



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.

***Rate Design  
City Council Work Session # 8  
April 30, 2012***



# Agenda

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- Decision Points
- Follow up from April 16<sup>th</sup> Work Session
- Follow up from April 23<sup>rd</sup> Work Session
- School and Worship



## Decision Points

Issue	AE Proposal / Preliminary Action
•Capital projects debt-to-equity ratio	<u>Preliminary action from 4/16/12</u> Use a 60/40 Debt to Equity Ratio in calculating the revenue requirements
•Reserve Funds	<u>Preliminary action from 4/16/12</u> <ul style="list-style-type: none"><li>•Increase replenishment term to 5 years</li><li>•Rate Stabilization Fund at 60 days; alternatively at zero</li><li>•Calculate the Repair and Replacement fund at 20%, alternatively at 35%</li></ul>
•Phasing Revenue Plan	AE has proposed phase-in of rates in 2012 & 2015 Scheduled to be discussed in Work Session #10, May 16, 2012



## Decision Points

Issue	AE Proposal / Preliminary Action
General Fund Transfer levels and calculation methodology	<u>Preliminary action from 4/23/12</u> Calculate the GFT at 12% of non-fuel revenue and allocate to customer classes based on fuel and non-fuel revenues
Production Demand Allocation Methods	Compare various allocation methods
Fixed Charges	Proposed \$12 customer charge and \$10 electric delivery charge recover 57% of fixed costs
Bundled Plan for Low Use Residential Customers	Proposed inclusion of 200 kWh in Customer charge
Five-Tier Residential Rate	Support energy efficiency goals
Worship Rate	Non-demand for small churches (S1), transition demand charges for S2 & S3, No Weekend demand charges



## Decision Points

Issue	AE Proposal / Preliminary Action
School (ISD) Rate	Proposed 10% discount
Time of Use Options for All Customer Classes	Supports DSM strategic goal
Solar Rate Options for all Customers	Supports DSM & renewable strategic goal
Green Choice	Supports renewable strategic goal
Energy Efficiency Charge	Supports transparency and allows costs to increase relative to DSM goals
Customer Assistance Program Charge	Supports community value
Secondary Voltage less than 10 KW Non-Demand Rate	Mitigates rate impact to small business, including schools and worship
Other Secondary, Primary and Transmission Voltage Rates	Demand rate structure supports DSM strategic goals



YOUR ELECTRIC RATES

## Debt / Equity







# Impacts on Revenue Requirements Test Year (TY) 2009

Preliminary Results (in millions)	Dec 19th					
	COS	Scenario A	Scenario B	Scenario C	Scenario D	Scenario E
Reduction / (Increase) to Revenue Requirement	\$ -	\$ 10	\$ 21	\$ 21	\$ 45	\$ 45
O&M, Fuel, Other Requirements	\$ 836	\$ 836	\$ 836	\$ 836	\$ 836	\$ 836
Debt Service	\$ 168	\$ 168	\$ 169	\$ 169	\$ 169	\$ 169
Capital from Current Revenue	\$ 111	\$ 111	\$ 89	\$ 89	\$ 89	\$ 89
Phase 1 Repair & Replacement 3 Yrs				\$ 20		
Phase 1 Reserve Recovery @ 5 yrs		\$ 15				\$ 1
Phase 1 Reserve Recovery @ 3 yrs			\$ 25			
<b>Phase 1</b>	<b>\$ 1,115</b>	<b>\$ 1,130</b>	<b>\$ 1,119</b>	<b>\$ 1,114</b>	<b>\$ 1,094</b>	<b>\$ 1,095</b>
<u>By FY2015 Fee Study Results</u>						
Required Contribution to Reserves	\$ 25			\$ 4		
Contributions to Decommissioning Reserves	\$ 6	\$ 6	\$ 6	\$ 6	\$ 6	\$ 6
<b>Phase 2</b>	<b>\$ 31</b>	<b>\$ 6</b>	<b>\$ 6</b>	<b>\$ 10</b>	<b>\$ 6</b>	<b>\$ 6</b>
<b>Total Revenue Requirements</b>	<b>\$ 1,146</b>	<b>\$ 1,136</b>	<b>\$ 1,125</b>	<b>\$ 1,124</b>	<b>\$ 1,100</b>	<b>\$ 1,101</b>

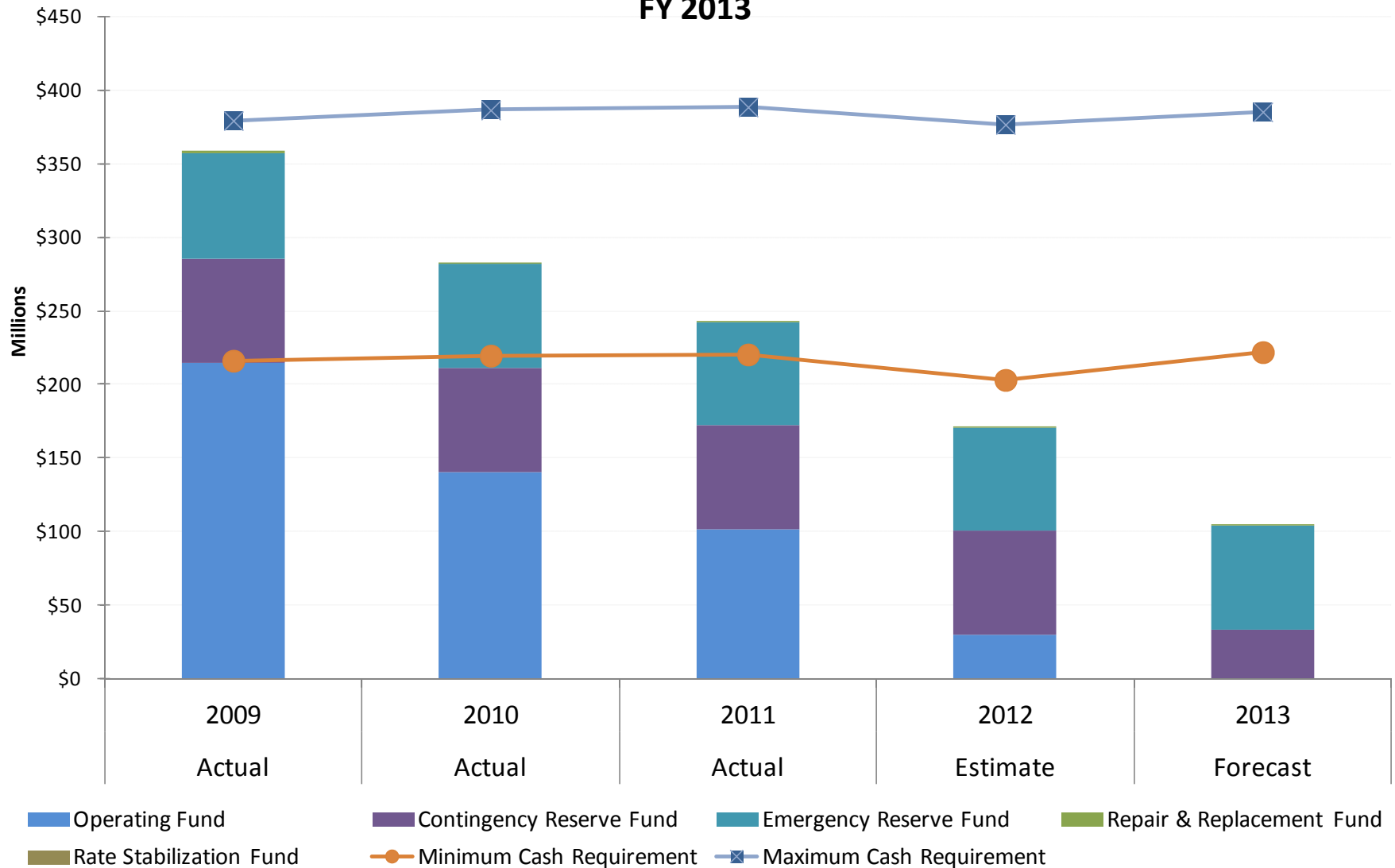
## Scenarios

- A. 50/50 Debt / Equity with immediate recovery of TY Reserves @ 5 yrs
- B. 60/40 Debt / Equity with immediate recovery of TY Reserves @ 3 yrs
- C. 60/40 Debt / Equity with Repair & Replacement immediately with TY reserves
- D. 60/40 Debt / Equity with 20% Repair& Replacement & no Rate Stabilization
- E. 60/40 Debt / Equity with 20% Repair& Replacement & 60 dayRate Stabilization



# Austin Energy Cash & Reserve Balances

Austin Energy Cash & Reserves Actual FY 2009-2011 with Forecast through FY 2013







# Impacts on Revenue Requirements Fiscal Year 2011

	Dec 19th					
Preliminary Results (in millions)	COS	Scenario A	Scenario B	Scenario C	Scenario D	Scenario E
Reduction / (Increase) to Revenue Requirement	\$ -	\$ (6)	\$ (5)	\$ (5)	\$ 40	\$ 18
O&M, Fuel, Other Requirements	\$ 836	\$ 836	\$ 836	\$ 836	\$ 836	\$ 836
Debt Service	\$ 168	\$ 168	\$ 169	\$ 169	\$ 169	\$ 169
Capital from Current Revenue	\$ 111	\$ 111	\$ 89	\$ 89	\$ 89	\$ 89
Phase 1 Repair & Replacement 3 Yrs				\$ 20		
Phase 1 Reserve Recovery @ 5 yrs		\$ 30				
Phase 1 Reserve Recovery @ 3 yrs			\$ 51		\$ 6	\$ 28
<b>Phase 1</b>	<b>\$ 1,115</b>	<b>\$ 1,145</b>	<b>\$ 1,145</b>	<b>\$ 1,114</b>	<b>\$ 1,100</b>	<b>\$ 1,122</b>
<u>By FY2015 Fee Study Results</u>						
Required Contribution to Reserves	\$ 25			\$ 30		
Contributions to Decommissioning Reserves	\$ 6	\$ 6	\$ 6	\$ 6	\$ 6	\$ 6
<b>Phase 2</b>	<b>\$ 31</b>	<b>\$ 6</b>	<b>\$ 6</b>	<b>\$ 36</b>	<b>\$ 6</b>	<b>\$ 6</b>
<b>Total Revenue Requirements</b>	<b>\$ 1,146</b>	<b>\$ 1,151</b>	<b>\$ 1,151</b>	<b>\$ 1,150</b>	<b>\$ 1,106</b>	<b>\$ 1,128</b>

## Scenarios

- A. 50/50 Debt / Equity with immediate recovery of TY Reserves @ 5 yrs
- B. 60/40 Debt / Equity with immediate recovery of TY Reserves @ 3 yrs
- C. 60/40 Debt / Equity with Repair & Replacement immediately with TY reserves
- D. 60/40 Debt / Equity with 20% Repair& Replacement & no Rate Stabilization
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# Production Demand Allocation Methods (Council Direction 4/23/12)

Customer Class	AE Proposal (December 2011 Rates) Average Monthly Bill	AED / 4CP (57% Energy, 43% Demand)	50% Energy & 50% Demand (4 CP)	50% Energy & 50% Demand (1 NCP)	50% Energy & 50% Demand (12 CP)	50% Energy & 50% Demand (1 CP)	1 NCP
Residential	\$ 103	\$ 107	\$ 106	\$ 107	\$ 104	\$ 105	\$ 109
Secondary < 10 kW	\$ 116	\$ 123	\$ 123	\$ 122	\$ 129	\$ 120	\$ 122
Secondary 10 to 50 kW	\$ 809	\$ 787	\$ 783	\$ 770	\$ 790	\$ 783	\$ 777
Secondary ≥ 50 kW	\$ 9,754	\$ 9,494	\$ 9,507	\$ 9,394	\$ 9,570	\$ 9,544	\$ 9,299
Primary < 3 MW	\$ 25,781	\$ 24,950	\$ 25,204	\$ 25,194	\$ 25,387	\$ 25,430	\$ 24,365
Primary 3 to 20 MW	\$ 234,467	\$ 223,873	\$ 227,959	\$ 231,878	\$ 234,097	\$ 234,357	\$ 219,753
Primary ≥ 20 MW	\$ 1,373,559	\$ 1,320,562	\$ 1,348,506	\$ 1,367,993	\$ 1,388,791	\$ 1,391,482	\$ 1,281,396
Transmission	\$ 311,465	\$ 300,928	\$ 309,717	\$ 350,907	\$ 317,656	\$ 321,844	\$ 345,665



# Discounts for Schools and Worship



## School Districts

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- Solar and Time of Use Rates are available to school districts
- Proposed Rates to School Districts includes
  - Demand Charge Transition rates for medium and large school accounts
  - No demand charges and electric delivery charges on small commercial (Secondary Voltage < 10 kW), benefiting school portable buildings
  - 10 percent discount to overall monthly electric bills, applicable to independent school districts only
  - Discount to be recovered through the energy rate to commercial and industrial customers



## ISD Schools Proposed Discount

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- 10% effective rate reduction of total ISD revenues
- \$2.5 million total discount to all ISD customers
- Discount to be Calculated on Customer, Delivery, Energy and Demand revenues
  - Equivalent to approximately 10% of total bill



## Worship Facilities (Sanctuaries)

- Worship facilities move from residential rate to commercial rates
  - S1: Secondary Voltage <10 kW
  - S2: Secondary Voltage 10 to < 50 kW
  - S3: Secondary Voltage > 50 kW
- Demand rates for medium and large worship facilities
  - Transition rates available to worship facilities and other customers currently on a non-demand rate, increasing demand charges (while reducing energy charges) gradually over 3 years
  - No Weekend demand charges
- No demand or electric delivery charges on small commercial rate (Secondary Voltage < 10 kW), benefiting small worship facilities
- Solar and Time-of-Use (TOU) rate options available to all classes
  - AE will improve efforts to promote energy efficiency for worship facilities



# Questions

