



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.*

***Off System Sales and 2011 Audited Financials
City Council Work Session # 7
April 23, 2012***



Agenda

- Decision Points : Work Session 1 - 4
 - General Fund Transfer
 - Energy Efficiency & Solar Goals
 - Customer Assistance Program Goals
- Compare 2009 Test Year to 2011 Fiscal Year Results
- Off System Sales Adjustments
- Rate Design
 - Fixed Charges and Alternatives
 - Inverted Block Structure
 - Bundled Plan for Low-Use Customers
 - Fuel Charge



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Change in General Fund Transfer





General Fund Transfer Policy

12% transfer rate on non-fuel (3 year average) revenue, with GFT \$105M floor until 12% = \$105M

- GFT increases reflect true revenue growth
- Improves certainty in forecasts; removes fuel volatility
- Addresses Electric Utility Commission issue on fuel in GFT
- Establishing floor of \$105M mitigates impact on General Fund of changing to 12% on non-fuel revenue
- Simplified calculation



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Compare 2009 Test Year to 2011 Fiscal Year Results





Preliminary Comparison of Revenue Requirements

	FY 09 Test Year	FY 11 Preliminary
Total Operations & Maintenance	\$445 MM	\$441 MM
Total Recoverable Fuel	\$375 MM	\$442 MM
Other Revenue and Expenses	\$(90) MM	\$(83) MM
Debt Service	\$168 MM	\$165 MM
General Fund Transfer	\$105 MM	\$105 MM
Capital From Current Revenue	\$111 MM	\$99 MM
Required Contributions to Reserves (3 Year Recovery)	\$25 MM	\$51 MM
Contributions to Decommissioning Reserves (10 Year Recovery)	\$6 MM	\$6 MM
Total Revenue Requirements	\$1,145 MM	\$1,226 MM

Notes:

FY 2011 Preliminary numbers are not normalized for weather or year end customer growth

FY 2011 CIP Expenditure reflects one-time project deferrals

FY 2011 does not include all Known and Measurable adjustments that would be made if FY 2011 was used as a Test Year

GFT is based on the FY 2012 budget



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Off System Sales





ERCOT Zonal Market – Prior to December 1, 2010

- Balanced schedules were submitted to ERCOT with equal amounts of energy sales obligations and generation resources
- Excess generation, generation greater than load, was sold to other market participants when it was economical to do so and such transactions were recorded as “off-system” sales
- Off-system sales were scheduled as discrete transactions and easy to account for
- Over time, as AE load increased available excess generation decreased and correspondingly the amount of off-system sales decreased



ERCOT Nodal Market – Starting December 1, 2010

- ERCOT forecasts load for the entire system
- Centralized ERCOT Generation Dispatch
 - Balanced schedules no longer submitted to ERCOT
 - Offer all generation to ERCOT for centralized dispatch
 - ERCOT dispatches all available generation from least cost to most expensive to meet the ERCOT load forecast
- Austin Energy generation serves the ERCOT system load
 - No longer matching of AE generation with AE customer load
 - AE generation in any 5 minute interval may be more or less than AE customer load
 - Traditional Concept of Excess Generation (off-system sales) no longer exists in the ERCOT system



Summary

- Traditional concept of off-system sales no longer applies in the nodal market
 - Austin Energy no longer balances its own customer load and generation
 - Generation serves the ERCOT market
 - Energy is purchased through ERCOT
 - Energy is sold through ERCOT
- Overall AE is a net buyer of energy, not a net seller
- Value to AE and customers is the Net ERCOT Settlement (i.e., net ERCOT sales revenue)
 - Benefit of generation ownership and sales flows back to customers through fuel charge



ERCOT Market Changes Driving Fuel Policy Recommendation

All ERCOT sales revenue directed to customers through the fuel charge

- Test Year Adjustments to 2009 Off System Sales:

Test Year Normalization of Load & Resources (Off-system sales):

- Step 1: Remove off-system sales revenue and related off-system fuel expense from test year (*\$44 million*)
- Step 2: Model test year load requirements needed to serve customers and AE fuel costs for owned generation
- Step 3: Adjust test year with the simulated results (replacing off-system sales revenue and associated fuel costs) (*\$66 million*)



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Questions

