



## MEMORANDUM

**TO:** Mayor and Council Members

**FROM:** Bob Kahn, General Manager, Austin Energy *BK*

**DATE:** November 21, 2023

**SUBJECT:** **Monthly Update regarding Austin Energy's Power Supply Adjustment Rate**

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Austin Energy is implementing a 5% increase to the Power Supply Adjustment (PSA) rate, effective December 1, 2023. This increase is due to a lack of adequate progress toward making up for the existing PSA under-recovery. For the typical residential customer, the impact will be less than \$2 per month. This memo also provides a status update on the PSA under-recovery balance.

### **Background**

The PSA is a dollar-for-dollar cost pass-through to electric utility customers for the recovery and crediting of ERCOT settlements, fuel costs, and net purchased power costs, with an adjustment for the over-recovery or under-recovery balance for the period preceding the adjustment of the PSA. The PSA is assessed on all electric customers based on kilowatt-hour (kWh) consumption. Weather and ERCOT market prices impact the amount of revenue and, therefore, the collection/return of any under/over balance. There is no gain or general fund transfer on PSA charges.

### **Policy**

City Council delegated to Austin Energy administrative authority to adjust the PSA in increments not to exceed plus or minus five percent. This seeks to manage the elimination of any over-recovery or under-recovery more smoothly than could be achieved by an annual adjustment. Within 14 days of any administrative adjustment of the PSA, Austin Energy notifies the City Council of the changes and provides monthly written reports to the City Council on the status of the PSA and any over-recovery or under-recovery. Austin Energy also posts a notice of the adjustment on its website.

### **Administrative Adjustment of the PSA**

Last year, on November 1, 2022, after experiencing extraordinary wholesale power supply costs, Austin Energy had an under-recovered PSA balance of \$102 million. Since then, Austin Energy has adjusted the PSA rate to recover this negative balance as wholesale power costs continued to increase. The current under-recovered balance that remains is \$97 million.

In addition to upward pressure on overall wholesale power market prices, Austin Energy costs are driven by transmission congestion related to import limitations, renewable generation curtailments, and a lack of sufficient power generation capacity within the Austin Energy load zone.

Austin Energy must look at historical PSA results and also project forward to plan for the seasonality of PSA costs. Market prices generally moderate in the fall through the early spring, before increasing again in the late spring and summer. Therefore, significant progress to reduce the under-recovered balance must be made prior to the summer months.

For the month of October 2023, power supply costs were over-recovered \$18 million, with the balance of the PSA improving from a \$115 million under-recovery to a \$97 million under-recovery. This over-recovery was anticipated and necessary, along with projected over-recoveries over the next several months, in order to be positioned for an expected summer under-recovery.

Based on projections of where this balance needs to be prior to summer 2024, Austin Energy must use its administrative authority to adjust the PSA upward by 5%, effective on December 1, 2023. Austin Energy anticipates using its administrative authority in future months to fully recovery power supply costs over the next two years.

The following table indicates the current existing PSA rates by voltage level.

| <b>Voltage Level</b>  | <b>Voltage Level Adjustment Factor</b> | <b>Existing PSA Rate (\$/kWh)</b> | <b>Administrative Adjustment (\$/kWh)</b> |
|-----------------------|--|-----------------------------------|---|
| <i>System Average</i> | 1.0000                                 | \$0.04567                         | \$0.00228                                 |
| <i>Secondary</i>      | 1.0067                                 | \$0.04598                         | \$0.00229                                 |
| <i>Primary</i>        | 0.9791                                 | \$0.04472                         | \$0.00223                                 |
| <i>Transmission</i>   | 0.9669                                 | \$0.04416                         | \$0.00220                                 |

Please contact me or Stuart Reilly, Austin Energy Deputy General Manager, if you should have any questions.

cc: Jesús Garza, Interim City Manager  
Ed Van Eenoo, Chief Financial Officer, City of Austin