

AGENDA



Thursday, June 5, 2008

**Austin Energy
RECOMMENDATION FOR COUNCIL ACTION****Item No. 2**

Subject: Approve an ordinance amending the Fiscal Year 2007-2008 Austin Energy Operating Budget of Ordinance No. 20070910-003 and the Fiscal Year 2007-2008 Austin Energy Capital Budget of Ordinance No. 20070910-004 to decrease the Austin Energy Operating Fund ending balance by \$8,400,000 in order to increase operating requirements for conservation rebates and incentives funding by \$1,400,000 and increase the transfer out to the electric capital improvement program by \$7,000,000, and to appropriate an additional \$20,000,000 for electric system capital improvements.

Amount and Source of Funding: Funding is available from the ending balance of the Austin Energy Operating Fund.

Fiscal Note: A Fiscal Note is attached.

For More Information: Elaine Hart, CPA Sr. Vice President Finance & Corporate Services, 322-6558; Fred Yebra, P.E., Director of Demand Side Management, 482-5305; Cheryl Mele, P.E., Sr. Vice President Electric Service Delivery, 322-6062.

Prior Council Action: September 9, 2007: Council approved Budget Ordinance 20079010-003 and 20070910-004.

For fiscal year 2006-2007, Austin Energy (AE) experienced positive operating results due to revenues higher than estimated and lower than anticipated operating expenditures. AE is seeking authorization to use a portion of this increased ending fund balance for additional current year operating and capital needs.

Austin Energy is seeking authorization to amend Ordinance No. 20070910-003, the Fiscal Year 2008 Operating Budget to increase the Conservation Rebates and Incentives Fund by transferring \$1,400,000 from the Operating Budget. AE's Strategic Plan, adopted by the City Council on December 4, 2003, included a strong commitment to energy efficiency as a key component to our energy resource strategy. This \$1,400,000 budget amendment will provide funding for solar and residential rebates to meet increased projected program participation.

Solar Rebates - AE's Energy Efficiency Rebate budget for Fiscal Year 2008 included \$3,000,000 for Solar Photovoltaic (PV) Rebates, of which \$820,000 is earmarked for solar system installations in commercial buildings. Through March 2008, AE has expended \$401,971 for commercial solar installations. Another \$653,623 is awaiting final completion of installation work and AE anticipates the submission of another \$1 million in commercial solar rebate applications through the end of the year. Participation has increased significantly in recent months as customers are taking advantage of the Federal Tax Credit for solar systems which expires on December 31, 2008. This \$1,400,000 budget amendment will provide \$1,200,000 additional funding for commercial solar rebates.

Residential Energy Efficiency Programs - Austin Energy is experiencing higher than expected customer participation in our Multi-Family Incentive Program and Single-Family Energy Efficiency Programs. This \$1,400,000 budget amendment will provide \$200,000 additional funding for residential rebates.

Distribution Capital Improvement Program – Austin Energy is experiencing rising construction costs driven by global demand and increased costs for materials and services related to electric system construction. Examples of material cost increases include steel for poles and other equipment, copper for wire, pole hardware and concrete. Ongoing expansion of the electric distribution system driven by continued growth in residential and commercial development has increased the number of infrastructure construction projects required to serve our customers. This capital budget amendment provides funding to carry the Utility through fiscal year end. A \$20,000,000 appropriation increase is requested for the Distribution System improvements. This will require an additional transfer of \$7,000,000 from the Austin Energy Operating Budget to be funded from AE's ending fund balance. The remaining \$13,000,000 will be funded with issuance of Commercial Paper.