

Austin Energy 2023 Power Supply Adjustment City Council Discussion

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October 11, 2022

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2023 Power Supply Adjustment Discussion

Agenda for Discussion

- Follow-up Requests from September 27th Work Session
- Comparison of Option 1: As Proposed vs. Option 2: 3-Year Gradual
- Recommendation for the 2023 PSA and Future PSA Methodology



2023 Power Supply Adjustment Discussion

Follow-up Requests from September 27th Work Session





Power Supply Cost Impacting Other Utilities

Recent Headlines

- “CPS Energy Bills Top \$234 in August, Up 32 Percent From A Year Ago. In Past 5 Months, Up 35 Percent” —San Antonio Express-News 9/27/22
- “New Braunfels Utilities' electricity, water, wastewater rates to rise: Increases approved in 2020 but come at a time when power bills are already high” —The Herald-Zeitung 8/2/22
- “‘We’re in trouble’: Electric rates in Texas have surged over 70% as summer kicks in: Natural gas prices have soared, and gas-generation plants produce the most electricity in the state — and set the market rate” —Dallas Morning News 6/2/22



Recent Credit Actions on Texas Electric Utilities

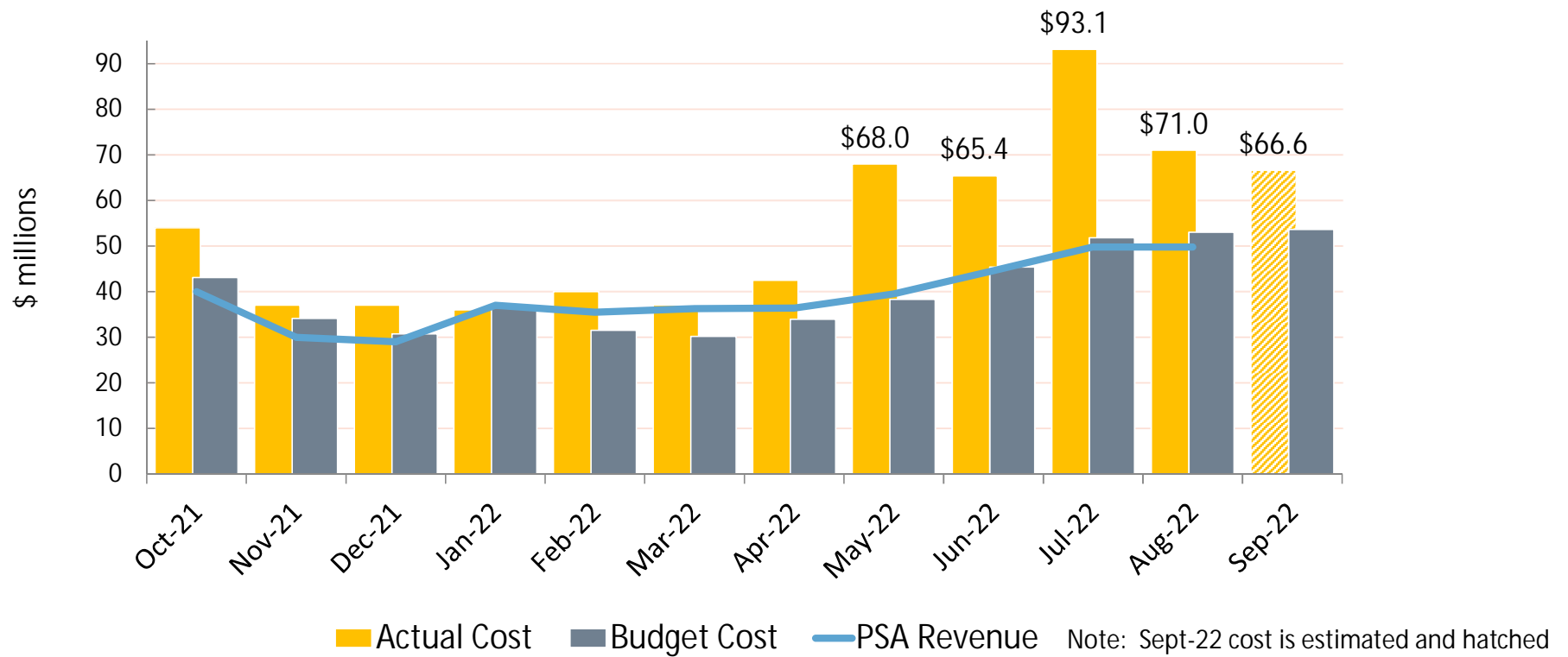
Utility	Uri Costs per Customer ⁽¹⁾	Agency	Movement	Prior Rating	Rating	Rating Date
Brazos Electric Power Cooperative, Inc.	\$2,858	S&P	Downgrade	A	D	3/1/2021
Brazos Sandy Creek Cooperative	-	S&P	Downgrade	A	CCC	3/1/2021
Rayburn Country Electric Cooperative	\$3,711	S&P	Downgrade	A-	CC	3/3/2021
Georgetown	\$1,562	S&P	Downgrade	AA-	A+	3/3/2021
Denton	\$1,081	S&P	Downgrade	AA-	A+	3/3/2021
San Antonio City Public Service	\$1,162	S&P	Downgrade	AA	AA-	3/10/2021
Denton County Electric Cooperative	-	Fitch	Downgrade	AA-	A	3/10/2021
Greenville Electric Utilities System	\$1,298	S&P	Downgrade	A+	A	3/25/2021
Pedernales Electric Cooperative	\$459	S&P	Downgrade	NR	A-1	4/7/2021
Golden Spread Electric Cooperative	\$787	S&P	Downgrade	AA-	A+	4/8/2021
Grey Forest Utilities	\$1,299	S&P	Downgrade	A+	BBB+	4/15/2021
Brownsville Public Utility Board	\$661	S&P	Downgrade	A+	A-	4/16/2021
New Braunfels	\$2,026	S&P	Downgrade	AA-	A+	4/19/2021
Bryan Rural Electric System	\$423	S&P	Downgrade	AA-	A+	4/29/2021
Garland Power & Light	\$1,840	S&P	Downgrade	A+	A	5/4/2021
Seguin	-	S&P	Downgrade	A+	A	5/19/2021
Floresville	\$1,771	S&P	Downgrade	AA-	A+	5/26/2021
Rayburn Country Electric Cooperative	\$3,711	S&P	Downgrade	CC	CCC	7/19/2021
Texas Municipal Power Agency	-	Fitch	Withdrawn	A+	WD	8/5/2021
Guadalupe Valley Electric Cooperative	-	S&P	Downgrade	AA-	A	10/27/2021
Rayburn Country Electric Cooperative	\$3,711	S&P	Upgrade	CCC	BBB-	3/7/2022
Brazos Sandy Creek Cooperative	-	S&P	Downgrade	CCC	D	3/18/2022
Lubbock	\$213	S&P	Downgrade	A+	A	8/2/2022
Austin	(Represents a credit for our customers) (\$199)	S&P	Downgrade	AA	AA-	8/23/2022
Brazos Electric Power Cooperative, Inc.	\$2,859	Fitch	Withdrawn	D	WD	8/25/2022
San Marcos	\$38	S&P	Downgrade	A-	BBB+	9/26/2022



(1) Costs per customer provided by S&P Global Ratings Research, November 1, 2021

Actual to Budget Analysis: Power Supply Adjustment

As Presented during 3rd Quarter Financial Update in August 2022 with Updated July & August Results

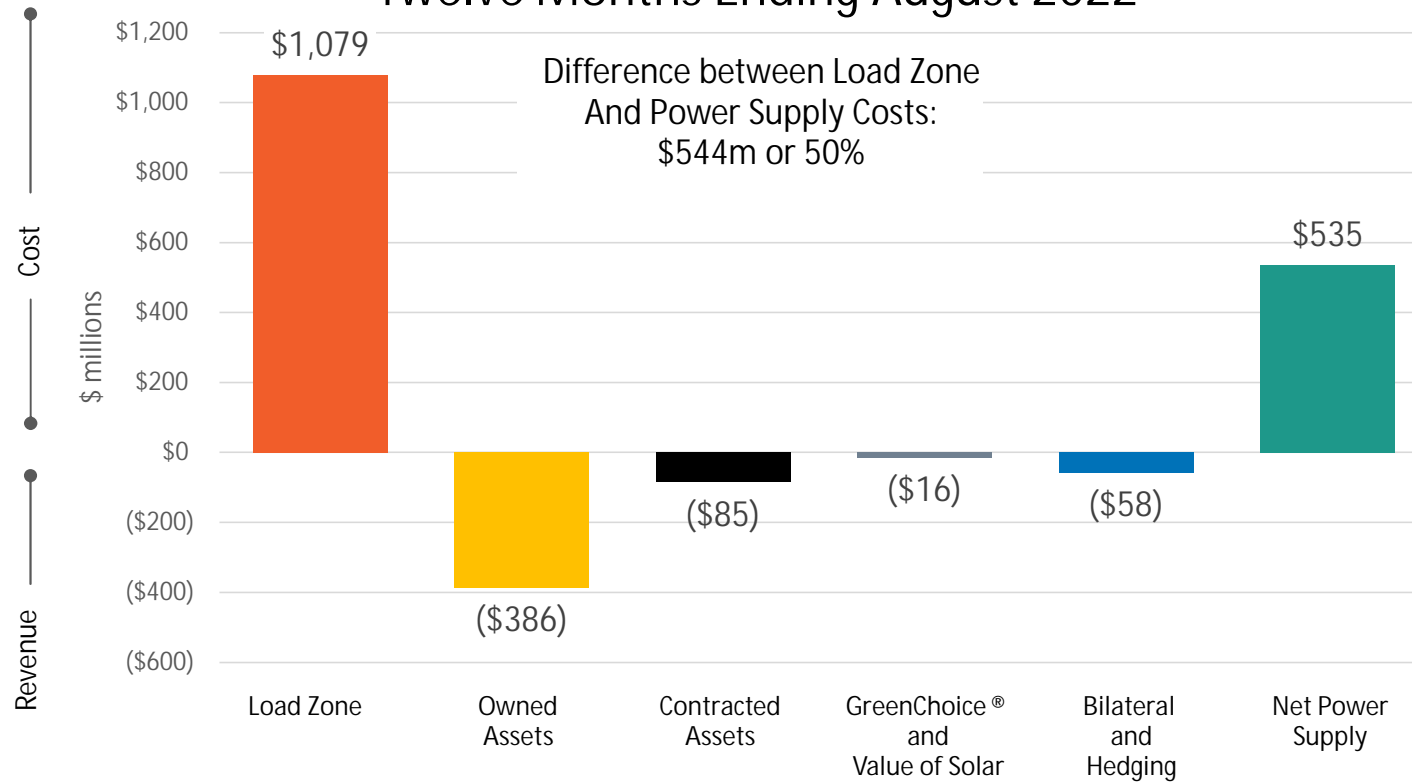


This information is unaudited and should be read in conjunction with the audited Comprehensive Financial Reports for the City of Austin, when published on http://finance.austintexas.gov/web/controller/annual_comprehensive_financial_report/annual_comprehensive_financial_report_2021.pdf

Power Supply Adjustment Cost Components

As Presented during 3rd Quarter Financial Update in August 2022 with Updated July & August Results

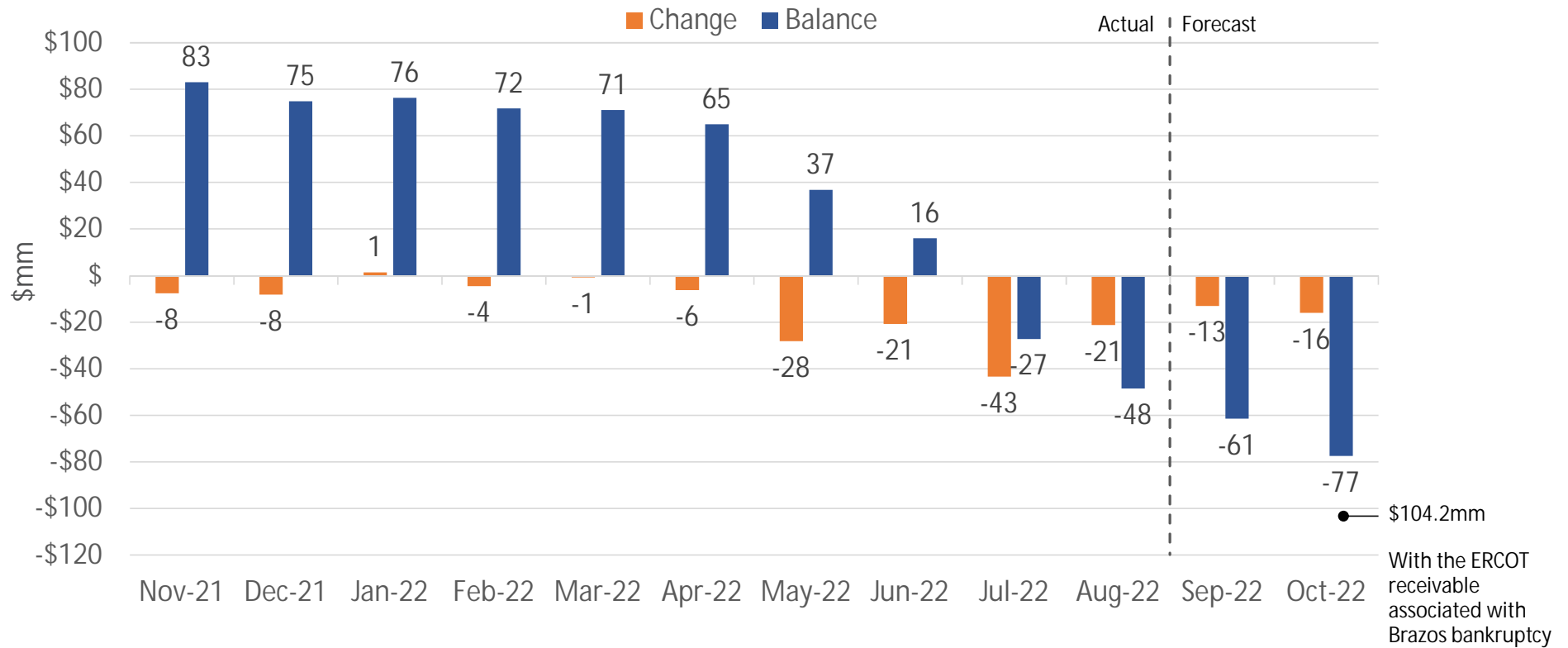
Twelve Months Ending August 2022



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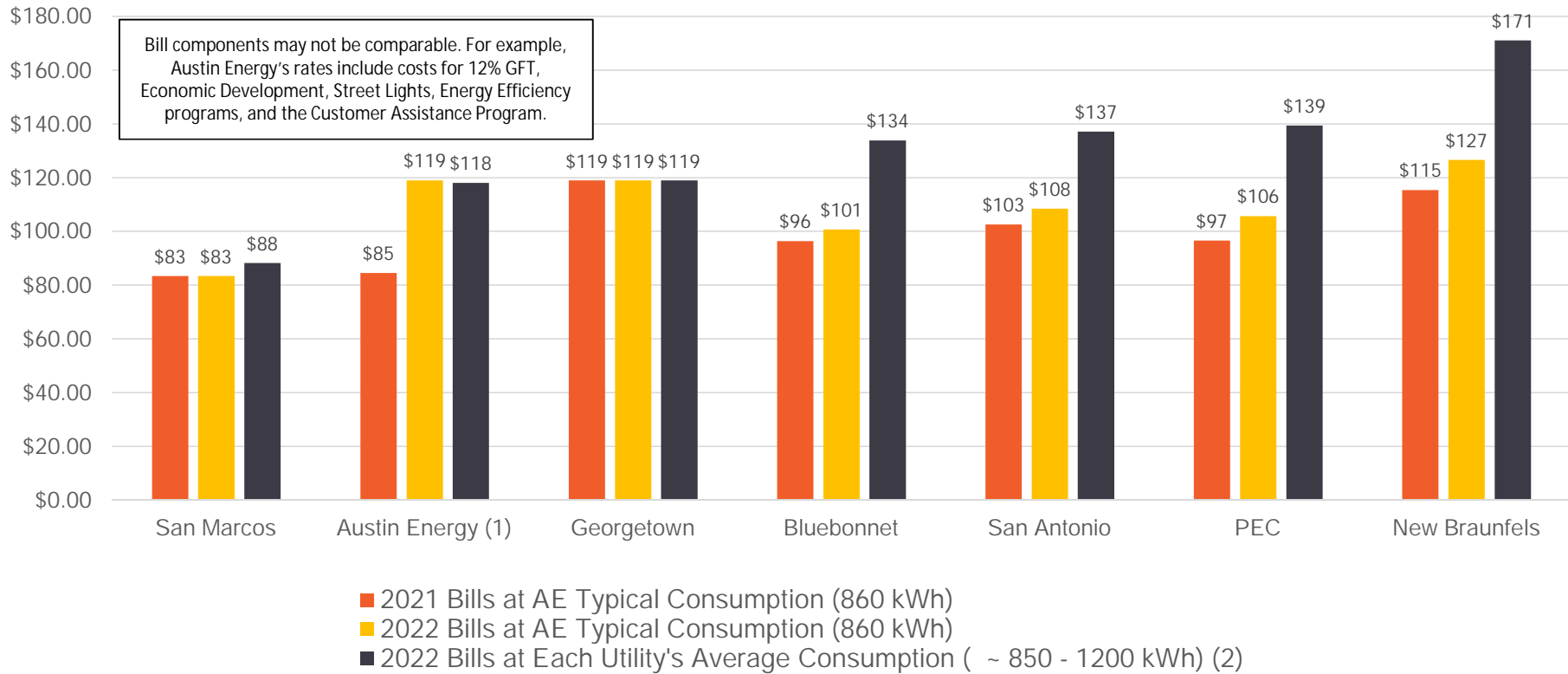
Primary Factor: Over/Under Collection of Power Supply Costs

Uri Funds Passed to Retail Customers while May-August was \$113 million Under Collected



Disclaimer: Accounting data and ERCOT settlement is subject to change. Default uplifts, resettlement and true-up cycles, and CRR Auction Revenue completion may alter these results.

Comparison of Bills for Central Texas Utilities

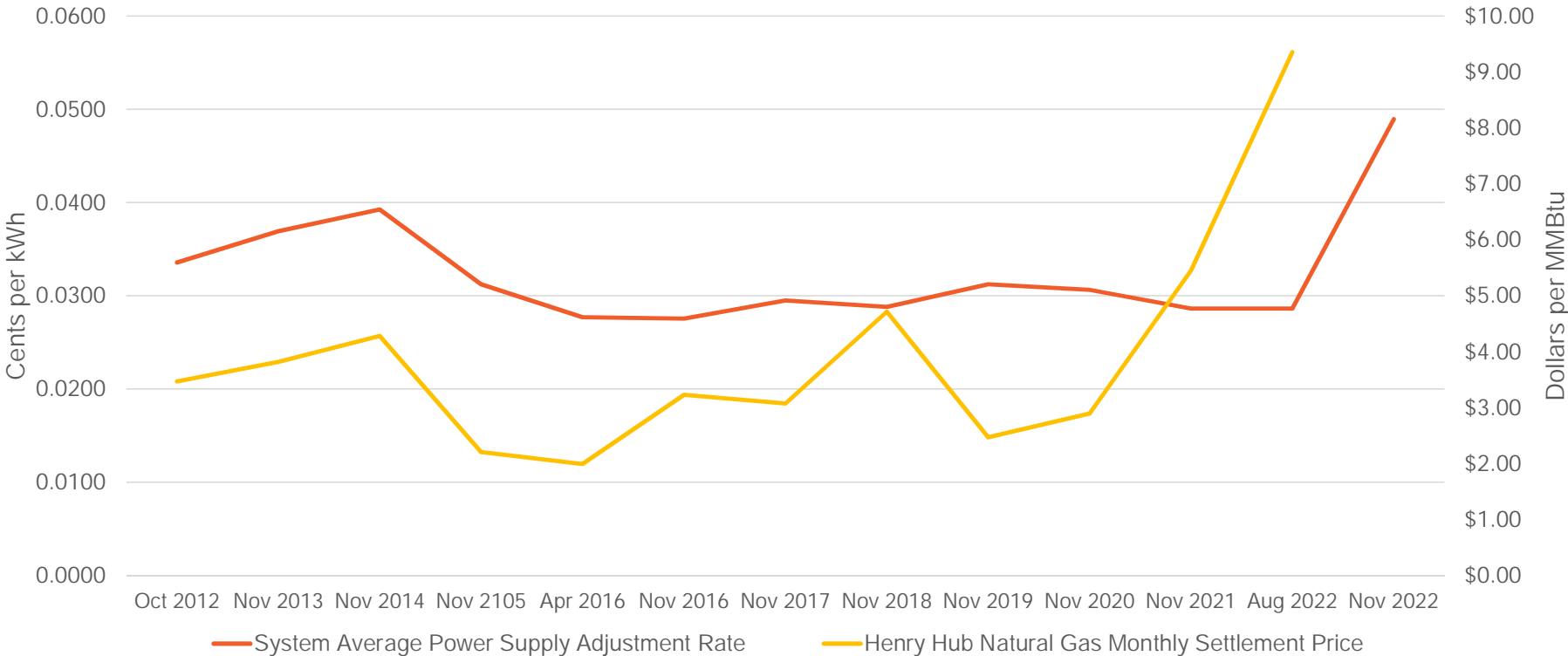


(1) Austin Energy 2022 based on proposed base rates, PSA, and Regulatory Charge.
 (2) Energy Information Administration, Form 861, Calendar Year 2020 Data, available October 2021

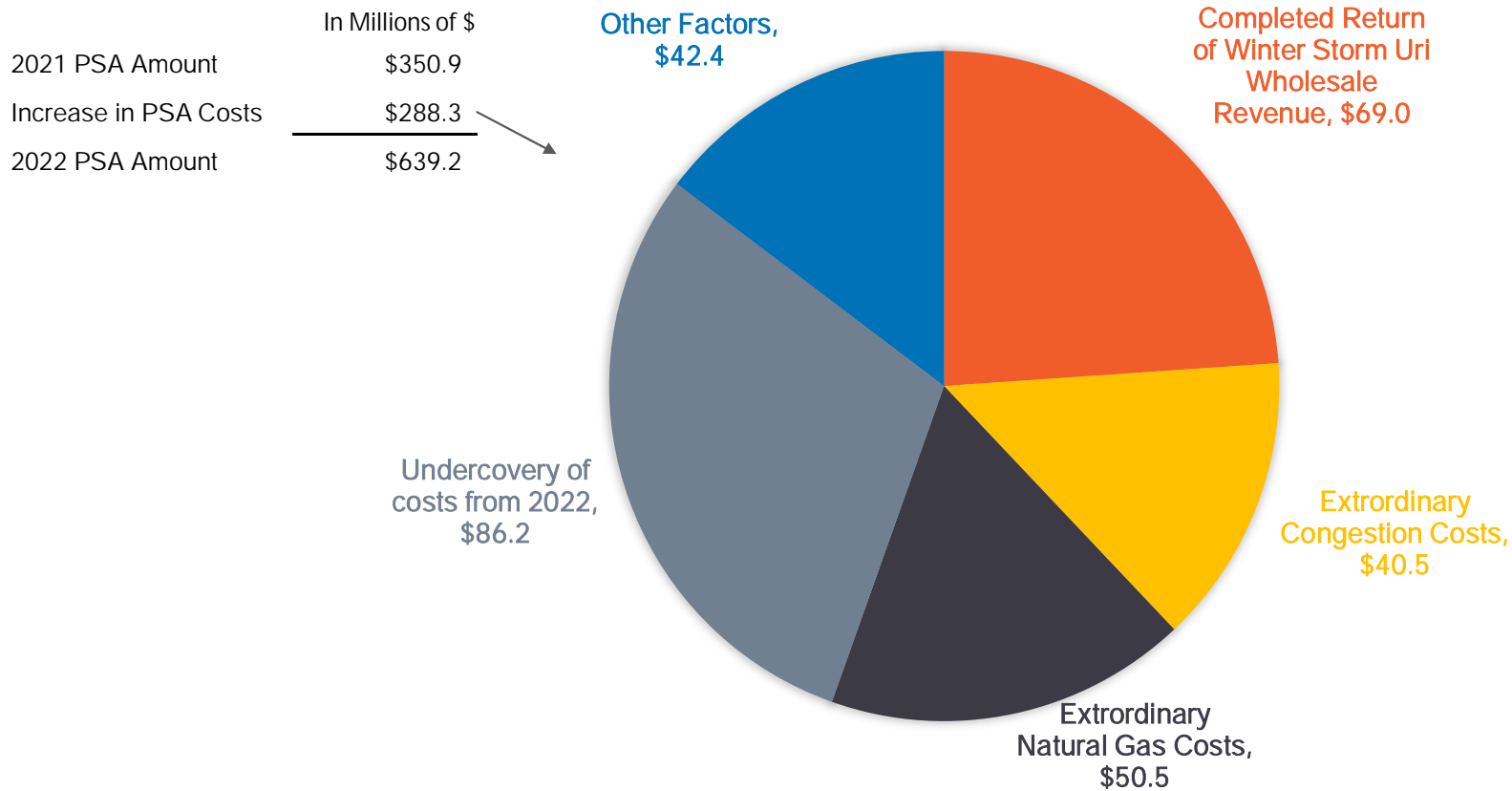


Power Supply Adjustment Rate Historical Change

The PSA Rate is Strongly Influenced by the Price of Natural Gas



Dollar Value for Primary Factors Causing Increase in PSA



- (1) The \$86.2M represents the incremental change in over/under from 2022 to 2023 and not the \$104M balance.
- (2) Increases in other fuel, hedging, transportation, and commodity costs.



Reconciliation of Under Recovery Balance of \$104M

Component	Amount in Millions of \$
Under recovered from Winter Storm Uri - Net receivable from ERCOT associated with the Brazos Bankruptcy ⁽¹⁾	\$27
Under recovered at August 2022 (actual)	\$48
Under recovered from September and October 2022 (forecast)	\$29
Total under recovered	\$104

(1) Brazos Coop did not pay ERCOT for power received during Winter Storm Uri. ERCOT passes those “short pays” on to the generating market participants by withholding payment. Austin Energy’s allocated share of that amount is \$42M. This short payment will eventually be paid by either Brazos, within the framework of the bankruptcy, or by all market participants in ERCOT through an “uplift,” of which Austin Energy’s share would be \$15.6M. \$42.4M less the \$15.6M is \$26.8M, the net receivable.



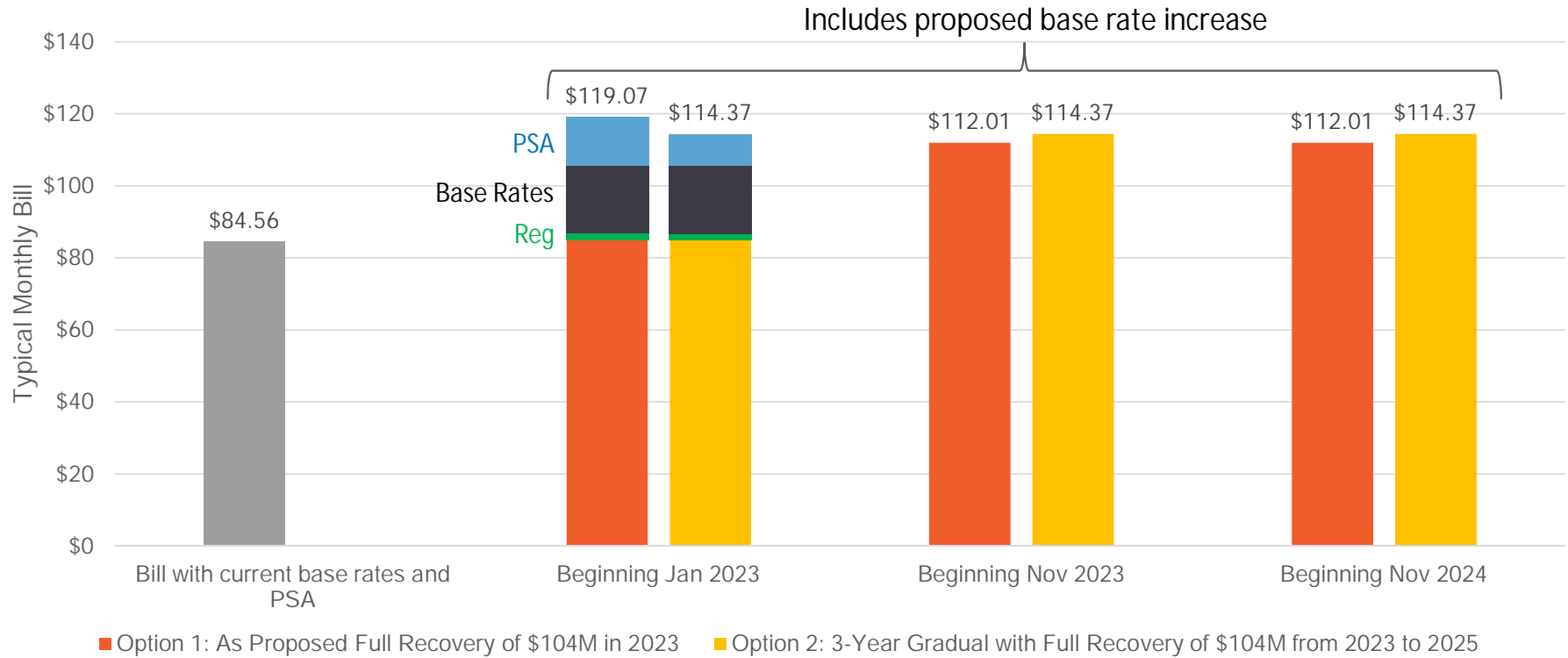
2023 Power Supply Adjustment Discussion

Comparison of Option 1: As Proposed vs. Option 2: 3-Year Gradual



Option 2: 3-Year Gradual for Under-Recovery

Typical Residential Bill Impact at 860 kWh:
Option 1: As Proposed vs. Option 2: 3-Year Gradual



Bill totals reflect the assumption that no other bill components change from 2022 through 2024.

Option 2: 3-Year Gradual for Under-Recovery

Representative Impacts on Large Commercial & Industrial Customers:
Option 1: As Proposed vs. Option 2: 3-Year Gradual

Option 1	2022 Total Billing (Oct 21 - Sep 22)	Increase in PSA	Increase in Regulatory	Estimated Billing	% of Increase
PRI-2 Hospital	\$1,859,832	\$568,051	\$41,251	\$2,469,304	32.8%
SEC-3 Bank	\$746,217	\$166,925	\$17,485	\$930,627	24.7%

Option 2	2022 Total Billing (Oct 21-Sep 22)	Increase in PSA	Increase in Regulatory	Estimated Billing	% of Increase
PRI-2 Hospital	\$1,859,832	\$415,716	\$41,251	\$2,316,969	24.6%
SEC-3 Bank	\$746,217	\$122,248	\$17,485	\$885,950	18.7%



Option 2: 3-Year Gradual for Under-Recovery

Representative Impacts on Commercial Customers:
Option 1: As Proposed vs. Option 2: 3-Year Gradual

Option 1	2022 Total Billing (Oct 21 - Sep 22)	Increase in PSA	Increase in Regulatory	Estimated Billing	% of Increase
SEC-2 Large Retailer	\$53,060	\$12,815	\$1,102	\$66,978	26.2%
SEC-2 Fast Food Restaurant	\$11,220	\$2,451	\$264	\$13,934	24.2%
SEC-1 Retail Technology	\$2,771	\$568	\$79	\$3,418	23.4%

Option 2	2022 Total Billing (Oct 21 - Sep 22)	Increase in PSA	Increase in Regulatory	Estimated Billing	% of Increase
SEC-2 Large Retailer	\$53,060	\$9,385	\$1,102	\$63,548	19.8%
SEC-2 Fast Food Restaurant	\$11,220	\$1,795	\$264	\$13,278	18.3%
SEC-1 Retail Technology	\$2,771	\$416	\$79	\$3,266	17.9%



2023 Power Supply Adjustment Discussion

Recommendation for the 2023 PSA and Future PSA Methodology





Recommendations for the Power Supply Adjustment

Recommendation for the 2023 PSA

- Approve Option 2: 3-year Gradual PSA on October 13, 2022
 - Effective date is November 1, 2022
 - Recovers \$34.73M per year, \$104.2M over three years
 - Delay after November 1st implementation contributes \$750,000 to \$1,000,000 per day to the under-recovery





Recommendations for the Power Supply Adjustment

Recommendation for the 2023 PSA

- Continue to monitor and regularly report to the Utility Oversight Committee the power supply costs, revenues, load data, and cash position
- Evaluate and recommend mid-cycle adjustments to the PSA rate if there is a high probability of over/under collection during FY 2023





Recommendations for the Power Supply Adjustment

Recommendations for the Evaluation of the Future PSA Methodology

- Evaluate the frequency at which we adjust the PSA rate
- Evaluate changing PSA rate during non-summer months
- Consider administrative authority within the PSA tariff to adjust the rate within a defined range
- Evaluate using both historical and forward-looking power prices to anticipate market movements
- Evaluate mandatory Time-of-Use PSA rates to send conservation and efficiency signals to customers





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Community Focused.**



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