



Austin Energy FY 2014 Adjustments to Proposed Budget



Larry Weis, Austin Energy General Manager
Austin City Council Committee – AE
August 13, 2013

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



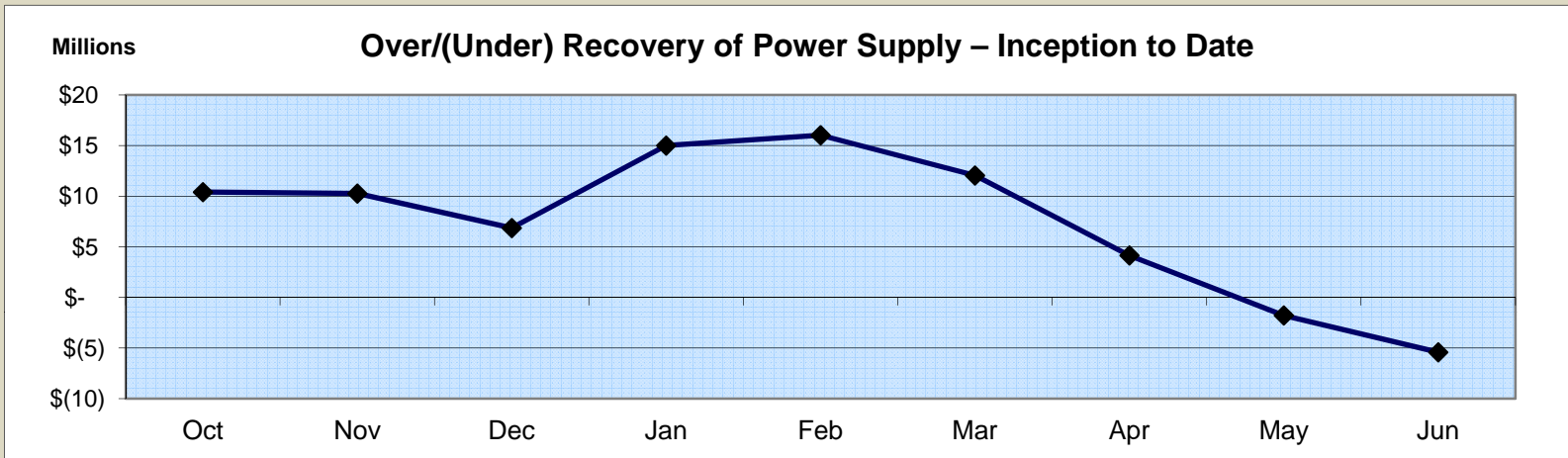
Adjustments to Proposed Budget

- Power Supply Adjustment (PSA)
 - Update factor with actual June & July cost
 - Adjust proposed budget
- GreenChoice®
 - Discuss pricing
 - Submit new Rate Schedules to be included in proposed budget

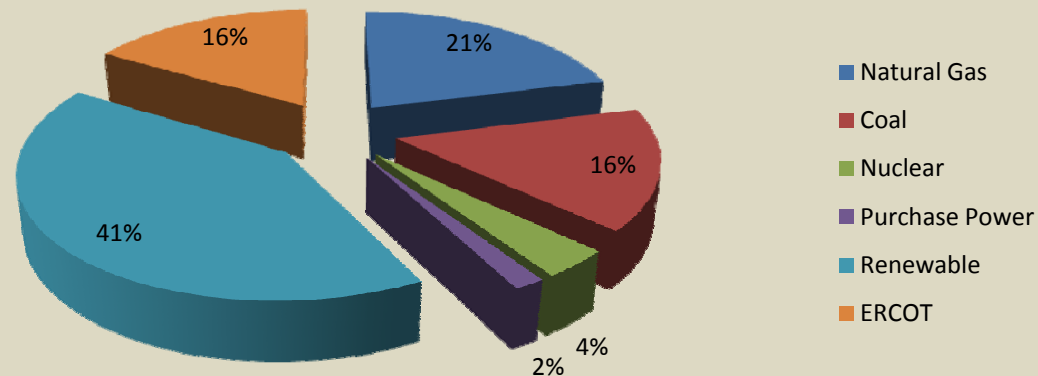




June 2013 Power Supply Cost

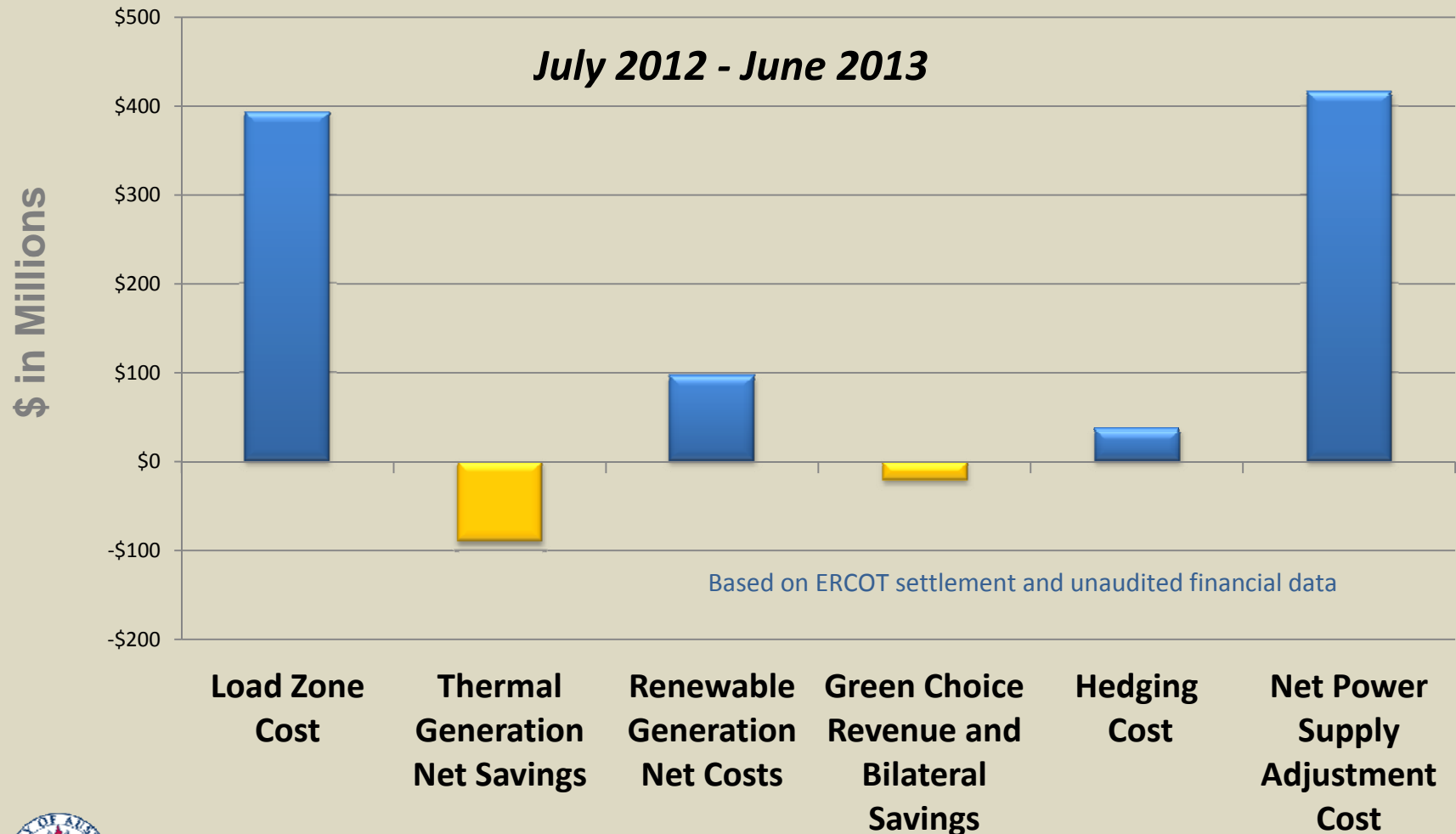


Power Supply Cost
(9 months ended June 2013)





Power Supply Adjustment Components

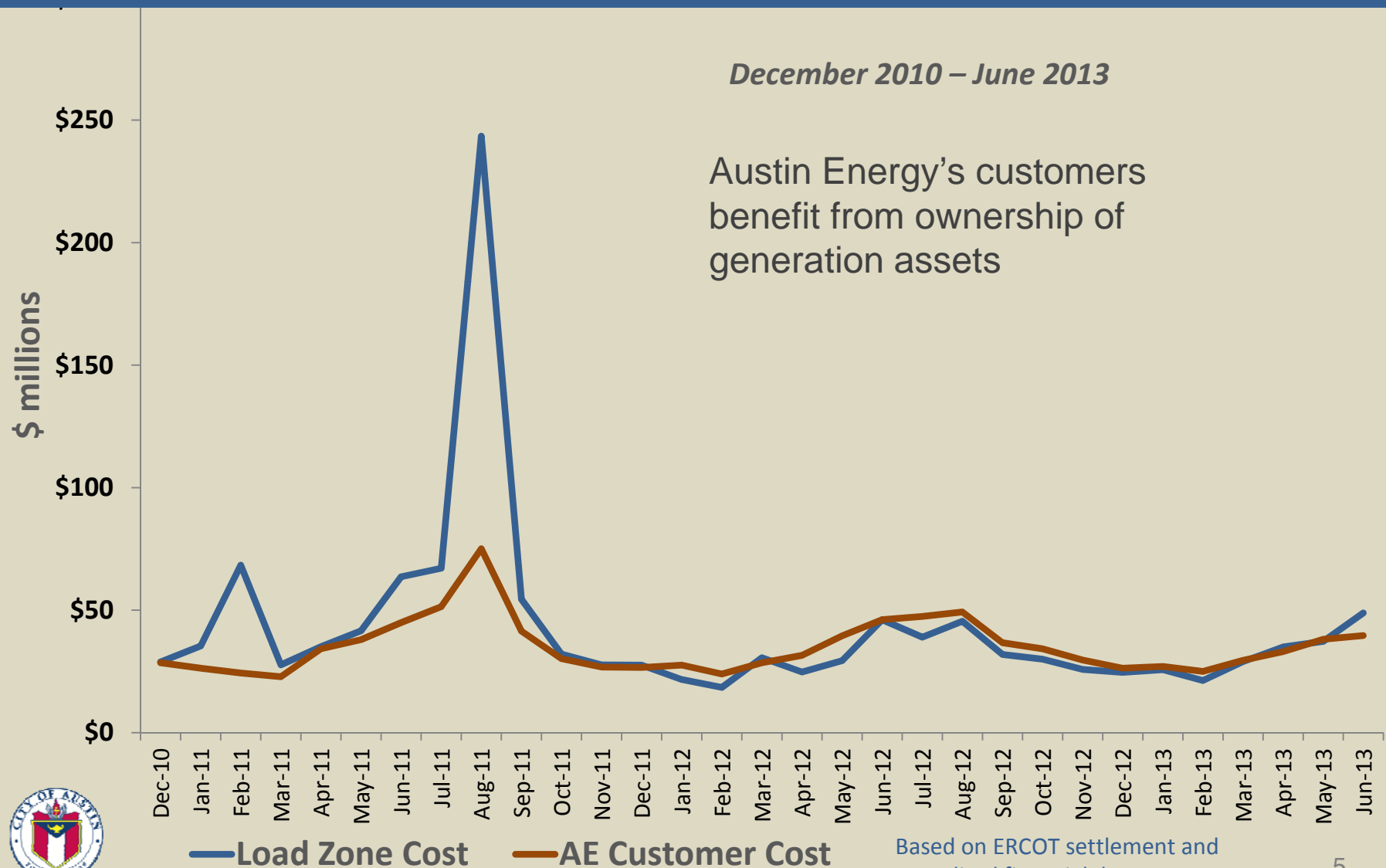




Customer Impact

December 2010 – June 2013

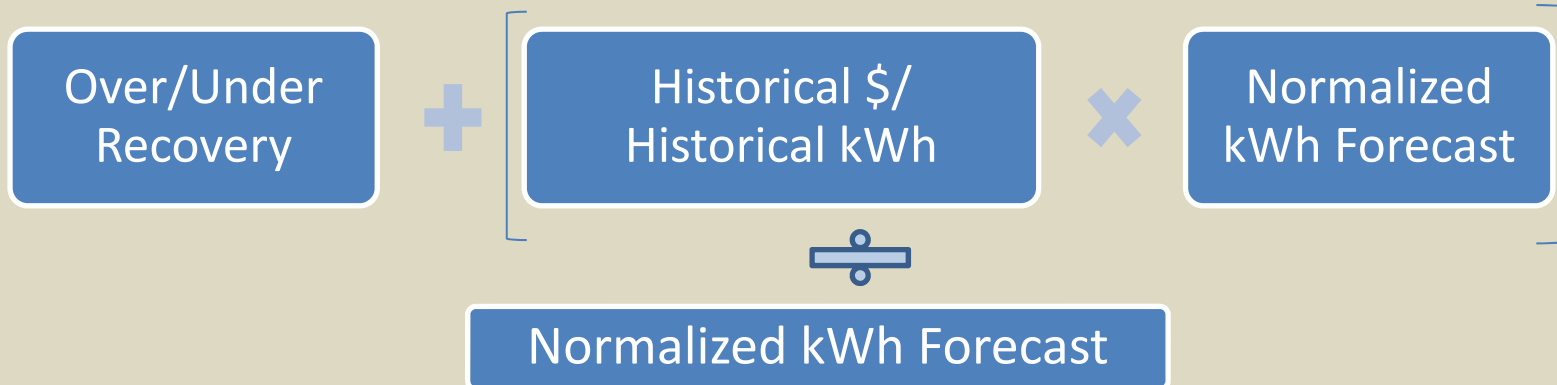
Austin Energy's customers benefit from ownership of generation assets



Based on ERCOT settlement and unaudited financial data



Power Supply Adjustment Formula



1. Over/Under (O/U) recovery from the latest closed month
 - Budget O/U includes estimate for June and July
 - Updated with actual O/U as of 7/31/2013
2. Use latest available rolling 12 months as the historical period
 - Budget 12 rolling months (June 2012 – May 2013)
 - Updated with actual 12 rolling months ended 7/31/2013
3. Normalized load forecast (kWh) period is 11/1/2013 - 10/31/2014

** Historical numbers may be adjusted for known and measurable*



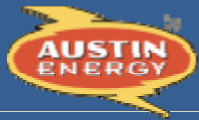


Power Supply Adjustment

	Current Rate (cents/kWh)	Rate Effective Nov. 1, 2013 (cents/kWh)	Increase (cents/kWh)
System Average	3.36	3.69	1/3 of a cent
Secondary Voltage	3.37	3.71	1/3 of a cent
Primary Voltage	3.30	3.62	1/3 of a cent
Transmission Voltage	3.25	3.58	1/3 of a cent



Rounded to nearest hundredth



Revenue Highlights

Average Residential Customer Bill Impact

Unbundled 5-Tier Inclining Block Energy Rate (Inside City of Austin Customer)

Average Monthly Bill	Energy kWh	FY 2012-13 Rate	FY 2013-14 Rate	\$ Change
Customer Charge		\$10.00	\$10.00	\$0.00
Base Electricity Charge	1,000	\$ 43.50	\$ 43.50	\$ 0.00
Power Supply Adjustment (PSA)*	1,000	\$ 33.72	\$ 37.09	\$ 3.37
Community Benefit Charge(CBC)	1,000	\$ 5.54	\$ 6.36	\$ 0.82
Regulatory Charge	1,000	\$ 7.28	\$ 7.94	\$ 0.66
Total Monthly Bill	1,000	\$100.04	\$104.89	\$4.85

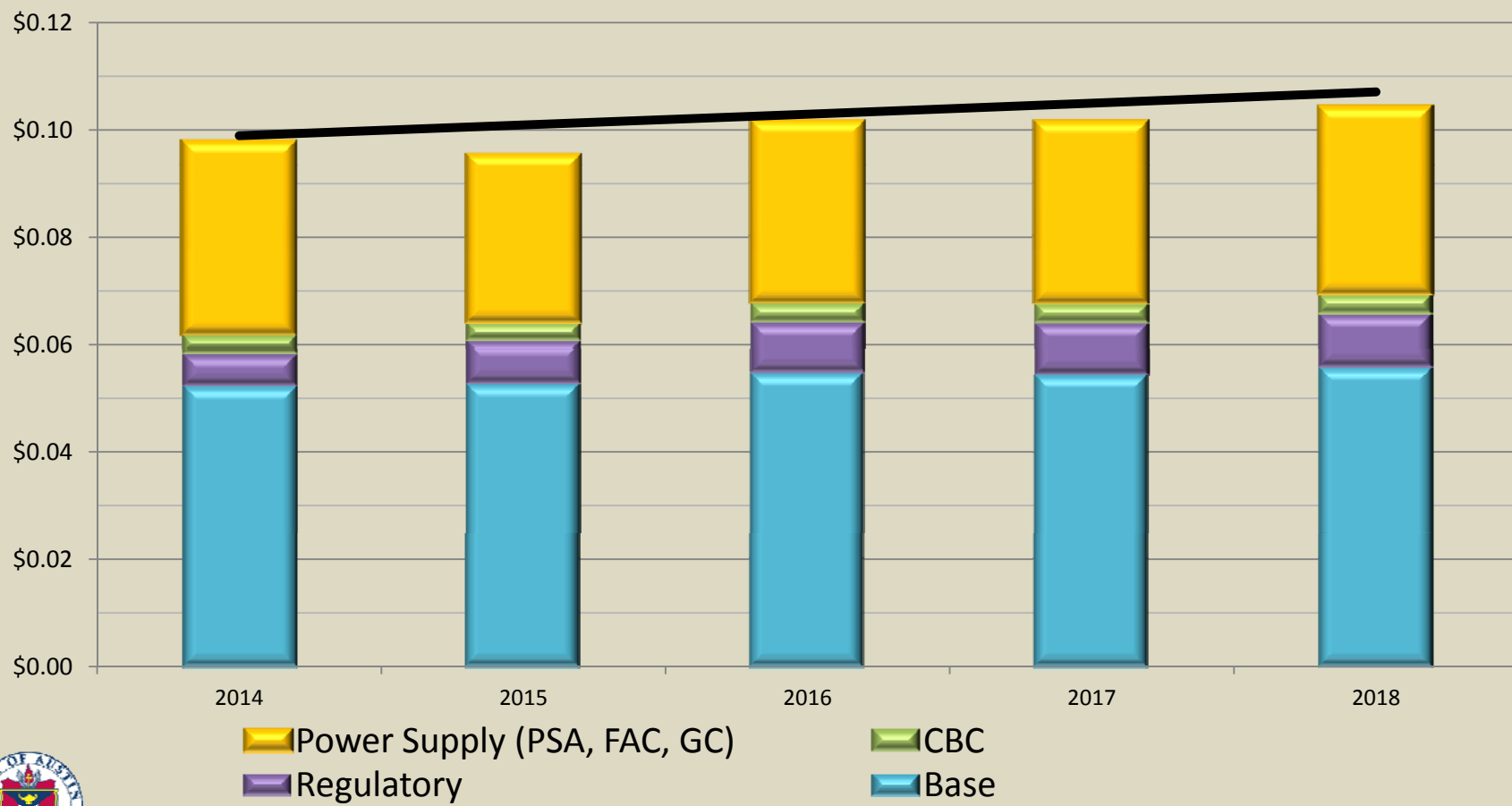
*The PSA will be reviewed in July 2013 and August 2013. Any changes will be presented to City Council in August 2013 prior to the Utility public rate hearings.





AFFORDABILITY FORECAST FY 2014-2018

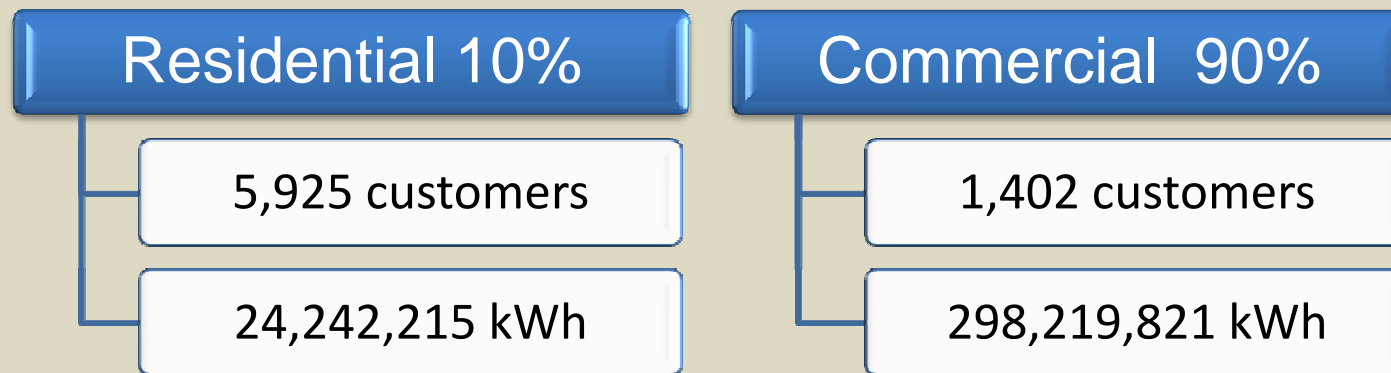
System average rate





GreenChoice® Participation

GreenChoice Subscribers:



- Affordable
- New GreenChoice rate will be an adjustment to proposed budget





New Residential GreenChoice®

- FY 2014 GreenChoice Pricing Effective January 2014:

Residential Customers

1 cent + PSA; changes with PSA ★

100% per meter

Portable within AE

No penalty to cancel ★

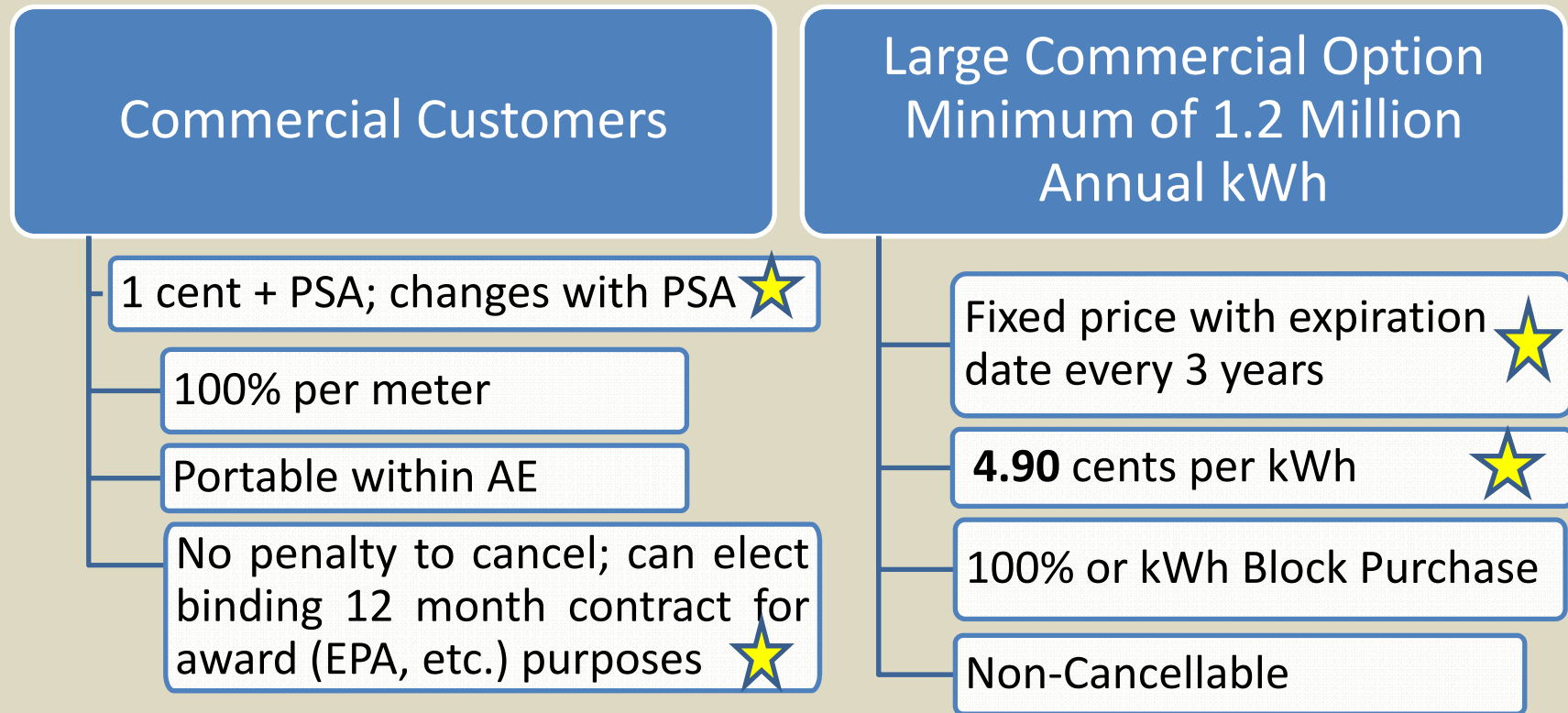


New or modified for FY14



New Commercial GreenChoice®

- FY 2014 GreenChoice Pricing Effective January 2014:



New or modified for FY14



QUESTIONS?



Sand Hill
Energy Center¹³





Line Extension – Practices, Costs, and Policy



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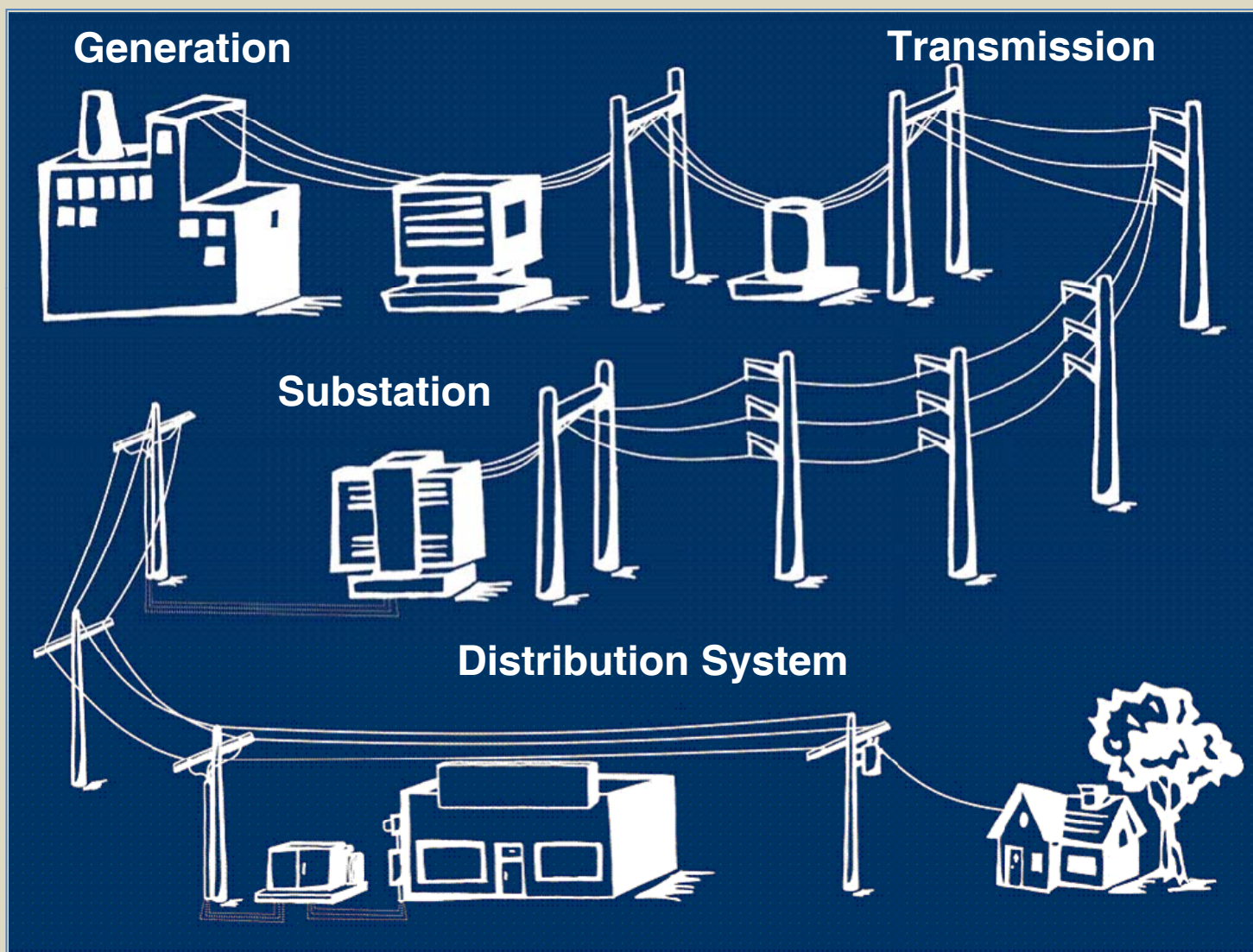


Agenda

- Understanding the AE distribution system
- Annual CIP spending
- Line extension policies and practices
- Other utilities, Contribution in Aid of Construction, and regulatory policies
- Control electric rates
- Recommendations and potential impacts of policy changes



Distribution System Overview



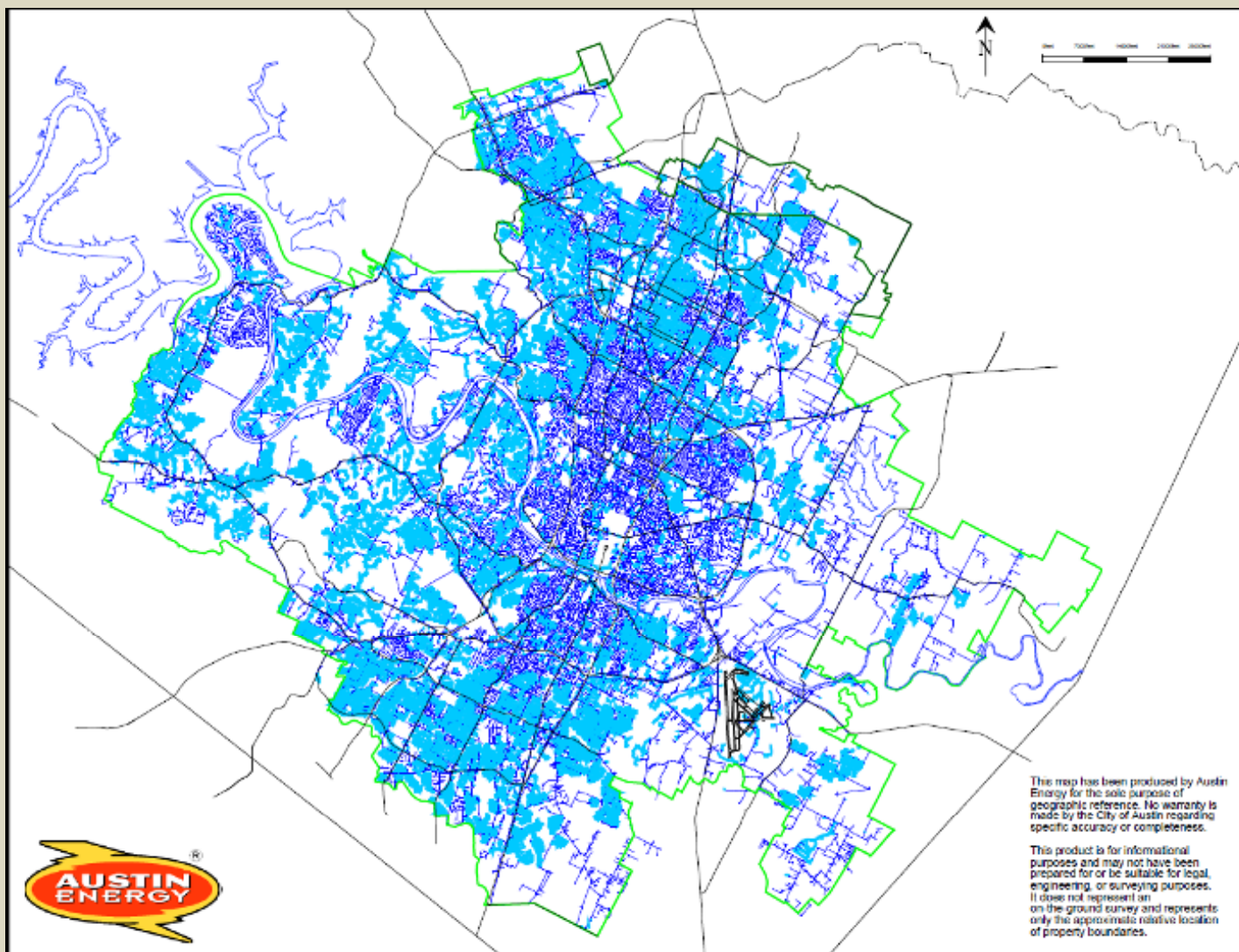


AE Distribution System

- Distribution system consists of primarily 12,500 volt feeders and equipment from substation to the customer's meter
- Dense distribution network built across 437 square mile service area
 - > Typically no new line or substation built for single residence, apartment complex or mixed use development
- As overall demand exceeds capacity of infrastructure, AE expands system to ensure reliability
 - > Distribution system improvements may include a new substation or transformer, new three phase lines
 - > Supports existing and future customers



Distribution System Map



Light Blue –
Underground

Dark Blue –
Overhead



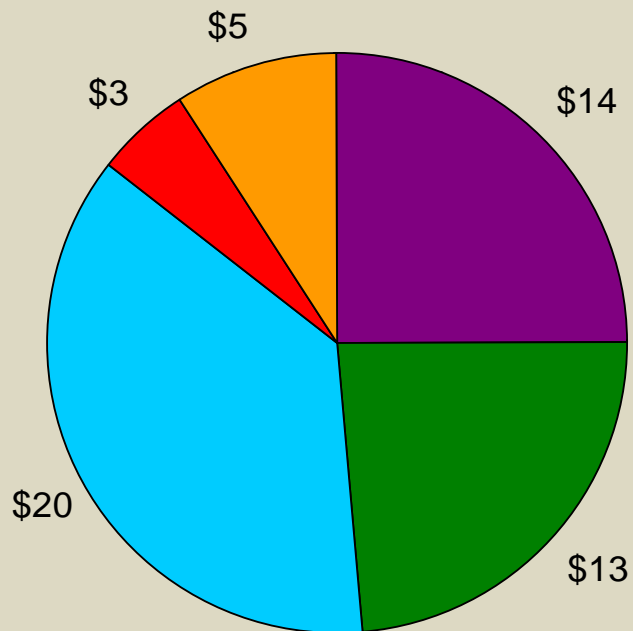
Distribution Assets

- **General Distribution System – 5,400 MVA**
 - > 59 distribution substations
 - > 78,715 distribution transformers
 - > 5,403 miles overhead
 - > 5,995 miles underground
- **Unique Assets**
 - > Downtown network - two substations, 450 MVA
 - Single vault on customer site may serve multiple customers
 - > Dedicated industrial services – 567 MVA
 - Redundant services paid for by customers



Distribution Spending

Typical Annual Capital Spending \$55 (millions)



- Road Widenings/Relocations/Other
- System Improvements
- New Services
- Dual Feeds
- Streetlights



Line Extension Policies & Cost Recovery

- What Is Contribution In Aid of Construction (CIAC)?
 - > Nonrefundable contribution paid by a customer
 - > Plant funded by CIAC not included in base rates
 - > No standard CIAC/line extension policy in Texas



Typical Customer Costs

- Majority of new customer connections are underground
- Customer builds and pays for civil work on property
 - > Includes equipment pads, trenching, conduit, and subsurface structures
- AE assumes ownership of civil facilities after they pass inspection for AE's use
- Civil represents at least 50% of total cost
- Cost is not paid for by AE, so it is not included in revenue requirements used to set rates



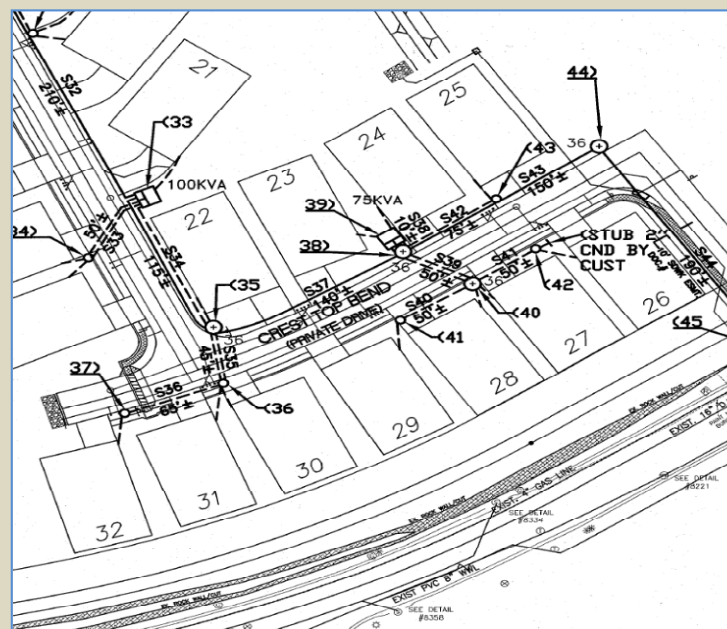
Additional Costs to Customer

- Additional money collected for:
 - > Excess facilities requested by customer
 - > Underground electric service equipment (ex. switchgear)
 - > Dual feed & primary metered services
 - > Replacement/relocation of existing facilities on or adjacent to customer site at customer request
 - > After hours work requested by customer
 - > Temporary power
 - Installation of all temporary facilities
 - Removal of all temporary facilities
 - > Some fees subject to 15% mark up as defined in fee schedule



Single Family Subdivision

- 55 units, average 3,000 square feet
- Installed eight pad mount transformers and 4,100' underground cable
- Total project cost = \$108,704.20 (including transformers)
- 300' allowance per meter = \$181,178.30
- Projected revenue allowance = \$46,763.64
- Developer contribution = \$0 to AE; transfer all civil infrastructure to AE
- Estimated civil construction cost = \$124,000
- Cost per unit: AE \$1,976; developer \$2,255





Apartment Development

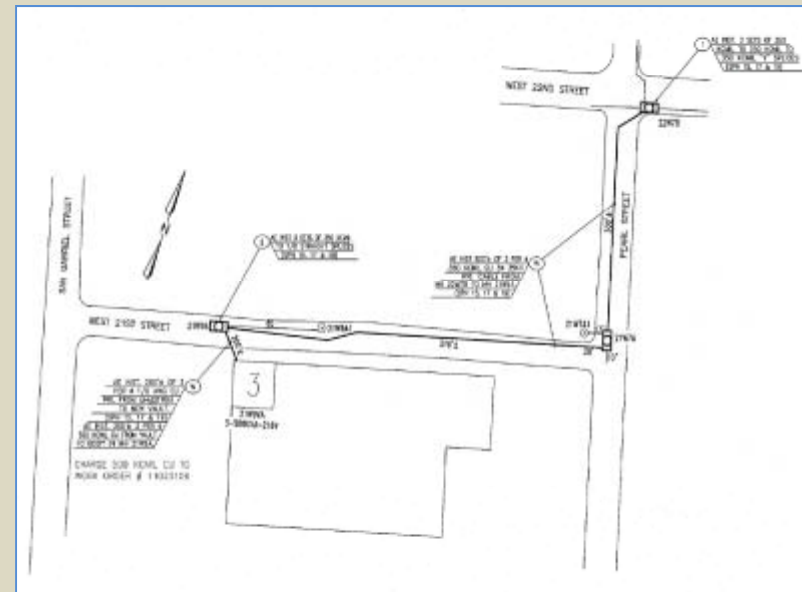
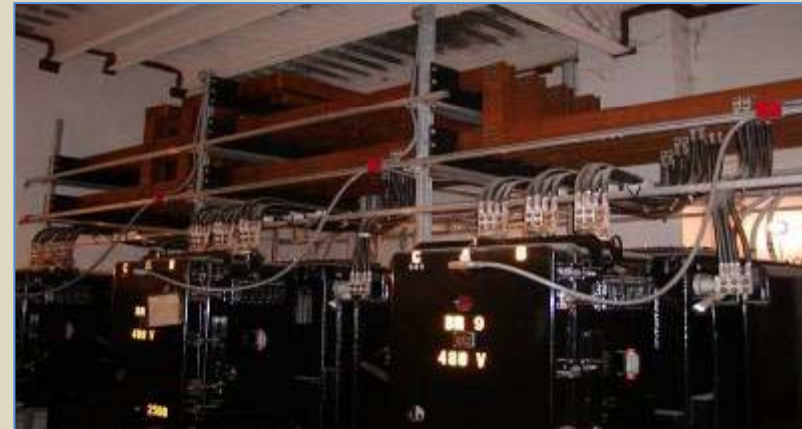
- 352 units, average 800 square feet
- Installed 15 pad mount transformers and 8,800' underground cable
- Total project cost = \$178,894.97 (including transformers)
- 300' allowance per meter = \$1,159,540.80
- Projected revenue allowance = \$97,521.06
- Developer contribution = \$0 to AE; transfer all civil infrastructure to AE
- Estimated Civil Construction Cost = \$232,000
- Cost per unit: AE \$508; developer \$659





Network Project

- 135 units, average 750 square feet
- Installed three network transformers and 8,100' network cable
- Total project post = \$385,193.54 (including transformers)
- 300' allowance per meter = \$988,245.00
- Projected revenue allowance = \$32,807.43
- Developer contribution = \$0 to AE; transfer all civil infrastructure to AE
- Estimated civil construction cost = \$1,100,000
- Cost per unit: AE \$2,853; developer \$8,148





Examples of AE Project Costs

- **Residential**
 - > Single family subdivision, town home, & condo developments
 - > New construction on vacant lots
 - > Additional residential units on already served lots
 - > Average total cost: \$3,000/meter
- **Apartment Complexes**
 - > Moderately dense load
 - > Existing parcels repurposed to meet City growth objective
 - > May include mixed use with a commercial component
 - > Average total cost: \$750/meter
- **Network**
 - > Very dense load
 - > Requires specialized equipment which increases cost
 - > Average total cost: \$3,000/meter
- **Commercial & Industrial**
 - > Customer specific load requirements
 - > Higher revenue through demand charges
 - > Average total cost: \$16,000/meter



Area Utilities Policies and Fees

Utility	CIAC Policy Summary
Pedernales Electric Cooperative	CIAC = (Direct Cost + System Cost) – (Annual Revenue/Return Factor)
Bluebonnet Electric Cooperative	Residential CIAC = Total Cost – (\$1,200/service) Commercial CIAC = Total Cost – (\$350/service)
Oncor Electric Delivery	CIAC = Direct Cost – Standard Allowance + Tax Liability + Franchise Fees Standard Allowance Factors: Secondary Service > 10kw - \$155/kW Primary Service > 10 kW - \$79/kW 300' Allowance for Residential Customers
Austin Energy	CIAC = Total Cost (excl. transformers & services) – Allowance (cost of 300 feet/customer & 20% of 3 year revenue)
CPS Energy	Extends Distribution System at Its Discretion



Line Extension Fees Collected

- AE typically budgets a credit of \$6 million for CIAC – 30% of total budgeted for new services
 - On-site customer work to relocate AE facilities
 - Costs above standard OH service
 - Cost of excess facilities needed to meet customer's business needs beyond basic service
- Most new services constructed in Austin are underground; developer installs civil which is at least 50% of the total cost of new electric service
- With CIAC and civil work by customer, they typically contribute 50-75% of the new service cost (under current policy)



Complexity of Collecting More

- Need more robust accounting system for customers to pay additional cost for on-site and portion of system improvements
- New system would capture system improvement costs for allocation to new users and actual job costs for customers who prefer to pay actual vs. estimated cost
- Significant impact on overall construction costs will lead to increased real estate and rental costs



Recommendations

- Implement new fee of \$100 per Electric Service Planning Application to be collected when electric permit is issued
- Carefully consider timing and impact of policy changes to ensure consistency with COA economic development and growth strategies
- Policy should limit financial risk to utility and current customers, but not stifle economic development or result in relocation to less desirable areas
- Policy changes should be easily calculated by customers, staff, and developers



Proposed Policy Comparison

Service Request Category	Current CIAC Collection	Proposed CIAC Collection
<i>Overhead</i>	\$0 unless exceeding 300 feet allowance	5 year period to phase up to 75% of all costs including transformers
<i>Underground Residential</i>	Civil work by customer; Excess facilities charges	Civil work by customer; 5 year period to phase up to 75% of all costs including transformers
<i>Network</i>	Civil work by customer; Excess facilities charges	Civil work by customer; 5 year period to phase up to 75% of all costs including transformers
<i>Commercial</i>	Civil work by customer; Excess facilities charges	Civil work by customer; 5 year period to phase up to 75% of all costs including transformers
<i>Industrial/Primary</i>	Negotiated	Negotiated



Implementation

- Proposed start date: October 2014
- Ramped up collection of CIAC:

Fiscal Year	2015	2016	2017	2018	2019
CIAC %	15%	30%	45%	60%	75%

- Policy changes within AE to support estimated or actual charges
- Staffing increase within AE to accommodate additional work functions, customer concern mitigation, and meet customer time tables
- Austin Energy will need software systems to facilitate efficient work flow



Questions?





AUSTIN ENERGY QUARTERLY BRIEFING



Larry Weis, Austin Energy General Manager
Austin City Council Committee - AE
August 13, 2013 / Q3 FY 13

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



TOPICS

- i. Generation Plan Update
- ii. Operational Highlights
- iii. Consumer Service Highlights
- iv. Financial Update





GENERATION PLAN UPDATE

*Sand Hill
Energy Center*





GENERATION

- **Market Update**
 - Energy prices relatively soft so far this summer: mid \$20's off peak, mid \$50's on peak
- **Generating Units**
 - All large units currently operational & available for summer peak
 - Recent outages at South Texas Project (STP), Fayette Power Project (FPP) and Sand Hill Energy Center (SHEC)
 - Cycling units at Decker to maximize value
 - Nacogdoches Biomass Plant online
- **Wind Contracts Executed (570 MW, net 375 MW)**
 - 400 MW – Duke Energy Renewables, 2015/2016
 - 170 MW – E.ON Climate & Renewables, 2015
 - (195.6) MW – Expiring 2016

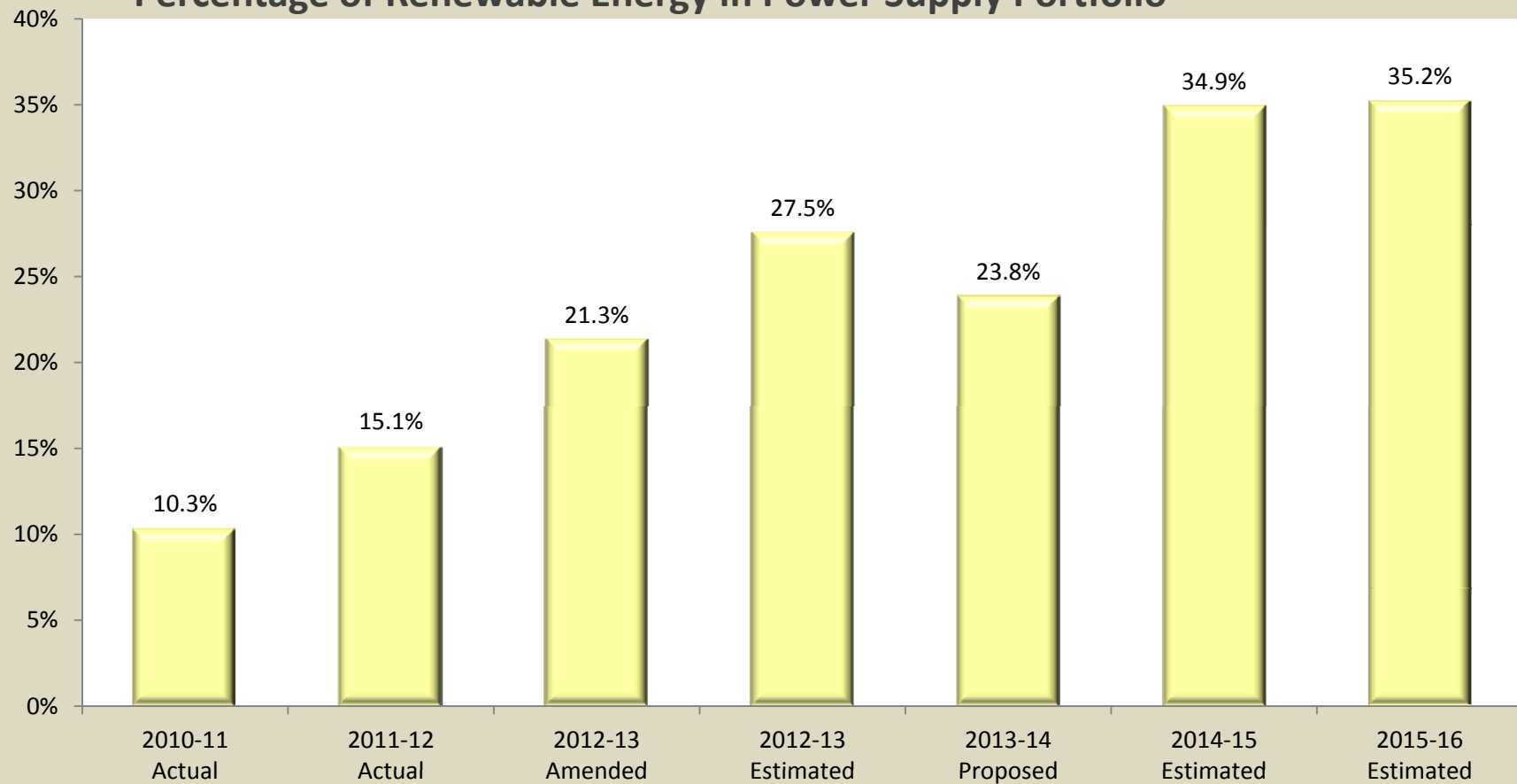




RENEWABLE ENERGY GOALS



Percentage of Renewable Energy in Power Supply Portfolio

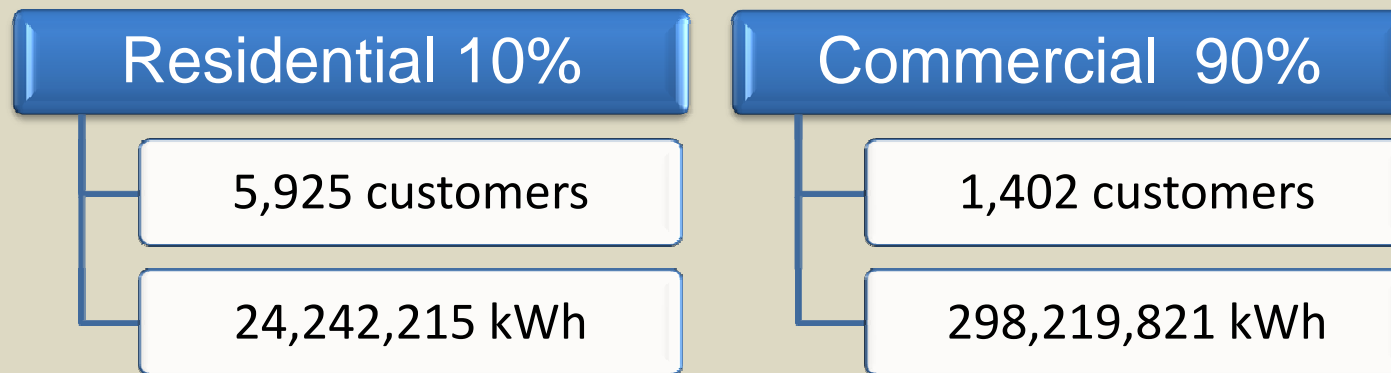


AE will add a **net** 375 MW in 2015/2016 from additional wind purchase power contracts



GreenChoice® Participation

GreenChoice Subscribers:



- Affordable
- New GreenChoice rate will be an adjustment to proposed budget





CONSUMER SOLAR PROGRAMS

Value of Solar Study Status

- Consultant retained

Local Solar Advisory Committee (LSAC) Report

- Existing goal (200 MW) is challenging
- Consider affordability & rate impact
- Council Committee discussion in October

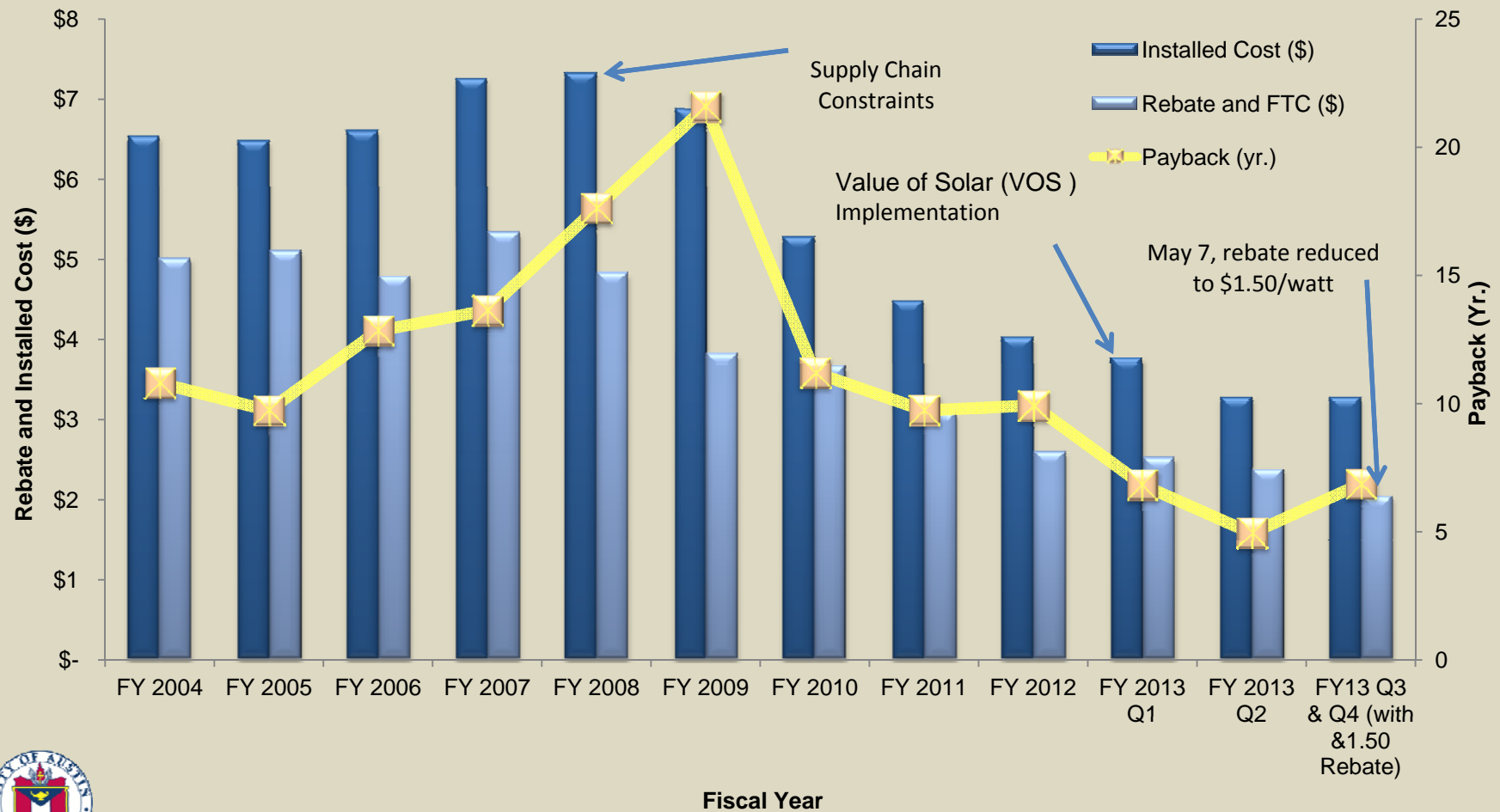
Solar Incentives Reduced to Maintain Targets

- Residential rebates
- Commercial Performance Based Incentives (PBI)
10-year payments



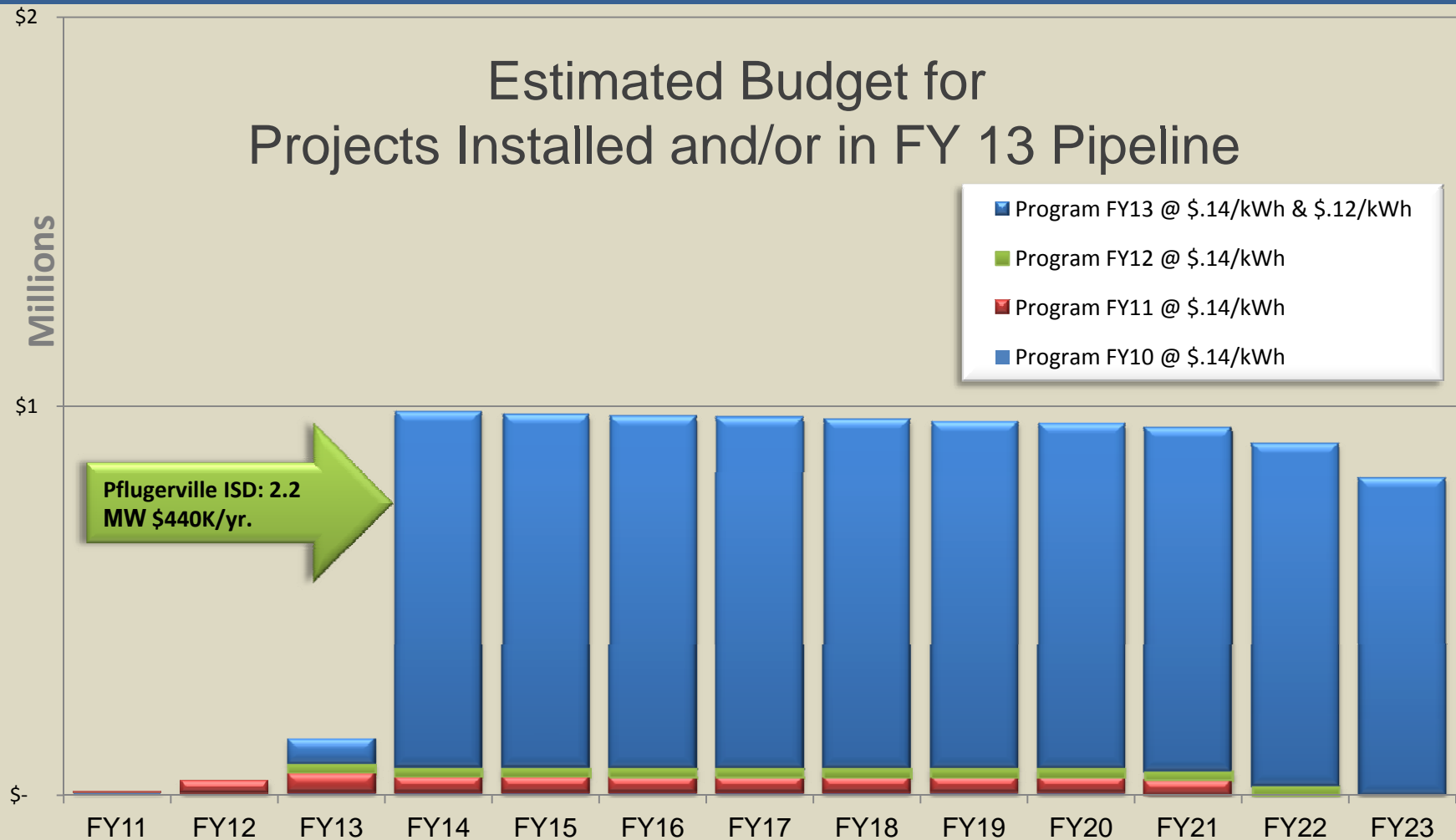


CONSUMER SOLAR PROGRAMS - RESIDENTIAL





CONSUMER SOLAR PROGRAMS - COMMERCIAL

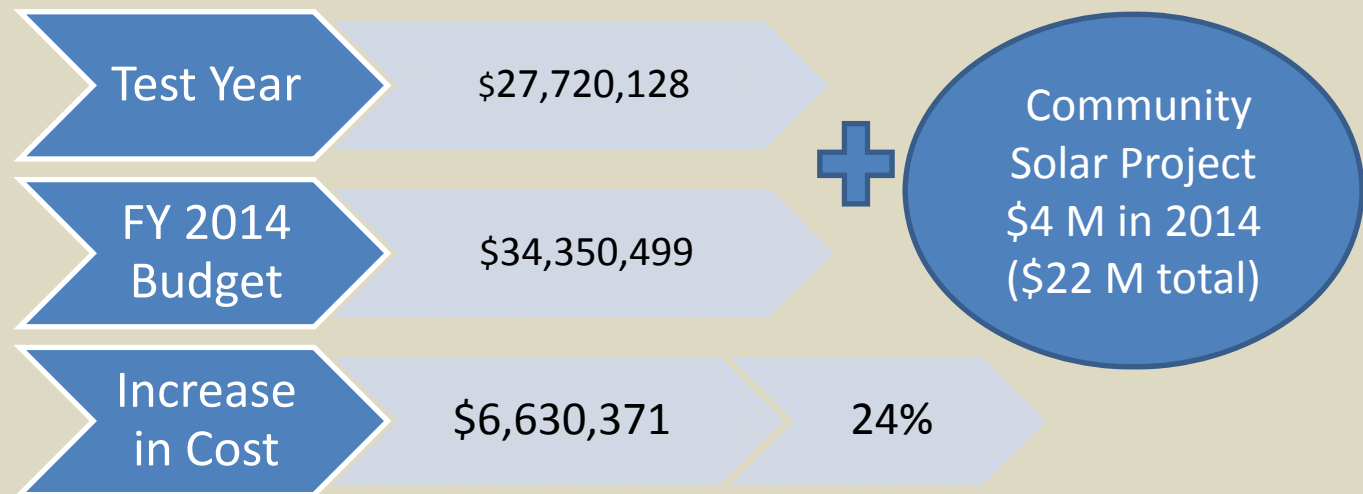


Excludes impacts from future program year applications



ENERGY EFFICIENCY PROGRAM COST

Cost Categories	FY 2012 Amended Budget	FY 2013 Amended Budget	FY 2014 Proposed Budget
Conservation Rebates & Incentives	\$ 14,749,199	\$ 14,364,230	\$ 17,934,598
Solar Rebates & Incentives	4,630,000	7,500,000	4,400,000
Education and Outreach	<u>11,143,999</u>	<u>12,370,125</u>	<u>12,015,901</u>
Total	\$ 30,523,198	\$ 34,234,355	\$34,350,499





OPERATIONAL HIGHLIGHTS



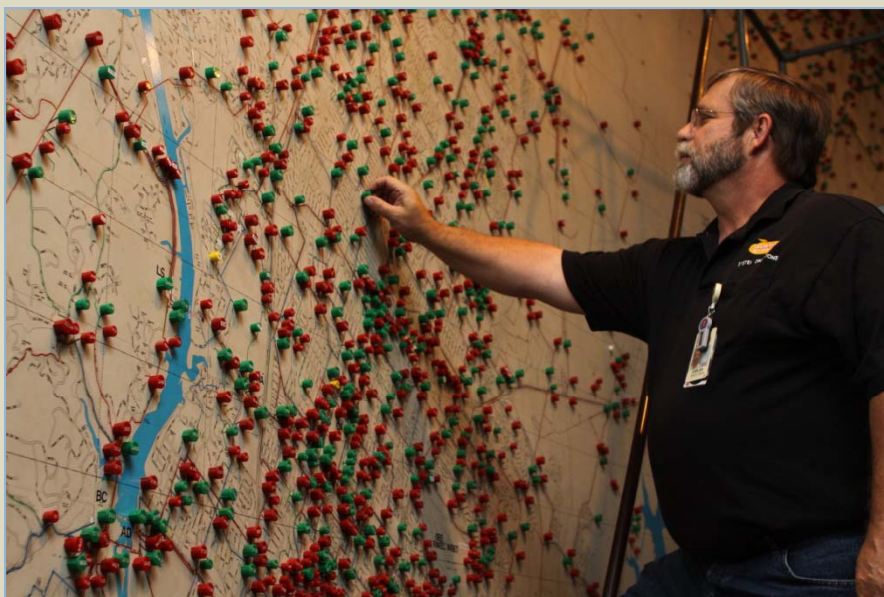
***Dunlap Substation Energized
(Largest AE Substation, 672 MW)***





OPERATIONAL HIGHLIGHTS

- EPA visited AE to spotlight reclaimed water use at Sand Hill Energy Center
- New SCC move completed (Completed all system transitions June 2013)





OPERATIONAL HIGHLIGHTS

Automated Meter Opt-Out

- PUC commissioners requested a rule allowing residential customers in competitive areas to opt out of having a smart meter
- Commissioners stated they would like opt-out customers to bear a significant – if not the entire – incremental cost of replacing and using a “traditional” meter
- AE on track to offer opt-out program for residential customers beginning November 1, 2013

AE Proposed Initial Fee \$75



AE Proposed Monthly Meter Read Charge \$10





OPERATIONAL HIGHLIGHTS

Domain Chilled Water Station - Thermal Storage Tank

- > 100 MWh of storage for AE chilled water with addition
- > Contributes to DSM strategic goal



North Branch



CONSUMER SERVICE HIGHLIGHTS





CONSUMER SERVICE HIGHLIGHTS

Customer Service Update

Demand Meter Reset (Commercial Account) Update:

- Reviewed 3,400 accounts (**<1% of total bills**) believed to have not reset
 - 1,700 of the meters were resetting properly
 - Another 1,000 meters did not reset but the anomaly is considered normal in the industry
 - Remaining 670 meters did not reset due to software glitch that has since been fixed
 - None of these customers will see an increase in their bill





CONSUMER SERVICE HIGHLIGHTS

Development of Tier Alert System

- Phone and PC application to provide residential customers with greater knowledge of energy usage
- Customers will be able to set alerts (text or email) to signal they are approaching the next pricing tier
- Application provides energy saving tips and historical usage
- Currently in design and testing phase





3rd QUARTER FINANCIAL UPDATE





FINANCIAL RESULTS

ROLLING 12 MONTH COMPARISON

\$ in Millions	12 mo. ended 06/30/10	12 mo. ended 06/30/11	12 mo. ended 06/30/12	12 mo. ended 06/30/13
Operating Revenues	\$1,144	\$1,188	\$1,249	\$1,234
Fuel Expense	430	443	464	445
Non-Fuel Expenses	450	450	469	487
Depreciation Expense	118	127	140	151
Operating Income/(Loss)	146	168	176	151
Other Revenue (Expense)	(81)	(46)	(57)	(71)
General Fund Transfer	100	103	105	105
Net Income/(Loss)	(\$35)	\$19	\$14	(\$25)
Debt Service Coverage	1.81	1.87	2.07	1.90
Debt/Equity Ratio	49%	49%	47%	47%





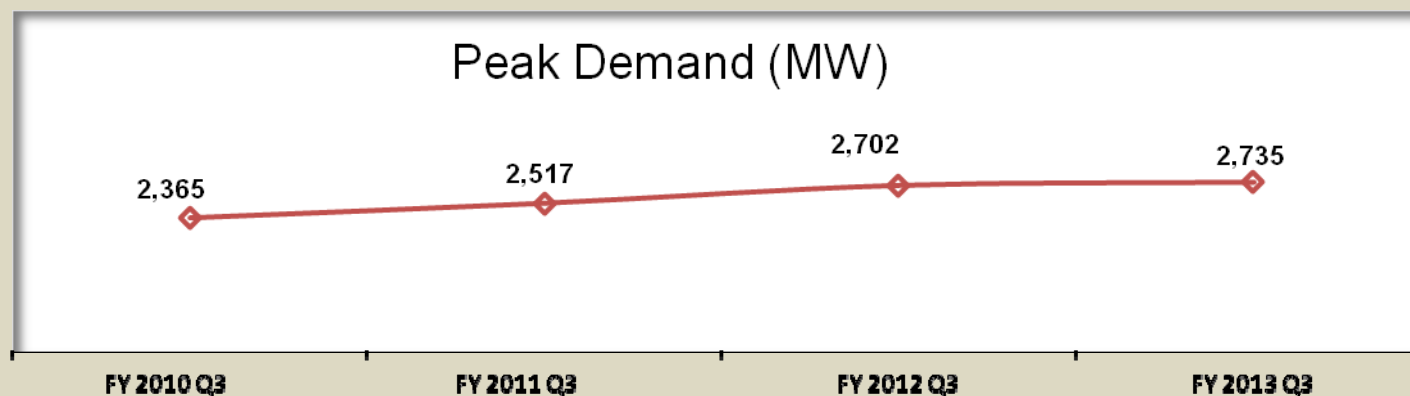
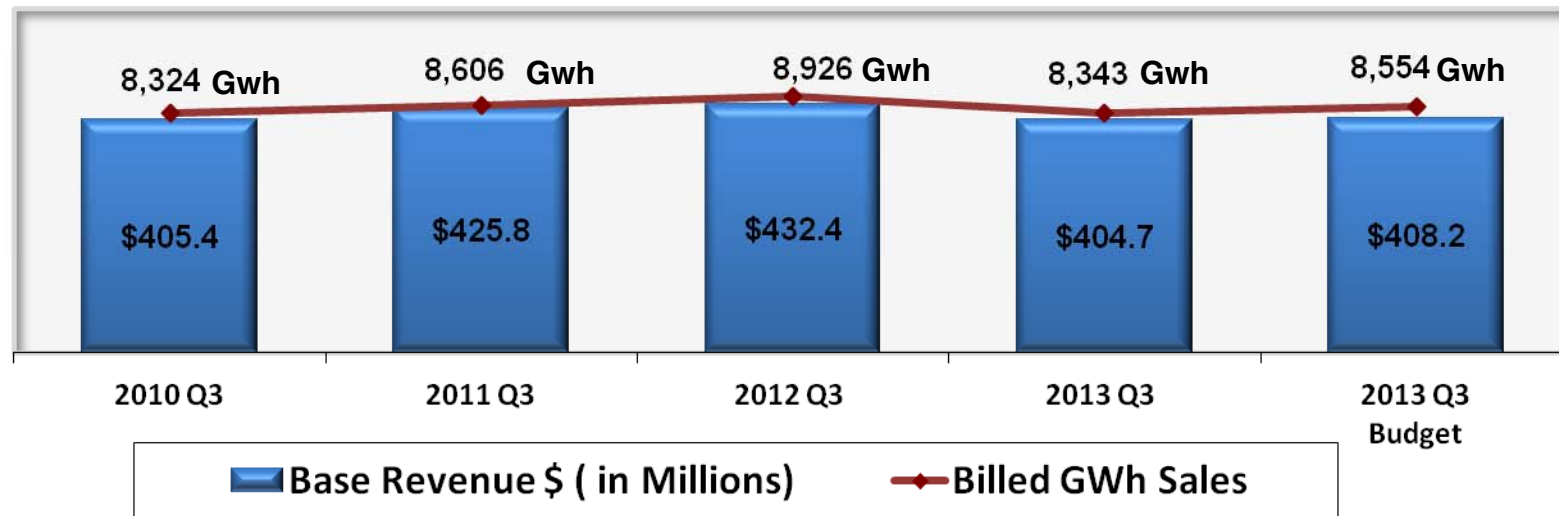
FY 2013 BUDGET TO ACTUAL COMPARISON

(\$ millions)	Amended Budget 2012-13	Budget Q3 2012-13	Actual Q3 2012-13	Difference Actual to Budget
Beginning Balance	\$123.5	\$123.5	\$128.5	\$5.0
Base and Other Revenue	859.7	568.6	562.3	(6.3)
Power Supply Adjustment (PSA) Fuel Revenue	414.2	286.1	310.6	24.5
Transfers In	10.9	10.9	10.9	0.0
Total Available Funds	\$1,284.8	\$865.6	\$883.8	\$18.2
Non-Fuel Operating Expense	518.1	400.1	359.1	41.0
Power Supply Adjustment (PSA) Fuel Cost	414.2	286.1	310.6	(24.5)
Debt Service	173.2	127.7	86.3	41.4
Transfers	174.4	130.6	130.9	(0.3)
Total Expenditures	\$1,279.9	\$944.5	\$886.9	\$57.6
Excess(Deficiency)	4.9	(78.9)	(3.1)	75.8
Ending Balance	\$128.4	\$44.6	\$125.4	\$80.8





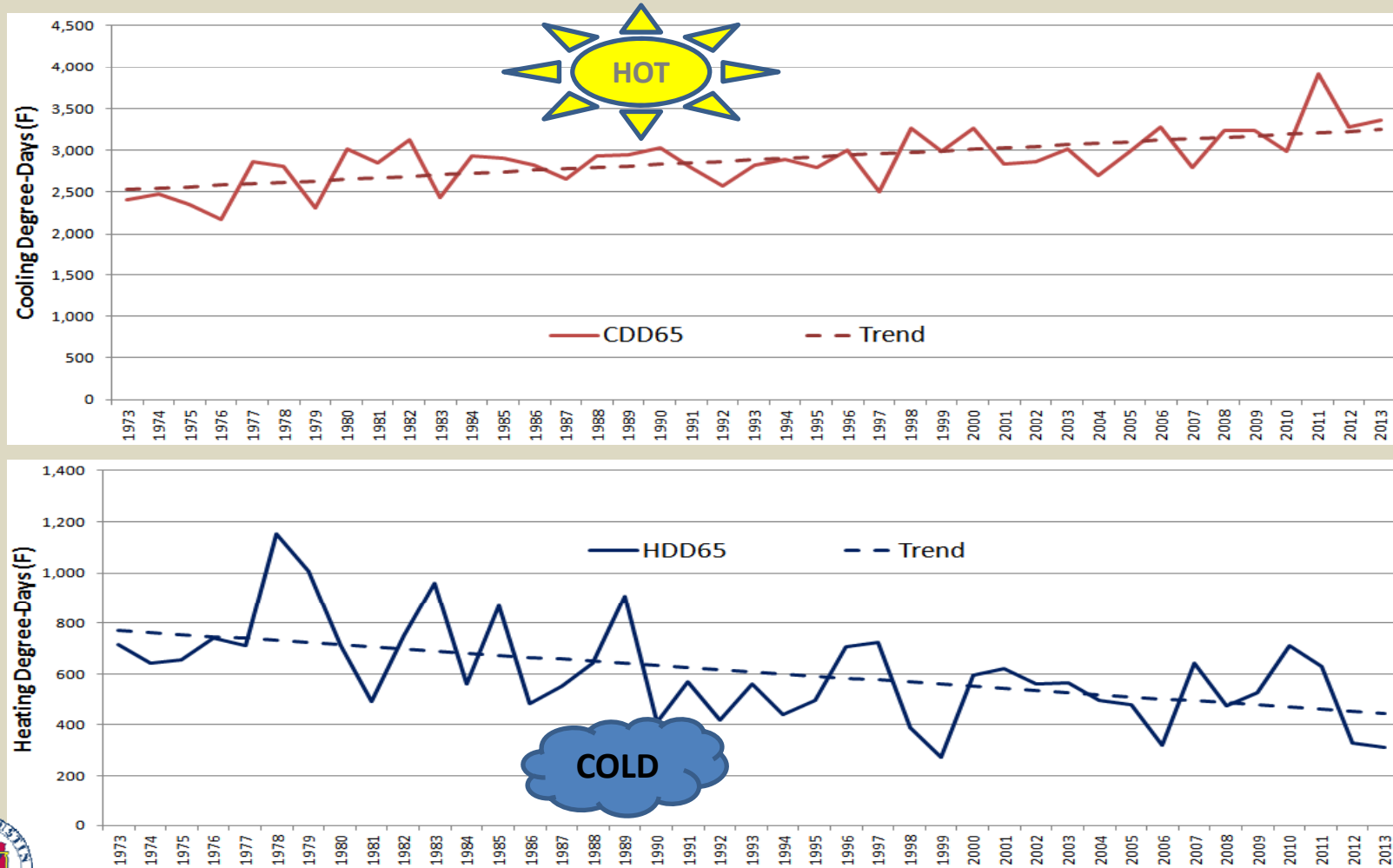
FY 2013 REVENUE HIGHLIGHTS





WEATHER TRENDS

Cooling Degree Days (CDD) & Heating Degree Days (HDD) Trends

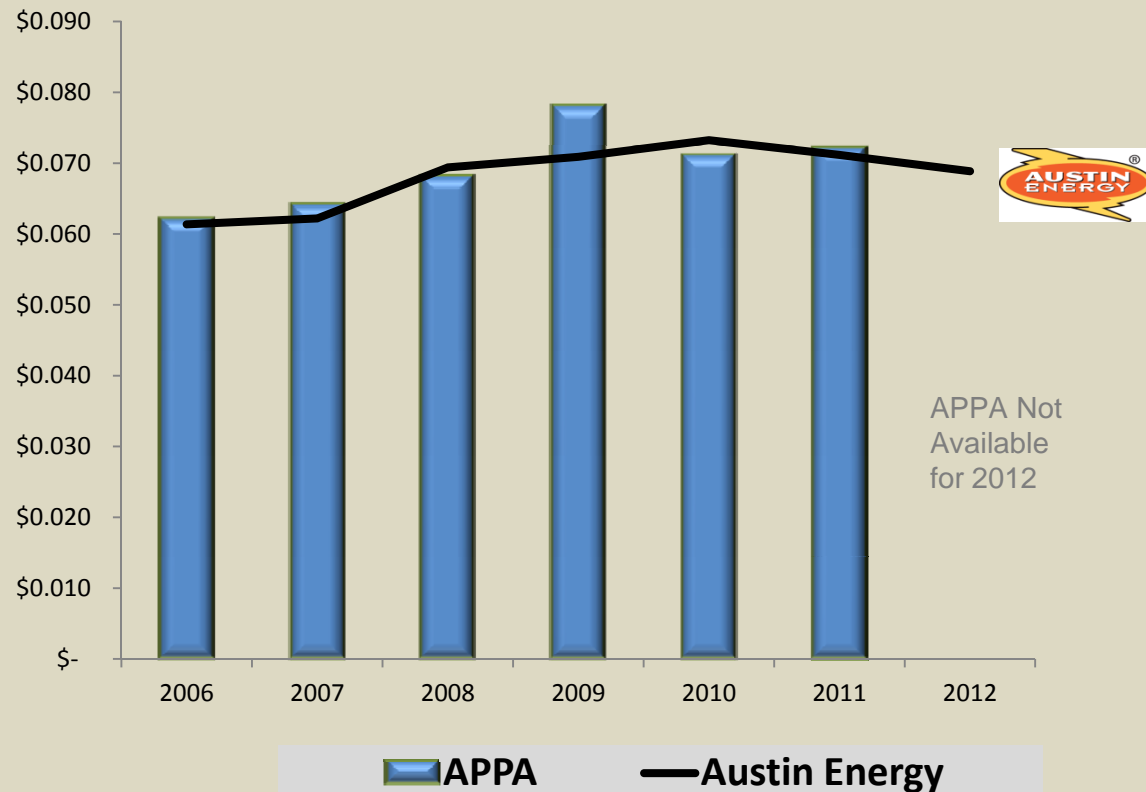


2013 includes January-June actual and July-December forecast



FY 2013 EXPENSE HIGHLIGHTS

American Public Power Association (APPA) Benchmark Total Operations & Maintenance Cost per kWh Sold

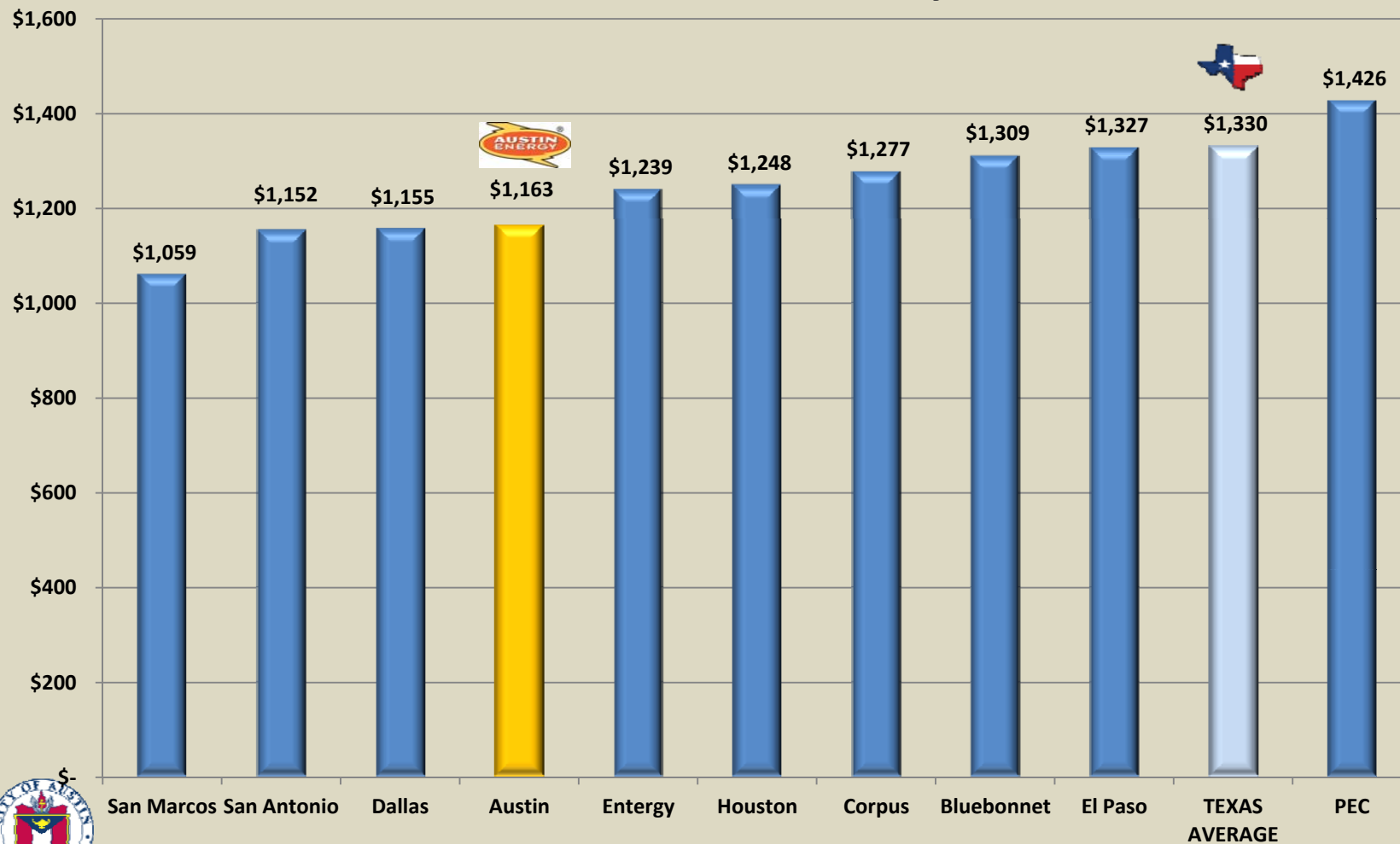


Source: APPA Annual Utility Survey



RESIDENTIAL ANNUAL BILL COMPARISON

Residential Electric Bills At 1,000 kWh July 2012 - June 2013



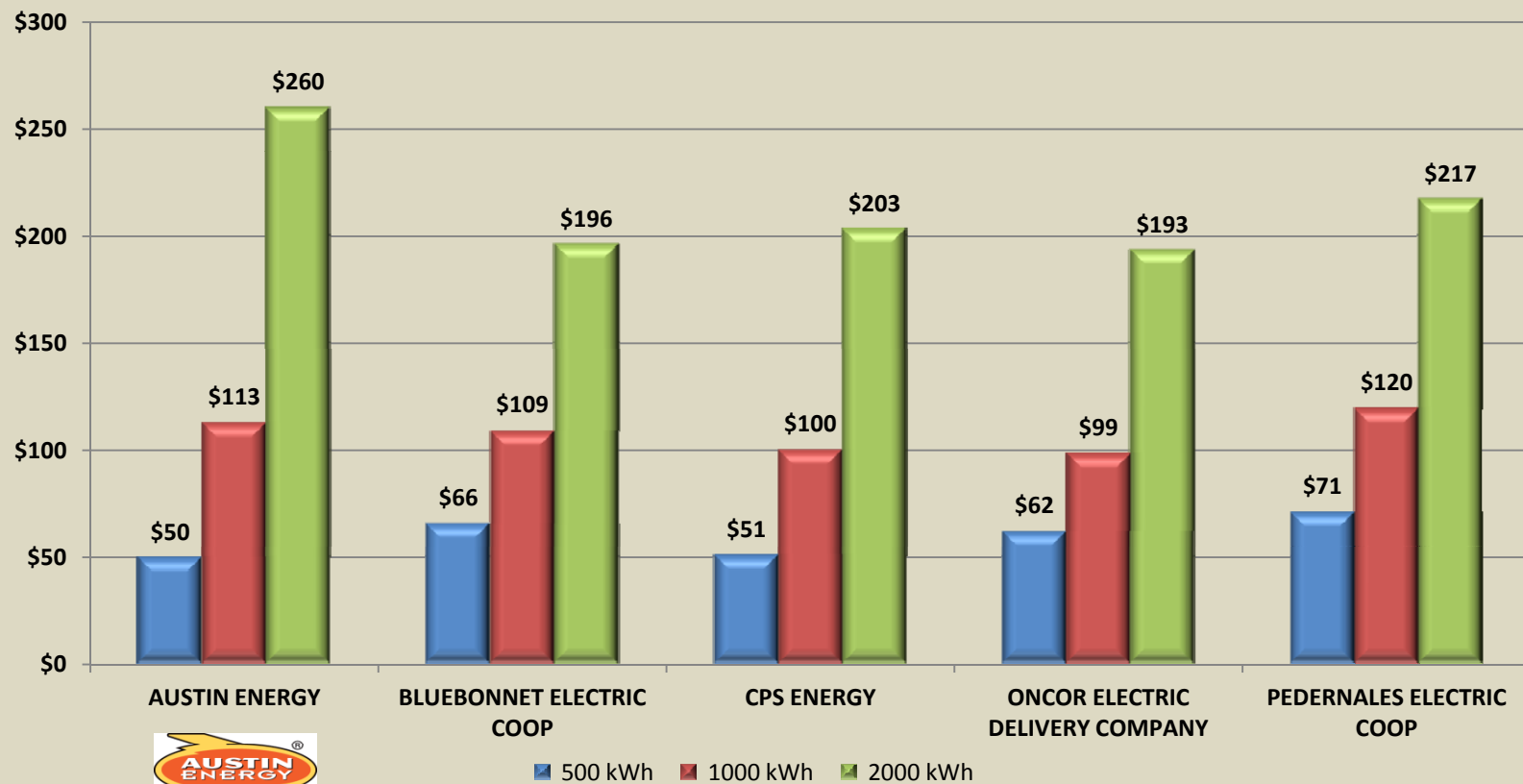
Sources: PUC Electric Utility Bill Comparison, Power To Choose, Texas Average from 2011 EIA-861



RESIDENTIAL ELECTRIC BILL COMPARISON

June 2013

Monthly Charges - Residential - 500 kWh, 1,000 kWh And 2,000 kWh

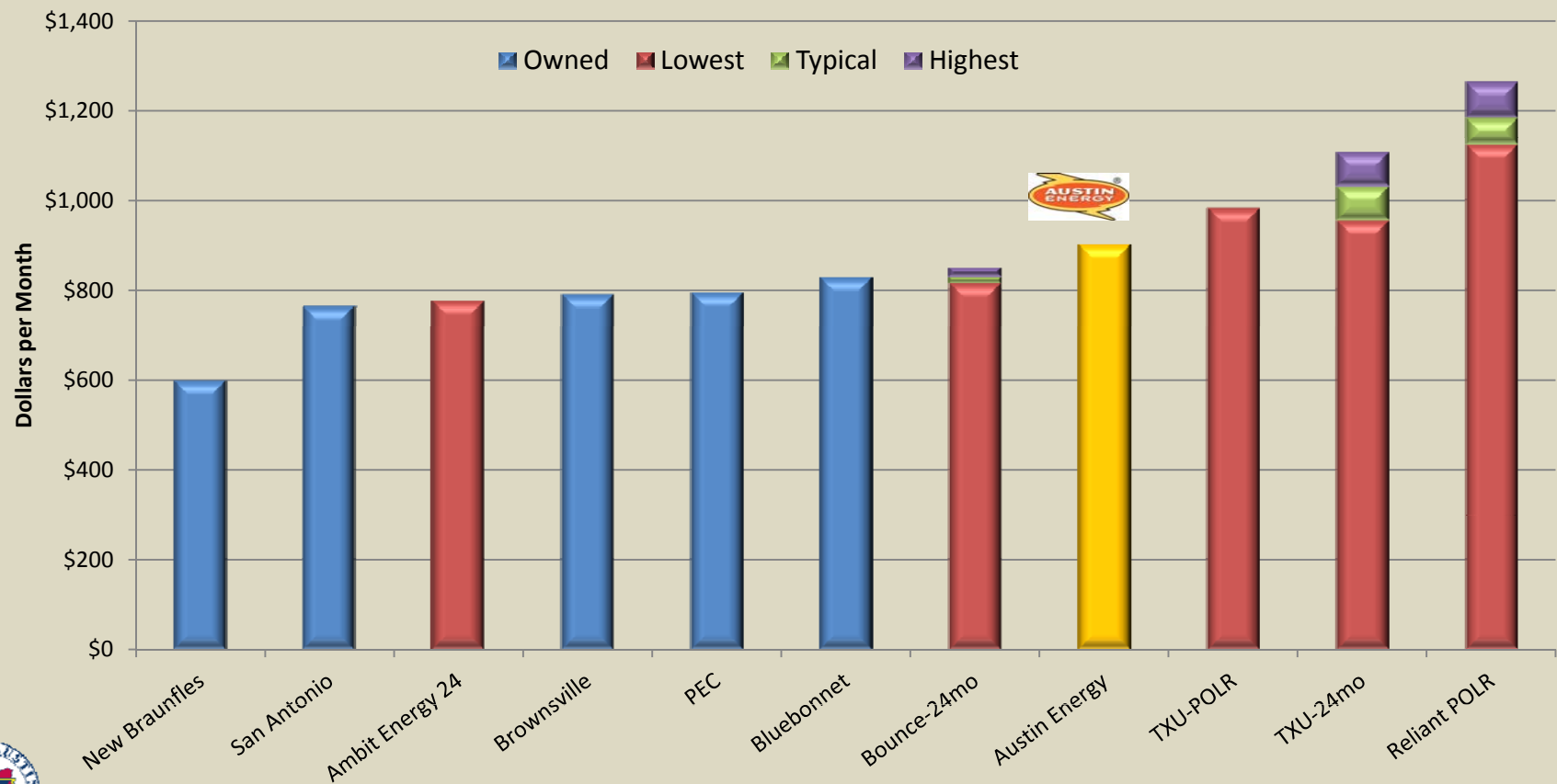




COMMERCIAL BILL COMPARISON

LOW LOAD FACTOR

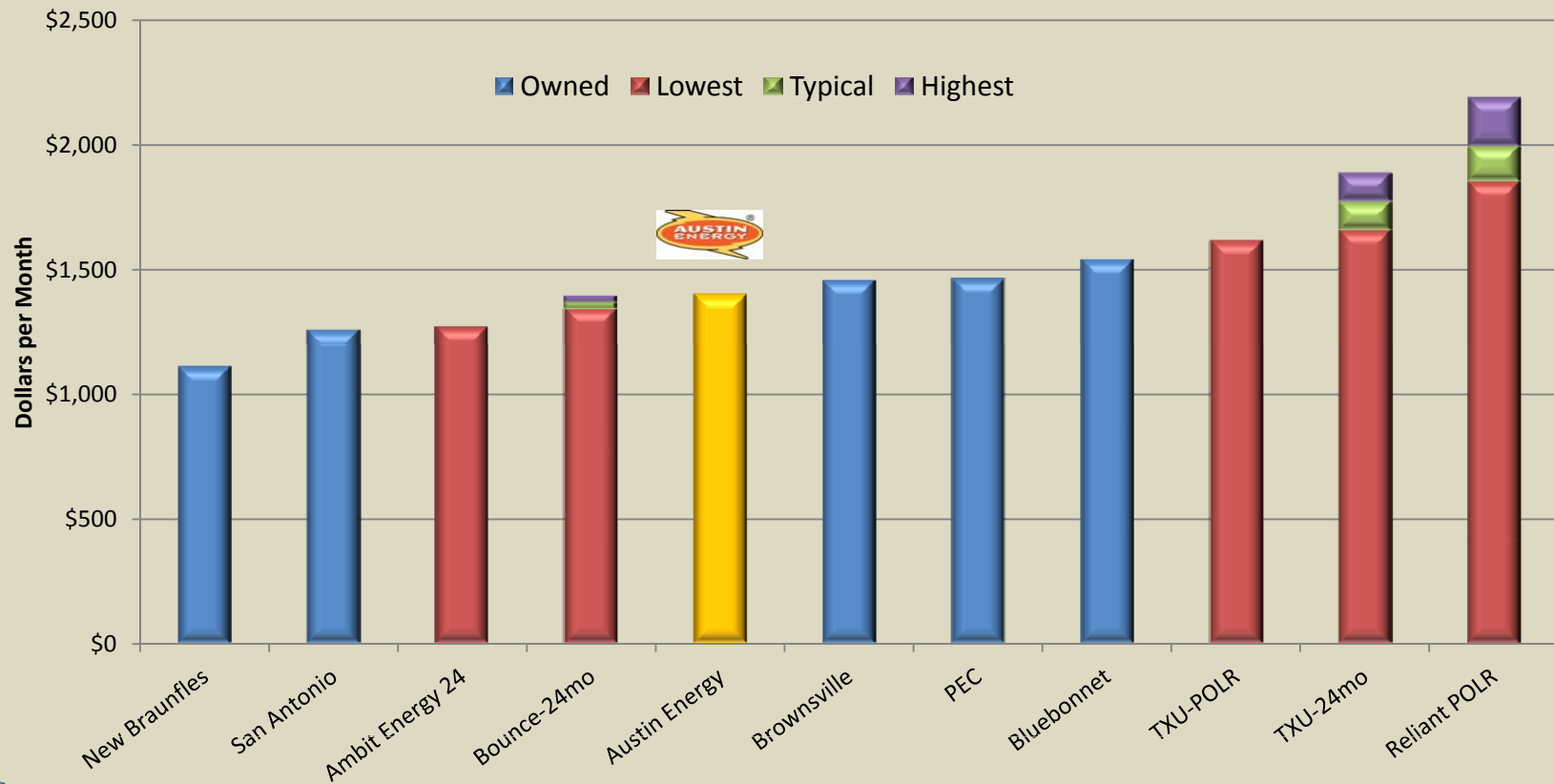
Commercial Monthly Bill Comparison June, 2013
25KW with 45% Load Factor





COMMERCIAL BILL COMPARISON HIGH LOAD FACTOR

Commercial Monthly Bill Comparison June, 2013
25KW with 85% Load Factor





QUESTIONS?

