

Austin Energy FY 2024 Proposed Budget Electric Utility Commission

John Davis
Austin Energy Director of Finance



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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 [City of Austin's audited Annual Comprehensive Financial Reports](#).



Agenda

- Budget Schedule, Overview and Highlights
- Proposed Budget Summary
- Financial Health
- Major Business Unit Discussions
- Proposed Tariff and Fee Changes



FY 2024 Proposed Budget Presentation

- Budget Schedule, Overview and Highlights



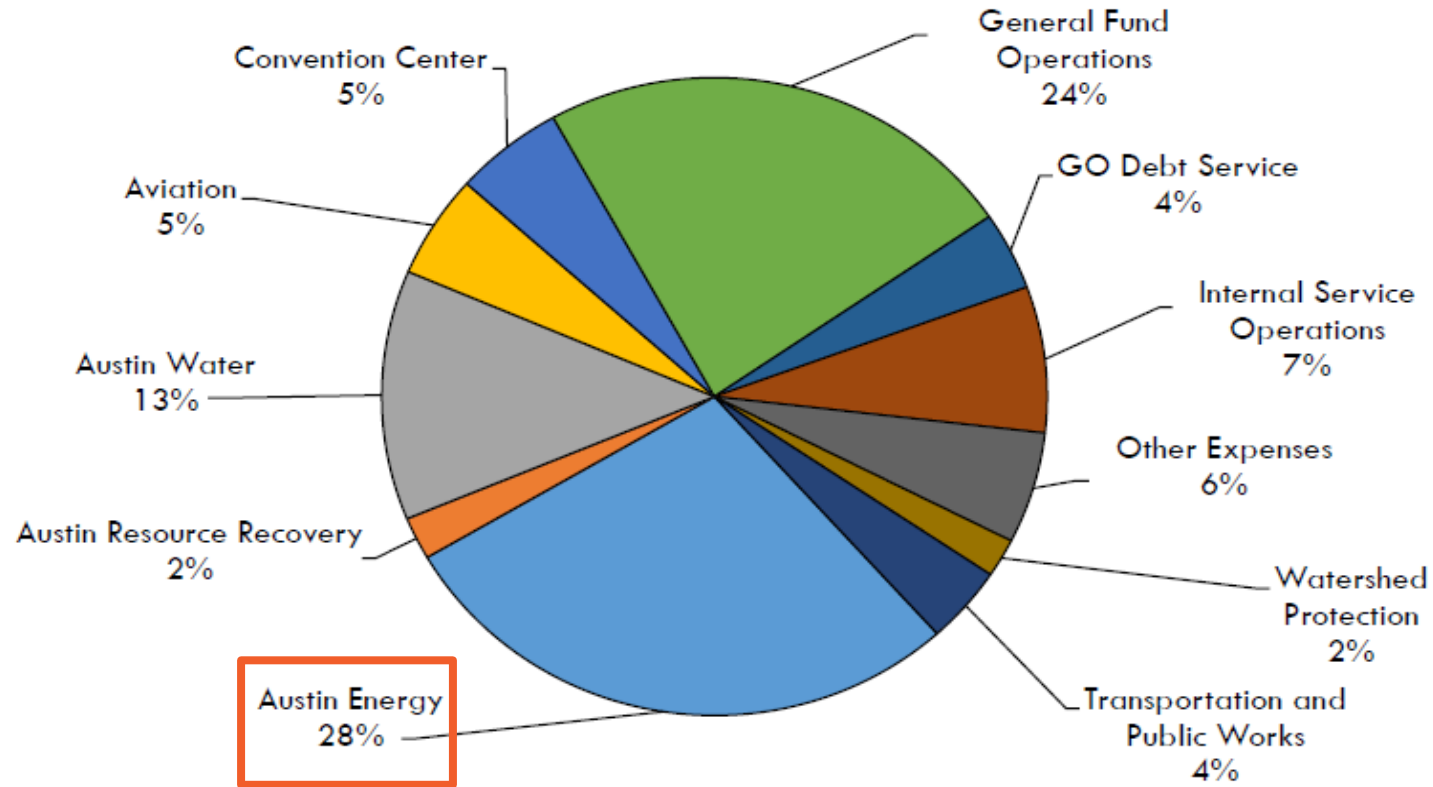
FY 2024 Budget Adoption Schedule

- **July 19** – City Manager Budget Presentation (*complete*)
- **August 1** – City Council (*complete*)
 - Set max tax rate, budget & tax rate hearings
 - Set public hearing on Austin Energy rates & fee schedule
- **August 1, 3, 8, 10** – City Council budget work sessions (*complete*)
- **August 14** – Electric Utility Commission Proposed Budget Presentation
- **August 16-18** – City Council budget readings and adoption
 - August 16 – public hearing on budget and Austin Energy rates & fees
- **September 21** – City Council set FY 2024 Power Supply Adjustment, Community Benefit Charge, & Regulatory Charge (effective November 1)



Austin Energy's Share of the FY 2024 City Budget

FY 2023-24 All City Funds Uses of Funds (\$5.5 billion)



Austin Energy's total Expenditure Budget of \$1.65B in FY 2024 is 28% of the City of Austin's total expenditures budget of \$5.5B



FY 2024 Budget Revenue and Expense Highlights

• Base Revenue

- 1st full year of Council-approved base rates
- Additional 2% base rate increase for all classes to rebuild operating cash and reserves
- 2% customer growth & 1% increase energy sales

• Pass Through Revenue

- Budgeted at cost in accordance with regulatory accounting
- Rates for PSA, Regulatory and Community Benefit charges set in September and effective November 1, 2023

• O&M Expense

- Power supply costs reduced by \$100M, based on lower estimated natural gas costs
- Non-power supply O&M increased by 5%

• City Transfers

- Increased by \$4M to \$178M

• Debt Service

- Increase by 3% to \$171M

• Reserves

- \$20M Reserve Funds
- All reserves remain under-funded even with 2% base rate increase until 2026

• Personnel

- 1,924 FTEs with net increase of 27 new FTEs resulting in \$800K in savings by converting temp contract positions



Austin Energy

2% Base Rate Increase to Restore Financial Health Metrics

Entire increase to fund operating cash and reserves

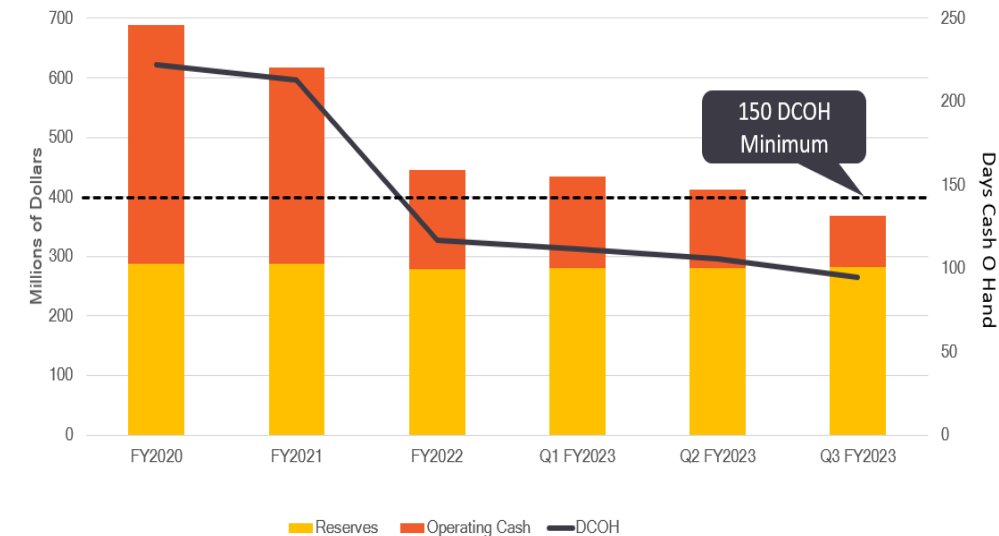
- Cash and reserves are at critical levels, putting utility at risk
- \$20M to reserves in FY2024, targeting fully funded reserves in FY2026
- Targeting minimum Days-Cash-on-Hand in FY2028

Customer impact

- 2% base rate increase is roughly 1% of the overall electric bill or \$1.04/month for the typical residential customer
- Austin Energy residential bills remain some of the lowest in the state



Cash Position



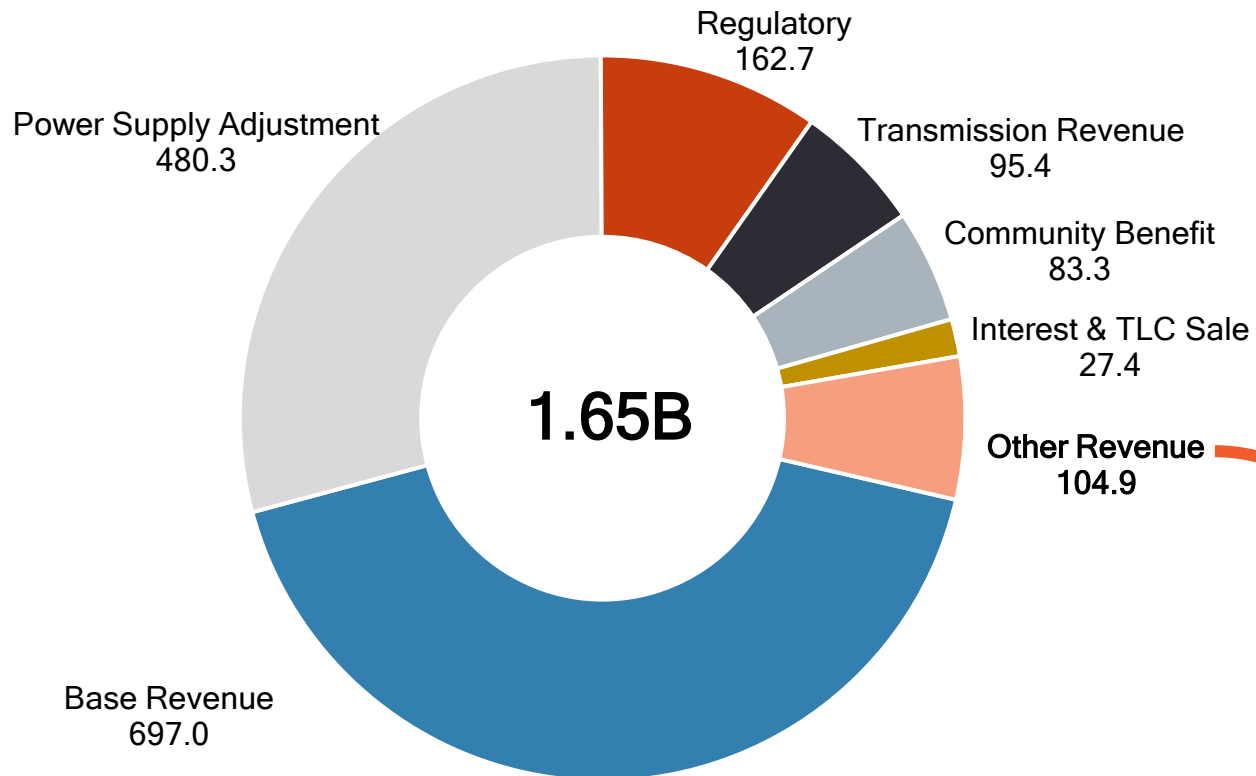
FY 2024 Proposed Budget Presentation

Proposed Budget Summary

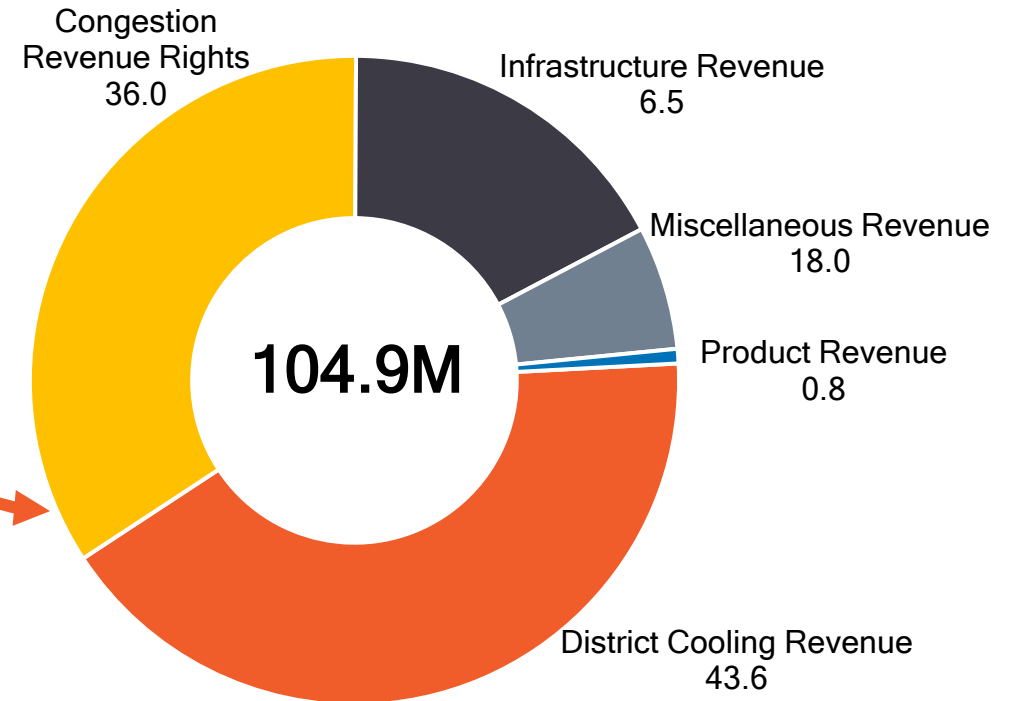


FY 2024 Austin Energy Revenue (\$ millions)

FY 2024 Total AE Revenue

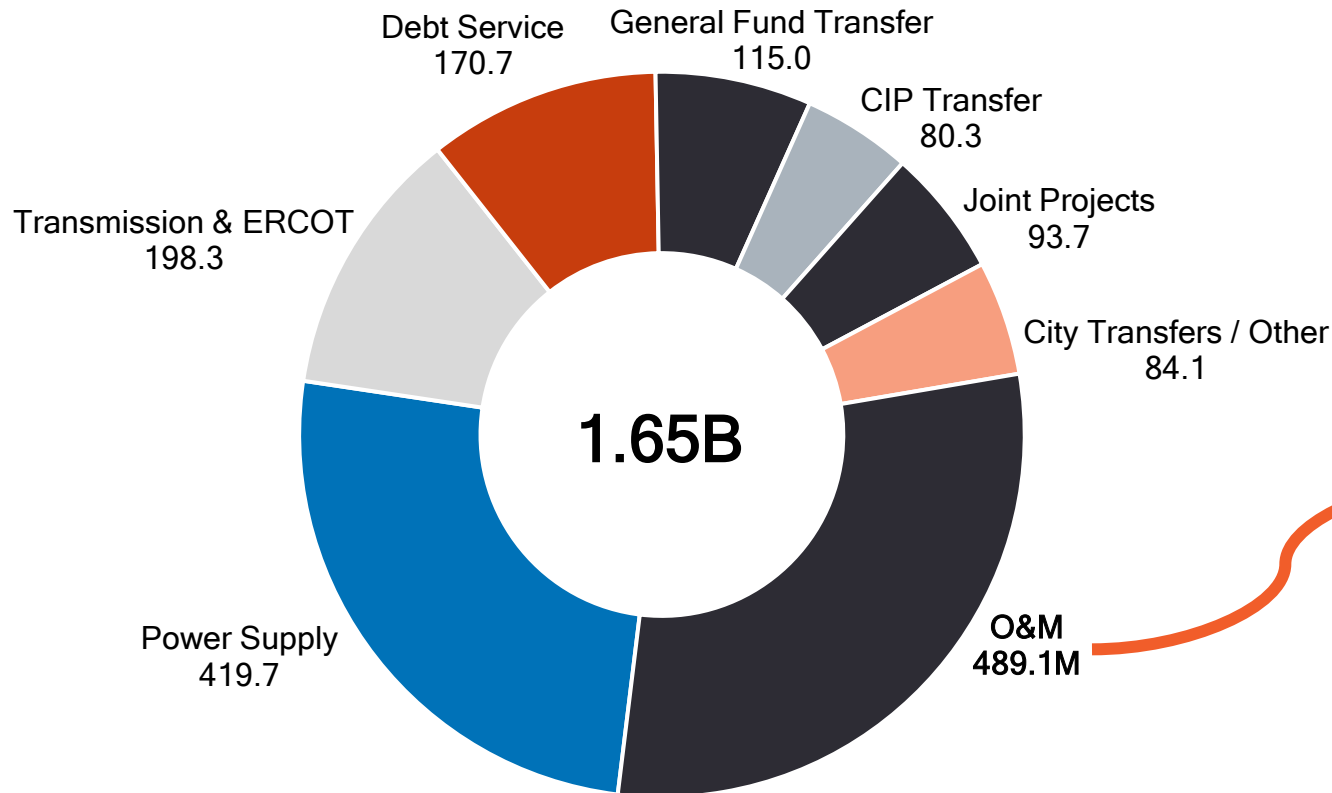


FY 2024 Other Revenue

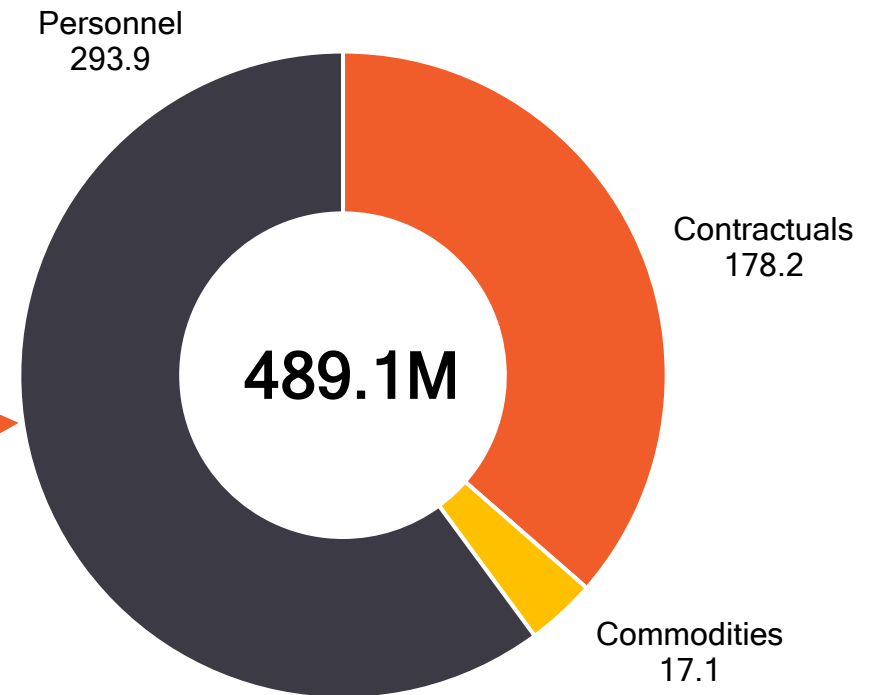


FY 2024 Austin Energy O&M Requirements (\$ millions)

FY 2024 Total AE Budget



FY 2024 O&M Breakout



FY 2024 Austin Energy Fund Summary (\$millions)

	FY 2021 Actual	FY 2022 Actual	FY 2023 Amended	FY 2023 Estimated	FY 2024 Proposed	▲ from FY 2023 Amended to FY 2024 Proposed	
Beginning Balance	387.8	234.3	204.9	235.1	241.6	36.7	17.9%
Revenue/Transfers In	1,288.8	1,689.8	1,688.3	1,691.3	1,650.9	(37.4)	(2.2%)
Expenditures							
Operating Expenses ⁽¹⁾	679.8	722.8	745.2	746.6	781.1	35.9	4.8%
Power Supply Expenses	272.8	580.5	519.7	520.1	419.7	(100.0)	(19.2%)
Debt Service	159.6	159.9	166.2	166.4	170.7	4.4	2.7%
CIP Transfer	143.1	62.2	90.3	76.4	80.3	(10.0)	(11.1%)
General Fund Transfer ⁽²⁾	114.0	114.0	115.0	105.0	115.0	0.0	0.0%
Other Transfers & Requirements	62.6	56.4	60.3	70.3	84.1	23.8	39.4%
Total Expenditures	1,431.9	1,695.7	1,696.7	1,684.8	1,650.8	(45.9)	(2.7%)
Excess (Deficiency)	(143.1)	(6.0)	(8.4)	6.6	0.1	8.5	(101.1%)
Ending Balance (Adjusted)	234.3	235.1	196.5	241.6	241.9	45.4	23.1%
FTEs	1,813	1,897	1,897	1,897	1,924	27	1.4%

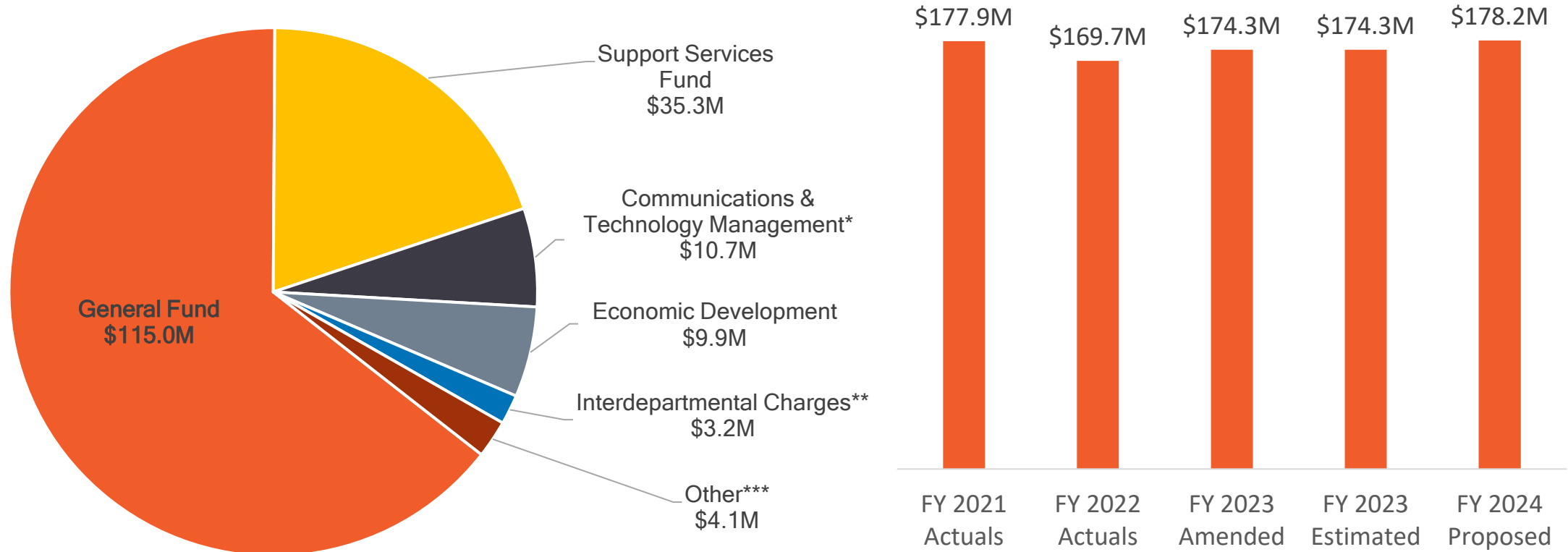
(1) Includes expenses for O&M, Joint Projects, and Transmission & ERCOT

(2) \$10M of the FY 2023 General Fund Transfer to be re-allocated to Building Services CIP for the purchase of emergency backup generators



Payments to the City

FY 2024 Proposed Payments to the City



*Communications & Technology Management includes CTM, Wireless, and CTECC

** Interdepartmental Charges includes payments to Sustainability Office, Development Services, Purchasing Office, and Communications & Public Information

*** Other includes Worker's Compensation, Public Works, Permitting & Development Center, and Plus 1 Voluntary Utility Assistance

Capital Improvement Program (CIP) 5-Year Spend Plan (\$millions)

Business Unit	<i>FY 2023 Approved</i>	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	2024 – 2028 Total
Distribution	\$105.3	\$106.4	\$98.5	\$93.3	\$93.4	\$93.5	\$485.1
Distribution Substation	16.6	15.4	15.8	16.5	8.9	14.4	70.9
Transmission*	64.9	56.9	81.4	84.2	80.7	46.3	349.6
Electric Service Delivery	186.8	178.7	195.7	194.1	183.0	154.1	905.6
Power Production	35.6	29.4	28.9	23.5	18.3	19.6	119.6
District Cooling*	21.1	18.7	17.7	7.4	1.5	0.0	45.3
General	39.9	35.9	65.2	2.9	2.7	2.7	109.4
Total	\$283.4	\$262.7	\$307.4	\$227.9	\$205.5	\$176.3	\$1,179.8

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



Financing Capital Improvement Program (\$millions)

Business Unit	<i>FY 2023 Approved</i>	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	2024 – 2028 Total
Total Capital Improvement Plan	\$283.4	\$262.7	\$307.4	\$227.9	\$205.5	\$176.3	\$1,179.8
Debt	148.7	133.0	186.2	115.0	93.9	60.9	589.0
Cash	89.7	79.7	71.2	62.9	61.6	65.4	340.8
Contribution in aid of construction	45.0	50.0	50.0	50.0	50.0	50.0	250.0
Total	\$283.4	\$262.7	\$307.4	\$227.9	\$205.5	\$176.3	\$1,179.8
Debt %	52.5%	50.6%	60.6%	50.5%	45.7%	34.5%	49.9%
Cash %	31.7%	30.4%	23.1%	27.6%	30.0%	37.1%	28.9%
Contribution in aid of construction %	15.9%	19.0%	16.3%	21.9%	24.3%	28.4%	21.2%



FY 2024 New FTEs

Mega Business Unit	New FTEs (All Conversions)	Annual Cost	Annual Savings	Annual Net Cost
Customer Account Management	5	\$ 489,400	\$ (607,776)	\$ (118,376)
Customer Care Services	18	\$ 1,804,461	\$ (1,983,546)	\$ (179,085)
Customer Energy Solutions	1	\$ 139,859	\$ (160,000)	\$ (20,141)
Electric System Engineering & Technical	3	\$ 461,475	\$ (739,992)	\$ (278,517)
Technology & Data	6	\$ 781,449	\$ (976,968)	\$ (195,519)
Total	33	\$ 3,676,644	\$ (4,468,282)	\$ (791,638)



FY 2024 Proposed Budget Presentation

Financial Health



Typical Residential Customer Bill Impact

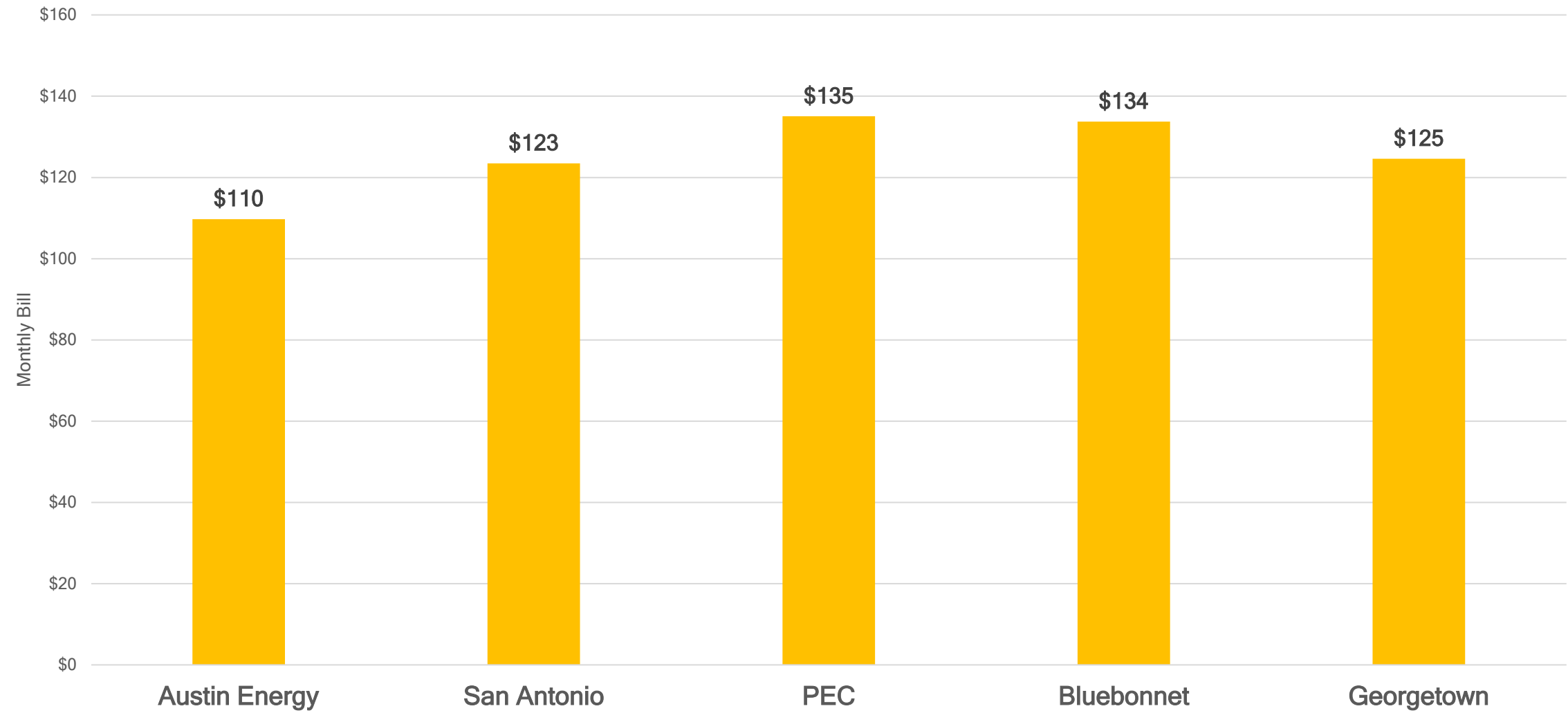
FY2023 bill based on current rates / FY2024 bill based on proposed rates (Inside City of Austin Customer)

Average Monthly Bill	Energy (kWh)	FY 2023	FY 2024	\$ Change from FY2023 (Budget)	% Change
Customer Charge		\$13.00	\$14.00	\$1.00	7.7%
Base Electricity Charge	860	\$40.86	\$40.90	\$.04	0.0%
Power Supply Adjustment (PSA)*	860	\$37.59	\$37.59	-	0.0%
Community Benefit Charge (CBC)*	860	\$4.44	\$4.44	-	0.0%
Regulatory Charge *	860	\$12.82	\$12.82	-	0.0%
Total Monthly Bill	860	\$108.71	\$109.75	\$1.04	1.0%
Total CAP Customer Discounted Bill*	860	\$84.95	\$84.99	\$.04	0.0%

* The PSA, Regulatory Charge and Community Benefit Charges will be updated in September.



Current (April 2023) Residential Monthly Bills



Surrounding utility average consumption data based on CY2021 EIA data; Austin Energy bill based on 860 kWh.

Austin Energy Financial Health

	Minimum Target	2022 Actual	2023 Estimate	2024 Forecast
Standard & Poor's (S&P) credit rating on separate-lien revenue bonds	AA	AA-	AA-	AA-
Operating Margin	10%	0.3%	5%	6.7%
Days Cash on Hand (Fitch)	150	117	130	131
Debt Service Coverage (before GFT transfers out) *	2.0	2.1	2.1	2.3
Debt to Capitalization	50%	55%	55%	54%
Net Margin	\$10M	(\$22M)	\$16M	\$39M
<ul style="list-style-type: none"> Debt service coverage ratios presented do not include imputed debt associated with power purchase agreement 				



Austin Energy Financial Health - Reserves

	Minimum Target	2022 Actual	2023 Estimate	2024 Forecast
Working Capital	\$144M	\$166M	\$195M	\$152M
Contingency Reserve	\$126M	\$104M	\$104M	\$118M
Power Supply Stabilization Reserve	\$108M	\$107M	\$107M	\$107M
Capital Reserve	\$116M	\$68M	\$68M	\$74M
Total	\$494M	\$445M	\$474M	\$451M
	2023 Estimate		2024 Forecast	
Non-Nuclear Decommissioning			\$53M	\$59M

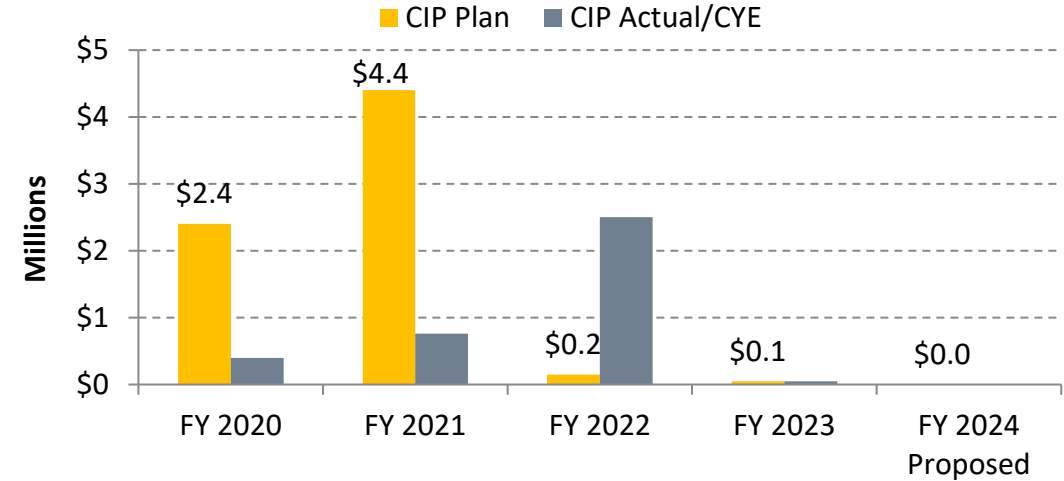
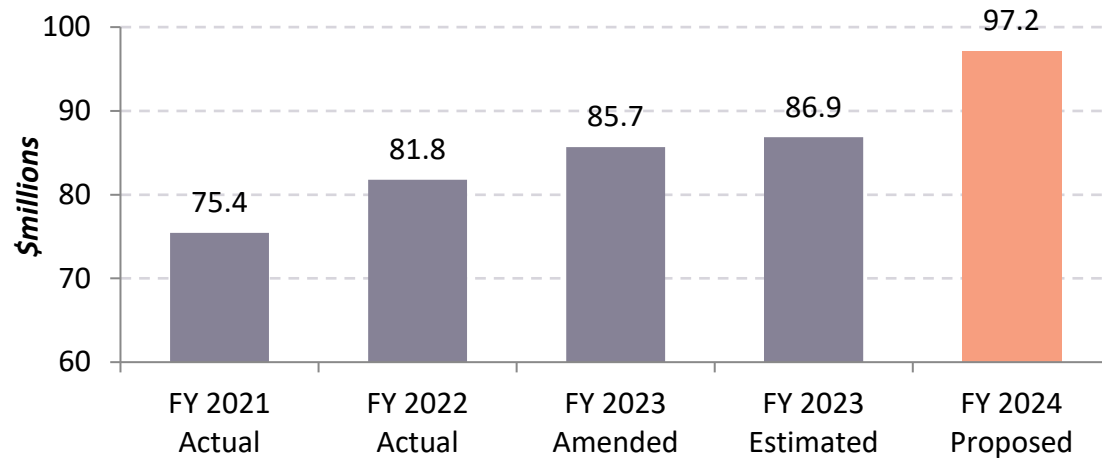


FY 2024 Proposed Budget Presentation

Major Business Unit Discussions



Customer Care & Customer Account Management*



O&M Cost Drivers (▲ from FY 2023 Amended to FY 2024 Proposed)

- \$3.2M: Apple One temporary services contract
- \$3.4M: Bermex meter-reading/soft services contract (Cost recovered from Austin Water)
- \$1.0M: Computer Information Systems IT services
- \$805K: Customer Assistance Program services

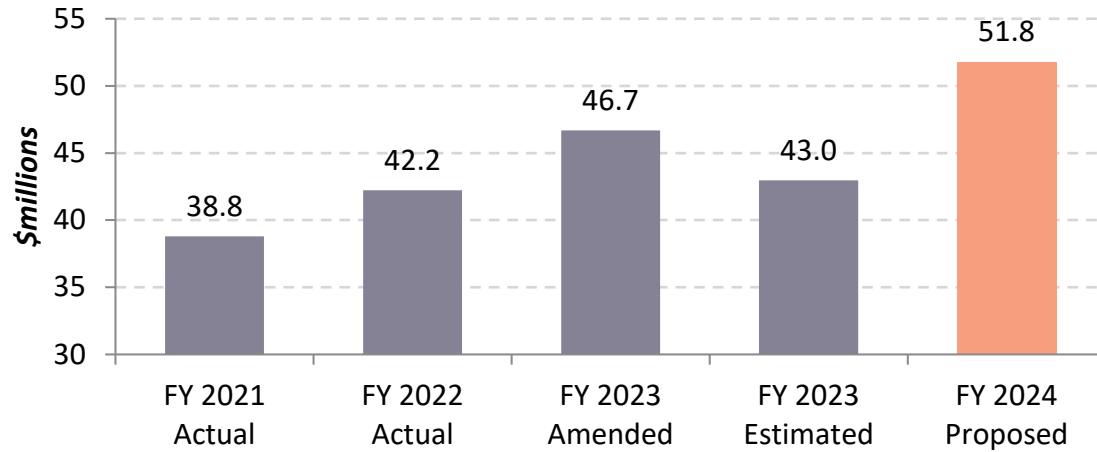
CIP Cost Drivers:

- No CIP projects included in 5-year spend plan



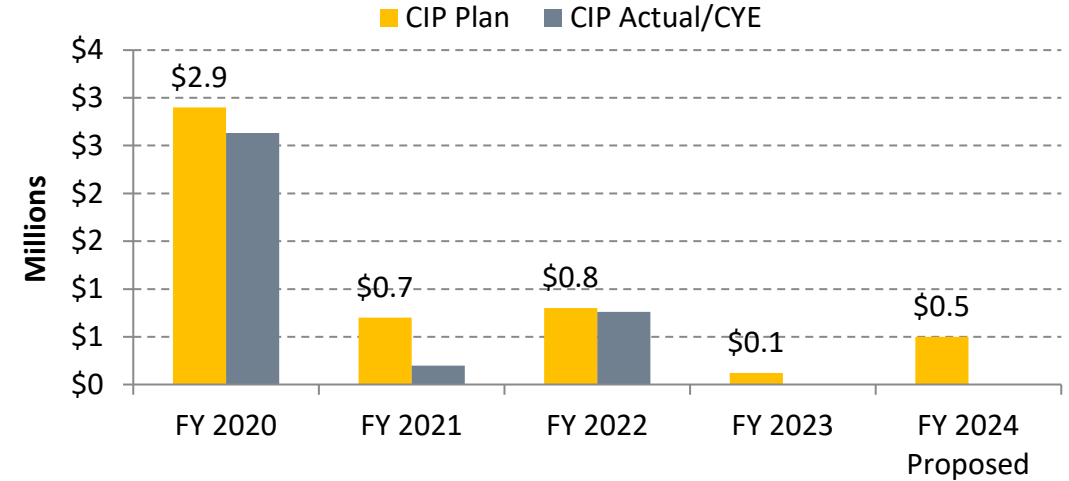
*Sans Customer Care Allocation reimbursements

Customer Energy Solutions



O&M Cost Drivers (▲ from FY 2023 Amended to FY 2024 Proposed)

- \$2.5M: Increased Solar and EES incentives
- \$400K: e-Bike access
- \$250K: Distributed Energy Resource (DER) AE enterprise-wide consulting support for the AE DER roadmap
- \$175K: New community outreach and emergency mobile response unit (bus/trailer lease)



CIP Cost Drivers:

- EV Charging Station Growth - \$500k in FY24 (\$5.7M over 5-year period)



Energy Efficiency Services Incentives

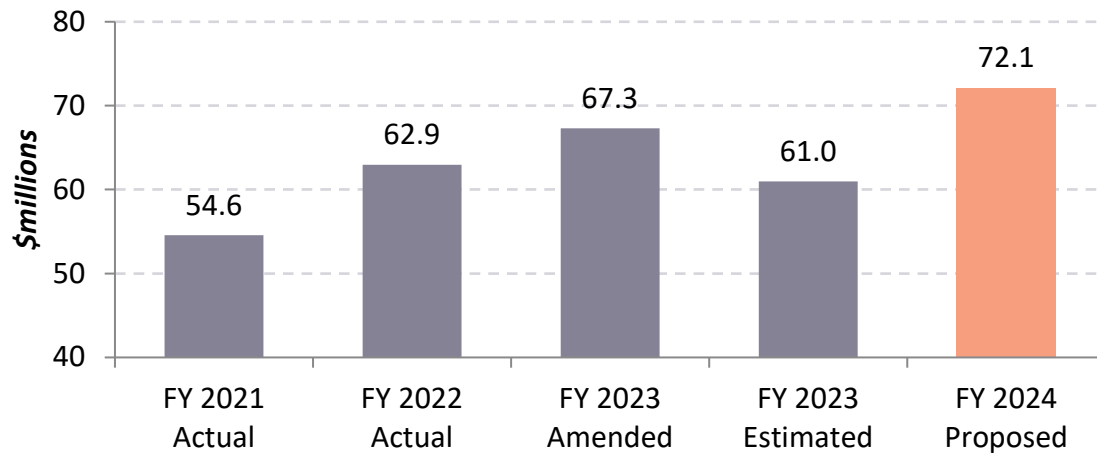
Component	FY 2023 Amended	FY 2024 Proposed	Change
AE Weatherization- D.I.	1,577,000	1,577,000	0
Multi-Family Rebates	850,000	900,000	50,000
Multi-Family WX-D.I.	1,800,000	2,000,000	200,000
Loan Options	500,000	500,000	0
Commercial-Existing Construction	2,250,000	2,500,000	250,000
Small Businesses	1,100,000	1,100,000	0
Solar Program - Residential	2,500,000	3,000,000	500,000
Solar Program - Commercial & Multi-family ⁽¹⁾	6,000,000	4,400,000	(1,600,000)
Residential Demand Response	1,600,000	1,950,000	350,000
Load Coop	2,000,000	2,100,000	100,000
Home Performance w Energy Star	1,600,000	1,600,000	0
School Based Education	350,000	350,000	0
Appliance Efficiency Program	1,500,000	1,700,000	200,000
Smart Device and Controls	0	2,000,000	2,000,000
Direct Install Partners and Events	150,000	150,000	0
SPUR Strategic Partnership w / Utilities & Retailers	1,250,000	1,250,000	0
Municipal Conservation Program	60,000	60,000	0
Behavioral Demand Response Pilot	200,000	600,000	400,000
Total	25,287,000	27,737,000	2,450,000

(1) Lower FY 2024 budget is due to less demand than anticipated, although this may change due to increased federal tax credits being available to non-profits.



Electric Service Delivery – O&M

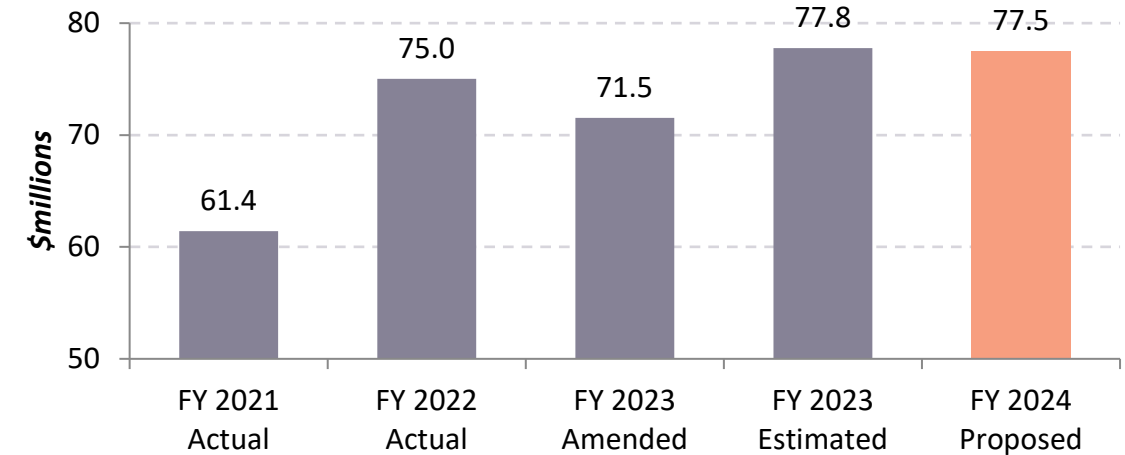
Engineering & Tech Services



O&M Cost Drivers (▲ from FY 2023 Amended to FY 2024 Proposed)

- \$1.0M: Study to convert overhead distribution to underground
- \$1.6M: Engineering services staff augmentation
- \$340K: Additional budget for overtime and callback

Field Ops



O&M Cost Drivers (▲ from FY 2023 Amended to FY 2024 Proposed)

- \$1.0M: Additional budget for overtime and callback
- \$905K: Commodities across business area
- \$2.9M: Labor allocation for system maintenance, restoration and troubleshooting



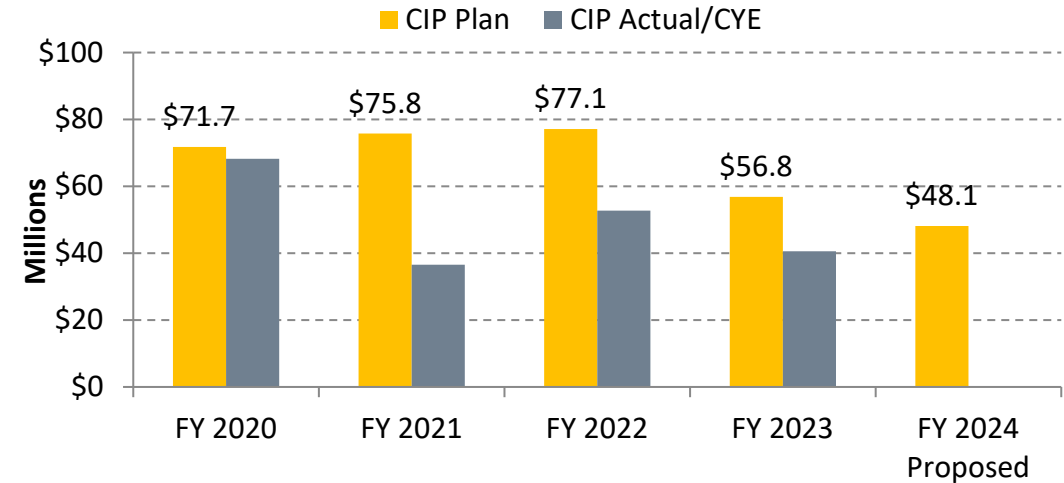
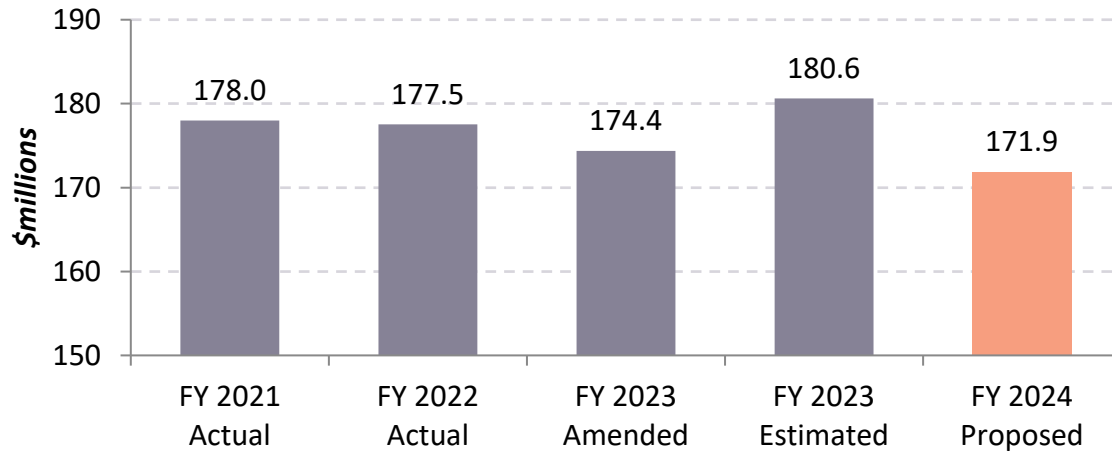
FY 2024 Electric Service Delivery CIP Highlights

5-Year Spend Plan (*\$millions*)

	<i>FY 2023 Estimate</i>	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	2024 – 2028 Total
Brackenridge Substation	\$3.2	\$6.3	\$6.5	\$11.1	\$3.8	\$0.0	\$27.7
Southeast Substation	\$0.1	\$0.5	\$23.2	\$0.0	\$0.0	\$0.0	\$23.7
Distribution System Resilience Program	\$3.9	\$6.0	\$10.0	\$10.0	\$10.0	\$10.0	\$46.0
CKT 813 JL-KL 138 V Conversion	\$0.0	\$0.0	\$0.4	\$3.3	\$2.4	\$2.8	\$8.9
Lytton Springs AT1 & AT2 Upgrade	\$0.0	\$2.3	\$9.0	\$9.0	\$2.3	\$0.0	\$22.6



Power Production & District Cooling



O&M Cost Drivers (▲ from FY 2023 Amended to FY 2024 Proposed)

- \$2.3M: South Texas Project operating expense
- \$1.3M: District Cooling operating costs
- \$1.2M: Decker equipment maintenance
- \$600K: Sand Hill equipment maintenance
- (\$6.4M): Fayette operating expense

CIP Cost Drivers:

- 6th St. Pipe Expansion - \$7.5M in FY24; \$15M in 5-year spend plan. Project related to demolition of Austin Convention Center
- \$20.5M for SHEC related projects in FY24
- \$2.5M for Decker GT Engine overhaul



FY 2024 Power Generation & District Cooling CIP Highlights

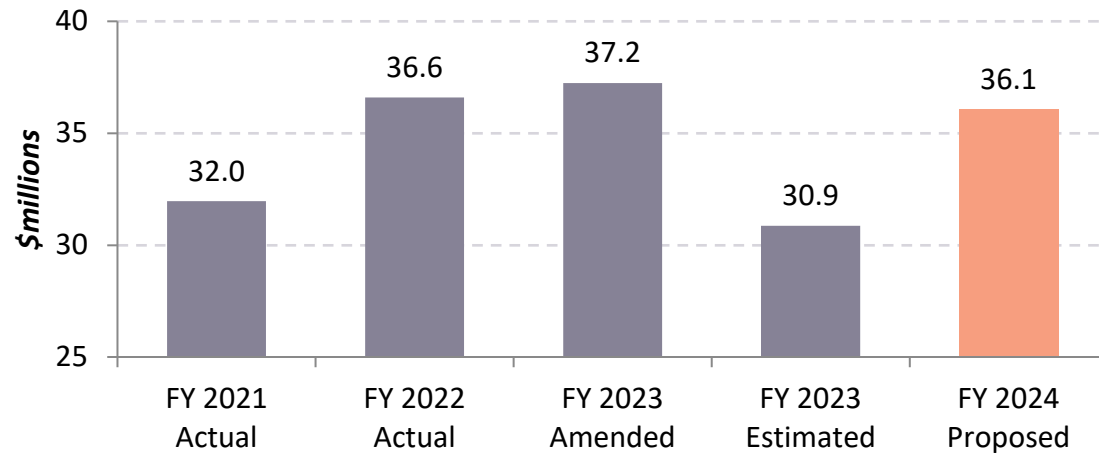
5-Year Spend Plan (\$millions)

	<i>FY 2023 Estimate</i>	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	2024 - 2028 TOTAL
* District Cooling - DT Waller Park Place	\$2.50	\$2.00	\$0.00	\$0.00	\$0.00	\$0.00	\$2.00
* District Cooling – DT 6 th St Pipe Expansion	\$1.20	\$7.50	\$7.50	\$0.00	\$0.00	\$0.00	\$15.00
LM6000 Hot Sections	\$3.90	\$3.00	\$2.00	\$0.00	\$0.00	\$0.00	\$5.00
Decker Dam Improvements	\$0.00	\$0.00	\$0.00	\$0.00	\$6.00	\$6.00	\$12.00
SHEC U1-4 Heater & Chiller Bldg Upgrade	\$2.20	\$0.96	\$0.00	\$0.00	\$0.00	\$0.00	\$0.96

* District Cooling expense is not a component of electric retail rates

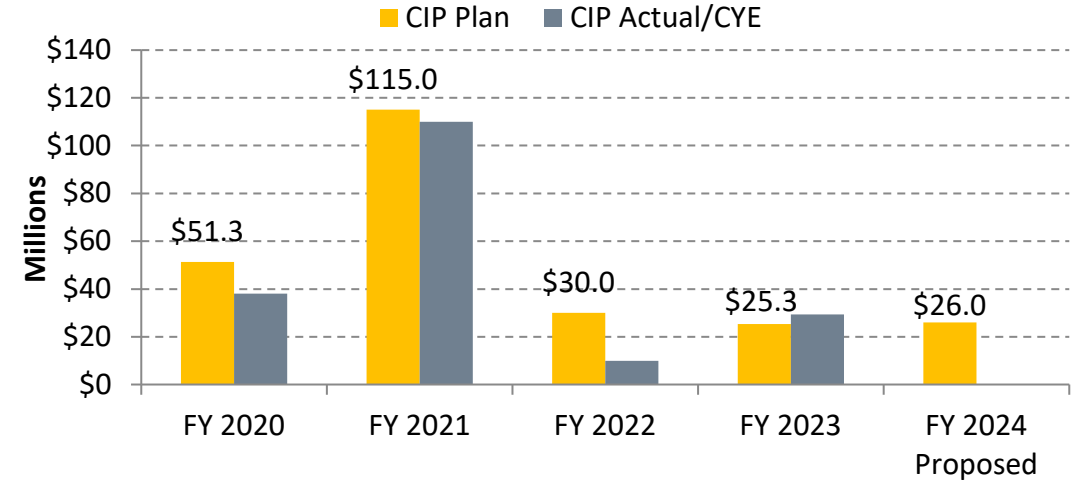


Corporate Support Services



O&M Cost Drivers (▲ from FY 2023 Amended to FY 2024 Proposed)

- \$1.0M: New security guard contract includes \$20/hr. living wage
- \$500K: Facilities master plan
- \$500K: Arc Flash Safety Study
- (\$2.1M): CTECC facility management moving to Building Services Department

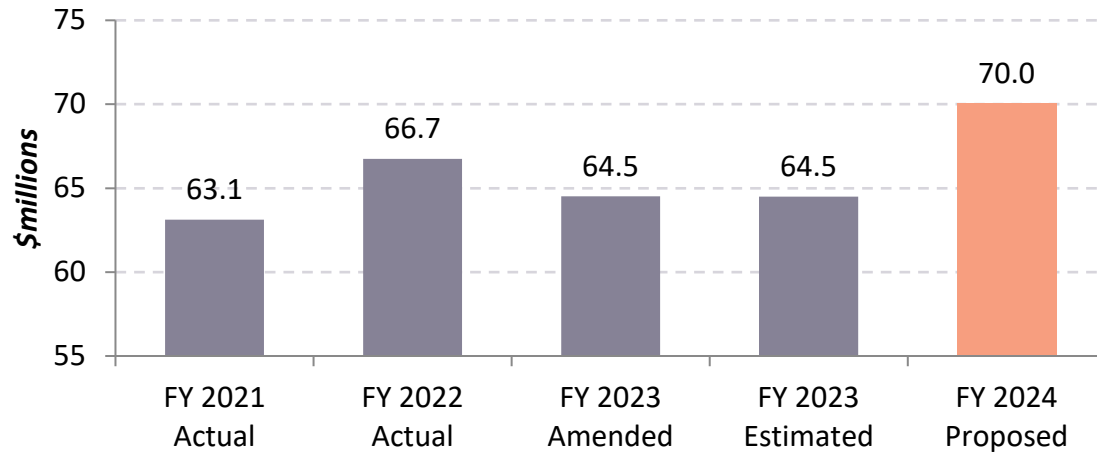


CIP Cost Drivers:

- New Austin Energy Service Center - \$7.6M in FY24; \$48.7M in FY25
- Security Fence Projects - \$5M in FY24, \$4.5M in FY25
- SCC Roof Replacement - \$2.6M in FY24
- Decker property upgrades - \$2.5M in FY24

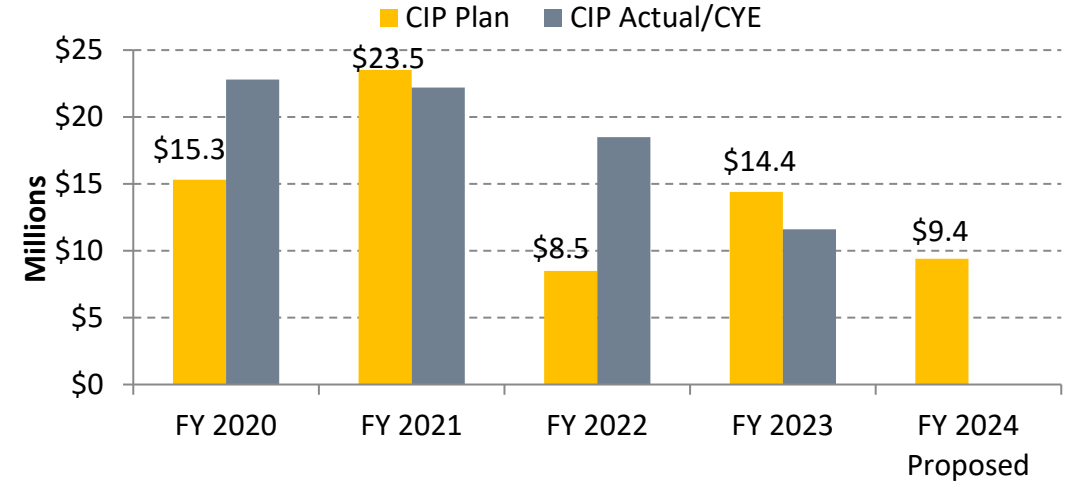


Technology & Data



O&M Cost Drivers (▲ from FY 2023 Amended to FY 2024 Proposed)

- \$4.4M: Costs associated with new IT technologies/services and price increases on existing IT technologies/services
- \$670K: Costs for additional contractor staff augmentation



CIP Cost Drivers:

- IT Infrastructure Transformation- \$5.2M in FY24, \$5.2M in FY25
- IT Capital Outlay - \$2.1M in FY24



FY 2024 Proposed Budget Presentation

Proposed Tariff and Fee Changes



FY 2024 Tariff & Fee Changes

Fee Schedule Changes	Current	Proposed
Hit and Damaged Utility Pole	\$14,030.00	\$13,820.00
Hit and Damaged Pad Mount Transformer	\$11,050.00	\$11,960.00
Hit and Damaged Streetlight Pole	\$6,320.00	\$7,500.00
Impacted Utility Pole (without replacement)	\$1,400.00	\$1,380.00
Impacted Streetlight Pole (without replacement)	\$630.00	\$750.00
AE Trip Fee	\$300.00	\$400.00
Additional Solar Meter - Commercial	NA	\$443.00
Additional Solar Meter - Residential	NA	\$348.00
AE Metering Review Fee	NA	\$365.00

Tariff Changes:

- The PSA, Regulatory Charge and Community Benefit Charges will be updated in September.





**Customer Driven.
Community Focused.SM**

