

# Austin Energy

## FY 2015 Proposed Budget



**Budget Presentations:**  
[www.austintexas.gov/finance](http://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

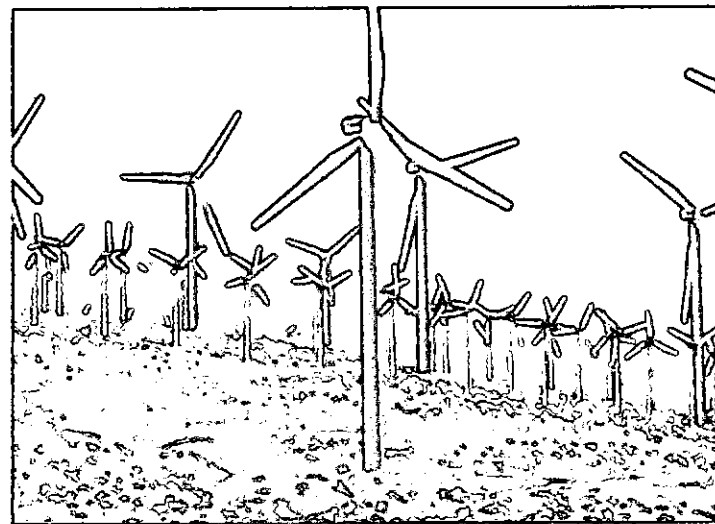
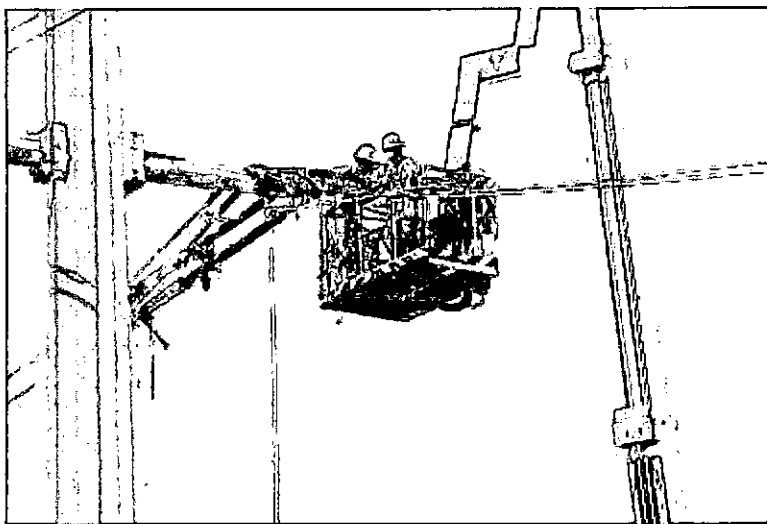
- Best reliability performance in history of utility
- Significant increase in Renewable Energy Portfolio
- Positive financial results allows for reserves funding
- Update to Generation Resource Plan
- 2014 Energy Star Partner of the Year – Sustained Excellence Award recognized by U.S. Environmental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

| Key Performance Data   | FY 13<br>Act. | FY 14<br>Est. | FY 15<br>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%        |
| <b>Total Monthly Bill</b>      | <b>1,000</b> | <b>\$105.18</b> |  | <b>\$109.85</b>            | <b>\$ 4.67</b> | <b>4.4%</b> |  | <b>\$107.90</b>          | <b>\$ 2.72</b> | <b>2.6%</b> |

|                            |  |   |             |  |   |             |
|----------------------------|--|---|-------------|--|---|-------------|
| <b>System Average Rate</b> |  | <b>Affordability Results</b><br>(increase to overall revenue) | <b>3.4%</b> |  | <b>Affordability Results</b><br>(increase to overall revenue) | <b>1.9%</b> |
|----------------------------|--|---|-------------|--|---|-------------|



# 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**

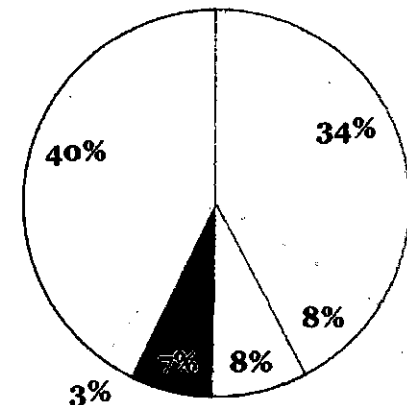
- Based on updated projections from the Electric Reliability Council of Texas (ERCOT)

### **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.



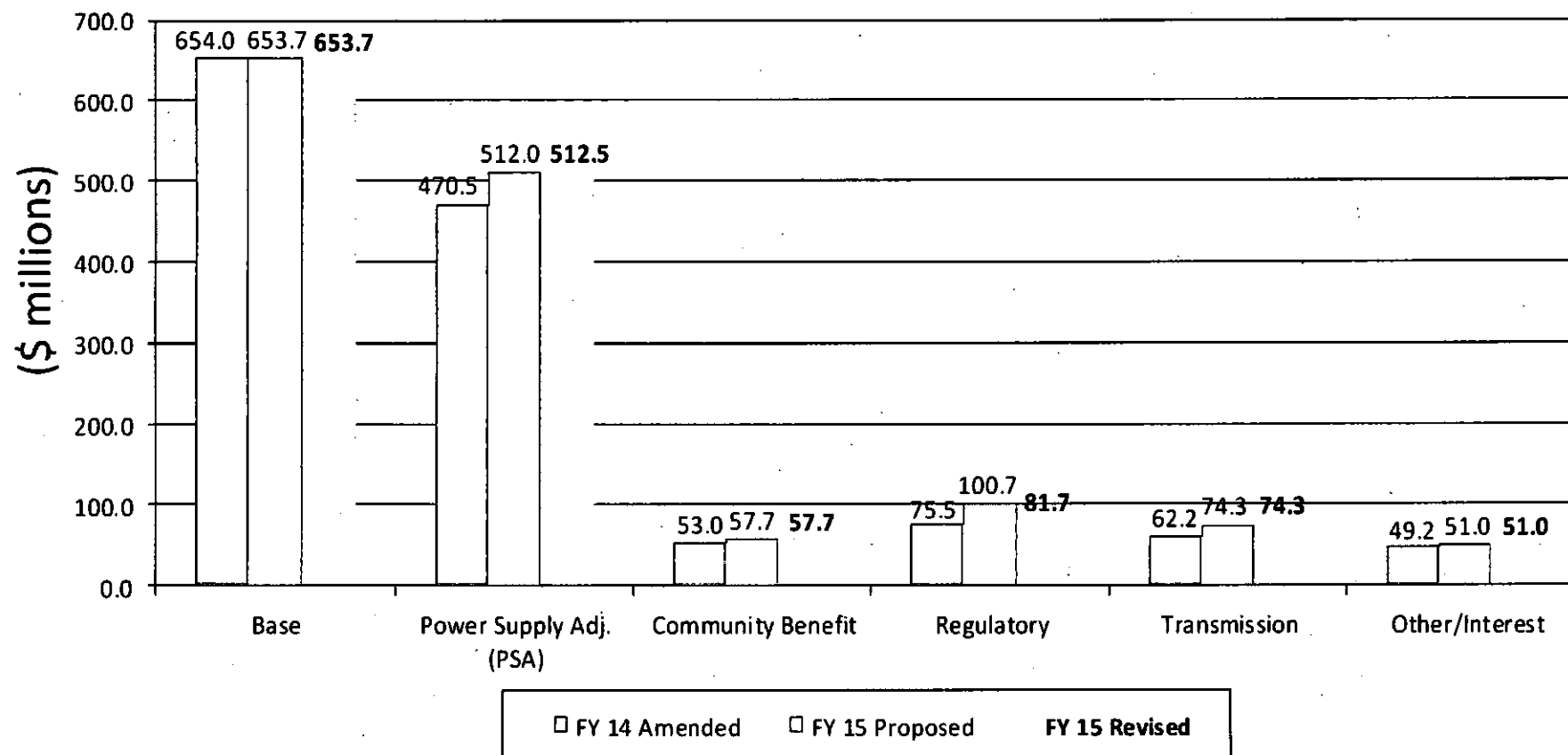
# Sources of Funds

## Departmental Revenue

FY 14 Amended: \$1,364.4 million

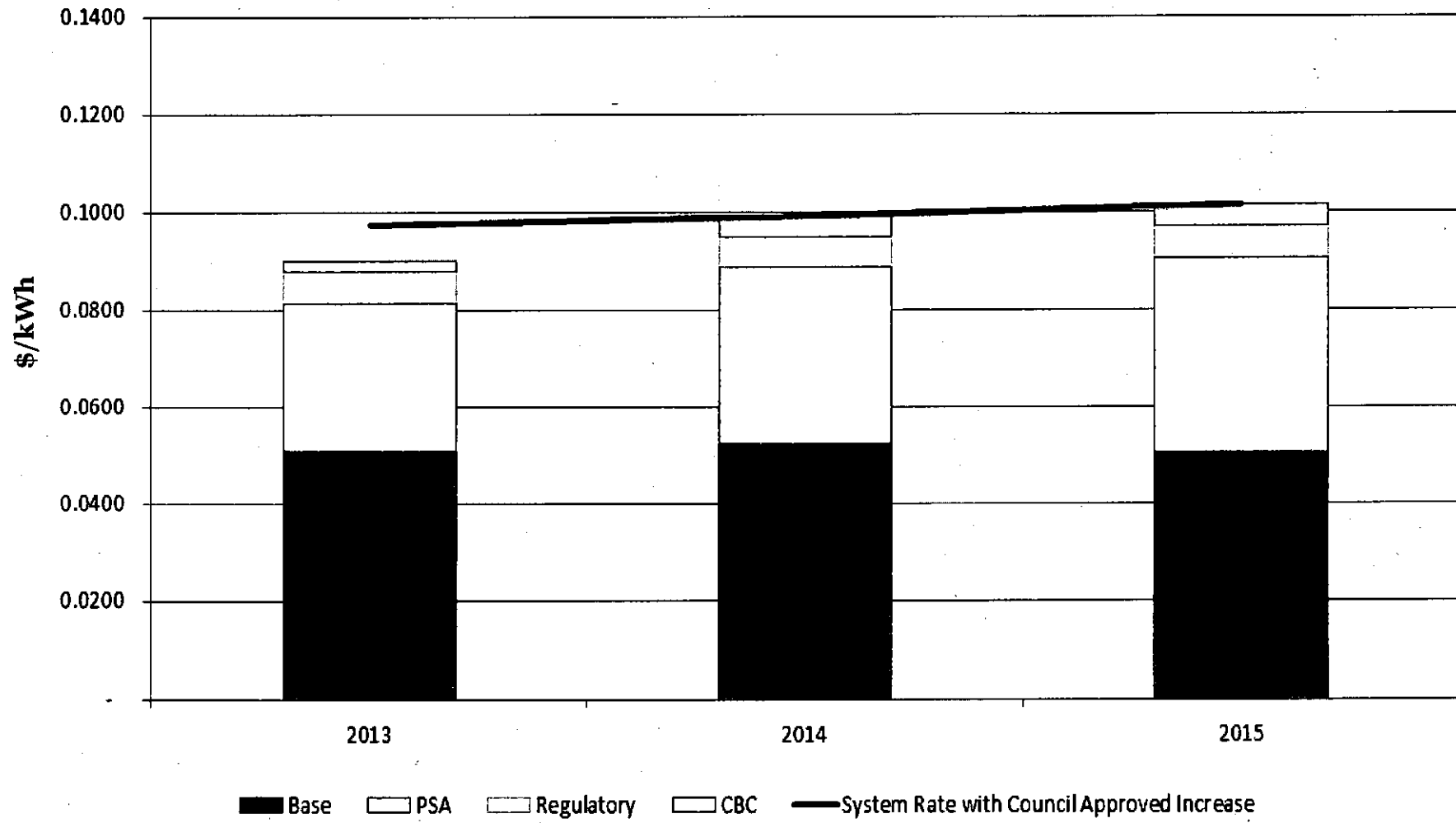
FY 15 Proposed: \$1,449.4 million

**FY 15 Revised: \$1,430.9 million**





# Affordability Goal





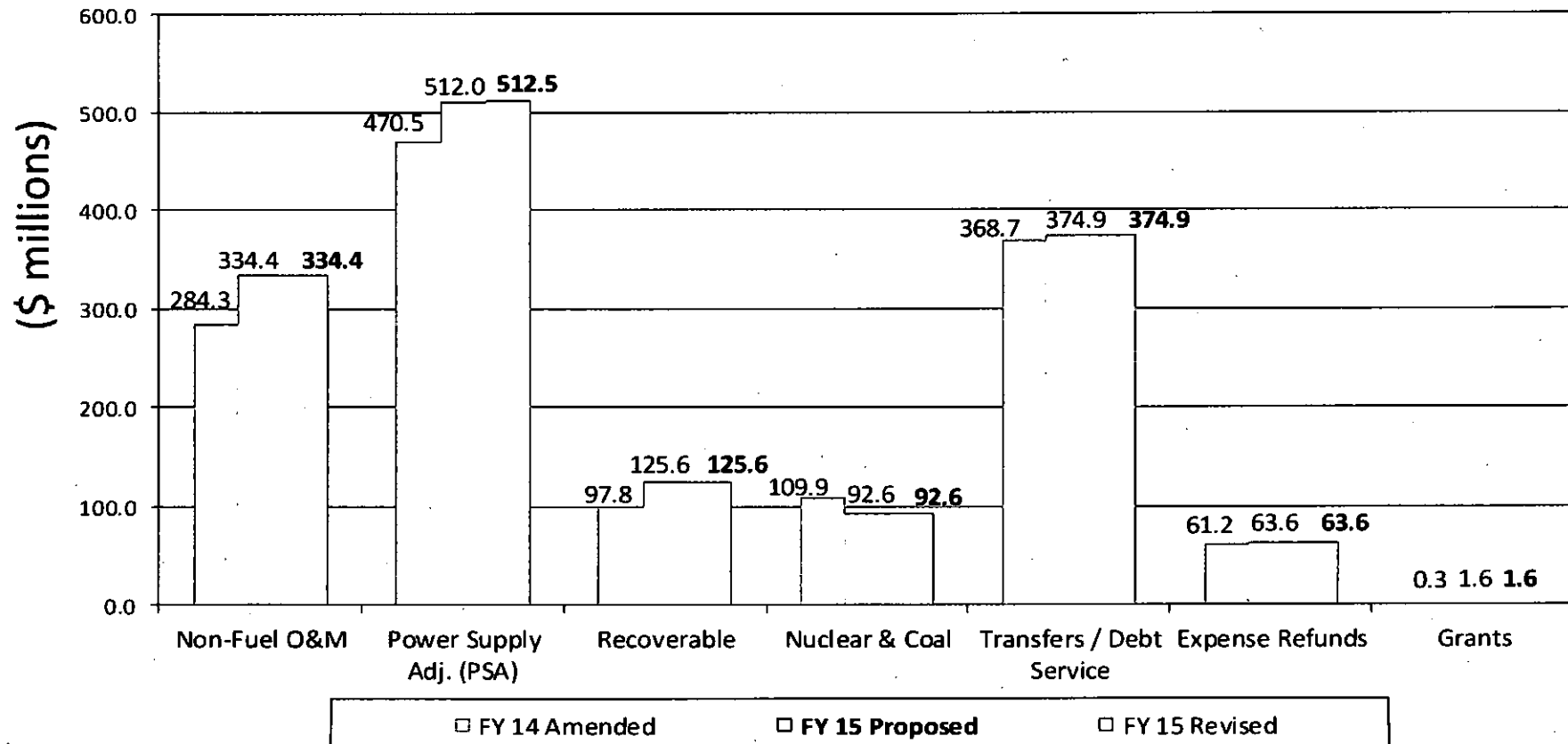
# Uses of Funds

## 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:

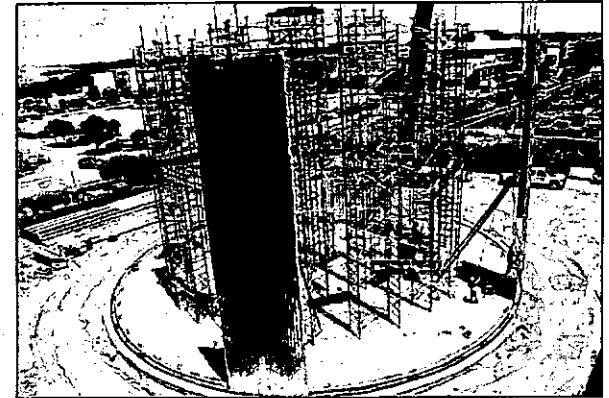
- Include \$1.5 million for completion of a distribution system pole inventory



# CIP Highlights

## **5-year Spending Plan – \$1.2 billion**

- Electric service delivery
- Generation improvements
- Facilities and technology



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

## **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



# Austin Energy Fund Summary

| (\$ millions)                | FY 13<br>Actual  | FY 14<br>Estimated** | FY 15<br>Proposed | FY 15<br>Revised |
|------------------------------|------------------|----------------------|-------------------|------------------|
| <b>Beginning Balance</b>     | <b>\$128.5</b>   | <b>\$214.8</b>       | <b>\$207.1</b>    | <b>\$253.8</b>   |
| 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              |
| <b>Total Available Funds</b> | <b>\$1,319.9</b> | <b>\$1,370.2</b>     | <b>\$1,449.4</b>  | <b>\$1,430.9</b> |
| 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            | 396.5                | 427.0             | 427.0            |
| Debt Service                 | 130.9            | 128.1                | 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             | 43.3                 | 82.1              | 82.1             |
| <b>Total Expenditures</b>    | <b>\$1,257.8</b> | <b>\$1,331.2</b>     | <b>\$1,439.5</b>  | <b>\$1,440.0</b> |
| Excess(Deficiency)           | 62.1             | 39.0                 | 9.8               | (9.1)            |
| <b>Ending Balance</b>        | <b>\$214.8*</b>  | <b>\$253.8</b>       | <b>\$216.9</b>    | <b>\$244.7</b>   |
| <b>FTEs</b>                  | <b>1,659.00</b>  | <b>1,672.75</b>      | <b>1,672.75</b>   | <b>1,672.75</b>  |

\*Ending balance includes the adjustment to GAAP.

\*\*CYE has been updated since publication of the FY15 Proposed Budget.  
Fund Summary does not include expense refunds or grants.



# Other Budget Topics

| Program Name                                 | FY2013 - 14<br>Amended Budget | FY2014 - 15<br>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)             |
| <b>Total</b>                                 | <b>\$ 26,649,598</b>          | <b>\$ 23,953,221</b>           | <b>\$ (2,696,377)</b> |

➤ 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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