plan to 2020
- Financial Integrity
- Exceptional Reliability
- Excellent Customer Service

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



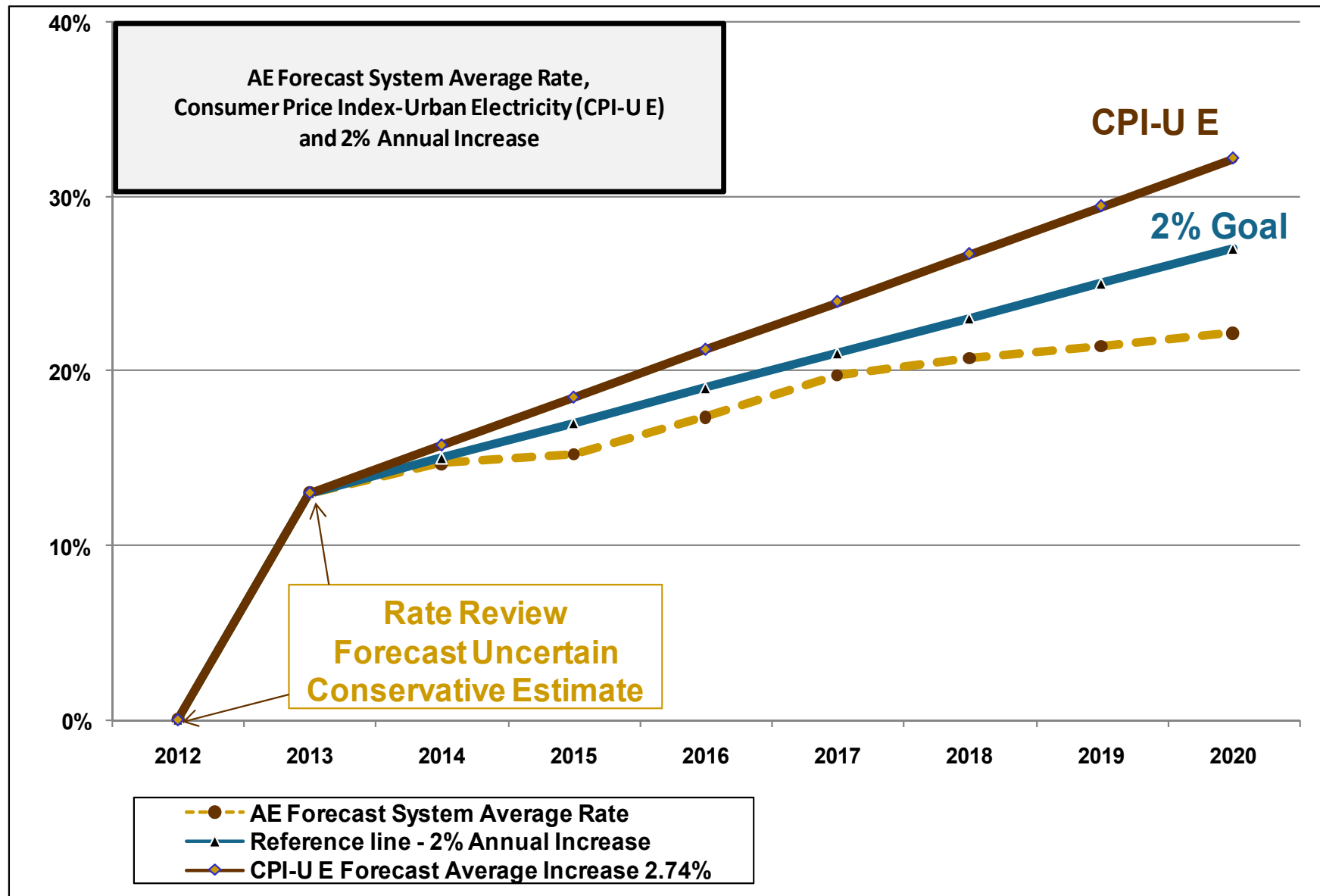
## Rate Review Objectives

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- Align rates with Strategic Plan
- Ensure long-term financial strength
- Improve fixed cost recovery
- Update rate structure to distribute costs equitably and encourage energy efficiency



# Forecasting Tools to Measure Affordability







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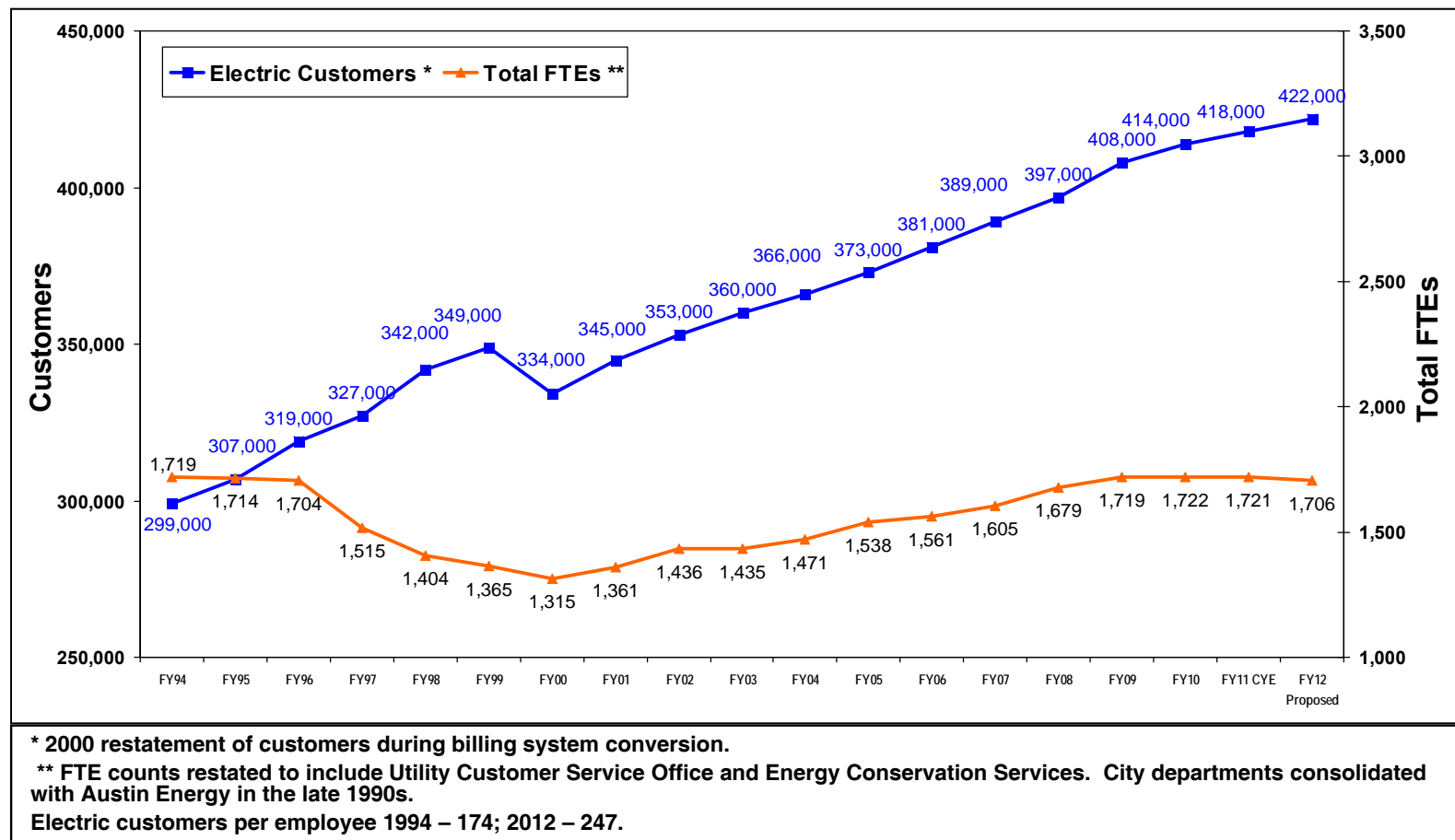
# Why Rate Increase is Needed





## Much has changed in 17 years

- Austin Metropolitan Statistical Area population almost doubled
- 42% increase in electric customers served per employee







## Investments since 1994

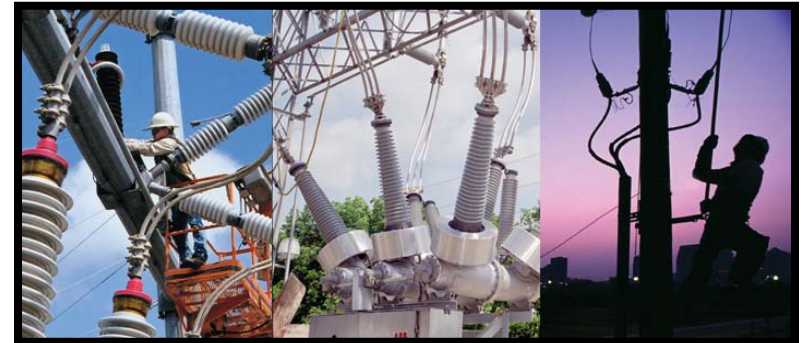
### Additional power supply and improvements

- Construction of Sand Hill Energy Center
- Emissions controls at Fayette Power Plant
- Retired power plants (100 MW Seaholm & 558 MW Holly)



### Capital improvements in electric service delivery system to meet customer growth and improve reliability

- Added 131 line miles of transmission
- 13 new distribution substations
- 4 new transmission substations
- Control systems improvements



### New and expanded functions and programs



## Impact of 17 years of inflation

### Comparison of Construction Material Costs 1994 to 2009

DESCRIPTION	1994 PRICE	2009 PRICE	% INCREASE
25 KVA Overhead Transformer	\$505.00	\$2,500.00	395%
50 KVA Overhead Transformer	\$744.00	\$2,815.00	278%
Underground Cable Splice	\$0.59	\$2.00	239%
Street Light Pole Assembly	\$190.00	\$295.00	55%
PVC Elbow	\$1.09	\$1.95	79%
Bare Copper (per ft.)	\$0.28	\$1.10	293%
Insulator	\$3.40	\$4.35	28%
20 inch Manhole	\$12.50	\$18.53	48%
45 Foot Pine Pole	\$194.00	\$419.00	116%
40 Foot Pine Pole	\$150.00	\$336.38	124%



## Rate increase delayed for many years

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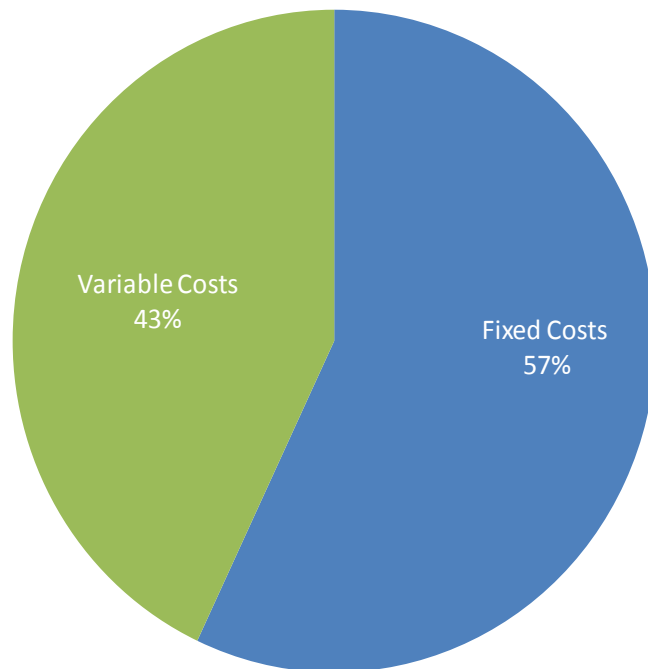
- Additional revenue from economic growth and exceptional weather allowed postponement (1994 – 2006)
- First forecast need to increase rates in 2006
- How we delayed rate increase from 2006 until now
  - Better than expected financial results in 2006, 2007 and 2008
  - Transmission Service Adjustment Rider (TSAR) in FY 2011 begins recovery of increased Texas grid construction cost
  - Increased grant funding (\$27 million) from American Recovery and Reinvestment Act of 2009
  - Implemented cost controls, tight budgeting, project deferrals and added few new employees
  - Use of reserves to offset shortfalls



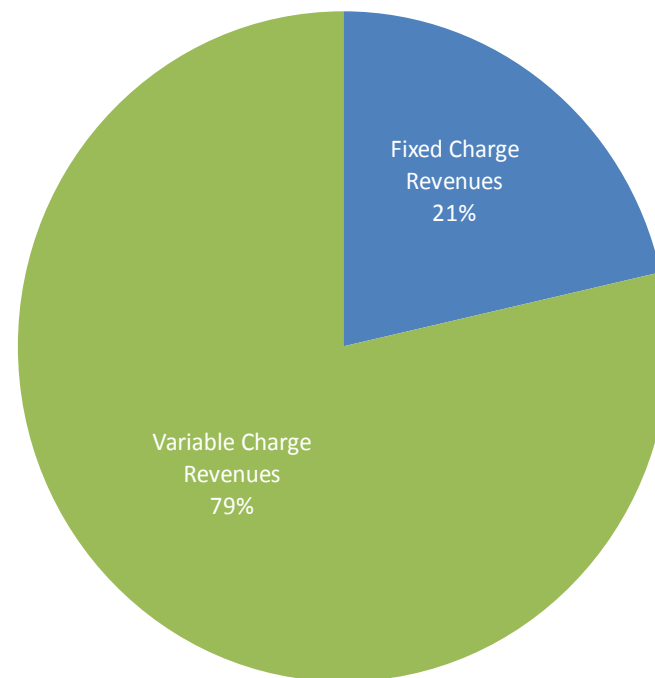
## Need to Improve Fixed Cost Recovery

- 57% of costs are fixed – costs that do not vary with production
- Only 21% of revenue collected by fixed charges

*Austin Energy FY 2009 Expenses*



*Austin Energy FY 2009 Actual Revenues*





## Why Rate Increase Now

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- Without rate increase, ongoing under-recovery
- Continued deficits and financial difficulty
- Need to maintain strong credit ratings for lower interest cost
- Supports Strategic Plan
- Rebalance rates to improve fairness across the community
- Need this rate increase; then 2% Affordability Goal applies



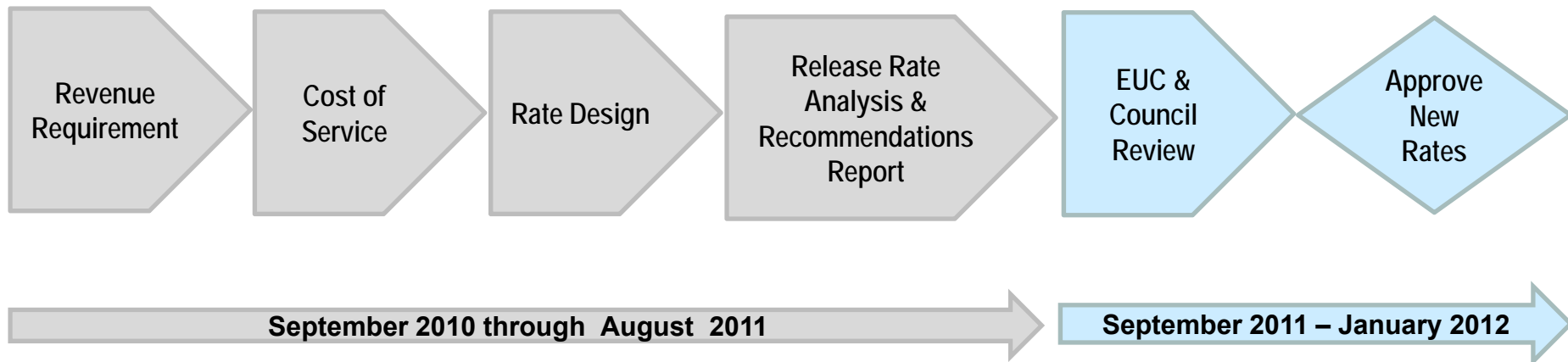
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# Policy, Process and Recommendations





## Rate Review Process Timeline



### Information and Opportunities for Public Involvement:

- Public Involvement Committee (PIC) Meetings (January – June)
- Via e-mail – [www.rates.austinenergy.com](http://www.rates.austinenergy.com)
- Customer newsletter, website newsletter, social media
- Community presentations
- Electric Utility Commission and City Council public review meetings

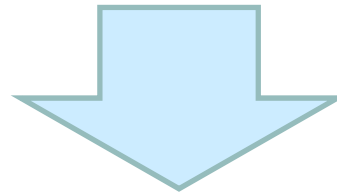




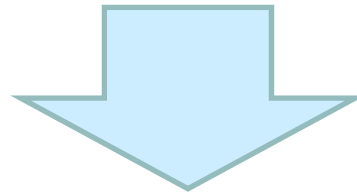
# Aligning Rates with Strategic Plan

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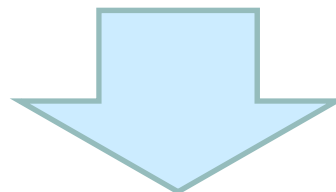
**Strategic Plan**



**Rate Review Objectives**



**Rate Design Principles**



**Policy Guidelines and Metrics**



## Rate Review Policy Goals and Metrics

Policy Goals	Metrics
Achieve Revenue Requirement	<ul style="list-style-type: none"><li>Revenues sufficient to fund core functions and strategic objectives.</li></ul>
Align with Cost of Service (minimize subsidies across customer classes)	<ul style="list-style-type: none"><li>No customer class pays greater than 105% or less than 95% of its cost of service.</li></ul>
Provide Affordable Energy (mitigate impacts within customer classes)	<ul style="list-style-type: none"><li>No residential customer electric bill below 1,500 kWh to increase by more than \$20 per month on average.</li><li>Transition non-demand secondary commercial customers to demand rates.</li></ul>
Affordability Forecast Goal	<ul style="list-style-type: none"><li>System average rate increases of no more than 2% annually, after implementation of new rates and rate design.</li></ul>
Rate Benchmarking	<ul style="list-style-type: none"><li>Customer bills within the lowest 50% of comparable Texas utilities.</li></ul>
Customer Assistance Program	<ul style="list-style-type: none"><li>Increase funding by at least 100 percent to assist more customers.</li><li>Provide a Customer Assistance Program discount.</li></ul>
Achieve Long-Term Financial Stability	<ul style="list-style-type: none"><li>New rate design ensures utility's long-term financial strength and is in compliance with Financial Policies.</li><li>Improve recovery of Customer and Distribution fixed costs through fixed charge collection to at least 60%.</li><li>Maintains or improves credit ratings.</li></ul>
Maintain Renewable Energy Program Excellence (GreenChoice® and Solar)	<ul style="list-style-type: none"><li>Rate redesign retains national leadership position of GreenChoice®.</li><li>Continue solar incentives coupled with net metering rate redesign.</li></ul>



# The Modern Utility Business Challenge

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- Fixed cost recovery
- Future growth and revenue forecast are flat
- Alignment with Strategic Objectives
  - Promotion of energy efficiency
  - Expansion of distributed generation
  - Customer enabling technologies



## Total Revenue and Revenue Needed

Measure		Test Year 2009
Phase 1	Total Revenue Requirement	\$ 1,136,020,803
Phase 1	Test Year Rate Revenue under Existing Rates	\$ 1,004,133,897
Phase 1	Needed Increase in Revenues	\$ 131,886,906
Phase 1	Requested Increase in Revenues	\$ 111,135,775
Phase 1	Requested Percent Increase in Revenues	11.1%
Phase 2	Needed Increase in Revenues from Contract Customers	\$ 20,751,131
Phase 2	Needed Increase in Revenues	13.1%



## Proposed New Customer Classes

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- Consolidate existing 24 classes to 9 classes
  - Residential
  - Secondary Voltage <10 kW
  - Secondary Voltage  $\geq 10$  kW <50 kW
  - Secondary Voltage  $\geq 50$  kW
  - Primary Voltage <3 MW
  - Primary Voltage  $\geq 3$  MW <20 MW
  - Primary Voltage  $\geq 20$  MW
  - Transmission Voltage
  - Lighting



## Increase Needed to Meet Cost of Service and Policy Targets

Customer Class	Test Year Revenue Deficiency (\$ millions)	Increase Needed to Meet Cost of Service (%)	Test Year Revenue Deficiency within Policy Metric (\$ millions)	Increase Needed to Meet Policy Metric (%)	Adjusted Cost of Service Satisfying Policy Metric (%)
Residential	\$ 107.0	28.7%	\$ 83.0	22.2%	95%
Secondary Voltage <10 kW	\$ 10.0	27.5%	\$ 7.7	21.1%	95%
Secondary Voltage 10 - <50 kW	\$ 3.3	3.6%	\$ 7.4	8.2%	104%
Secondary Voltage ≥50 kW	\$ 2.2	0.6%	\$ 17.8	5.1%	104%
Primary Voltage <3 MW	\$ (1.2)	-3.9%	\$ 0.1	0.3%	104%
Primary Voltage 3 - <20 MW	\$ 4.6	9.8%	\$ 6.9	14.6%	104%
Primary Voltage ≥20 MW	\$ 5.1	8.8%	\$ 7.8	13.6%	104%
Transmission Voltage	\$ (1.6)	-10.3%	\$ (1.0)	-6.3%	104%
Lighting	\$ 2.5	98.6%	\$ 2.2	88.3%	95%
<b>Total</b>	<b>\$ 131.9</b>	<b>13.1%</b>	<b>\$ 131.9</b>	<b>13.1%</b>	<b>100%</b>



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# Rate Design







## Residential Rate Design Recommendations

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- Improve alignment of fixed cost with fixed charges
- Improve transparency while maintaining simplicity
- Encourage and promote energy efficiency
- Improve seasonal (summer/non-summer) rate alignment
- Expand funding for Customer Assistance Program
- Provide rate alternatives for 100 percent renewable energy, distributed generation, and new technologies



## Residential Bill Components

Proposed Structure	Cost Recovery
<b>Customer Charge (\$/month)</b>	Billing, Call Centers, Meters, Customer Service
<b>Electric Delivery (\$/month)</b>	Poles, Wires, Transformers, Technology
<b>Energy Charge (¢/kWh)</b>	Power Plants costs and Net Electric Reliability Council of Texas (ERCOT) settlement costs
<b>Energy Adjustment (¢/kWh)</b>	Change in Energy Cost-Initially set at zero
<b>Customer Assistance Program (¢/kWh) <i>Community Benefit</i></b>	Funding for qualified Residential customers
<b>Service Area Street Lighting (¢/kWh) <i>Community Benefit</i></b>	Electricity for local communities' street lighting within Austin Energy's service area
<b>Energy Efficiency (¢/kWh) <i>Community Benefit</i></b>	Energy Efficiency Rebates and related costs, Solar Rebates and Green Building Program
<b>Regulatory (¢/kWh)</b>	Transmission Access Charges and Regulatory Fees



## Four Residential Rate Options

Residential Rate Option Characteristics	<i>Option Supported by Rate Analysis &amp; Recommendation Report</i>	<i>Staff Options</i>		
	Option A Moderate Tiers	Option B Steep Tiers	Option C Status Quo	Option D Bundled Charge
Fixed Charge Cost Recovery	70%	56%	45%	84%
Number of Energy Tiers	5	5	2	5
Transparency	Closest to Unbundled COS			Services Bundled in Basic Charge
Promotes Energy Efficiency (EE)	Moderate Tiers	Steep Tiers	Status Quo	Moderate Tiers
Impact to 300 kWh customer	Highest Bill			Lowest Bill
Impact to 1,000 kWh customer		Lowest Bill	Increase Over \$20	
Impact to 2,500 kWh customer		Highest Bill	Lowest Bill	

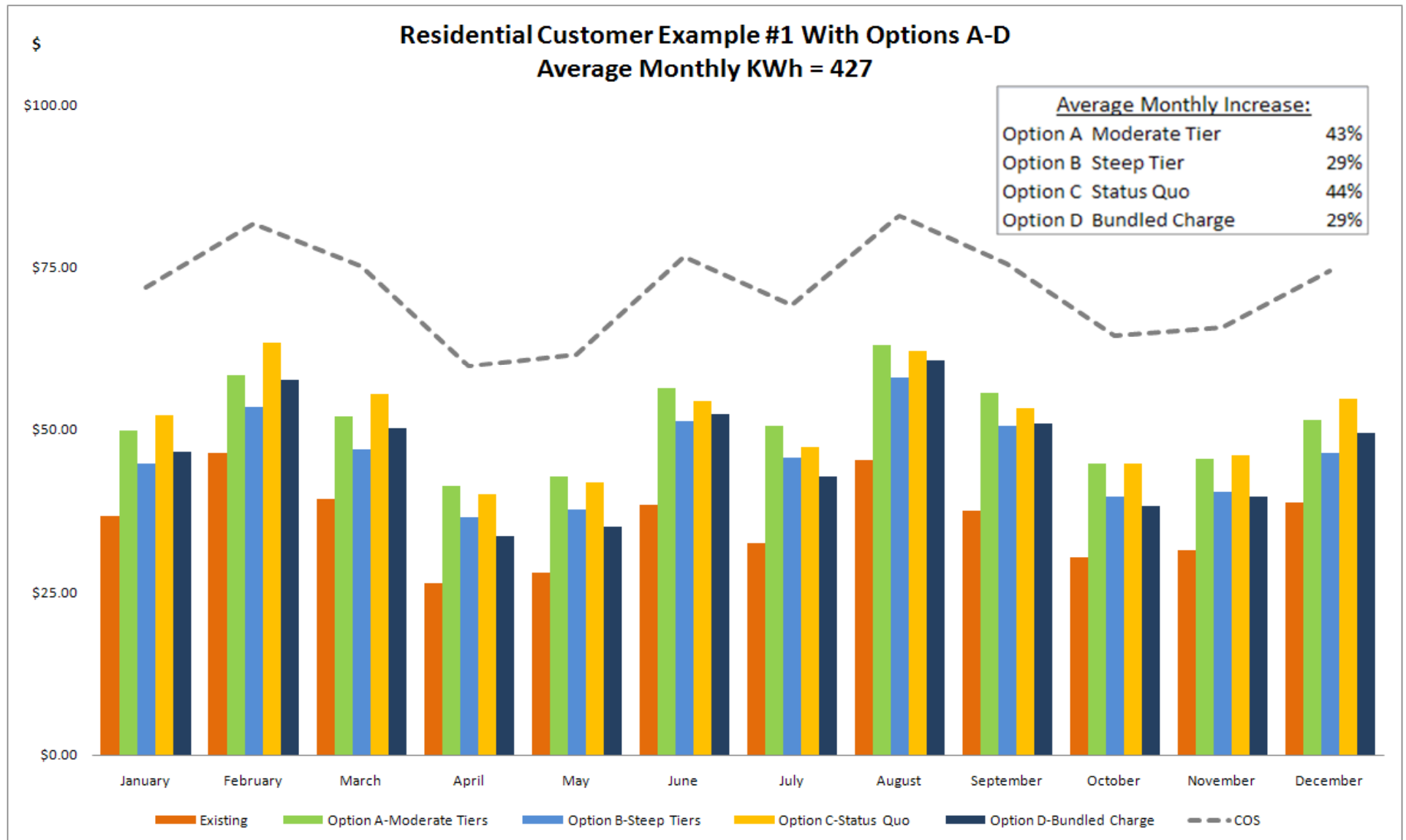


# Residential Rate Options

Bill Components	Existing Rate	Cost of Service	Option Supported by Rate Analysis & Recommendations Report	Staff Options		
	Includes Fuel	- - - - -	Option A Moderate Tiers	Option B Steep Tiers	Option C Status Quo	Option D Bundled Charge
Customer Charge (\$/month)	\$6.00	\$21.69	\$15.00	\$10.00	\$10.00	\$30.00
Electric Delivery (\$/month)	Inc. Below	\$14.13	\$10.00	\$10.00	\$6.24	N/A
Energy Charge (¢/kWh) – Summer Period (June-Sept)						
< 500 kWh (15% of bills)	6.948 ¢	7.504 ¢	5.514 ¢	5.514 ¢	6.948 ¢	0-300 (Cust.Chg.)
501 – 1000 kWh (26% of bills)	11.218 ¢		9.514 ¢	9.514 ¢	11.218 ¢	300-1000 @ 10.00¢
1001 - 1500 kWh (25% of bills)	11.218 ¢		12.014 ¢	13.503 ¢	11.218 ¢	12.188 ¢
1501 – 2500 kWh (25% of bills)	11.218 ¢		13.514 ¢	16.003 ¢	11.218 ¢	13.712 ¢
> 2500 kWh (9% of bills)	11.218 ¢		14.514 ¢	17.503 ¢	11.218 ¢	14.728 ¢
Energy Charge (¢/kWh) – Non- Summer Period (Oct-May)						
< 500 kWh (40% of bills)	6.948 ¢	6.968 ¢	4.411 ¢	4.411 ¢	6.948 ¢	0-300 (Cust.Chg.)
501 – 1000 kWh (37% of bills)	9.418 ¢		7.611 ¢	7.611 ¢	9.418 ¢	300-1000 @ 8.00¢
1001 - 1500 kWh (14% of bills)	9.418 ¢		9.611 ¢	10.802 ¢	9.418 ¢	9.750 ¢
1501 – 2500 kWh (7% of bills)	9.418 ¢		10.811 ¢	12.802 ¢	9.418 ¢	10.970 ¢
> 2500 kWh (2% of bills)	9.418 ¢		11.611 ¢	14.002 ¢	9.418 ¢	13.782 ¢
Energy Adjustment (¢/kWh)	Inc. Above		-	-	-	-
Community Benefit (¢/kWh)						
Customer Assistance Program	Inc. Above	0.065 ¢	0.065 ¢	0.065 ¢	0.065 ¢	0.065 ¢
Service Area Street Lighting	Inc. Above	0.114 ¢	0.114 ¢	0.114 ¢	0.114 ¢	0.114 ¢
Energy Efficiency Charge	Inc. Above	0.301 ¢	0.301 ¢	0.301 ¢	0.301 ¢	0.301 ¢
Regulatory Charge (¢/kWh)		0.729 ¢	0.729 ¢	0.729 ¢	0.729 ¢	0.729 ¢

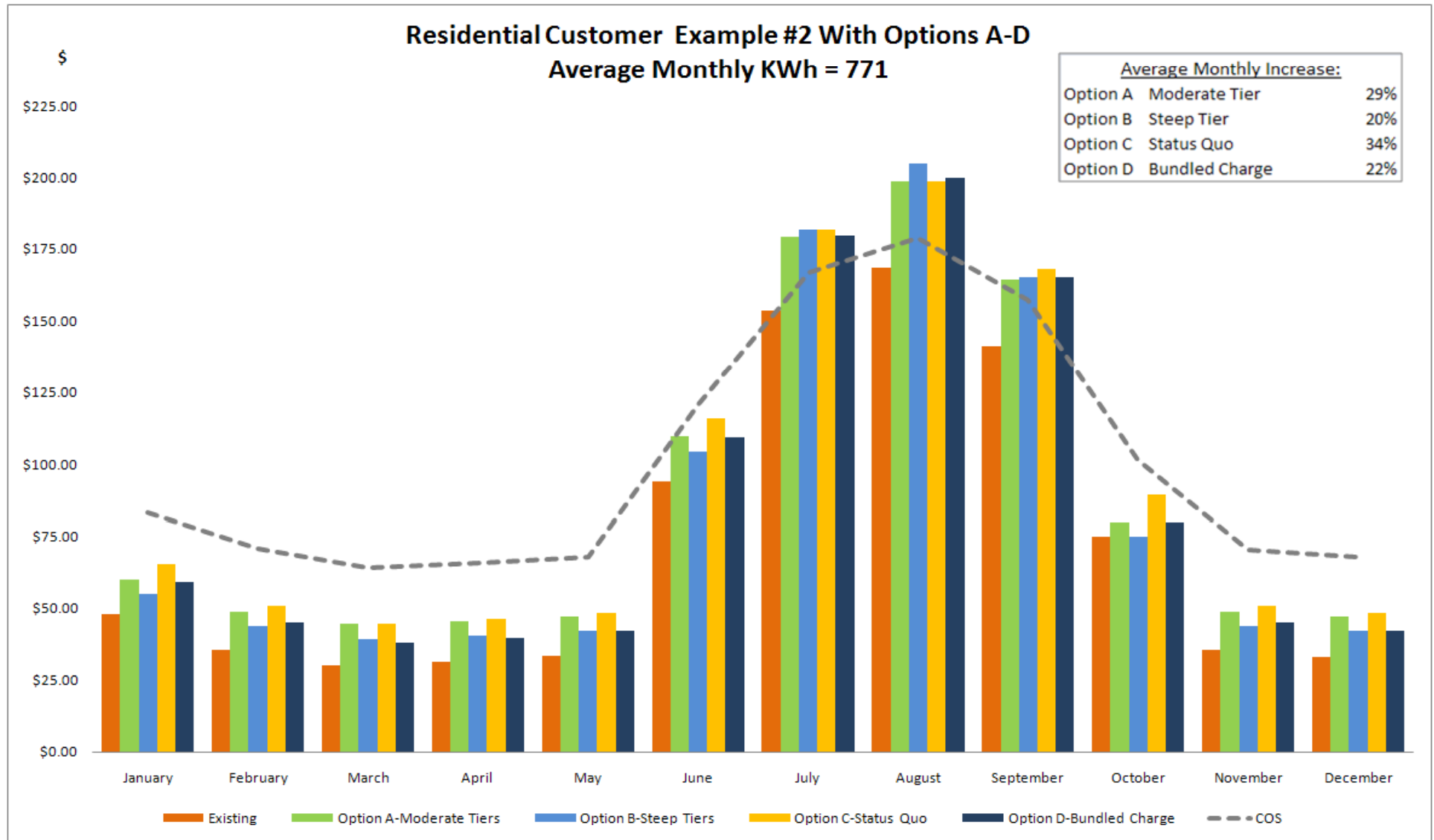


# Residential Customer Example #1



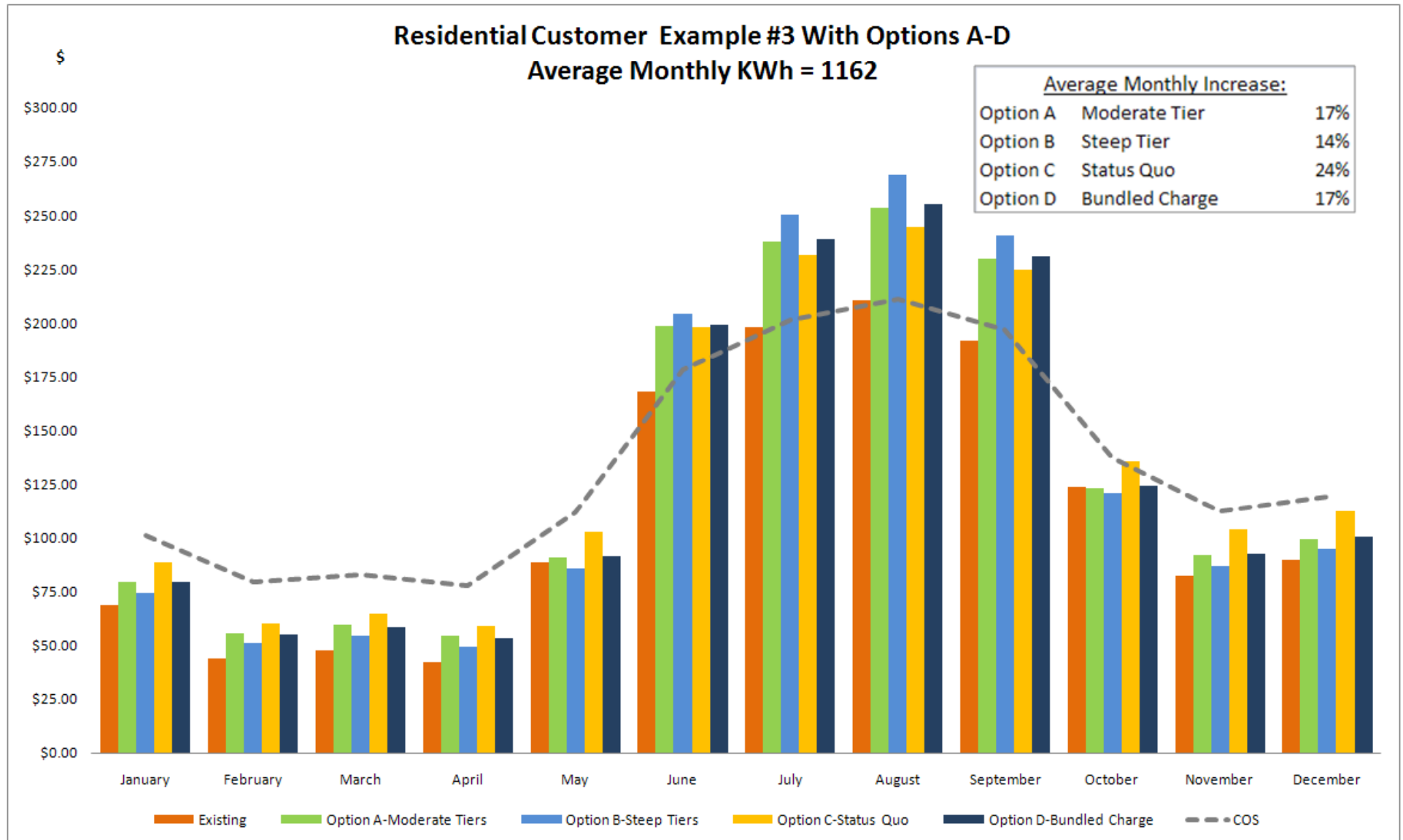


## Residential Customer Example #2





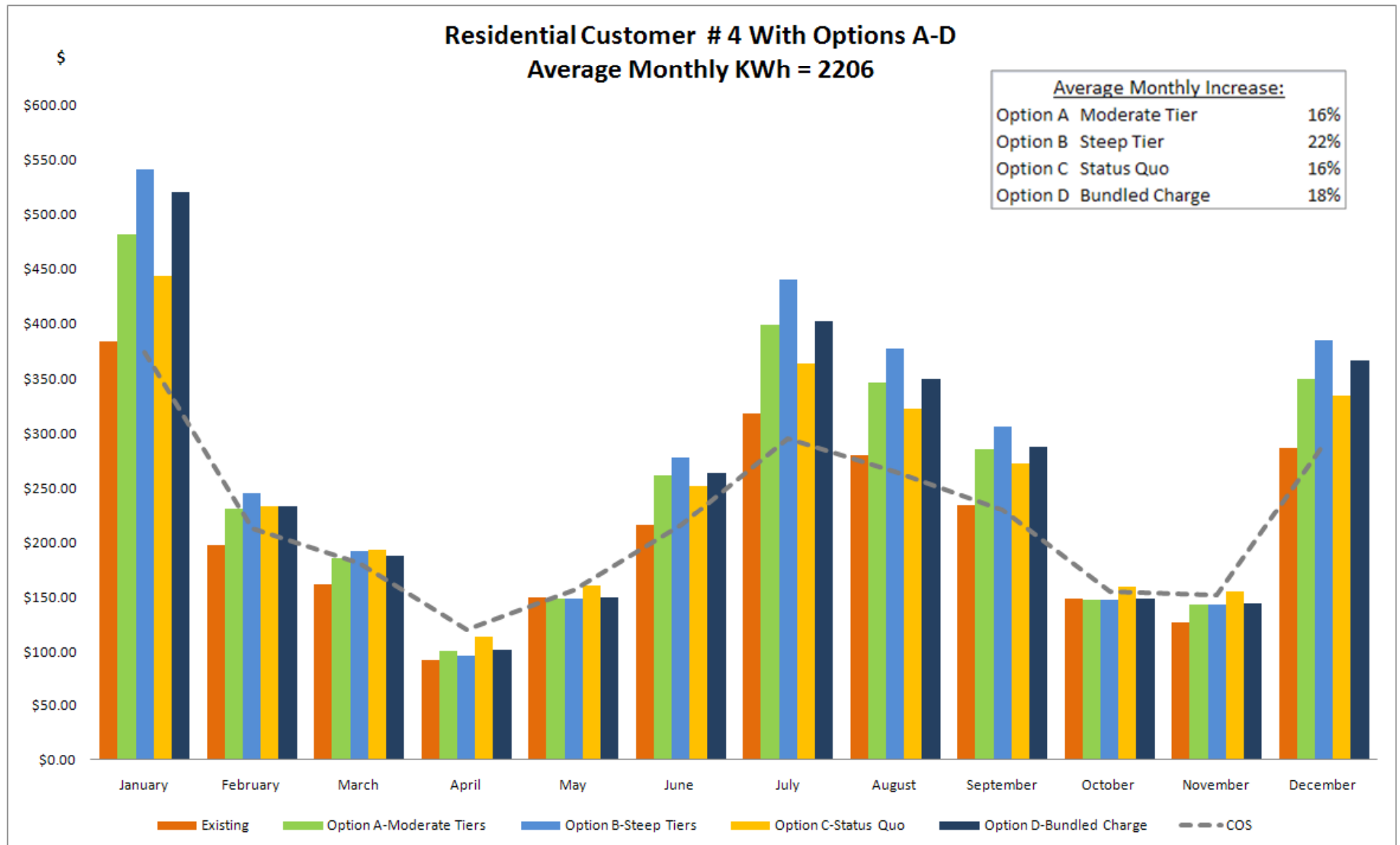
## Residential Customer Example #3





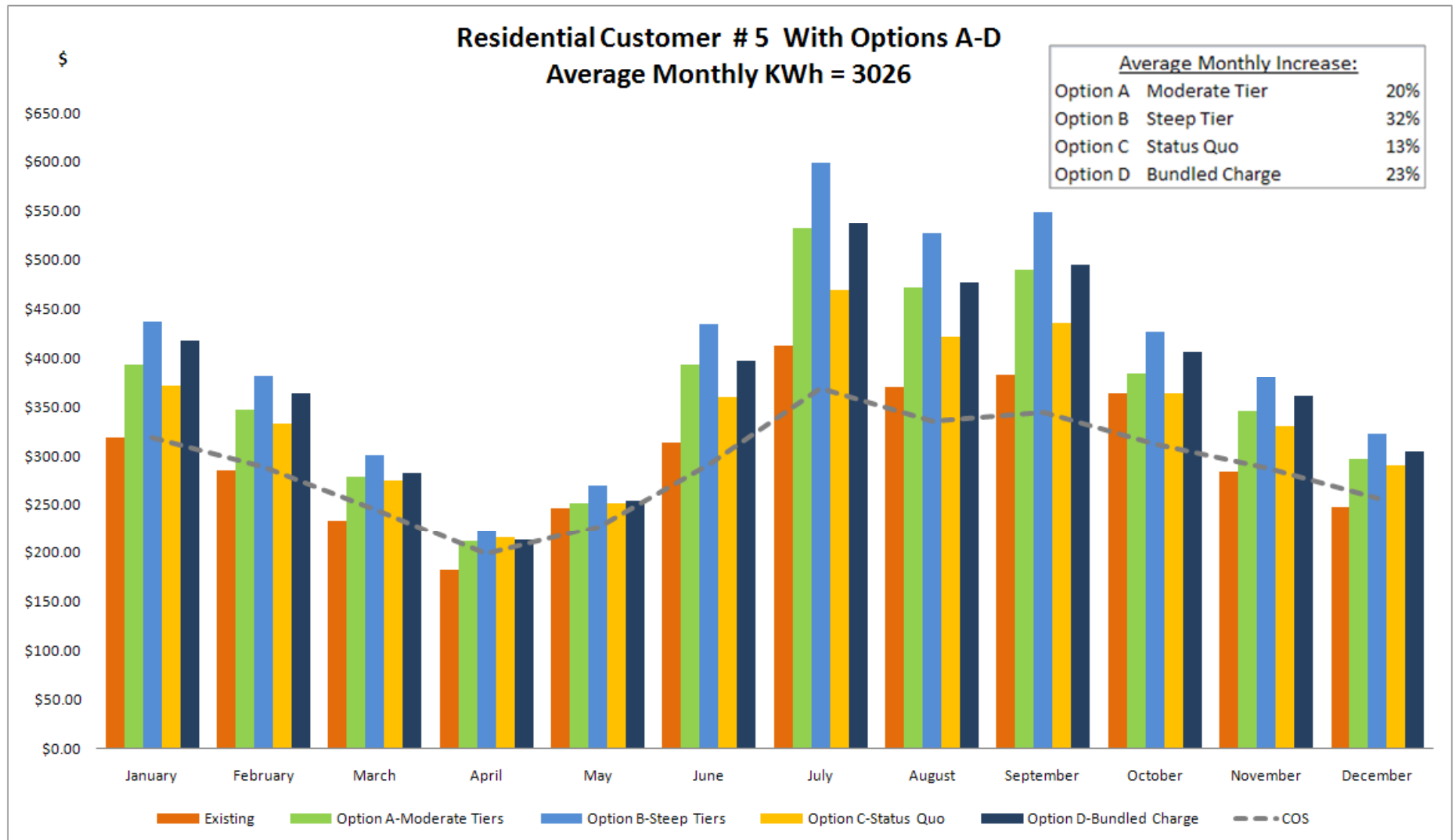


## Residential Customer Example #4



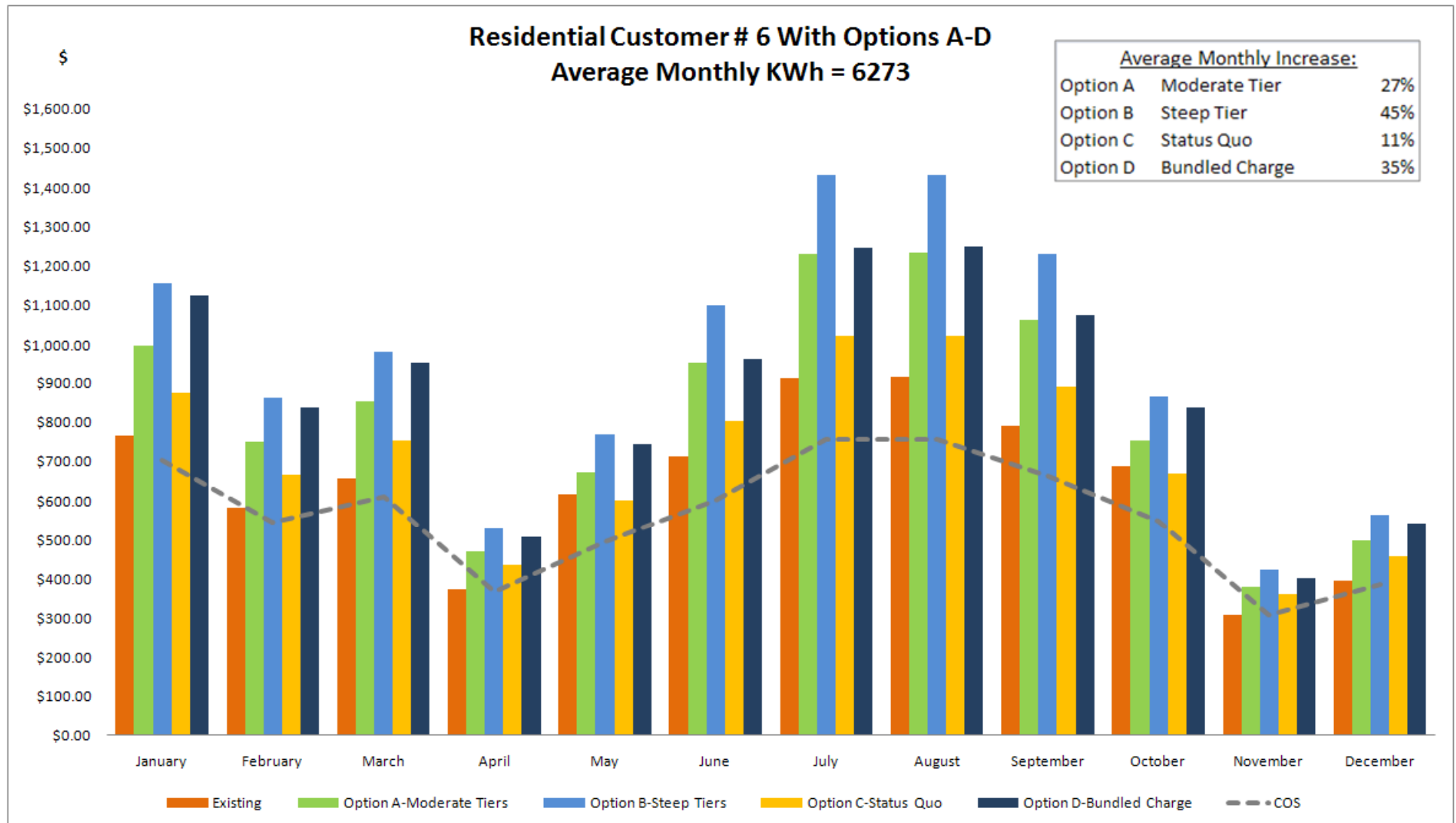


## Residential Customer Example #5





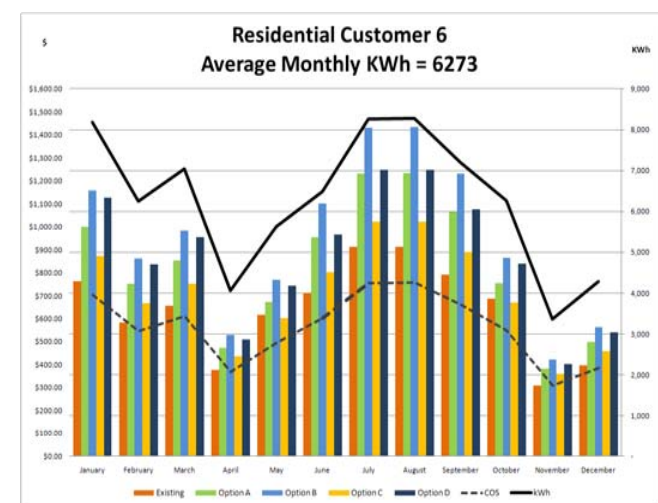
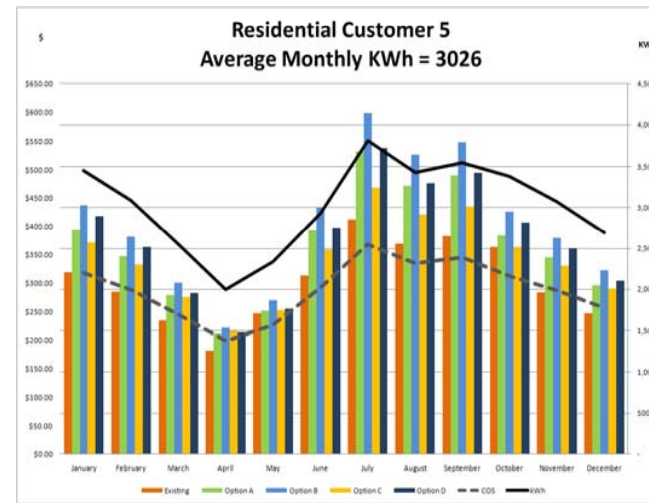
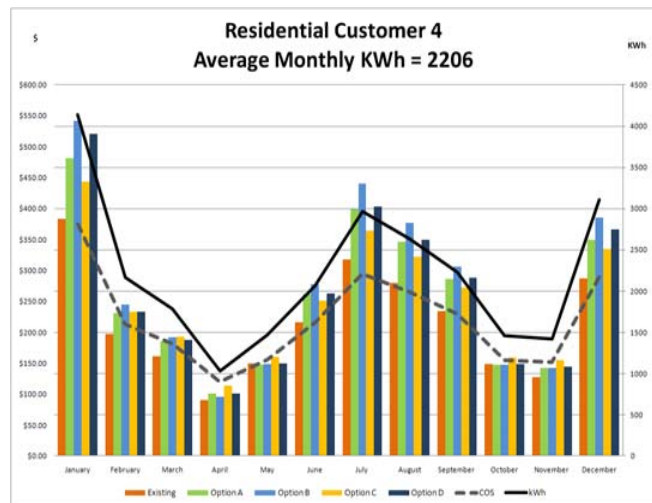
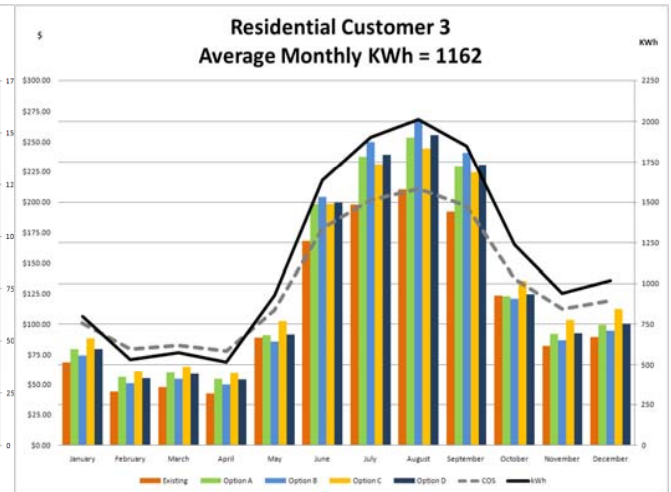
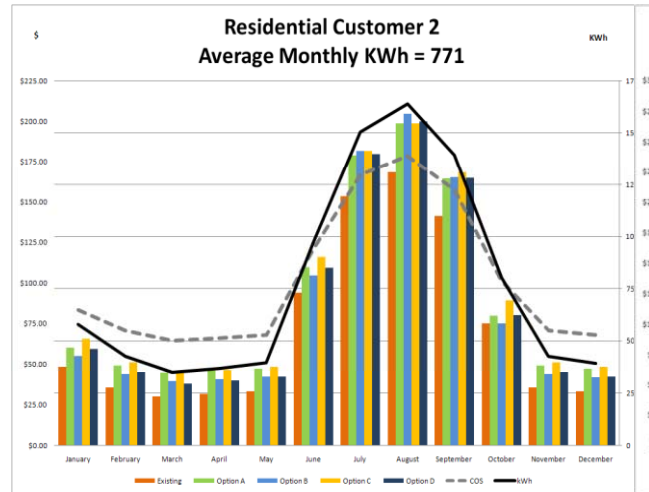
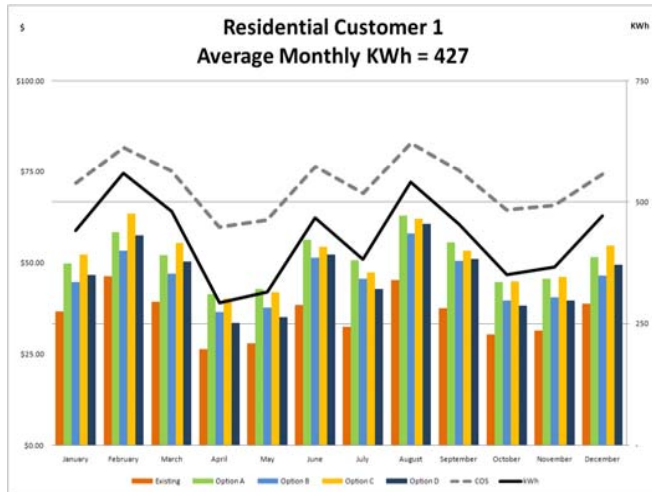
## Residential Customer Example #6





# Residential Customer Examples #1 - 6

## Four Rate Options for 12 Months' kWh Use





# Residential Bill Impact of Options

Residential Rate Options	Existing Rate	Cost of Service	Option Supported by Rate Analysis & Recommendations Report	Staff Options		
	Includes Fuel	-----	Option A Moderate Tiers	Option B Steep Tiers	Option C Status Quo	Option D Bundled Charge
Average Monthly Bill at Usage						
300 kWh Avg Annual Electric Bill	\$26.84	\$60.89	\$42.96	\$37.96	\$40.71	\$33.63
1,000 kWh Avg Annual Electric Bill	\$92.33	\$119.39	\$102.21	\$97.21	\$113.16	\$102.76
2,500 kWh Avg Annual Electric Bill	\$247.10	\$244.74	\$289.53	\$312.55	\$281.57	\$292.54
4,000 kWh Avg Annual Electric Bill	\$401.86	\$370.09	\$496.35	\$558.22	\$449.97	\$522.14
Monthly Dollar Difference from Current Rates						
300 kWh Avg Annual Electric Bill		\$34.05	\$16.12	\$11.12	\$13.87	\$6.78
1,000 kWh Avg Annual Electric Bill		\$27.06	\$9.88	\$4.88	\$20.83	\$10.43
2,500 kWh Avg Annual Electric Bill		(\$2.36)	\$42.43	\$65.45	\$34.47	\$45.45
4,000 kWh Avg Annual Electric Bill		(\$31.77)	\$94.49	\$156.36	\$48.11	\$120.28
Percent Change from Current Rates						
300 kWh Avg Annual Electric Bill		127%	60%	41%	52%	25%
1,000 kWh Avg Annual Electric Bill		29%	11%	5%	23%	11%
2,500 kWh Avg Annual Electric Bill		-1%	17%	27%	14%	18%
4,000 kWh Avg Annual Electric Bill		-8%	24%	39%	12%	30%



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# Commercial and Industrial Proposed Rates







## Commercial & Industrial Rate Design Recommendations

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- Consolidate commercial and industrial customers into seven classes
- Add Customer Charge at or near cost of service
- Add an Electric Delivery Charge on a \$/kW basis
- Expand use of demand charges to all Secondary Voltage customers
- Phase-in demand charges over three years for smallest commercial customers
- Improve seasonal (summer/non-summer) rate alignment
- Increase power factor adjustment from 85% to 90% for most demand customers
- Expand funding for Customer Assistance Program
- Provide rate alternatives for GreenChoice®, Time-of-Use, Thermal Energy Storage and Net Metering





## Customer Profile Data (FY 2009) – Proposed New Customer Classes

Customer Class	Number of Customers	Average Class Energy per Customer	Average Demand per Customer	Average Monthly Load Factor (%)	Meter Type	Service Voltage
Secondary <10 kW	32,001	987	3	45	Demand	Secondary
Secondary 10 to <50 kW	10,360	7,939	24	45	Demand	Secondary
Secondary ≥50 kW	3,214	107,415	269	55	Demand	Secondary
Primary <3 MW	97	331,657	764	59	Interval Demand	Primary
Primary 3 to <20 MW	20	3,207,625	4,981	88	Interval Demand	Primary
Primary ≥20 MW	2	Confidential	Confidential	Confidential	Interval Demand	Primary
Transmission	3	Confidential	Confidential	Confidential	Interval Demand	Transmission
Lighting	44	92,626	3,286	35	Demand	Secondary



# Commercial and Industrial Proposed Rates

Orange Highlights indicate Year 1 of 3 Year Phase-In

Bill Components	Secondary Voltage <10 kW	Secondary Voltage 10- <50 kW Non-Demand	Secondary Voltage 10- <50 kW	Secondary Voltage ≥50 kW Non-Demand	Secondary Voltage ≥50 kW	Primary Voltage <3MW	Primary Voltage 3 - <20 MW	Primary Voltage ≥20 MW	Transmission Voltage
Customer Charge (\$/month)	18.00	25.00	25.00	65.00	65.00	250.00	2,000.00	2,500.00	2,500.00
Electric Delivery (\$/kW billed)	1.50	2.00	4.00	2.00	4.50	2.50	3.50	3.50	N/A
Demand (\$/kW billed)									
Summer	1.00	2.00	6.50	2.00	8.00	10.00	13.00	13.00	13.00
Non-Summer	1.00	2.00	5.50	2.00	7.00	9.00	12.00	12.00	12.00
Energy (¢/kWh)									
Summer	9.097¢	7.505¢	5.868¢	7.855¢	5.142¢	4.127¢	4.004¢	3.945¢	3.466¢
Non-Summer	7.278¢	7.023¢	5.491¢	7.351¢	4.812¢	3.862¢	3.747¢	3.692¢	3.243¢
Community Benefit Charges (¢/kWh)									
Customer Assistance Program	0.065¢	0.065¢	0.065¢	0.065¢	0.065¢	0.065¢	0.065¢	0.065¢	0.065¢
Service Area Street Lighting	0.113¢	0.088¢	0.088¢	0.078¢	0.078¢	0.066¢	0.062¢	0.059¢	0.053¢
Energy Efficiency Charge	0.296¢	0.231¢	0.231¢	0.206¢	0.206¢	0.174¢	0.162¢	0.156¢	0.139¢
Regulatory Charge									
(¢/kWh)	0.711¢								
(\$/kW billed)		2.44	2.44	2.57	2.57	2.28	2.93	2.92	2.49
Percent Class Rate Change	22%	9%	9%	6%	6%	1%	16%	15%	-5%



# Commercial and Industrial - Cost of Service

Bill Components	COS Secondary Voltage <10 kW	COS Secondary Voltage 10- <50 kW	COS Secondary Voltage ≥50 kW	COS Primary Voltage <3MW	COS Primary Voltage 3 - <20 MW	COS Primary Voltage ≥20 MW	COS Trans- mission
Customer Charge (\$/month)	27.77	30.49	68.79	259.1	2,022.55	2,758.06	1,923.02
Electric Delivery (\$/kW billed)	5.25	4.64	4.87	2.71	3.68	3.63	N/A
Demand (\$/kW billed)							
Summer	10.77	10.65	11.18	9.93	12.62	12.34	10.17
Non-Summer	9.60	9.60	10.04	8.94	11.29	11.02	9.09
Energy (¢/kWh)							
Summer	3.818 ¢	3.818 ¢	3.818 ¢	3.731¢	3.731¢	3.731¢	3.684¢
Non-Summer	3.573 ¢	3.573 ¢	3.573 ¢	3.492¢	3.492¢	3.492¢	3.447¢
Community Benefit Charges (¢/kWh)							
Customer Assistance Program	0.065¢	0.065¢	0.065¢	0.065¢	0.065¢	0.065¢	0.065¢
Service Area Street Lighting	0.113¢	0.088¢	0.078¢	0.066¢	0.062¢	0.059¢	0.053¢
Energy Efficiency Charge	0.296¢	0.231¢	0.206¢	0.174¢	0.162¢	0.156¢	0.139¢
Regulatory Charge							
(¢/kWh)							
(\$/kW billed)	2.33	2.44	2.57	2.28	2.93	2.92	2.49
Percent Class Rate Change	28%	4%	1%	-4%	10%	9%	-10%



# Lighting Customer Class

Bill Components	Service Area Street Lighting	Metered Lighting	Customer Owned Non-Metered Lighting	Austin Energy Owned Outdoor Lighting			
				100 Watt High Pressure Sodium	175 Watt Mercury Vapor	250 Watt High Pressure Sodium	400 Watt Mercury Vapor
Customer Charge (\$/month)		15.00					
Energy Charge							
Summer (¢/kWh)	30.361¢	18.201¢	9.376¢				
Non-Summer (¢/kWh)	30.361¢	16.701¢	9.376¢				
Energy (\$/month)				\$ 11.00	\$ 19.00	\$ 28.50	\$ 44.50
Community Benefit Charges (¢/kWh)							
Customer Assistance Program		0.065¢	0.065¢				
Service Area Street Lighting		0.180¢	0.095¢				
Energy Efficiency Charge	0.803¢	0.473¢	0.25¢				
Regulatory Charge							
(¢/kWh)	0.093¢	0.318¢	0.095¢				
Percent Class Rate Change		116%	29%	42%	76%	97%	116%



YOUR ELECTRIC RATES

## ***Mission***

***To provide clean, affordable, reliable energy  
and excellent customer service***



***Return to EUC Agenda***