

Line Extension Policy

Application and Impact

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May 8, 2023

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Line Extension Policy

- The Line Extension policy is authorized by City of Austin Resolution 20140612-057 and is memorialized in Austin Energy's Design Criteria Manual, subsection 1.3.12 AE Line Extension Policy. The Manual states, "In accordance with Austin City Council Resolution No. 20140612-057, Austin Energy collects **100% of the costs for line extensions** and new infrastructure associated with requests for new electric service, with an exemption for certain affordable housing. A Customer applying for new service will be charged all estimated costs for labor and material required to modify existing infrastructure and to **extend service from Austin Energy's existing infrastructure to the Customer's point of service to serve the requested load**, sometimes referred to as "Contributions in Aid of Construction", or "CIAC". This includes the service drop and meter."
- Austin Energy is fully compliant with City of Austin Resolution 20140612-057.



Line Extension Policy Over Time

Prior to Oct 1, 2014

2013 AE Criteria Manual

AE generally provides at no cost an extension (300') of basic standard single-phase 120/240V overhead electric service on wood poles.

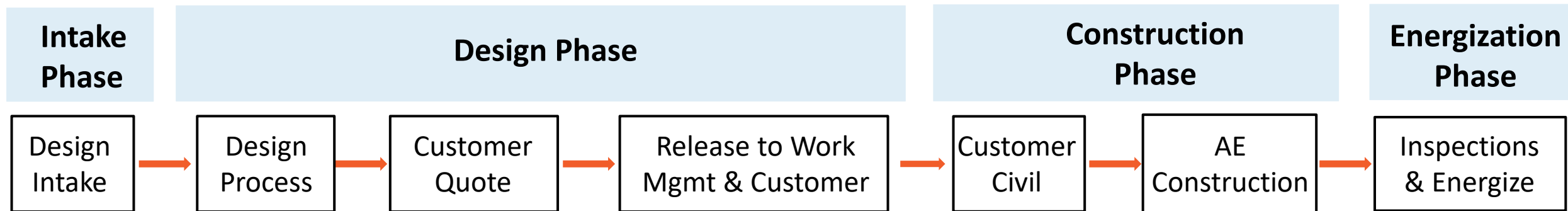
Oct 1, 2014 to Present

Resolution No. 20140612-057

AE collects full cost recovery of line extensions, with the exception for qualified affordable housing.



General Path for Design & Construction of Austin Energy Infrastructure



For more information on the design process, please go to <https://austinenergy.com/ae/contractors/electric-service-design-and-planning/>



Who Pays for What?

ERCOT Customers

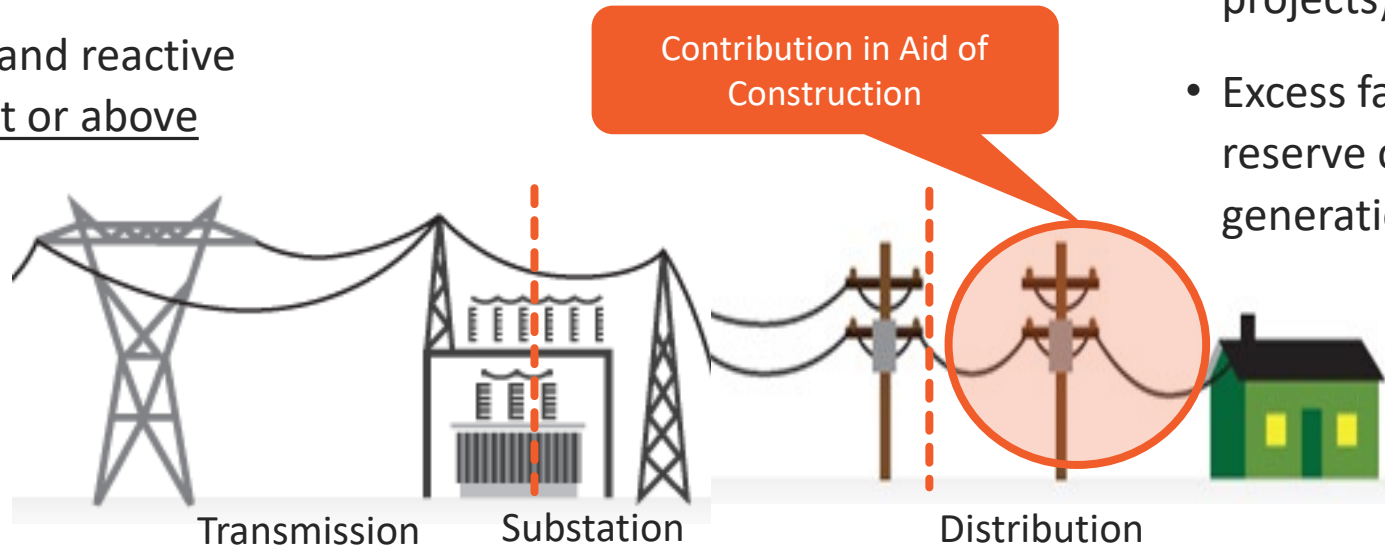
- PUCT Chapter 25.192 Permits Transmission Service Providers (TSPs) like Austin Energy to be reimbursed for approved Transmission Cost of Service (TCOS) expenses + a commission-allowed rate of return
- TCOS Facilities include transmission lines, substations, autotransformers, and reactive devices operated at or above 60,000 volts

Existing AE Customers

- Capital improvements to support system growth and reliability
- System maintenance including storm response
- Power transformers and switchgear that operated below 60,000 volts
- Qualified affordable housing

New Service Requests

- Civil Infrastructure
- Distribution infrastructure required to extend service from Austin Energy's existing infrastructure to the Customer's point of service to serve the requested load (exception for previously documented capital improvement projects)
- Excess facilities such as dual feeds, reserve capacity, distributed generation, etc..



Line Extension Is Not Equivalent to an Impact Fee

Municipal Electric Utilities are Prohibited for Imposing Impact Fees

Texas Local Government Code Section 395.001 (4) defines an “Impact fee” as a charge or assessment imposed by a political subdivision against new development in order to generate revenue for funding or recouping the costs of capital improvements or facility expansions necessitated by and attributable to the new development.

395.001 (1) "Capital improvement" means any of the following facilities that have a life expectancy of three or more years and are owned and operated by or on behalf of a political subdivision:

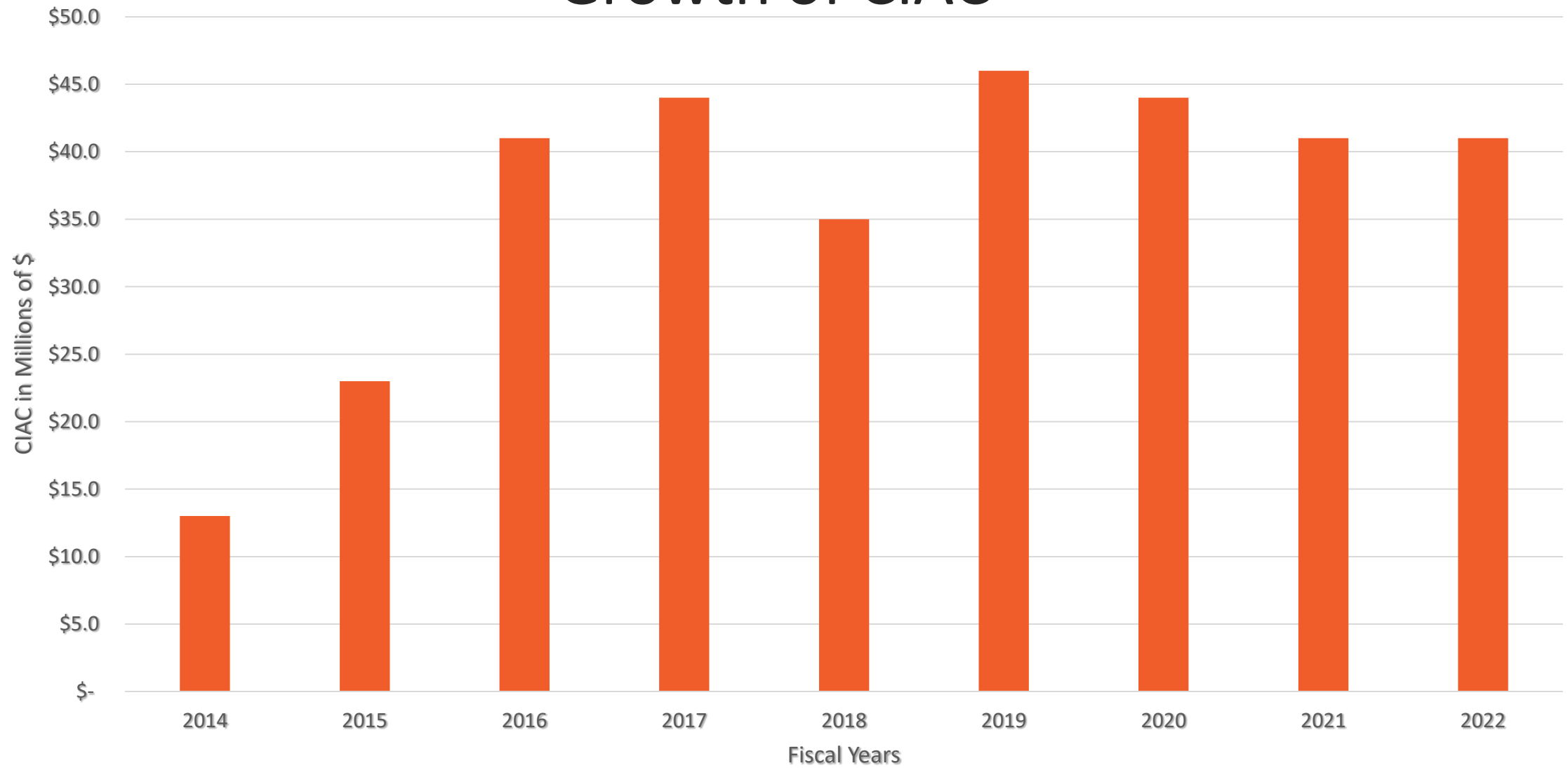
(A) water supply, treatment, and distribution facilities; wastewater collection and treatment facilities; and storm water, drainage, and flood control facilities; whether or not they are located within the service area; and

(B) roadway facilities.

Section 395.011 states that “Unless otherwise specifically authorized by state law or this chapter, a governmental entity or political subdivision may not enact or impose an impact fee.”



Growth of CIAC



Accounting Treatment for CIAC

- Revenue received for project cost is deferred and recognized over life of asset
- Line Extension Example
 - \$60K capital cost for line extension
 - \$60K contribution in aid of construction
 - Annual recognition of cost and revenue:
 - 30 year life = \$2K/year

Initial Balance Sheet Impact

Net Capital Asset	60,000
Deferred Inflow	(60,000)

Annual Income Statement Impact

Non-Operating Revenue	2,000
Depreciaton Expense	(2,000)
Net Income	-



Impact of CIAC in Base Rates

In December 2022, City Council approved a \$29.5 million increase in Austin Energy's base revenue requirement. CIAC reduced the amount that customers needed to pay by \$44 million.

Schedule C-3 Cash Flow Method

No.	Description	Reference	Adjusted Total Electric to Texas (J)
1	Cash Flow Method		
2	Debt Service	WP C-3.1	\$ 144,906,165
3	Non-Nuclear Decommissioning	WP C-3.6	8,000,000
4	General Fund Transfer	WP C-3.2	120,000,000
5	Internally Generated Funds for Construction	WP C-3.3	119,817,642
6	Total Cash Flow Required		\$ 392,723,807
7			
8	Less: Depreciation and Amortization	Schedule E-1	\$ (146,765,700)
9	Less: Interest Income	WP C-3.4	(4,270,316)
10	Less: Contributions in aid to construction (CIAC)	WP C-3.5	(43,627,981)
11	Other Sources of Cash		\$ (194,663,996)
12			
13	Cash Flow Return Requested	Line 6 + 11	\$ 198,059,810
14			
15	Actual Return (Under Current Rates)	Schedule B	\$ 162,363,417
16			
17	Excess/(Deficit)	Line 15 - 13	\$ (35,696,393)

Note: \$41M CIAC in TY2021 adjusted to three year historical average





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