



# Financial Forecast FY 2018

May 15, 2017

## Electric Utility Commission





# Forecast Highlights

*FY 2017 Total Requirements \$1.27 billion; 1,718.0 FTEs*

- **Austin Energy is financially sound; financial indicators improving**
  - Base revenue grows 2% due to growth in number of customers
  - Forecast indicates compliance with 2% affordability metric and trending toward metric of being in lower 50% of all Texas utilities
  
- **Key forecast assumptions**
  - Addition of up to 20 new positions projected for FY 2018
  - City-wide cost drivers included at \$5.7 million increase
  - Increases in renewable energy supply purchases projected
    - Council’s adopted goal to achieve 55% of supply by 2025; currently at 38%
  - Non-nuclear decommissioning funding of \$8 million
  - Transmission expenses expected to grow by \$6.4 million
  - Lower nuclear and coal operating expenses \$8.7 million



# Forecast Highlights

*FY 2017 Total Requirements \$1.27 billion; 1,718.0 FTEs*

- No base rate increase in 2018. 5-year planning horizon forecasts 2% increase in FY 2021
  - FY 2018 adjusts Community Benefit Charge upwards due to prior over collection return completion
- Debt service projected lower by \$7 million due to bond refinancing
  - Debt service coverage of 2.6x exceeds policy level of 2x
- Risks to forecast
  - ERCOT power market prices remain historically low
    - Means lower prices for power purchased to meet load requirements BUT...
    - Little to no market earnings for power generated and sold
  - Credit agencies report a weakening power industry in Texas with downgrades and outlook revisions
  - Risk from legislative and environmental regulation remains uncertain



# Austin Energy Fund Summary

## Austin Energy Fund Summary (in \$M)

	FY 2017 Budget	FY 2017 CYE	FY 2018 Forecast	FY 2019 Forecast	FY 2020 Forecast	FY 2021 Forecast	FY 2022 Forecast
Beginning Balance	\$310.5	\$334.5	\$365.0	\$380.7	\$394.6	\$409.1	\$440.9
Revenues/Transfers In	1,284.2	1,306.0	1,323.9	1,370.0	1,388.9	1,420.8	1,433.4
<b>Requirements:</b>							
<b>Operating Expenses</b>	579.3	579.3	576.9	585.2	602.6	596.1	602.2
<b>Power Supply Expenses</b>	361.9	371.0	373.0	402.9	408.3	409.6	411.7
<b>Debt Service</b>	103.2	103.2	96.6	112.8	118.9	127.8	132.4
<b>CIP</b>	64.1	64.1	58.7	58.8	69.3	60.2	63.4
<b>General Fund Transfer</b>	108.0	108.0	109.0	110.0	111.0	113.0	115.0
<b>Support Transfers</b>	43.9	43.9	46.0	48.4	51.3	54.3	55.9
<b>AE Reserve Transfers</b>	6.0	6.0	48.0	38.0	13.0	28.0	28.0
Total Requirements	1,266.4	1,275.5	1308.2	1356.1	1374.4	1389.0	1408.6
<b>Excess (Deficiency)</b>	<b>17.8</b>	<b>30.5</b>	<b>15.7</b>	<b>13.9</b>	<b>14.5</b>	<b>31.8</b>	<b>24.8</b>
<b>Ending Balance</b>	<b>\$328.3</b>	<b>\$365.0</b>	<b>\$380.7</b>	<b>\$394.6</b>	<b>\$409.1</b>	<b>\$440.9</b>	<b>\$465.7</b>
<b>FTEs</b>	1,718	1,718	1,738	1,748	1,758	1,768	1,778



# Capital Improvement Program

## New Investments in 5-Year CIP – \$ 878 million

- FY 2018 CIP \$186M
- 5-year average \$175M per year
- Average funding 49% cash and 51% debt
  
- Planned spending on routine infrastructure and maintenance projects, including:
  - Replacement of the Supervisory Control and Data Acquisition-Energy Management System (SCADA-EMS)
  - District Cooling Satellite Plant at ACC Highland Campus
  - Downtown repowering and network upgrades



# Working Capital and Reserves

## Cash Analysis (Millions of \$)

	Balance 3/31/2017	2017 Policy Minimums	Variance
<b>A Total Cash on Hand</b>	<b>\$562</b>		
Less: Contingency Reserve	(\$98)		
Less: Power Supply Stabilization	(\$89)		
Less: Capital Reserve	(\$12)		
<b>B Working Capital</b>	<b>\$363</b>		
Known Material Commitments and Claims to Cash:			
Power Supply Adjustment Overage	(\$51)		
Accounts Receivable	\$105		
Accounts Payable and Sales Tax	(\$64)		
Deferred Revenue - FAS 71 fuel	(\$65)		
NPO and OPEB liabilities*, GASB 68	(\$430)		
<b>C Total Commitments from Cash</b>	<b>(\$505)</b>		
<b>B-C Uncommitted Working Capital</b>	<b>(\$142)</b>	\$125	(\$267)
Add: Contingency Reserve	\$98	\$96	\$2
Add: Power Supply Stabilization	\$89	\$89	\$0
Add: Capital Reserve	\$12	\$78	(\$66)
<b>Uncommitted Cash on Hand</b>	<b>\$57</b>	<b>\$388</b>	<b>(\$331)</b>

\* Net Pension Obligations and Other Post Employment Benefits



# Sources of Working Capital

## Contributions to Working Capital (Millions of \$)

		Fiscal Year				
		Actual 2013	Actual 2014	Actual 2015	Actual 2016	Projected 2017
Reserve expense in base rates	A	\$18	\$18	\$18	\$18	\$0
Depreciation expense (from CAFR)		\$150	\$152	\$153	\$157	\$155
Less: Principal on debt		(\$105)	(\$83)	(\$49)	(\$65)	(\$44)
Less: Cash for Construction		(\$69)	(\$80)	(\$68)	(\$65)	(\$64)
Depreciation contribution	B	<b>(\$24)</b>	<b>(\$11)</b>	<b>\$36</b>	<b>\$27</b>	<b>\$47</b>
Net income contribution	C	\$51	\$2	\$55	\$60	(\$11)
<b>Contribution to Working Capital</b>	<b>A+B+C</b>	<b>\$45</b>	<b>\$9</b>	<b>\$109</b>	<b>\$105</b>	<b>\$36</b>



# Residential Bill Impact

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

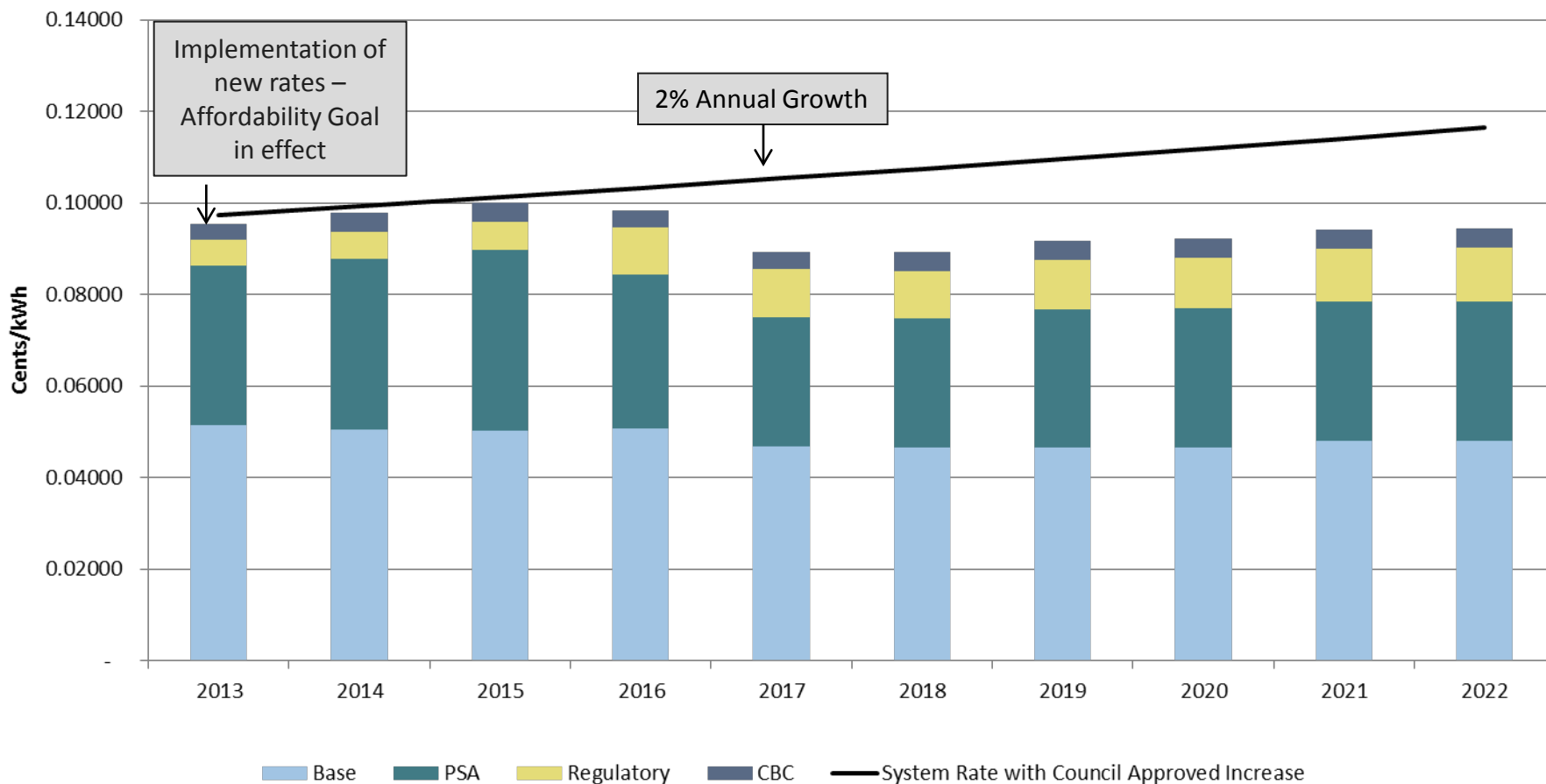
Typical Monthly Bill	FY 2014 Rate	FY 2015 Rate	FY 2016 Rate	FY 2017 Rate	FY 2018 Forecast	Change
<i>Monthly Average kWh</i>	915	895	895	895	895	
Customer Charge	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$ 0.00
Base Electricity Charge	\$ 38.06	\$ 36.78	\$ 36.78	\$ 37.05	\$ 37.05	\$ 0.00
Power Supply Adjustment (PSA)	\$ 33.94	\$ 35.31	\$ 24.91	\$ 24.71	\$ 24.71	\$ 0.00
Community Benefit Charge (CBC)	\$ 6.08	\$ 5.95	\$ 4.96	\$ 5.03	\$ 5.37	\$ 0.34
Regulatory Charge	\$ 7.27	\$ 7.43	\$ 12.66	\$ 12.02	\$ 12.02	\$ 0.00
<b>Total Monthly Bill</b>	<b>\$95.35</b>	<b>\$95.47</b>	<b>\$89.31</b>	<b>\$88.81</b>	<b>\$89.15</b>	<b>\$ 0.34</b>
<b>CAP Discounted Bill</b>	<b>\$ 75.40</b>	<b>\$ 75.54</b>	<b>\$ 69.99</b>	<b>\$ 69.54</b>	<b>\$ 69.85</b>	<b>\$ 0.31</b>





# Affordability Metric

## Forecasted System average and 2% Council Affordability Line

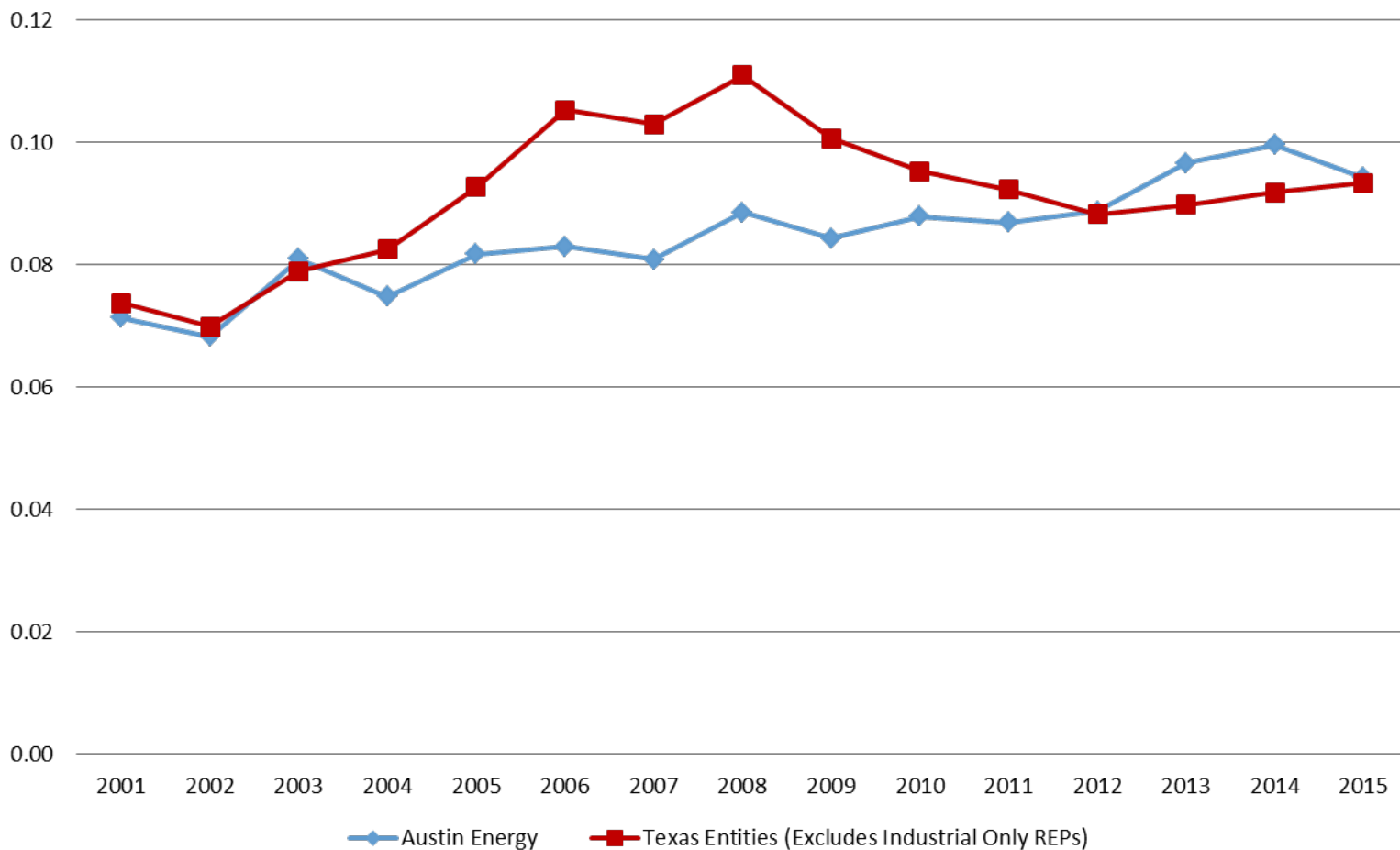




# Competitiveness Metric

## Rates in the Lower 50% of all Texas Utilities

### Average System Rate Comparison



Source: EIA Form 861 Data (2001 - 2015)



# City Budget Development Timeline

