

Austin Energy Fiscal Year 2024

Forecast and Budget Planning

Mark Dombroski

Deputy General Manager,

Chief Financial & Administrative Officer



April 10, 2023

© 2023 Austin Energy

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 this forecasted financial information contained in this presentation are 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 Annual Comprehensive Financial Reports for the City of Austin, which was published on March 8, 2023:

<https://www.austintexas.gov/service/current-annual-comprehensive-financial-report>



Fiscal Year 2024 Forecast and Budget Planning Agenda

- Schedule and Events
- Forecast Inputs, Assumptions and Process
- Forecast Summary
- Budget Planning

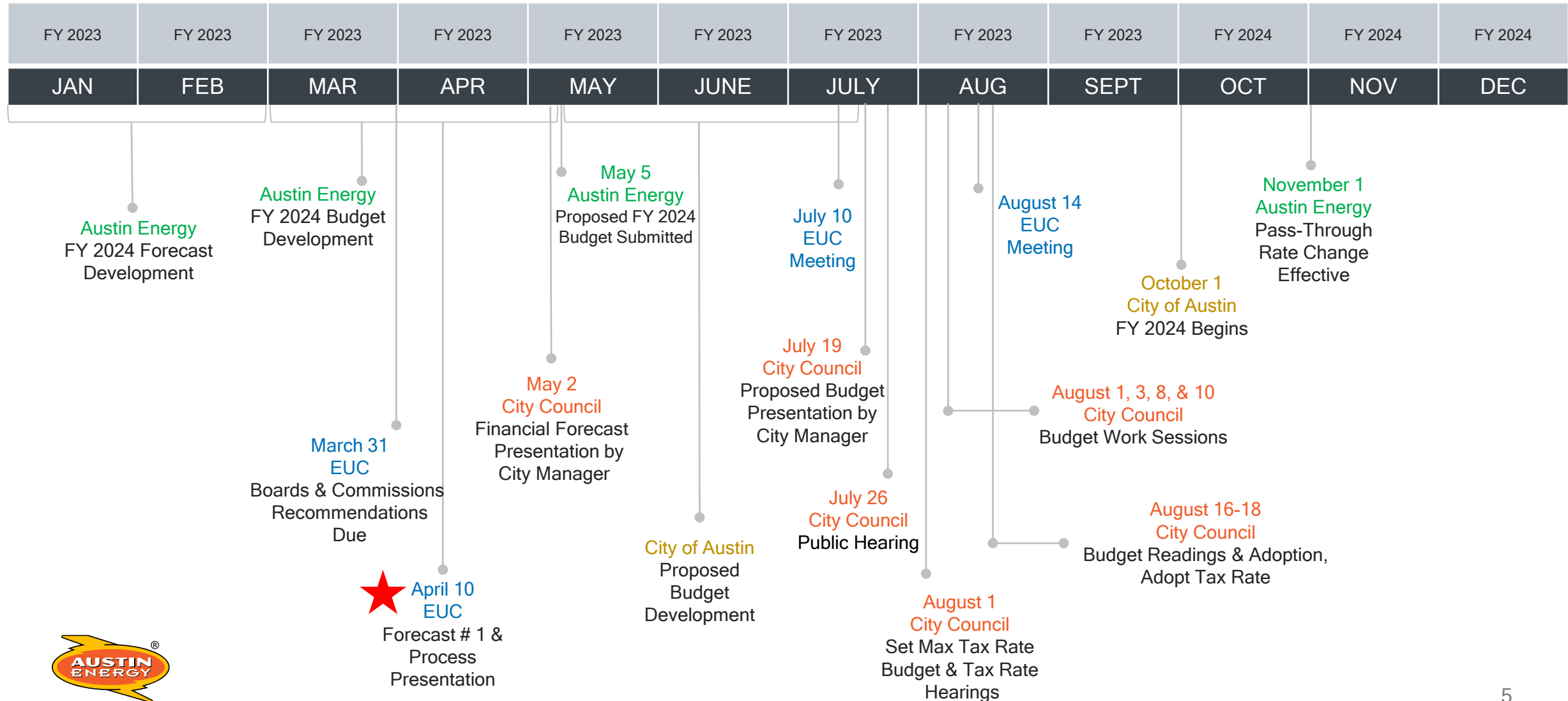


Austin Energy Fiscal Year 2024 Forecast and Budget Planning

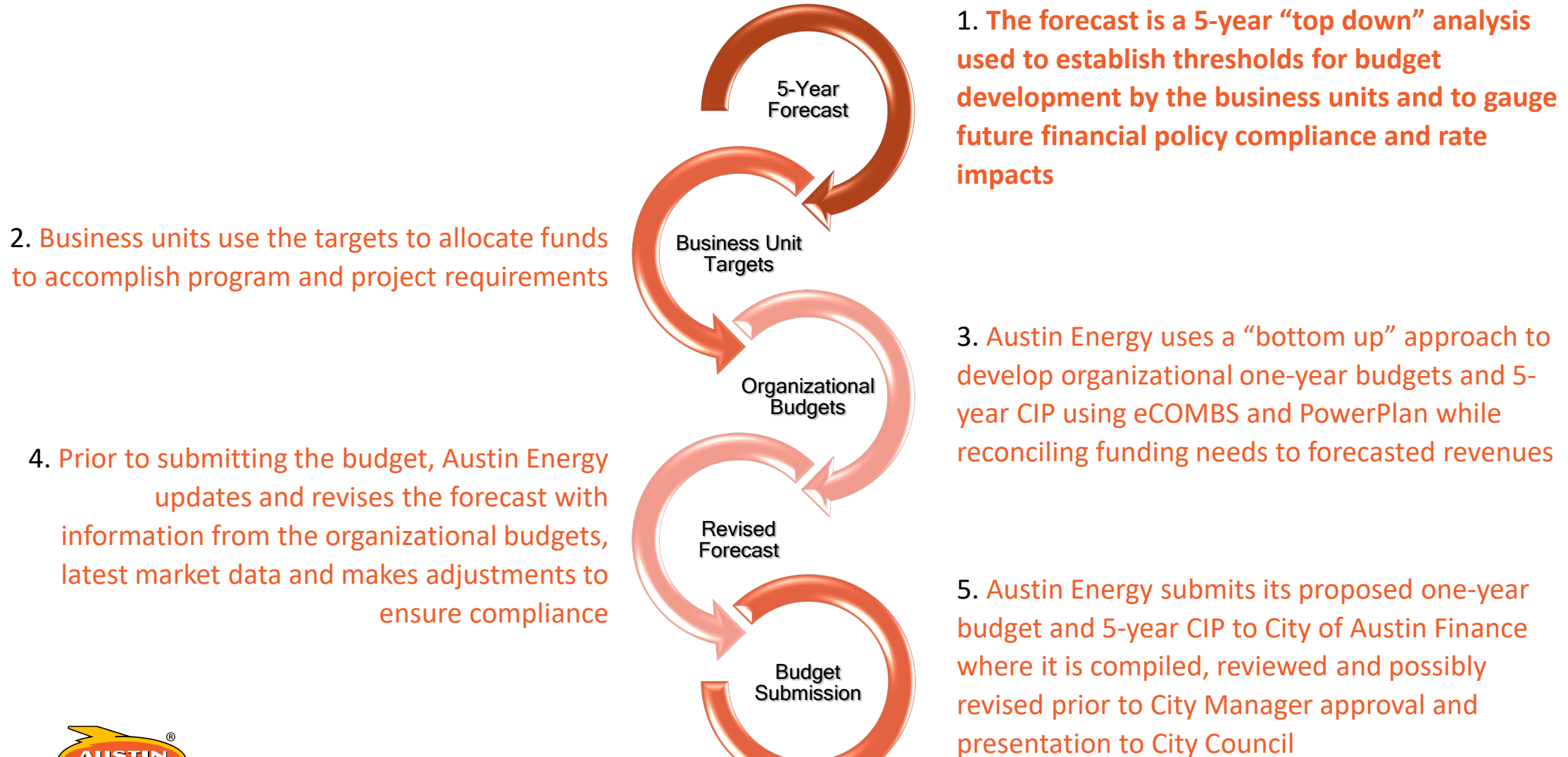
Schedule and Events



City of Austin FY 2024 Budget Timeline



Forecast to Budget 5-Step Process



City of Austin and Austin Energy Financial and Performance Data Sources

Austin Finance Online

<https://financeonline.austintexas.gov/afo/finance/>

City of Austin Budget Documents

https://financeonline.austintexas.gov/afo/afo_content.cfm?s=1

City of Austin Strategic Direction 2023

https://financeonline.austintexas.gov/afo/afo_content.cfm?s=73&p=160

City of Austin Strategic Performance Dashboard

<https://data.austintexas.gov/stories/s/59fp-raw5>

Data Austin: Austin Energy

https://data.austintexas.gov/browse?Additional-Information_Department=Austin+Energy&City-of-Austin_Department-=Austin+Energy

Austin Energy Corporate Reports and Data Library

<https://austinenergy.com/ae/about/reports-and-data-library/reports-and-data-library>



Austin Energy Fiscal Year 2024 Forecast and Budget Planning

Forecast Inputs, Assumptions and Process



FY 2024 Forecast Inputs and Sources

- Preliminary Load Forecast
- Power Supply Cost Forecast (ERCOT Market Forecast)
- Amended Budget (Current Year Estimate)
- Adopted 5-Year Capital Improvement Plan (CIP) Forecast (with revisions)
- Existing Debt Schedules (Bonds and CP)
- Approved Program Changes
- Historical Financial Trends
- Existing Contractual Obligations
- Adopted City of Austin Financial Policies
- Adopted City of Austin Fees and Tariffs
- City of Austin Forecasting Assumptions
- Austin Energy Forecasting Assumptions
- Approved Public Utility Commission of Texas Transmission (PUCT) Rates (what we charge)
- Approved PUCT Postage Stamp Rate (what we pay)
- District Cooling Customer Growth and Consumption
- Joint Projects Forecast (Fayette and South Texas)
- Resource, Generation, and Climate Protection Plan
- Credit Rating Agency Metrics



FY 2024 Forecast Assumptions

REVENUE:

- Approved base rate increase starting March 2023 (phased residential rate design)
- 2% compounded annual growth rate (CAGR) for customer growth and 1% CAGR for energy sales
- Regulatory and Community Benefit Charge are set to equal the cost with no over or under recovery
- Power Supply Adjustment (PSA) revenue recovers PSA cost, Nacogdoches Power Plant (NAC) debt and operating & maintenance costs
- Interest income rate 4% for FY 2024
- 3% base revenue increase projected in FY 2027
- Wholesale transmission revenue projected increase of \$13M per year starting mid FY 2025

EXPENSE:

- Labor & Benefits Escalation Factor is 5% for FY 2024 and 3% per year for FY 2025-2028
- Vacancy assumption of 10%
- Non-labor inflation is at 2.7% for FY 2024, 2.1% for FY 2025, and 1.5% for FY 2026-2028
- Cost of debt: 3.5% for non-taxable and 4.28% for taxable
- General Fund Transfer (GFT) rate is reduced from 12% to 11.6%
- CIP funded 52% cash on average for the 5-year forecast period



FY 2024 Forecast Assumptions

Other Key Assumptions:

- Increase Customer Assistance Program (CAP) enrollment to 90,000 customers by FY 2025
- Austin Energy's share of Fayette Power Plant (FPP) continues to run with reduced dispatch to meet carbon emission goals
- Winter Storm Mara - \$15M in FEMA reimbursement in FY 2025
- Recovered PSA costs - \$52M and \$22M in FY 2023 and FY 2024, respectively
- ERCOT receivable - \$18M and \$4.5M in FY 2023 and FY 2024, respectively



FY 2024 City of Austin Forecast Assumptions

LABOR AND BENEFITS:

- Wage and Benefits increase ~5%

DIRECT EXPENSES:

- Vehicle Fuel increase 10% in FY 2024; 3% increases in out-years
- Fleet Maintenance increase 5%

CITY ALLOCATION INCREASES:

- Administrative Support 5%
- Communications and Technology Management (CTM) 10%
- Combined Transportation, Emergency & Communications Center (CTECC) & Wireless 5%



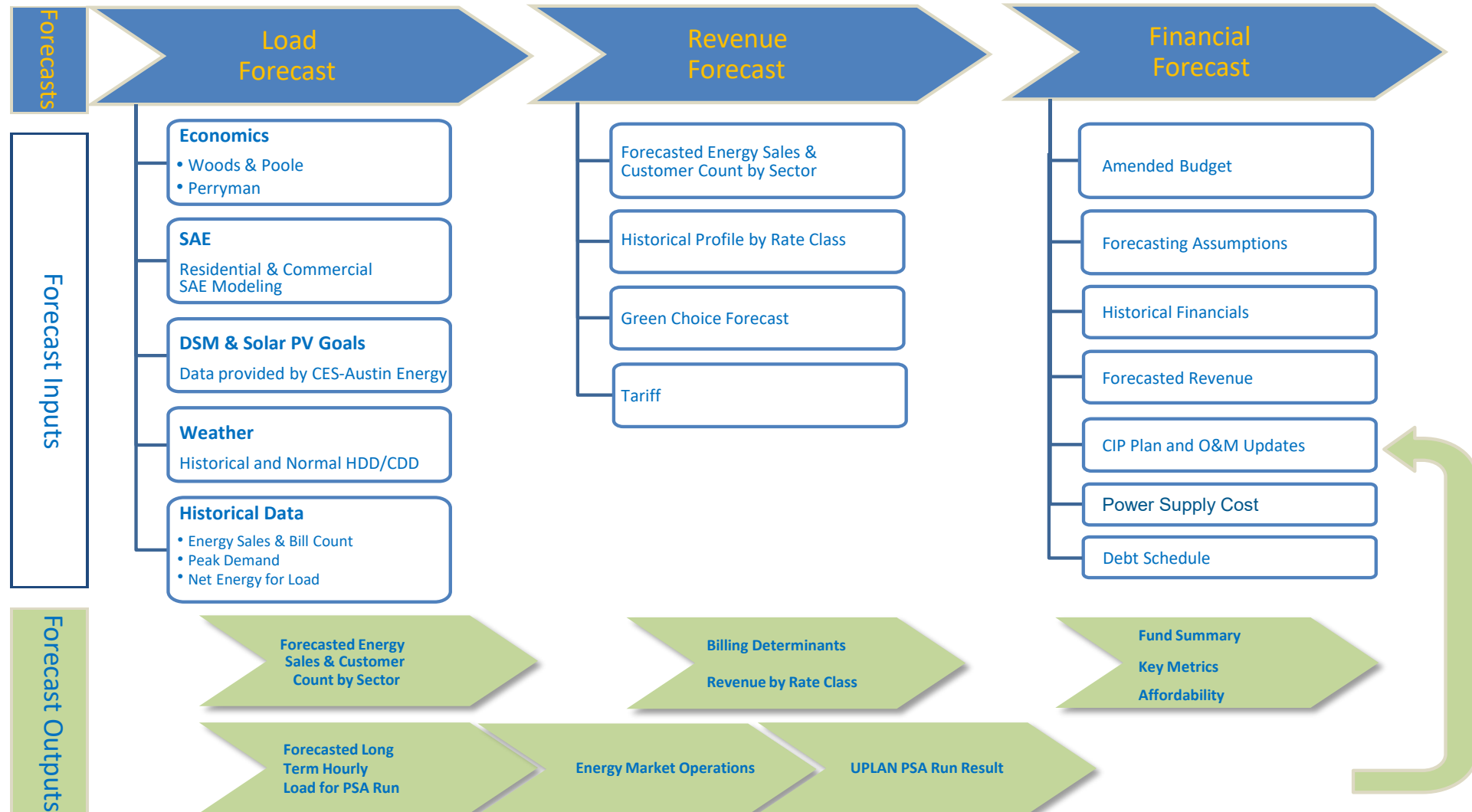
Phase Residential Rate Design Inside City Residential Rates

	Current Rates	November 1, 2023	Change
Base Rates			
Customer Charge	\$13.00	\$14.00	\$1.00
Energy Charge per kWh			
1 st Tier (0 – 300 kWh)	4.100¢	3.984¢	-0.116¢
2 nd Tier (301 – 900 kWh)	5.100¢	4.984¢	-0.116¢
3 rd Tier (901 – 2,000 kWh)	7.307¢	7.301¢	-0.006¢
4 th Tier (>2,000 kWh)	10.564¢	10.559¢	-0.005¢
Pass-Throughs per kWh			
Power Supply Adjustment	4.371¢	4.371¢	0.000¢
Community Benefit Charge*	0.516¢	0.592¢	0.076¢
Regulatory Charge	1.491¢	1.491¢	0.000¢
¢ per kWh @ 860 kWh	12.6¢	12.7¢	



*Service Area Lighting rate (Community Benefit Charge) based on a budget calculation that includes \$3.3 million under-recovery.

Austin Energy's Forecasting Process



Austin Energy Fiscal Year 2024 Forecast and Budget Planning

Forecast Summary



Austin Energy Forecast Fund Summary

Millions of \$	FY 2023 Budget	FY 2023 CYE	FY 2024 Forecast	FY 2025 Forecast	FY 2026 Forecast	FY 2027 Forecast	FY 2028 Forecast
Beginning Balance	\$261.0	\$246.0	\$249.8	\$258.8	\$259.1	\$260.6	\$272.6
Revenues/Transfers In	1,688.2	1,675.6	1,621.5	1,654.9	1,681.3	1,757.8	1,801.4
Requirements:							
Operating Expenses	746.1	745.2	745.5	771.6	798.0	800.7	821.3
Power Supply Expenses	519.7	516.9	421.4	409.9	424.5	460.3	489.4
Debt Service	166.2	166.2	175.7	198.1	197.2	207.0	202.0
CIP (Cash Transfer)	90.3	69.1	69.9	67.7	56.5	51.5	53.4
General Fund Transfer	115.0	115.0	116.0	123.0	126.0	130.0	133.0
Support Transfers	59.4	59.4	62.0	65.2	68.7	72.3	76.2
AE Reserve Transfers	0	0	22.0	19.0	9.0	24.0	16.0
Total Requirements	\$1,696.7	\$1,671.8	\$1,612.5	\$1,654.5	\$1,679.9	\$1,745.8	\$1,791.3
Excess (Deficiency)	(8.4)	3.8	9.0	0.3	1.4	12.0	10.0
Ending Balance	\$252.6	\$249.8	\$258.8	\$259.1	\$260.6	\$272.6	\$282.6
FTEs	1,897	1,897	1,907	1,917	1,927	1,937	1,947



Austin Energy Forecast CIP Summary

Millions of \$	Budget FY 2023	Forecast FY 2024	Forecast FY 2025	Forecast FY 2026	Forecast FY 2027	Forecast FY 2028	Total 2024-2028
Distribution	\$105.3	\$97.4	\$87.0	\$72.6	\$97.6	\$99.6	\$454.2
Distribution Substation	16.6	22.6	15.9	10.2	3.4	3.4	55.5
Transmission	64.9	65.1	84.9	78.2	55.7	56.8	340.7
Electric Service Delivery	\$186.8	\$185.1	\$187.7	\$161.0	\$156.7	\$159.9	\$850.4
Power Production	\$23.8	\$15.7	\$11.9	\$3.4	\$3.0	\$3.1	\$37.1
Joint Projects	11.9	11.0	11.8	12.8	8.8	8.9	53.2
District Cooling	21.1	7.2	0.6	0.2	0.2	0.2	8.4
General	39.8	54.2	5.0	5.5	3.6	3.7	72.0
Total	\$283.5	\$273.2	\$217.1	\$182.8	\$172.3	\$175.7	\$1,021.1

