



Austin Energy

FY 2017 Proposed Budget

August 24, 2016 | City of Austin, Texas



Austin Energy (AE) Budget Process

- Presentation is an update to AE's budget in Volumes I and II of the City of Austin Proposed Budget
- Based on proposed rates, revenue and expenses derived from the negotiated settlement with rate review intervenors
- Remaining schedule to finalize AE's rates and budget:
 - August 25 – Public hearing on rates
 - August 29 – Public hearing on rates and final Council decision on proposed rates
 - September 12-14 – Budget Hearings and Adoption
 - September 22 – AE Budget Amendment to adopt FY 2016-17 budget including new rates

Department Overview

Mission Statement: To safely deliver clean, affordable, reliable energy and excellent customer service.

Major Accomplishments

- Continued outstanding reliability with better than industry standards performance
- Completed Cost of Service Study to review and modify revenue requirements and rates
- Reduced Power Supply Adjustment rates system-wide by 3% mid-fiscal year
- Increase to the Renewable Energy Portfolio by bringing online 158 megawatts utility scale solar
- Began work on the update to the Generation Resource Plan to 2025
- Began energy storage project tied to Community Solar
- Positive financial results allowed for funding of reserves and continued strong bond ratings

Service Areas	Key Performance Data	FY 15 Actual	FY 16 Estimate	FY 17 Projected
Electric Service Delivery	System Average Interruption Frequency Index (SAIFI) (electricity outage frequency)	0.65	0.8	0.75
Power Generation	Commercial Availability of Gas Units	98.9	95	95
Power Supply	Power Supply Cost average (cents per Kilowatt hour)	3.5	3.1	2.8
Customer Care	Customer Satisfaction Index	59	75	75
Support Services	Credit rating for separate-lien electric utility system revenue bonds	AA-	AA-	AA-
Market Operations & Resource Planning	Renewable Power Generated as a Percent of Consumption	23.1%	29%	35%

Uses of Funds

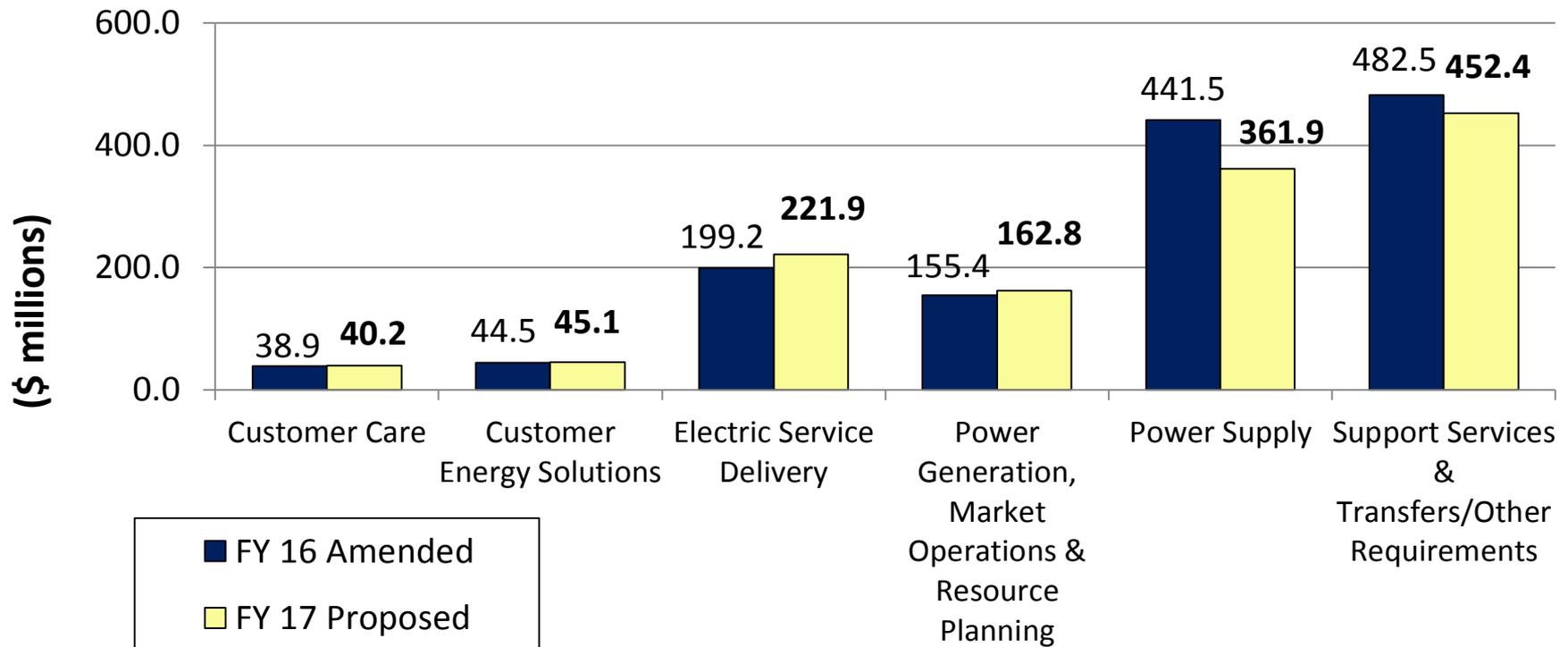
Department Expenditures:

FY 16 Amended: \$1,361.9 million

FY 17 Proposed: \$1,284.3 million

FY 2017 positions:
1,718.00

 45.25



Budget Highlights

Changes from FY 2016

Description	Amount
Increase in transmission costs for grid buildout	\$17.7 million
Increase in CIP transfer based on FY 2016-17 Electric CIP Spending	\$14.2 million
Funding for Non-Nuclear Decommissioning reserve	\$6.0 million
Increase in the General Fund Transfer	\$3.0 million
Increase in operating costs for South Texas Nuclear Plant	\$1.4 million
Conversion of 45 contract Customer Services Representatives to City of Austin employees	\$1.1 million
Decrease in Economic Development Department funding transfer	(\$1.7 million)
Decrease in bad debt expense due to increased collection efforts	(\$8.9 million)
Decrease in debt service requirements	(\$11.9 million)
Decrease in transfers to Contingency, Emergency and Repair and Replacement reserves	(\$45 million)
Power Supply Adjustment cost decreases	(\$71.5 million)

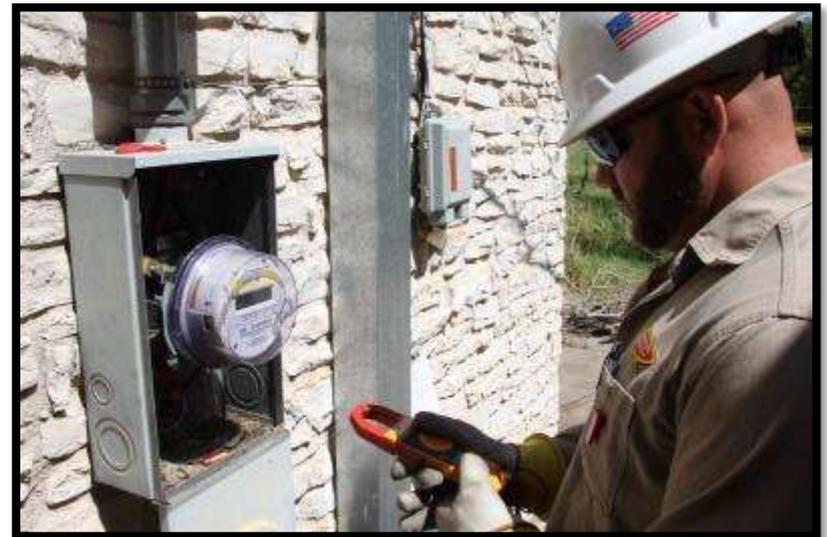
Budget Highlights

Changes from FY 2016

➤ Vacancy Rate History*

- FY15 Vacancy Rate: 8.2%
- FY16 Vacancy Rate: 5.4%, 90 positions vacant

**Excludes grant-funded positions*



Capital Highlights

FY 2017 Appropriation: \$210.2 million

FY 2017 Spending Plan: \$221.1 million

Category	Spending Plan
Distribution	\$100.4 million
Power Generation	\$61.0 million
Transmission	\$26.1 million
Support Services	\$33.6 million

- Sand Hill Energy Center water clarification system, Environmental Lab Relocation
- Transmission circuit upgrades, distribution growth and reliability projects, substation upgrades
- On-site generation upgrades at Domain plant
- 1.6 megawatt commercial battery storage at Mueller development, part of SHINES project



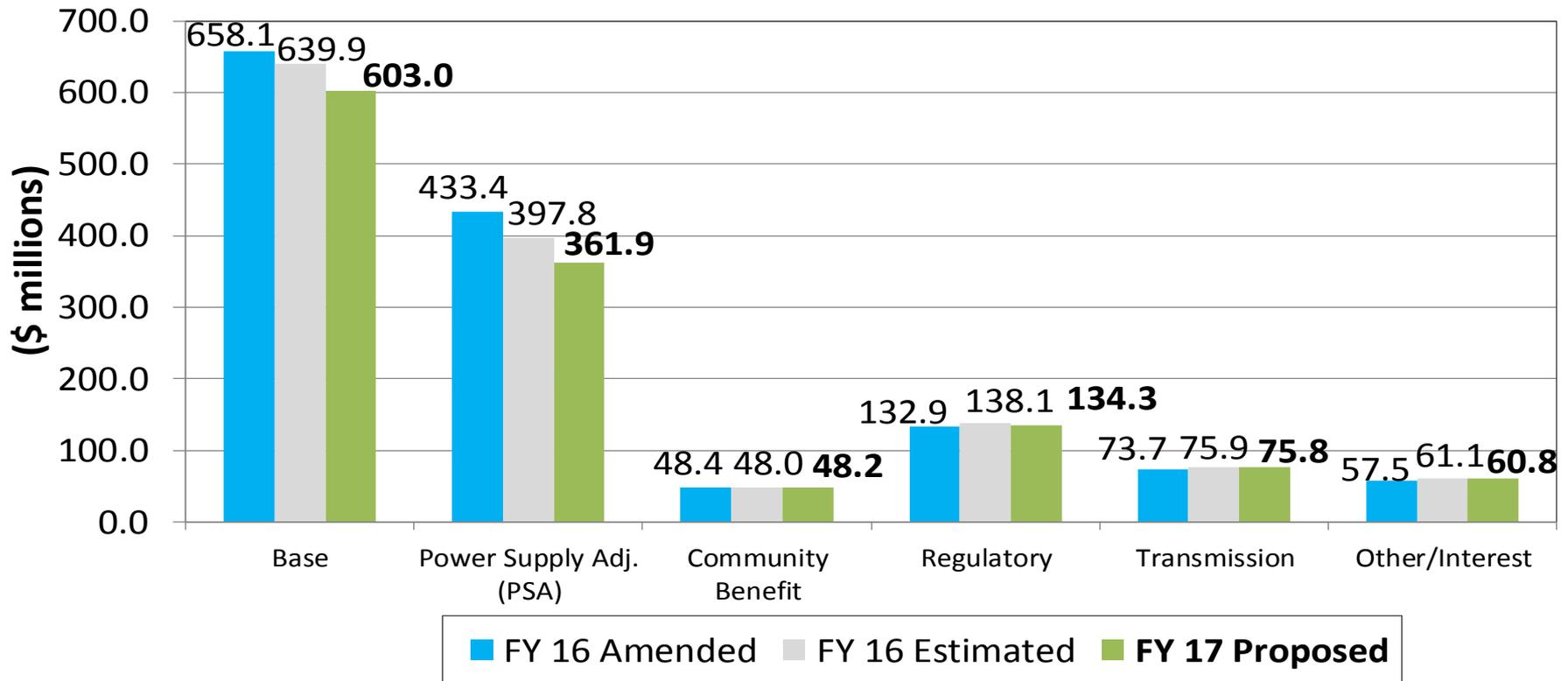
Sources of Funds

Department Revenue:

FY 16 Amended: \$1,404.0 million

FY 16 Estimated: \$1,352.8 million

FY 17 Proposed: \$1,284.0 million



Rate and Revenue Highlights

- Total Revenue is decreasing by \$120.0 million over FY 2016 Amended Budget
 - Decrease in Power Supply Revenue: (\$71.5 million)
 - Decrease in Service Area Base Revenue: (\$55.1 million)
 - Increase in Regulatory Revenue: \$1.3 million
 - Increase in Transmission Revenue: \$2.0 million
 - Increase in Other Revenue (Infrastructure attachments): \$3.3 million

Rate and Revenue Highlights

➤ Proposed Tariff and Program Changes

- Base rates move away from seasonal adjustments
- Power Supply Adjustment begins seasonal adjustments
- Energy Efficiency Services, Service Area Lighting, and Regulatory Charge rates applied on a system-wide basis, adjusted for voltage differentials
- Development of a Customer Assistance Program arrearage management program

Rate and Revenue Highlights

➤ Proposed Tariff and Program Changes

- Commercial Green Choice[®] batch 5 & 6 customers allowed to convert to Green Choice[®] Patron 17 rate for a limited time
- New Green Choice[®] Commercial Patron 17 rate 3.8 cents per kWh, expiring December 31, 2021
- Update to the Value-of-Solar formula results in change of rate to 10.6 cents from 10.9 cents per kWh
- New Community Solar Adjustment rider of 4.3 cents per kWh

Average Residential Customer Bill Impact

Typical Monthly Bill (Inside City of Austin Customer)	Energy kWh	FY 2016 Approved Budget Rate		FY 2017 Proposed	\$ Change	% Change
Customer Charge	Flat Fee	\$ 10.00		\$ 10.00	None	None
Base Electricity Charge*	895	\$ 36.78		\$ 37.14	\$ 0.36	1.0%
Power Supply Adjustment **	895	\$ 28.09		\$ 24.71	(\$ 3.38)	(12.0%)
Community Benefit Charge	895	\$ 4.96		\$ 5.03	\$ 0.07	1.4%
Regulatory Charge	895	\$ 12.66		\$ 12.02	(\$0.64)	(5.1%)
Total Monthly Bill	895	\$ 92.49		\$ 88.90	(\$ 3.59)	(3.9%)
Total Customer Assistance Program Bill	895	\$ 72.85		\$ 69.62	(\$ 3.23)	(4.4%)

* Increase results from modifications made to residential tiers during Cost of Service rate review.

** FY 2016 rate reflects the Power Supply Adjustment approved by Council in September 2015.

Energy Efficiency & Demand Response Programs

Program	FY 2015-16 Amended	FY 2016-17 Proposed	\$ Change
Customer Assistance Program (CAP) Recoverable			
CAP Weatherization	1,000,000	1,000,000	0
CAP Weatherization rollover	85,023	0	(85,023)
Total Community Benefit Charge (CBC) CAP Recoverable	1,085,023	1,000,000	(85,023)
Free Weatherization	1,377,000	1,377,000	0
Free Weatherization rollover	955,111	0	(955,111)
Multi-Family Rebates	1,800,000	2,200,000	400,000
Loan Options	100,000	0	(100,000)
Commercial-Existing Construction	2,700,000	4,000,000	1,300,000
Small Businesses	2,500,000	1,500,000	(1,000,000)
Green Building	306,000	306,000	0
Commercial Power Partner	140,000	140,000	0
Solar Program	5,000,000	4,390,000	(610,000)
Solar Photo Voltaic (PV) Performance Based Incentive	2,500,000	3,110,000	610,000
Refrigerator Recycle Program	250,000	0	(250,000)
Residential Power Partner	700,000	700,000	0
Load Coop	600,000	400,000	(200,000)
Thermal Energy Storage	21,000	28,000	7,000
Home Performance with Energy Star	2,300,000	2,300,000	0
Appliance Efficiency	700,000	950,000	250,000
Municipal Conservation Program	100,000	100,000	0
Strategic Partnership with Utilities & Retailers (SPUR)	900,000	900,000	0
Total Incentives- CBC Recovered	\$ 22,949,111	\$ 22,401,000	\$ (548,111)
CBC Recovered Administrative Expenses			
Outreach and Marketing	1,000,000	978,276	(21,724)
Green Building Program	2,741,877	2,888,047	146,170
Demand Side Management (DSM) Management	364,769	938,639	573,870
DSM Program Mgmt	1,615,794	1,906,471	290,677
DSM Program Support	2,136,130	2,330,627	194,497
DSM Solar Program Administration	1,292,952	1,346,029	53,077
Energy Efficiency Services Technical Support	2,847,745	2,980,049	132,305
DSM Commercial/MultifamilyPrgm Mgmt	868,671	1,115,316	246,646
Total CBC Recovered Administrative Expenses	12,867,937	14,483,454	1,615,517
Total CBC Energy Efficiency Recoverable	\$ 35,817,048	\$ 36,884,454	\$ 1,067,406

Horizon Issues and Challenges

Looking Beyond FY 2017...

- **Meeting Affordability Goals**
 - Keeping average rate increases at or below a combined annual 2% rate increase
 - Remain in lower 50% of comparable Texas utilities on rates.
- **National and Local Climate Policy**
 - The Clean Power Plan, which sets limits on carbon dioxide emissions from existing fossil fuel-fired power plants, could result in increased wholesale and retail energy costs.
- **Cash Reserve Levels and Cost Containment**
 - Cost containment is important to preserve cash and prioritize necessary replenishment of reserves. Adequate reserves are part of the utility's debt management strategy and help mitigate future rate increases.
- **Cyber Security and North American Electric Reliability Corporation compliance**
 - Cyber security risks are evolving and increasing, creating an expensive and difficult system to maintain.
- **Workforce Challenges**
 - Continued turnover among supervisory and specialized staff with over one-third eligible for retirements by 2017. Very competitive labor market for these skill sets.

For More Information

General Manager

- Jackie Sargent, (512) 322-6002

Interim Chief Operating Officer

- Elaina Ball, (512) 322-6015

Chief Administrative Officer

- Kerry Overton, (512) 322-6113

Chief Financial Officer

- Mark Dombroski, (512) 322-6148

Media Inquires

- Corporate PIO, (512) 322-6004

