# Austin Energy Rate Review Residential Rate Advisor Revenue Requirement Recommendations

1

**OCTOBER 17, 2011** 

**Electric Utility Commission** 

## Residential Rate Advisor Revenue Requirement Recommendations

_	
//	1
7	~ \
1	•,
ι	/.
\	$\sim$
//	
1	

<u>Summary</u>	<b>AE Proposal</b>	<b>RRA Proposal</b>
Proposed Revenue Requirement	\$1,136,020,803	3 \$1,110,776,075
Test Year Adjusted Rate Revenue	1,004,133,897	1,004,133,897
Increase (\$)	\$131,886,905	\$106,667,126
Increase (%)	13.1%	10.6%
Debt Service Coverage	2.37	2.23
Less:		
Required Increase from Contract Customers	\$ <u>\$20,751,131</u>	<u>\$20,751,131</u>
Increase to Non-Contract Customers (\$)	\$111,135,774	\$85,915,995
Increase to Non-Contract Customers (%)	11.1%	8.6%
Debt Service Coverage	2.24	2.10

### RRA Proposed Revenue Requirement **Adjustments**

#### **Fund Adjustments**

- •45 days funding of Contingency Reserve Fund data supporting 60 days funding is lacking. However, reserves are necessary to ensure coverage of normal operating contingencies, but not at the level proposed by AE.
- •45 days funding of Emergency Reserve Fund same as Contingency Reserve Fund.
- •Zero funding for Rate Stabilization Fund Power cost recovery factor provides better cost transparency and allows consumers to better weigh costs and benefits of actions. In addition, advanced recovery of costs of future generation resources overstates today's costs of power and understates future power costs. Finally, the fund provides for "intergenerational income transfers" with today's consumers paying the costs of tomorrow's consumers.

## RRA Proposed Revenue Requirement Adjustments

### 4

#### **Other Adjustments**

- •Zero Cash Working Capital consumers provide funding prior to AE payments.
- •Decommissioning Reserve funding for Decker and FPP since both plants are older than their depreciable lives and a decommissioning reserve must be funded prior to retirement of these plants. In contrast, Sand Hill's retirement is sufficiently far in the future that decommissioning studies can readily be completed prior to the need to begin collecting it for Sand Hill.
- •Adjust Franchise Fee downward to reflect RRA's recommended level of revenues.
- •Adjust Miscellaneous Service Revenues to reflect customer growth.

**FUC Agenda Item 20** 

### Residential Rate Advisor **Revenue Requirement Recommendations**

#### **Future Requirements**

- AE should undertake a Cash Working Capital study to determine its daily working cash requirements.
- AE should undertake a cash flow analysis of reserve funding requirements to quantify the funding requirements of the Contingency Reserves and Emergency Reserves. Such a study should employ know contingencies and emergencies as well as reasonably anticipated events that would be met by each of the funds.
- AE should undertake decommissioning studies to identify its Decker and FPP decommissioning requirements.

## Austin Energy Electric Cost of Service Residential Rate Advisor Summary of Recommendations with Alternative Scenarios

Line		FY 2009	AE	RRA	9	Sensitivity Analysis	
No.	Description	Actual	Proposed	Proposed	Scenario 1	Scenario 2	Scenario 3
	Α	В	С	D	E	F	G
1 2	Working Capital Reserve Func	\$51,343,997	\$51,667,404	\$0	\$0	\$0	\$0
3	Strategic Reserve Fund						
4	Contingency Reserve Fund	\$68,458,663	\$68,889,872	\$51,667,404	\$68,889,872	\$68,889,872	\$0
5	<b>Emergency Reserve Fund</b>	68,458,663	68,889,872	51,667,404	68,889,872	68,889,872	0
6	Rate Stabilization Fund	109,030,479	97,958,754	0	97,958,754	97,958,754	0
7 8	Sub-Total Strategic Rese	\$245,947,805	\$235,738,498	\$103,334,808	\$235,738,498	\$235,738,498	\$0
9 10	Repair and Replacement Func	\$57,085,861	\$13,316,073	\$13,316,073	\$13,316,073	\$13,316,073	\$13,316,073
11 12	Non-Nuclear Decommissionin	0	\$6,716,995	\$5,557,782	\$6,716,995	\$0	\$0
13 14	Revenue Requirement	\$1,156,396,406	\$1,136,020,803	\$1,110,776,075	\$1,134,432,107	\$1,127,691,698	\$1,036,254,776
15 16	Test Year Rate Revenue	1,054,881,935	1,004,133,897	1,004,133,897	1,004,133,897	1,004,133,897	1,004,133,897
17 18	Debt Service Coverage Ratio	1.73	2.37	2.23	2.37	2.33	1.78
19	Increase (\$)		\$131,886,905	\$106,667,126	\$130,396,803	\$123,582,749	\$32,219,473
20 21	Increase (%)		13.1%	10.6%	13.0%	12.3%	3.2%
22 23 24	Change from AE Proposed Incre	ase	\$0	(\$25,219,779)	(\$1,490,102)	(\$8,304,156)	(\$99,667,432)
25	NOTES: RRA recommendation	is no Cash Working Ca	pital Reserve Fund, 4	5 day Contingency Re	serve Fund, 45 day Er	nergency Reserve Fun	d, no
26	funding of Rate Stabiliz	ation Fund, funding of	Non-Nuclear Genera	tion Decommissioning	g Reserves on Decker	and FPP only.	
27	Scenario 1 is no Cash W	orking Capital Reserv	e Fund, AE recommen	dations for Other Fur	nds and Non-Nuclear	Gen Decommission Co	osts.
28	Scenario 2 is no Cash W	orking Capital Reserv	e Fund, no Non-Nucle	ar Generation Decom	missioning Costs.		
29	Scenario 3 is zero balan	ice on all Funds and no	o Non-Nuclear Genera	ation Decommissionin	g Costs.		
	Required Increase from Contract	t Customers	\$20,751,131	\$20,751,131	\$20,751,131	\$20,751,131	\$20,751,131
	Increase to Non-Contract Custor		\$111,135,774	\$85,915,995	\$109,645,672	\$102,831,618	\$11,468,342
	Increase to Non-Contract Custor		11.1%	8.6%	10.9%	10.2%	1.1%
	Rev Available for Debt Service at	fter removal of Cont	\$376,134,256	\$352,451,742			
	Increase after Removal of Contra	act Customers	11.1%	8.6%			
	DSC after removal of Contract Co	ustomers	2.24	2.10			

### Austin Energy Electric Cost of Service Residential Rate Advisor Test Year Development

Line		FERC	FY 2009	AE Pro	oposed	RRA P	roposed
No.	Description	Account	Actual	Adjustment	Test Year	Adjustment	Test Year
	Α	В	С	D	E	F	G
1	Total Power Production Expenses	500-557	\$547,333,150	(\$4,217,099)	\$543,116,051	(\$4,217,099)	\$543,116,051
2	Total Transmission Expenses	560-573	66,913,260	10,906,062	77,819,322	10,906,062	77,819,322
3	Total Distribution Expenses	580-598	39,157,987	9,884,532	49,042,519	9,884,532	49,042,519
4	Total Customer and Information Expenses	901-916	67,341,767	(21,685,757)	45,656,010	(21,685,757)	45,656,010
5	General and Administrative Expenses	920-935	135,795,362	(31,394,553)	104,400,809	(31,394,553)	104,400,809
6	Total Operations and Maintenance Expense	s	\$856,541,526	(\$36,506,815)	\$820,034,711	(\$36,506,815)	\$820,034,711
7							
8	Depreciation & Amortization of CIAC						
9	Depreciation Expense	403	\$114,171,721	\$8,223,622	\$122,395,343	\$8,223,622	\$122,395,343
10	Amortization of CIAC		(5,180,831)	0	(5,180,831)	0	(5,180,831)
11	Total Depreciation & Amortization of CIAC		\$108,990,890	\$8,223,622	\$117,214,512	\$8,223,622	\$117,214,512
12	rotal peprediction dy information of circ		<del>- 100,550,050</del>	<b>70,223,022</b>	Ψ117,E11,51E	ψ0,223,022	Ψ117,211,31 <b>2</b>
13	Debt Service		\$176,919,813	(\$8,849,523)	\$168,070,290	(\$8,849,523)	\$168,070,290
14	Debt Service		\$170,919,613	(50,049,323)	\$100,070,290	(58,849,323)	\$108,070,290
15	General Fund Transfer	421.5	05 000 000	9 000 000	102 000 000	9 000 000	102 000 000
	General Fund Transfer	421.5	95,000,000	8,000,000	103,000,000	8,000,000	103,000,000
16	Manata (as defined halous)		26 277 660	(47.220.250)	0.057.440	(40.053.060)	/4.4.675.200
17	Margin (as defined below)		26,277,668	(17,320,250)	8,957,418	(40,952,868)	(14,675,200)
18			4	(4.2.222	4	(4	4
19	Sub-Total Revenue Requirement		\$1,263,729,897	(\$46,452,966)	\$1,217,276,931	(\$70,085,584)	\$1,193,644,313
20							
21	Other Expenses		16,358,459	(12,805,709)	3,552,750	(12,830,657)	3,527,802
22							
23	Other (Non-Rate) Revenue		123,691,950	(38,883,072)	84,808,878	(37,295,910)	86,396,040
24							
25	Total Revenue Requirement		\$1,156,396,406	(\$20,375,603)	\$1,136,020,803	(\$45,620,331)	\$1,110,776,075
26							
27	System Retail Sales (MWH)		12,076,915	(262,976)	11,813,939	(262,976)	11,813,939
28	Average Rate (\$/MWH)		\$95.75		\$96.16		\$94.02
29							
30	Comparison to Rate Revenue - AE Proposed FY	2009 Rate S	tructure				
31	Base Revenue		\$614,797,276	(\$10,540,448)	\$604,256,828	(\$10,540,448)	\$604,256,828
32	Recoverable Fuel		408,401,366	(17,503,790)	390,897,576	(17,503,790)	390,897,576
33	Green Choice		31,683,294	(21,626,212)	10,057,082	(21,626,212)	10,057,082
34	Remove Service Area Street Lighting Fuel Co.	sts	0	(1,077,588)	(1,077,588)	(1,077,588)	(1,077,588)
35	Total Revenues		\$1,054,881,936	(\$50,748,038)	\$1,004,133,898	(\$50,748,038)	\$1,004,133,898
36					, .		
37	Over / (Under) Recovery		(\$101,514,470)	(\$30,372,435)	(\$131,886,905)	(\$5,127,707)	(\$106,642,177)
38	over / (onder/ necovery		(\$101,311,170)	(430,372, 133)	(\$131,000,303)	(43,127,707)	(\$100,012,177)
39	Required Increase / (Decrease) in Rate Rever	1116	9.62%		13.13%		10.62%
40	Required merease / (Decrease) in Nate Never	iue	5.02/0		13.1370		10.02/0
41	Recoverable Fuel Cost						
42		F01	¢200 000 700	(6160 200 271)	Ć121 F20 400	(6160 200 271)	Ć121 F20 400
43	Fuel	501			\$131,529,489	(\$168,380,271)	\$131,529,489
44	Nuclear Fuel Expense	518	16,866,183	2,480,877	19,347,060	2,480,877	19,347,060
45	Fuel	547	4,206	122,424,961	122,429,167	122,424,961	122,429,167
46	Purchased Power	555	78,830,176	17,681,726	96,511,902	17,681,726	96,511,902
47	System Control and Load Dispatching	556	12,791,041	8,288,917	21,079,958	8,288,917	21,079,958
48	Sub-Total Recoverable Fuel Cost		\$408,401,366	(\$17,503,790)	\$390,897,576	(\$17,503,790)	\$390,897,576
49							
50	Off-System Sales		\$21,657,426	(\$21,657,426)	\$0	(\$21,657,426)	\$0
51							
52	Net Cost to AE		\$386,743,940	\$4,153,636	\$390,897,576	\$4,153,636	\$390,897,576
53							
23							

NOTES: See AE Rate Analysis Recommendations Report: C-3.

#### Austin Energy Electric Cost of Service Residential Rate Advisor Test Year Development

Sub-Total Cash Uses	Line	FERC FY 2009 AE Proposed		RRA Proposed				
Carb Hose	No.	Description	Account	Actual	Adjustment	Test Year	Adjustment	Test Year
Cash Sources			В	С	D	E	F	G
Depreciation Sporems		_						
Amortization of CAC   S.18,08.31   0   S.18,08.31   0   S.18,08.31   7.596,600   5.18,08.31   7.596,600   7.596,			403	Ć114 171 721	ć0 222 C22	Ć422 20E 242	će 222 c22	Ć422 20F 242
Interest and Oividende Income   519   17.001,562   09.804,331   7.396,609   09.801,931   7.396,609   09.801,931   5124,811,121   515,813,131   5124,811,121   515,813,131   5124,811,121   515,813,131   5124,811,121   513,813,131   5124,811,121   513,813,131   5124,811,121   513,813,131   5124,811,121   513,813,131   5124,811,121   513,813,131   5124,811,121   513,813,131   5124,811,121   513,813,131   5124,811,121   513,813,131   5124,811,121   513,813,131   5124,811,121   513,813,131   5124,811,121   513,813,131   5124,811,121   513,813,131   5124,811,121   513,813,131   5124,811,121   513,813,131   5124,811,121   513,813,131   5124,811,121   513,813,131   5124,811,121   513,813,131   5124,811,121   513,813,131   5124,811,121   513,813,131   5124,811,131   51			403					
Sub-Total Cash Sources   \$126,392,452   \$(51,581,331) \$124,811,121   \$(51,581,331,31) \$124,811,121   \$(51,581,331,31) \$124,811,121   \$(51,581,331,31) \$124,811,			519					
Capital from Current Revenue			319					
Capital from Current Revenue   \$152,670,120   \$151,690,101   \$151,797,109   \$111,091,011   \$161,797,109   \$111,091,011   \$161,797,109   \$111,091,011   \$161,077,100   \$161,000,000   \$16		333 13141 3331 3341 335		ψ120,332, i32	(41,501,551)	Ψ12 1,011,111	(42)302)332)	Ψ12 1,011,121
Required Contributions to Decominisationing Reserves   0   0   5,860,538   15,960,938   5,557,782   5,517,782   5,612,827   12   12   12   12   12   12   12	8	Cash Uses						
Required Contributions to Reserves	9	Capital from Current Revenue		\$152,670,120	(\$41,579,109)	\$111,091,011	(\$41,579,109)	\$111,091,011
Sub-Total Cash Uses	10	Required Contributions to Decommissioning Res	erves	0	6,716,995	6,716,995	5,557,782	5,557,782
Page		•						(6,512,872)
Page		Sub-Total Cash Uses		\$152,670,120	(\$18,901,581)	\$133,768,539	(\$42,534,199)	\$110,135,921
				426.277.660	(447.000.050)	60.057.440	(4.0.053.000)	(644.675.200)
		Required Margin		\$26,277,668	(\$17,320,250)	\$8,957,418	(\$40,952,868)	(\$14,675,200)
Pet   Petroic Coverage Ratio (DSCR)								
Rate Revenue (assuming required rate increase in Test Year)         4,006,081,308         831,138,867         \$1,136,000,300         \$35,898,139         \$1,1177,6175         \$6,006,000           20         Sub-Total Revenue         \$1,785,773,886         \$42,255,795         \$1,220,829,681         \$18,598,229         \$1,917,172,115           21         Total Deductions         \$856,541,526         \$36,506,815         \$820,034,711         \$36,506,815         \$820,034,711         \$36,506,815         \$1,900,401         \$37,769,760           25         Non-Revenue Bonds at 1.0X DSCR         \$63,337,008         \$19,738         \$35,633         \$19,748         \$36,633         \$19,748         \$36,633         \$19,748         \$36,633         \$19,748         \$36,633         \$19,748         \$36,633         \$19,748         \$36,633         \$19,748         \$36,633         \$19,748         \$36,633         \$19,748         \$36,633         \$19,748         \$36,633         \$19,748         \$36,633         \$19,748         \$36,633         \$19,748         \$36,633         \$19,748         \$36,633,237         \$48,069,271         \$167,713,457         \$48,069,271         \$167,713,457         \$48,069,271         \$167,713,457         \$48,069,271         \$167,713,457         \$48,069,271         \$167,713,457         \$48,069,271         \$167,713,457         \$48,069,		Debt Service Coverage Ratio (DSCR)						
Orber Operating & Non-Operating Revenue		•	est Year)	\$1,054,881,936	\$81,138,867	\$1,136,020,803	\$55,894,139	\$1,110,776,075
			est reary					
Operation & Maintenance Expenses	21							
Other Expenses	22	Total Deductions						
Non-Revenue Bonds at 1.0X DSCR   337,885   19,748   35,6,833   19,748   35,6,833	23	Operation & Maintenance Expenses		\$856,541,526	(\$36,506,815)	\$820,034,711	(\$36,506,815)	\$820,034,711
Sub-Total Deductions   \$873,237,070   \$49,927,776   \$823,944,294   \$49,267,828   \$823,969,242   \$883,969,242   \$883,069,242   \$883,069,242   \$883,069,242   \$883,069,243	24	Other Expenses		16,358,459	(12,805,709)	3,552,750	(12,780,761)	3,577,698
Revenue Debt Service					•	•	•	
Balance Available for Revenue Debt Service		Sub-Total Deductions		\$873,237,070	(\$49,292,776)	\$823,944,294	(\$49,267,828)	\$823,969,242
Revenue Debt Service 176,582,728 (8,869,271) 167,713,457 (8,869,271) 167,713,457 (8,869,271) 167,713,457 (8,869,271) 167,713,457 (8,869,271) 167,713,457 (8,869,271) 167,713,457 (8,869,271) 167,713,457 (8,869,271) 167,713,457 (8,869,271) 176,713,457 (8,869,271) 176,713,457 (8,869,271) 176,713,457 (8,869,271) 176,713,457 (8,869,271) 176,713,457 (8,869,271) 176,713,457 (8,869,271) 186,713,4								
Revenue Debt Service   176,582,728   (8,869,271)   167,713,457   (8,869,271)   167,713,457   177,7		Balance Available for Revenue Debt Service		\$305,336,816	\$91,548,571	\$396,885,387	\$67,866,057	\$373,202,873
Revenue Debt Coverage Ratio 1.73 0.64 2.37 0.50 2.23  Additional Funds Required to Meet 2.0X DSCR Financial Policy \$47,828,640 (\$47,828,640) \$0 (\$85,604,599) (\$37,775,959) \$36  Required Reserve Fund Balance \$442,237,000 (\$141,515,026) \$300,721,974 (\$141,		Royanya Daht Carrica		176 502 720	(0.060.371)	167 712 457	(0.060.371)	167 712 457
Revenue Debt Coverage Ratio 1.73 0.64 2.37 0.50 2.23 33		Revenue Debt Service		1/0,582,728	(8,869,271)	167,/13,457	(8,869,271)	167,/13,457
Additional Funds Required to Meet 2.0X DSCR Financial Policy  Required Reserve Fund Balance  \$442,237,000 (\$141,515,026) \$300,721,974 (\$141,51		Revenue Deht Coverage Ratio		1 73	0.64	2 37	0.50	2 23
Additional Funds Required to Meet 2.0X DSCR Financial Policy \$47,828,640 (\$47,828,640) \$0 (\$85,604,599) (\$37,775,959) \$37,775,959) \$37,775,959] \$37,		Nevenue Dest coverage natio		1.75	0.04	2.57	0.50	2.23
Required Reserve Fund Balance \$442,237,000 (\$141,515,026) \$300,721,974 (\$141,515,026) \$300,721,974 (\$214,515,026)		Additional Funds Required to Meet 2.0X DSCR Finance	ial Policy	\$47,828,640	(\$47,828,640)	\$0	(\$85,604,599)	(\$37,775,959)
Required Reserve Fund Balance   \$442,237,000   \$141,515,026   \$300,721,974   \$141,515,026   \$300,721,974   \$200,721,974   \$3	35	·	•					
Working Capital Reserve Fund	36							
Working Capital Reserve Fund  AE Target: 45 days of O&M less fuel and purchased power  Sub-Total Reserve Funds after Working Capital Reserve Fund  Contingency Reserve Fund (RRA @ 45 days)  AE Target: 60 days of O&M less fuel and purchased power  Rate Stabilization Fund  AE Target: 90 days of Power Cost (Net of ERCOT Fees)  Sub-Total Reserves Funds after Strategic Reserve Fund  Sub-Total Reserves Funds after Strategic Reserve Fund  Syap,893,003 (\$141,838,433) \$249,054,570 (\$90,171,029) \$300,721,974  Strategic Reserve Fund  Contingency Reserve Fund (RRA @ 45 days)  AE Target: 60 days of O&M less fuel and purchased power  Rate Stabilization Fund  Syap,893,003 (\$141,838,433) \$249,054,570 (\$90,171,029) \$300,721,974  Syap,893,893,893,893,893,893,893,893,893,893	37	Required Reserve Fund Balance		\$442,237,000	(\$141,515,026)	\$300,721,974	(\$141,515,026)	\$300,721,974
40         Working Capital Reserve Fund         \$51,343,997         \$323,407         \$51,667,404         \$51,343,997         \$0           41         AE Target: 45 days of O&M less fuel and purchased power         42         43         Sub-Total Reserves Funds after Working Capital Reserve Fund         \$390,893,003         \$141,838,433         \$249,054,570         \$90,171,029         \$300,721,974           44         45         Strategic Reserve Fund         \$390,893,003         \$141,838,433         \$249,054,570         \$90,171,029         \$300,721,974           44         45         Strategic Reserve Fund         \$68,458,663         \$431,209         \$68,889,872         \$16,791,259         \$51,667,404           47         AE Target: 60 days of O&M less fuel and purchased power         \$68,458,663         \$431,209         \$68,889,872         \$16,791,259         \$51,667,404           49         AE Target: 60 days of O&M less fuel and purchased power         \$109,030,479         \$11,071,725         \$97,958,754         \$11,071,725         \$0           50         Rate Stabilization Fund         \$245,947,805         \$10,209,307         \$235,738,498         \$44,654,243         \$103,334,808           53         Sub-Total Reserves Funds after Strategic Reserve Fund         \$144,945,198         \$131,629,125         \$13,316,073         \$4,111,811 <td< td=""><td></td><td>(excludes restricted reserves for decommissioning a</td><td>and debt as we</td><td>ll as deposits)</td><td></td><td></td><td></td><td></td></td<>		(excludes restricted reserves for decommissioning a	and debt as we	ll as deposits)				
AE Target: 45 days of O&M less fuel and purchased power  Sub-Total Reserves Funds after Working Capital Reserve Fund  Sub-Total Reserves Funds after Working Capital Reserve Fund  Contingency Reserve Fund (RRA @ 45 days)  Contingency Reserve Fund (RRA @ 45 days)  AE Target: 60 days of O&M less fuel and purchased power  Remergency Reserve Fund (RRA @ 45 days)  AE Target: 60 days of O&M less fuel and purchased power  Rate Stabilization Fund  AE Target: 90 days of Power Cost (Net of ERCOT Fees)  Sub-Total Reserves Funds after Strategic Reserve Fund  Sub-Total Reserves Funds after Strategic Reserve Fund  Sub-Total Reserves Funds after Strategic Reserve Fund  Spaniar and Replacement Fund  Span								
42         Sub-Total Reserves Funds after Working Capital Reserve Fund         \$390,893,003         (\$141,838,433)         \$249,054,570         (\$90,171,029)         \$300,721,974           44         Strategic Reserve Fund         Contingency Reserve Fund (RRA @ 45 days)         \$68,458,663         \$431,209         \$68,889,872         (\$16,791,259)         \$51,667,404           47         AE Target: 60 days of O&M less fuel and purchased power         Emergency Reserve Fund (RRA @ 45 days)         \$68,458,663         \$431,209         \$68,889,872         (\$16,791,259)         \$51,667,404           49         AE Target: 60 days of O&M less fuel and purchased power         \$109,030,479         \$11,071,725)         \$97,958,754         \$11,071,725)         \$0           51         AE Target: 90 days of Power Cost (Net of ERCOT Fees)         \$109,030,479         \$11,071,725)         \$97,958,754         \$11,071,725)         \$0           52         Sub-Total Strategic Reserve Fund         \$144,945,198         \$131,629,125)         \$13,316,073         \$4,111,811         \$103,334,808           55         Repair and Replacement Fund         \$57,085,861         \$43,769,788         \$13,316,073         \$4,111,811         \$13,316,073         \$4,111,811         \$13,316,073           59         Sub-Total Reserves Funds after Repair and Replacement Fund         \$87,859,337         \$87,859,337 <td></td> <td></td> <td></td> <td>\$51,343,997</td> <td>\$323,407</td> <td>\$51,667,404</td> <td>(\$51,343,997)</td> <td>\$0</td>				\$51,343,997	\$323,407	\$51,667,404	(\$51,343,997)	\$0
Sub-Total Reserves Funds after Working Capital Reserve Fund  Strategic Reserve Fund  Contingency Reserve Fund (RRA @ 45 days)  AE Target: 60 days of O&M less fuel and purchased power  Emergency Reserve Fund (RRA @ 45 days)  AE Target: 60 days of O&M less fuel and purchased power  Rate Stabilization Fund  AE Target: 60 days of Power Cost (Net of ERCOT Fees)  Sub-Total Strategic Reserve Fund  Sub-Total Reserves Funds after Strategic Reserve Fund  \$50 Sub-Total Reserves Funds after Strategic Reserve Fund  \$51 AE Target: 90 days of Power Cost (Net of ERCOT Fees)  Sub-Total Reserves Funds after Strategic Reserve Fund  \$52 Sub-Total Reserves Funds after Strategic Reserve Fund  \$53 Sub-Total Reserves Funds after Strategic Reserve Fund  \$54 Sub-Total Reserves Funds after Strategic Reserve Fund  \$55 Repair and Replacement Fund  \$55,085,861 (\$43,769,788) \$13,316,073 (\$45,516,786) \$197,387,166  \$56 Repair and Replacement Fund  \$57,085,861 (\$43,769,788) \$13,316,073 (\$49,628,597) \$184,071,094  \$67 Total Reserves Funds after Repair and Replacement Fund  \$57,085,861 (\$87,859,337) (\$0 (\$49,628,597) \$184,071,094  \$68 Undesignated/Unrestricted Reserve  \$887,859,337 (\$87,859,337) (\$91,886,429) 164,532,479  \$69 Undesignated/Unrestricted Reserve  \$887,859,337 (\$87,859,337) (\$92,184,664)		AE Target: 45 days of O&M less fuel and purchas	sed power					
Strategic Reserve Fund  Contingency Reserve Fund (RRA @ 45 days)  AE Target: 60 days of O&M less fuel and purchased power  Emergency Reserve Fund (RRA @ 45 days)  AE Target: 60 days of O&M less fuel and purchased power  Rate Stabilization Fund  AE Target: 90 days of Power Cost (Net of ERCOT Fees)  Sub-Total Strategic Reserve Fund  Sub-Total Reserves Funds after Strategic Reserve Fund  Sub-Total Reserves Funds after Repair and Replacement Fund  Sub-Total Reserves Funds after Repair and Replacement Fund  Sub-Total Reserves Funds after Repair and Replacement Fund  Total Reserves  Sub-Total Reserves  Su		Sub Total Basaryas Funds after Working Capital Basar	ro Fund	¢200 002 002	/¢1.41.020.422\	¢240.0E4.E70	(600 171 020)	¢200 721 074
Strategic Reserve Fund   Contingency Reserve Fund (RRA @ 45 days)   \$68,458,663   \$431,209   \$68,889,872   \$51,6791,259   \$51,667,404   AE Target: 60 days of O&M less fuel and purchased power   Rate Stabilization Fund   \$109,030,479   \$11,071,725   \$97,958,754   \$11,071,725   \$0 and \$0		Sub-rotal Reserves Funds after Working Capital Reserv	re Fund	\$390,893,003	(\$141,838,433)	\$249,054,570	(\$90,171,029)	\$300,721,974
Contingency Reserve Fund (RRA @ 45 days)  AE Target: 60 days of O&M less fuel and purchased power  Emergency Reserve Fund (RRA @ 45 days)  AE Target: 60 days of O&M less fuel and purchased power  AE Target: 60 days of O&M less fuel and purchased power  AE Target: 60 days of O&M less fuel and purchased power  AE Target: 60 days of O&M less fuel and purchased power  Rate Stabilization Fund  AE Target: 90 days of Power Cost (Net of ERCOT Fees)  Sub-Total Strategic Reserve Fund  Sub-Total Reserves Funds after Strategic Reserve Fund  Sub-Total Reserves Funds after Strategic Reserve Fund  State Stabilization Fund  \$109,030,479 (\$11,071,725) \$97,958,754 (\$11,071,725) \$0  \$235,738,498 (\$44,654,243) \$103,334,808  Sub-Total Reserves Funds after Strategic Reserve Fund  \$144,945,198 (\$131,629,125) \$13,316,073 (\$45,516,786) \$197,387,166  Repair and Replacement Fund  \$57,085,861 (\$43,769,788) \$13,316,073 \$4,111,811 \$13,316,073  AE Target: 1/2 of annual depreciation  Sub-Total Reserves Funds after Repair and Replacement Fund  \$87,859,337 (\$87,859,337) (\$0 (\$49,628,597) \$184,071,094  Total Reserves  \$442,237,000 \$4,111,811 \$300,721,974 (\$184,071,094) \$116,650,880  Total Reserve Requirements  Sub-Total Reserve Requirements  \$87,859,337 (\$87,859,337) (\$92,184,664)		Strategic Reserve Fund						
AE Target: 60 days of O&M less fuel and purchased power Emergency Reserve Fund (RRA @ 45 days) AE Target: 60 days of O&M less fuel and purchased power Rate Stabilization Fund AE Target: 90 days of Power Cost (Net of ERCOT Fees)  Sub-Total Strategic Reserve Fund  Sub-Total Reserves Funds after Strategic Reserve Fund  Sub-Total Reserves Funds after Repair and Replacement Fund  Sub-Total Reserves Funds after Strategic Reserve Fund  Sub-Total Reserves Funds after Strategic Reserve Fund		•		\$68,458,663	\$431,209	\$68 889 872	(\$16.791.259)	\$51,667,404
Emergency Reserve Fund (RRA @ 45 days) \$68,458,663 \$431,209 \$68,889,872 (\$16,791,259) \$51,667,404  49 AE Target: 60 days of O&M less fuel and purchased power  50 Rate Stabilization Fund \$10,030,479 (\$11,071,725) \$97,958,754 (\$11,071,725) \$0  51 AE Target: 90 days of Power Cost (Net of ERCOT Fees)  52 Sub-Total Strategic Reserve Fund \$245,947,805 (\$10,209,307) \$235,738,498 (\$44,654,243) \$103,334,808  53 Sub-Total Reserves Funds after Strategic Reserve Fund \$144,945,198 (\$131,629,125) \$13,316,073 (\$45,516,786) \$197,387,166  55 Repair and Replacement Fund \$57,085,861 (\$43,769,788) \$13,316,073 \$4,111,811 \$13,316,073  AE Target: 1/2 of annual depreciation  59 Sub-Total Reserves Funds after Repair and Replacement Fund \$87,859,337 (\$87,859,337) (\$0 (\$49,628,597) \$184,071,094  60 Total Reserves Requirements \$354,377,663 (53,655,689) 348,603,573 (91,886,429) 164,532,479  63 Undesignated/Unrestricted Reserve \$87,859,337 (\$87,859,337) (\$92,184,664)		0 , , , , , , , , , , , , , , , , , , ,	sed power	700,130,003	ψ-31, <b>2</b> 03	700,003,072	(\$10,731,233)	Ç31,007,404
AE Target: 60 days of O&M less fuel and purchased power   50 Rate Stabilization Fund				\$68,458,663	\$431,209	\$68,889,872	(\$16,791,259)	\$51,667,404
50       Rate Stabilization Fund       \$109,030,479       (\$11,071,725)       \$97,958,754       (\$11,071,725)       \$0         51       AE Target: 90 days of Power Cost (Net of ERCOT Fees)       \$245,947,805       (\$10,209,307)       \$235,738,498       (\$44,654,243)       \$103,334,808         53       Sub-Total Reserves Funds after Strategic Reserve Fund       \$144,945,198       (\$131,629,125)       \$13,316,073       (\$45,516,786)       \$197,387,166         55       Repair and Replacement Fund       \$57,085,861       (\$43,769,788)       \$13,316,073       \$4,111,811       \$13,316,073         57       AE Target: 1/2 of annual depreciation       \$87,859,337       (\$87,859,337)       (\$0       (\$49,628,597)       \$184,071,094         60       Total Reserves       \$442,237,000       \$4,111,811       \$300,721,974       (\$184,071,094)       \$116,650,880         62       Total Reserve Requirements       354,377,663       (53,655,689)       348,603,573       (91,886,429)       164,532,479         63       Undesignated/Unrestricted Reserve       \$87,859,337       (\$87,859,337)       (\$92,184,664)			sed power	. , ,	, ,	. , ,		
52         Sub-Total Strategic Reserve Fund         \$245,947,805         (\$10,209,307)         \$235,738,498         (\$44,654,243)         \$103,334,808           53         Sub-Total Reserves Funds after Strategic Reserve Fund         \$144,945,198         (\$131,629,125)         \$13,316,073         (\$45,516,786)         \$197,387,166           55         Repair and Replacement Fund         \$57,085,861         (\$43,769,788)         \$13,316,073         \$4,111,811         \$13,316,073           57         AE Target: 1/2 of annual depreciation         \$87,859,337         (\$87,859,337)         (\$0)         (\$49,628,597)         \$184,071,094           60         Total Reserves         \$442,237,000         \$4,111,811         \$300,721,974         (\$184,071,094)         \$116,650,880           62         Total Reserve Requirements         \$54,237,663         (\$3,655,689)         348,603,573         (91,886,429)         164,532,479           63         Undesignated/Unrestricted Reserve         \$87,859,337         (\$87,859,337)         (\$92,184,664)		Rate Stabilization Fund	·	\$109,030,479	(\$11,071,725)	\$97,958,754	(\$11,071,725)	\$0
Sub-Total Reserves Funds after Strategic Reserve Fund \$144,945,198 (\$131,629,125) \$13,316,073 (\$45,516,786) \$197,387,166  Repair and Replacement Fund \$57,085,861 (\$43,769,788) \$13,316,073 \$4,111,811 \$13,316,073  AE Target: 1/2 of annual depreciation  Sub-Total Reserves Funds after Repair and Replacement Fund \$87,859,337 (\$87,859,337) (\$0 (\$49,628,597) \$184,071,094  Total Reserves \$442,237,000 \$4,111,811 \$300,721,974 (\$184,071,094) \$116,650,880  Total Reserve Requirements \$354,377,663 (53,655,689) 348,603,573 (91,886,429) 164,532,479  Undesignated/Unrestricted Reserve \$87,859,337 (\$87,859,337) (\$92,184,664)	51	AE Target: 90 days of Power Cost (Net of ERCOT	Fees)					
54       Sub-Total Reserves Funds after Strategic Reserve Fund       \$144,945,198       \$13,1629,125       \$13,316,073       \$45,516,786       \$197,387,166         55       Repair and Replacement Fund       \$57,085,861       (\$43,769,788)       \$13,316,073       \$4,111,811       \$13,316,073         57       AE Target: 1/2 of annual depreciation       \$57,085,861       (\$87,859,337)       (\$9       \$4,111,811       \$13,316,073         58       \$9       Sub-Total Reserves Funds after Repair and Replacement Fund       \$87,859,337       (\$87,859,337)       (\$0       (\$49,628,597)       \$184,071,094         60       \$10       Total Reserves       \$442,237,000       \$4,111,811       \$300,721,974       (\$184,071,094)       \$116,650,880         62       Total Reserve Requirements       \$354,377,663       (\$3,655,689)       348,603,573       (91,886,429)       164,532,479         63       Undesignated/Unrestricted Reserve       \$87,859,337       (\$87,859,337)       (\$92,184,664)	52	Sub-Total Strategic Reserve Fund		\$245,947,805	(\$10,209,307)	\$235,738,498	(\$44,654,243)	\$103,334,808
55 Repair and Replacement Fund \$57,085,861 (\$43,769,788) \$13,316,073 \$4,111,811 \$13,316,073 57 AE Target: 1/2 of annual depreciation \$58								
56         Repair and Replacement Fund         \$57,085,861         (\$43,769,788)         \$13,316,073         \$4,111,811         \$13,316,073           57         AE Target: 1/2 of annual depreciation         58         59         59 Sub-Total Reserves Funds after Repair and Replacement Fund         \$87,859,337         (\$87,859,337)         (\$0         (\$49,628,597)         \$184,071,094           60         61         Total Reserves         \$442,237,000         \$4,111,811         \$300,721,974         (\$184,071,094)         \$116,650,880           62         Total Reserve Requirements         354,377,663         (\$3,655,689)         348,603,573         (\$92,184,664)           63         Undesignated/Unrestricted Reserve         \$87,859,337         (\$87,859,337)         (\$92,184,664)		Sub-Total Reserves Funds after Strategic Reserve Fu	ınd	\$144,945,198	(\$131,629,125)	\$13,316,073	(\$45,516,786)	\$197,387,166
AE Target: 1/2 of annual depreciation  Sub-Total Reserves Funds after Repair and Replacement Fund  Sub-Total Reserves Funds after Repair and Replacement Fund  Total Reserves  Sub-Total R								
58       \$87,859,337       \$87,859,337       \$87,859,337       \$87,859,337       \$184,071,094         60       \$61       Total Reserves       \$442,237,000       \$4,111,811       \$300,721,974       \$184,071,094       \$116,650,880         62       Total Reserve Requirements       354,377,663       \$53,655,689       348,603,573       \$91,886,429       164,532,479         63       Undesignated/Unrestricted Reserve       \$87,859,337       \$87,859,337       \$92,184,664       \$92,184,664		· · · · · · · · · · · · · · · · · · ·		\$57,085,861	(\$43,769,788)	\$13,316,073	\$4,111,811	\$13,316,073
59         Sub-Total Reserves Funds after Repair and Replacement Fund         \$87,859,337         (\$87,859,337)         (\$0         (\$49,628,597)         \$184,071,094           60         Total Reserves         \$442,237,000         \$4,111,811         \$300,721,974         (\$184,071,094)         \$116,650,880           62         Total Reserve Requirements         354,377,663         (53,655,689)         348,603,573         (91,886,429)         164,532,479           63         Undesignated/Unrestricted Reserve         \$87,859,337         (\$87,859,337)         (\$92,184,664)		AL Target: 1/2 of annual depreciation						
60       \$442,237,000       \$4,111,811       \$300,721,974       \$116,650,880         61       Total Reserves       \$442,237,000       \$4,111,811       \$300,721,974       \$116,650,880         62       Total Reserve Requirements       354,377,663       (53,655,689)       348,603,573       (91,886,429)       164,532,479         63       Undesignated/Unrestricted Reserve       \$87,859,337       (\$87,859,337)       (\$92,184,664)		Cub Total Passance Funds often Density and D. I	mont Front	¢07.050.007	(607.050.007)	(60)	/¢40.030.50=\	¢104.074.001
61       Total Reserves       \$442,237,000       \$4,111,811       \$300,721,974       \$116,650,880         62       Total Reserve Requirements       354,377,663       (53,655,689)       348,603,573       (91,886,429)       164,532,479         63       Undesignated/Unrestricted Reserve       \$87,859,337       (\$87,859,337)       (\$92,184,664)		Sub-Total Reserves Funds after Repair and Replacer	nent runa	\$87,859,337	(\$87,859,337)	(\$0)	(\$49,028,597)	\$184,071,094
62       Total Reserve Requirements       354,377,663       (53,655,689)       348,603,573       (91,886,429)       164,532,479         63       Undesignated/Unrestricted Reserve       \$87,859,337       (\$87,859,337)       (\$92,184,664)		Total Reserves		\$442 227 000	\$ <i>I</i> 111 Q11	\$300 721 074	(\$184 071 004)	\$116 650 880
63 Undesignated/Unrestricted Reserve \$87,859,337 (\$87,859,337) (\$92,184,664)								
		•				3 .0,003,373		
	64	Reserve Deficiency		+ = : ,000,007	\$47,881,599	\$47,881,599	(\$19,538,615)	

## Austin Energy Electric Cost of Service Residential Rate Advisor Test Year Development

Line		FERC	FY 2009	AE Proposed		AE Proposed RRA Propose		posed
No.	Description	Account	Actual	Adjustment	<b>Test Year</b>	Adjustment	<b>Test Year</b>	
	Α	В	С	D	E	F	G	
1	Recoverable Fuel Cost						_	
2	Fuel	501	\$299,909,760	(\$168,380,271)	\$131,529,489	(\$168,380,271)	\$131,529,489	
3	Nuclear Fuel Expense	518	16,866,183	2,480,877	19,347,060	2,480,877	19,347,060	
4	Fuel	547	4,206	122,424,961	122,429,167	122,424,961	122,429,167	
5	Purchased Power	555	78,830,176	17,681,726	96,511,902	17,681,726	96,511,902	
6	System Control and Load Dispatching	556	12,791,041	8,288,917	21,079,958	8,288,917	21,079,958	
7	Sub-Total Recoverable Fuel Cost	•	\$408,401,366	(\$17,503,790)	\$390,897,576	(\$17,503,790)	\$390,897,576	
8								
9	Billed Green Choice	•	\$34,699,836		\$10,057,082		\$10,057,082	
10								
11	Non-Recoverable Fuel		6,162,310	0	6,162,310	0	6,162,310	
12								
13	Total Fuel Related Costs	•	\$449,263,512	(\$17,503,790)	\$407,116,968	(\$17,503,790)	\$407,116,968	
14								
15	ERCOT Administration Fee (1)		7,084,346	2,755,452	9,839,798	2,755,452	9,839,798	
16								
17	Total Power Costs net of ERCOT Fees	•	\$442,179,166	(\$20,259,242)	\$397,277,170	(\$20,259,242)	\$397,277,170	
18	AE Target 90 days of Power Cost (Net of E	RCOT Fees)	\$109,030,479	(\$11,071,725)	\$97,958,754	(\$11,071,725)	\$97,958,754	

## Austin Energy Electric Cost of Service Residential Rate Advisor Test Year Development Franchise Fee Adjustment

		Reve	nues			- RRA Proposed -	
Line		FY 2009	AE TY	<b>AE Estimated</b>	RRA TY	<b>RRA Estimated</b>	<b>RRA Change to</b>
No.	Description	Actual	Estimated	Franchise Fees	Estimated	Franchise Fees	AE Est. Fees
	Α	В	С	D	E	F	G
1	Bee Caves	\$8,489,799	\$9,604,883	\$288,146	\$9,391,653	\$281,750	(\$6,397)
2	Cedar Park	14,056	15,902	477	15,549	466	(11)
3	Lakeway	8,365,227	9,463,949	283,918	9,253,848	277,615	(6,303)
4	Mustang Ridge	713	806	24	789	24	(1)
5	Pflugerville	673,123	761,533	22,846	744,628	22,339	(507)
6	Rollingwood	2,637,117	2,983,487	89,505	2,917,253	87,518	(1,987)
7	Sunset Valley	3,003,470	3,397,958	101,939	3,322,523	99,676	(2,263)
8	West Lake Hills	8,233,566	9,314,995	279,450	9,108,201	273,246	(6,204)
9	Village of the Hills	1,693,346	1,915,756	57,473	1,873,227	56,197	(1,276)
10	Total	\$33,110,417	\$37,459,269	\$1,123,778	\$36,627,670	\$1,098,830	(\$24,948)
11							
12	Notos: (1) Franchis	. Face actimated at 2	Oo/ of rovenues				

12 Notes:

13

(2) RRA TY Revenues estimated based upon revenue increase of 10.6%

<sup>(1)</sup> Franchise Fees estimated at 3.0% of revenues.

#### Austin Energy Electric Cost of Service

#### Residential Rate Advisor Test Year Development Other Revenue Adjustment for Year End Growth in Number of Customers

		AE Other Revenues		RRA Other Revenues		
Line		FY 2009	FY 2009 AE TY		RRA TY	
No.	Description	Actual	Adjusted	Adjustment	Adjusted	
	Α	В	С	D	E	
1	Operating Revenue					
2	Late Payment Penalties	\$5,138,023	\$5,138,023	\$76,350	\$5,214,373	
3	Facilities Rentals	2,679,724	2,679,724	39,820	2,719,544	
4	Meter Damages/Breakage	224,201	224,201	3,332	227,533	
5	Electric Meter Damage	42,252	42,252	628	42,880	
6	Broken Seal Fee	67,860	67,860	1,008	68,868	
7	Labor and Support	176,522	176,522	2,623	179,145	
8	Call Center Sales	307,972	307,972	4,576	312,548	
9	Emergency Outage/Restoration	57,122	57,122	849	57,971	
10	Sales Construction	106,067	106,067	1,576	107,643	
11	Sales - Metering: Install Only	6,955	6,955	103	7,058	
12	Sales - Reoccur Monthly Charge	82,946	82,946	1,233	84,179	
13	Sec Main	68,697	68,697	1,021	69,718	
14	Other Operating Revenue	69,668,187	69,668,187	1,035,258	70,703,445	
15	Total Operating Revenue	\$78,626,528	\$78,626,528	\$1,168,378	\$79,794,906	
16						
17	Non-Operating Revenues					
18	Reinspection Fee	\$13,031	\$13,031	\$194	\$13,225	
19	After Hours Turn/On	1,411,572	1,411,572	20,976	1,432,548	
20	Area Lighting Prgm	29,585	29,585	440	30,025	
21	Green Building Sales	9,270	9,270	138	9,408	
22	Green Building Consulting	97,720	97,720	1,452	99,172	
23	Accts Rec - Adjustments	8,529	8,529	127	8,656	
24	Apt Mgr Initiation Fee	195,080	195,080	2,899	197,979	
25	Returned Check Fee	120,359	120,359	1,789	122,148	
26	EFT Decline Fee	31,750	31,750	472	32,222	
27	New Service Connections	2,866,570	2,866,570	42,597	2,909,167	
28	Construction Loop Fee	86,725	86,725	1,289	88,014	
29	Other Non-Operating Revenues	23,312,096	23,312,096	346,414	23,658,510	
30	<b>Total Non-Operating Revenues</b>	\$28,182,287	\$28,182,287	\$418,784	\$28,601,071	
31						
32	<b>Total Other Revenues</b>	\$106,808,815	\$106,808,815	\$1,587,162	\$108,395,977	
33						
34	Bill Count Sep 2008		405,859			
35	Bill Count Sep 2009		411,890			
36	Percent Change in Number of Customers		1.49%			

#### Austin Energy Electric Cost of Service

#### Residential Rate Advisor Test Year Development Non-Nuclear Decommissioning Expense Adjustment

Line		Decommissi	RRA	
No.	Description	<b>AE Proposed</b>	<b>RRA Proposed</b>	Adjustment
	A	В	С	D
1	Decker Power Plant	\$26,597,496	\$26,597,496	\$0
2	Sand Hill Energy Center	11,592,129	0	(11,592,129)
3	Fayette Power Project	28,980,322	28,980,322	0
4	<b>Total Non-Nuclear Decommissioning Reserve Requirement</b>	\$67,169,947	\$55,577,818	(\$11,592,129)
5				
6	Years to Resolve Deficiency	10	10	
7				
8	Annual Non-Nuclear Decommissioning Reserve Requirement	\$6,716,995	\$5,557,782	(\$1,159,213)