




MEMORANDUM

TO: Mayor and City Council

THROUGH: Jon Fortune, Deputy City Manager 

FROM: Bob Kahn, General Manager, Austin Energy

DATE: January 24, 2025

SUBJECT: **Monthly Update regarding Austin Energy's Power Supply Adjustment Rate – December 2024 Results**

For the past four months, beginning October 2024, Austin Energy implemented 5% decreases each month to the Power Supply Adjustment (PSA) rate. Although the PSA is currently over-recovered, the impacts of recent rate reductions along with continued anticipated winter weather make it necessary for further review before additional changes are made. As such, there will be no change to the PSA rate on February 1, 2025.

As it relates to the balance of the PSA under/over-recovery, in December 2024, power supply costs were over-recovered by \$13 million, with the balance of the PSA over-recovery increasing to \$111 million. This was primarily due to more moderate ERCOT market prices and congestion costs in the summer of 2024 than Austin Energy experienced in 2022 and 2023. However, long-term market trends remain, as overall wholesale power market prices continue to see increased risk, upward pressure, and unique challenges within Austin Energy's load zone. Power supply costs are also affected by transmission congestion, renewable generation curtailments, and a lack of sufficient power generation capacity within Austin Energy's load zone.

Austin Energy's goal in managing the PSA is to achieve a stable rate that recovers costs. As such, Austin Energy must look at historical PSA results and must also look ahead, planning for the seasonality of costs. Austin Energy's recent PSA decreases reflect an analysis of scenario planning under prior years' conditions, which have varied widely, as well as looking at the most recent twelve months of PSA costs and forward market conditions. Austin Energy will continue to closely monitor power costs and recovery balances and assess the PSA rate for potential additional decreases.

The following table indicates the PSA rates by voltage level effective February 1, 2025.

Voltage Level	Voltage Level Adjustment Factor	PSA Rate (\$/kWh)	Administrative Adjustment (\$/kWh)
<i>System Average</i>	1.0000	\$0.05287	(\$0.00981)

<i>Secondary</i>	1.0067	\$0.05322	(\$0.00987)
<i>Primary</i>	0.9791	\$0.05177	(\$0.00961)
<i>Transmission</i>	0.9669	\$0.05112	(\$0.00949)

Power Supply Stabilization Reserve

Austin Energy is bringing forward an ordinance for City Council approval on January 30, 2025, to transfer funds into the Power Supply Stabilization Reserve. In the summer of 2023, due to extreme ERCOT wholesale market prices and high congestion costs, Austin Energy relied on its Power Supply Stabilization Reserve to help pay for power supply costs. Austin Energy transferred funds out of its Power Supply Stabilization Reserve and into working capital to pay the increased power supply costs.

Transferring \$30 million of the over-recovered balance to the Power Supply Stabilization Reserve will bring the utility into compliance with financial policy requiring the Power Supply Stabilization Reserve to have a minimum balance of 90 days of net power supply costs. Maintaining 90 days of power supply reserves is calculated as part of, and is not separate from, Austin Energy’s overall required policy minimum of 150 days cash on hand.

If you have any questions, please contact me via email at bob.kahn@austinenergy.com or by phone at 512-322-6002.

cc: T.C. Broadnax, City Manager
Ed Van Eenoo, Chief Financial Officer, City of Austin
Stuart Reilly, Deputy General Manager, Business Services
Myrna Rios, City Clerk
Corrie Stokes, City Auditor
Judge Sherry Statman, Presiding Judge
Mary Jane Grubb, Municipal Court Clerk
CMO Executive Team