

Austin Energy

FY 2015 Proposed Budget

Presented to the Electric Utility Commission
August 18, 2014



Budget Presentations:
www.austintexas.gov/finance





Department Overview

- Retail electric provider for 430,000+ customers
- Over 3,500 megawatts of generation including natural gas, coal, nuclear and renewable contracts for wind, solar and biomass
- Operate and maintain 74 substations, 11,429 miles of distribution line and 623 miles of transmission line

Major Accomplishments

- Best reliability performance in history of utility
- Significant increase in Renewable Energy Portfolio
- Positive financial results allows for reserves funding
- Update to Generation Resource Plan
- 2014 Energy Star Partner of the Year – Sustained Excellence Award recognized by U.S. Environmental Protection Agency (EPA)
- National leader for Public Power in Green Energy Sales
- Completion of Dark Skies streetlight initiative

Key Performance Data	FY 13 Act.	FY 14 Est.	FY 15 Prop.
Heat Rate	9,972	10,059	10,232
System Average Interruption Frequency Index (SAIFI)	0.59	0.80	0.80
Percent of renewable energy in power supply portfolio	20.3%	27.9%	31.8%
Customer Satisfaction through Customer Surveys	65%	70%	75%
Fuel cost average (cents per kilowatt hour)	3.71	3.86	3.97
Bond ratings electric utility separate lien Standard & Poor's (S&P) rating	AA- Stable	AA- Stable	AA- Stable



Update to Austin Energy Charges

- Proposed Budget included preliminary rate changes based on April 2014 data
- Power Supply Adjustment (PSA) updated with July 2014 data
- Regulatory Charge updated to meet Affordability Goal





Revenue Highlights

Average Residential Customer Bill Impact

Inside City of Austin Customer

Average Monthly Bill	Energy kWh	FY 2014 Rate		FY 2015 Initially Proposed	\$ Change	% Change		FY 2015 Revised Proposed	\$ Change	% Change
Customer Charge	Flat Fee	\$10.00		\$10.00	None	None		\$10.00	None	None
Base Electricity Charge	1,000	\$ 43.50		\$ 43.50	None	None		\$ 43.50	None	None
Power Supply Adjustment (PSA)*	1,000	\$ 37.09		\$ 39.43	\$ 2.34	6.3%		\$ 39.45	\$ 2.36	6.36%
Community Benefit Charge (CBC)	1,000	\$ 6.65		\$ 6.65	\$ 0.00	0.0%		\$ 6.65	\$ 0.00	0.0%
Regulatory Charge	1,000	\$ 7.94		\$ 10.27	\$ 2.33	29.3%		\$ 8.30	\$ 0.36	4.5%
Total Monthly Bill	1,000	\$105.18		\$109.85	\$ 4.67	4.4%		\$107.90	\$ 2.72	2.6%

System Average Rate		Affordability Results (increase to overall revenue)	3.4%		Affordability Results (increase to overall revenue)	1.9%
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Revenue Highlights

Revenue Changes from FY 2014 Amended Budget:

Base – \$0.3 million decrease

- No base rate increase for FY 2015
- Normalized weather for sales, customer growth 1.2%

Power Supply Adjustment (PSA) – \$42.0 million increase

- Variations in natural gas price, mix of renewable energy in portfolio, replacement power for unplanned plant outages
- Green Choice premium reduced from 1.0 cent to 0.75 cents per kWh

Regulatory – \$6.2 million increase

- Recover increasing costs of transmission grid build-out

Wholesale Transmission – \$12.1 million increase

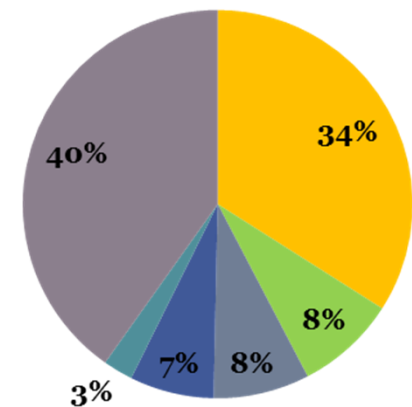
- Based on updated projections from the Electric Reliability Council of Texas (ERCOT)

Community Benefit – \$4.7 million increase

- No change to rate
- Recovers energy efficiency services, street and traffic lighting, and Customer Assistance Program (CAP)

FY2015 Expenditures

- Power Supply
- Transmission
- Debt Service
- General Fund Transfer
- City Support Services
- AE Core Operations



Updated estimates for charges enables 2% Affordability Goal to be met.



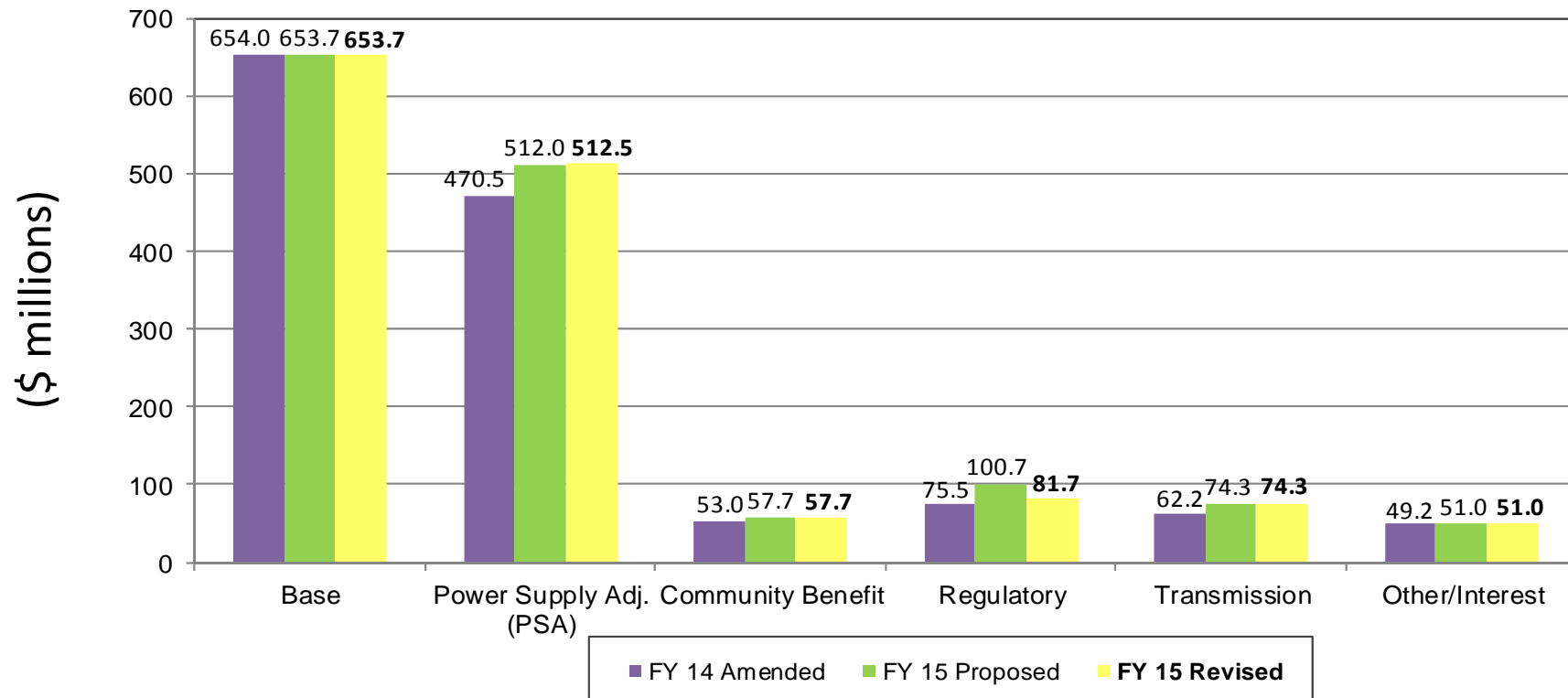
Sources of Funds

Departmental Revenue

FY 14 Amended: \$1,364.4 million

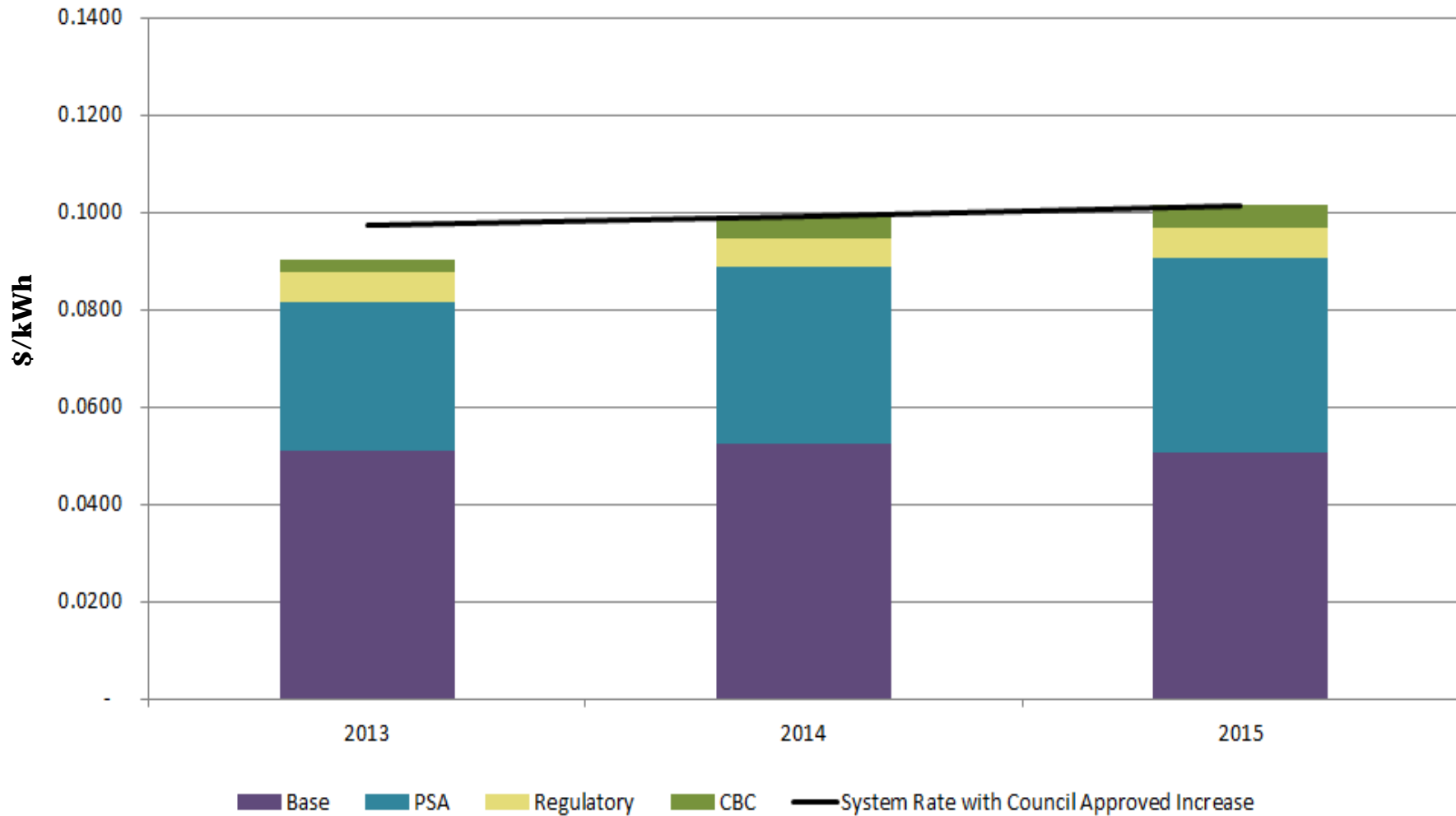
FY 15 Proposed: \$1,449.4 million

FY 15 Revised: \$1,430.9 million





Affordability Goal





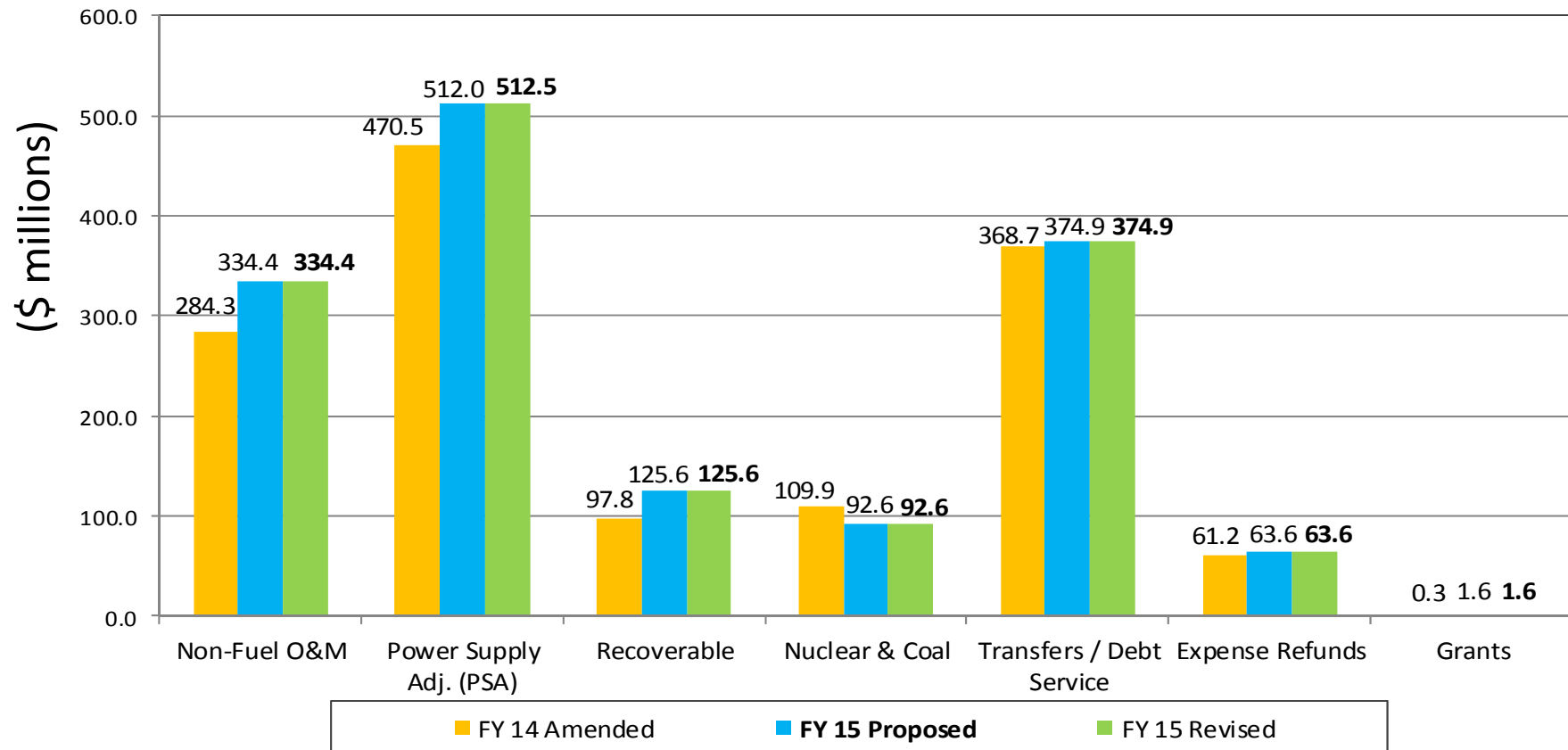
Uses of Funds

Departmental Expenditures

FY 14 Amended: \$1,392.7 million

FY 15 Proposed: \$1,504.7 million

FY 15 Revised: \$1,505.2 million





Budget Highlights

- **Cost Containment Efforts Continue:**

- No new FTEs added in FY 2015
- Evaluate maintenance schedules and adjust if no effect on reliability
- Decrease in Nuclear & Coal plants operating costs – (\$17 million)
- Debt service reduction due to restructuring of long-term debt in early FY 2013 – (\$17 million)
- Reduce CIP transfer by use of line extension fees and prior cash balances – (\$16 million)
- Transfer to Economic Development reduced based on transition plan – (\$3 million)

- **Cost Drivers:**

- PSA increases – \$42 million
- Recoverable expenses increase for continued build-out of ERCOT grid – \$27 million
- Bad Debt expenses – \$11 million
- Contract labor & consultants for IT projects and billing system enhancements – \$7 million

- **One-time Increases:**

- Include \$1.5 million for completion of a distribution system pole inventory



CIP Highlights

5-year Spending Plan – \$1.2 billion

- Electric service delivery
- Generation improvements
- Facilities and technology

FY 2014-15 Spending Plan – \$254.1 million

- Distribution upgrades, including substations – \$93.4 million
 - \$20.8 million for system reliability improvements; \$19.5 million for growth related projects
- Power production projects – \$71.4 million
 - \$20.0 million for additional generation resources
- Utility-wide facilities and technology – \$58.1 million
 - \$33.1 million for hardware & software enhancements to billing system and other operating requirements



Thermal energy storage tank construction at the Domain on-site energy plant.



Austin Energy Fund Summary

(\$ millions)	FY 13 Actual	FY 14 Estimated	FY 15 Proposed	FY 15 Revised
Beginning Balance	\$128.5	\$214.8	\$207.1	\$207.1
Base and Other Revenue	852.9	896.8	937.4	918.4
PSA / Fuel Revenue	455.3	473.4	512.0	512.5
Transfers In	11.7	0.0	0.0	0.0
Total Available Funds	\$1,319.9	\$1,370.2	\$1,449.4	\$1,430.9
PSA / Fuel Cost	453.8	473.4	512.0	512.5
Recoverable Expenses	88.4	101.0	125.6	125.6
Non-Fuel Operating Expense	372.4	404.2	427.0	427.0
Debt Service	130.9	137.1	120.0	120.0
CIP Transfer	68.8	83.9	67.8	67.8
General Fund Transfer	105.0	105.0	105.0	105.0
Other Transfers	38.5	73.3	82.1	82.1
Total Expenditures	\$1,257.8	\$1,377.9	\$1,439.5	\$1,440.0
Excess(Deficiency)	62.1	(7.7)	9.8	(9.1)
Ending Balance	\$214.8	\$207.1	\$216.9	\$198.0
FTEs	1,659.0	1,672.75	1,672.75	1,672.75

Ending balance includes the adjustment to GAAP.

Fund Summary does not include expense refunds or grants.



Other Budget Topics

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

➤ Overall conservation budget decreases by \$0.7 million as decrease in rebates budget mostly offset by increase to program administration for marketing and automation of rebate processes

Residential Value of Solar Changes

- Rate set at 11.3 cents/kWh
- Effective January 15
- Year-end credits roll over until/unless account is closed



For More Information

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