

Fiscal Year 2021 Proposed Budget Presentation

Electric Utility Commission

Austin Energy

Joseph Gonzales, Finance Director



July 17, 2020

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Agenda

- Budget Adoption Schedule
- Proposed Budget Summary
- Financial Health
- Major Business Unit Discussions
- Proposed Tariff and Fee Changes



Fiscal Year 2021 Proposed Budget Presentation

Budget Adoption Schedule



FY 2021 Budget Adoption Schedule

- July 13 – Council Proposed Budget Presentation/Budget Work Session #1
 - Proposed Budget available to the public
- July 17 – Electric Utility Commission Proposed Budget Presentation
- July 23 – Set public hearings
- July 28 - Budget work session #2
 - Council deliberations on select topics
- July 30 - Public Hearing on Tax rate
- August 4 – Budget work session #3 and Set Maximum Tax Rate
- August 12 - Budget readings and adoption



Fiscal Year 2021 Proposed Budget Presentation

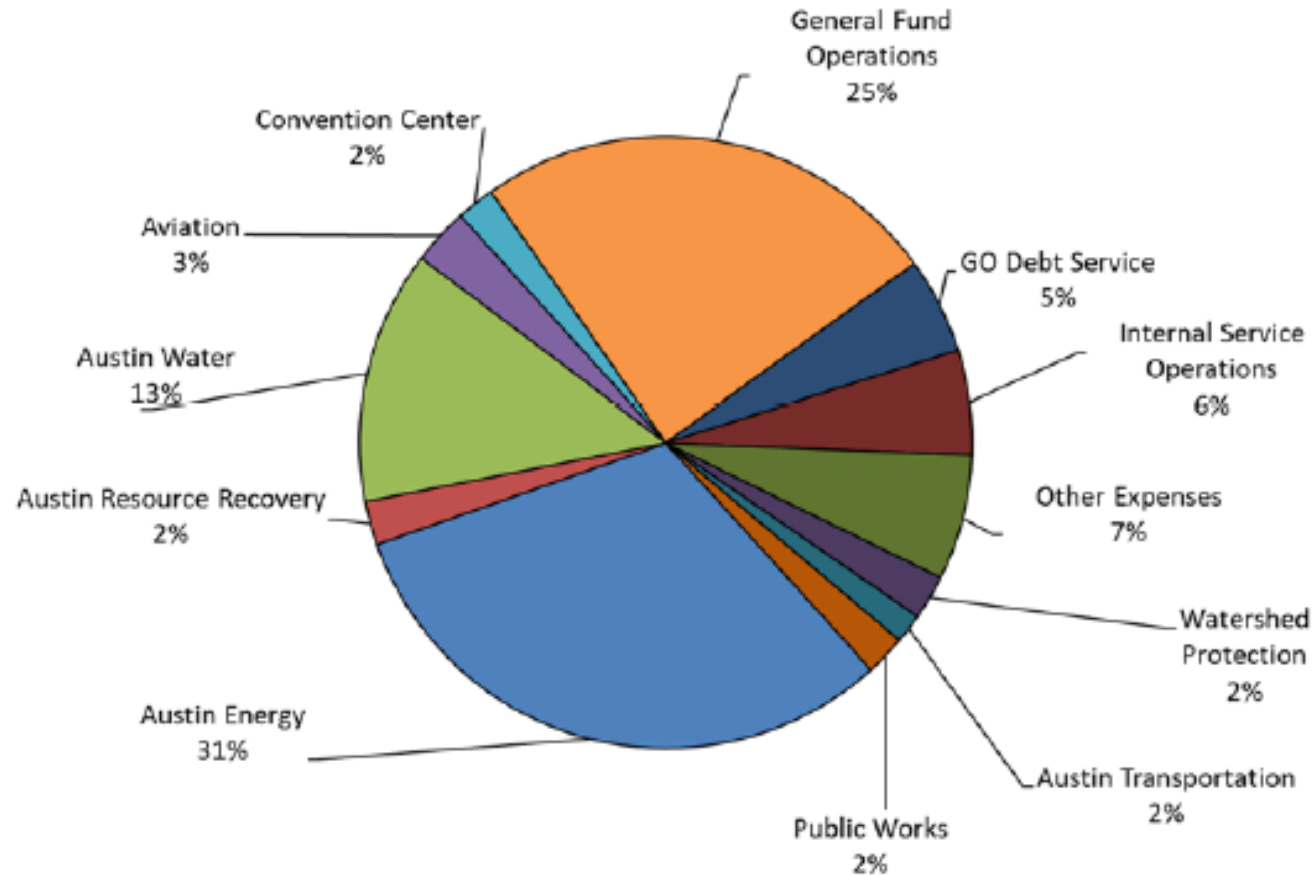
Proposed Budget Summary



Austin Energy's Share of the FY 2021 City Budget

All City Funds for FY 2021: \$4.2B

FY 2020-21 All City Funds Uses of Funds (\$4.2 billion)



Austin Energy's total Expenditures Budget of \$1.4B in FY 2021 is 31% of the City of Austin's total expenditures budget of \$4.2B

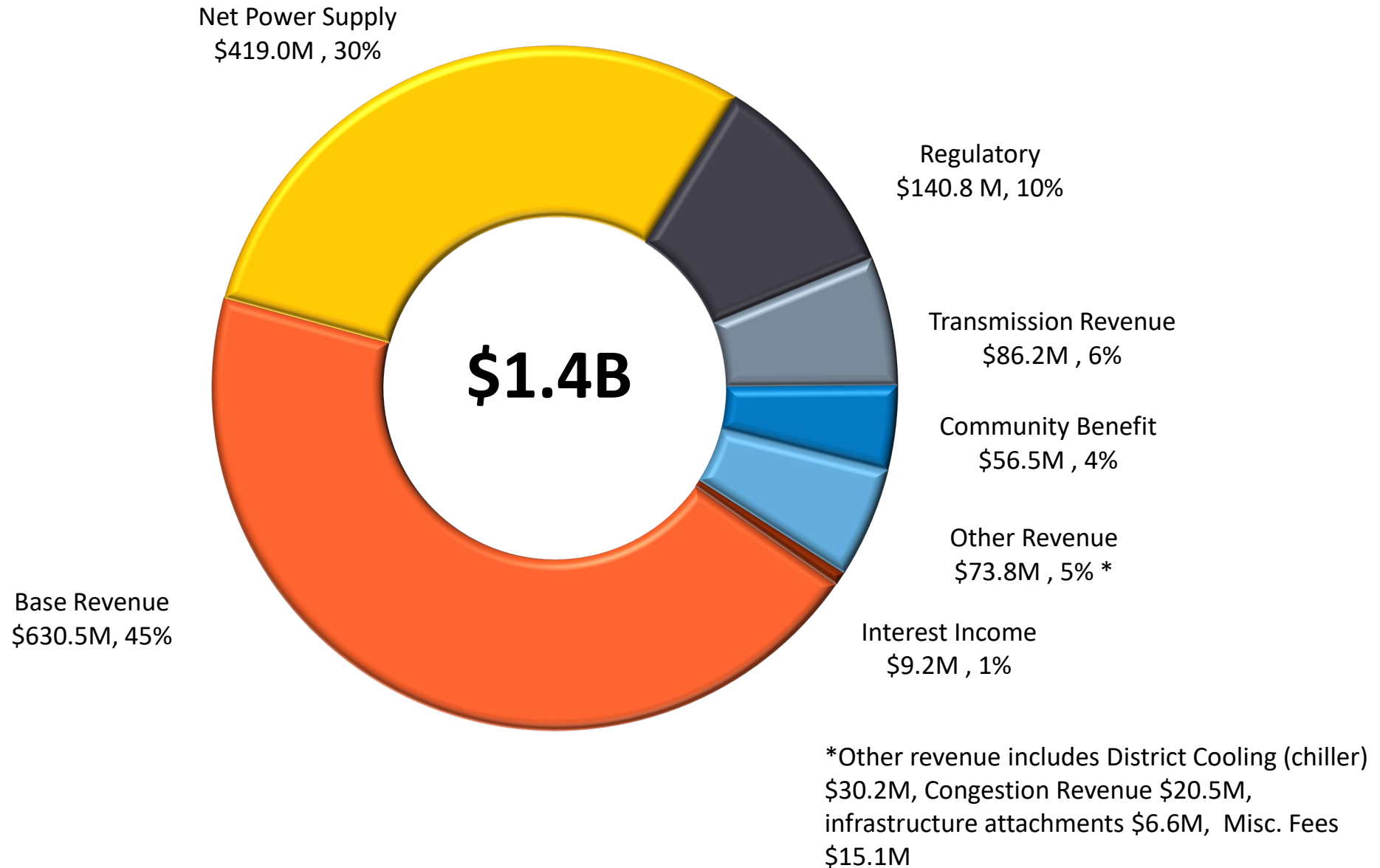


Fund Summary FY 2021

(\$ millions)	FY 2019 Actual	FY 2020 Amended	FY 2020 Estimated	FY 2021 Proposed	FY 2021 Proposed To FY 2020 Amended	% Change
Beginning Balance	\$431.4	\$364.4	\$413.4	\$394.2	29.8	8.1%
Revenue/Transfers In	1,469.8	1,414.7	1,417.8	1,416.0	1.3	0.0%
Expenditures:						
Operating Expenses	603.0	646.5	644.6	681.3	34.8	5.4%
Power Supply Expenses	469.3	362.1	366.6	359.4	(2.7)	(0.7%)
Debt Service	131.6	154.0	151.2	162.1	8.1	5.3%
CIP Transfer	66.6	80.4	102.2	39.9	(40.5)	(50.4%)
General Fund Transfer	110.0	111.0	111.0	114.0	3.0	2.7%
Other Transfers	53.9	61.4	61.4	59.4	(2.0)	(3.2%)
Reserve Transfers	39.4	0.0	0.0	5.0	5.0	-
Total Expenditures	\$1473.8	\$1,415.4	\$1,437.0	\$1,421.1	\$5.7	0.4%
Excess(Deficiency)	(\$4.0)	(\$0.7)	(\$19.2)	(\$5.1)		
Ending Balance	\$413.4	\$363.7	\$394.2	\$389.1	\$25.4	7.0%
FTEs	1,774	1,784	1,784	1,813	29	1.6%



FY 2021 Sources of Revenue



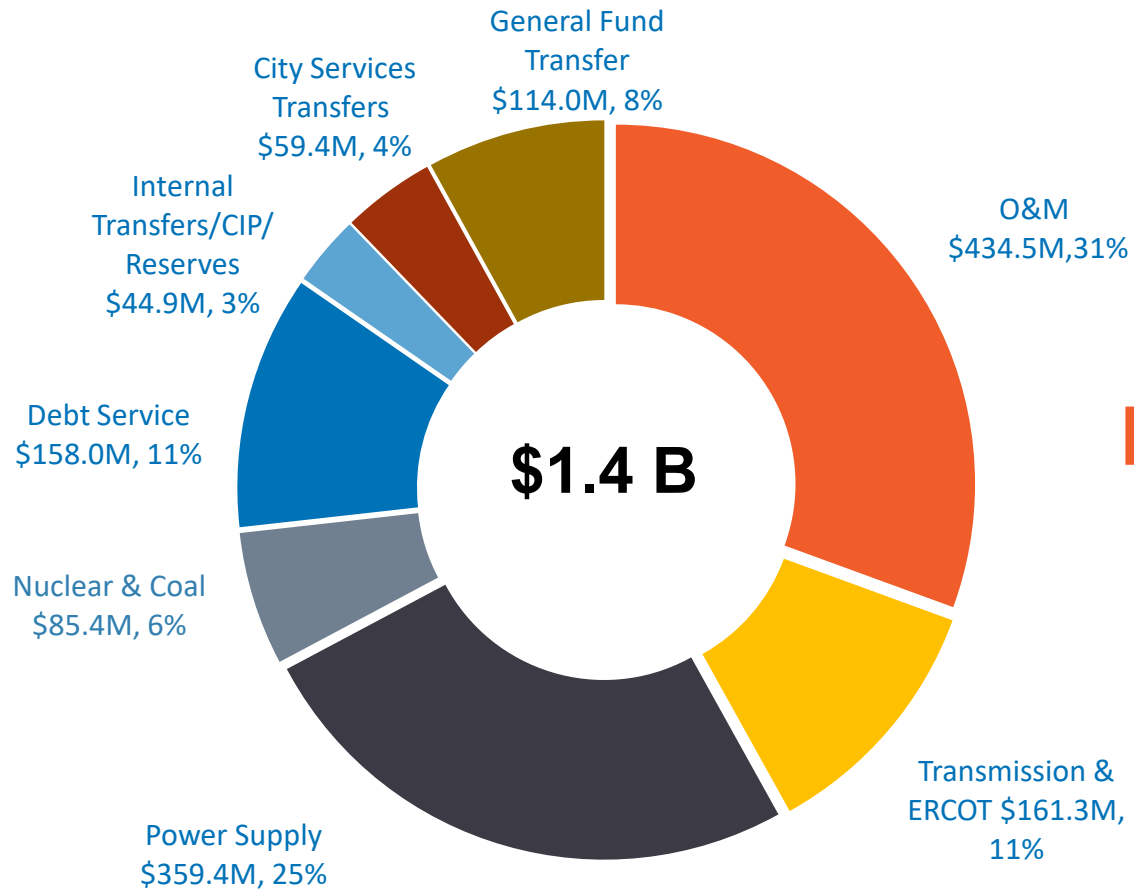
FY 2021 Revenue Budget Highlights

- **Base revenue remains relatively flat**
 - Customer growth projected at 1.7%
 - No load growth in sales
 - Base rates will return to pre-COVID levels
 - Load and revenue forecasts are based on pre-COVID expectations. Forecasts will be updated in the future as information is available.
- **Power Supply Adjustment to be finalized in September**
 - Power Supply Adjustment currently has a \$6 million under-recovery, compared to a \$20.9 million under-recovery at the start of the fiscal year.
- **Regulatory Charge to be finalized in September**
 - Expected to revert to pre-COVID levels
- **No changes in Community Benefit Charge anticipated**

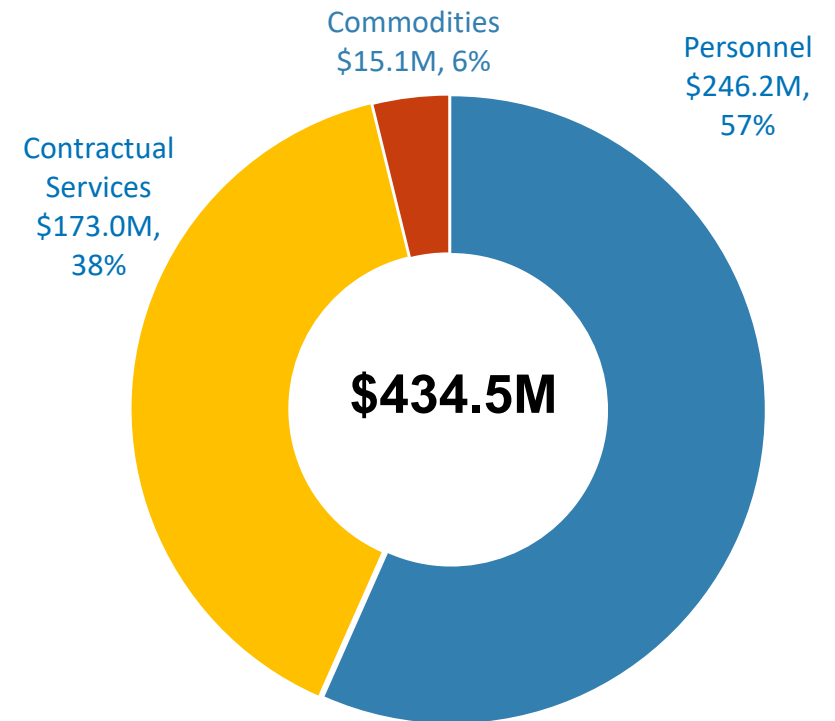


Funding Needed for Austin Energy Operations FY 2021

Operating Requirements



Operations & Maintenance



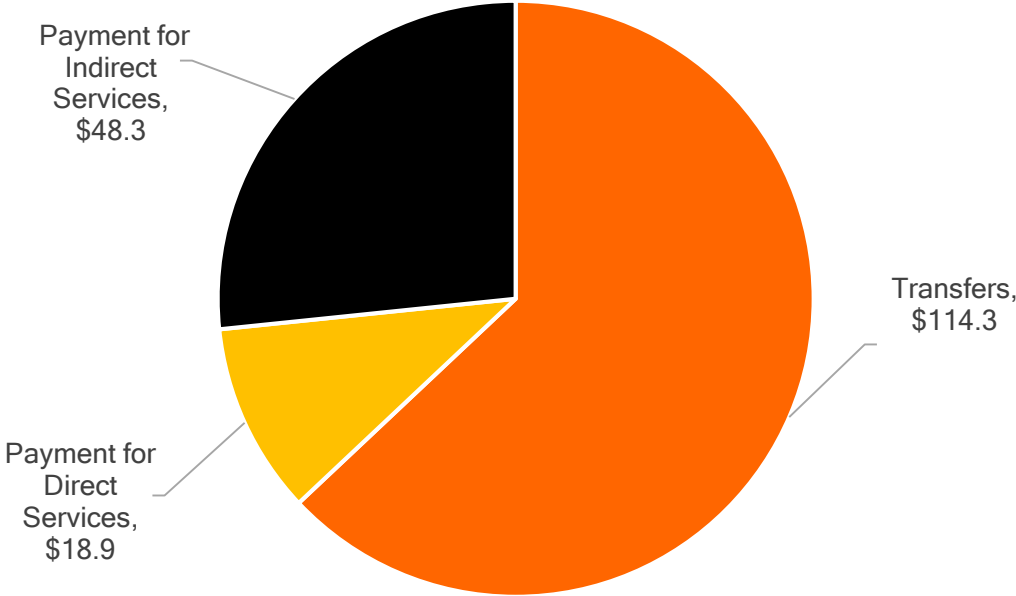
FY 2021 Operating Expense Highlights

- Power supply expenses to be finalized in September
- Line clearance contractual increase; \$9.7M
 - Ensure system reliability and reduce outages
 - Allow the utility to get caught up on line clearance cycle times
 - Support the City's wildfire mitigation efforts
- City-wide across the board, cost of living increase in wages 2%; \$3.6M
- Supplemental Retirement Contribution; \$1.5M
- 29 new FTEs for a net impact of \$1.86M; increasing count to 1,813 FTEs

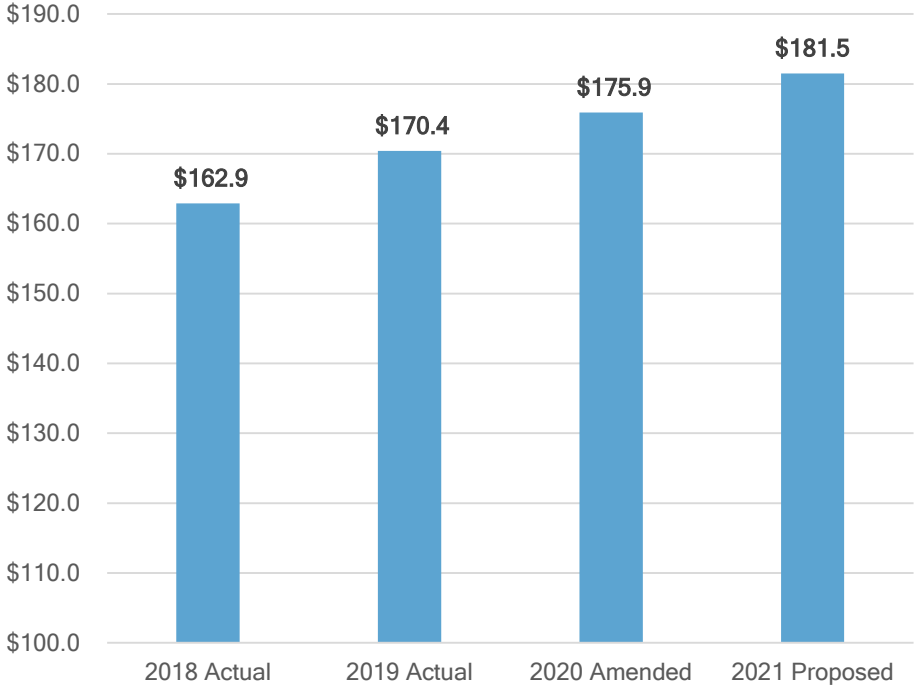


City Transfers & Payments for Direct and Indirect Services

FY2021
Proposed Budget : Transfers and Payments to the
City (In millions of \$)



In millions of \$



Capital Improvement Plan 5-Year Spend Plan

In millions of \$

Business Unit	<i>FY 2020 Approved</i>	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	2021 – 2025 Total
Distribution	\$76.3	\$91.0	\$79.5	\$80.0	\$76.1	\$75.7	\$402.2
Distribution Substation	12.2	16.9	10.6	9.1	9.0	9.0	54.7
Transmission*	29.9	36.3	24.9	24.9	24.9	34.7	135.8
Electric Service Delivery	118.5	144.2	115.0	114.0	110.1	109.5	592.8
Power Production	21.6	27.3	31.9	27.8	24.8	23.9	135.6
District Cooling*	50.1	48.6	25.0	3.9	2.5	0.1	80.1
General	64.4	136.5	34.6	34.1	26.6	5.1	236.9
Total	\$254.6	\$356.5	\$206.5	\$179.9	\$163.9	\$138.5	\$1,045.4

* Recovery of capital expenditures is not a component of retail rates



Financing the Capital Improvement Plan

In millions of \$

Business Unit	<i>FY 2020 Approved</i>	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	2021 – 2025 Total
Total Capital Improvement Plan	\$254.6	\$356.5	\$206.5	\$179.9	\$163.9	\$138.5	\$1,045.4
Debt	128.4	215.8	81.6	65.0	62.7	45.7	471.7
Cash	93.2	103.5	87.7	77.7	64.0	54.6	387.8
Contribution in aid of construction	33.0	37.2	37.2	37.2	37.2	37.2	185.9
Total	\$254.6	\$356.5	\$206.5	\$179.9	\$163.9	\$138.5	\$1,045.4
Debt %	50.4%	60.5%	39.5%	36.1%	38.3%	33.7%	45.1%
Cash %	36.6%	29.0%	42.5%	43.2%	39.0%	39.4%	37.1%
Contribution in aid of construction %	13.0%	10.5%	18.0%	20.7%	22.7%	26.9%	17.8%



Fiscal Year 2021 Proposed Budget Presentation

Financial Health



Average Residential Customer Bill Impact

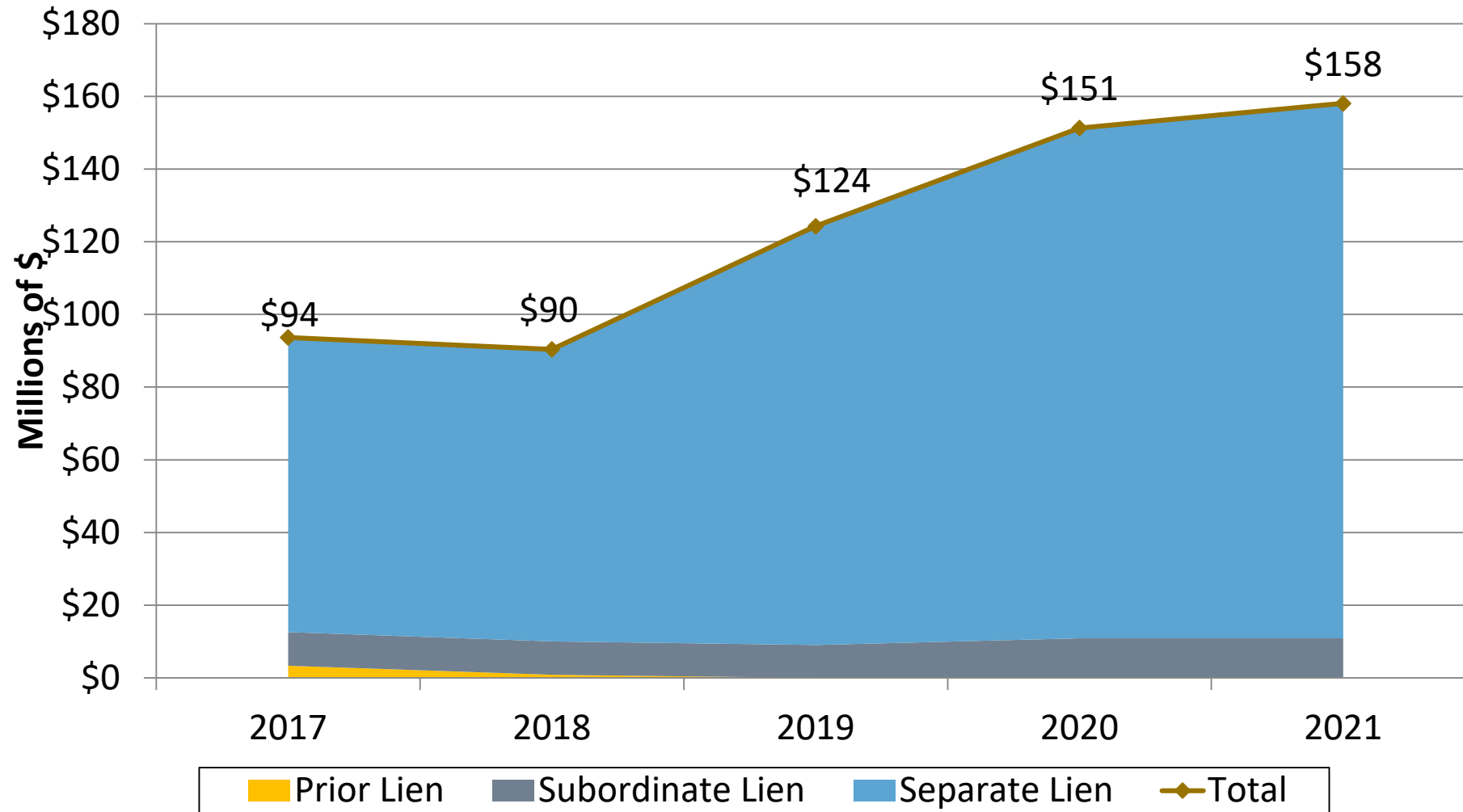
Unbundled 5-Tier Inclining Block Energy Rate (Inside City of Austin)

Average Monthly Bill	Energy (kWh)	FY 2020 Budget (pre-COVID)	FY 2020 (post-COVID)	FY 2021 Rate	\$ Change from BY2020 (Budget)	% Change
Customer Charge		\$ 10.00	\$ 10.00	\$ 10.00	\$ -	0.0%
Base Electricity Charge	860	\$ 35.01	\$ 35.01	\$ 35.01	\$ -	0.0%
Power Supply Adjustment (PSA)*	860	\$ 27.00	\$ 27.00	\$ TBD	\$ -	TBD%
Community Benefit Charge (CBC)	860	\$ 5.27	\$ 5.27	\$ 5.27	\$	0.0%
Regulatory Charge *	860	\$10.77	\$ 7.32	\$ TBD	\$ -	TBD%
Total Monthly Bill	860	\$ 88.05	\$ 84.60	\$ TBD	\$	TBD%
Total CAP Customer Discounted Bill	860	\$ 69.06	\$ 62.29	\$ TBD	\$	TBD%

* The PSA and regulatory charge will be updated with final proposed numbers in September 2020.



Debt Service by Fiscal Year FY 2017-2021



	2017	2018	2019	2020	2021
Debt Outstanding	\$ 1,181	\$1,145	\$ 1,818	\$ 1,739	\$2,028

Austin Energy Financial Health

	2020 Minimum	2019 Actual	2020 Estimate	2021 Forecast
Standard & Poor's (S&P) credit rating on separate-lien revenue bonds	AA	AA	AA	AA
Working Capital	\$117M	\$407M	\$385M	\$376M
Days Cash on Hand (Fitch)	150 days	218	242	233
Debt Service Coverage (before GFT) *	2.5X	4.0	2.6	2.3
Debt Service Coverage (after GFT) *	2.0X	2.8	2.0	1.6
Debt to Capitalization	50%	52%	52%	53%
Net Income	\$10M	\$3M	\$5M	(\$9M)
* Debt service coverage ratios presented do not include imputed debt associated with power purchase agreements				



Austin Energy Financial Health - Reserves

	2020 Minimum	2019 Actual	2020 Estimate	2021 Forecast
Working Capital	\$117M	\$407M	\$379M	\$376M
Contingency Reserve	\$106M	\$106M	\$106M	\$106M
Power Supply Stabilization Reserve	\$89M	\$108M	\$110M	\$110M
Capital Reserve	\$102M	\$69M	\$69M	\$74M
Total	\$414M	\$690M	\$668M	\$664M

	2020 Budget		2021 Forecast
Non-Nuclear Decommissioning		\$30M	\$38M

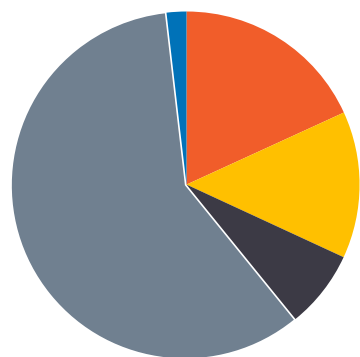
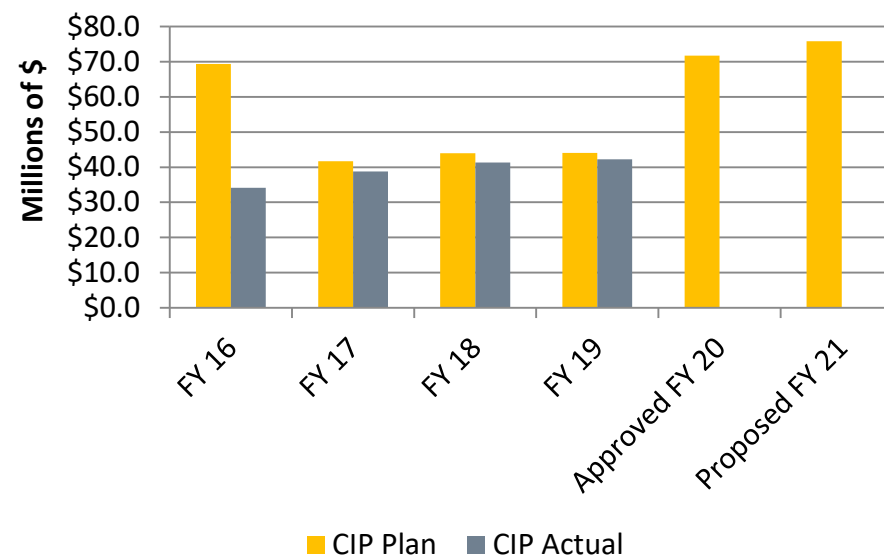
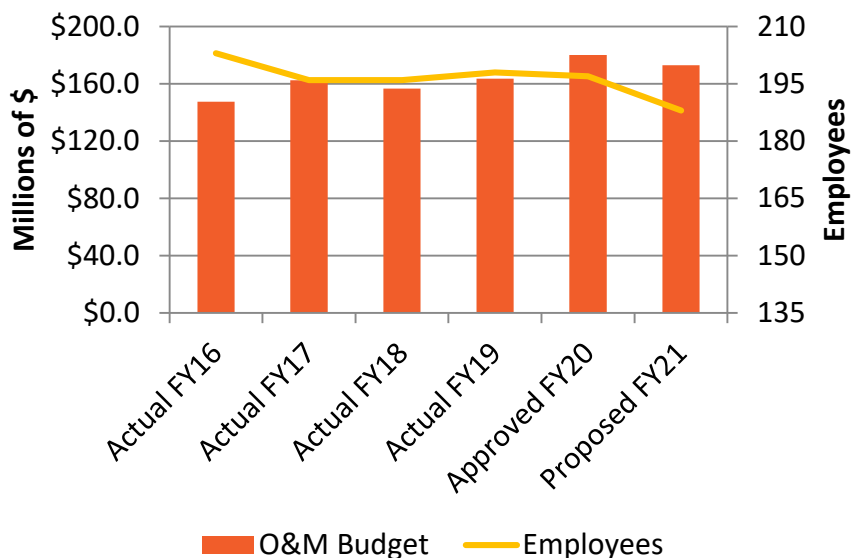


Fiscal Year 2021 Proposed Budget Presentation

Major Business Unit Discussions



FY 2021 Power Generation & District Cooling Resources Budget Summary



- STP , FPP & Nacogdoches- O&M budget decreased by \$11.3M due to decrease in cyclic planned outage and maintenance expense
- District Cooling O&M proposed budget for FY21 \$17.5M – 3 new plants online in FY2021
- ACC Cooling Plant capital expenses of \$20.3M
- Downtown District Cooling Plant 3 capital expenses of \$10.8M
- San Antonio St. Water Line capital expenses of \$6.2M
- Sand Hill Energy Center capital expenses of \$13.3M



- Labor and Benefits
- Contractuals
- Maintenance Contracts
- Joint Projects
- Commodities

FY 2021 Power Generation & District Cooling CIP Highlights

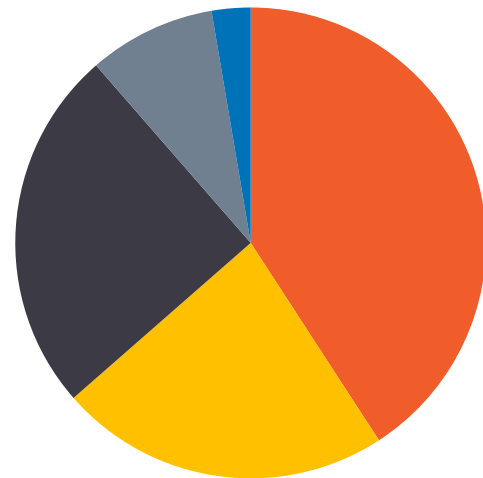
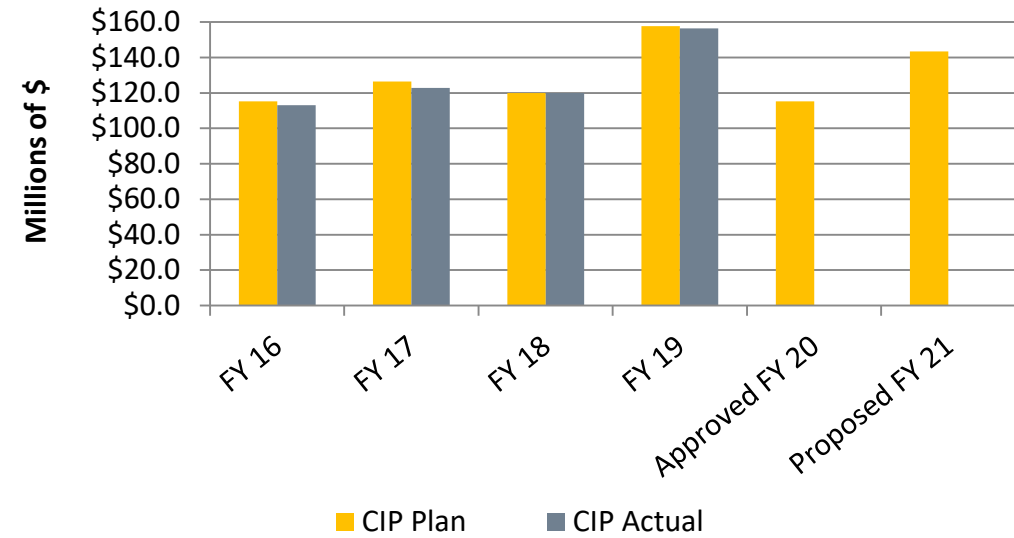
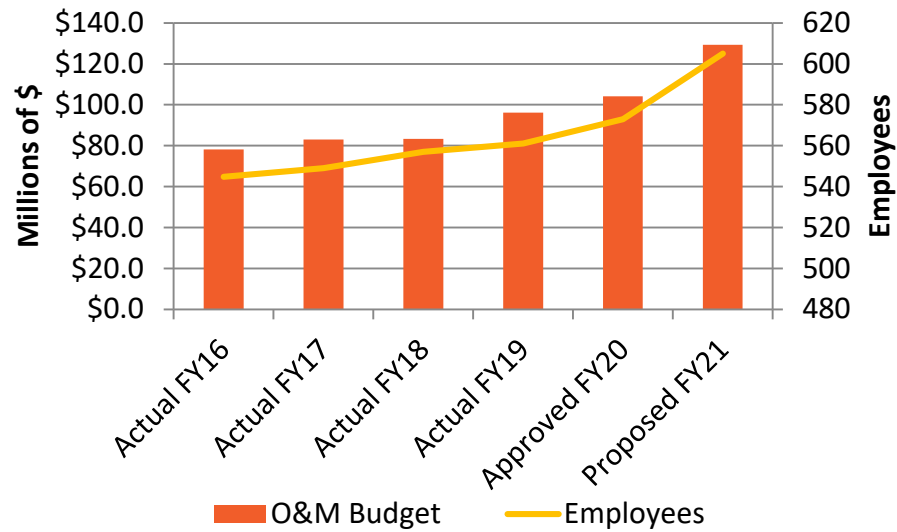
5-Year Spend Plan

	<i>FY 2020 Approved</i>	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	2021 – 2025 Total
District Cooling Plant #3	\$21.0	\$10.8	\$0.0	\$0.0	\$0.0	\$0.0	\$20.8
Satellite - ACC Plant	\$13.1	\$20.3	\$0.0	\$0.0	\$0.0	\$0.0	\$20.3
San Antonio St. Water Line	\$3.4	\$6.2	\$0.0	\$0.0	\$0.0	\$0.0	\$6.2
Sand Hill Energy Center Capital Program	\$7.5	\$13.3	\$11.6	\$13.2	\$13.1	\$7.5	\$58.7

in millions



FY 2021 Electric System Delivery Budget Summary



- 21 new FTEs included in FY21 Proposed Budget
- \$9.7M increase to utility line clearance/vegetation management
- \$3.7M increase for vehicle leases/maintenance
- \$1M increase for transmission planning analysis
- \$14.0M Downtown and Bluff Springs substations



- Labor and Benefits
- Labor Capital Projects
- Contractuals
- Line Clearance Contract
- Commodities

FY 2021 Electric Service Delivery CIP Highlights

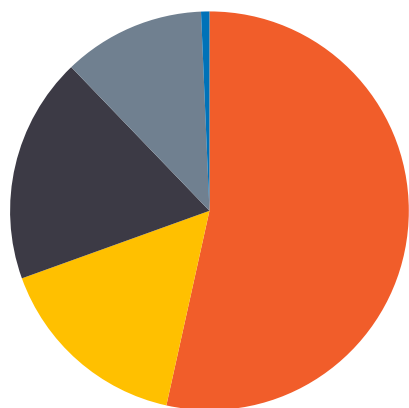
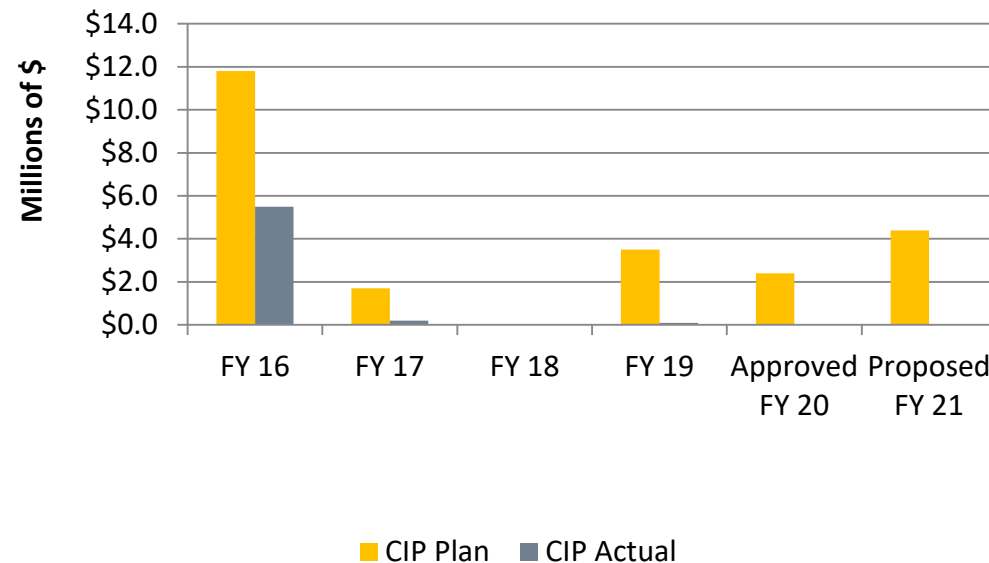
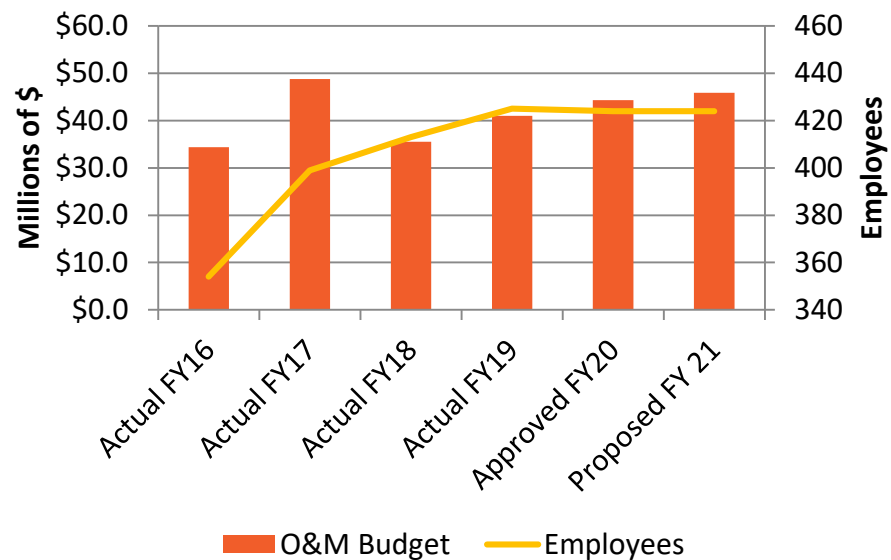
5-Year Spend Plan

	<i>FY 2020 Approved</i>	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	2021 – 2025 Total
Meter Replacements	\$13.4	\$14.7	\$14.0	\$10.2	\$8.0	\$8.0	\$54.9
Rainey Street Substation	\$6.0	\$8.6	\$5.4	\$4.9	\$0	\$0	\$18.9
Bluff Springs Substation	\$7.0	\$8.3	\$1.2	\$0.0	\$0.0	\$0.0	\$9.5
WAMS (Work Asset Management System)	\$4.0	\$6.3	\$3.2	\$0.0	\$0.0	\$0.0	\$9.4
JL-MC Circuit 811 Upgrade	\$3.1	\$4.7	\$0.2	\$0.02	\$0	\$0	\$4.8

In millions



FY 2021 Customer Care Budget Summary

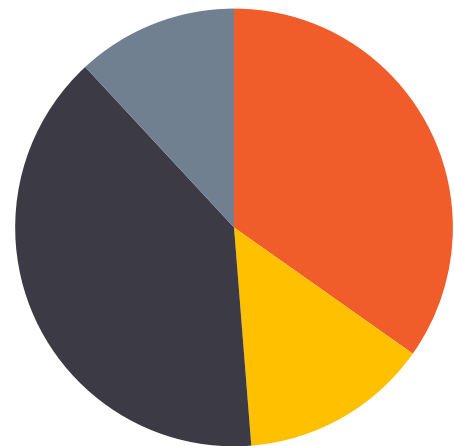
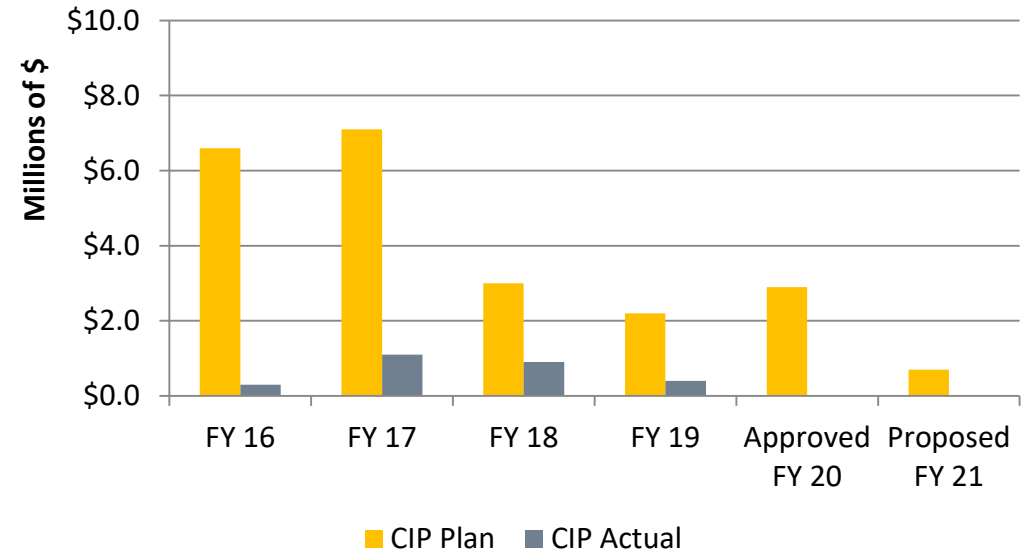
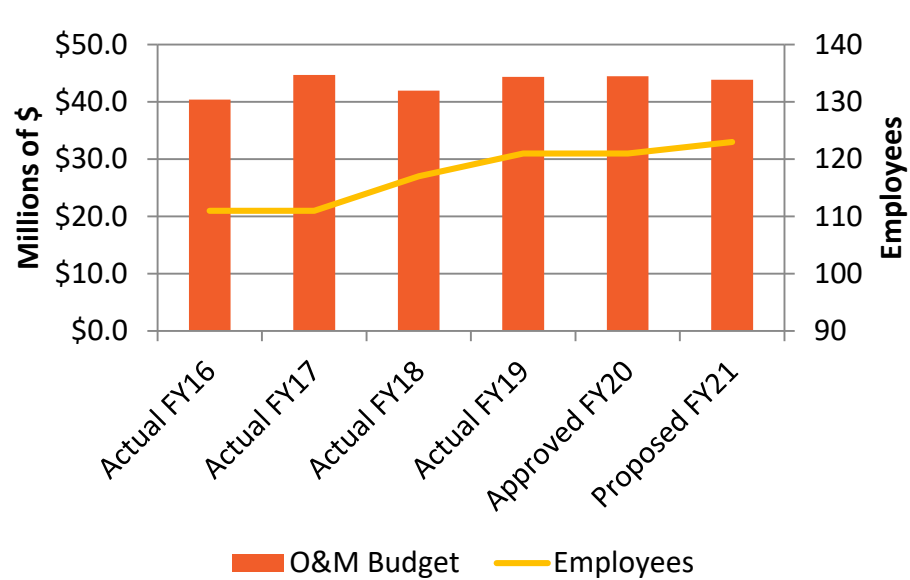


- 2 new FTEs included in FY21 Proposed Budget
- \$1.5M increase in FY21 for Digital Self Service Portal
- \$10.7M included in 5 yr. CIP plan for Interactive Voice Response (IVR) enhancement



■ Labor and Benefits
 ■ Contractuals
 ■ Oracle Contract
■ Staffing Services
 ■ Commodities

FY 2021 Customer Energy Solutions Budget Summary



- FY21 proposed budget meets or exceeds all Council and GenPlan goals
- Demand side management budget of \$39M – 73 MW target; 1% annual savings
- Solar incentive budget totals \$5.275M – 12 MW target
- 2 new FTEs included in Green Building/EVET Proposed Budget
- DC fast charging stations expenses of \$0.5M in FY2021



- Labor and Benefits
- Energy Efficiency Incentives
- Contractuals
- Solar Program

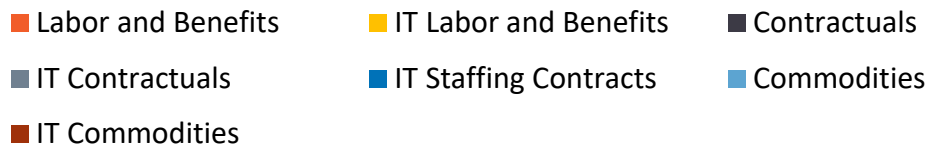
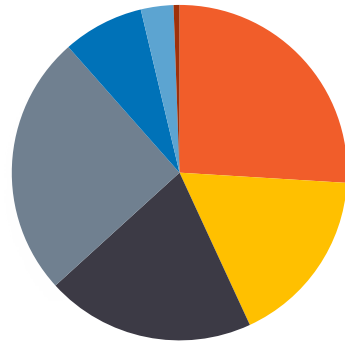
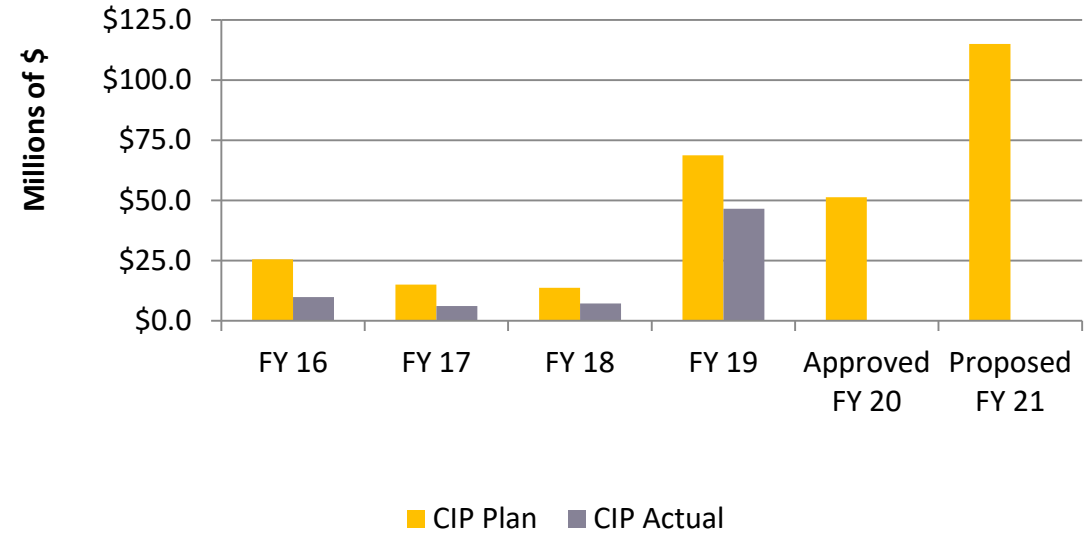
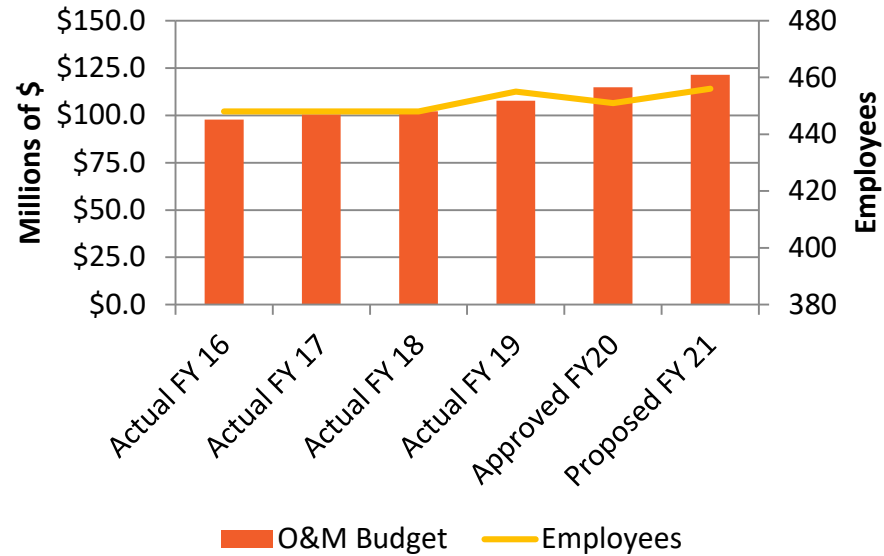
Energy Efficiency Programs

Community Benefits Charge: Energy Efficiency Services Incentives (in thousands)

ORGN_NAME	FY2020 Amended	FY2021 Proposed	Variance
CAP Weatherization D.I.	1,000	1,000	-
AE Weatherization- D.I.	1,277	1,277	-
Appliance Efficiency Program	1,600	1,800	200
Commercial-Exist Construction	2,335	2,250	(85)
Home Performance w Energy Star	1,800	1,500	(300)
Load Coop	1,487	1,850	364
Multi-Family Rebates	1,060	900	(160)
Multi-Family WX-D.I.	1,060	1,800	740
Residential Power Partner-Aggr	1,500	1,500	-
Small Businesses	2,260	1,100	(1,160)
Solar Program	3,000	2,500	(500)
Solar PV Performance Based Incentive Program	2,500	2,750	250
SPUR Strategic Partnership wUtilities & Retailers	1,000	1,150	150
Water Heater Timers	495	200	(295)
Other	360	460	100
Grand Total	21,734	21,037	(697)



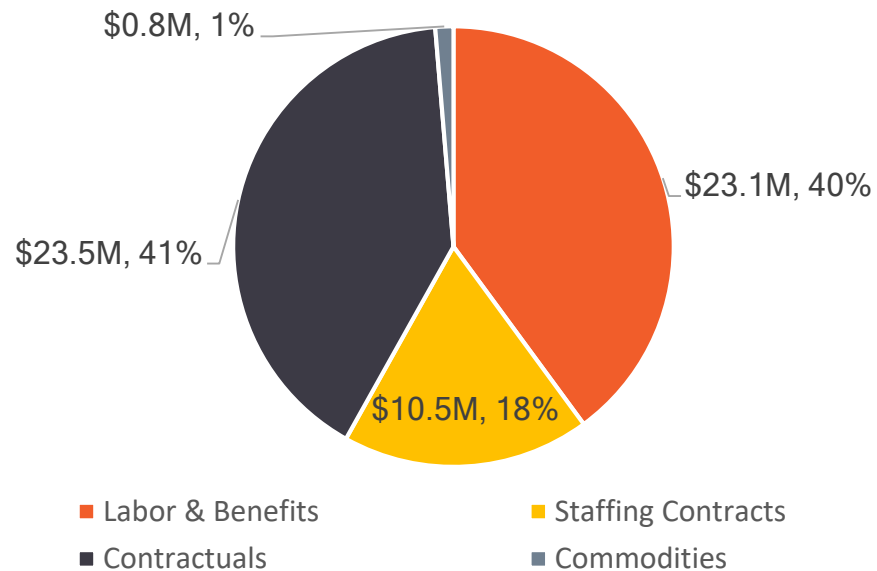
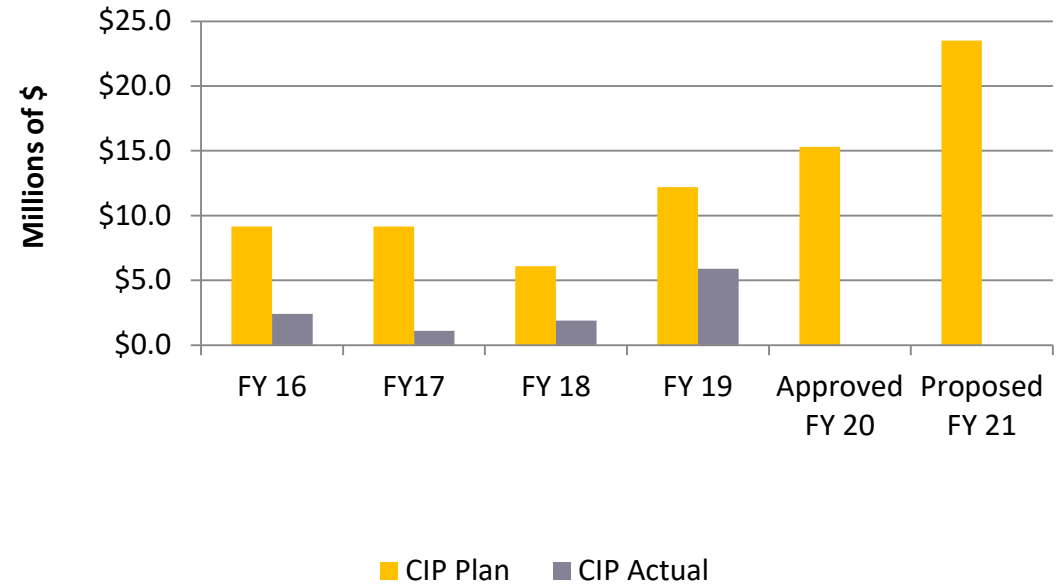
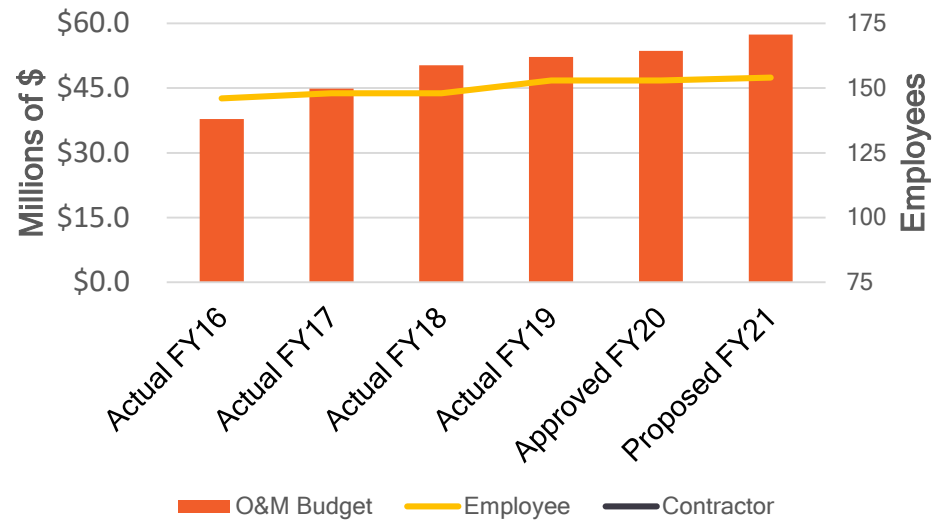
FY 2021 Support Services Budget Summary



- \$1.25M increase in security contracts
- FY2021 includes \$88.4M in capital expenses for new headquarters
- \$5.5M in FY2020 capital expenses for Energy Trading and Risk Management system and ERCOT Nodal Market system
- The Support Services Information Technology budget is detailed on the next slide



FY 2021 Information Technology Budget Summary



- O&M increase related to two technology initiatives, Strategic Infrastructure Transformation & Identity Governance Program (infrastructure, data center, security, cloud readiness, business continuity)
- CIP – IT Infrastructure Transformation program at \$8.0M in FY2021; Identity Governance Program at \$2.9M in FY2021



Fiscal Year 2021 Proposed Budget Presentation

Proposed Tariff and Fee Changes



FY 2021 Tariff and Fee Changes

Fee Schedule Changes	Current	Proposed
Hit and Damaged Pad Mount Transformer	\$ 9,430.00	\$ 8,670.00
Hit and Damaged Streetlight Pole	\$ 5,400.00	\$ 6,040.00
Hit and Damaged Utility Pole	\$ 11,500.00	\$ 13,460.00
Impacted Streetlight Pole (without replacement)	\$ 540.00	\$ 600.00
Impacted Utility Pole (without replacement)	\$ 1,150.00	\$ 1,350.00
Return Trip / Customer Initiation Fee	\$ 250.00	\$ 300.00
Design Consultation	-	\$ 165.00

Tariff Changes:

- Proposed PSA pass through rate to be finalized in August

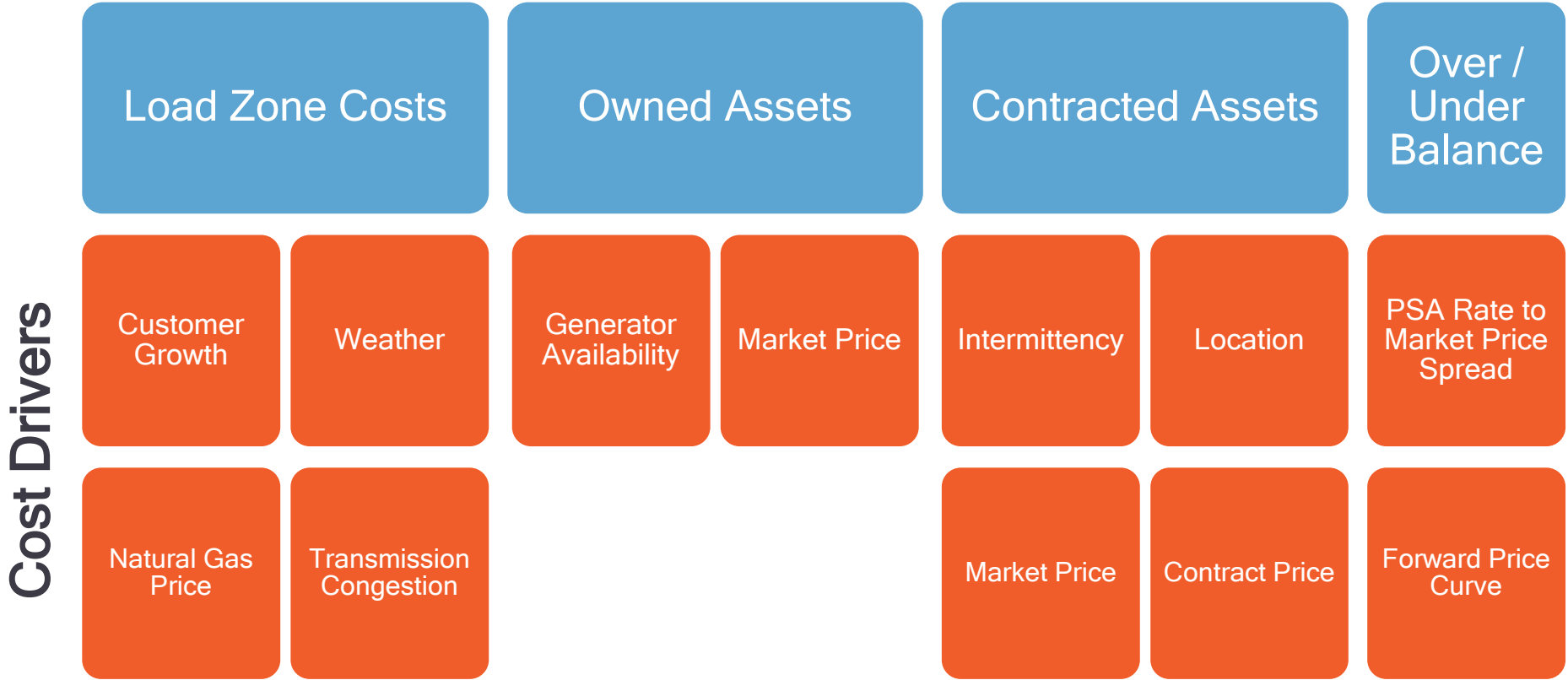
Changes to Fee Language:

- Installation of and Billing for Meter Totalization - “at cost +15%” changed to “AE Specialty Metering Costs @ Estimated Costs”
- “Construction Loop Service” to “Temporary Construction / Homebuilder Loop”
- “Tree Trimming Consultation Fee” to “Field Ops Consultation” and the fee amount from \$100 to \$160



Power Supply Adjustment Drivers

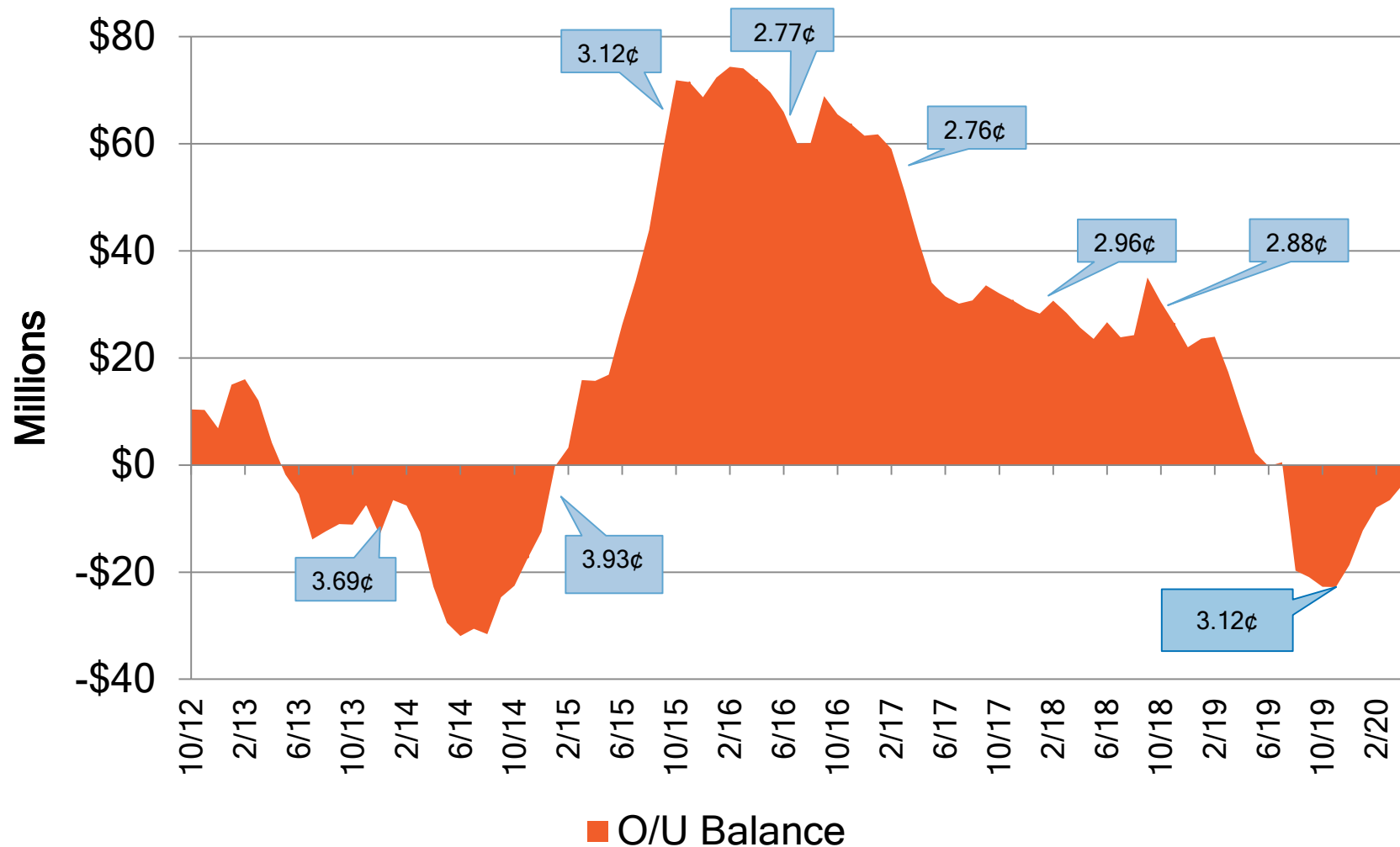
Major Elements Impacting PSA



Future power prices are inherently uncertain



Average PSA and Over (Under) Balance





**Customer Driven.
Community Focused.SM**



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