



# Financial Forecast FY 2017

May 16, 2016

Electric Utility Commission



# Forecast Highlights

*FY 2016 Total Requirements \$1.4 billion; 1,672.75 FTEs*

- Provides retail electric service to over 450,000 customers
- Austin Energy is financially sound; financial indicators improving
  - Debt service coverage of 3x exceeds policy target of 2x
  - Debt to equity ratio projected to remain in conservative 45-50% range
  - Forecast fully funded emergency and contingency reserves in 2017
- Forecast indicates compliance with 2% affordability metric and trending toward metric of being in lower 50% of all Texas utilities
- Key forecast assumptions
  - Revenue based on proposed rate structure and rates
  - Total power supply costs remain stable
  - Adds renewable energy supply purchases (Goal 55% by 2025; at 23%)
  - Rate Stabilization Reserve remains out of policy compliance
- Risks to forecast: Federal and state regulatory pressures, power market uncertainty, infrastructure modernization requirements



# Forecast Highlights

*FY 2016 Total Requirements \$1.4 billion; 1,672.75 FTEs*

- 5-year capital improvement spending plan at \$1.2 billion
  - Emphasis on replacement and rehabilitation of critical assets to improve reliability and provide for “wires” system growth to meet increased customer demand
  - Delay of new gas plant beyond forecast period
  - Projected funding ratio of 39 percent cash/61 percent debt in compliance with financial policy
- Proposed 2017 rate reductions benefit customers but will lower AE’s operating margin (revenue less expenses from operations)
  - Projected FY 2017 baseline decrease of \$50 million; significant decrease due to lower power supply costs
  - Current Power Supply Adjustment (PSA) at lowest rate since 2004
- System-wide base rate increases average 1 percent annually



# Affordability Goal

## *Typical Residential Customer Bill History (Inside City Customer)*

Typical Monthly Bill	FY 2013 Rate	FY 2014 Rate	FY 2015 Rate	FY 2016 Rate
<i>Monthly Average kWh</i>	<i>908</i>	<i>915</i>	<i>895</i>	<i>895</i>
Customer Charge	\$10.00	\$10.00	\$10.00	\$10.00
Base Electricity Charge	\$ 37.61	\$ 38.06	\$ 36.78	\$ 36.78
Power Supply Adjustment (PSA)	\$ 30.62	\$ 33.94	\$ 35.31	\$ 24.91
Community Benefit Charge (CBC)	\$ 5.02	\$ 6.08	\$ 5.95	\$ 4.96
Regulatory Charge	\$ 6.61	\$ 7.27	\$ 7.43	\$ 12.66
<b>Total Monthly Bill</b>	<b>\$89.86</b>	<b>\$95.35</b>	<b>\$95.47</b>	<b>\$89.31</b>
<b>CAP Discounted Bill</b>	<b>\$ 70.47</b>	<b>\$ 75.40</b>	<b>\$ 75.54</b>	<b>\$ 69.99</b>



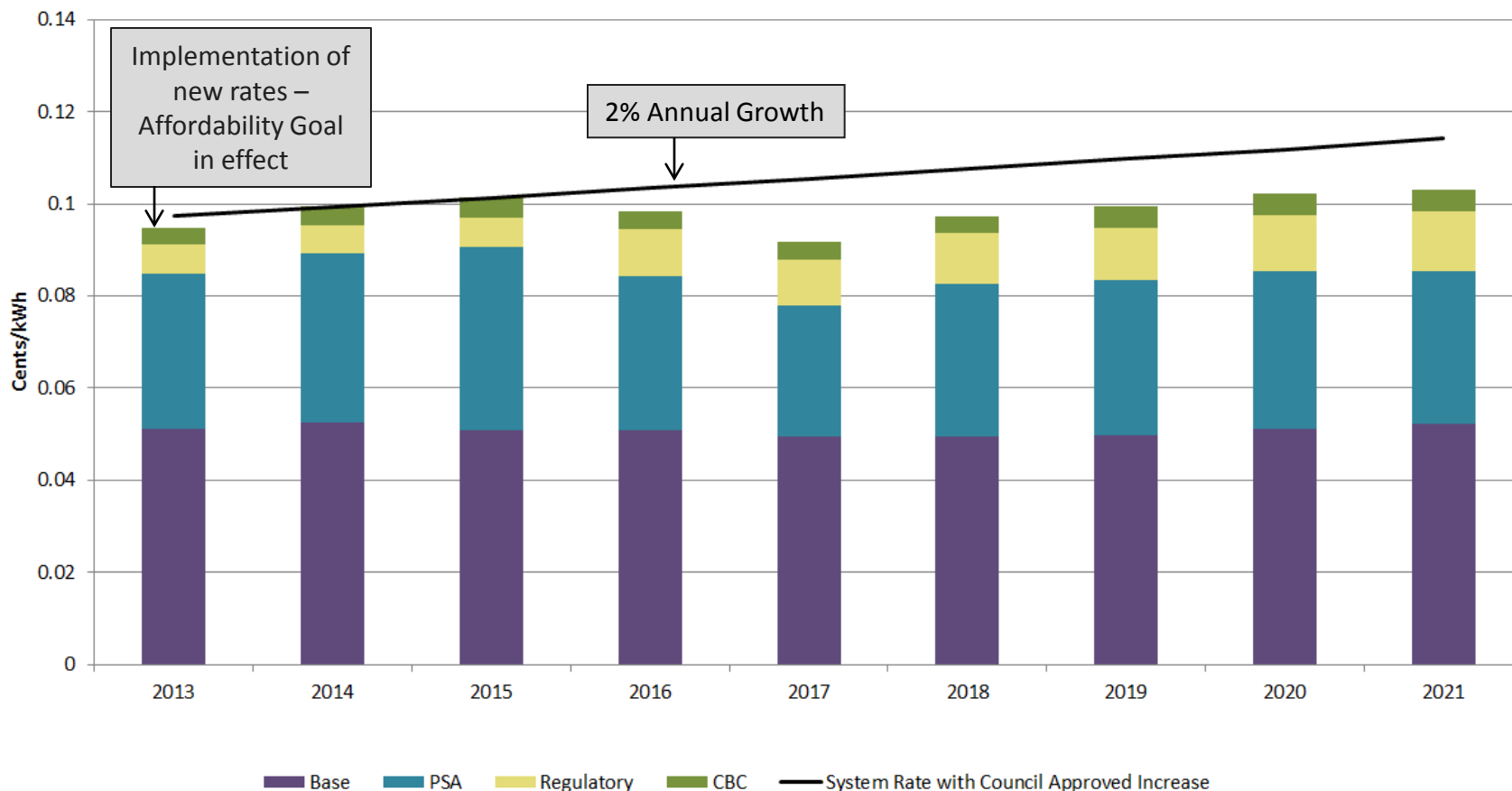
# Affordability Goal

- City Council introduced the concept of an affordability goal during discussions about the Austin Energy Climate Protection Plan in February 2011
- The affordability goal has two separate metrics that measure different attributes of AE's rates
  - Affordability Metric: Goal is to maintain the average system rate at or below 2% annual compound growth effective November 2012
  - Competitiveness Metric: Goal is to maintain an average annual system rate which is in the lower 50% of all Texas utilities serving residential, commercial and industrial customers, as measured by published data from the Energy Information Administration



# Affordability Metric

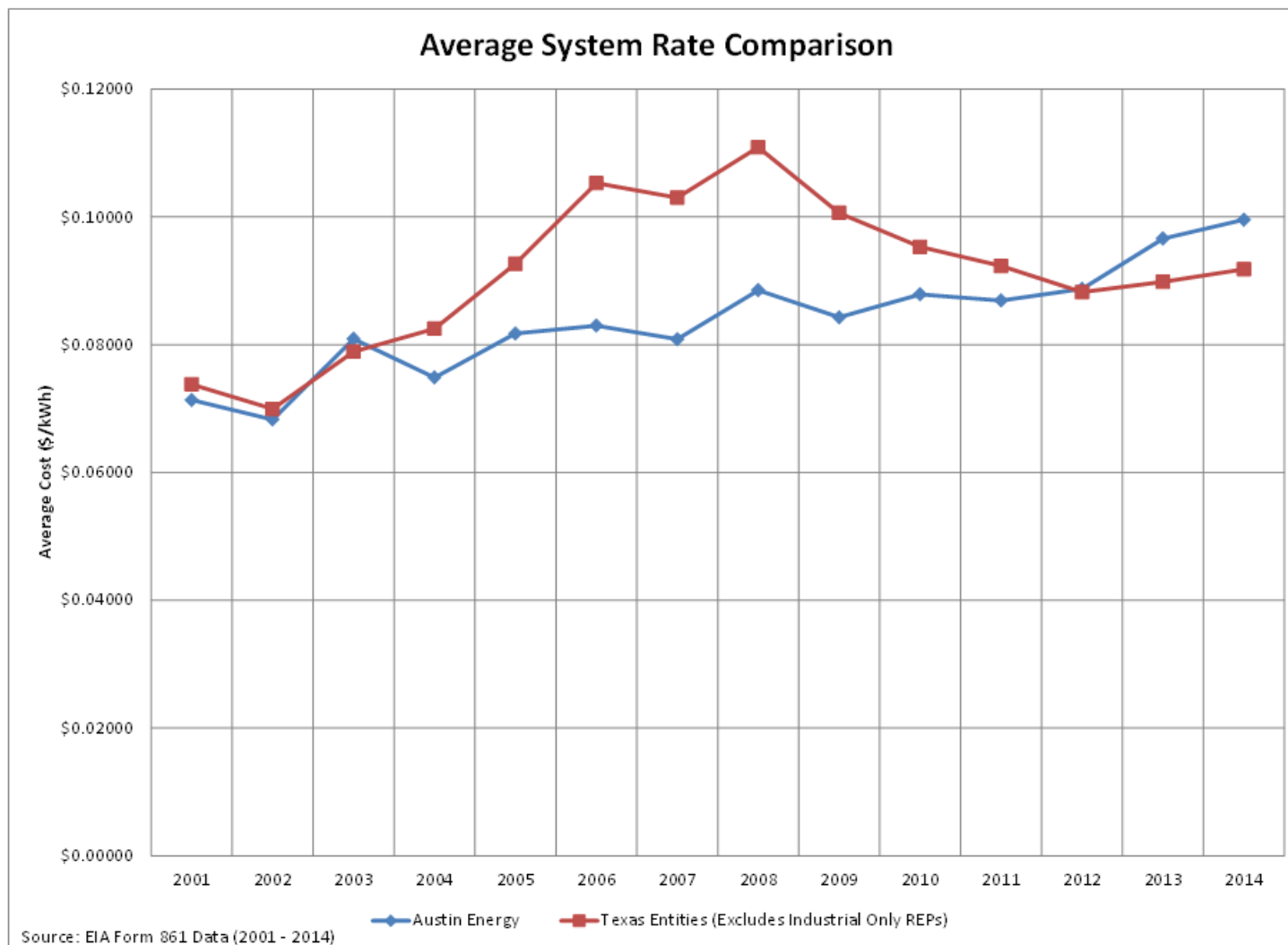
**Average System Rates Increase 2% or Less per Year**





# Competitiveness Metric

Rates in the Lower 50% of all Texas Utilities





# Proposed Policy Work Session Calendar

May 4	May 11	May 18	May 25	June 1
Civilian Wages and Employee Benefits	Funding for Deferred Facility Maintenance	Zero Waste Initiatives	Equity and Affordability	Mobility and Traffic
Tax Rates, Utility Rates, and Impact on Affordability	Growing Information Technology Needs	Health and Human Services Funding	General Fund Transfer Policy	Public Safety Staffing Levels
		Other Topic	Other Topic	Other Topic



# Budget Development Timeline

