



YOUR ELECTRIC RATES

Austin has changed in the 18 years
since our last rate review.

Our commitment to our customers remains unchanged.

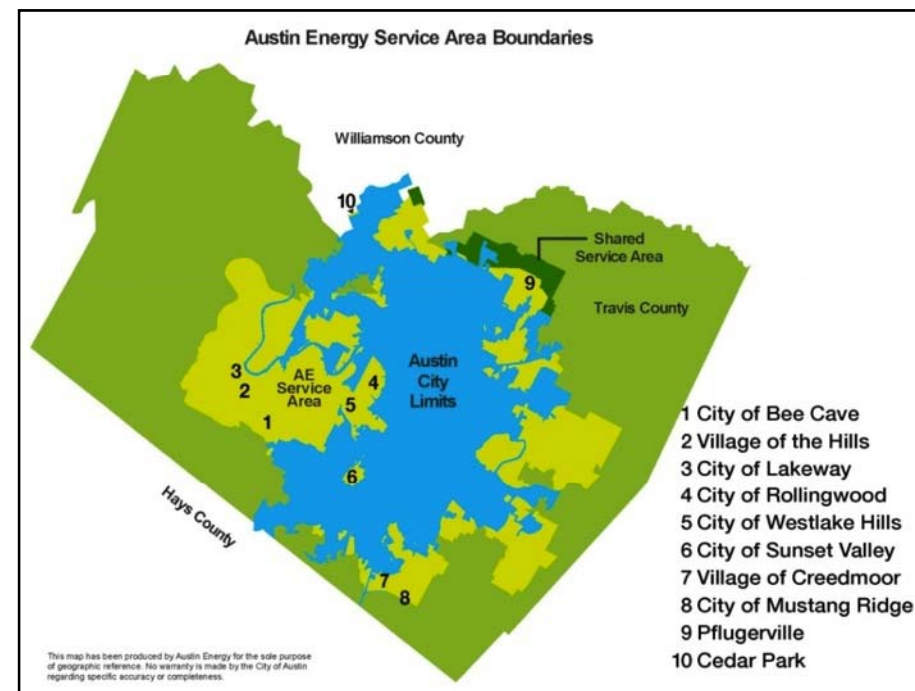
Mission: *Deliver clean, affordable, reliable energy and excellent customer service.*

***Outside City of Austin Customers
City Council Work Session # 9
April 14, 2012***



Austin Energy Service Area

- Established by Public Utility Commission of Texas (“PUCT”) stated in a certificate of convenience and necessity on April 3, 1978
- 437.06 square miles
 - 206.41 (47%) square miles in City of Austin
 - 230.65 (53%) square miles in surrounding Travis and Williamson Counties
- Retail electric provider for 418,968 customers
 - 48,230 residential AE customers are outside the city limits of Austin
 - 6,891 AE commercial and industrial customers are outside the city limits of Austin
 - 363,847 customers (87%) are inside the city limits of Austin
- AE operates a transmission and distribution system under one grid without recognition of customer location
 - With the same high reliability standards
 - Same customer programs





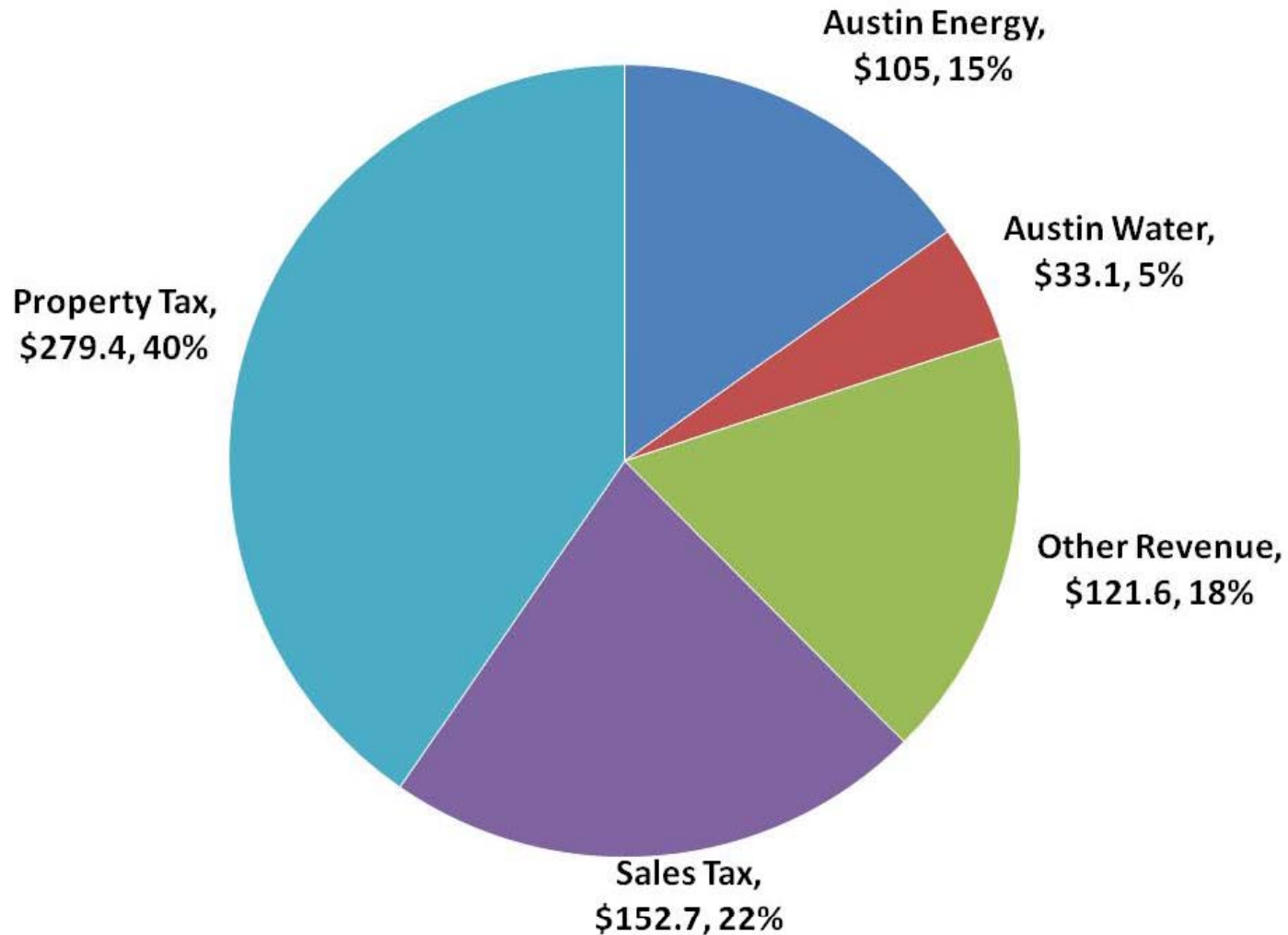
General Fund Transfer

- Public power systems provide a direct benefit to their communities in the form of payments and contributions to state and local government
- Municipal government may earn a fair and reasonable return for risks of utility ownership
- Paid in lieu of taxes and franchise fees
- Similar to Return on Equity for an Investor Owned Utility
- Similar to Capital Credits for Electric Cooperatives



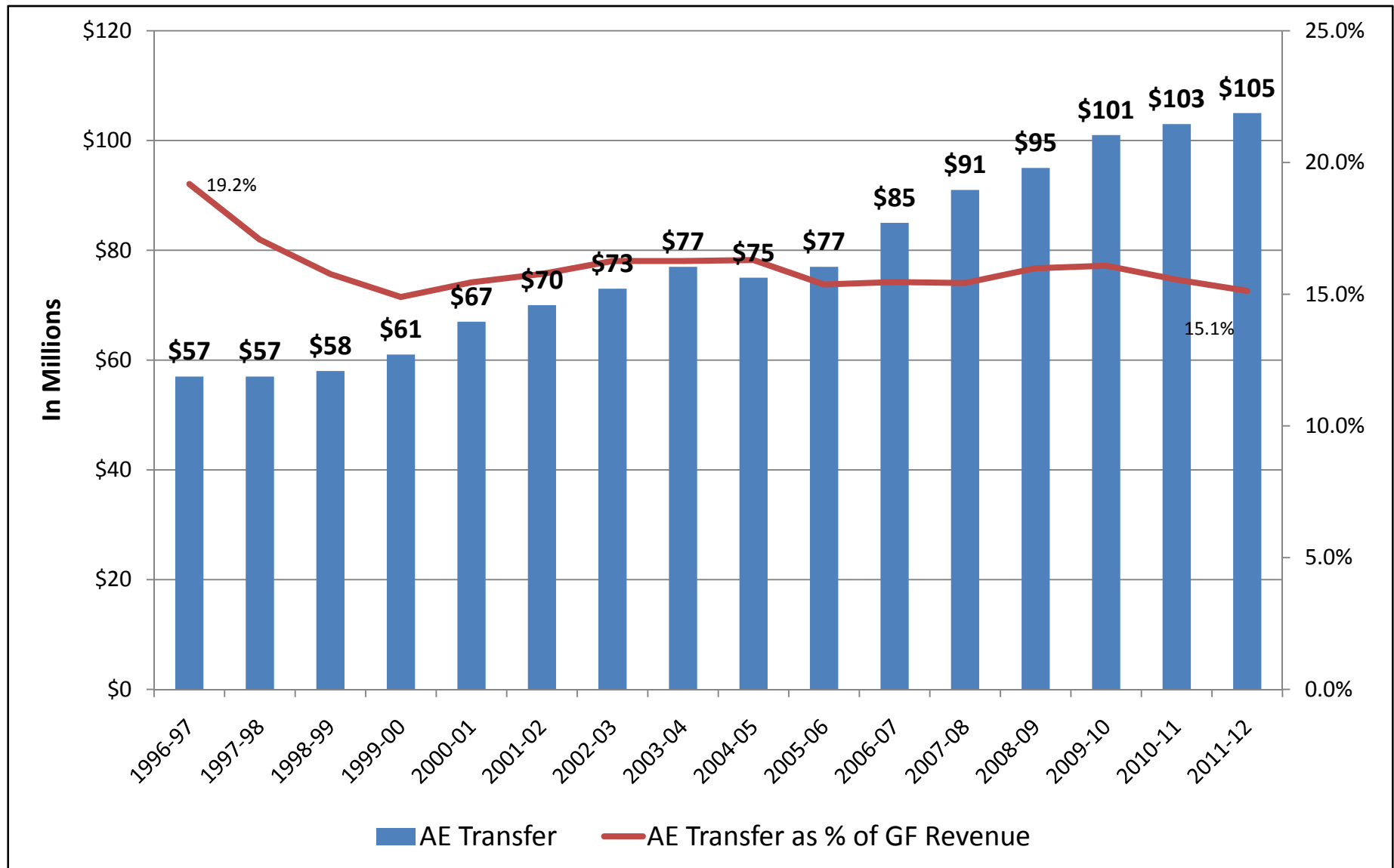
General Fund – Sources of Funds

FY 2012 Approved Budget \$691.8 million





Austin Energy – Transfer to General Fund



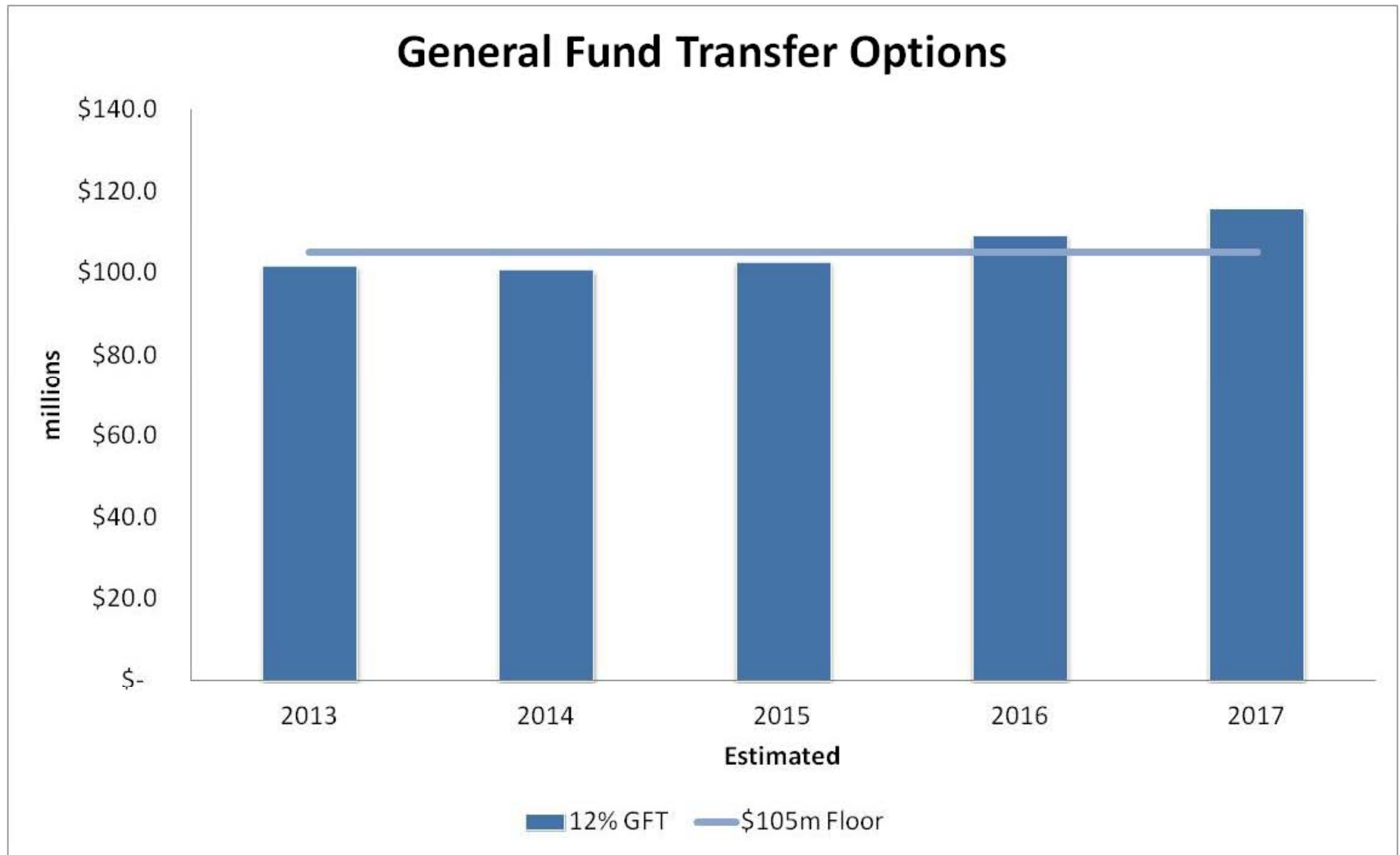


Recommend Change to General Fund Transfer

- Transfer rate maintained at 9.1% of revenue since 1999, except for 8.9% in 2002
- Recommend 12% transfer rate on non-fuel revenue, with GFT \$105M floor until 12% = \$105M
 - GFT increases reflect true revenue growth
 - Improves certainty in forecasts; removes fuel volatility
 - AE retains 100% fuel cost recovery
 - Establishing floor of \$105M mitigates impact on General Fund of changing to 12% on non-fuel revenue
 - Less complicated calculation



Austin Energy – Transfer to General Fund





Advantages of Public Power

- Community Focus – Exist to benefit local residents and businesses rather than far away stockholders
- Excellent Reliability & Service – Net income reinvested in infrastructure for exceptional reliability and customer care rather than distributed to shareholders
- Great Value – Tax exempt financing helps provide affordable rates
- Dollars Remain in Community – Locally based means job and dollars stay in our community
- Environmental Stewardship – Minimize impact on the environment, renewables / solar rebates (187 provided outside City of Austin)
- Energy Efficiency a Priority – Assistance to 4,000 outside City of Austin over past three years
- Local Values and Needs – 1,400 Low income customers outside the City of Austin participated in the Customer Assistance Program
- Jobs – Provide jobs throughout the service area
- Responsive Service – We can respond quickly to problems
- Custom Built Infrastructure – Local control ensures infrastructure is best suited for unique needs, environmental interests and aesthetic preferences of our communities

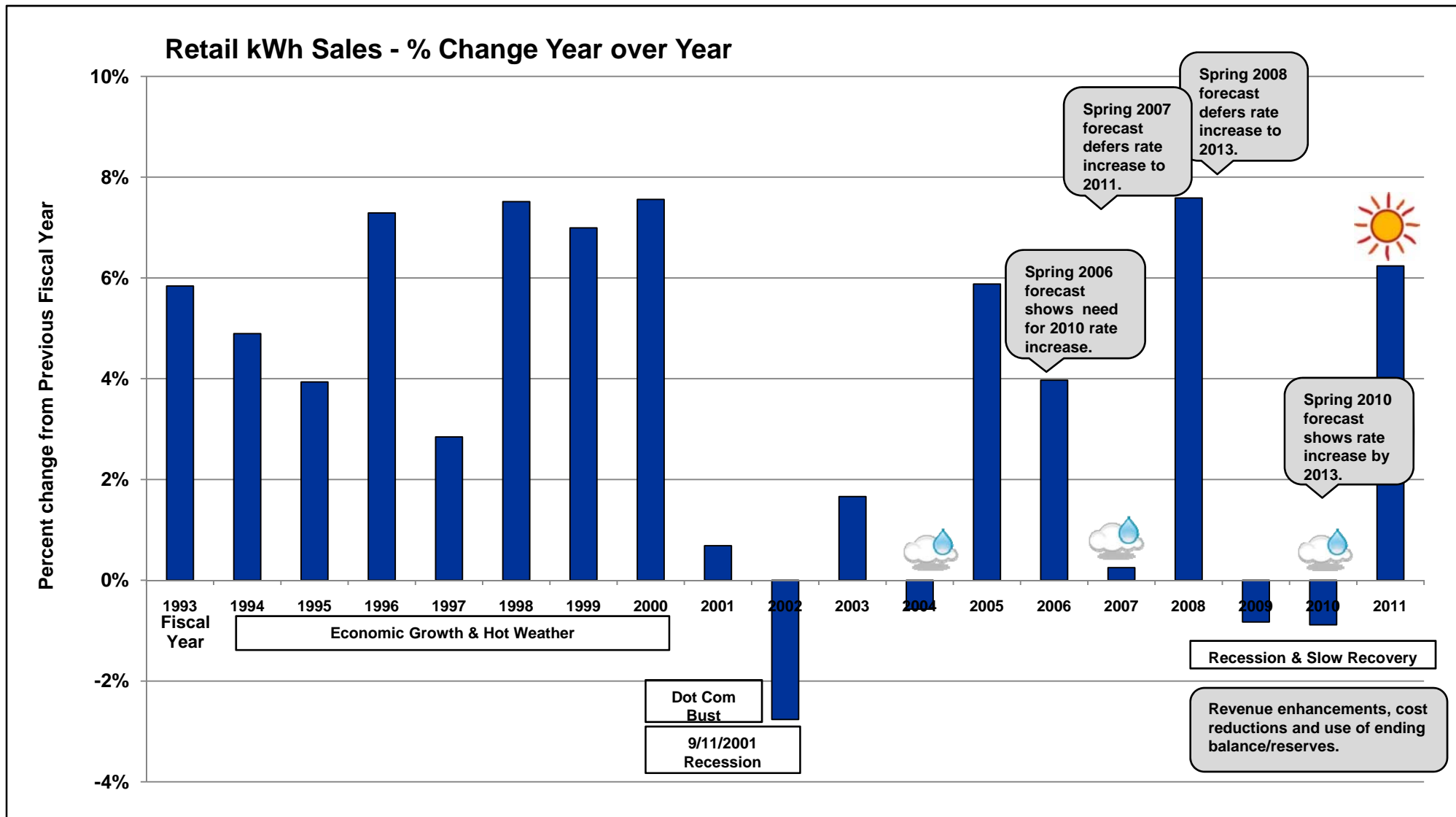


Key Drivers for Rate Increase and Redesign

- 18 years have passed since
 - Last formal cost of service study
 - Last rate structure change
 - Last base rate increase
- Significant customer growth and capital investments to serve new customers over 18 years with significant growth and investment outside the city limits of Austin
- Added business functions and program offerings
- New costs for AE's share of statewide investments in transmission infrastructure & market operation systems
- Cost of service study shows fixed cost under-recovery
- Ending balance drawn down for budgets
- Need to protect utility's long-term financial stability

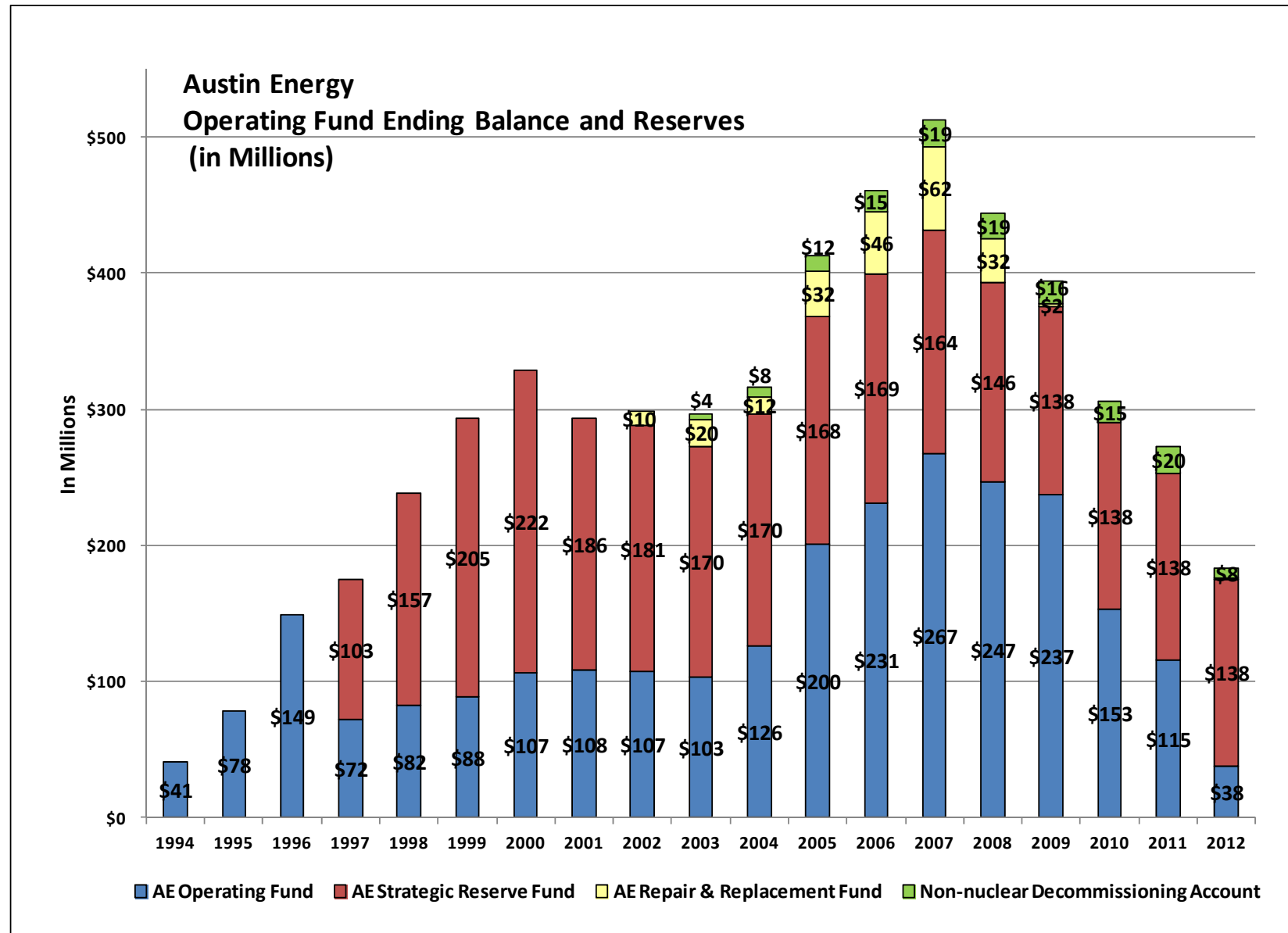


Kilowatt-Hour Sales History - % Change Year to Year





Operating Fund Ending Balance and Reserves





Rates Redesign Strategy

Residential customers

- Update cost of service recovery
- Better align fixed costs with fixed charges
- Promote energy efficiency
 - Improved fixed cost recovery
 - Tiered rates
 - Demand cost recovery at higher usage levels
- Redesign solar rates
- Line item recovery of variable pass through costs

Commercial & Industrial customers

- Update cost of service recovery
- Better align fixed costs with fixed charges
- Reduce # of customer classes
- Non-Demand rates for small commercial less than 10 KW
- Demand charge for all commercial customers greater than 10 KW
 - Phase in for >10KW commercial customers currently non-demand
- Promote energy efficiency
- Line item recovery of variable pass through costs



Residential Rate Recommendations - Preliminary

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

Total Minimum bill = \$22.00

- First 200 kWh included in \$12.00 Customer Charge.

- Electric Delivery Charge - \$10.00



Rate Mitigation - Commercial Customer Classes

Small Worship & Small Commercial:

- Secondary Voltage < 10 KW Class
 - Remove Demand Charge
 - Remove Electric Delivery Charge
 - Benefits:
 - Small Worship
 - School Portables
 - Small Retail Businesses
- Rate structure similar to current
- Does not shift cost to other classes

Other Commercial:

- 10% Discounts to Schools
- 3 Year Transition Rates for current non-demand customers



City Council Work Session Schedule

Date	Topic
March 7	<ul style="list-style-type: none">•Debt Service Coverage•Debt Equity Ratio•Reserve Funding
March 21	<ul style="list-style-type: none">•General Fund Transfer•Other Transfers
March 27	<ul style="list-style-type: none">•Distributed Solar Goals•Energy Efficiency Goals•Customer Assistance Program
April 3	<ul style="list-style-type: none">•AE Budget Reductions•Line Extension Policy•Connect Fees / Charges•Decoupling Rates
April 11	<ul style="list-style-type: none">•AE 2011 Audited Finances•Off System Sales•Cancelled, to be rescheduled
April 14	<ul style="list-style-type: none">•Outside City of Austin Customers

Date	Topic
April 17	<ul style="list-style-type: none">•Cost of Service Methodologies
April 19	<ul style="list-style-type: none">•Fixed Charges and Alternatives•Inverted Block Structure•Bundled Plan for Low-Use Customers•Fuel Charge
April 23	<ul style="list-style-type: none">•Consideration of Rates for Specific Types of Customers•Distributed Solar Goals•Energy Efficiency Goals•Customer Assistance Program
April 24	<ul style="list-style-type: none">•Review of Rate Case Elements•Phasing Options for Rate Increases
April 30	<ul style="list-style-type: none">•Potential Rate Impacts from the Generation Plan Update•Consideration of Auditor's Report



Questions

