



Budget FY 2016 Work Session

July 20, 2015

Electric Utility Commission

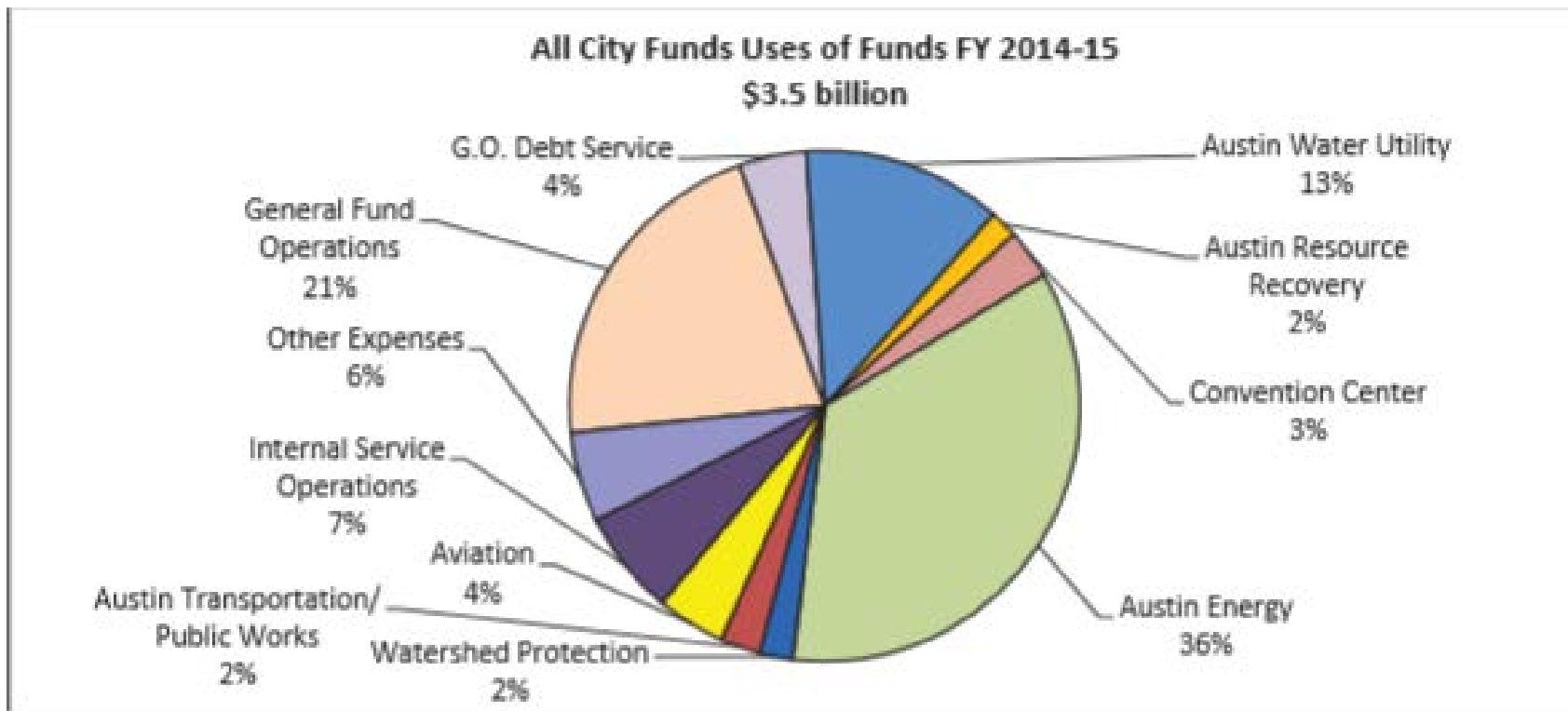


Topics

- City of Austin Budget Process
- Components of Austin Energy Budget
- Forecasted Rates and Fee Changes
- Key Performance Indicators
- Remaining FY 2016 Budget Schedule



AE's Share of the City Budget



Austin Energy's total Expenditures Budget of \$1.4 Billion is 36% of the City of Austin's total expenditures budget of \$3.5 Billion



Budget Process Overview

City Manager's Roadmap



City Manager presents Budget Recommendation to Council – July 30



City Council's Roadmap

City Manager Implements Budget



Budget Development Elements

Council Policy Objectives and Priorities

Affordability, Homestead Exemption



Citizen Engagement

Boards & Commissions

Town Halls, Conversation Corps, Budget-in-a-Box



Department Budget Preparation

Review Public Input, Update revenue estimates,
Highlight significant budget changes

Develop Budget



City Manager Review and Budget Preparation

Analyze Department Budget Submittals

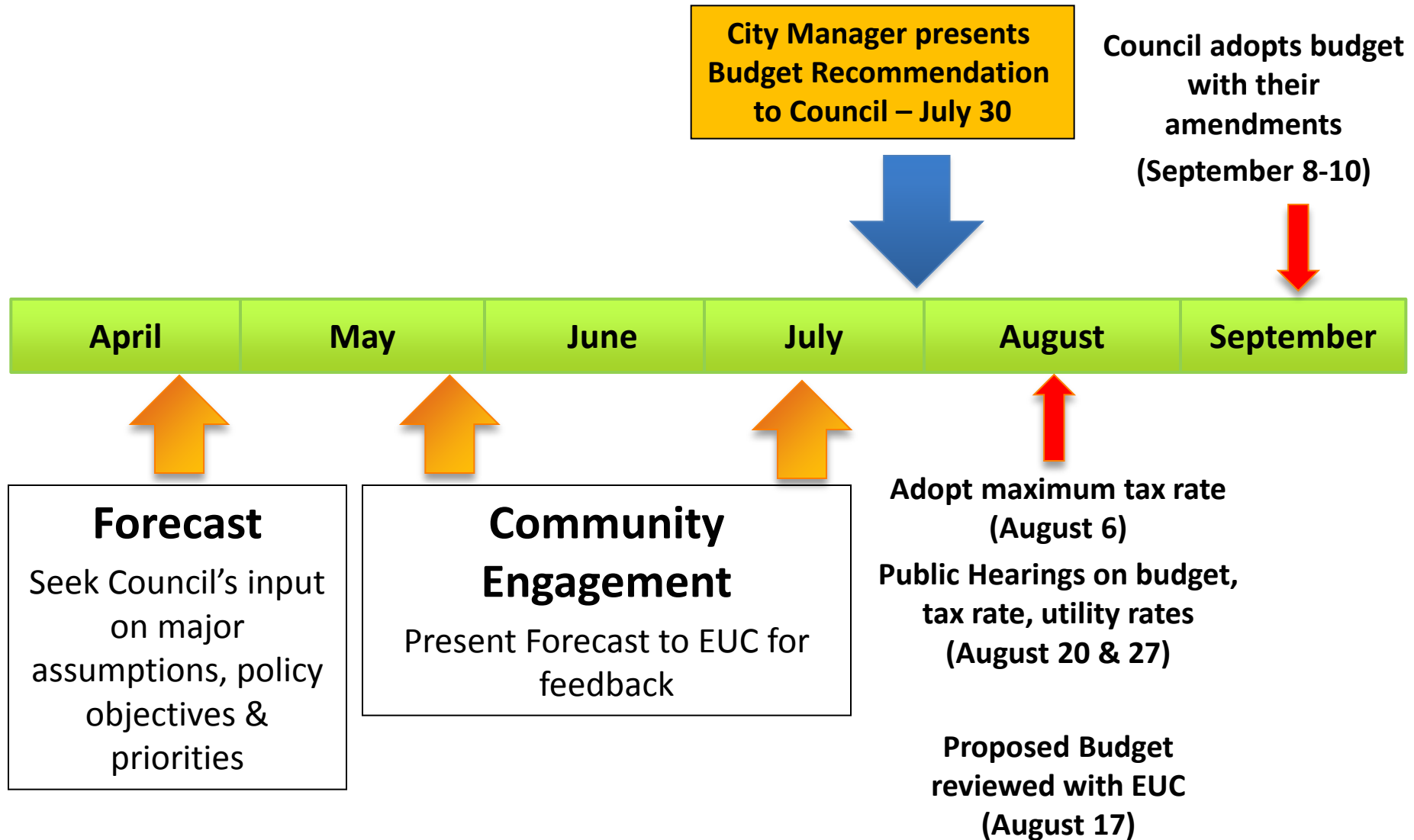
Review Council Input



**City Manager Finalizes Budget Recommendation,
Presents to Council – July 30**



Budget Timeline





Components of Austin Energy's Budget





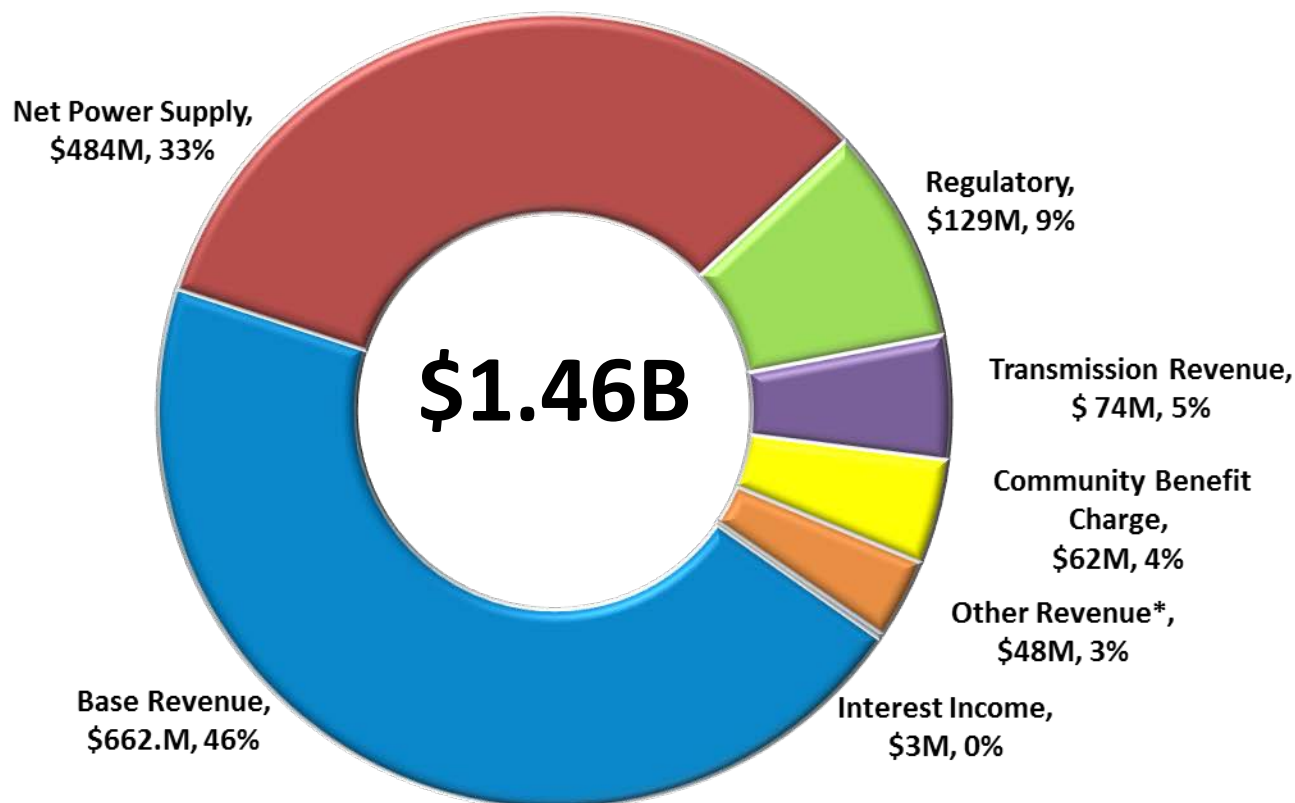
Fund Summary FY 2016 through FY 2020

(\$ millions)	FY 2015 Budget	FY 2015 CYE	FY 2016 Forecast	FY 2017 Forecast	FY 2018 Forecast	FY 2019 Forecast	FY 2020 Forecast
Beginning Balance	\$253.7	\$275.0	\$269.1	\$313.2	\$320.6	\$343.5	\$357.7
Revenue/Transfers In	1,430.9	1,423.5	1,462.2	1,498.6	1,533.2	1,572.0	1,600.4
Expenditures:							
Operating with PSA and Recoverable	1,065.1	1,058.4	1,025.2	1,093.1	1,098.2	1,127.2	1,136.9
Debt Service	120.0	115.7	124.3	120.1	120.0	136.2	152.2
Capital Program (CIP)	67.8	67.8	78.7	83.9	81.4	109.7	135.6
General Fund Transfer	105.0	105.0	105.0	109.0	113.0	116.0	118.0
Administrative Support	20.1	20.1	22.1	23.2	24.3	25.6	26.8
Other Transfers	18.4	18.4	17.8	17.9	18.4	19.6	21.1
Reserve Transfers	44.0	44.0	45.0	44.0	55.0	23.5	13.6
Total Expenditures	\$1,440.4	\$1,429.4	\$1,418.1	\$1,491.2	\$1,510.3	\$1,557.8	\$1,604.2
Excess(Deficiency)	(9.5)	(5.9)	44.1	7.4	22.9	14.2	(3.8)
Ending Balance	\$244.2	\$269.1	\$313.2	\$320.6	\$343.5	\$357.7	\$353.9
FTEs	1,673	1,673	1,673	1,683	1,693	1,703	1,713

* Data is forecast and will change as proposed budget is finalized.



Sources of Revenue

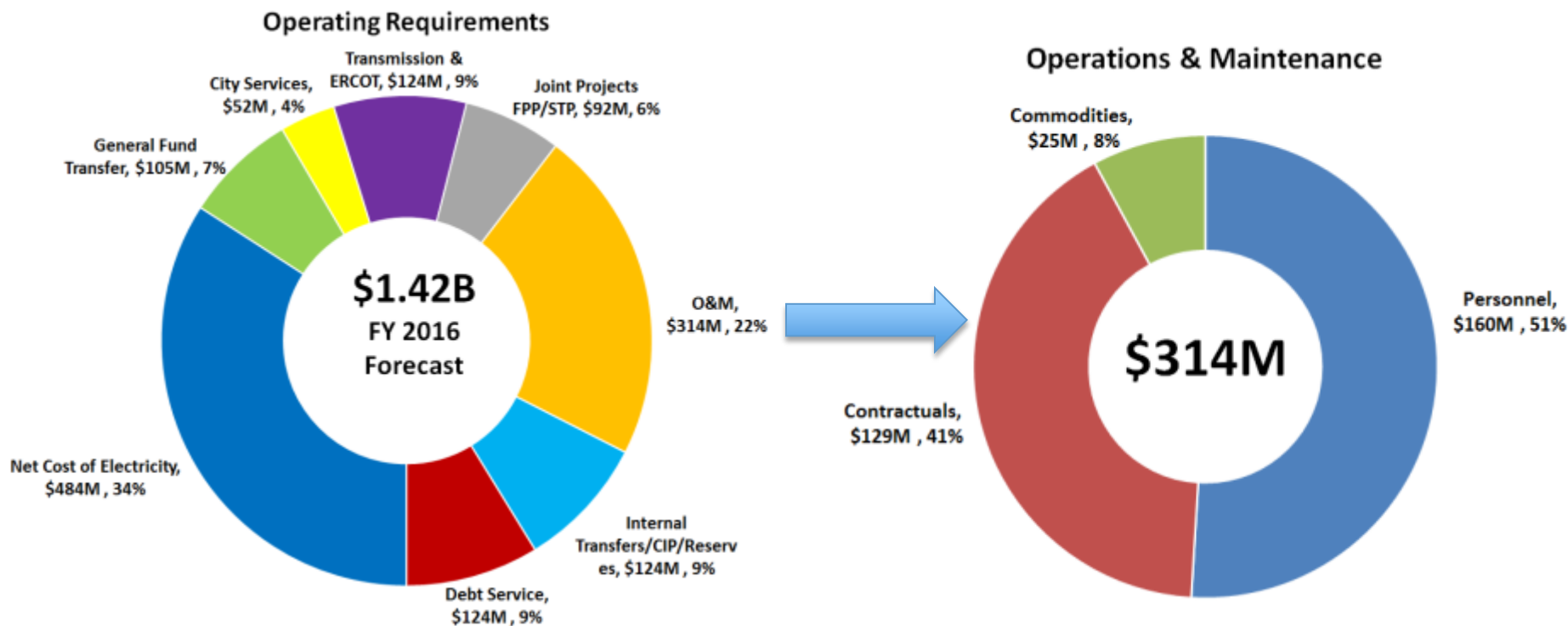


*Other revenue includes On-Site Energy (chiller) \$20M, Congestion Revenue \$13M, infrastructure attachments \$5M, Misc. Fees \$8M

* Data is forecast and will change as proposed budget is finalized.



Resources that Austin Energy Uses for its Operations



* Data is forecast and will change as proposed budget is finalized.



Energy Efficiency Programs

Conservation Rebates & Incentives Programs

Program Name	FY2014-15 Amended Budget	FY2015-16 Forecast	\$Change
Solar Program	6,100,000	6,100,000	-
Solar PV Performance Based Incentive Program	1,400,000	1,400,000	-
Free Weatherization	1,377,000	1,377,000	-
Multi-Family Rebates	1,944,000	1,800,000	(144,000)
Loan Options	350,000	100,000	(250,000)
Compact Fluorescent Distrib.	500,000	900,000	400,000
Commercial-Exisit Construction	3,500,000	2,700,000	(800,000)
Small Businesses	1,976,053	2,500,000	523,947
Green Building	306,000	306,000	-
Commercial Power Partner	140,000	140,000	-
Refrigerator Recycle Program	250,000	250,000	-
Residential Power Partner-Aggr	700,000	700,000	-
Load Coop	500,000	600,000	100,000
Thermal Energy Storage	21,000	21,000	-
Home Performance w Energy Star	2,300,000	2,300,000	-
Appliance Efficiency Program	264,979	50,000	(214,979)
Air Conditioning Rebates	509,189	650,000	140,811
CAP Weatherization Program	1,500,000	1,000,000	(500,000)
Electric Vehicles Incentives	315,000	315,000	-
Total	\$ 23,953,221	\$ 23,209,000	\$ (744,221)

Continue to fund Energy Efficiency programs at levels to reach 800 MW of energy efficiency and 200 MW of additional demand response by 2020.



* Data is forecast and will change as proposed budget is finalized.



CIP Five Year Spending Plan

\$1.4 Billion Five Year Capital Spending Plan

\$ in Millions	Estimate						2016-2020
	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	Total
Distribution	82.0	76.2	75.8	75.8	75.8	79.8	383.4
Distribution Substation	9.5	11.0	13.9	6.4	20.4	14.6	66.3
Transmission	30.6	28.0	24.6	32.2	18.8	24.7	128.3
Electric Service Delivery	122.1	115.2	114.3	114.4	115.0	119.1	578.0
Power Production	16.2	23.1	26.0	121.3	211.5	196.2	578.1
Joint Projects	19.9	13.9	12.8	13.1	13.5	11.1	64.4
Non-Utility	19.2	36.7	26.8	17.9	2.8	0.8	85.0
General	39.2	39.7	49.8	42.6	28.5	10.9	171.5
Total	<u>\$216.6</u>	<u>\$228.6</u>	<u>\$229.7</u>	<u>\$309.3</u>	<u>\$371.3</u>	<u>\$338.1</u>	<u>\$1,477.0</u>

- Projects for power supply, reliability and customer service
 - Electric Service Delivery - 39% of 5-year plan
 - Power Production - includes 500 MW natural gas plant construction at Decker in FY 2018-20

* Data is forecast and will change as proposed budget is finalized.



FY 2016 Capital Plan Highlights

- Ultra filtered water system at Sand Hill Plant
- Plant upgrades at South Texas Project
- Distribution system growth and reliability
- Upgrades to the Dunlap, Kingsbery and Sprinkle distribution substation transformers
- Distribution projects for energy storage, automation & conservation voltage reduction
- Transmission upgrades for the Gilleland to Techridge and Kingsbery to Mueller circuits
- Downtown hotel On-Site energy connections
- Domain Chiller plant new cooling tower
- Electric vehicle fast charging stations
- New warehouse site for salvage & recycling operations





Financial Policies

Austin Energy has 21 adopted financial policies. These policies are memorialized and adopted by ordinance each year during the budgeting process. They are published in Volume II of the City of Austin's budget. They cover a variety of financial issues, including:

- Use and limitations on long-term debt funding
- Debt service coverage ratios
- Use and limitations on Commercial Paper
- Cash balance requirements
- General fund transfer
- Debt to equity financing of capital projects
- Reserve funding, balances and uses
- Electric rate levels
- Nuclear and non-nuclear decommissioning funds

Austin Energy financial policies includes more than simply the adopted policies. We also look to numerous other sources for guidance and instruction related to financial matters, including:

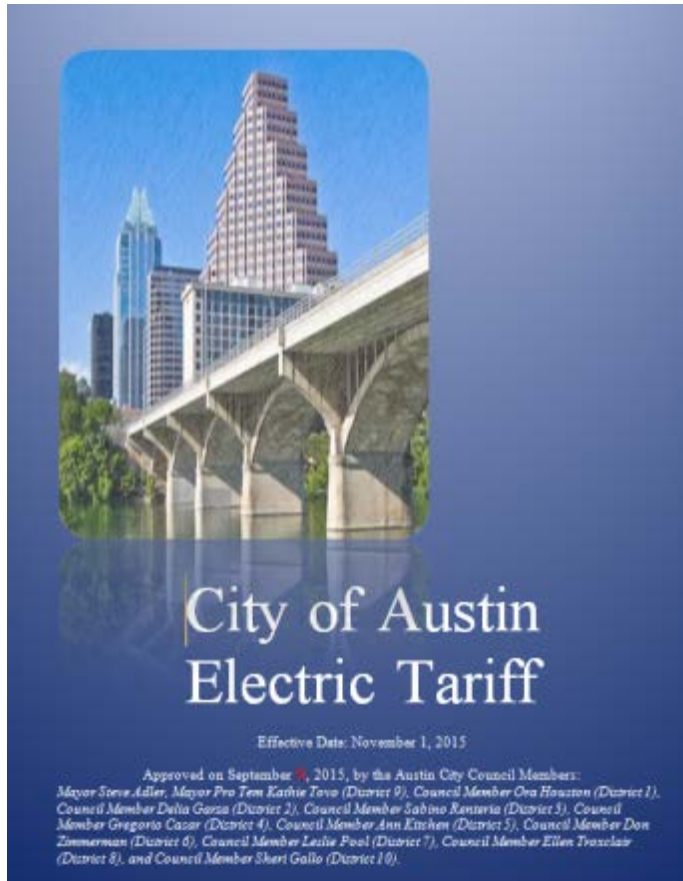
- Credit rating agencies
- Bond covenants
- Generally Accepted Accounting Principles
- City budgeting
- City procurement
- City Council instructions, resolutions and ordinances
- Federal Energy Regulatory Commission
- Texas Public Utility Commission
- Contractual requirements
- Business and government best practices
- ERCOT Protocol and credit standards



Tariffs and Fees

Austin Energy publishes the electric rate tariffs as part of the Budget document each year. The tariffs are reviewed and approved by City Council each year and changes will generally go into effect in November for rate changes or January for structural rate changes.

Also published in the Budget each year is the Fee Schedule which includes all of the fees for services that Austin Energy provides such as service initiation fees, service extensions and pole attachment fees.





Average Residential Customer Bill Impact

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

Average Monthly Bill	Energy (kWh)	FY 2014-15 Rate	FY 2015-16 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	\$ 39.45	\$ 36.30	\$ (3.15)	(8.0%)
Community Benefit Charge (CBC) **	1,000	\$ 6.65	\$ 6.65	\$ -	0.0%
Regulatory Charge***	1,000	\$ 8.30	\$ 12.56	\$ 4.26	51.3%
Total Monthly Bill	1,000	\$ 107.09	\$ 109.01	\$ 1.11	1.0%

* The PSA is based on a non-approved forecast, as of April 22, 2015.

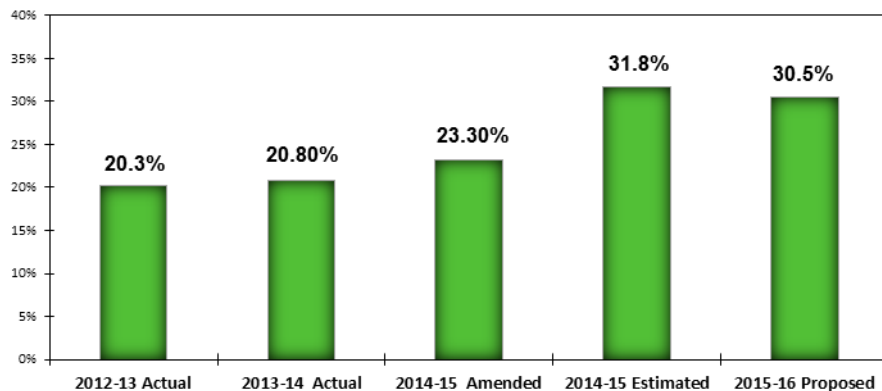
** The CBC is based on the current rate.

*** The Regulatory Charge is based on an estimated, but unapproved, forecast as of April 22, 2015.



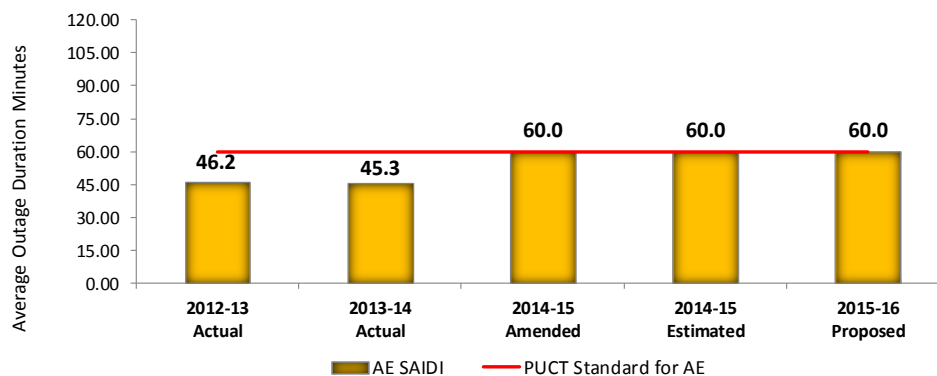
Performance Measures

Percentage of Renewable Energy in Austin Energy's Energy Supply



Part of the Budget Process is reporting on Performance Measures prior year actual and the expectations for the current year and next year.

System Average Interruption Duration Index SAIDI
Public Utility Commission of Texas PUCT defined standard for AE is 60 minutes





Budget FY 2016 Remaining Dates

- July 30 - Budget work session #1
 - » Proposed Budget available to the public
- July 31 - Budget pages sent to EUC electronically
- August 10 - Budget work session #2
 - » Department Presentations and Q&A
- August 12 - Budget work session #3
 - » Department Presentations and Q&A (AE Presents)
- August 17 - EUC meets to discuss/vote on budget
- August 20 - Public hearings on budget incl. rate and fee adjustments from City utilities, departments
- September 3 - Budget work session #3
 - » Department Presentations and Q&A
- September 8 -10 - Budget readings and adoption



Next Steps

- 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
- Final rates ready for August 20 Utility rate hearings



Questions?