



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 Modifications  
February 2, 2012***



# Agenda

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- Two Step Rate Increase
- General Fund Transfer
- Rate Design
  - Residential
  - Small Commercial and Small Worship



## Recommended Modifications

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- 2 step (phased in) rate increase
  - 1<sup>st</sup> phase Fiscal Year (FY) 2012
  - 2<sup>nd</sup> phase October 2014
- General Fund Transfer (GFT)
  - Cap at \$105 million
  - Reduced by 6.1% for outside City of Austin (COA) residential customers
- Residential Minimum bill
  - First 200 kWh included in \$12 customer charge
- Small Worship/Small Commercial (Secondary Voltage < 10 kW)
  - Eliminate Demand charge
  - Remove Electric Delivery Charge
  - Optional Time-of-Use



## Two Step Transition Plan

2 Step Rate Increase		(\$ Millions)
Increase		\$ 126
FY 2012		\$ 88
Deferral until FY 2015		\$ 38
<u>Percent Increase:</u>		
Increase for FY 2012		8.7%
Deferral until FY 2015		3.8%



## Two Step Rate Increase

### Phase 1:

- Defer rebuilding Reserves
- Billing commencing by June 1, 2012

\$88 Million Increase	
Phase 1	
Revenue Requirement Components	(\$ Millions)
Total Operations & Maintenance	\$ 824
Debt Service	168
Capital From Current Revenue	111
Contributions to Reserves	1
Other net (Non-Rate) Revenue	(93)
General Fund Transfer	105
Revenue Requirements-Phase 1	\$ 1,116

### Phase 2:

- Begin rebuilding Reserves
- Billing commencing by October 1, 2014

\$38 Million Increase	
Phase 2	
Revenue Requirement Components	(\$ Millions)
Decommissioning Reserves	\$ 5
Contributions to Reserves	24
Revenue Requirements-Phase 1	1,116
100% Revenue Requirement	\$ 1,145



## **Phase 2 Rate Increase**

## **General Fund Transfer (GFT)**

- Effective October 1, 2014
  - Interim Analysis:
    - AE Capital Improvements Program (CIP)
    - Reserve levels
    - Non-Nuclear Decommissioning Site Studies
    - Fee Study (Connects, Disconnects, etc.)
    - Line Extension Fee Study
    - General Fund Transfer
  - Adopted in budget process
- Cap GFT at \$105 million
  - Reduced by 6.1% for outside City of Austin residential customers



## Residential Rate Design

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- Total Minimum bill = \$22.00
  - First 200 kWh included in \$12.00 Customer Charge
  - Electric Delivery Charge - \$10.00
- Phase 1:
  - \$88 million of the total increase
  - Maintain 5-tier rate structure
  - Inside/Outside COA Residential bills will look the same except for GFT discount to Outside Residential
  - GFT Reduced by 6.1% for outside COA residential customers
- Phase 2 provides remaining revenue requirement



# Residential Rate Proposal Modifications

Residential Bill Components	Existing Rate	Cost of Service	Proposed 12-19-2011	Proposed Phase 1
Customer Charge (\$/month)	\$6.00	\$19.70	\$12.00	\$12.00
Electric Delivery (\$/month)	Inc. Below	\$14.42	\$10.00	\$10.00
Energy Charge (¢/kWh) – Summer Period (June-Sept)				
< 200 kWh (6% of bills)	3.55 ¢	4.172 ¢	2.8 ¢	0 ¢
201 - 500 kWh (14% of bills)	3.55 ¢		2.8 ¢	2.0 ¢
501 – 1000 kWh (30% of bills)	7.82 ¢		6.0 ¢	5.2 ¢
1001 - 1500 kWh (23% of bills)	7.82 ¢		8.3 ¢	7.6 ¢
1501 – 2500 kWh (20% of bills)	7.82 ¢		9.4 ¢	8.3 ¢
> 2500 kWh (7% of bills)	7.82 ¢		10.6 ¢	9.2 ¢
Energy Charge (¢/kWh) – Non-Summer Period (Oct-May)				
< 200 kWh (11% of bills)	3.55 ¢	3.618 ¢	1.7 ¢	0 ¢
201 - 500 kWh (32% of bills)	3.55 ¢		1.7 ¢	1.7 ¢
501 – 1000 kWh (36% of bills)	6.02 ¢		4.4 ¢	3.7 ¢
1001 - 1500 kWh (12% of bills)	6.02 ¢		6.1 ¢	5.4 ¢
1501 – 2500 kWh (6% of bills)	6.02 ¢		7.1 ¢	6.1 ¢
> 2500 kWh (2% of bills)	6.02 ¢		8.2 ¢	7.1 ¢
Fuel Adjustment (¢/kWh)	TBD	TBD	TBD	TBD
Community Benefit Charges (¢/kWh)				
Customer Assistance Program (\$/mo)	Inc. Above	\$1.00	\$1.00	\$1.00
Service Area Street Lighting (¢/kWh)	Inc. Above	0.113 ¢	0.113 ¢	0.107 ¢
Energy Efficiency Programs (¢/kWh)	Inc. Above	0.294 ¢	0.294 ¢	0.293 ¢
Regulatory Charge (¢/kWh)	TSAR 0.144 ¢	0.732 ¢	0.732 ¢	0.728 ¢
Percent Class Base Rate Change		21.4%	20.1%	13.3%

\* Estimated Class Percent Increase





## Residential Bill Impacts

Residence	Cost of Service	Existing Monthly Bill	Phase I Monthly Bill	Monthly Increase
Small Apartment with Electric Heat <b>427</b> kWh/mo	\$68 \$0.160 /kWh	\$36 \$0.085 /kWh	\$49 \$0.114 /kWh	\$13
Small Home with Gas Heat <b>771</b> kWh/mo	\$99 \$0.129 /kWh	\$74 \$0.096 /kWh	\$86 \$0.112 /kWh	\$12
Average Home with Gas Heat <b>1,162</b> kWh/mo	\$134 \$0.115 /kWh	\$114 \$0.098 /kWh	\$127 \$0.110 /kWh	\$13
Medium Sized Home with Electric Heat <b>2,206</b> kWh/mo	\$226 \$0.102 /kWh	\$219 \$0.098 /kWh	\$247 \$0.112 /kWh	\$28
Medium Sized Home with Gas Heat <b>2,219</b> kWh/mo	\$228 \$0.103 /kWh	\$226 \$0.102 /kWh	\$252 \$0.114 /kWh	\$26
Large Home with Electric Heat <b>3,026</b> kWh/mo	\$298 \$0.099 /kWh	\$307 \$0.101 /kWh	\$349 \$0.115 /kWh	\$42
Large Home with Gas Heat <b>3,050</b> kWh/mo	\$302 \$0.099 /kWh	\$318 \$0.104 /kWh	\$366 \$0.120 /kWh	\$48
Very Large Home with Electric Heat <b>6,273</b> kWh/mo	\$586 \$0.093 /kWh	\$651 \$0.104 /kWh	\$778 \$0.124 /kWh	\$127
Very Large Home with Gas Heat <b>6,269</b> kWh/mo	\$587 \$0.094 /kWh	\$660 \$0.105 /kWh	\$787 \$0.126 /kWh	\$127



# Remove Demand Charge for Small Commercial

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, Small Churches, 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%



## Small Worship and Small Commercial Rate Design

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- Secondary Voltage < 10 KW Class
  - Remove Demand Charge
  - Remove Electric Delivery Charge
- Rate mitigation for:
  - Small Worship
  - School Portables
  - Small Retail Businesses
- Rate structure similar to current
- Cost not recovered from other customer classes



## Secondary Voltage < 10 KW Recommendations

Bill Components	E02 -General Service Non-Demand	Proposed Secondary Voltage (<10 kW) - Phase 1
Customer Charge (\$/month)	6.00	18.00
Electric Delivery (\$/kW)	n/a	n/a
Energy (¢/kWh)		
Summer	6.44¢	6.288¢
Non-Summer	4.64¢	4.688¢
Fuel Adjustment (¢/kWh)	Varies + TSAR	TBD
Community Benefit Charges (¢/kWh)		
Customer Assistance Program	n/a	0.065¢
Service Area Street Lighting	n/a	0.113¢
Energy Efficiency Programs	n/a	0.297¢
Regulatory Charge		
(¢/kWh)	n/a	0.711¢
Percent Class Rate Change	n/a	18%

kW=Kilowatts

kWh=Kilowatt Hours



## Small Houses of Worship Customer Examples

Building	Existing Monthly Bill	Phase I Monthly Bill	Monthly Increase
Church 1 310 kWh/Mo	\$28 \$0.090 /kWh	\$49 \$0.158 /kWh	\$21
Telecomm 656 kWh/Mo	\$65 \$0.100 /kWh	\$82 \$0.125 /kWh	\$17
Church 2 800 kWh/Mo	\$79 \$0.098 /kWh	\$100 \$0.125 /kWh	\$21
Retail 963 kWh/Mo	\$97 \$0.100 /kWh	\$115 \$0.120 /kWh	\$18
School 1,052 kWh/Mo	\$101 \$0.096 /kWh	\$121 \$0.115 /kWh	\$20
Church 3 1,250 kWh/Mo	\$123 \$0.098 /kWh	\$143 \$0.114 /kWh	\$20
Condo Mgmt 1,686 kWh/Mo	\$158 \$0.094 /kWh	\$183 \$0.108 /kWh	\$25
Office 1,973 kWh/Mo	\$189 \$0.096 /kWh	\$215 \$0.109 /kWh	\$26
Restaurant 3,151 kWh/Mo	\$297 \$0.094 /kWh	\$331 \$0.105 /kWh	\$34

kW = Kilowatts

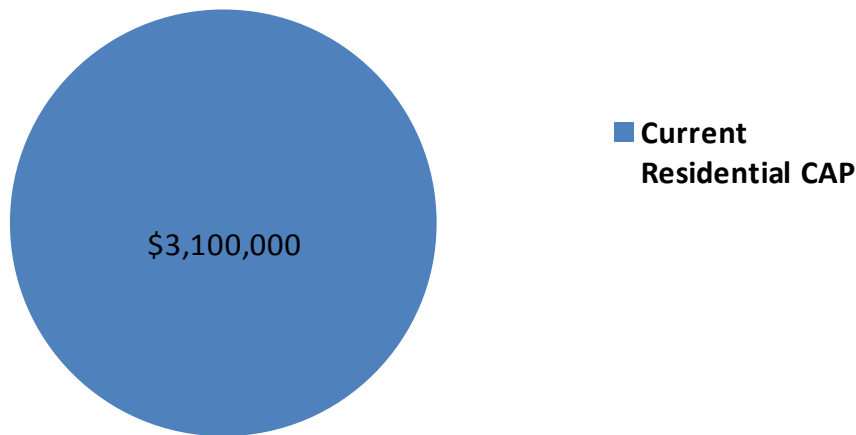
kWh = Kilowatt Hours

SV = Secondary Voltage



## Customer Assistance Program Funding

### Current CAP Funding - \$3.1 M



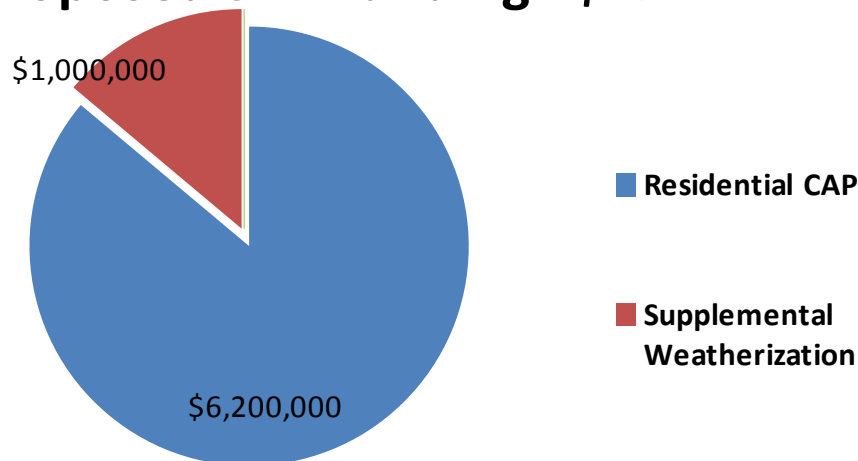
- Customer Assistance Program design will be completed after funding secured.

### • Source of Funds

- \$1.00/month Residential 54%

- \$ 0.65/MWh Commercial & Industrial 46%

### Proposed CAP Funding - \$7.2 M





## Next Steps

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- February 9, 2012 – Public Hearing
- March 1, 2012 - Conduct a public hearing and consider an ordinance amending the electric rate schedule in Ordinance No. 20110912-007 to implement new Austin Energy electric rates.



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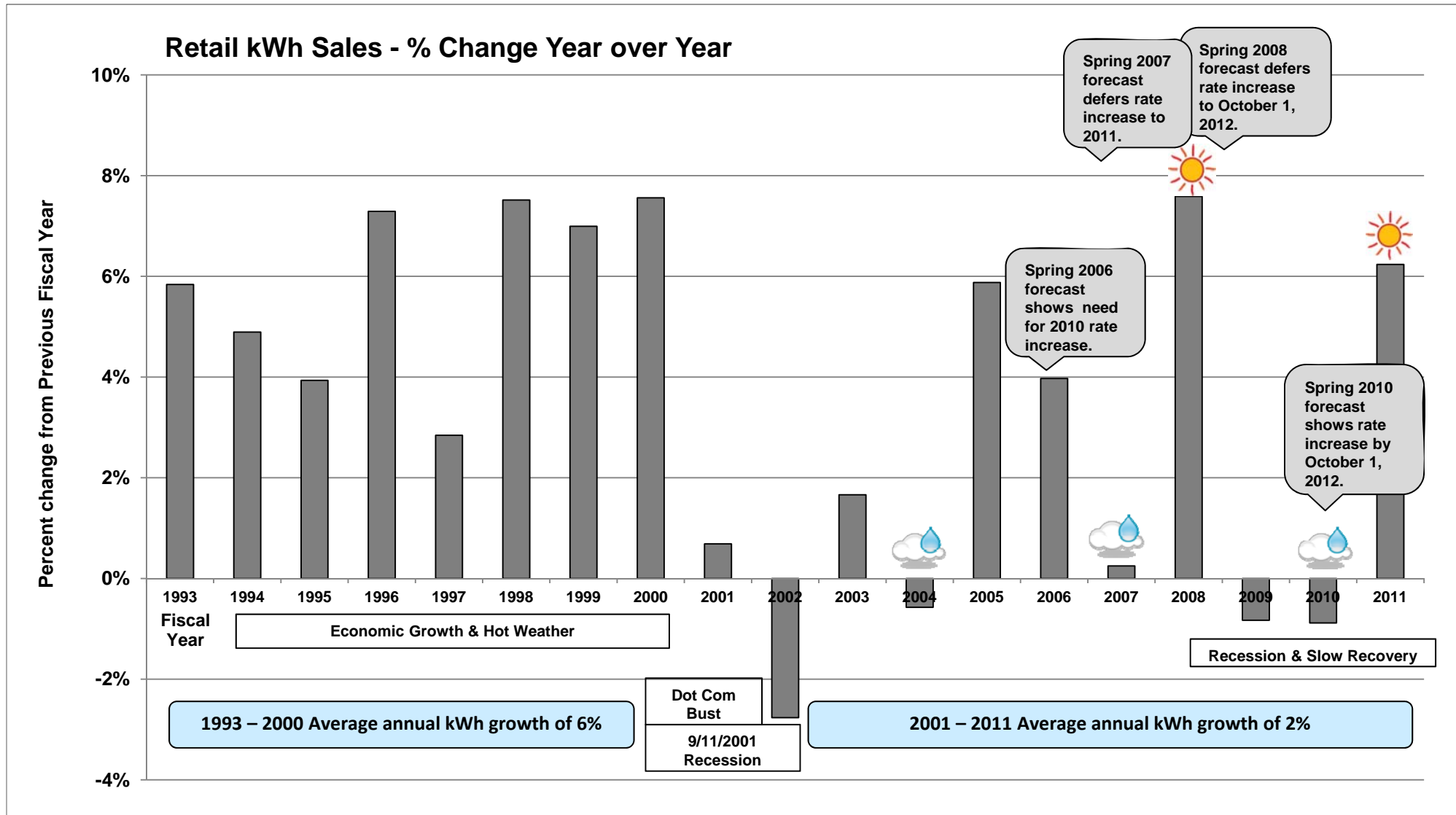
# Supporting Information





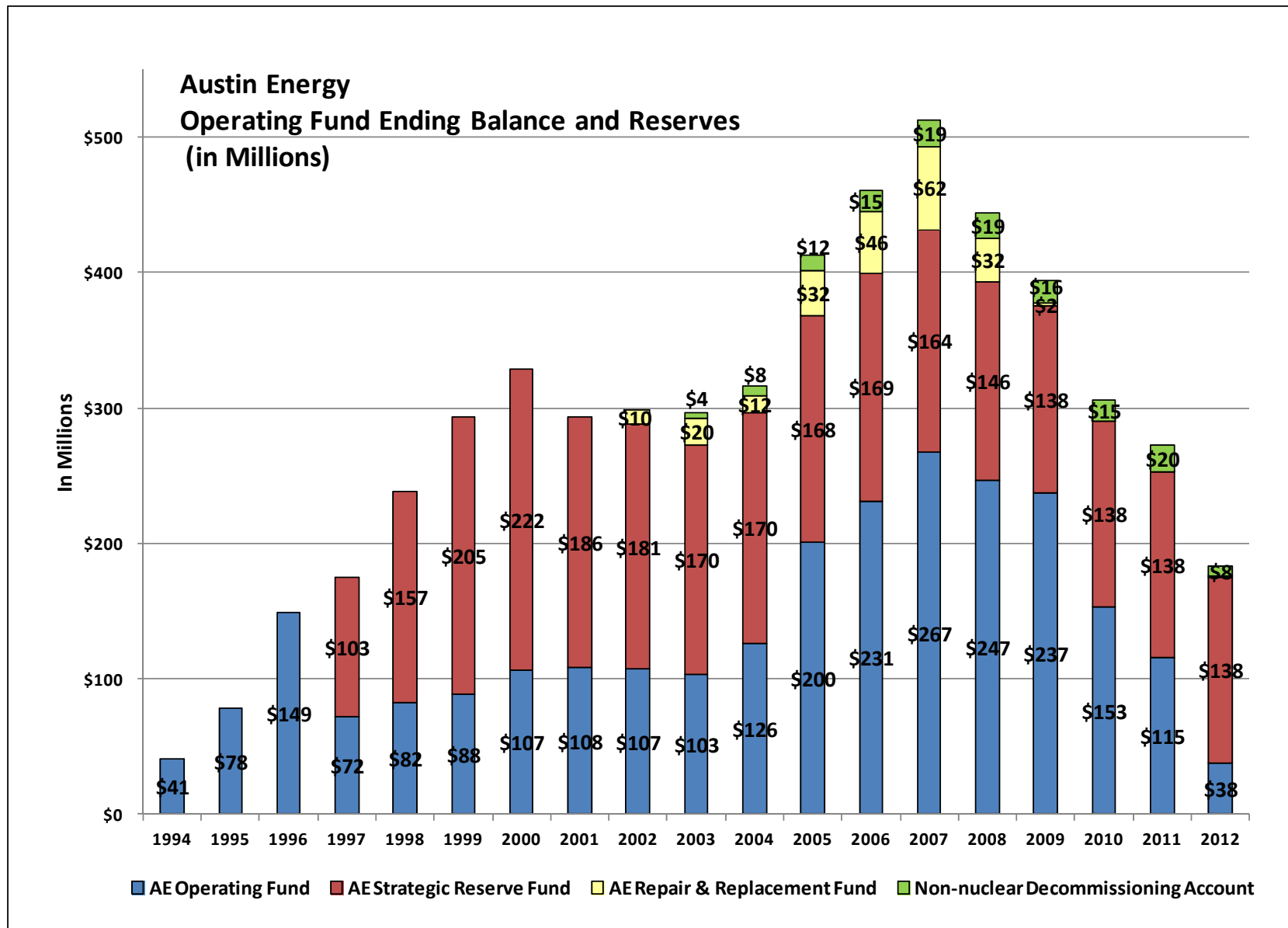


# Kilowatt-Hour Sales History - % Change Year to Year





# Operating Fund Ending Balance and Reserves



# 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

