

# Fiscal Year 2022 Proposed Budget Presentation

## Electric Utility Commission

Austin Energy  
Executive Team



July 15, 2021

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# Agenda

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



## Disclaimer

Certain information set forth in this presentation contains forecasted financial information. Forecasts necessarily involve known and unknown risks and uncertainties, which may cause actual performance and financial results in future periods to differ materially from any projections of future performance.

Although the forecasted financial information contained in this presentation is based upon what Austin Energy management believes are reasonable assumptions, there can be no assurance that forecasted financial information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such forecasts.

In addition, this presentation contains unaudited information and should be read in conjunction with the audited Comprehensive Annual Financial Reports for the City of Austin, which was published on March 18, 2021:

[https://assets.austintexas.gov/financeonline/downloads/comprehensive\\_annual\\_financial\\_report/comprehensive annual financial report 2020.pdf](https://assets.austintexas.gov/financeonline/downloads/comprehensive_annual_financial_report/comprehensive_annual_financial_report_2020.pdf)



# Fiscal Year 2022 Proposed Budget Presentation

## Budget Adoption Schedule



# FY 2022 Budget Adoption Schedule

- July 9 – City Manager Proposed Budget Presentation
  - Proposed Budget available to the public
- July 15 – Electric Utility Commission Proposed Budget Presentation
- July 22 – Set public hearings
- July 27 – Budget work session #1
  - Council deliberations on select topics
- July 29 – Public hearing on Austin Energy rates and fee schedule
- July 29 – Set max tax rate and budget & tax rate hearings
- August 3 – Budget work session #2
- August 11 – Budget readings and adoption
- September 30 – Set FY 2022 PSA, CBC and Regulatory charge



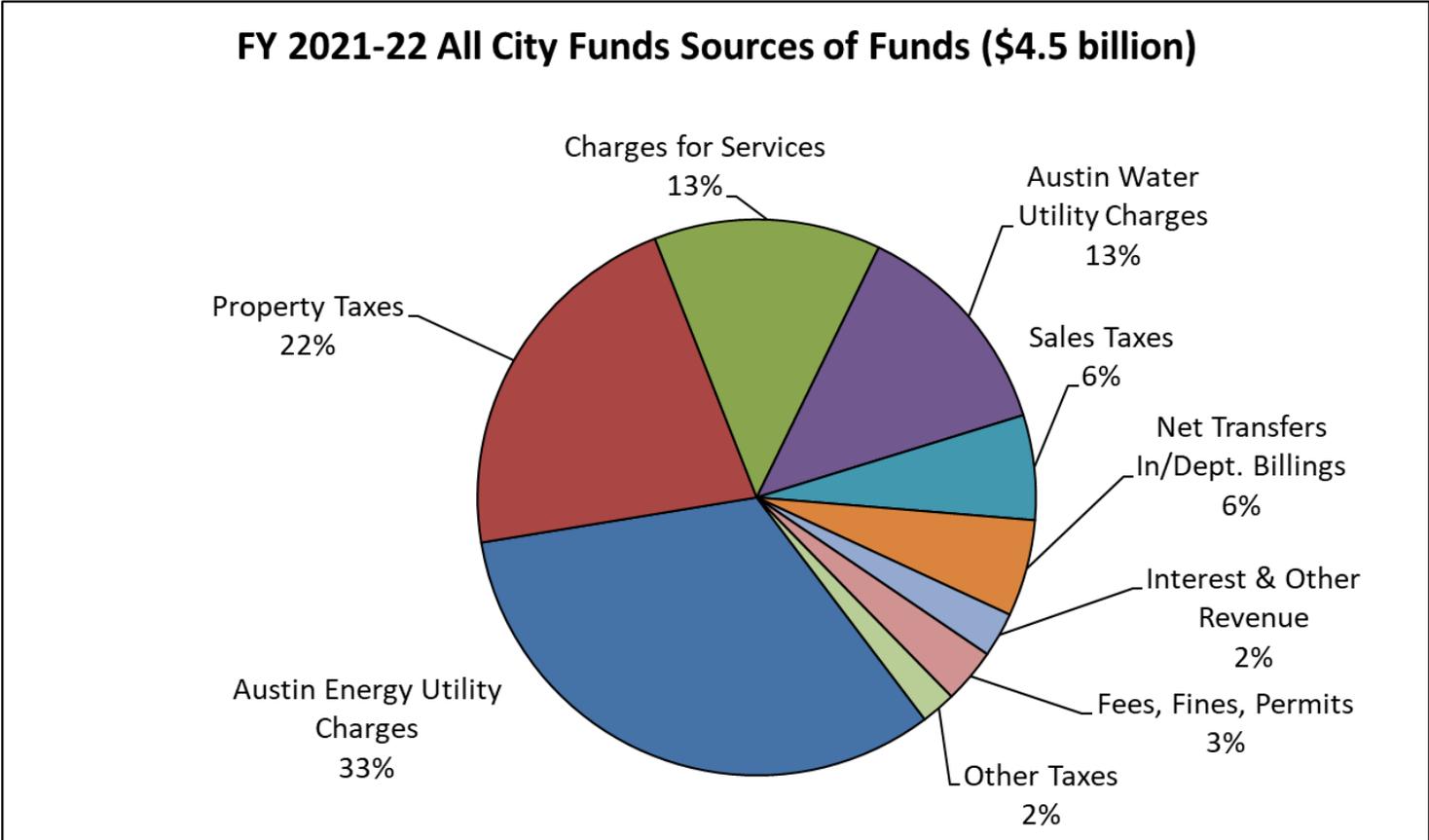
# Fiscal Year 2022 Proposed Budget Presentation

## Proposed Budget Summary



# Austin Energy's Share of the FY 2022 City Budget

All City Funds for FY 2022: \$4.5B



Austin Energy's total Expenditures Budget of \$1.5B in FY2022 is 33% of the City of Austin's total expenditures budget of \$4.5B



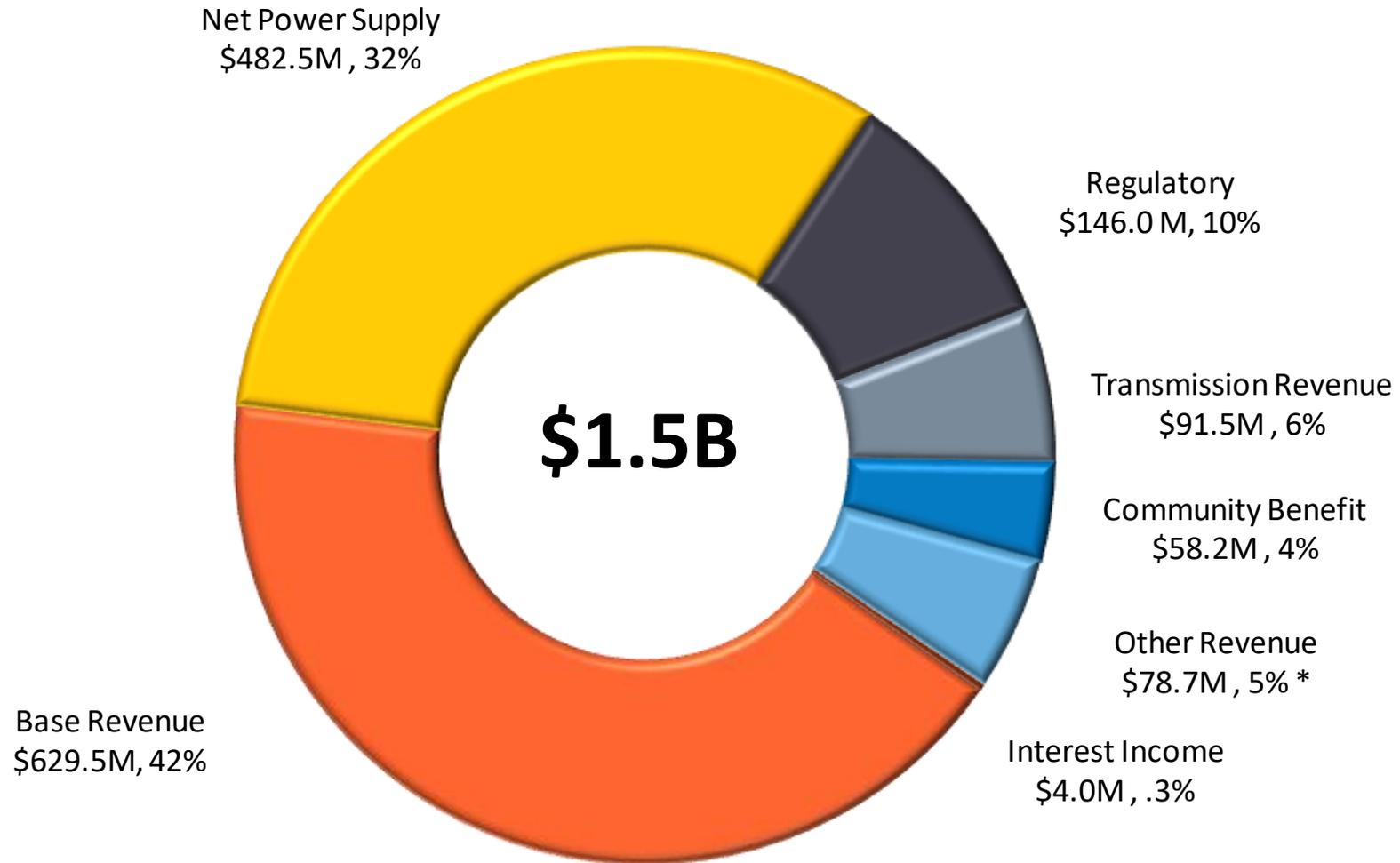
# Fund Summary FY 2022

(\$ millions)	FY 2020 Actual	FY 2021 Amended	FY 2021 Estimated	FY 2022 Proposed	FY 2022 Proposed To FY 2021 Amended	% Change
Beginning Balance	\$413.4	\$394.2	\$387.8	\$261.0	(\$133.2)	(34.0%)
Revenue/Transfers In	1,389.9	1,416.0	1,396.4	1,490.3	74.2	5.2%
Expenditures:						
Operating Expenses	647.4	686.4	681.8	714.8	28.4	4.1%
Power Supply Expenses	367.9	359.4	358.5	422.3	62.9	17.5%
Debt Service	152.1	158.1	161.3	161.9	3.8	2.4%
CIP Transfer	80.5	39.9	143.1	40.2	.3	0.8%
General Fund Transfer	111.0	114.0	114.0	114.0	0.0	0.0%
Other Transfers	60.8	64.4	64.4	55.8	(8.6)	(13.4%)
Reserve Transfers	(.4)	5.0	0.0	0.0	5.0	-
Total Expenditures	\$1,419.3	\$1,427.2	\$1,523.1	\$1,509.0	\$81.8	5.7%
Excess(Deficiency)	(\$29.5)	(\$11.2)	(\$126.8)	(\$18.8)		
Ending Balance	\$387.8	\$383.0	\$261.0	\$242.2	(\$140.8)	(37.0%)
FTEs	1,784	1,813	1,813	1,897	84	4.6%



This information is unaudited and should be read in conjunction with the audited Comprehensive Financial Reports for the City of Austin, when published on [www.austintexas.gov/financeonline/finance/main.cfm](http://www.austintexas.gov/financeonline/finance/main.cfm)

# FY 2022 Sources of Revenue



\*Other revenue includes District Cooling (chiller) \$34.2M, Congestion Revenue \$21.7M, Infrastructure Revenue \$6.7M, Misc. Revenue \$15.3M and Product Revenue \$.8M



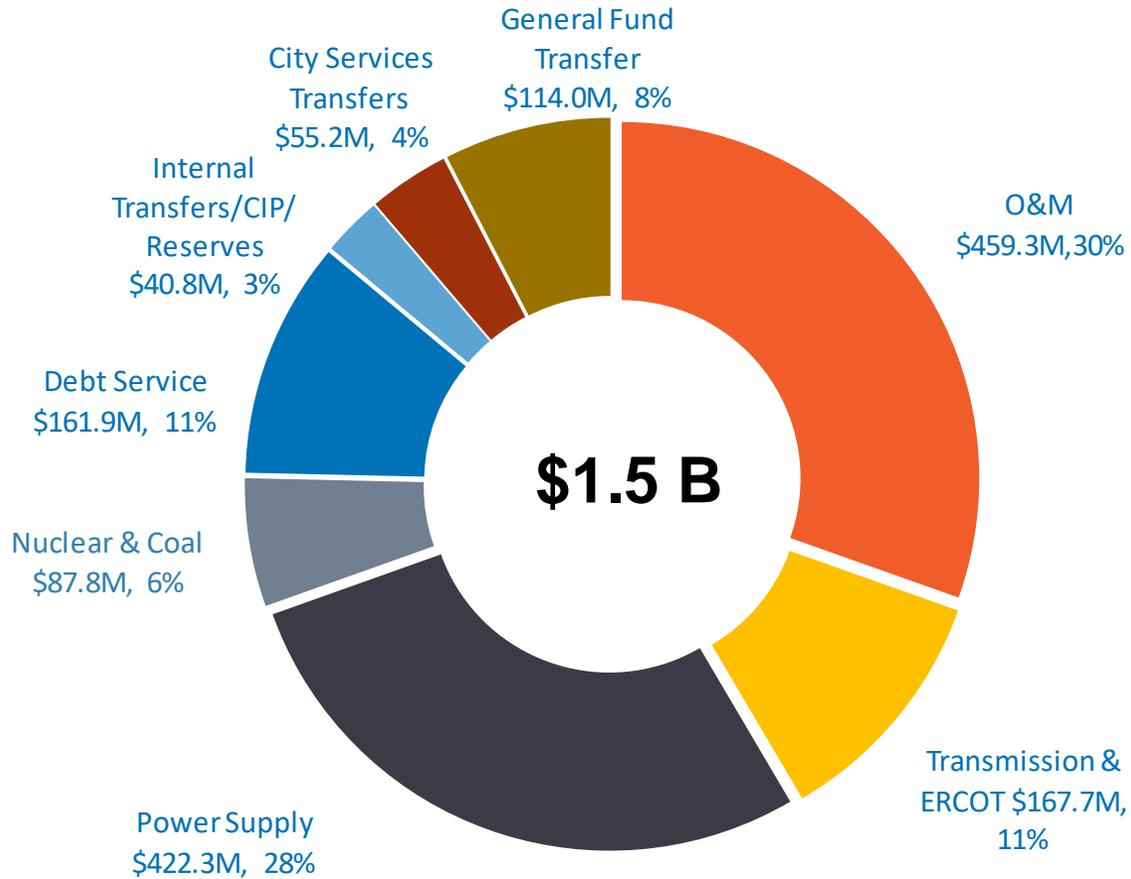
# FY 2022 Revenue Budget Highlights

- **Base revenue remains relatively flat**
  - Customer growth projected at 1.6%
  - Energy Sales Growth Forecasted at 0.8%
  - Base rates unchanged
  - Load and revenue forecasts are based on pre-COVID expectations
- **Power Supply Adjustment to be finalized in September**
- **Regulatory Charge to be finalized in September**
  - Expected to revert to pre-COVID levels
- **All Community Benefit Charges (CAP, SAL & EES) will be reviewed and updated as necessary in September**
  - Customer Assistance Program (CAP) returns to a 10% discount

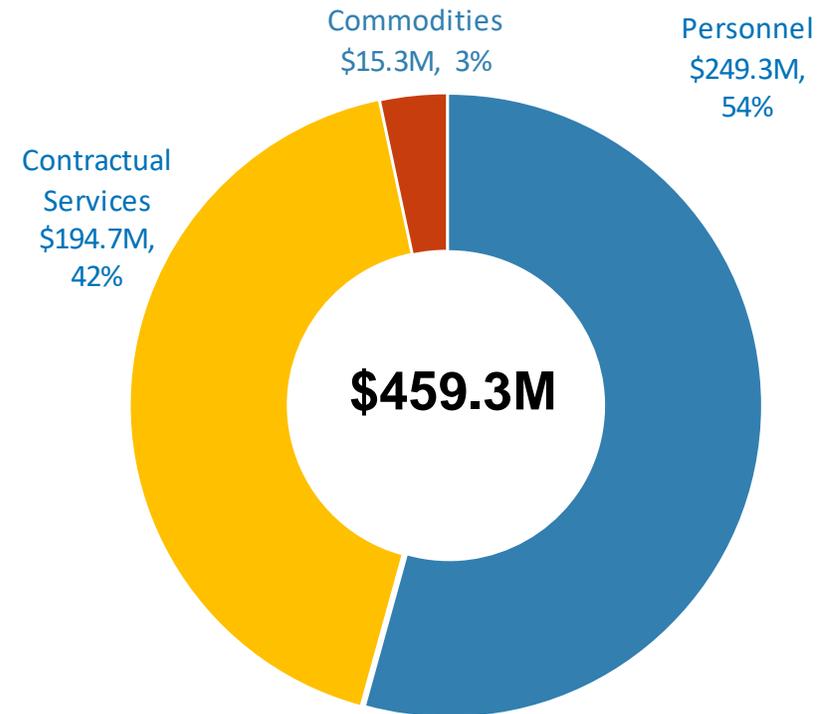


# Funding Needed for Austin Energy Operations FY 2022

## Operating Requirements



## Operations & Maintenance



## FY 2022 Operating Expense Highlights

- Power supply expenses to be finalized in September
- City-wide across the board, cost of living increase in wages 2%; \$3.75M
- One-time \$500 employee payout - \$882k
- 85 new FTEs for a net impact of \$4.6M; 1 FTE transferred to City of Austin Financial Services Department; Increasing FY22 count to 1,897 FTEs
- Insurance cost per FTE reduced from \$14,760 to \$12,546



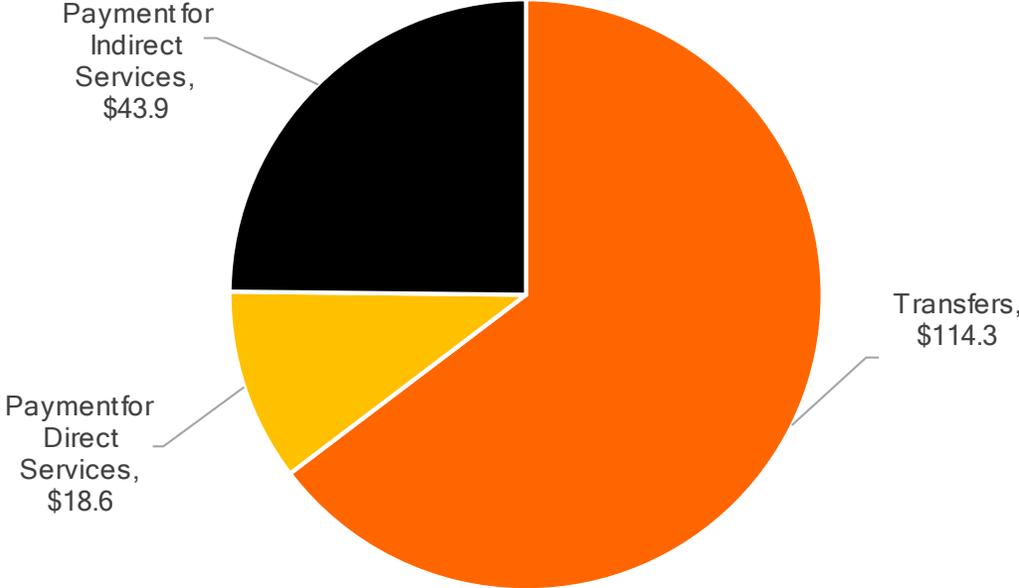
# Winter Storm URI Budget Ramifications

- Work is underway on a number of initial After Action Findings using current contracts, vendor relationships and funding. This includes a continued focus on vegetation management, software upgrades (outage map/text notifications), Austin Energy/Austin Water improvement team, exploration of feeder sectionalizing and AMI load shed, and plant weatherization/heat tracing
- The full Austin Energy After Action Report is expected in Fall 2021 and may impact spending in the future
- Regulatory changes, a summary of which will be discussed in a separate presentation, may also impact future spending
- The 2022 PSA balance and rate will be addressed when the rate is set in September; the new rate would will go into effect November 1<sup>st</sup>.

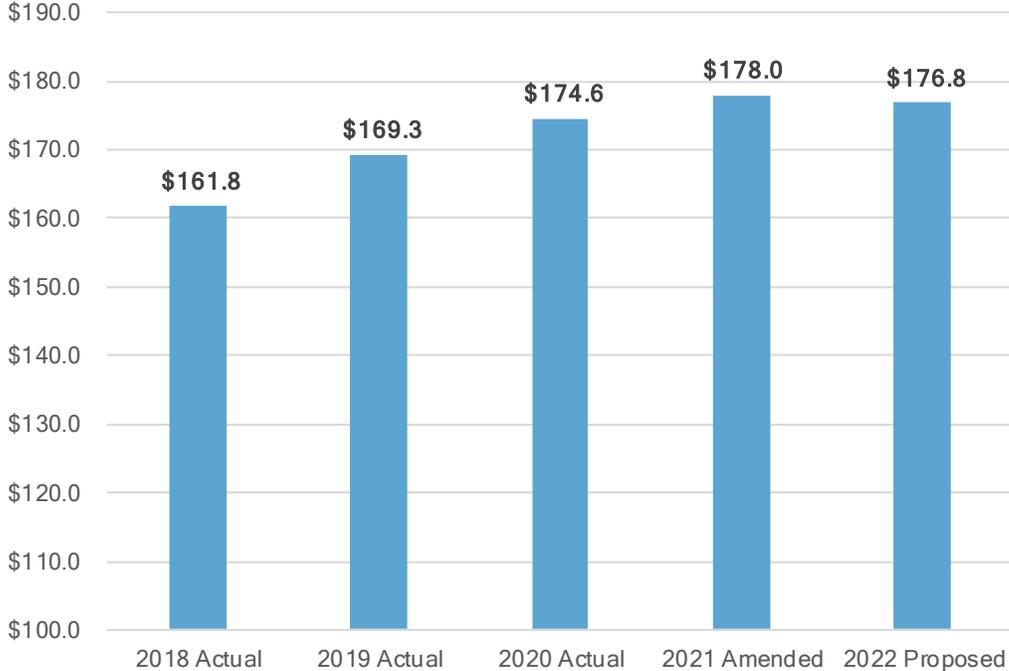


# City Transfers & Payments for Direct and Indirect Services

FY2022  
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 2021 Approved</i>	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	2022 – 2026 Total
Distribution	\$91.0	\$124.4	\$114.1	\$97.7	\$101.9	\$101.1	\$539.1
Distribution Substation	16.9	23.1	10.5	33.9	11.1	9.0	87.7
Transmission*	36.3	56.6	39.8	59.9	36.9	36.3	229.4
Electric Service Delivery	144.2	<b>204.1</b>	<b>164.4</b>	<b>191.5</b>	<b>149.9</b>	<b>146.4</b>	<b>856.2</b>
Power Production	27.3	36.6	34.2	28.1	17.9	22.7	139.5
District Cooling*	48.6	40.6	8.4	0.7	0.3	0.2	50.2
General	136.5	38.7	28.7	8.2	7.5	6.7	89.9
<b>Total</b>	<b>\$356.5</b>	<b>\$320.0</b>	<b>\$235.7</b>	<b>\$228.5</b>	<b>\$175.6</b>	<b>\$176.0</b>	<b>\$1,135.8</b>

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



# Financing the Capital Improvement Plan

In millions of \$

Business Unit	<i>FY 2021 Approved</i>	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	2022 – 2026 Total
<b>Total Capital Improvement Plan</b>	<b>\$356.5</b>	<b>\$320.0</b>	<b>\$235.7</b>	<b>\$228.5</b>	<b>\$175.6</b>	<b>\$176.0</b>	<b>\$1,135.8</b>
Debt	211.9	184.3	125.7	108.4	80.4	89.5	588.3
Cash	107.9	96.2	70.5	80.7	55.3	46.5	349.2
Contribution in aid of construction	36.7	39.5	39.5	39.4	39.9	40.0	198.2
<b>Total</b>	<b>\$356.5</b>	<b>\$320.0</b>	<b>\$235.7</b>	<b>\$228.5</b>	<b>\$175.6</b>	<b>\$176.0</b>	<b>\$1,135.8</b>
Debt %	59.4%	57.6%	53.3%	47.5%	45.8%	50.9%	51.8%
Cash %	30.3%	30.1%	29.9%	35.3%	31.5%	26.4%	30.7%
Contribution in aid of construction %	10.3%	12.3%	16.8%	17.2%	22.7%	22.7%	17.5%



# Fiscal Year 2022 Proposed Budget Presentation

## Financial Health



# Average Residential Customer Bill Impact

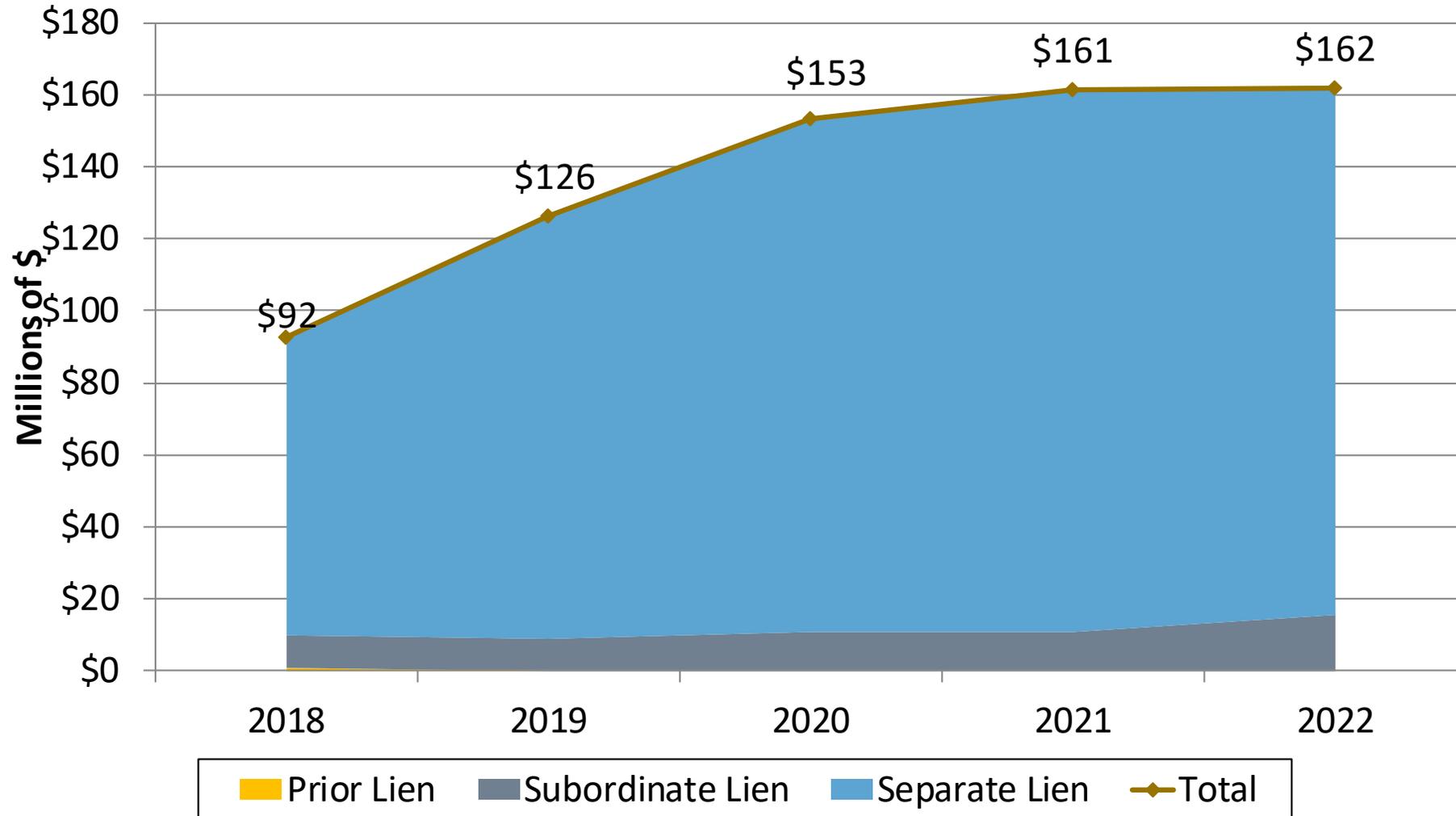
Unbundled 5-Tier Inclining Block Energy Rate (Inside City of Austin) Customer

Average Monthly Bill	Energy (kWh)	FY 2021	FY 2022	\$ Change from BY2021 (Budget)	% Change
Customer Charge		\$10.00	\$10.00	\$ -	0.00%
Base Electricity Charge	860	\$35.01	\$35.01	\$ -	0.00%
Power Supply Adjustment (PSA)*	860	\$26.47	\$ TBD		
Community Benefit Charge (CBC)*	860	\$4.44	\$ TBD		
Regulatory Charge *	860	\$8.68	\$ TBD		
<b>Total Monthly Bill</b>	<b>860</b>	<b>\$84.60</b>	<b>\$ TBD</b>	<b>\$</b>	<b>TBD%</b>
<b>Total CAP Customer Discounted Bill*</b>	<b>860</b>	<b>\$62.29</b>	<b>\$ TBD</b>	<b>\$</b>	<b>TBD%</b>

\* The PSA, Regulatory Charge and Community Benefit Charges will be updated with final proposed rates in September 2021.



# Debt Service by Fiscal Year FY 2018-2022



	2018	2019	2020	2021	2022
Debt Outstanding	\$ 1,145	\$1,818	\$1,739	\$1,845	\$2,141



# Austin Energy Financial Health

	2021 Minimum	2020 Actual	2021 Estimate	2022 Forecast
Standard & Poor's (S&P) credit rating on separate-lien revenue bonds	AA	AA	AA	AA
Working Capital	\$117M	\$405M	\$264M	\$273M
Days Cash on Hand (Fitch)	150 days	232	194	180
Debt Service Coverage (before GFT) *	2.5X	2.3	2.3	2.2
Debt Service Coverage (after GFT) *	2.0X	1.3	1.5	1.4
Debt to Capitalization	50%	52%	54%	56%
Net Income	\$10M	(\$35M)	(\$41M)	(\$19M)
* Debt service coverage ratios presented do not include imputed debt associated with power purchase agreements				



# Austin Energy Financial Health - Reserves

	2021 Minimum	2020 Actual	2021 Estimate	2022 Forecast
Working Capital	\$117M	\$405M	\$264M	\$273M
Contingency Reserve	\$106M	\$107M	\$107M	\$107M
Power Supply Stabilization Reserve	\$89M	\$110M	\$110M	\$110M
Capital Reserve	\$102M	\$70M	\$70M	\$70M
<b>Total</b>	<b>\$414M</b>	<b>\$594M</b>	<b>\$644M</b>	<b>\$641M</b>

		2021 Estimate	2022 Forecast
Non-Nuclear Decommissioning		\$38M	\$32M

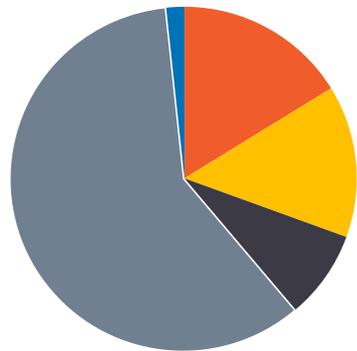
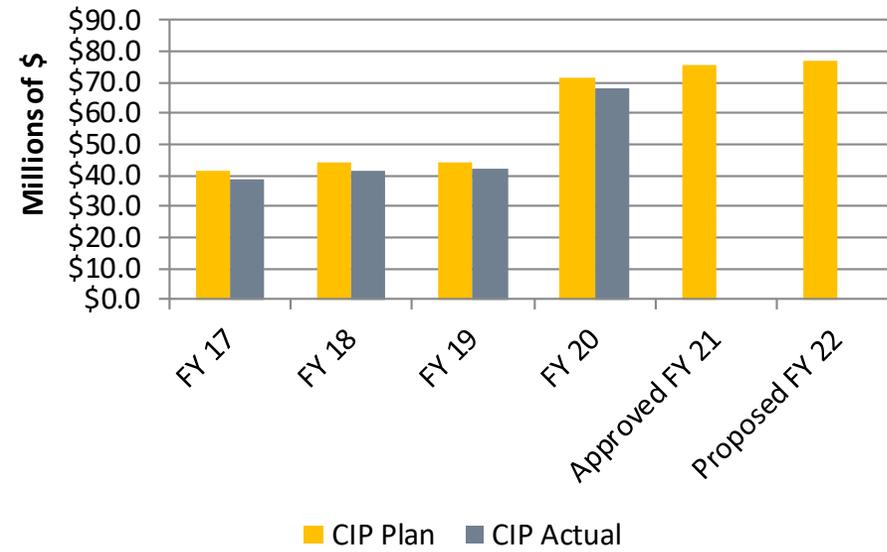
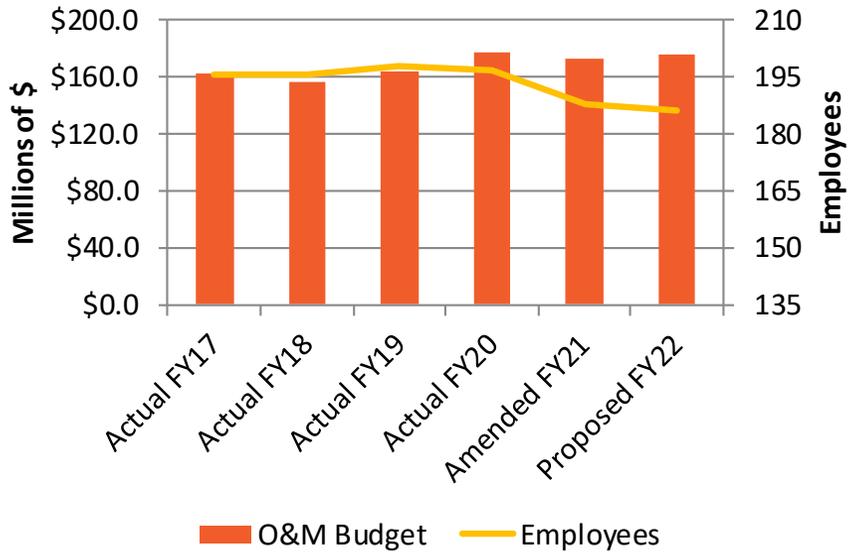


# Fiscal Year 2022 Proposed Budget Presentation

## Major Business Unit Discussions



# FY 2022 Power Generation & District Cooling Budget Summary



- STP , FPP & Nacogdoches- O&M budget increased by \$3M due to increase in planned outage and maintenance expense
- District Cooling O&M proposed budget for FY22 \$19.4M – 2 new plants coming online in FY22 – MEC2 & ACC Highland
- \$4M reduction in FY22 related to Decker O&M
- District Cooling - Mueller Energy Center Plant No. 2 capital expenses of \$19.5M
- Sand Hill Energy Center capital expenses of \$19.1M
- District Cooling - Downtown - Tower 5C Customer Connection capital expenses of \$6.6M
- District Cooling - Domain - Switchgear Upgrade capital expenses of \$4.2M



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

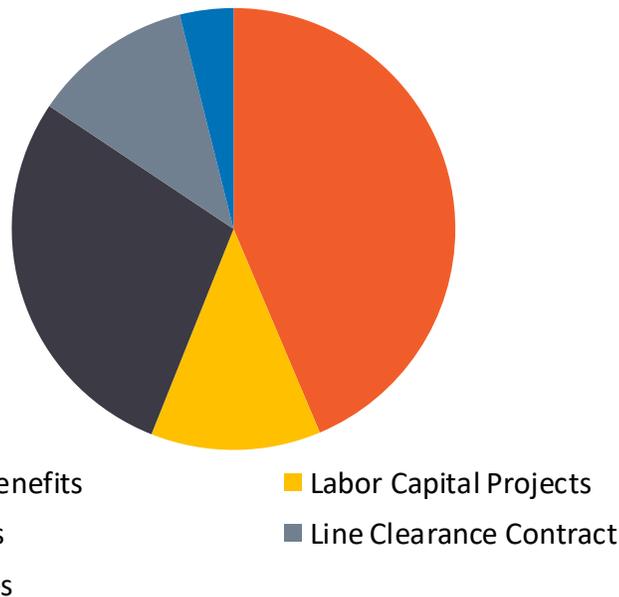
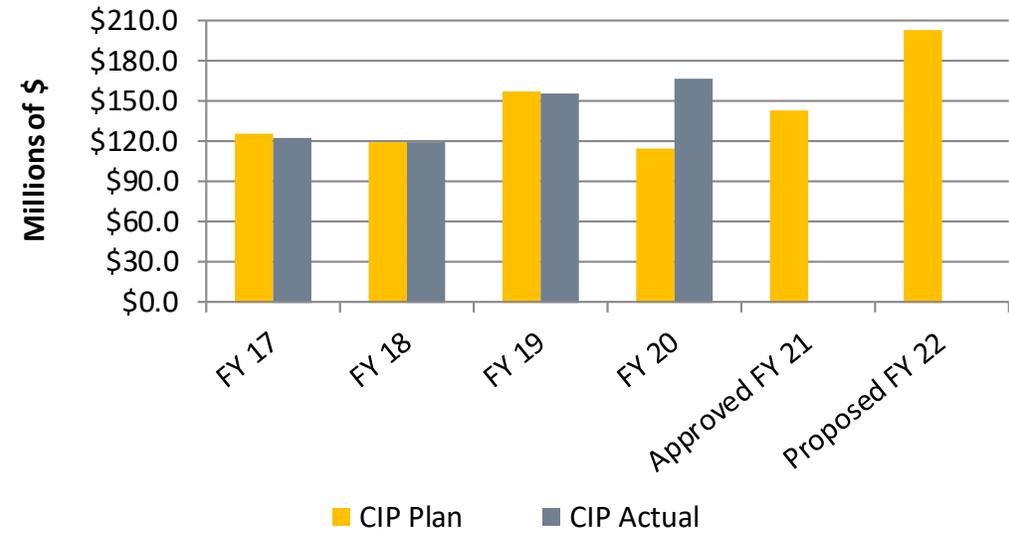
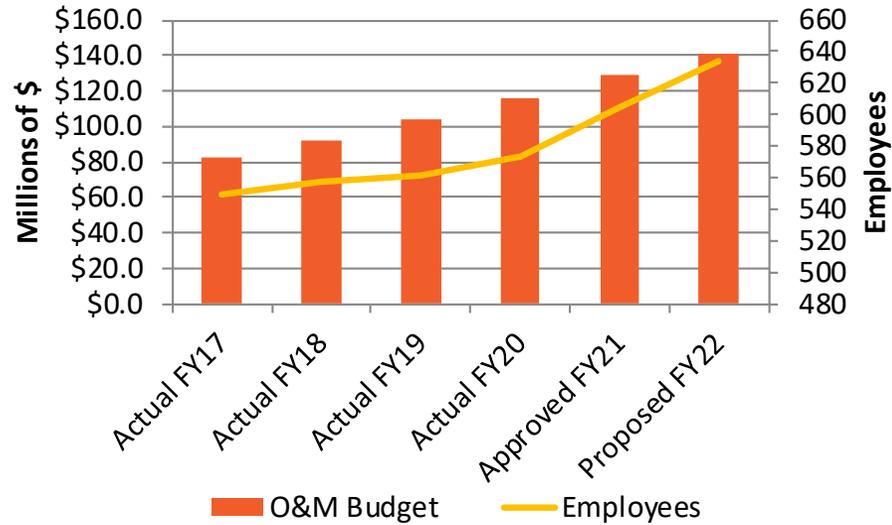
# FY 2022 Power Generation & District Cooling CIP Highlights

## 5-Year Spend Plan

	<i>FY 2021 Approved</i>	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	2022 – 2026 Total
District Cooling - Mueller Energy Center Plant No. 2	\$1.8	\$19.5	\$0.0	\$0.0	\$0.0	\$0.0	\$19.5
Sand Hill Energy Center Capital Program	\$13.1	\$19.1	\$19.1	\$13.3	\$7.5	\$10.4	\$69.5
District Cooling - Downtown - Tower 5C Customer Connection	\$0.3	\$6.6	\$0.9	\$0.0	\$0.0	\$0.0	\$7.5
District Cooling - Domain - Switchgear Upgrade	\$6.0	\$4.2	\$0	\$0	\$0	\$0	\$4.2



# FY 2022 Electric System Delivery Budget Summary



- Rapid growth has continued in the Austin region and requires staffing increases
- 29 new FTEs included in FY 2022 Proposed Budget; CIAC (Customer reimbursements) will offset some financial impact
- \$2.2M Increase for Distribution Design North and South contractors to keep up with growth
- \$1.7M Smart grid and network maintenance and security
- \$1M Pole inspection contract
- \$1M Increase for computer hardware maintenance for replacing and upgrading current systems



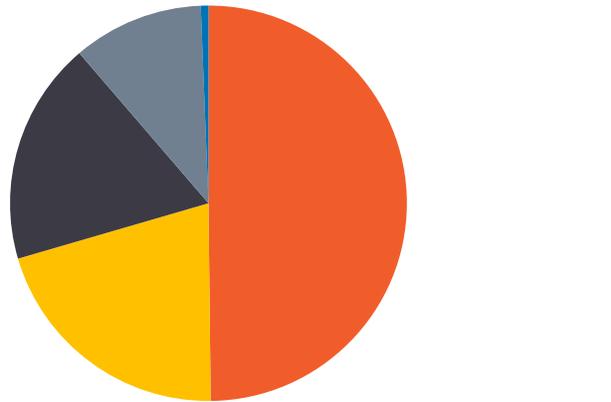
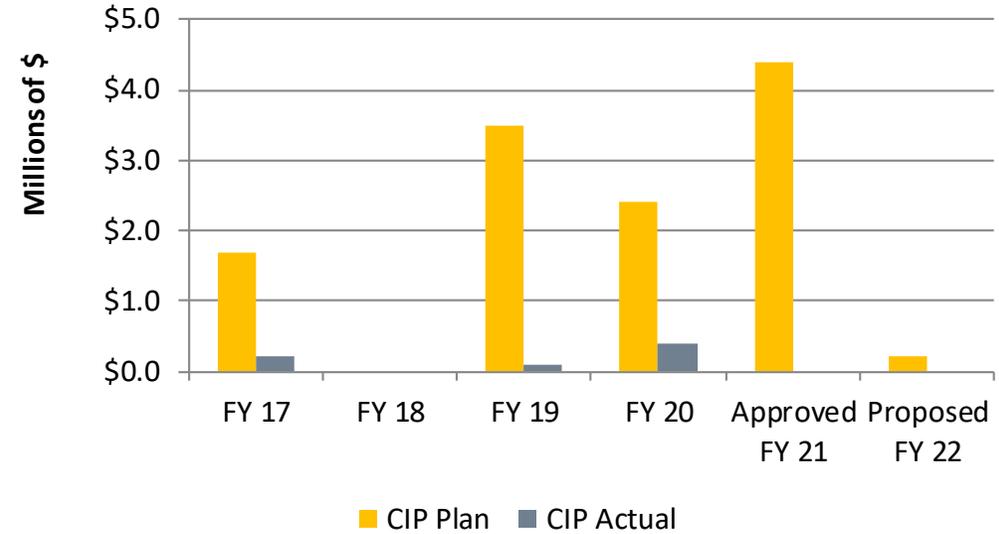
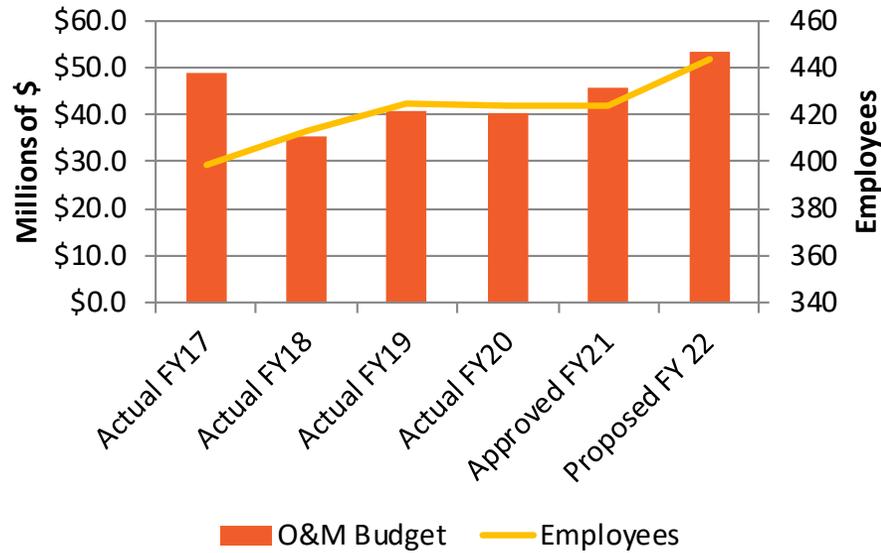
# FY 2022 Electric Service Delivery CIP Highlights

## 5-Year Spend Plan

	<i>FY 2021 Approved</i>	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	2022 – 2026 Total
Meter Replacements	\$15.3	\$16.6	\$11.2	\$8.7	\$8.7	\$ 8.7	\$53.9
Rainey Street Substation	\$8.6	\$15.0	\$0.0	\$0.0	\$0.0	\$0.0	\$15.0
Overhead Reliability Program	\$7.0	\$10.0	\$10.0	\$10.0	\$10.0	\$0.0	\$40.0
Cistern Substation	\$0.0	\$6.6	\$0.0	\$0.0	\$0.0	\$0.0	\$6.6
Dunlap AT2 (672MVA) Addition	\$2.1	\$4.5	\$0.0	\$0.0	\$0.0	\$0.0	\$4.5



# FY 2022 Customer Care & Customer Account Management Budget

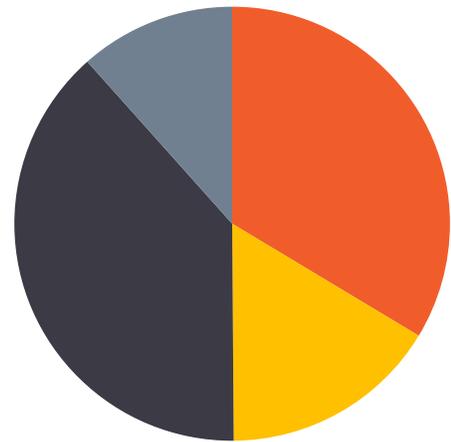
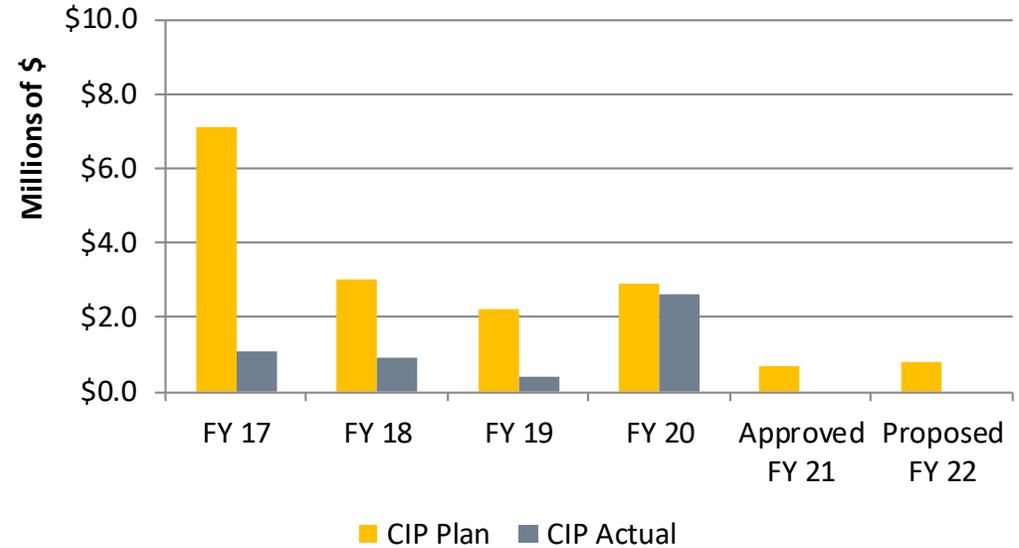
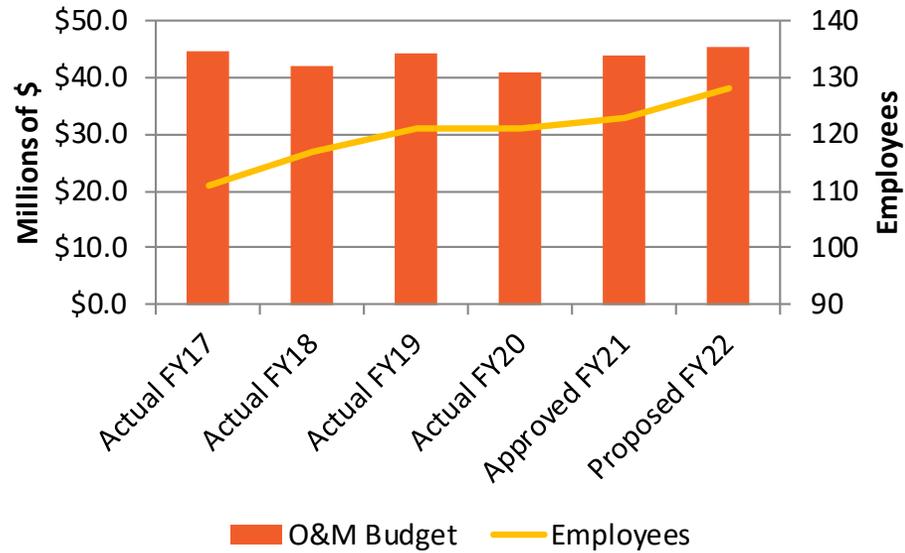


- 20 new FTEs included in FY22 Proposed Budget; In accordance with City of Austin’s insourcing initiative. 19 conversions and one new FTE
- \$1.6M increase in FY22 O&M for CC&B licenses and upgrades
- \$1.8M increase for new Oracle Field Services product
- One-time \$3.0M increase in software/licenses for DSS
- \$100K included in 5 yr. CIP plan for Contact Center phone system



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

# FY 2022 Customer Energy Solutions Budget Summary



- FY22 proposed budget meets or exceeds all Council and GenPlan goals
- Solar incentive budget totals \$5.25M – 12 MW target
- 5 new FTEs in FY22 proposed budget; Energy Efficiency 4 New FTEs and Key Accounts 1 New FTE
- \$2.1M included in 5 yr. CIP plan for EV Charging Stations Growth



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

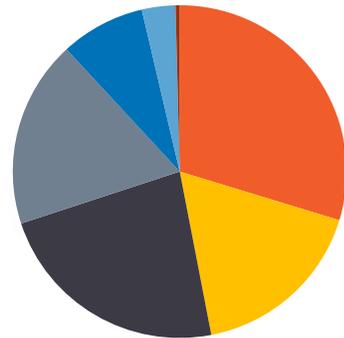
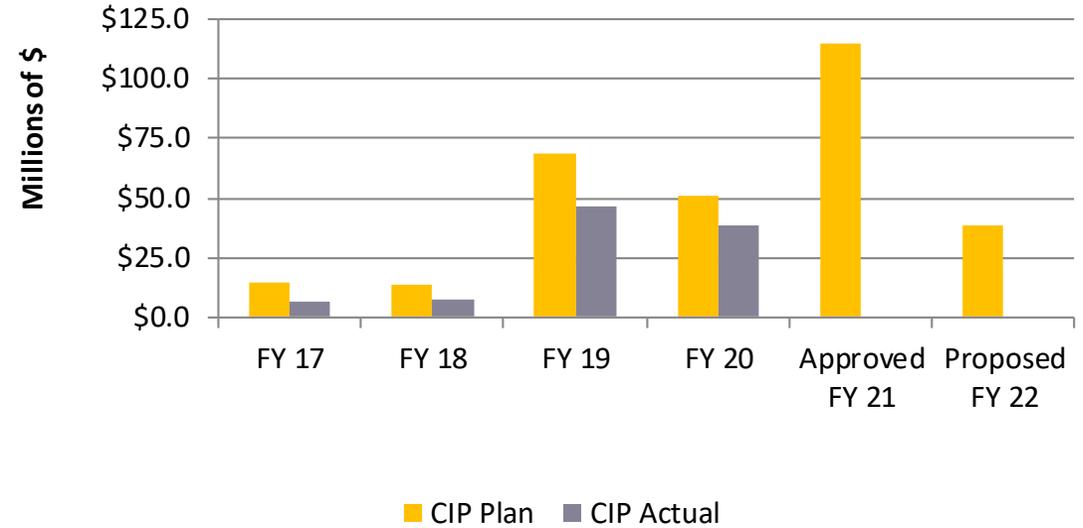
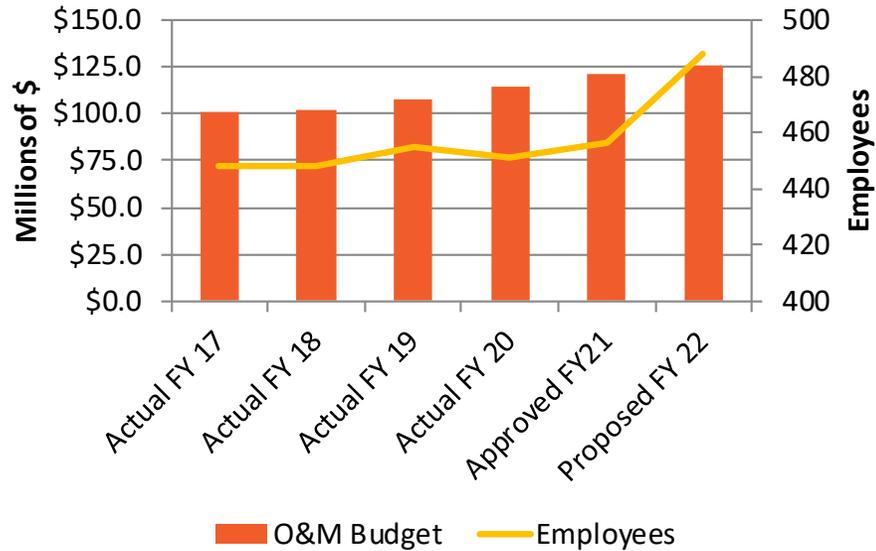
# Energy Efficiency Programs

## Community Benefits Charge: Energy Efficiency Services Incentives

CBC - ENERGY EFFICIENCY INCENTIVES BUDGET			
COMPONENT	FY 2021	FY 2022	VARIANCE
	APPROVED BUDGET	PROPOSED BUDGET*	PROPOSED FY22 TO APPROVED FY21
AE Weatherization - D.I.	\$ 1,277,000	\$ 1,577,000	300,000
Multi-Family Rebates	\$ 900,000	\$ 900,000	-
Multi-Family WX-D.I.	\$ 1,800,000	\$ 1,800,000	-
Loan Options	\$ 100,000	\$ 100,000	-
Commercial-Existing Construction	\$ 2,250,000	\$ 2,250,000	-
Small Businesses	\$ 1,100,000	\$ 1,100,000	-
Res. Solar Program	\$ 2,500,000	\$ 2,500,000	-
Comm Solar Performance Based Incentive	\$ 2,750,000	\$ 2,750,000	-
Residential Power Partner-Aggr	\$ 1,499,910	\$ 1,499,910	-
Load Coop	\$ 1,850,000	\$ 2,000,000	150,000
Home Performance w Energy Star	\$ 1,500,000	\$ 1,600,000	100,000
School Based Education	\$ 200,000	\$ 200,000	-
Appliance Efficiency Program	\$ 1,800,000	\$ 1,500,000	(300,000)
Water Heater Timers	\$ 200,000	\$ -	(200,000)
Direct Install Partners and Events	\$ 100,000	\$ 150,000	50,000
SPUR Strategic Partnership w/Utilities & Retailers	\$ 1,150,000	\$ 1,000,000	(150,000)
Municipal Conservation Program	\$ 60,000	\$ 60,000	-
<b>TOTAL INCENTIVES</b>	<b>\$ 21,036,910</b>	<b>\$ 20,986,910</b>	<b>\$ (50,000)</b>



# FY 2022 Support Services Budget Summary

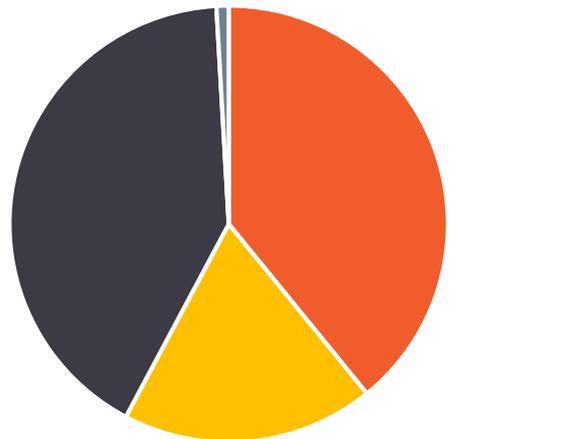
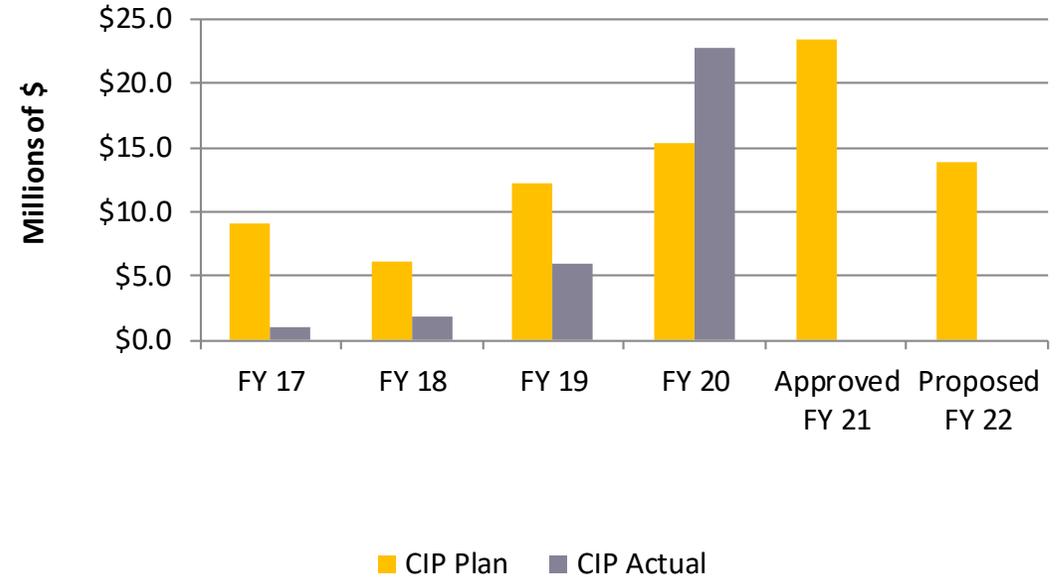
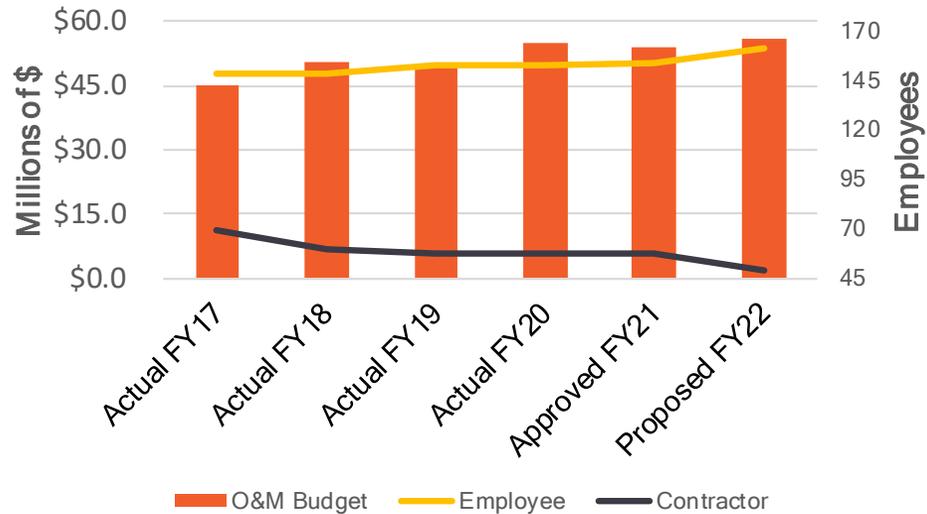


- Labor and Benefits
- IT Labor and Benefits
- Contractuals
- IT Contractuals
- IT Staffing Contracts
- Commodities
- IT Commodities

- 31 new FTEs included in FY22 Proposed Budget; Facilities positions added as a result of moving from leased space to the new AE Headquarters
- \$35.0M included in 5 yr. CIP plan (FY 2022 & FY 2023) for New AE warehouse using COA Public-Private Partnership
- Insurance premiums increased by \$1.24M (38%), primarily in property insurance as a result of recent disaster claims within the pool
- The Support Services Information Technology budget is detailed on the next slide



# FY 2022 Information Technology Budget Summary



- 7 new FTEs included in FY22 Proposed Budget
- 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 \$6.3M in FY2022; Identity Compliance System at \$730K in FY2022



■ Labor & Benefits      ■ Staffing Contracts  
■ Contractuals      ■ Commodities

# Fiscal Year 2022 Proposed Budget Presentation

## Proposed Tariff and Fee Changes



# FY 2022 Tariff and Fee Changes

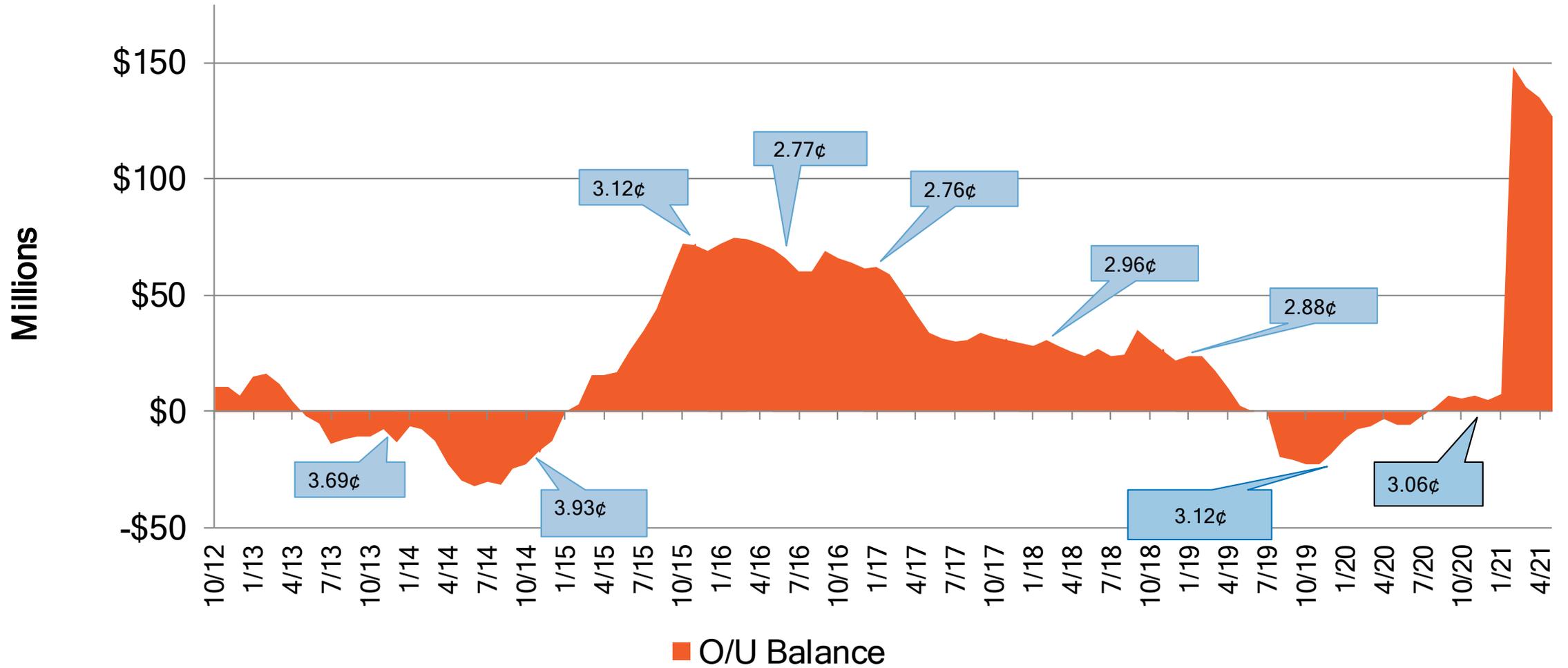
Fee Schedule Changes	Current	Proposed
Hit and Damaged Pad Mount Transformer	\$ 8,670.00	\$ 9,810.00
Hit and Damaged Streetlight Pole	\$ 6,040.00	\$ 5,570.00
Hit and Damaged Utility Pole	\$ 13,460.00	\$ 12,020.00
Impacted Streetlight Pole (without replacement)	\$ 600.00	\$ 560.00
Impacted Utility Pole (without replacement)	\$ 1,350.00	\$ 1,200.00
Return Trip / Customer Initiation Fee	\$ 300.00	\$ 300.00
Shared Solar Set Up	-	\$ 17.00

## Tariff Changes:

- CAP discount rate returned to pre-COVID rate of 10%
- The PSA, Regulatory Charge and Community Benefit Charges will be updated with final proposed rates in September 2021.



# Average PSA and Over (Under) Balance





**Customer Driven.  
Community Focused.<sup>SM</sup>**

