



Budget FY 2015 Work Session

July 21, 2014

Electric Utility Commission



Topics

- Power Supply Adjustment (PSA) Change
- Other Rates and Fee Changes
- FY 2015 Budget Discussion



PSA-Proposed Budget 2015

- Power Supply Adjustment (PSA)
 - PSA recovers actual fuel and power costs on a dollar for dollar basis
 - Initial 2015 proposed PSA is based on a rolling 12 month period ended April 2014
 - Costs are increasing leading to a higher PSA
 - Proposed rate increases average residential bill by 2.2%
 - In line with increases experienced by other providers
 - Proposed rate will be updated with actual May, June & July costs for review during August budget deliberations



PSA 2015 - Primary Drivers

Market Factors

- Unusually cold winter – Demand up 5% for AE
- Higher demand in Texas and US has driven energy cost up
 - Natural gas prices increased 25%
 - AE Load Zone power prices increased 44%
 - ERCOT Ancillary Service prices increased 53%

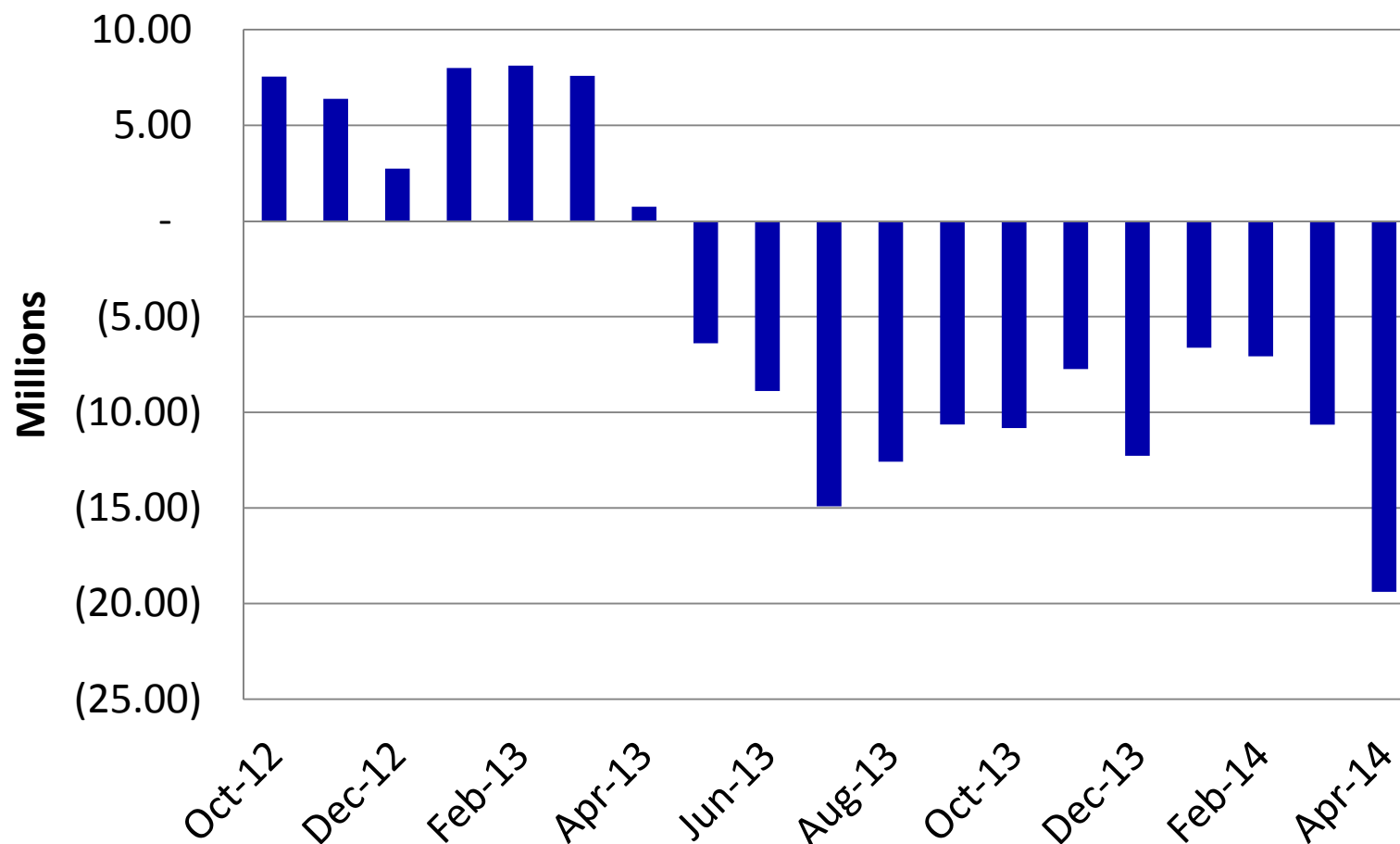
Other Factors

- Under recovery increased \$4.4M (PSA)



Power Supply Cost Current Under Recovery

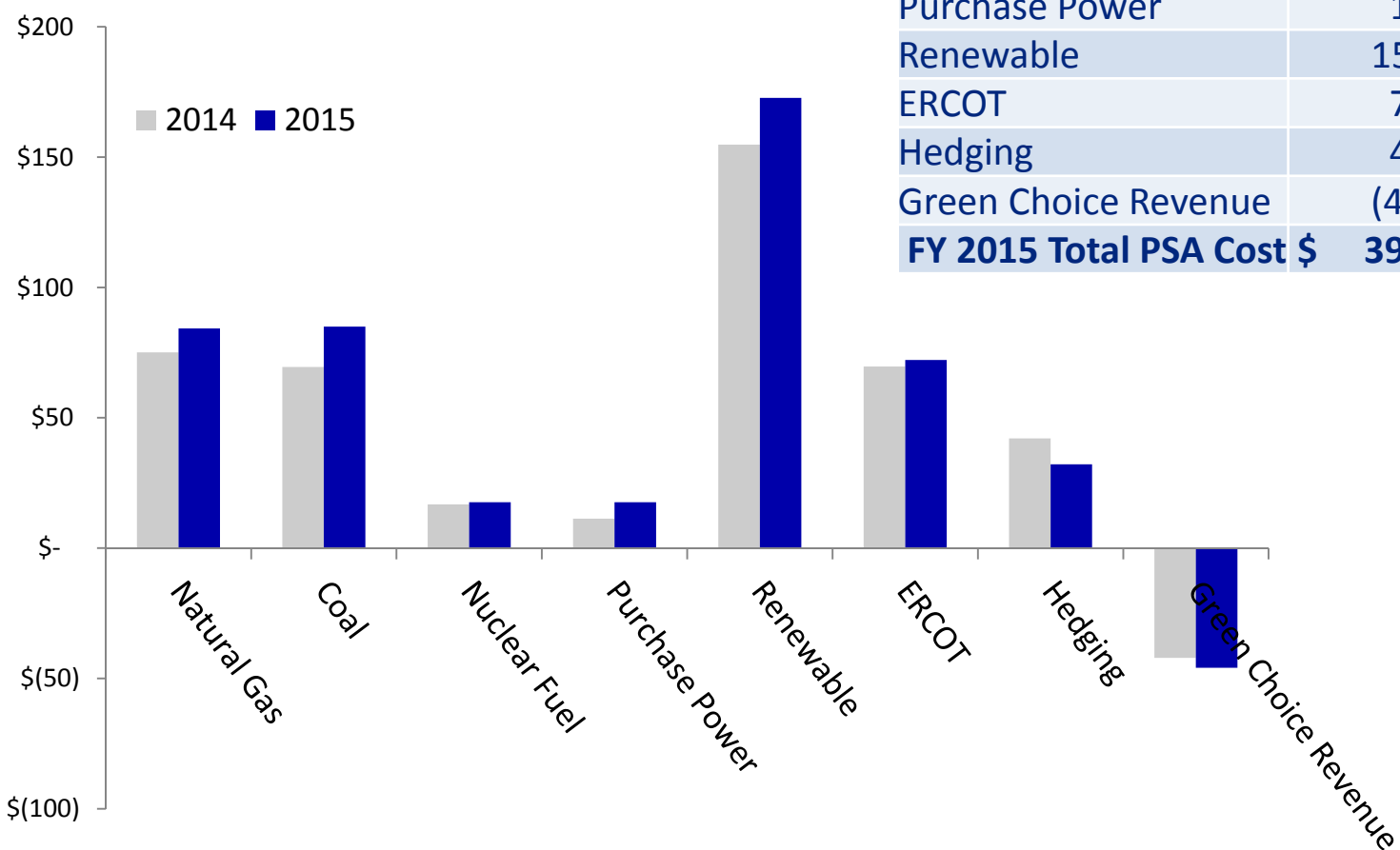
PSA Over/(Under) Recovery – Inception to Date





PSA COST COMPARISON

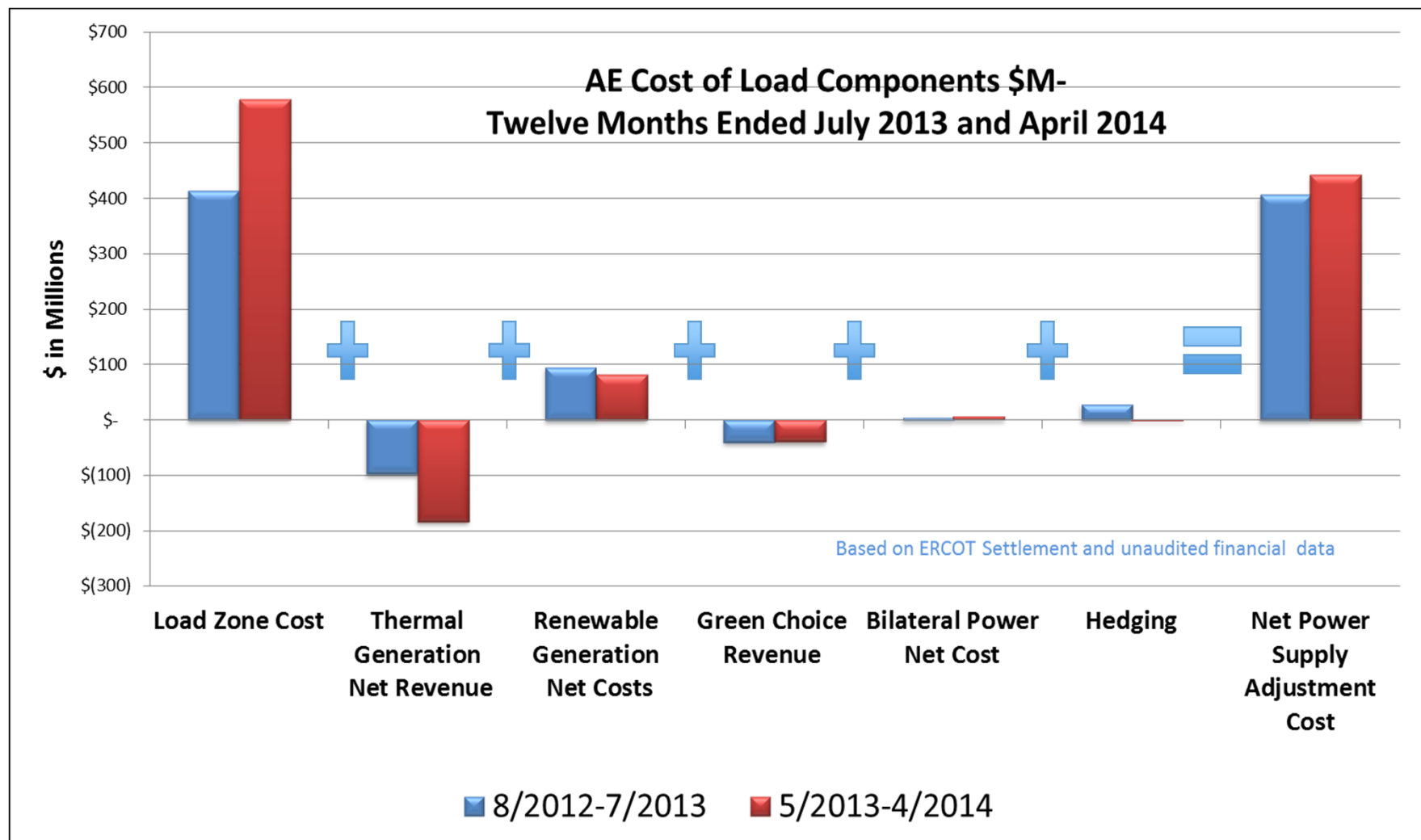
\$ in millions



(\$ in millions)	2014	2015
Natural Gas	\$ 75	\$ 84
Coal	69	85
Nuclear Fuel	17	18
Purchase Power	11	18
Renewable	155	173
ERCOT	70	72
Hedging	42	32
Green Choice Revenue	(42)	(46)
FY 2015 Total PSA Cost	\$ 397	\$ 436



PSA COST COMPONENTS





Power Supply Adjustment Formula

Under Recovery + ((Historical \$/Historical kWh) x Normalized kWh Forecast for PSA)

$\$19 + ((\$436 / 11,742) \times (12,935 \times 70\%))$



Normalized kWh Forecast for PSA

$(12,935 \times 70\%)$

\$ in millions &
GWh units

1. Over/Under (O/U) recovery from the latest closed month
 - Includes actual O/U as of 4/30/2014
 - Will be updated with actual O/U as of 7/31/2014 for the final rate
2. Use latest available rolling 12 months as the historical period
 - Historical 12 rolling months (May 2013 – April 2014)*
 - Will be updated with most current 12 rolling months ended 7/31/2014*
3. Normalized load forecast (kWh) period is 11/1/2014 - 10/31/2015

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



Power Supply Adjustment Rates

	Current Rate (cents/kWh)	Projected Rate Effective Nov. 1, 2014 (cents/kWh)
System Average	3.691	3.924
Secondary Voltage	3.709	3.943
Primary Voltage	3.625	3.853
Transmission Voltage	3.579	3.804

Final rates are subject to change following inclusion of May through July actual costs



Regulatory Charge Increase

- Austin Energy's share of the statewide cost of using the transmission grid, as well as managing, expansion and upkeep of the lines
- Help bring more renewable energy from West Texas to the rest of the state
- Costs are reviewed, approved and apportioned by the Public Utility Commission of Texas. Other non-discretionary regulatory costs may also be included.

Under-recovery at the end of FY2013 was approximately \$2 million

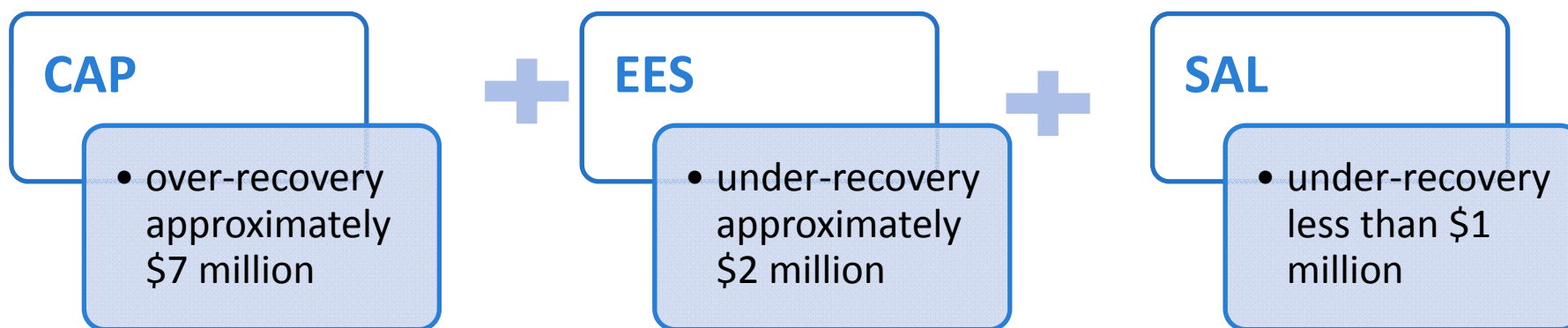
True-up for FY2015 requires a 29% increase

Target Recovery in 2015 is \$108 million



Community Benefit Charge (CBC) *No Change in Budget FY 2015*

- Customer Assistance Program (CAP)
 - to provide utility bill assistance, weatherization, and discounts for qualifying low-income customers
- Energy Efficiency Services (EES)
 - AE's energy efficiency and distributed solar services
- Service Area Lighting (SAL)
 - to provide service area lighting throughout the City of Austin



Over/Under Recovery at end of FY2013



Average Residential Customer Bill Impact

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

Average Monthly Bill	Energy (kWh)	FY 2013-14 Rate	FY 2014-15 Rate	\$ Change	% Change
Customer Charge		\$ 10.00	\$ 10.00	\$ -	0.0%
Base Electricity Charge	1,000	\$ 43.50	\$ 43.50	\$ -	0.0%
Power Supply Adjustment (PSA)*	1,000	\$ 37.09	\$ 39.43	\$ 2.34	6.3%
Community Benefit Charge (CBC) **	1,000	\$ 6.65	\$ 6.65	\$ -	0.0%
Regulatory Charge***	1,000	\$ 7.94	\$ 10.27	\$ 2.33	29.3%
Total Monthly Bill	1,000	\$ 105.18	\$ 109.85	\$ 4.67	4.4%

* The PSA is based on a non-approved forecast, as of May 23, 2014.

** The CBC is based on the current rate.

*** The Regulatory Charge is based on an estimated, but unapproved, forecast as of May 23, 2014.



GreenChoice® Reduction

GreenChoice Reduced from 1 cent to .75 cent above PSA



Reduction Effective January 2015



Patron Fixed Rate Customer Calculation will be Developed



Average Residential GreenChoice® Bill Impact

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

Average Monthly Bill	Energy (kWh)	FY 2013-14 Rate	FY 2014-15 Rate	\$ Change	% Change
Customer Charge		\$ 10.00	\$ 10.00	\$ -	0.0%
Base Electricity Charge	1,000	\$ 43.50	\$ 43.50	\$ -	0.0%
GreenChoice * (.75 cents > PSA)	1,000	\$ 47.09	\$ 46.93	\$ (.16)	(0.3)%
Community Benefit Charge(CBC)**	1,000	\$ 6.65	\$ 6.65	\$ -	0.0%
Regulatory Charge***	1,000	\$ 7.94	\$ 10.27	\$ 2.33	29.3%
Total Monthly Bill	1,000	\$ 115.18	\$ 117.35	\$ 2.17	1.9%

*The PSA is based on a non-approved forecast, as of May 23, 2014 and is subject to change

**The CBC is based on the current rate.

*** The Regulatory Charge is based on an estimated, but unapproved, forecast as of May 23, 2014.



Residential Value of Solar (VoS) Change

- Remove 20 kW tariff cap
- Year-end credits roll over until/unless account is closed
- Applies to all electric services on premise in same customer name and customer class
- Enable equipment leasing
- VOS set annually through the budget process
 - Same methodology
 - 2015 assessment lower due to lower gas price forecast
 - 2015 factor based on historic rolling average to smooth

Other Program Enhancements, including capacity-based incentive adjustments

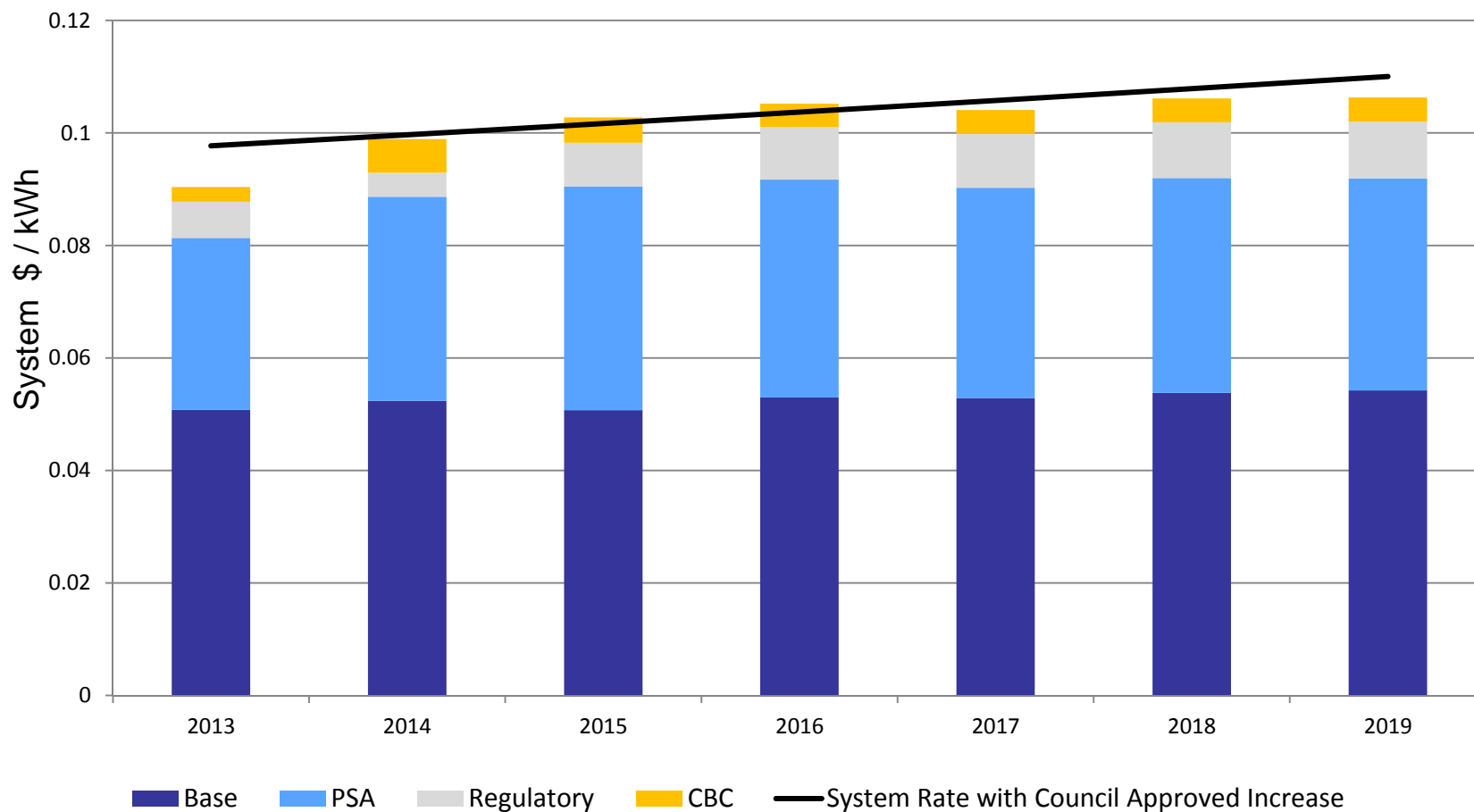
New VoS Factor

11.3 cents/kWh

Effective January 2015



AFFORDABILITY CHART





Fee Changes

Changes to Fee Schedule	Current Fee	Proposed Fee
Line Extension Fee- to establish new service	Est Cost >300 ft	Estimated Cost
Non-scheduled disconnect (non emergency)	New	\$ 170
Impacted streetlight pole (without replacement)	\$ 289	\$ 360
Hit and damaged streetlight pole	Cost	\$ 3,460
Impacted utility pole (without replacement)	\$ 482	\$ 560
Hit and damaged utility pole	Cost	\$ 5,750
Hit and damaged pad mount transformer	Cost	\$ 7,020
Dual Feed initial assessment fee	\$ 4,000	\$ 6,000



Next Steps – August CCAE Meeting

- Proposed PSA rate will be updated with May - July costs
- Review and approve final PSA rate during August budget deliberations
- Review possible changes to Regulatory and Community Benefit Charges at that time
 - This will include overall impacts to customer bills and affordability



Budget FY 2015 Discussion



Budget FY 2015 Calendar

- July 31 – Budget work session #1
 - » Proposed Budget available to the public
- August 7 - Budget presentations posted to Web
- August 13 - Budget work session #2
 - » Department Presentations and Q&A
- August 28 - Utility rate hearing
- September 3- Budget work session #3
 - » Department Presentations and Q&A
- September 8 -10 - Budget readings and adoption



Fund Summary FY 2015 through FY 2019

(\$ millions)	FY 2014 Budget	FY 2014 CYE	FY 2015 Proposed	FY 2016 Forecast	FY 2017 Forecast	FY 2018 Forecast	FY 2019 Forecast
Beginning Balance	\$195.1	\$214.8	\$207.3	\$217.1	\$213.8	\$229.7	\$246.3
Revenue/Transfers In	1,364.4	1,370.2	1,449.4	1,507.6	1,514.6	1,563.6	1,590.1
Expenditures:							
Operating with PSA and Recoverable	962.6	979.1	1,064.6	1,086.1	1,076.2	1,102.6	1,119.5
Debt Service	137.1	137.1	120.0	142.8	134.0	140.0	142.5
Capital Program (CIP)	83.8	83.8	67.8	82.0	100.4	101.4	110.0
General Fund Transfer	105.0	105.0	105.0	106.0	110.0	115.0	120.0
Administrative Support	21.0	21.0	20.1	21.8	23.6	25.5	28.0
Other Transfers	21.7	21.7	18.0	18.2	17.5	18.5	19.7
Reserve Transfers	0.0	30.0	44.0	54.0	37.0	44.0	44.6
Total Expenditures	\$1,331.2	\$1,377.7	\$1,439.5	\$1,510.9	\$1,498.7	\$1,547.0	\$1,584.3
Excess(Deficiency)	33.2	(7.5)	9.8	(3.3)	15.9	16.6	5.8
Ending Balance	\$228.2	\$207.3	\$217.1	\$213.8	\$229.7	\$246.3	\$252.1
FTEs	1,673	1,673	1,673	1,683	1,693	1,703	1,713

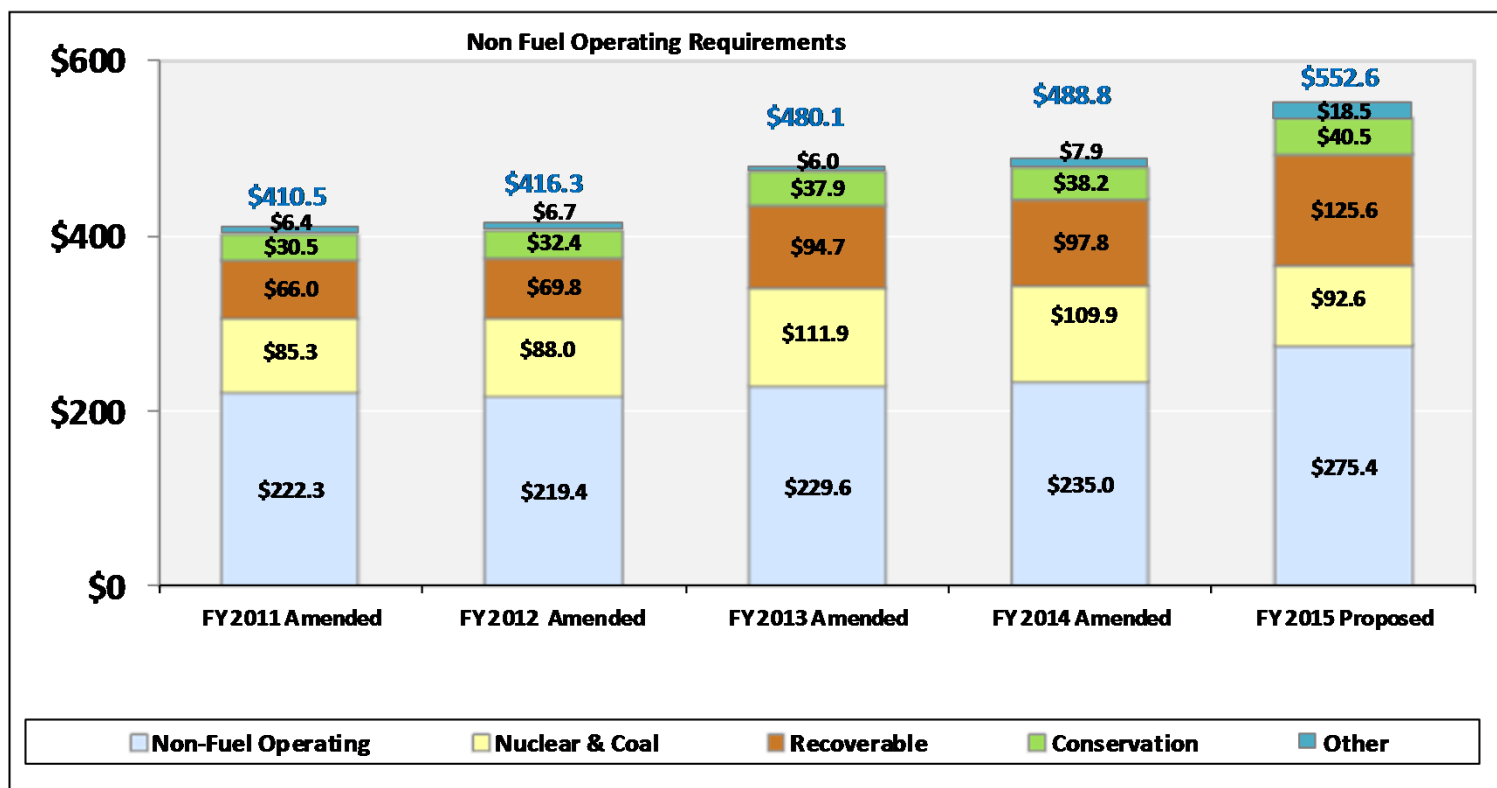


Continue Cost Containment Efforts

- **Cost Containment Efforts Continue:**
 - Evaluate maintenance schedules and adjust if there are no effects to reliability
 - Decrease in Nuclear & Coal plants operating costs.
 - Debt service Reduction from restructuring long-term outstanding debt in early FY 2013
 - Reduce CIP cash transfer by use of line extension fees and prior cash balances
 - No new FTEs added in FY 2015
- **Cost Drivers:**
 - Built in cost drivers for city-wide general wage increases, market study implementation and health insurance
 - Contract labor and consultants for IT projects and billing system enhancements
 - Bad Debt expenses
- **One-time Increases:**
 - Include \$1.5 million for completion of a distribution system pole inventory



Non-Fuel/PSA Operating History



- Recoverable includes Transmission Costs increases for ERCOT grid build-out. Recovered through regulatory charge.
- Conservation increases 32.8% over five-year period
- Other expenses include Bad Debt



Energy Efficiency Programs

Program Name	FY2013 - 14 Amended Budget	FY2014 - 15 Proposed Budget	\$ Change
Free Weatherization	\$ 1,350,000	\$ 1,377,000	\$ 27,000
Multi-Family Rebates	1,896,136	1,944,000	47,864
Loan Options	536,973	350,000	(186,973)
Clothes Washer Rebates	40,000	0	(40,000)
Nexus-Home Audit Cd	66,950	0	(66,950)
Compact Fluorescent Distrib.	25,750	500,000	474,250
Commercial-Exisit Construction	4,028,611	3,500,000	(528,611)
Small Businesses	1,937,307	1,976,053	38,746
Green Building	300,000	306,000	6,000
Commercial Power Partner	545,900	140,000	(405,900)
Solar Program	6,100,000	6,100,000	0
Solar PV Performance Based Incentive Program	1,400,000	1,400,000	0
Refrigerator Recycle Program	559,834	250,000	(309,834)
Residential Power Partner-Aggr	1,719,930	700,000	(1,019,930)
Load Coop	991,000	500,000	(491,000)
Thermal Energy Storage	103,000	21,000	(82,000)
Home Performance w Energy Star	2,263,000	2,300,000	37,000
Appliance Efficiency Program	259,784	264,979	5,195
Air Conditioning Rebates	930,423	509,189	(421,234)
CAP Weatherization Program	1,000,000	1,500,000	500,000
Electric Vehicles Incentives	315,000	315,000	0
Residential Incentives	280,000	0	(280,000)
Total	\$ 26,649,598	\$ 23,953,221	\$ (2,696,377)

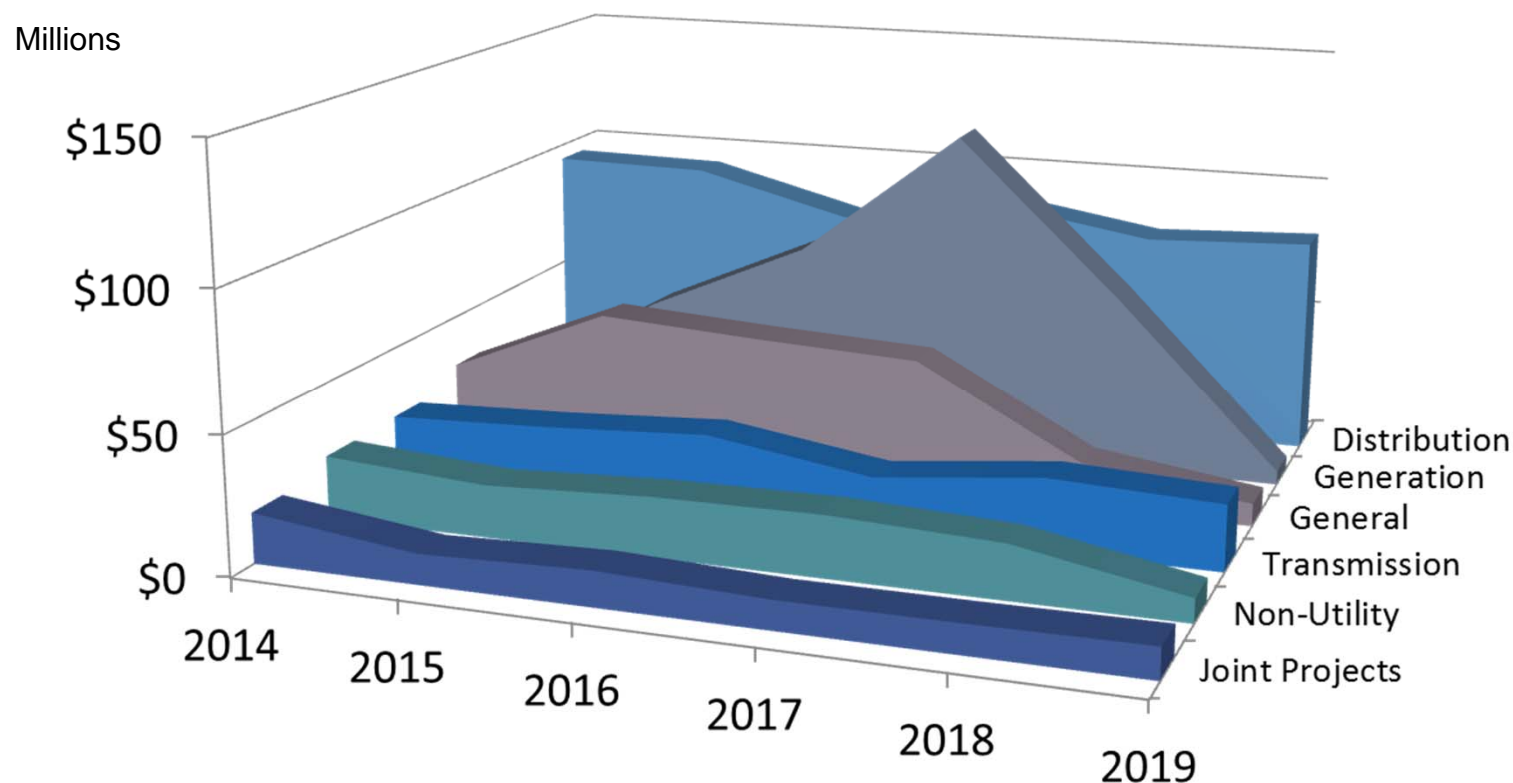
Continue to fund Energy Efficiency programs at levels to reach 800 MW peak demand savings by 2020.





Capital Improvement Program (CIP)

- FY 2015-19 Capital Budget includes \$1.2 billion to support infrastructure improvements
 - FY 2014-15 Capital Improvement Spending Plan of \$254.1 million
 - \$148.3 million issuance of commercial paper
 - \$105.8 million of transfers from operations (internally generated cash) and beginning cash balances.





CIP Five Year Spending Plan

\$1.2 Billion Five Year Capital Spending Plan

\$ in Millions	Estimate						2015-2019
	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	Total
Distribution	83.8	82.8	69.0	70.2	66.8	66.3	355.1
Distribution Substation	10.4	10.5	9.1	17.9	11.5	14.7	63.7
Transmission	23.7	25.9	29.3	20.2	26.7	24.1	126.2
Electric Service Delivery	117.9	119.2	107.4	108.3	105.0	105.1	545.0
Power Production	14.1	48.7	75.7	123.6	66.5	5.0	319.5
Joint Projects	18.3	11.0	12.8	10.5	10.6	11.2	56.1
Non-Utility	23.2	19.2	21.9	22.5	19.9	8.7	92.2
General	30.8	56.0	52.4	49.6	16.9	8.3	183.2
Total	<u>\$204.3</u>	<u>\$254.1</u>	<u>\$270.2</u>	<u>\$314.5</u>	<u>\$218.9</u>	<u>\$138.3</u>	<u>\$1,196.0</u>

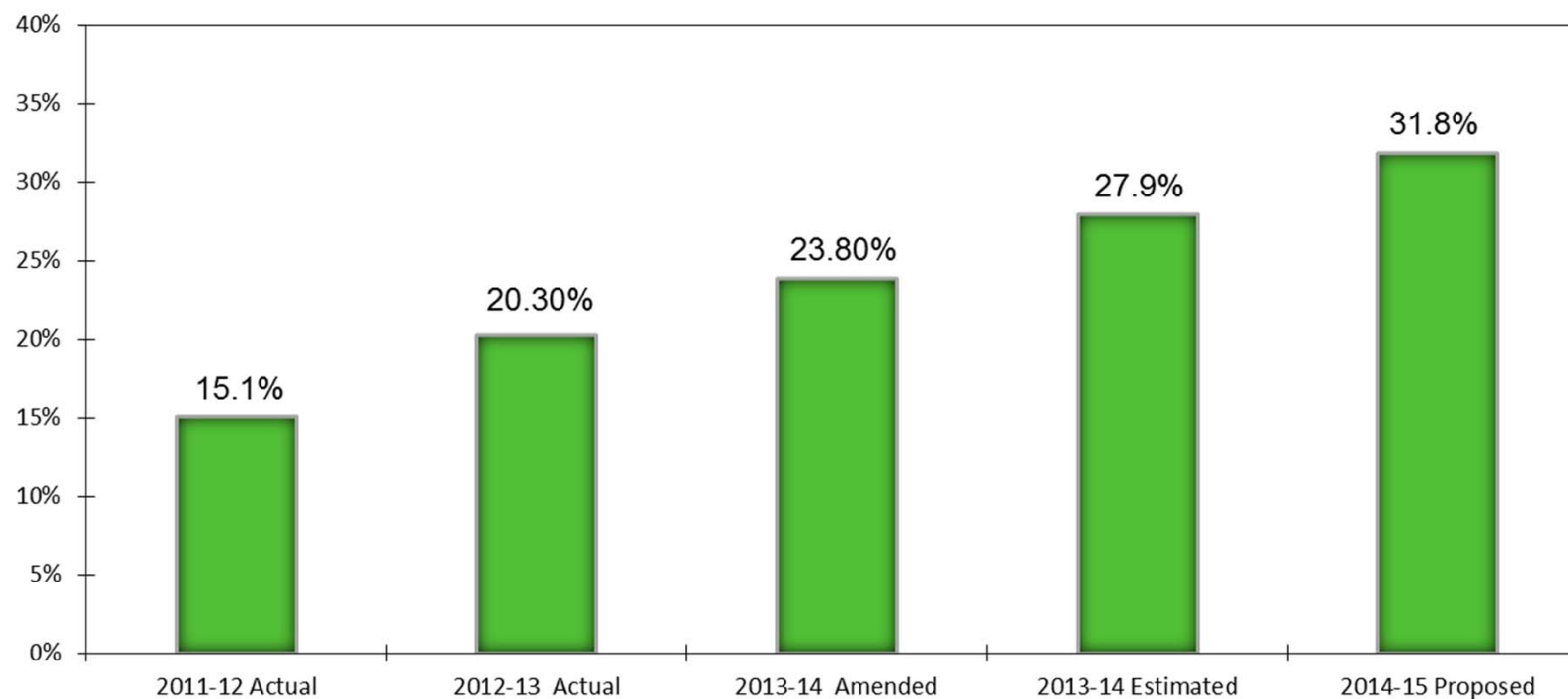
- Projects for power supply, reliability and customer service
 - Electric Service Delivery - 46% of 5-year plan
 - Power Production - includes 200 MW expansion at Sand Hill Energy Center in FY 2015-2018



Performance Measures

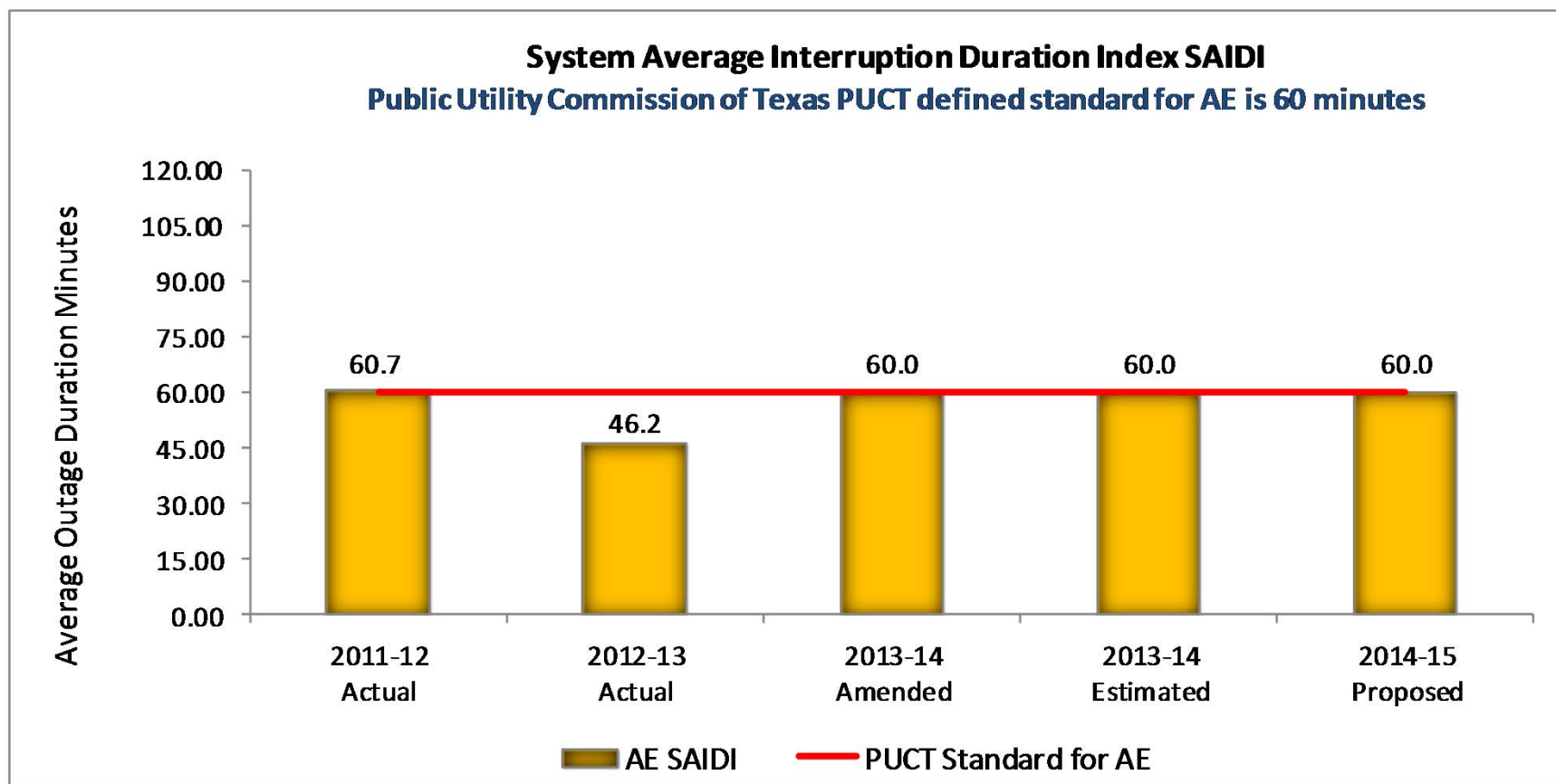


Percentage of Renewable Energy in Austin Energy's Energy Supply



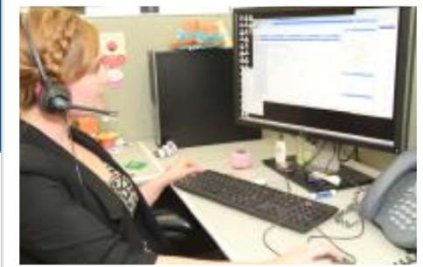


Performance Measures

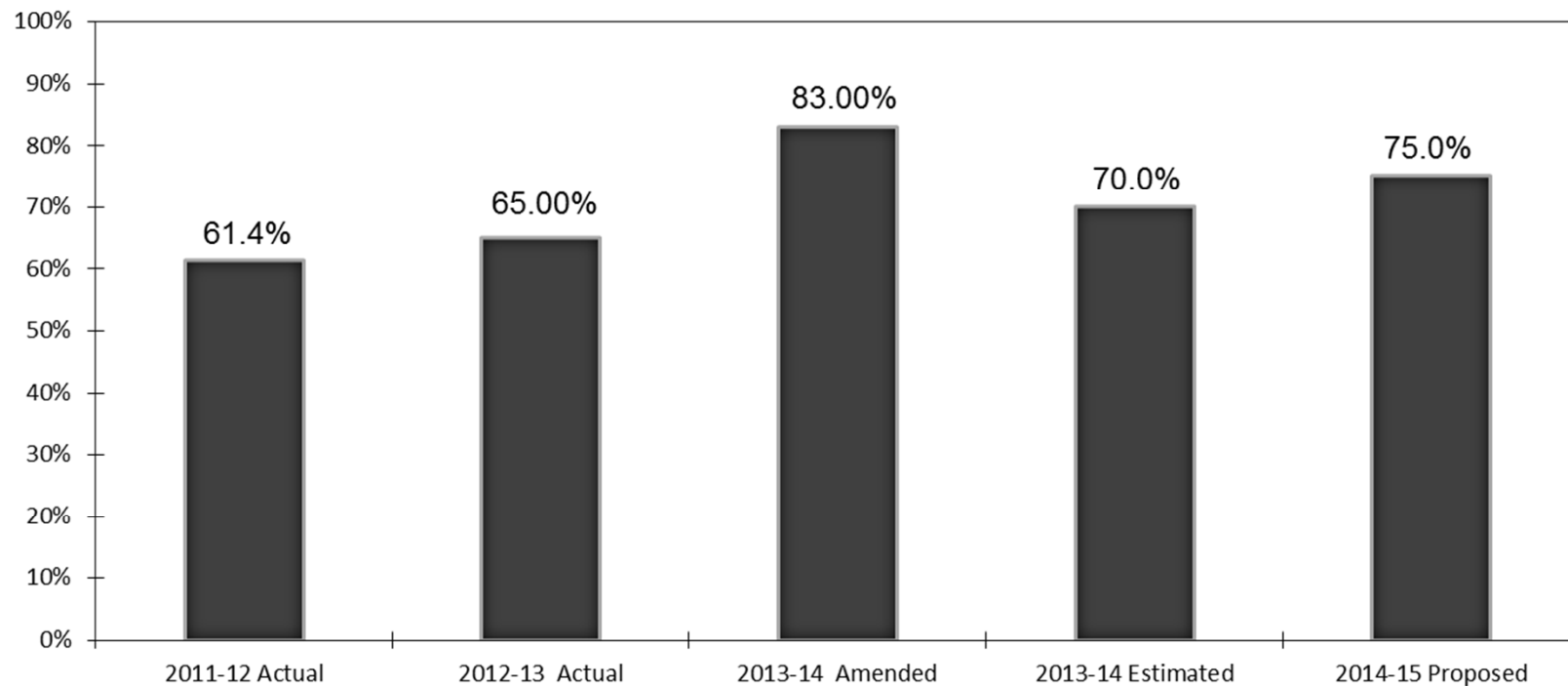




Performance Measures



Customer Satisfaction Index





Questions?