



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

***Recommendations on Electric Rates
December 14, 2011***



Agenda

- Need for Rate Increase
- Residential Rate Design and Recommendations
- Commercial and Industrial Rate Design and Recommendations
- Customer Assistance Program (CAP) Recommendations
- Rate Benchmarking and Affordability
- Summary



YOUR ELECTRIC RATES

Need for Rate Increase





Key Drivers for Rate Increase and Redesign

- Cost of service study shows fixed cost under-recovery
- 17 years since
 - A rate increase, except for fuel charge (cost pass-through)
 - A formal cost of service study
 - A new rate design
- Significant investments in infrastructure to ensure adequate power supply and reliability to serve new and existing customers
- New costs for AE's share of statewide investments in transmission infrastructure & market operation systems
- Ending balance drawn down for budgets
- Need to protect utility's long-term financial stability
- Added business functions and program offerings expanded



AE Business Functions Added Since 1994

New facilities

- Sand Hill Energy Center
- New capital investments in electric systems (such as substations)
- Investment in new operational facilities
 - Backup Control Center for Disaster Recovery
 - Reclamation Facility
 - Customer Walk-In Center (North)

Expanded programs

- Customer Care & Billing System (replaced twice since 1994)
- Advanced Metering Infrastructure
- Electric Line Clearance
- Energy Efficiency Programs
- Increased Software Maintenance Costs related to Automation Projects

New business functions

- NERC Compliance Programs
- ISO9000 Quality Compliance (Electric Service Delivery, Call Center)
- Remittance Processing (previously outsourced)
- Wholesale Market Deregulated
- Qualified Scheduling Entity (QSE)
- Energy Trading and Hedging
- Key Accounts
- Market Research & Product Development
- 311 Call Center
- Project Management
- Economic Development (EGRSO)
- Solar Rebate Program
- Austin Climate Protection
- Emerging Transportation Technologies

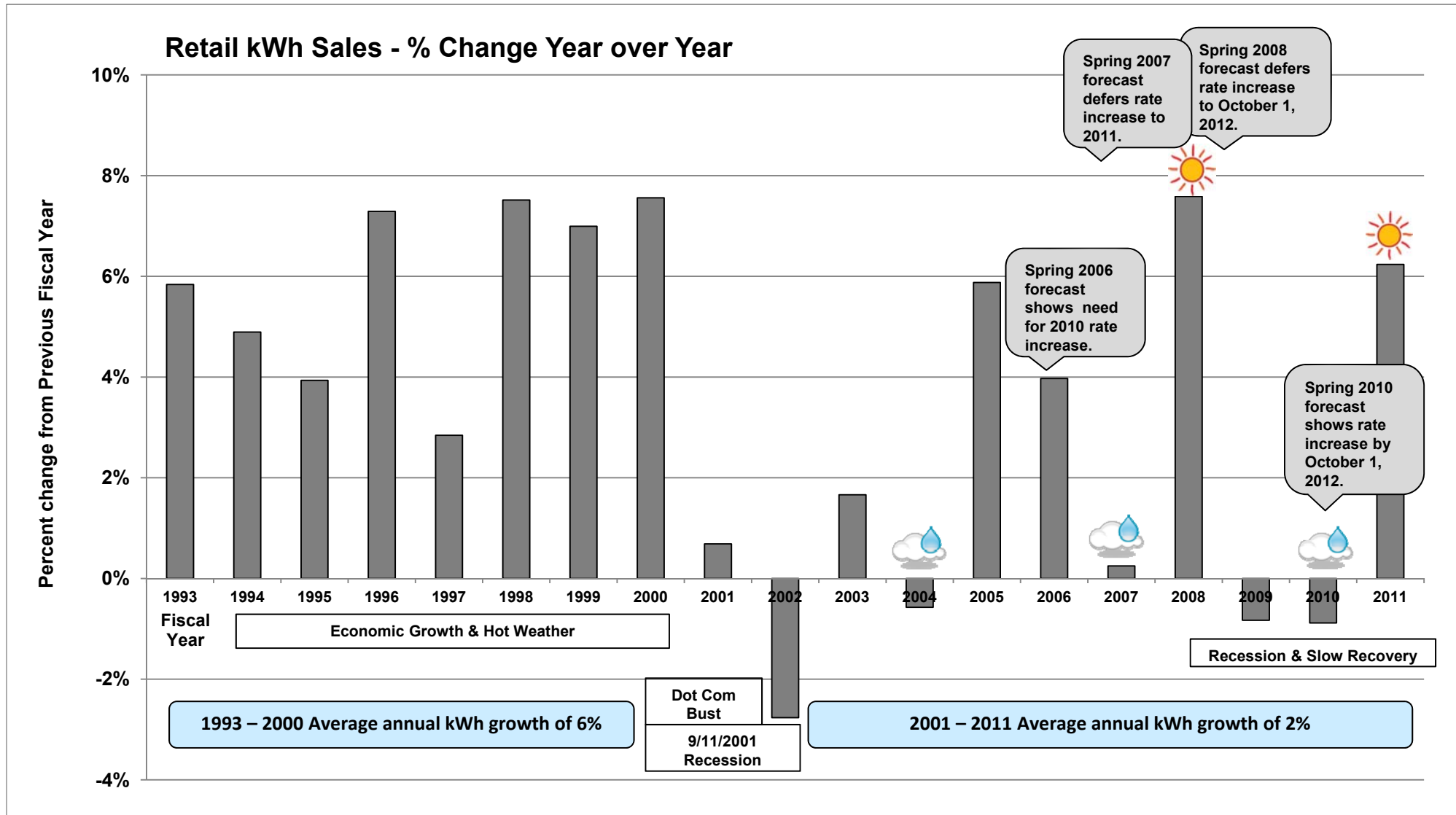


Rate Increase Forecasts

- Spring 2006 AE's forecast showed need for rate increase by 2010
- Budgeted revenue not sufficient to cover requirements for FY 2009, FY 2010, FY 2011 or FY 2012
 - Cost reductions and use of ending balance and reserves
 - Ending balance drawn down from \$267.4 M at 9/30/2007 to \$37.8 M projected for 9/30/2012
 - Repair and Replacement Fund used for peaking generation
- Forecast budget shortfall each year 2012-2016 without rate relief
- Not financially sustainable; correct structural imbalance to ensure long-term financial stability
 - Combination of revenue enhancements, cost reductions, rate increase
 - Rate review in progress since April 2010

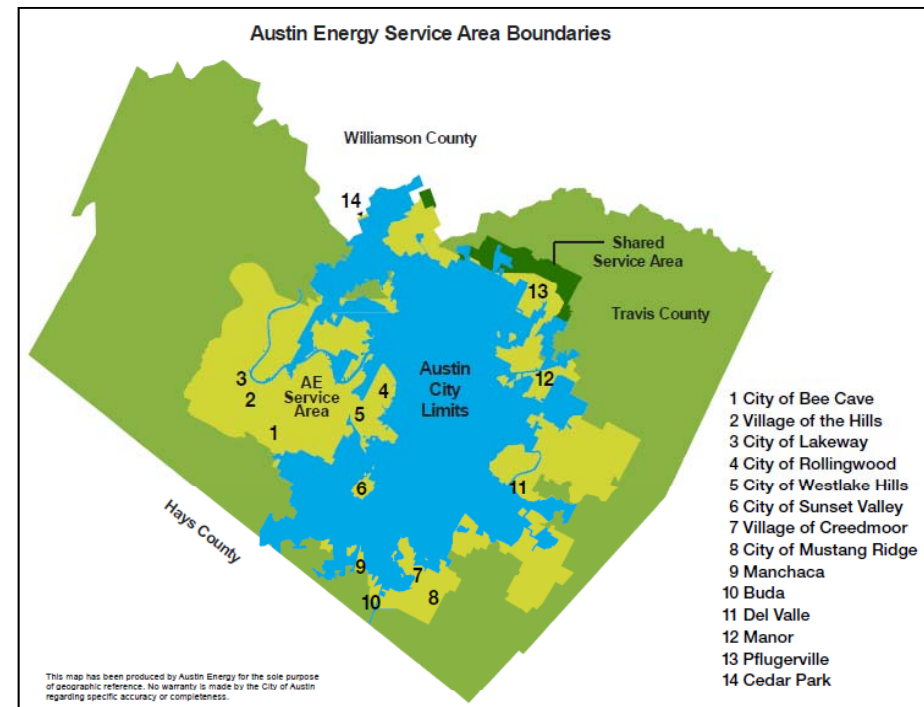


Kilowatt-Hour Sales History - % Change Year to Year



Service Area and Texas Electric Market

- AE service area established by Public Utility Commission of Texas (PUCT) in April 3, 1978 Certificate of Convenience and Necessity (CCN)
- 437.06 square miles
 - 206.41 (47%) square miles in City of Austin
 - 230.65 (53%) square miles in surrounding Travis and Williamson Counties, with 11 square miles of shared area with Oncor
- Retail electric provider for 417,000 customers
 - 86% City of Austin (City Council)
 - 14% Outside City of Austin (City Council, PUCT)
 - Transmission Service Provider (PUCT)
- Texas Electric Market
 - 1996 Wholesale electric “open access” market
 - 1999 Electric deregulation legislation
 - 2001 ERCOT Zonal market
 - 2010 ERCOT Nodal market

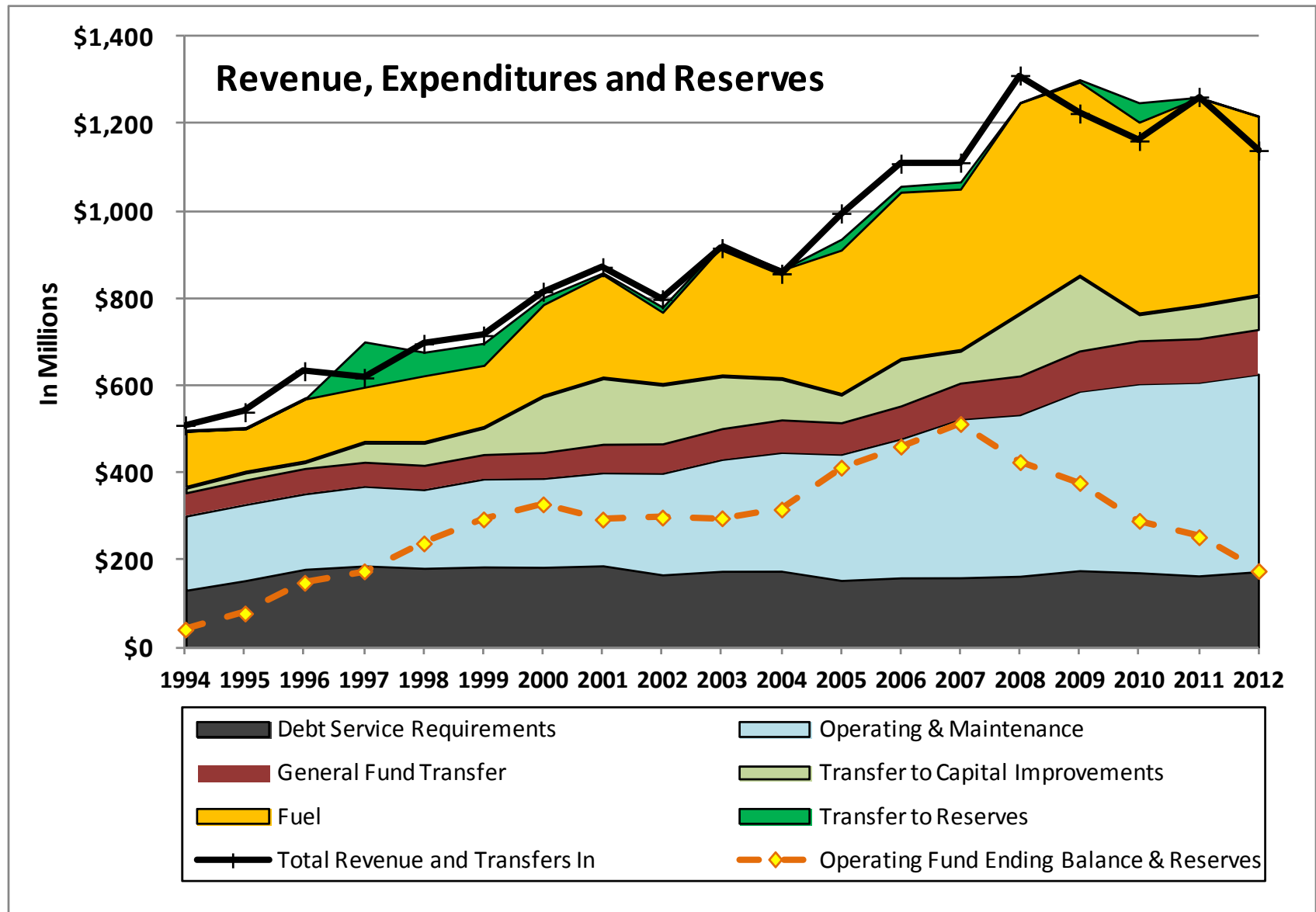




Changes in Revenue, Customers & System

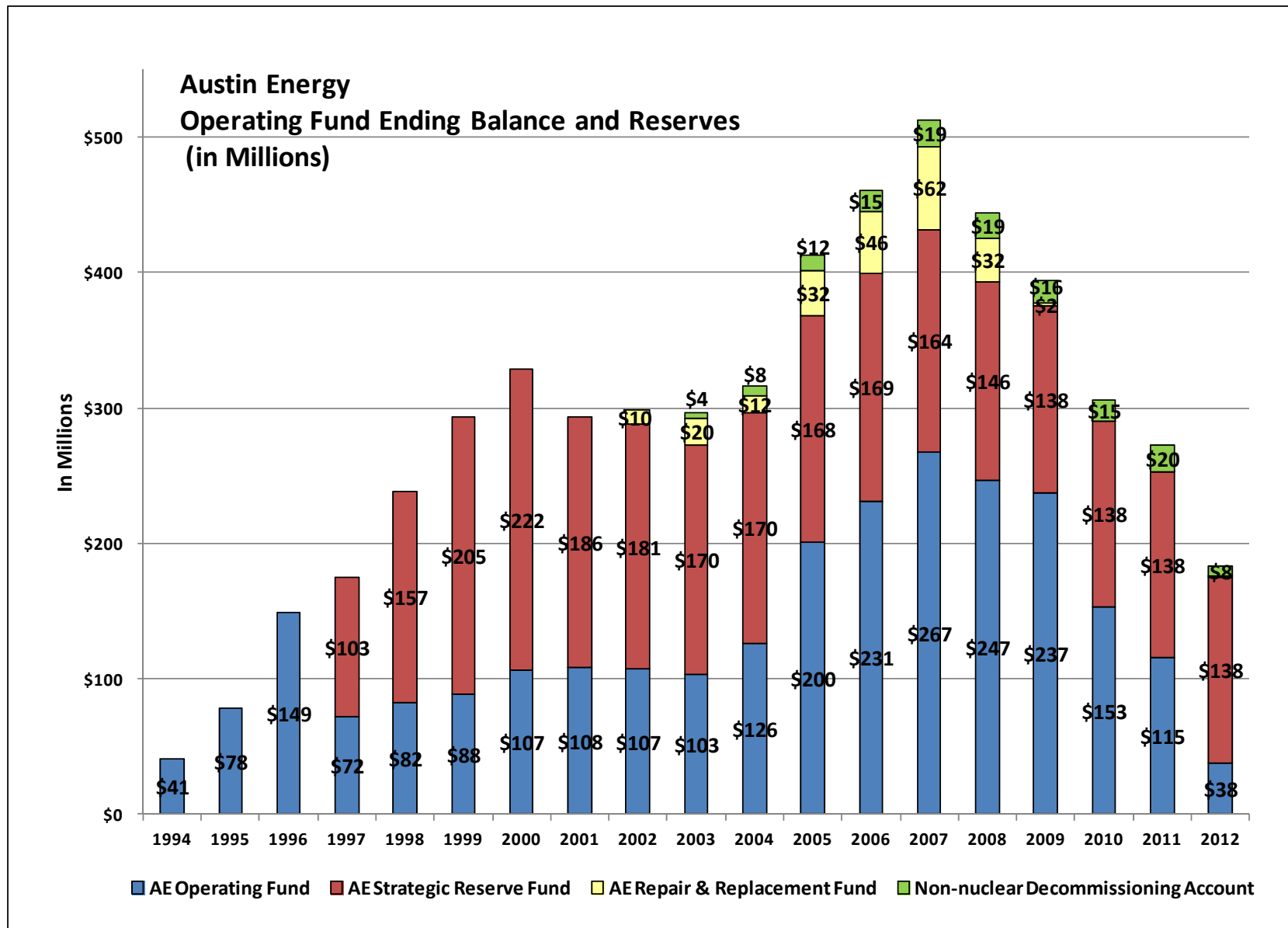
	<u>1994</u>	<u>2010</u>	<u>Increase from 1994-2010</u>
<u>Revenue (000's)</u>			
Residential	\$ 194,393	\$ 407,074	\$ 212,681
Commercial	\$ 255,921	\$ 500,342	\$ 244,421
Industrial	\$ 31,030	\$ 122,714	\$ 91,684
	<u>\$ 481,344</u>	<u>\$ 1,030,130</u>	<u>\$ 548,786</u>
<u>MWh Retail Sales</u>			
Residential	2,754,894	4,238,690	1,483,796
Commercial	3,948,320	5,698,930	1,750,610
Industrial	604,919	2,038,706	1,433,787
	<u>7,308,133</u>	<u>11,976,326</u>	<u>4,668,193</u>
<u>Average Monthly Number of Customers</u>			
Residential	266,734	368,700	101,966
Commercial	31,898	45,090	13,192
Industrial	8	80	72
	<u>298,640</u>	<u>413,870</u>	<u>115,230</u>
<u>Infrastructure Assets</u>			
MW Generation includes Purchased	2,420.3	2,922.7	502.4
Transmission Substations	7	11	4
Distribution Substations	44	56	12
Transmission Line Miles	503	618	115
Distribution Line Miles	8,728	11,319	2,591
System Peak Demand (kWh)	1,762,000	2,628,000	866,000
Capital Improvements Program (CIP)	\$ 91,238,560	\$ 237,045,000	\$ 145,806,440
<u>Full Time Equivalent Personnel</u>			
	1,631	1,722	91

Use of Reserves to Balance Needs





Operating Fund Ending Balance and Reserves





Redesign of Rates

- Consolidate customer classes from 24 to 9
- Move all customer classes closer to cost of service
- Incentivize conservation and energy efficiency (tiers, demand charges)
- Increase fixed charges to improve fixed cost recovery
- Change summer rate period from 6 to 4 months (June – September)
- Move residential customers from 2 tier to 5 tier rates
- All commercial customers on demand charge
- Fuel charge structure not changed
- Community Benefit Charges (Customer Assistance Program, Energy Efficiency Programs, Service Area Street Lighting)
- Regulatory Charge (Transmission Grid, ERCOT Administrative Fee)
- Optional Rates (e.g., GreenChoice®, Time-of-Use, Solar)
- 10% discount for Independent School Districts



Redesign of Rates

Residential customers

- Improve cost of service recovery
- Align fixed costs with fixed charges
- Promote energy efficiency
- Improve transparency of rates
- Tiered rates
 - Recover cost associated with demand
 - Incentivize energy efficiency
- Redesign rates for solar program success

Commercial & Industrial customers

- Improve cost of service recovery
- Align fixed costs with fixed charges
- Promote energy efficiency
- Improve transparency of rates
- Reduce # of customer classes
- Demand charge for all commercial customers
 - Phase in for commercial customers currently non-demand
- Charge for power factor correction



Rates and Revenue - Increase Breakdown

(Dollars in Millions)

Austin Energy's Revenue Requirement and Proposed Customers' Rate Increase			Austin Energy's Revenue Increase						
Customer Class	Revenue by Class	Percent Increase by Class *							
			Austin Energy's Revenue	2012	2013	2014	2015	2016	Total
Residential	\$ 450	20%	Revenue from Rates	\$1,074	1,120	1,120	1,128	\$1,145	
Secondary Voltage (< 10 kW)	45	22%	Annual Revenue Increase	5%	4%	0%	1%	2%	12.5%
Secondary Voltage (10 < 50 kW)	101	10%	Over (Under) Recovery:						
Secondary Voltage (≥ 50 kW)	375	6%	Due to mid-year increase	\$ (46)					
Primary Voltage (< 3 MW)	32	3%	Contract Customer deferral	(25)	(25)	(25)	(17)		
Primary Voltage (≥ 3 < 20 MW)	56	20%	Total Over (Under) COS	\$ (71)	(25)	(25)	0		
Primary Voltage (≥ 20 MW)	66	17%	Cost Containment through 2016						
Transmission Voltage	15	-4%							
Lighting	5	89%							
Total System Increase	\$ 1,145	12.5%							

* Percent Increase by Class includes Community Benefit Charges



Staff Recommended Policy Goals & Metrics

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



YOUR ELECTRIC RATES

Residential Rate Design and Recommendations





Residential Rate Recommendations

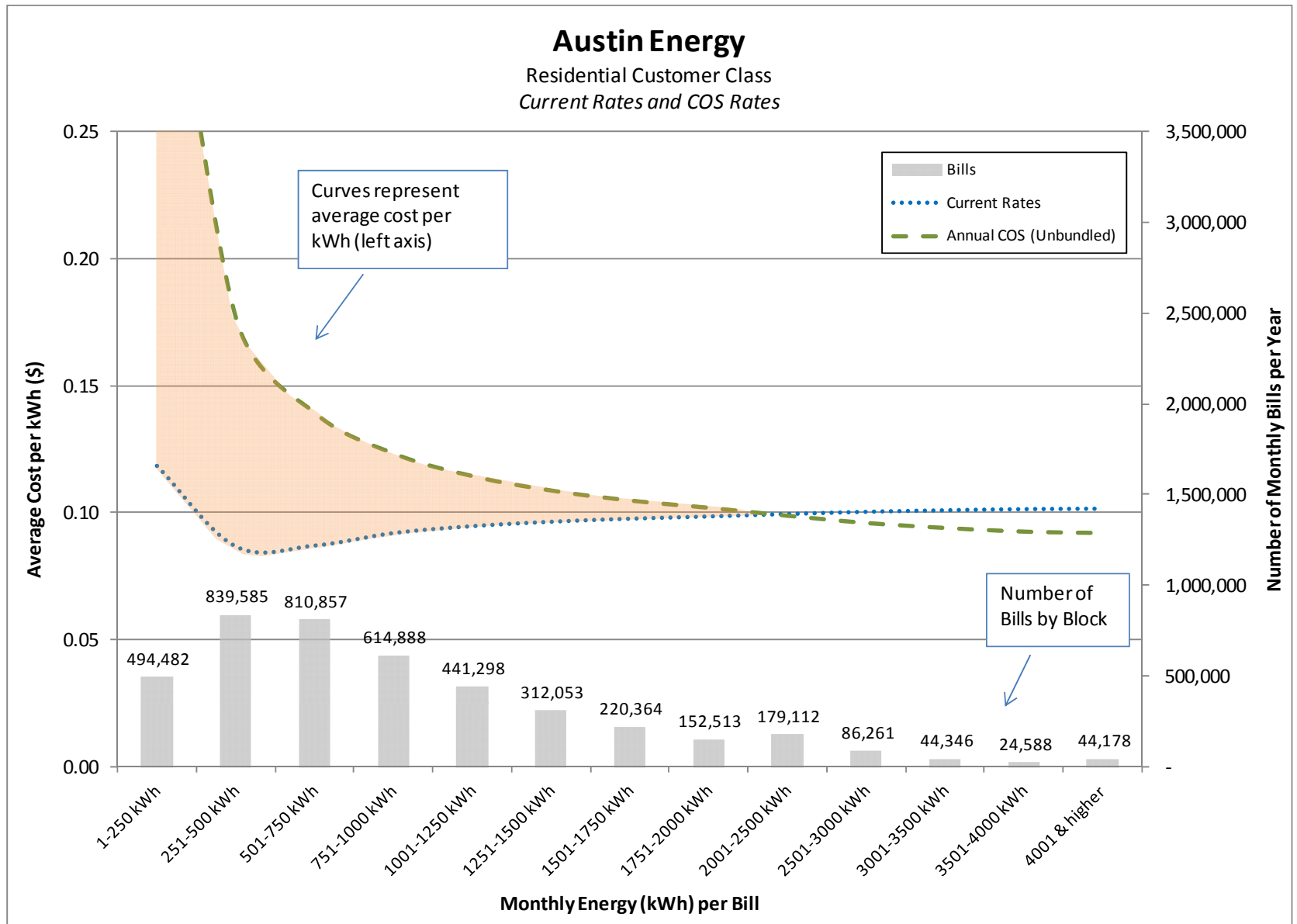
Residential Bill Components	Existing Rate	Cost of Service	Proposed
Customer Charge (\$/month)	\$6.00	\$19.70	\$12.00
Electric Delivery (\$/month)	Inc. Below	\$14.42	\$10.00
Energy Charge (¢/kWh) – Summer Period (June-Sept)			
< 500 kWh (15% of bills)	3.55 ¢	4.172 ¢	2.8 ¢
501 – 1000 kWh (26% of bills)	7.82 ¢		6.0 ¢
1001 - 1500 kWh (25% of bills)	7.82 ¢		8.3 ¢
1501 – 2500 kWh (25% of bills)	7.82 ¢		9.4 ¢
> 2500 kWh (9% of bills)	7.82 ¢		10.6 ¢
Energy Charge (¢/kWh) – Non-Summer Period (Oct-May)			
< 500 kWh (40% of bills)	3.55 ¢	3.618 ¢	1.7 ¢
501 – 1000 kWh (37% of bills)	6.02 ¢		4.4 ¢
1001 - 1500 kWh (14% of bills)	6.02 ¢		6.1 ¢
1501 – 2500 kWh (7% of bills)	6.02 ¢		7.1 ¢
> 2500 kWh (2% of bills)	6.02 ¢		8.2 ¢
Fuel Adjustment (¢/kWh)	3.373 ¢	3.373 ¢	3.373 ¢
Community Benefit Charges (¢/kWh)			
Customer Assistance Program (\$/mo)	Inc. Above	\$1.00	\$1.00
Service Area Street Lighting (¢/kWh)	Inc. Above	0.113 ¢	0.113 ¢
Energy Efficiency Programs (¢/kWh)	Inc. Above	0.294 ¢	0.294 ¢
Regulatory Charge (¢/kWh)	TSAR 0.144 ¢	0.732 ¢	0.732 ¢
Percent Class Rate Change		25.2%	20.1%

Fuel Adjustment to be finalized by January 1, 2012.

Does not include Fuel Adjustment.

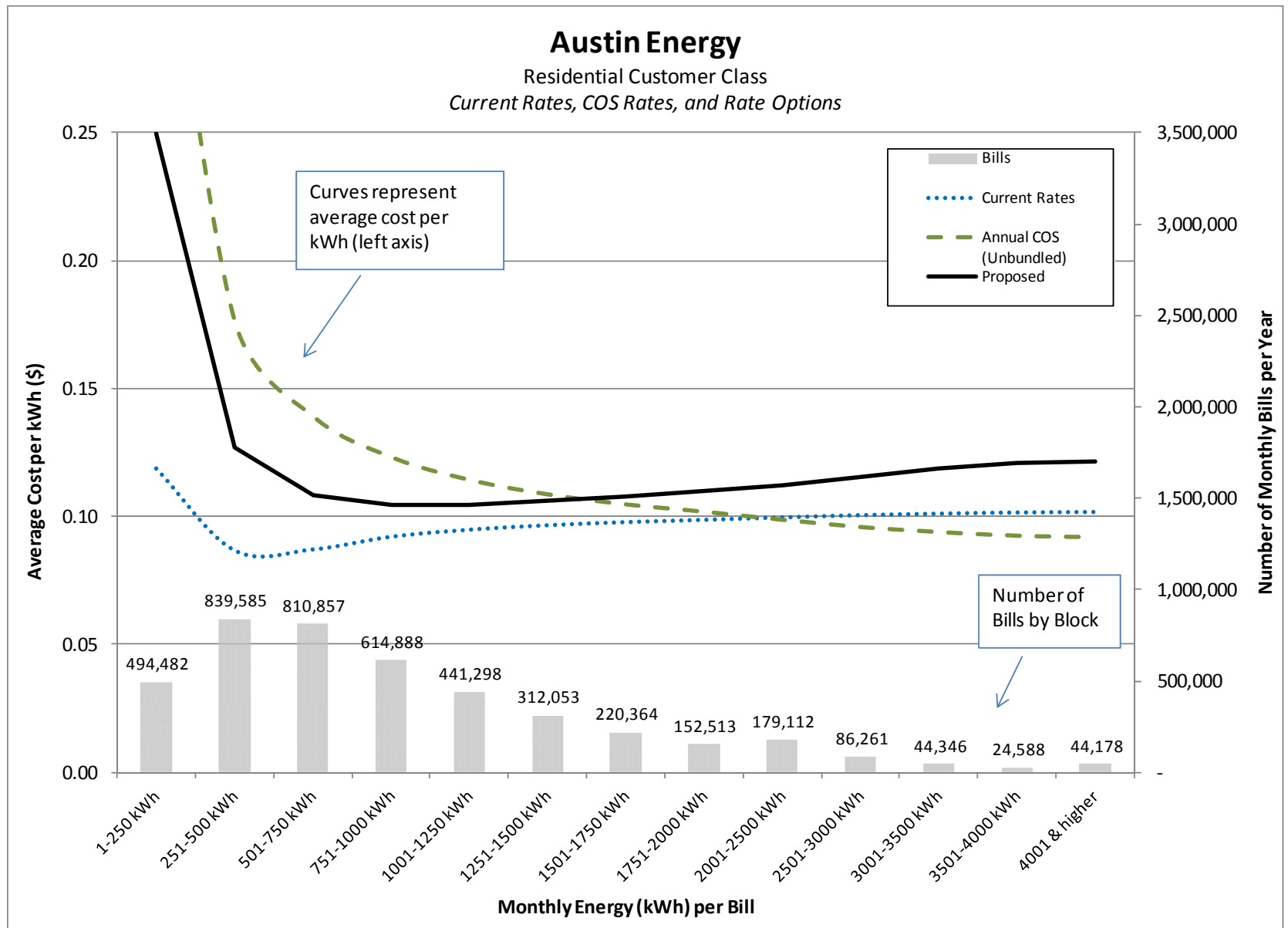


Cost of Service Gap with Current Rates



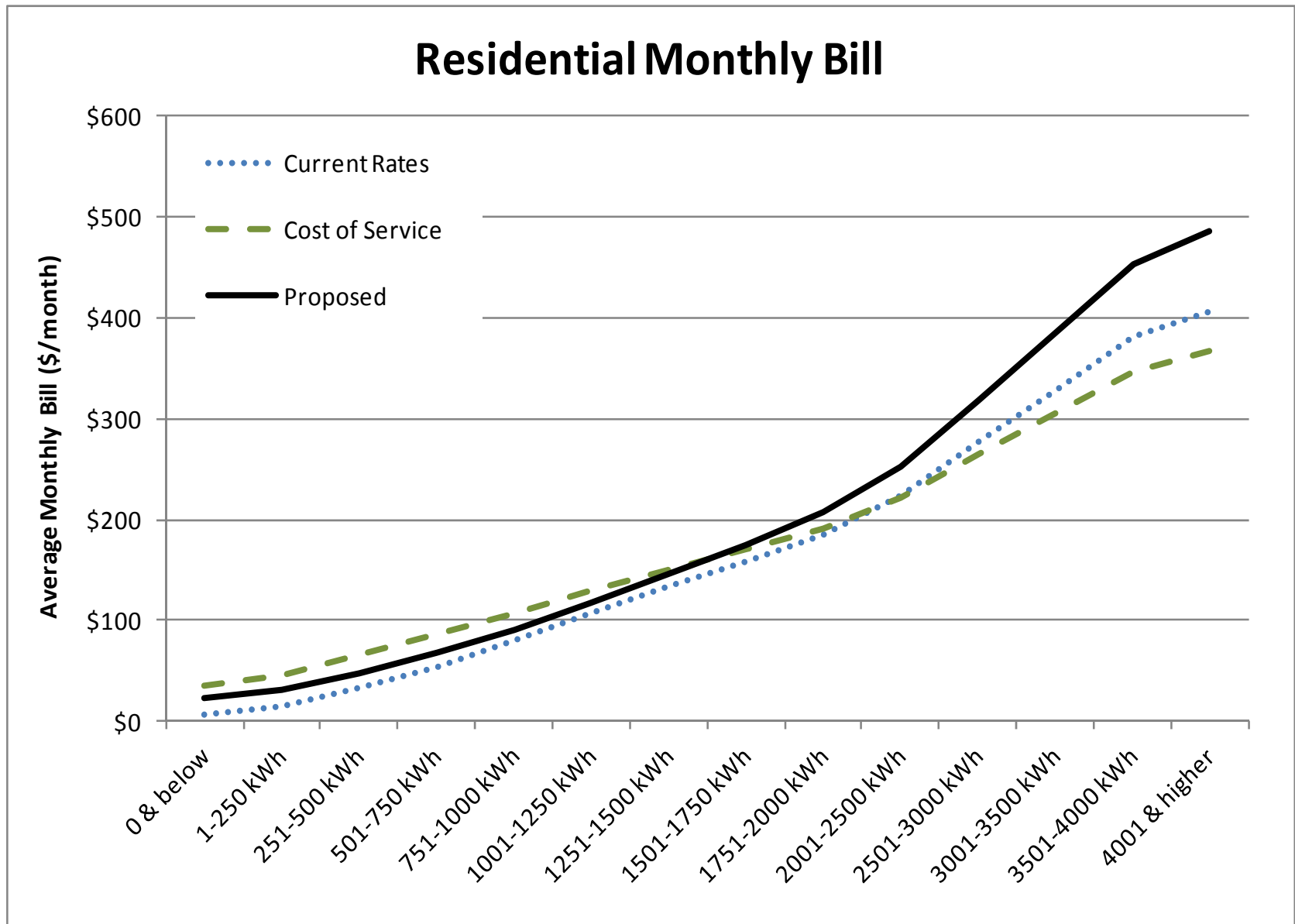


Cost of Service Gap with Recommended Rates





Residential Bill Impact





Residential Bill Impacts (Annual)

Small Apartment with Electric Heat																	
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total	Average	% Incr	\$/kWh	\$ Incr
kWh	441	560	481	293	316	467	382	541	455	351	366	472	5,125	427			
COS	\$ 72	\$ 82	\$ 75	\$ 60	\$ 61	\$ 75	\$ 68	\$ 82	\$ 74	\$ 64	\$ 66	\$ 74	\$ 853	\$ 71	95%	\$ 0.17	\$ 35
Existing	\$ 37	\$ 47	\$ 40	\$ 27	\$ 28	\$ 39	\$ 33	\$ 46	\$ 38	\$ 31	\$ 32	\$ 39	\$ 437	\$ 36		\$ 0.09	
Proposed	\$ 50	\$ 59	\$ 53	\$ 41	\$ 43	\$ 57	\$ 51	\$ 64	\$ 56	\$ 45	\$ 46	\$ 52	\$ 618	\$ 51	41%	\$ 0.12	\$ 15
Average Sized Home with Gas Heat																	
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total	Average	% Incr	\$/kWh	\$ Incr
kWh	797	532	573	517	928	1,636	1,902	2,011	1,849	1,240	940	1,020	13,945	1,162			
COS	101	79	83	78	112	175	198	208	194	138	113	120	\$ 1,601	\$ 133	17%	\$ 0.11	\$ 19
Existing	70	44	48	43	90	170	200	213	194	125	83	91	\$ 1,372	\$ 114		\$ 0.10	
Proposed	81	57	61	56	92	195	232	247	225	124	93	101	\$ 1,563	\$ 130	14%	\$ 0.11	\$ 16
Medium Sized Home with Electric Heat																	
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total	Average	% Incr	\$/kWh	\$ Incr
kWh	4,140	2,163	1,783	1,033	1,471	2,065	2,969	2,631	2,229	1,462	1,420	3,111	26,477	2,206			
COS	380	215	184	121	158	212	290	261	226	157	153	294	\$ 2,650	\$ 221	1%	\$ 0.10	\$ 2
Existing	388	200	164	92	151	219	321	283	237	150	129	286	\$ 2,621	\$ 218		\$ 0.10	
Proposed	476	229	185	102	149	255	386	335	278	148	143	345	\$ 3,030	\$ 253	16%	\$ 0.11	\$ 34
Medium Sized Home with Gas Heat																	
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total	Average	% Incr	\$/kWh	\$ Incr
kWh	1,848	1,645	1,424	1,613	1,763	2,321	3,439	3,088	3,665	2,764	1,562	1,497	26,629	2,219			
COS	189	172	154	169	182	234	330	300	349	265	165	160	\$ 2,670	\$ 222	-2%	\$ 0.10	\$ (4)
Existing	170	151	129	147	185	248	375	335	400	298	143	136	\$ 2,716	\$ 226		\$ 0.10	
Proposed	192	169	144	165	182	290	457	404	491	301	159	151	\$ 3,106	\$ 259	14%	\$ 0.12	\$ 32

kWh = Kilowatt Hours



Residential Bill Impacts (Annual)

Large Home with Electric Heat																	
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total	Average	% Incr	\$/kWh	\$ Incr
kWh	3,454	3,090	2,554	1,998	2,337	2,933	3,815	3,431	3,545	3,379	3,075	2,695	36,306	3,026			
COS	323	292	248	201	230	287	362	329	339	316	291	259	\$ 3,478	\$ 290	-6%	\$ 0.10	\$ (17)
Existing	323	288	237	184	250	317	417	374	387	368	287	251	\$ 3,682	\$ 307		\$ 0.10	
Proposed	389	343	275	210	249	381	514	456	473	380	341	293	\$ 4,302	\$ 358	17%	\$ 0.12	\$ 52
Large Home with Gas Heat																	
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total	Average	% Incr	\$/kWh	\$ Incr
kWh	1,878	1,547	1,678	2,057	2,947	4,808	4,412	5,809	4,686	2,858	2,152	1,771	36,603	3,050			
COS	191	164	175	206	280	448	414	533	437	273	214	183	\$ 3,518	\$ 293	-8%	\$ 0.10	\$ (25)
Existing	173	141	154	190	319	530	485	643	516	309	199	163	\$ 3,820	\$ 318		\$ 0.10	
Proposed	196	157	172	216	325	664	604	815	646	313	227	183	\$ 4,519	\$ 377	18%	\$ 0.12	\$ 58
Very Large Home with Electric Heat																	
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total	Average	% Incr	\$/kWh	\$ Incr
kWh	8,179	6,244	7,041	4,059	5,629	6,493	8,262	8,275	7,194	6,260	3,359	4,277	75,272	6,273			
COS	716	555	621	373	504	592	744	745	652	556	315	391	\$ 6,764	\$ 564	-13%	\$ 0.09	\$ (87)
Existing	774	589	665	381	623	721	921	923	800	694	314	402	\$ 7,807	\$ 651		\$ 0.10	
Proposed	990	744	845	466	666	919	1,186	1,188	1,025	746	377	494	\$ 9,644	\$ 804	24%	\$ 0.13	\$ 153
Very Large Home with Gas Heat																	
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total	Average	% Incr	\$/kWh	\$ Incr
kWh	3,504	3,596	5,411	4,635	6,613	7,327	8,903	10,275	9,018	6,220	5,533	4,197	75,232	6,269			
COS	327	334	486	421	586	664	799	916	809	553	496	384	\$ 6,774	\$ 564	-14%	\$ 0.09	\$ (95)
Existing	328	337	510	436	734	815	994	1,150	1,007	690	521	394	\$ 7,915	\$ 660		\$ 0.11	
Proposed	395	407	638	539	791	1,045	1,283	1,490	1,300	741	653	484	\$ 9,766	\$ 814	23%	\$ 0.13	\$ 154

kWh = Kilowatt Hours



AE's Commitment to Energy Efficiency

2010 Energy Efficiency Results for Transmission and Distribution Utilities in Texas

Distribution Utility	Peak Demand (Megawatts)	Demand Savings (Megawatts)	Funds Expended (\$)	Number of Metered Customers	Funds Expended per Metered Customer	Spending per MW Peak Demand	Demand Savings per \$ Expended (Megawatts)	kW Demand Savings per MW Peak Demand
SWEPCO	1,452	14.8	\$ 4,282,043	228,712	\$ 18.72	\$ 2,949	3.5	10.2
AEP-Texas Central	4,242	27.0	\$ 12,898,287	817,806	\$ 15.77	\$ 3,041	2.1	6.4
AEP Texas North	1,024	5.1	\$ 2,238,100	183,647	\$ 12.19	\$ 2,186	2.3	5.0
Centerpoint (Houston Area)	16,315	121.0	\$ 28,806,909	2,119,000	\$ 13.59	\$ 1,766	4.2	7.4
Entergy	3,621	13.2	\$ 7,060,072	401,654	\$ 17.58	\$ 1,950	1.9	3.6
El Paso Electric	1,245	9.9	\$ 4,166,737	307,191	\$ 13.56	\$ 3,347	2.4	8.0
Oncor (Dallas, Ft. Worth & North Texas)	24,642	101.1	\$ 41,107,131	3,170,903	\$ 12.96	\$ 1,668	2.5	4.1
Texas New Mexico Power	1,557	5.2	\$ 2,754,742	229,530	\$ 12.00	\$ 1,769	1.9	3.3
Excel	2,260	3.7	\$ 2,004,726	275,453	\$ 7.28	\$ 887	1.8	1.6
Austin Energy	2,628	41.2	\$ 23,523,802	413,881	\$ 56.84	\$ 8,951	1.8	15.7

Sources:

(1) Frontier Associates, "Energy Efficiency Accomplishments of Texas Investor Owned Utilities" Calendar Year 2010, page 7.

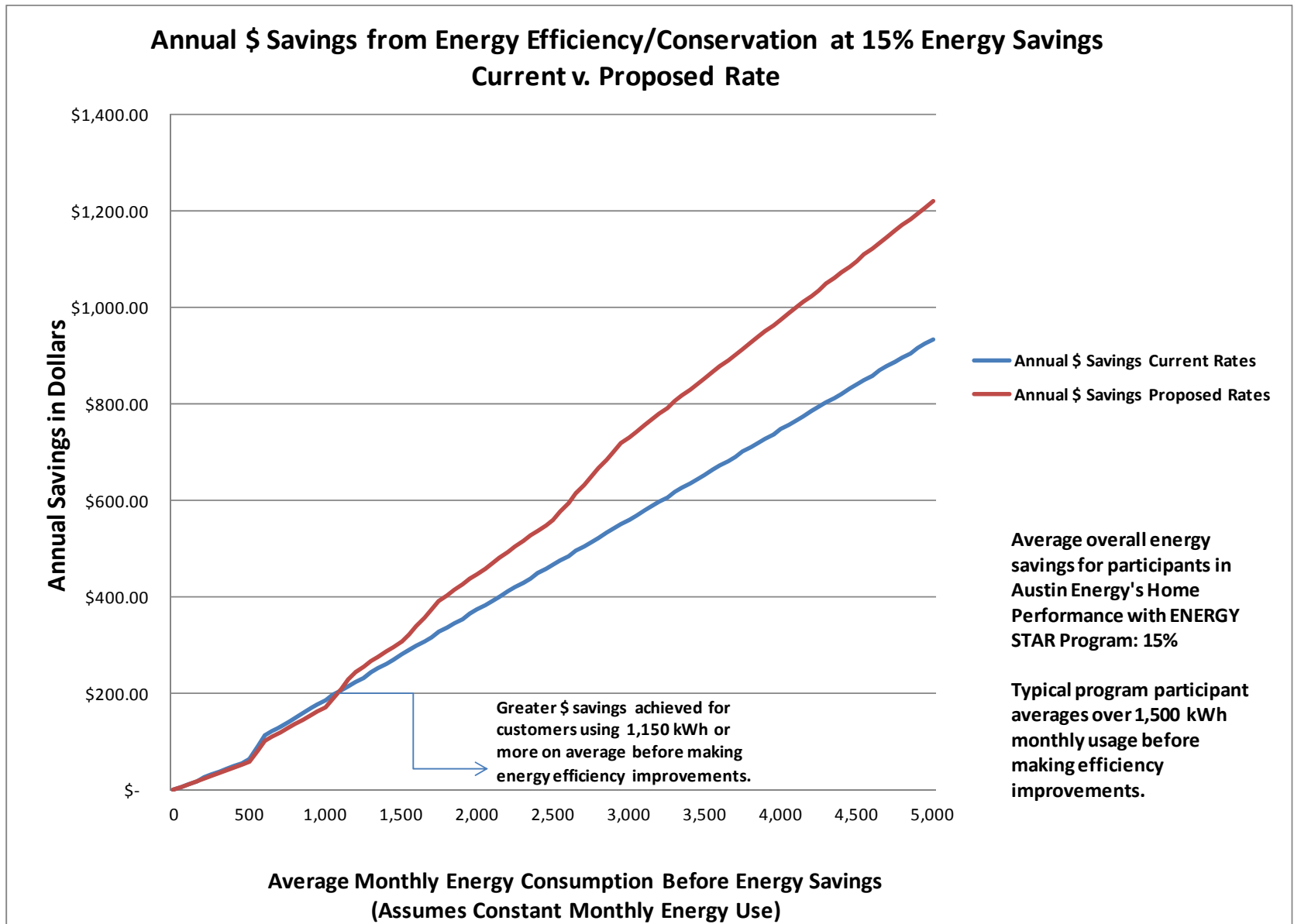
(2) Various Utilities, 2011 Energy Efficiency Plan and Report, Substantive Rules 25.181 and 25.183. April 2011.

<http://www.texasefficiency.com/index.html>.

- AE spends \$57 per metered customer compared to range of \$7 to \$19 for investor owned utilities
- AE achieved 15.7 kW demand savings per MW peak demand compared to range of 1.6 – 10.2 kW for investor owned utilities



New Rate Structure Promotes Energy Efficiency





YOUR ELECTRIC RATES

Commercial and Industrial Rate Design and Recommendations





Customer Classes Consolidated from 24 to 9

Proposed Customer Class	Residential	Secondary Voltage <10 kW	Secondary Voltage 10- <50 kW	Secondary Voltage ≥50 kW	Primary Voltage <3 MW	Primary Voltage 3 - <20 MW	Primary Voltage ≥20 MW	Trans- mission Voltage	Lighting
Average Number of Customers in Test Year	364,521	32,001	10,360	3,214	102	20	2	4	44
Example Customer Type	Homes, Apts., Condos	Small Business, Condo, Billboard, ATM, School Portables	Worship, Auto Repair, Small Office, Retail, Restaurant, Nail Salon, Small School, Daycare	Worship, Large Office, High Rise, Big Box, Retail, School, Hotel	Large Grocery, Big Box Retail, Large Offices, School, Small Industrial, Light Mfg.	Hospital, Datacenter, Large Mfg., University, High Tech	Semi-conductor	Industrial	Street Light, Security Light, Traffic Light, Parking Lot, Ballpark
Average Monthly Load Factor	23%	45%	45%	55%	59%	88%	confidential	confidential	35%



Commercial and Industrial Recommendations

Orange Highlights indicate Year 1 of 3 Year Phase-In

Bill Components	Secondary Voltage <10 kW	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	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	2.50	2.00	4.00	2.00	4.50	2.50	3.50	3.50	N/A
Demand (\$/kW billed)										
Summer	1.00	3.00	2.00	6.50	2.00	8.00	10.00	13.00	13.00	12.25
Non-Summer	1.00	3.00	2.00	5.50	2.00	7.00	9.00	12.00	12.00	11.25
Energy (¢/kWh)										
Summer	5.915¢	4.870¢	4.379¢	2.806¢	4.720¢	2.117¢	1.271¢	1.190¢	0.894¢	0.410¢
Non-Summer	4.065¢	3.229¢	3.873¢	2.300¢	4.214¢	1.611¢	0.777¢	0.696¢	0.400¢	0.208¢
Fuel Adjustment (¢/kWh)	3.373¢	3.373¢	3.373¢	3.373¢	3.373¢	3.373¢	3.296¢	3.296¢	3.296¢	3.254¢
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¢	0.065¢
Service Area Street Lighting	0.115¢	0.115¢	0.090¢	0.090¢	0.081¢	0.081¢	0.069¢	0.065¢	0.060¢	0.054¢
Energy Efficiency Programs	0.298¢	0.298¢	0.234¢	0.234¢	0.209¢	0.209¢	0.179¢	0.168¢	0.157¢	0.139¢
Regulatory Charge										
(¢/kWh)	0.713¢	-								
(\$/kW billed)		2.34	2.44	2.44	2.56	2.56	2.26	2.90	2.94	2.48
Percent Class Rate Change	22%	22%	10%	10%	6%	6%	3%	20%	17%	-4%

Fuel Adjustment to be finalized by January 1, 2012.

Does not include Fuel Adjustment.



Lighting Customer Class

Bill Components	Service Area Street Lighting	Metered Lighting Customer- Owned Sports 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)	31.026¢	15.065¢	6.114¢				
Non-Summer (¢/kWh)	31.026¢	13.565¢	6.114¢				
Energy (\$/month)				\$ 9.45	\$ 16.21	\$ 24.31	\$ 37.82
Fuel Adjustment (¢/kWh)		3.373¢	3.373¢	3.373¢	3.373¢	3.373¢	3.373¢
Community Benefit Charges (¢/kWh)							
Customer Assistance Program		0.065¢	0.065¢				
Service Area Street Lighting		0.183¢	0.096¢				
Energy Efficiency Programs	0.814¢	0.474¢	0.250¢				
Regulatory Charge							
(¢/kWh)	0.096¢	0.321¢	0.098¢				
Percent Class Rate Change	75%	109%	30%	48%	64%	73%	80%

(A)

(B)

(A) Fuel Adjustment to be finalized by January 1, 2012.

(B) Does not include Fuel Adjustment.



Commercial Bill Impacts-Secondary Voltage <10 kW

Small Church (E01C)															
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total	Average	% Incr. \$/kWh \$ Incr.
kW	8	5	6	4	4	5	5	5	4	3	7	7			
kWh	476	362	373	195	276	359	473	404	332	217	313	434	4,215	351	
Load Factor	8%	9%	8%	7%	10%	11%	13%	12%	11%	11%	6%	8%			
COS	\$ 183	\$ 138	\$ 153	\$ 103	\$ 107	\$ 131	\$ 140	\$ 134	\$ 123	\$ 86	\$ 175	\$ 185	\$ 1,659	\$ 138	349% \$ 0.39
Existing	\$ 40	\$ 32	\$ 32	\$ 20	\$ 26	\$ 31	\$ 39	\$ 35	\$ 29	\$ 21	\$ 28	\$ 37	\$ 370	\$ 31	\$ 0.09
Proposed (Ph. I)	\$ 78	\$ 63	\$ 66	\$ 44	\$ 52	\$ 67	\$ 80	\$ 72	\$ 63	\$ 43	\$ 63	\$ 74	\$ 766	\$ 64	107% \$ 0.18 \$ 33

Portable School Building (E02)															
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total	Average	% Incr. \$/kWh \$ Incr.
kW	3	3	4	2	3	3	4	7	3	3	4	3			
kWh	1,080	961	999	926	1,000	1,119	1,047	1,216	987	1,106	1,095	1,085	12,622	1,052	
Load Factor	49%	40%	37%	57%	44%	48%	39%	24%	41%	48%	38%	59%			
COS	\$ 125	\$ 125	\$ 133	\$ 105	\$ 123	\$ 137	\$ 142	\$ 212	\$ 133	\$ 136	\$ 150	\$ 122	\$ 1,642	\$ 137	35% \$ 0.13
Existing	\$ 94	\$ 84	\$ 87	\$ 81	\$ 105	\$ 117	\$ 110	\$ 127	\$ 104	\$ 116	\$ 95	\$ 94	\$ 1,216	\$ 101	\$ 0.10
Proposed (Ph. I)	\$ 107	\$ 98	\$ 102	\$ 93	\$ 101	\$ 129	\$ 123	\$ 147	\$ 117	\$ 109	\$ 110	\$ 106	\$ 1,342	\$ 112	10% \$ 0.11 \$ 10

Small Restaurant (E02)															
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total	Average	% Incr. \$/kWh \$ Incr.
kW	8	8	8	8	9	9	9	10	9	8	8	6			
kWh	2,228	2,105	2,637	3,138	3,907	4,128	4,376	4,375	3,421	2,998	2,311	2,183	37,808	3,151	
Load Factor	39%	38%	46%	51%	63%	61%	65%	63%	53%	49%	39%	51%			
COS	\$ 254	\$ 246	\$ 274	\$ 302	\$ 336	\$ 379	\$ 390	\$ 395	\$ 341	\$ 313	\$ 278	\$ 231	\$ 3,740	\$ 312	5% \$ 0.10
Existing	\$ 187	\$ 177	\$ 221	\$ 262	\$ 394	\$ 417	\$ 441	\$ 441	\$ 346	\$ 304	\$ 194	\$ 184	\$ 3,569	\$ 297	\$ 0.09
Proposed (Ph. I)	\$ 230	\$ 219	\$ 265	\$ 310	\$ 376	\$ 474	\$ 500	\$ 500	\$ 399	\$ 298	\$ 237	\$ 221	\$ 4,028	\$ 336	13% \$ 0.11 \$ 38

kW = Kilowatts

kWh = Kilowatt Hours



Commercial Bill Impacts-Secondary Voltage $\geq 10\text{kW}$ and $< 50 \text{ kW}$

Medium Sized Church (E01C)																		
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total	Average	% Incr.	\$/kWh	\$ Incr.	
kW	4	3	5	6	9	13	13	12	14	9	5	6	18,230	1,519				
kWh	516	395	807	923	1,570	3,060	3,101	3,062	2,332	1,224	666	576						
Load Factor	20%	21%	23%	20%	23%	32%	32%	36%	22%	18%	20%	13%						
COS	\$ 121	\$ 100	\$ 156	\$ 186	\$ 262	\$ 405	\$ 409	\$ 381	\$ 396	\$ 249	\$ 146	\$ 163	\$ 2,975	\$ 248	59%	\$ 0.16		
Existing	\$ 43	\$ 31	\$ 71	\$ 82	\$ 163	\$ 331	\$ 336	\$ 332	\$ 249	\$ 123	\$ 57	\$ 49	\$ 1,866	\$ 155		\$ 0.10		
Proposed (Ph. I)	\$ 87	\$ 72	\$ 118	\$ 137	\$ 205	\$ 358	\$ 362	\$ 349	\$ 306	\$ 179	\$ 106	\$ 107	\$ 2,386	\$ 199	28%	\$ 0.13		\$ 43

Medium Sized School (E10)																	
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total	Average	% Incr.	\$/kWh	\$ Incr.
kW	23	22	33	22	25	23	12	23	23	23	24	22	64,504	5,375			
kWh	5,229	4,952	6,001	5,695	5,974	5,285	5,132	4,983	5,919	5,820	5,126	4,389					
Load Factor	31%	30%	25%	35%	32%	31%	59%	30%	36%	34%	30%	28%					
COS	\$ 639	\$ 614	\$ 837	\$ 644	\$ 708	\$ 680	\$ 472	\$ 665	\$ 700	\$ 665	\$ 644	\$ 581	\$ 7,849	\$ 654	40%	\$ 0.12	
Existing	\$ 435	\$ 414	\$ 538	\$ 456	\$ 549	\$ 491	\$ 389	\$ 472	\$ 523	\$ 522	\$ 432	\$ 378	\$ 5,599	\$ 467		\$ 0.09	
Proposed	\$ 556	\$ 532	\$ 704	\$ 573	\$ 621	\$ 604	\$ 464	\$ 584	\$ 637	\$ 589	\$ 556	\$ 494	\$ 6,913	\$ 576	23%	\$ 0.11	

Medium Sized Retail (E02)																	
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total	Average	% Incr.	\$/kWh	\$ Incr.
kW	13	8	12	9	10	10	10	10	9	9	9	15	21,500	1,792			
kWh	1,345	1,046	1,294	1,362	1,889	2,652	2,688	2,722	2,161	1,662	1,126	1,552					
Load Factor	14%	19%	15%	21%	27%	38%	38%	38%	31%	24%	17%	15%					
COS	\$ 319	\$ 212	\$ 293	\$ 245	\$ 277	\$ 326	\$ 328	\$ 331	\$ 303	\$ 265	\$ 237	\$ 348	\$ 3,484	\$ 290	68%	\$ 0.16	
Existing	\$ 116	\$ 91	\$ 111	\$ 117	\$ 194	\$ 270	\$ 273	\$ 277	\$ 221	\$ 171	\$ 98	\$ 132	\$ 2,071	\$ 173		\$ 0.10	
Proposed (Ph. I)	\$ 213	\$ 154	\$ 200	\$ 186	\$ 230	\$ 303	\$ 306	\$ 309	\$ 262	\$ 212	\$ 168	\$ 237	\$ 2,780	\$ 232	34%	\$ 0.13	\$ 59

kW = Kilowatts

kWh = Kilowatt Hours



Commercial Bill Impacts-Secondary Voltage ≥ 50 kW

Large Church (E01C)																	
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total	Average	% Incr.	\$/kWh	\$ Incr.
kW	50	52	51	82	95	103	114	128	91	81	68	71	222,383	18,532			
kWh	15,106	13,948	12,784	15,456	19,759	25,906	25,417	28,689	19,364	16,507	14,019	15,427					
Load Factor	42%	37%	34%	26%	28%	35%	31%	31%	29%	28%	28%	30%					
COS	\$ 1,669	\$ 1,657	\$ 1,597	\$ 2,253	\$ 2,664	\$ 3,224	\$ 3,406	\$ 3,814	\$ 2,727	\$ 2,272	\$ 1,955	\$ 2,054	\$ 29,290	\$ 2,441	25%	\$ 0.13	
Existing	\$ 1,434	\$ 1,323	\$ 1,212	\$ 1,467	\$ 2,224	\$ 2,921	\$ 2,865	\$ 3,236	\$ 2,179	\$ 1,855	\$ 1,330	\$ 1,464	\$ 23,511	\$ 1,959		\$ 0.11	
Proposed (Ph. I)	\$ 1,590	\$ 1,511	\$ 1,413	\$ 1,829	\$ 2,260	\$ 2,928	\$ 2,958	\$ 3,328	\$ 2,299	\$ 1,904	\$ 1,626	\$ 1,754	\$ 25,401	\$ 2,117	8%	\$ 0.11	\$ 157

Large School (E23)																	
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total	Average	% Incr.	\$/kWh	\$ Incr.
kW	370	376	360	401	478	458	415	568	560	438	377	331	1,315,659	109,638			
kWh	117,051	103,715	92,196	111,304	135,764	109,876	80,962	153,459	148,969	95,185	91,693	75,485					
Load Factor	43%	38%	35%	38%	39%	33%	27%	37%	36%	30%	33%	31%					
COS	\$ 11,354	\$ 10,947	\$ 10,208	\$ 11,685	\$ 14,014	\$ 13,454	\$ 11,424	\$ 17,354	\$ 17,020	\$ 11,700	\$ 10,483	\$ 9,028	\$ 148,669	\$ 12,389	33%	\$ 0.11	
Existing	\$ 8,867	\$ 8,152	\$ 7,401	\$ 8,731	\$ 11,640	\$ 10,010	\$ 8,018	\$ 13,383	\$ 13,065	\$ 9,013	\$ 7,473	\$ 6,276	\$ 112,030	\$ 9,336		\$ 0.09	
Proposed	\$ 10,361	\$ 9,805	\$ 9,048	\$ 10,483	\$ 12,634	\$ 12,047	\$ 9,939	\$ 15,826	\$ 15,486	\$ 10,173	\$ 9,234	\$ 7,872	\$ 132,907	\$ 11,076	19%	\$ 0.10	\$ 1,740

Large Grocery (E07S)																	
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total	Average	% Incr.	\$/kWh	\$ Incr.
kW	472	447	514	555	635	668	666	677	643	600	593	545	3,866,954	322,246			
kWh	270,485	238,430	279,158	294,196	342,177	376,911	400,169	403,502	358,531	319,278	295,947	288,170					
Load Factor	79%	73%	74%	73%	74%	77%	82%	82%	76%	73%	68%	72%					
COS	\$ 19,213	\$ 17,515	\$ 20,293	\$ 21,623	\$ 24,930	\$ 28,612	\$ 29,551	\$ 29,909	\$ 27,370	\$ 23,404	\$ 22,353	\$ 21,205	\$ 285,979	\$ 23,832	6%	\$ 0.07	
Existing	\$ 18,692	\$ 16,842	\$ 19,600	\$ 20,819	\$ 24,090	\$ 26,162	\$ 27,275	\$ 27,572	\$ 24,974	\$ 22,564	\$ 21,338	\$ 20,406	\$ 270,335	\$ 22,528		\$ 0.07	
Proposed	\$ 21,142	\$ 19,086	\$ 22,192	\$ 23,580	\$ 27,265	\$ 32,149	\$ 33,479	\$ 33,848	\$ 30,699	\$ 25,548	\$ 24,198	\$ 23,115	\$ 316,301	\$ 26,358	17%	\$ 0.08	\$ 3,830

kW = Kilowatts

kWh = Kilowatt Hours



Other Optional Rates and Public Schools (ISDs) Proposed Discount

All Customer Classes

- Time-of-use rates
 - Public schools
 - Worship facilities
- Pilot rates

Commercial and Industrial Only

- Thermal energy storage continued with new option for on-peak pricing time period

Public Schools (ISDs) Proposed Discount

- Apply 10% discount to overall monthly electric bill
- Applicable to independent school districts only due to limited funding

Note: Time-of-use rates may be applied in addition to the discount for some school accounts.



GreenChoice® Program Improvements

- GreenChoice® renewable energy product offered to all customers on same terms
- Customers must purchase 100% GreenChoice per meter
- Offer a long-term contract at a set GreenChoice rate
- Customers receive credit for fuel and energy production costs
- First offer expected when new supply comes on line in early 2013
- Same rate structure as last 10 years, except:
 - Supply to be sourced from a portfolio
 - Price based on average cost
 - Total payment (or credit) on bill will be for GreenChoice quantity NET of system renewable energy percentage (avoids “double sale” of green power)

Solar Program Improvements

Residential

- Improves incentives and more fairly rewards solar system operators for their energy
- ***Customer pays*** for total gross energy consumption at residential rates applicable to their consumption level
- ***Austin Energy pays*** customer for total solar production at ***Value of Solar Rate***
 - Value updated annually
 - Reflects value of locally generated solar energy that avoids transmission and distribution losses and fuel costs
 - 2011 is \$0.128 per kWh

Commercial

- Offered the Performance-Based Incentive (PBI) for qualifying on-site solar systems
- Size of systems increased from 20 kW to 200 kW





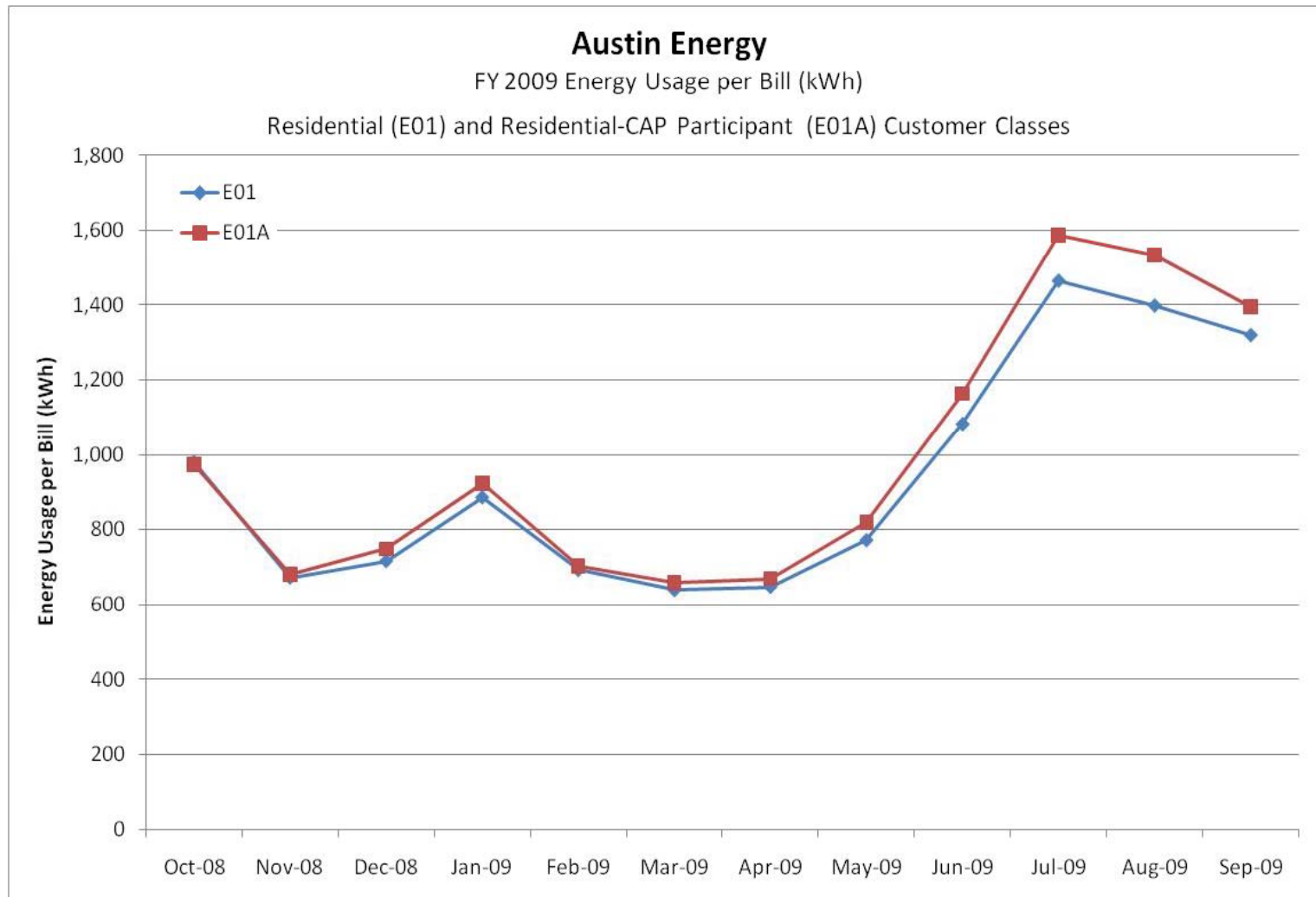
YOUR ELECTRIC RATES

Customer Assistance Program (CAP) Recommendations





CAP Participants Have Similar Electricity Usage

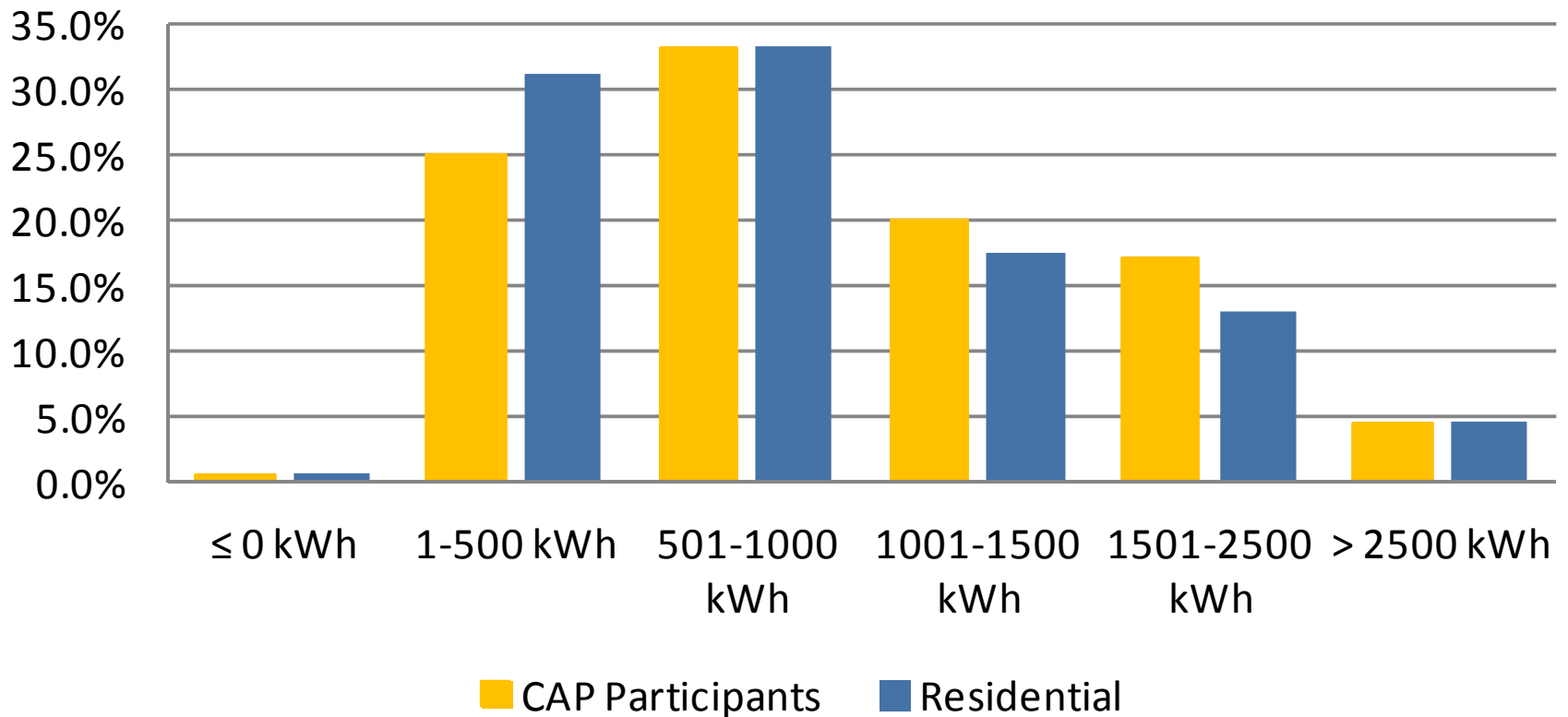


Data represents Customer Assistance Program (CAP) participants. Average monthly CAP participant (E01A) electricity usage was 1,023 kWh in FY 2009.



CAP Customer Profile Similar to Residential Profile

Residential Bills by kWh Use Level FY 2009





CAP Discount Structure

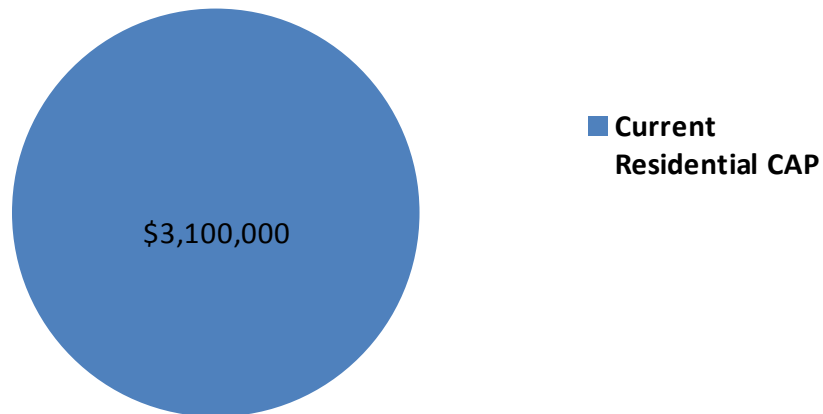
Description	Method	Current	Proposed
Electric	Waiver	\$6.00	Design in progress.
Electric - E01A fuel discount rate (per kWh) in lieu of system fuel rate • 1.7 cents compared to 3.105 cents current fuel rate or discount of 1.405 cents	Discount	Amount varies based upon customer consumption.	Discontinued.
Water	Waiver	\$7.10	No change.
Wastewater	Waiver	\$9.25	No change.
Transportation User Fee	Waiver	\$6.56	No change.
Drainage Fee	50% Discount	\$3.88	No change.

- \$32.79 in City-wide monthly service charge waivers and discounts, excluding electric fuel discount



Customer Assistance Program Recommendations

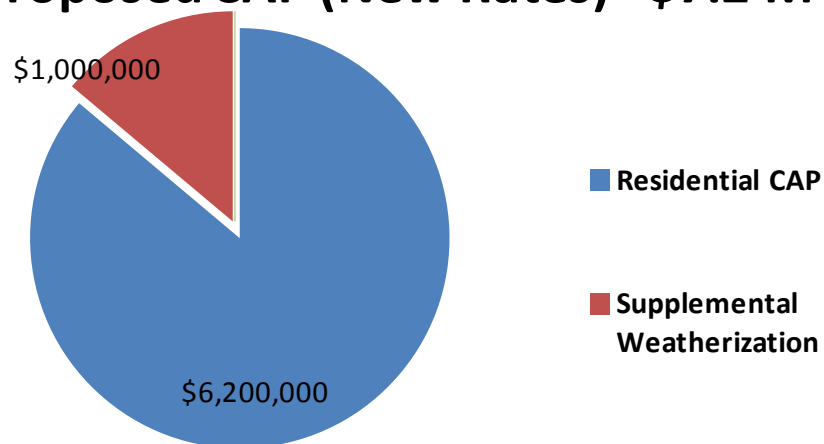
Current CAP (2009) - \$3.1 M



Customer Assistance Program design in progress

- Enrollment process
- Benefit levels

Proposed CAP (New Rates) - \$7.2 M





Programs to Assist Low Income Customers

Customer Assistance Program (CAP) charge provides funding for:

- Customer Assistance Discount
- Free Weatherization

Other Programs

- Financial Support Program (Plus 1)
- Medically Vulnerable Population (MVP)
- Deferred Payment Arrangement (DPA)
- Budget Bill Program



CAP Redesign Objectives

- Adopt a case management approach for CAP customers to manage electricity usage
 - Discounts to mitigate bill impacts
 - Conservation programs
 - Education
- Increased funding level to allow ramp up of enrollment over time
- Target high usage CAP customers for weatherization
- Final program design following rate approval



YOUR ELECTRIC RATES

Rate Benchmarking and Affordability





Industry Trends for Public Power Utilities

- Increasing fixed charges to recover distribution system impacts and minimum cost of service
- Use of power cost adjustment (fuel charge) mechanisms
- Tiered rate structures to recover demand (kW) impacts and promote energy efficiency
- Adjust fees to recover cost of service for new growth
- Offer customers time-of-use rates
- Increased transparency of charges and rate increases
 - Regulatory Charges
 - Community or Public Benefit Charges
 - Customer Assistance Program, Street Lighting and Energy Efficiency programs
 - Forecast of rate increases



AE Proposed Structure vs. Retail Electric Provider Offers

Austin Energy

- Vertically integrated utility
 - Service territory
 - Wires, Generation & Retail in one entity
 - Generation ownership to provide pricing certainty in Nodal market
- Customers in service territory
 - Energy efficiency goals & incentives
- Retail rates
 - Set in tariffs
 - Must remain competitive
- Austin Climate Protection Program
- Renewable goals

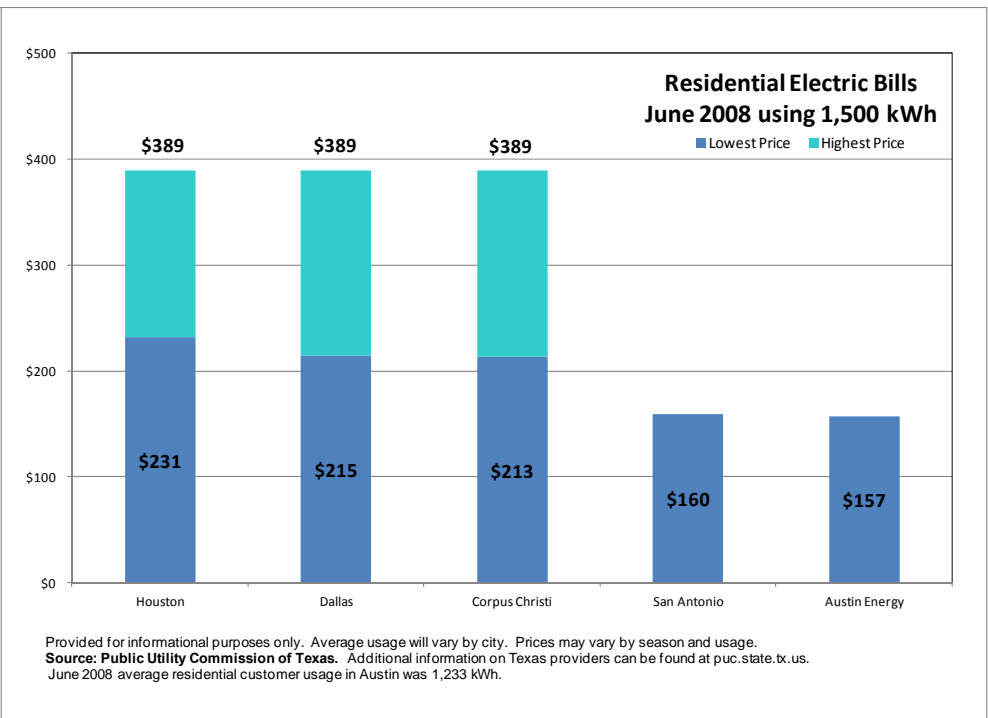
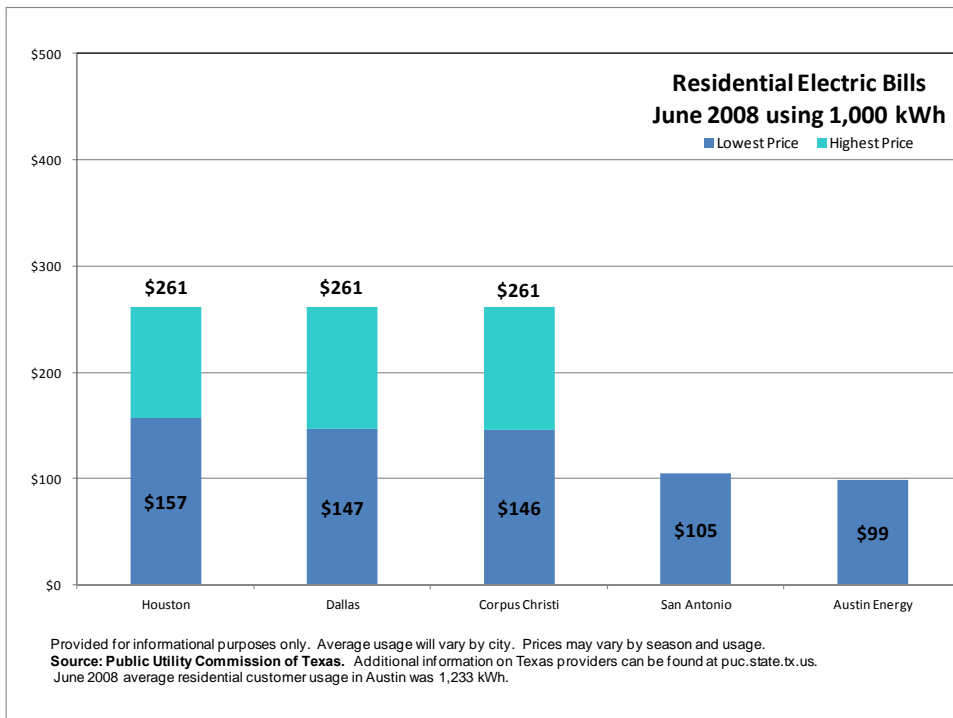
Retail Electric Providers

- Deregulated market model
 - Open competitive retail market
 - Wires separate from Generation & Retail
 - Generation sold into Nodal market
- Manage a portfolio in open market
 - Focus on increasing sales
- Offers
 - Teaser Offers to increase volume and new customers



2008 Rate Comparisons - Higher Natural Gas Prices

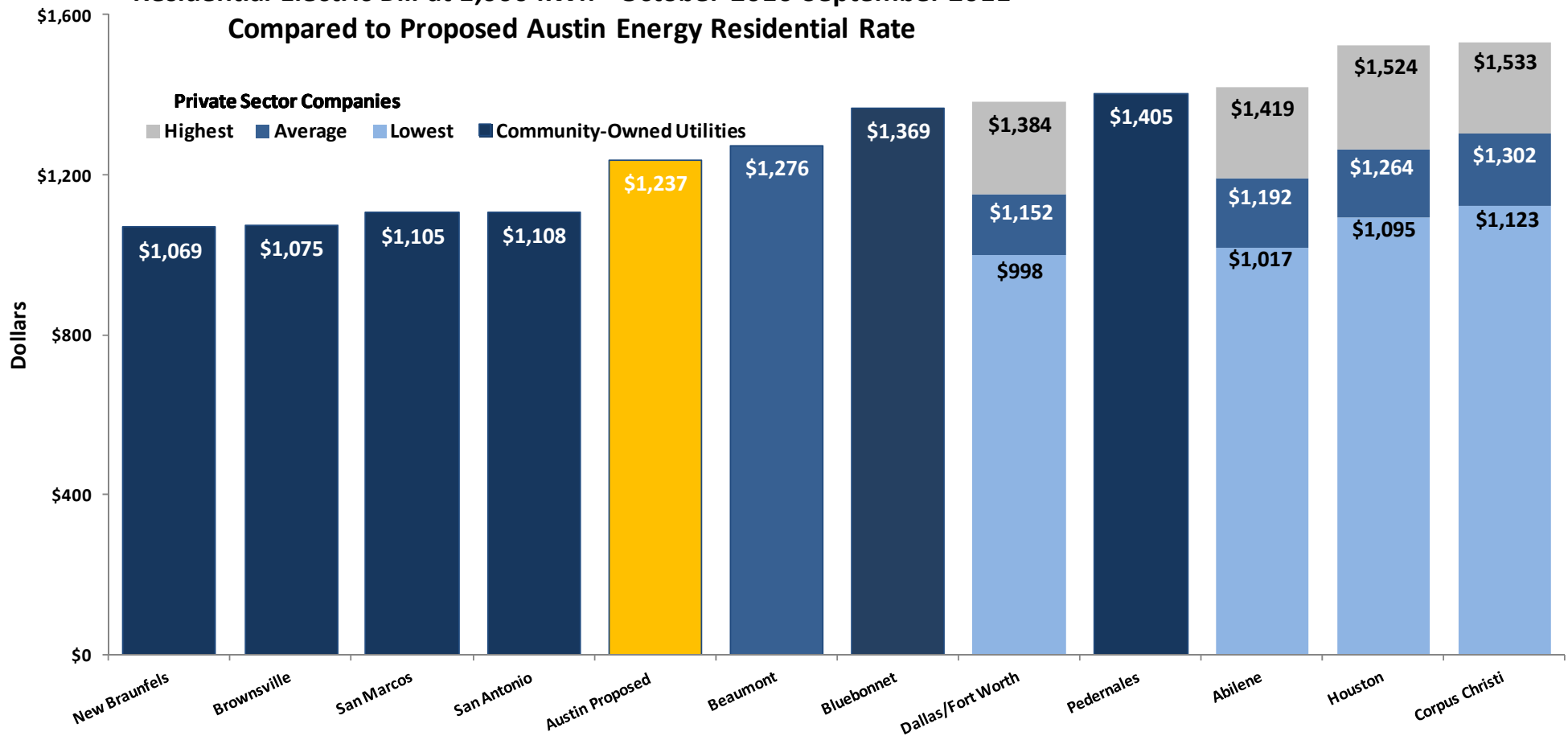
- Bill comparison using retail electric provider offers and public power rates when natural gas prices were high in 2008
- Deregulated market is more volatile
- AE's power supply managed to minimize volatility





Annual Residential Electric Bill Comparison

Residential Electric Bill at 1,000 kWh - October 2010-September 2011
Compared to Proposed Austin Energy Residential Rate

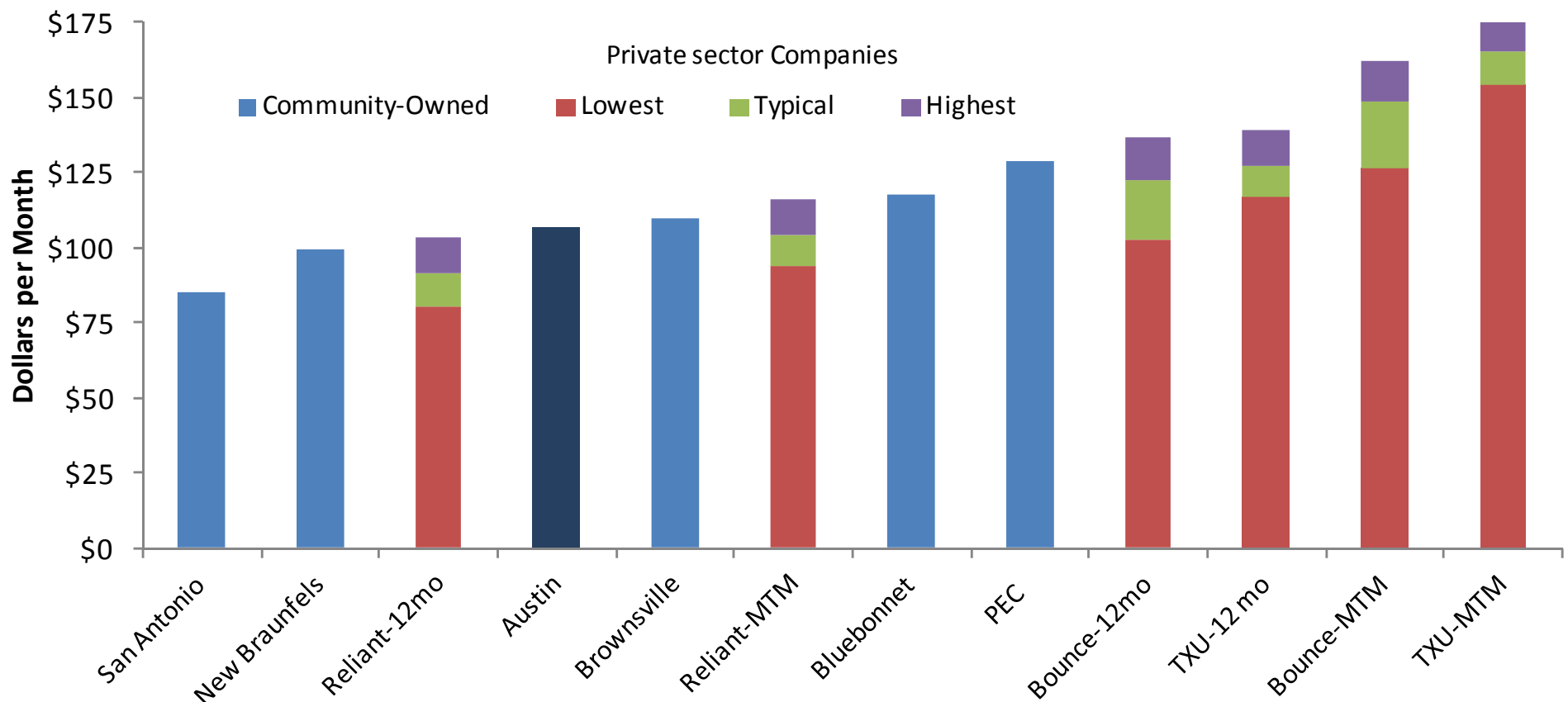


No additional projected rate increases are included for any utility listed.



Commercial Rate Comparison - Secondary Voltage <10 kW

Commercial Monthly Bill Snapshot of Rates Available as of November, 2011
3KW with 40%LF



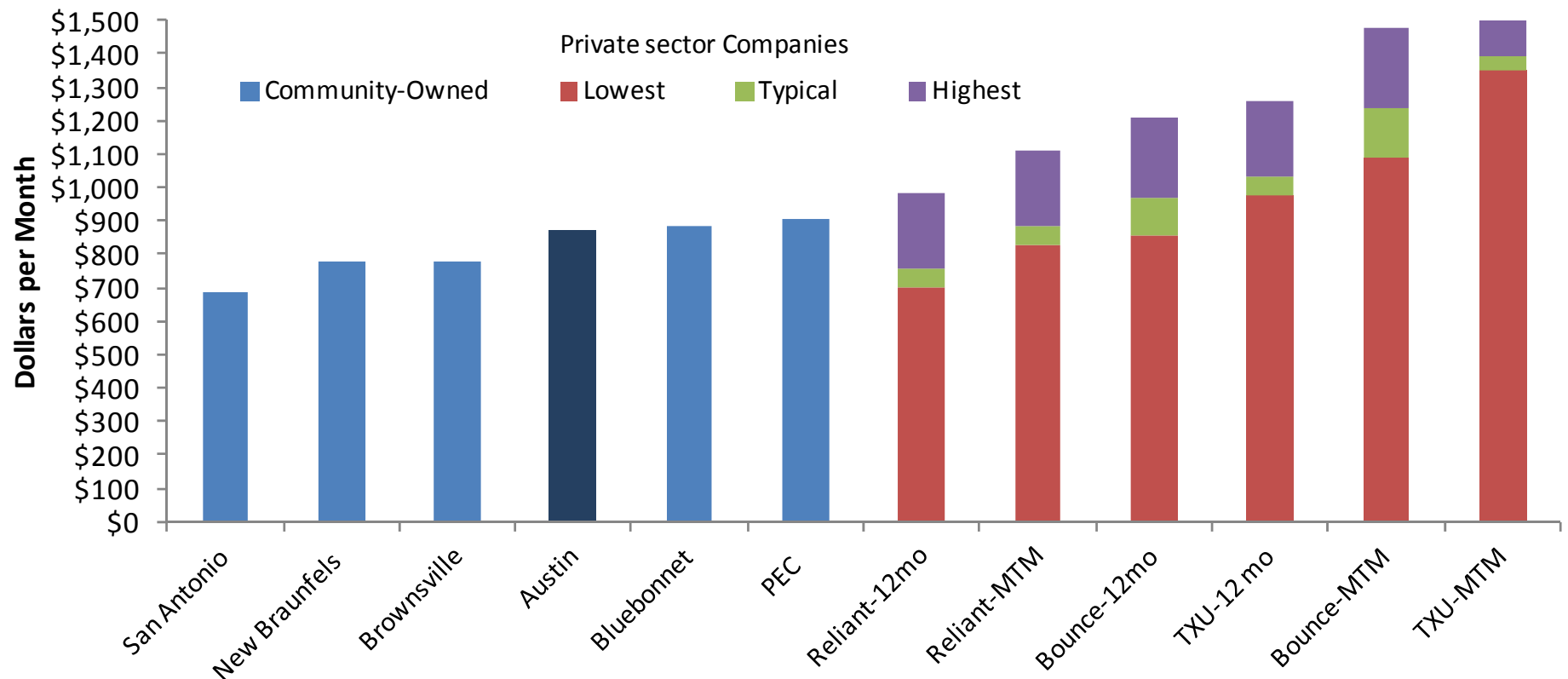
No additional projected rate increases are included for any utility listed.



Commercial Rate Comparison - Secondary Voltage >10 kW - <50 kW

Commercial Monthly Bill Snapshot of Rates Available as of November, 2011

25KW with 45%LF

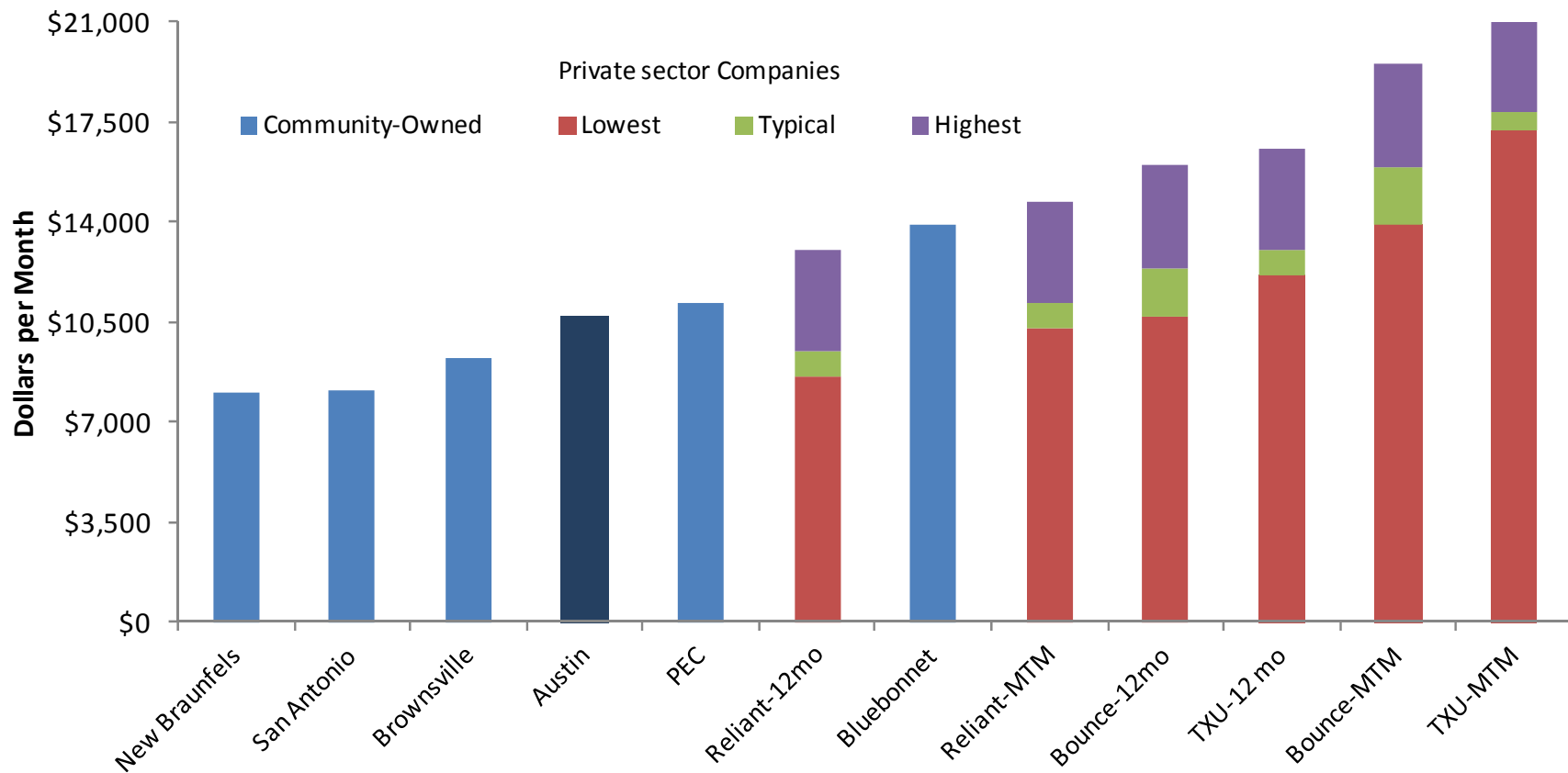


No additional projected rate increases are included for any utility listed.



Commercial Rate Comparison - Secondary Voltage >50 kW

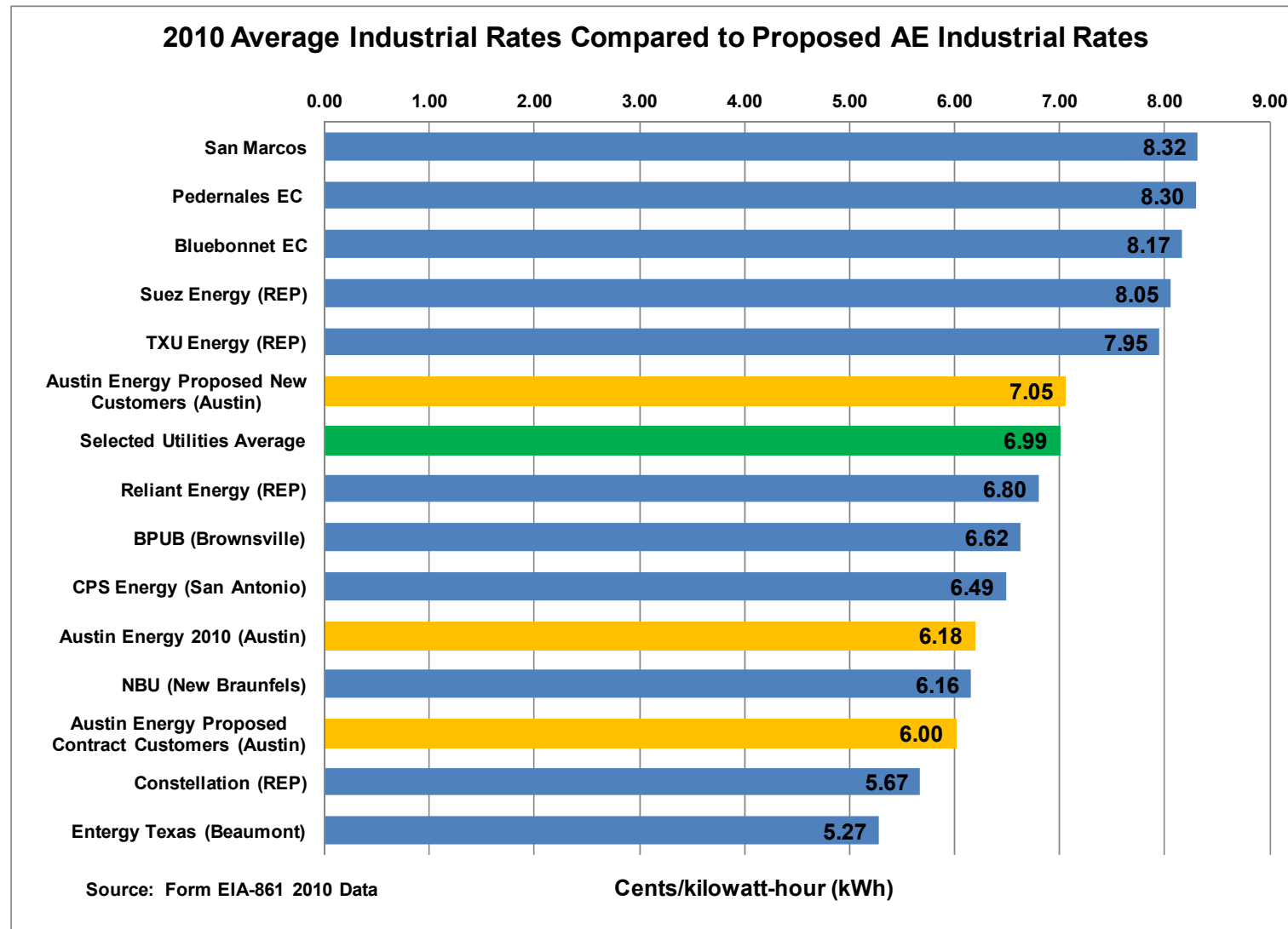
Commercial Monthly Bill Snapshot of Rates Available as of November, 2011
275KW with 55%LF



No additional projected rate increases are included for any utility listed.



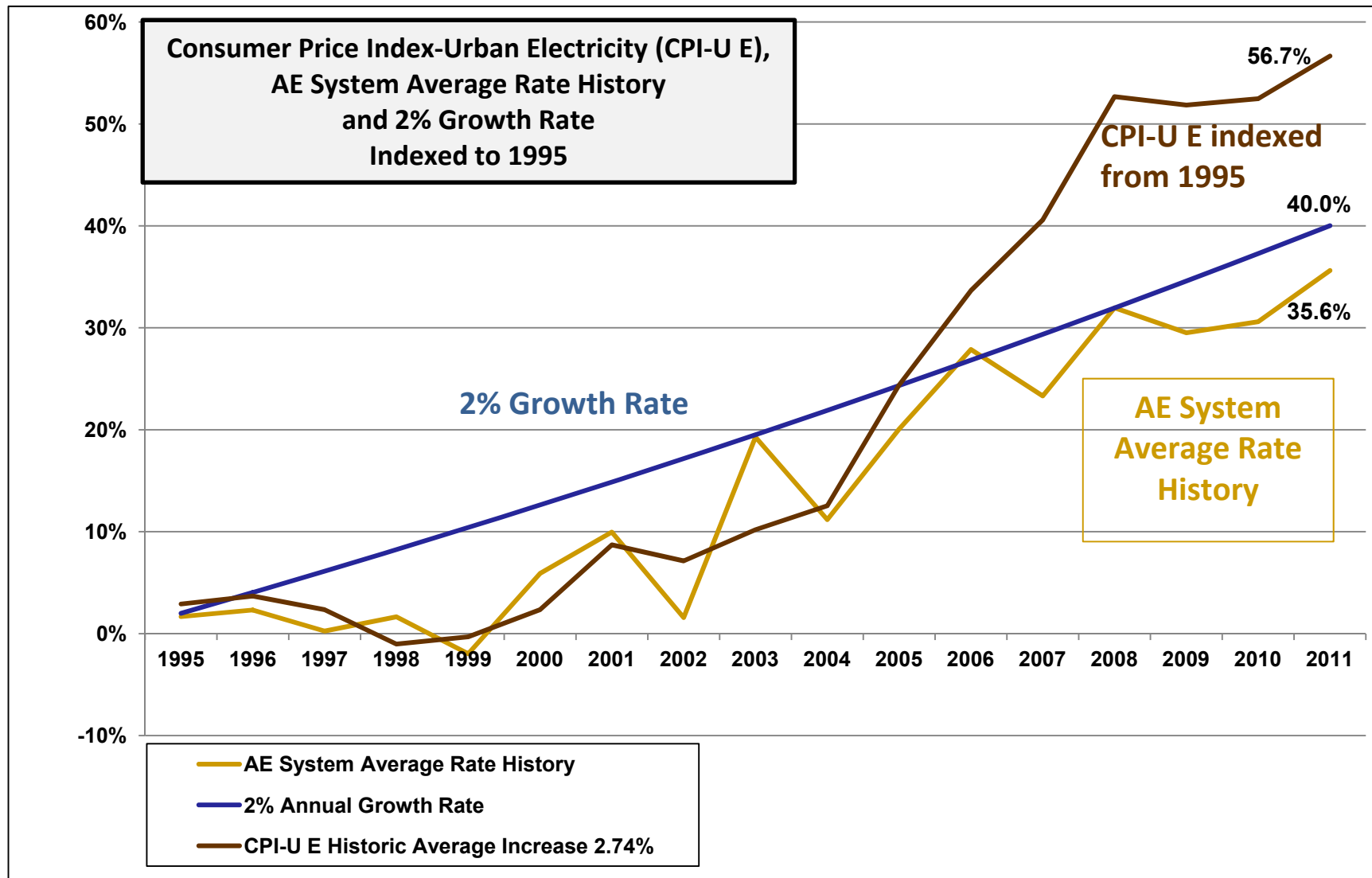
Industrial Rates



Source: EIA Form 861 – 2010, www.eia.doe.gov/cneaf/electricity/page/eia861.html, except for Austin Energy Proposed.

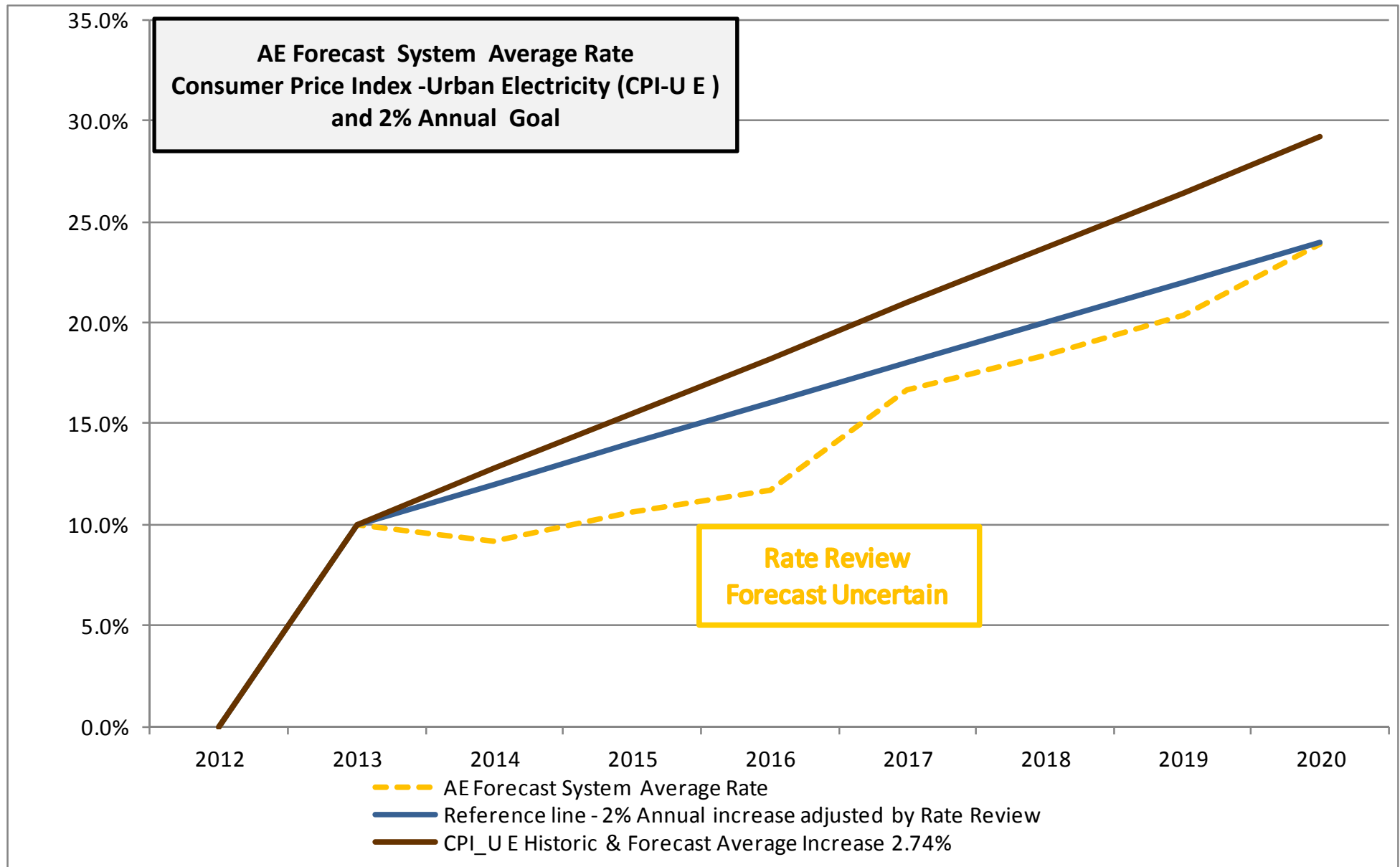


AE System Average Rate





Affordability Forecast





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Summary





Summary

- Requesting Council action to move AE rates forward to public hearing
 - Move rates as close to cost of service as possible
 - Restore the utility's financial health
 - Modernize rate designs
 - Provide incentives for solar and energy efficiency
 - Increase transparency of rates and forecasts
- Requests for Information Process
- Review by Office of the City Auditor



Council Rate Review – Proposed Timeline

Date	Task
2011	
December 15	Council Action <ul style="list-style-type: none">• Set a public hearing on electric rates for January 12, 2012 at 4:00 p.m.
2012	
January 3-17	Time period for accepting Requests for Information (RFIs)
January 12	Council Meeting <ul style="list-style-type: none">• Conduct a public hearing on electric rates• Set a public hearing on electric rates for January 26
January 26	AE Quarterly Briefing for Council Council Meeting <ul style="list-style-type: none">• Conduct a public hearing on electric rates• Approve new electric rates and related budget amendment to amend FY2012 Operating Budget and Fee Schedule
	New rates effective with first billing cycle 60 days after Council approval

Rate Review website www.rates.austinenergy.com



YOUR ELECTRIC RATES

Thank you.

