



Austin Energy's Strategic Plan and Monthly Performance Dashboard: Business Excellence

April 2017





Austin Energy's Strategic Goals

Financial Health: Long-term financial resiliency that ensures cost recovery, provides market competitiveness, delivers operational excellence and creates value for customers and the Austin community

Customer Collaboration: New heights in customer satisfaction through increased collaboration, varied and high quality services, programs, and delivery methods and competitive pricing that strengthen customer loyalty

Environment: Minimized environmental footprint throughout Austin Energy's value chain

Employee Engagement: Employees are safe, healthy and engaged, and equipped with tools and training to effectively perform their work

Business Excellence: Best Managed Utility culture where customer needs are thoroughly and efficiently achieved through optimal use of resources

Grid Modernization: Innovative two-way grid utilizing customer and company infrastructure to deliver superior reliability and customer experience at the lowest reasonable cost





Why Business Excellence is Vital to Austin Energy

- Business Excellence focuses on creating a high-performance culture, improving our work processes and utilizing performance measurement to directly contribute to the accomplishment of all our other strategic goals
- Success in Business Excellence is measured by the improvements in key areas of operational performance and the achievement of our affordability goals
- In addition to all other metrics within the Performance Dashboard, the Business Excellence panel provides operational metrics focused on:
 - optimizing the financial benefit of our generation fleet
 - effective resource planning
 - successfully completing well-planned capital projects



Key Initiatives – Business Excellence

Active initiatives

- Resource Planning
- ISO 9001 – 2015 & Quality Management
- Budgeting Improvements

New initiatives

- Data & Analytics
- Business Case Proficiency
- Asset Management

Many of these initiatives are cross cutting by design and should improve multiple areas of our operations.

Monthly Performance Dashboard



BUSINESS EXCELLENCE

Commercial Availability

Generation Source	Monthly Commercial Availability Dec 2016 (%)	Seasonal Commercial Availability Target (June-Sept) (%)
Decker Steam Units	80.90	95.00
Sand Hill Combined Cycle	100.00	95.00
Fayette	100.00	97.00
South Texas Project	100.00	100.00

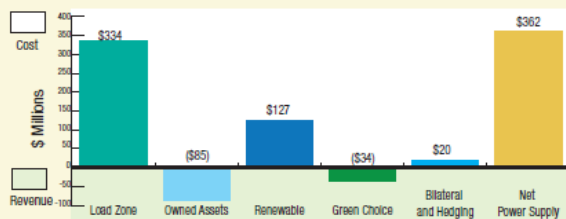
Start Success

	Dec 2016 (%)	Target (%)
Simple Cycle Start Success	98.5	99

The Competitive Market

POWER SUPPLY ADJUSTMENT COST COMPONENTS
Twelve Months ending Dec 2016

Difference between Load Zone and Power Supply Costs: + \$28M

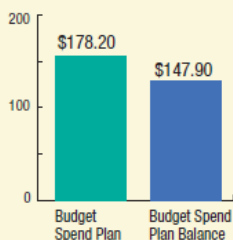


Capital Improvement Budget

Fiscal Year to Dec 2016

BUDGET SPEND PLAN
(In Millions)

PERCENT OF
SPEND PLAN MET — 17.0%



← Strategic goal panel

Owned large generation unit metrics
Target set by management expectation

Owned quick-start generation metrics
Target set by benchmarking

Power Supply Adjustment cost components
Components established by Council approved tariff

Capital project metrics
Targets set according to Council's approved budget

Power Supply Adjustment and The Competitive Market



- Decisions made regarding the Resource Plan directly impact the Power Supply Adjustment (PSA)
- The impact of the competitive power market is most evident in the elements of the PSA
 - Adjusted to reflect the current price of fuel (natural gas, coal, uranium, and biomass) as well as the projected power purchases (both price and MWh)
- PSA character of service as defined in the *City of Austin Electric Tariff, effective November 1, 2016*:
 - The Power Supply Adjustment (PSA) provides for the recovery of the preceding year's expenditures for (PSA Costs):
 - Electric Reliability Council of Texas (ERCOT) Settlements – charges and credits from ERCOT, other than the Administrative Fees.
 - Fuel Costs – costs for fuel, fuel transportation, and hedging gains and losses.
 - Net Purchased Power Agreement Costs – costs and offsetting revenues (such as, bilateral sales and GreenChoice) associated with short- and long-term purchased power agreements, and costs for distributed generation production.

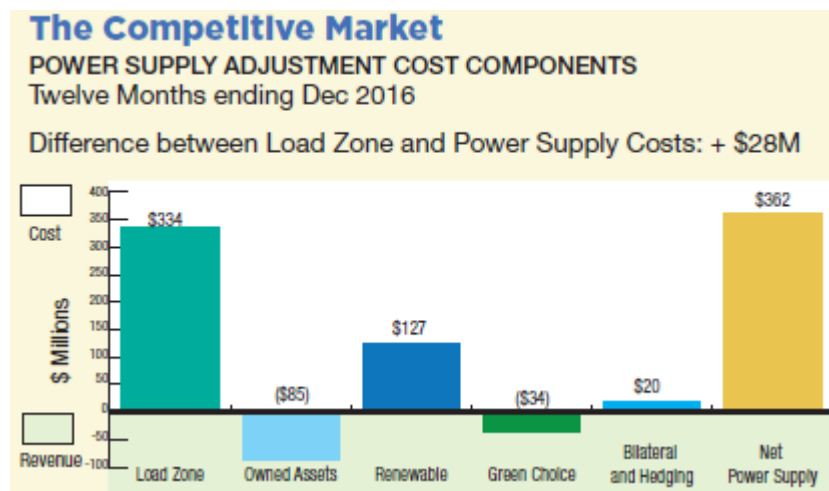
Power Supply Adjustment Cost Components for Prior 12-months



- **Load Zone** = Cost to purchase electricity from ERCOT to serve customers
- **Owned Assets** = ERCOT Revenue from owned generation less the cost of fuel and transportation ⁽¹⁾
- **Renewables** = ERCOT Revenue from Purchase Power Agreements (PPA) less the contract price paid to the power producer
- **GreenChoice®** = Revenue from retail customers electing GreenChoice® product
- **Bilateral** = Net amount from the purchase/sale of energy-based physical or financial transactions between AE and another party under negotiated terms
- **Hedging** = Net amount from financial instruments used to limit loss/gain from price volatility in the power and natural gas markets
- **Net Power Supply** = Sum of all components listed above ^{(2) (3)}

ERCOT Settlements

- (1) Capital costs and operating expenses associated with thermal generation are recovered through base rates, not the PSA.
- (2) The PSA rate also includes any over/under collection of net power supply costs from previous years.
- (3) PSA revenues are excluded from the General Fund Transfer (GFT).





Reliability of our Owned Fleet

Goal: reduce power supply costs and wholesale price risk for AE customers

Commercial Availability

- Measure of large owned unit availability when production cost is less than market price (reliability when it counts)
- Targets set for summer peak season (higher market pricing)
- During non peak- AE still strives to maximize, however, units are removed from service for planned maintenance

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Start Success

- Measures owned quick start unit reliability (gas turbines)
- Successful start – achievement of full generation output in 10 mins or less.
- Strive year round to maximize start success

Start Success

	Dec 2016 (%)	Target (%)
Simple Cycle Start Success	98.5	99

The Capital Improvement Budget

- Capital projects are designed to:
 - Increase the capacity of our assets to serve our customers
 - Extend the useful life of our assets
 - Upgrade or modify our assets
- Funding for capital projects:
 - Debt (commercial paper and revenue bonds)
 - Cash (equity, current asset to a long-term asset)
 - Contributions in aid of construction (customer funded)
- Austin Energy's capital budget represents investment in long-term assets that are designed to add economic value to the utility for the benefit of our customers
- Business Excellence initiatives are designed to improve our return on investment
 - Asset Management ensures maximum value is derived from the investment
 - Business Case Proficiency assists in effective decision-making among alternative investments
 - Data and Analytics drives our ability to make informed decisions with confidence
 - Resource Generation Planning ensures balance between meeting our Environment and Financial Health goals for the long-term

