



Austin Energy Quarterly Report

Austin Energy



April 26, 2011

Mission: *Deliver clean, affordable, reliable energy and excellent customer service.*



Agenda



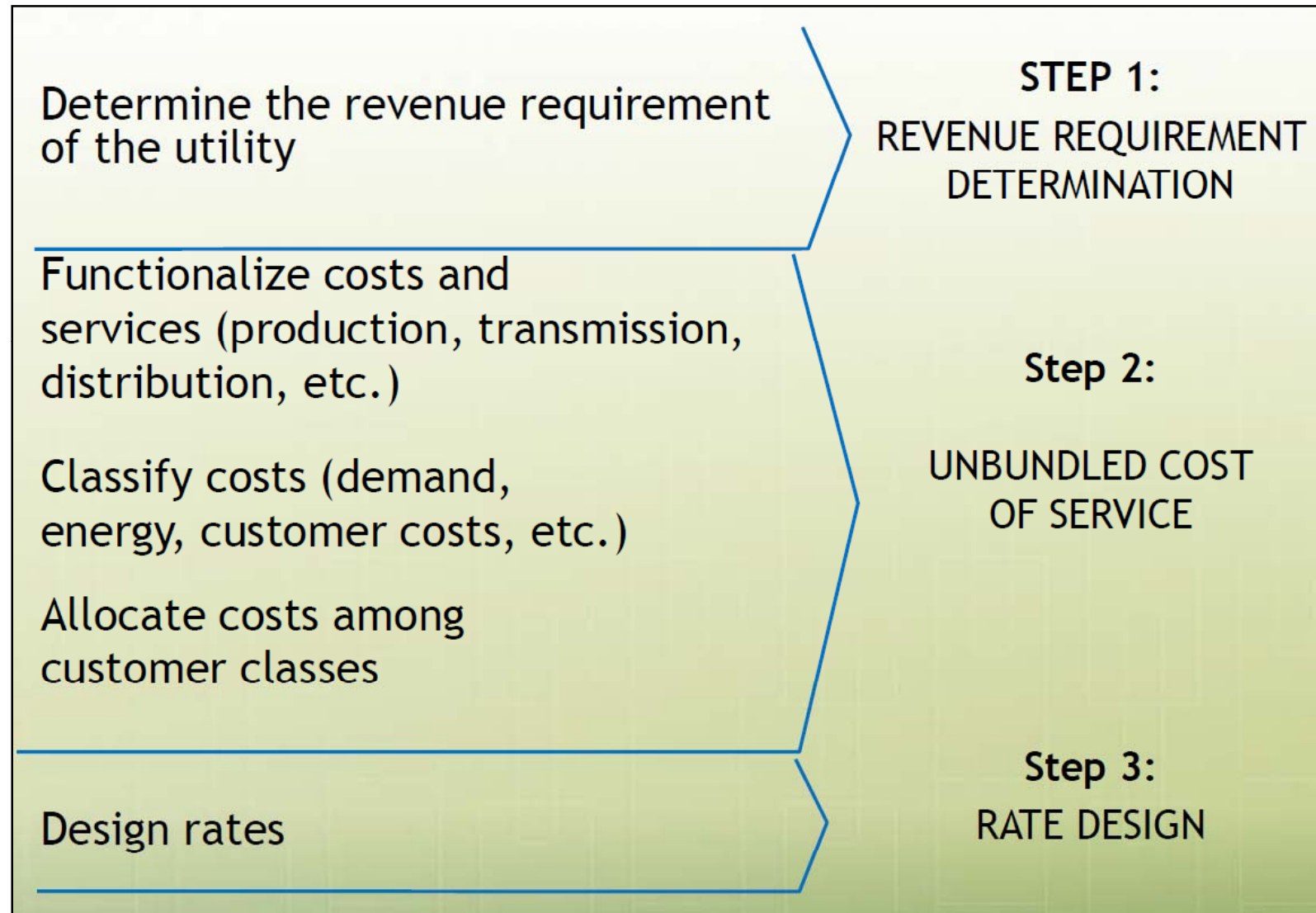
- Electric Rate Design Status Report
- Residential Rate Design
- Annual Update
 - Benchmarking
 - Generation Plan Implementation
- Financial Forecast for FY 2012-2016



Electric Rate Design Status Report

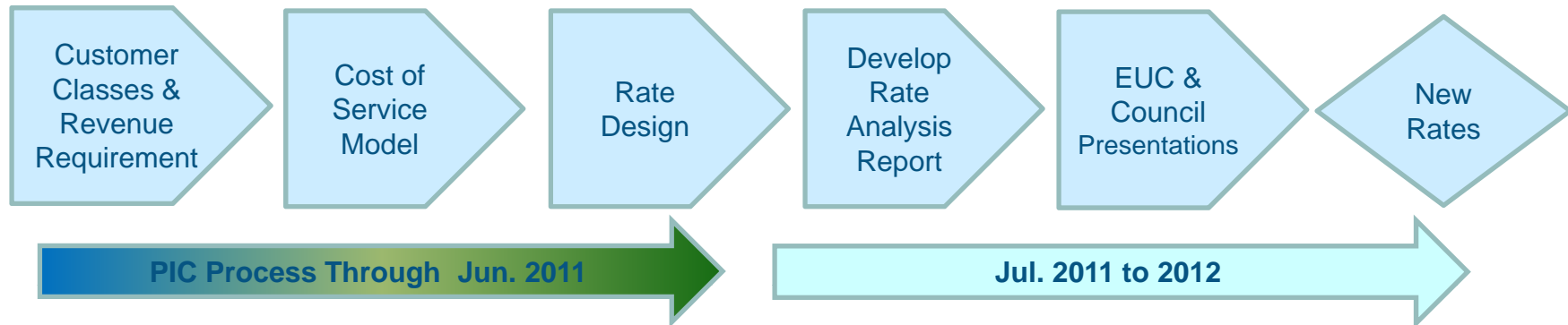


Steps in Rate Design





Rate Design Timeline



Date	Meeting Topics
Winter & Spring 2011	Public Involvement Committee (PIC)
Summer & Fall 2011	Outreach to interested civic and other groups
September 1, 2011	Austin Energy Rate Analysis and Recommendations Report Released
September - October 2011	Electric Utility Commission Presentations
November – January 2012	Council Presentations & Action

Rate Review website www.rates.austinenergy.com



Proposed Customer Classes



Residential

General Service <10 kW

General Service 10 – 49 kW

General Service >50 kW

Primary Service <3 MW

Primary Service 3-20 MW

Primary Service >20 MW

Transmission

Lighting

- Currently 24 Customer Classes with 89 rates
 - Consolidate to 9 Classes
- Best Practices
 - Group by meaningful differences in cost to serve
 - Fairness and equity among classes
 - Improve understanding of cost of service and rates
 - Typical of classes found in other Texas utilities



Customer Class Characteristics



Proposed Customer Classes	Residential	General Service <10 kW	General Service 10 – 49 kW	General Service >50 kW	Primary Service <3 MW	Primary Service 3-20 MW	Primary Service >20 MW	Trans- mission	Lighting
Average Annual No. of Bills	368,411	32,119	10,082	3,139	48	21	4	3	41
Example Customer Type	Home, Apartment, Condo	Small Business, Condo, Billboard, ATM, Portables	Worship, Auto Repair, Small Office, Retail, Restaurant, Nail Salon, Small School, Daycare	Worship, Soup Kitchen, Large Office, High Rise, Big Box Retail, School, Hotel	Large Grocery, Big Box Retail, Large Offices, School, Small Industrial, Light Mfg.	Hospital, Datacenter, Large Mfg, University, High Tech	Semi-conductor	Industrial	Street Light, Security Light, Traffic Light, Parking Lot, Ballpark
Average Monthly Load Factor	54%	51%	58%	68%	77%	88%	94%	89%	38%
Preliminary: Results subject to review, correction & change.									

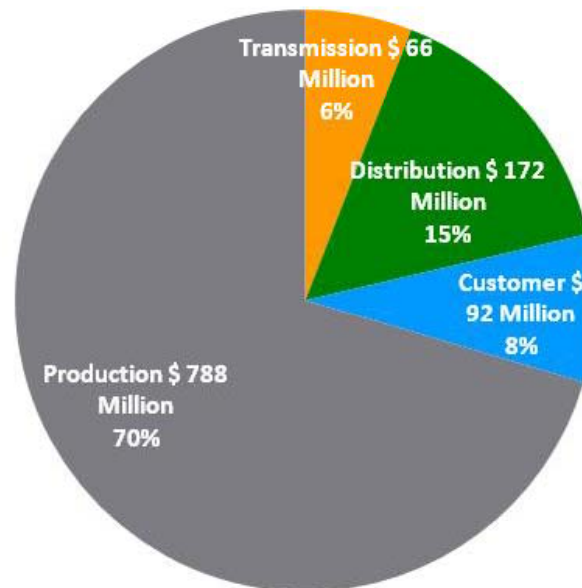


Revenue Requirement



**Preliminary
Revenue
Requirement**

\$1.1 Billion



- What does it cost to run the utility in a typical year?
 - Costs “used and useful “ to generate and deliver electricity to retail customers
 - Functions include allocation of Administrative and General, Franchise Fees, Economic Development and General Fund Transfer



Preliminary Revenue Requirement



	Test Year 2009
Total Revenue Requirement	\$1,118,300,854
Total Revenue from Rates & Riders	<u>\$999,111,056</u>
Indicated Revenue Shortfall	\$119,189,798
Percent Shortfall	11.9%
\$/kWh	\$0.0947
Preliminary: Results subject to review, correction & change.	

- Revenue necessary to run the utility in a typical year
- 2009 Test year plus “known & measureable” adjustments (positive and negative)
- System average rate of \$0.0947 per kWh



Residential Rate Design

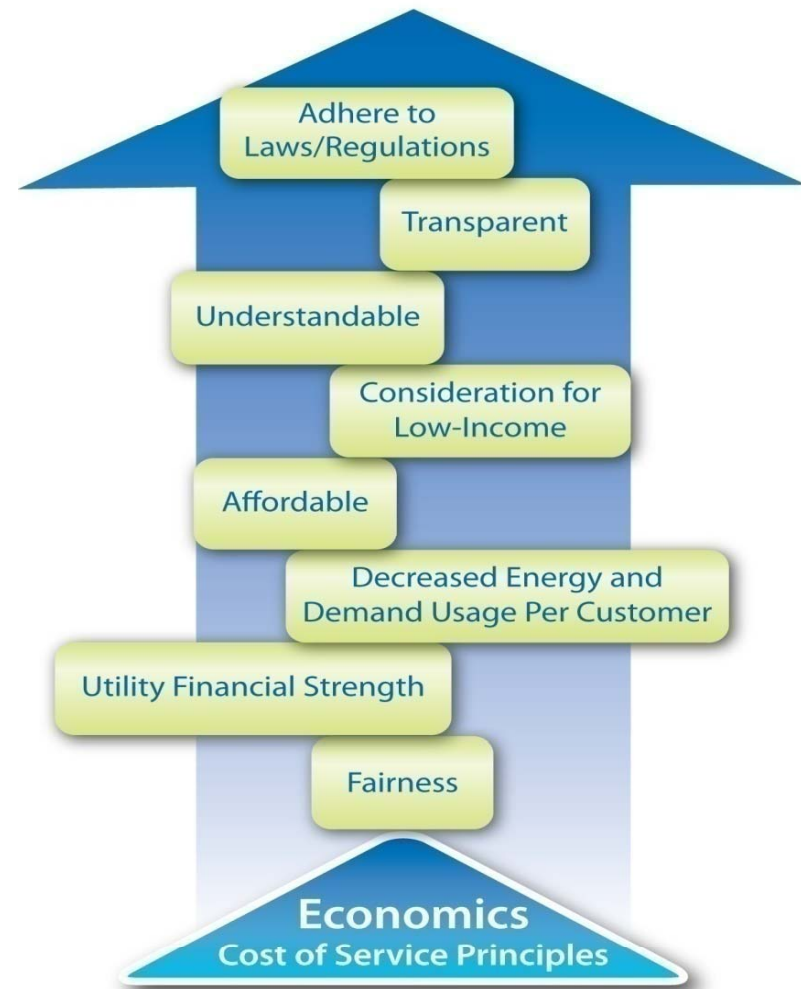


Austin Energy's Rate Design Principles



Consistent with
Industry Best Practices
for Rate Design

Austin Energy's Strategic Direction





Industry Trends in Rate Design



- Improved Fixed Cost Recovery
 - Unbundling of rate components (customer service, wires, etc.)
 - Higher customer charges
 - Introduction of wires charge
 - Increased use of demand charges
 - Decoupling mechanisms and cost pass-throughs



Industry Trends in Rate Design



- Encourage and promote energy efficiency
 - Inverted block rate structures
 - Demand pricing
 - Time-of-Use (TOU) rates
- Increased customer expectations and interest in Emerging Technologies
 - Provide customer rate alternatives



Residential Customer Class Data and Current AE Residential Rate Structure



Residential Customer Class – Profile Data



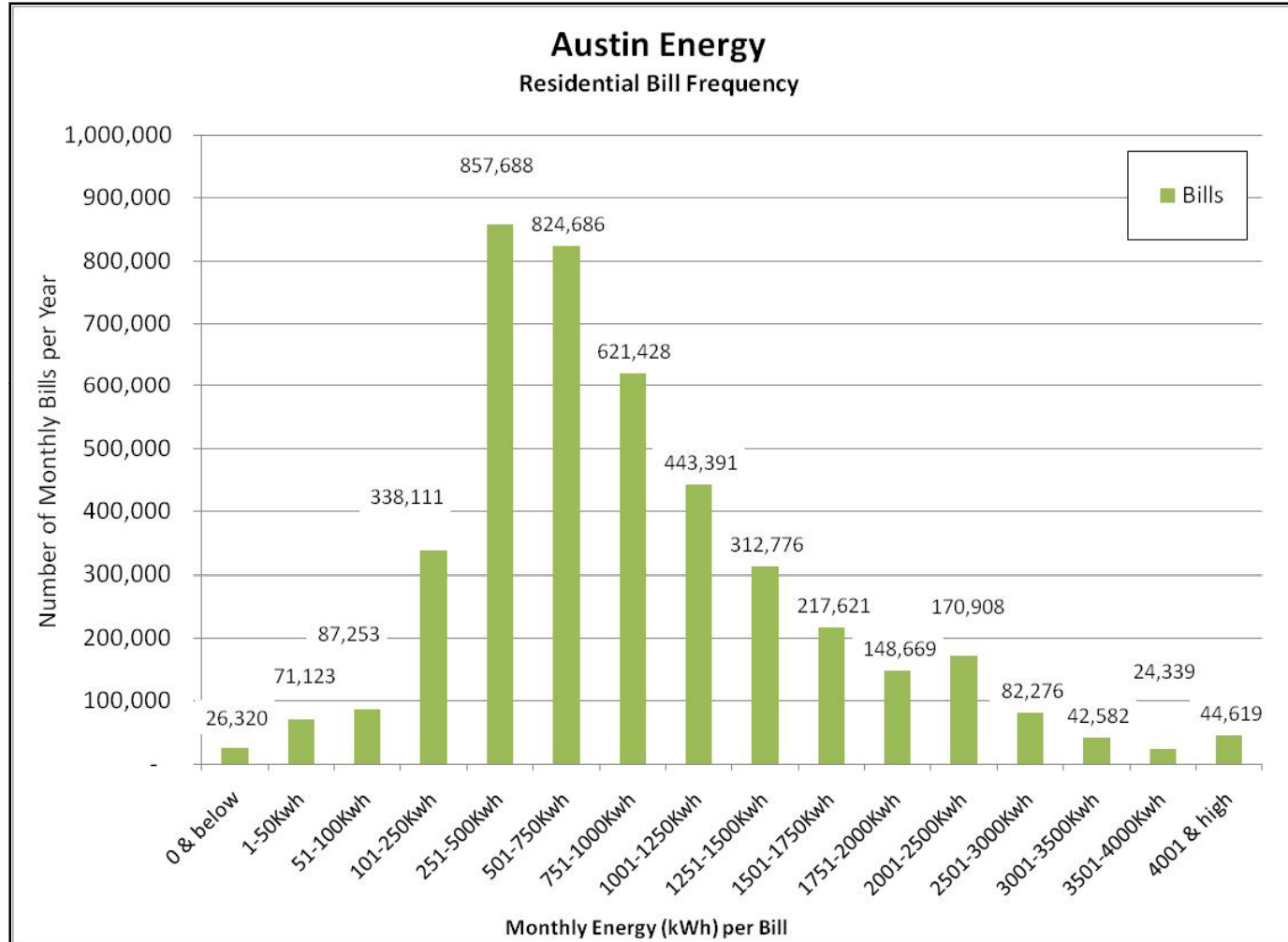
	Number of Customers	Average Usage (kWh)	Average Demand (kW)	Average Maximum Demand/ Customer (kW)	Annual Maximum/ Customer Demand (kW)
Customer Group:					
Residential - E01 (FY 2009)	363,219	943	3.50	5.53	7.39
CAP- E01A Low-income (FY 2009)	5,192	1,023	3.55*	5.78*	7.81*

* August 2010 data

Customer Assistance Program (CAP) provides financial assistance, including utility bill discounts, to qualified low-income customers. AE currently provides services to 9,949 CAP participants.



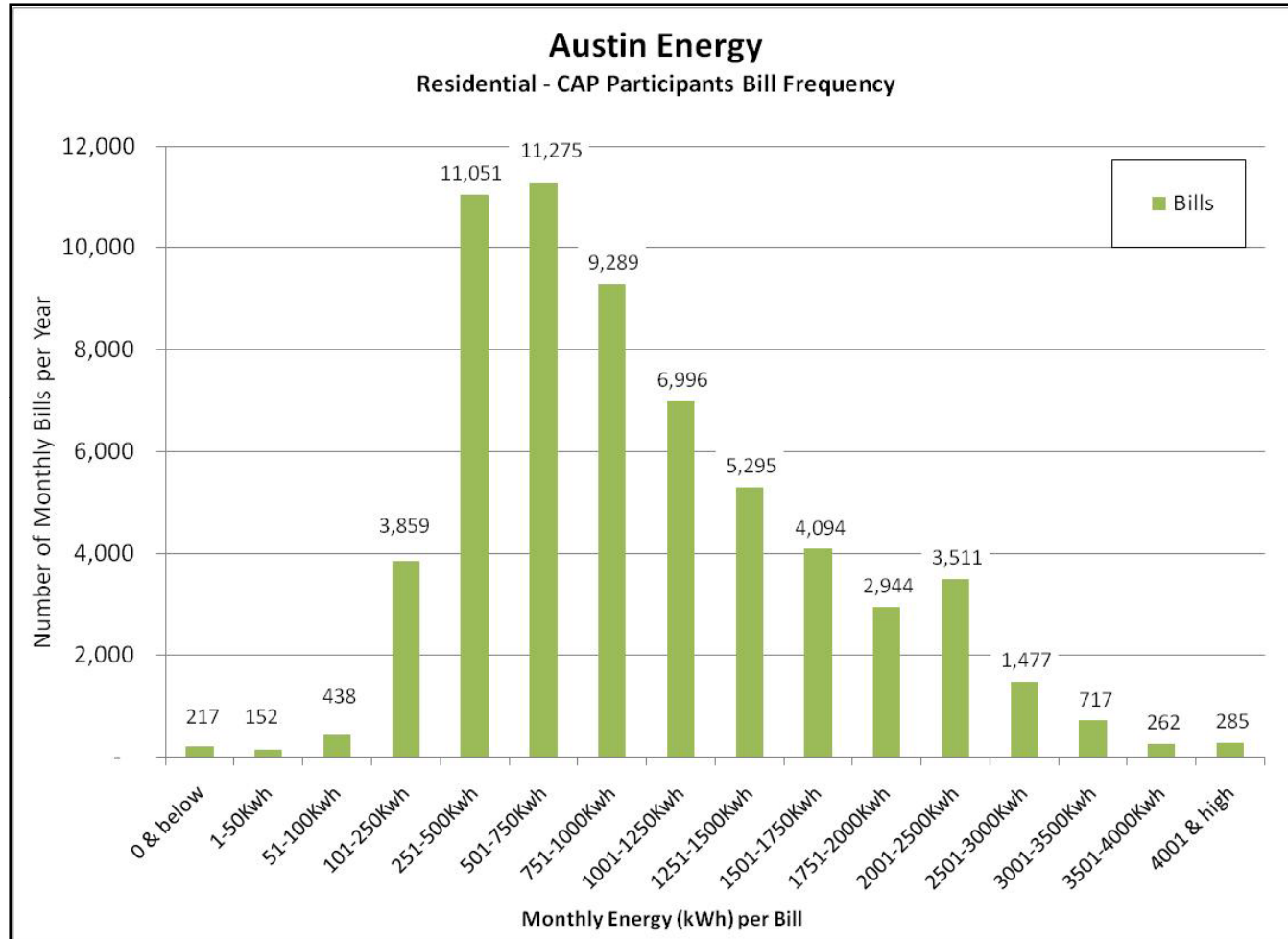
Bill Frequency – Residential E01 (FY 2009)



Average monthly residential (E01) electricity usage was 943 kWh in FY2009.
Preliminary: Results subject to review, correction & change.



Bill Frequency – CAP Participants E01A (FY 2009)

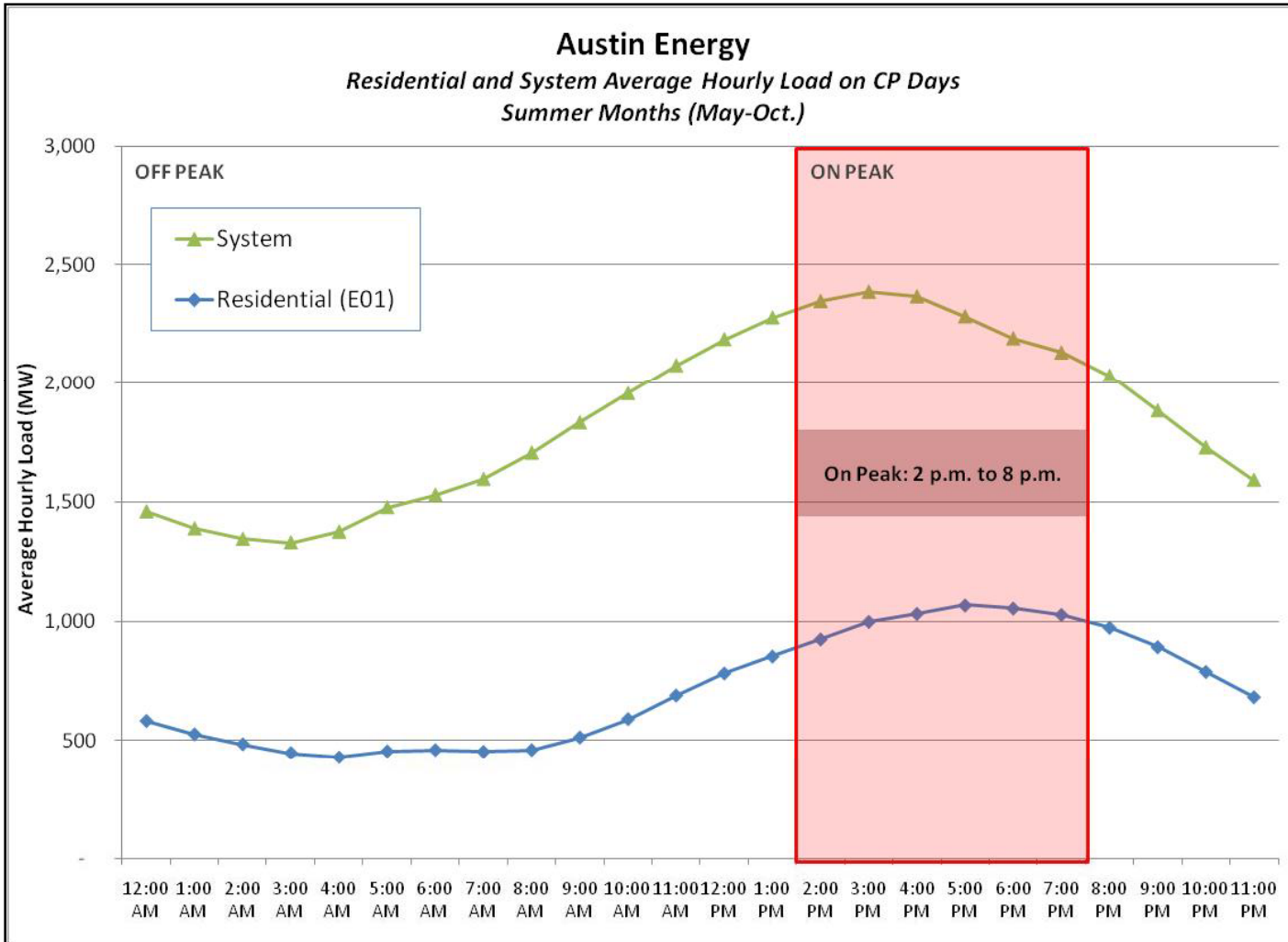


Average monthly Customer Assistance Program (CAP) participant (E01A) electricity usage was 1,023 kWh in FY 2009.

Preliminary: Results subject to review, correction & change.



AE System & Residential Average Load Profile



Data for FY2009.

Preliminary: Results subject to review, correction & change.



Current AE Residential Rate Structure



Item	Summer Season May - October	Winter Season November – April
Monthly Customer Charge	\$6.00	\$6.00
Energy Charge		
First 500 kWh	\$0.03550	\$0.03550
Over 500 kWh	\$0.07820	\$0.06020
Pass Throughs		
Fuel Adjustment Charge	\$0.03105	\$0.03105
Transmission Service Adjustment Rider	\$0.00820	\$0.00820
GreenChoice®	Varies per Contract	Varies per Contract

Average monthly residential (E01) electricity usage was 943 kWh in FY2009.
Current GreenChoice® Batch 6 price is 5.7 ¢/kWh.



Residential Rate Design Current Rates vs. Cost of Service Gap



Fixed Cost Recovery Issue



- Currently recover only \$6 (customer charge) in fixed costs through fixed charge on bill
- Distribution (wires) and Customer Service Functions
 - Preliminary cost of service results show \$33.01/month in fixed costs for average residential customer
 - Customer-Related (Recovered Through Customer Charge): \$18.75
 - Distribution Demand-Related (Recovered Through Wires Charge): \$14.26
- Production and Transmission Functions
 - Preliminary cost of service results show \$24.30/month in fixed costs for average residential customer
- Total cost of service results show \$57.31/month in fixed costs for average residential customer



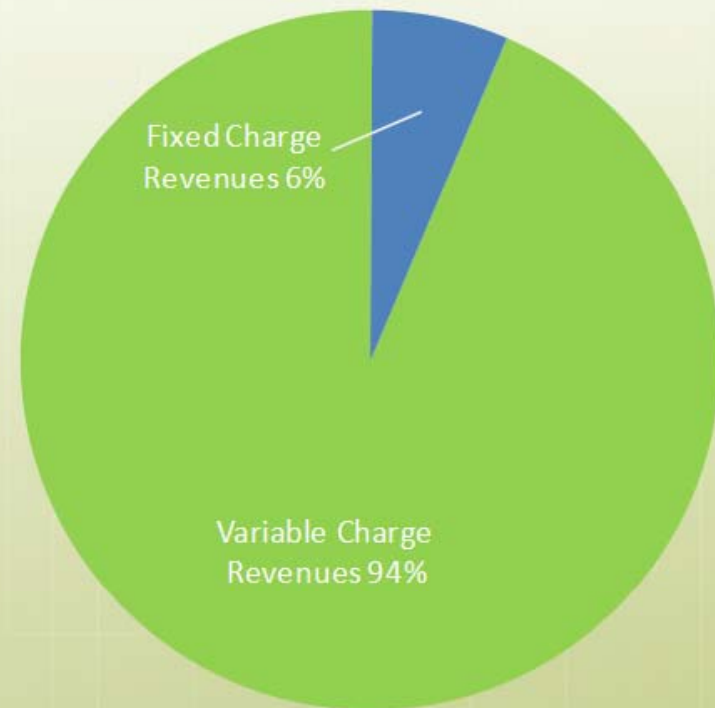
Misalignment of Fixed Costs & Fixed Revenue Recovery



FY09 Actual Expenses



FY09 Residential Rate Revenue





Industry Trend – Increased Fixed Cost Recovery



- AE customer and wires cost of service total about \$33/month based on preliminary cost of service results
- Transmission and Distribution Utilities (TDUs) in competitive markets have similar costs
 - \$33-\$44 in TDU charges for a residential customer
- Retail Electric Providers (REPs) in competitive markets have similar customer charges ranging from \$4 to \$9 per month
- In total TDU and REP customer and wire charges range from \$37/month - \$53/month



Cost of Service Gap – Average Residential Bill

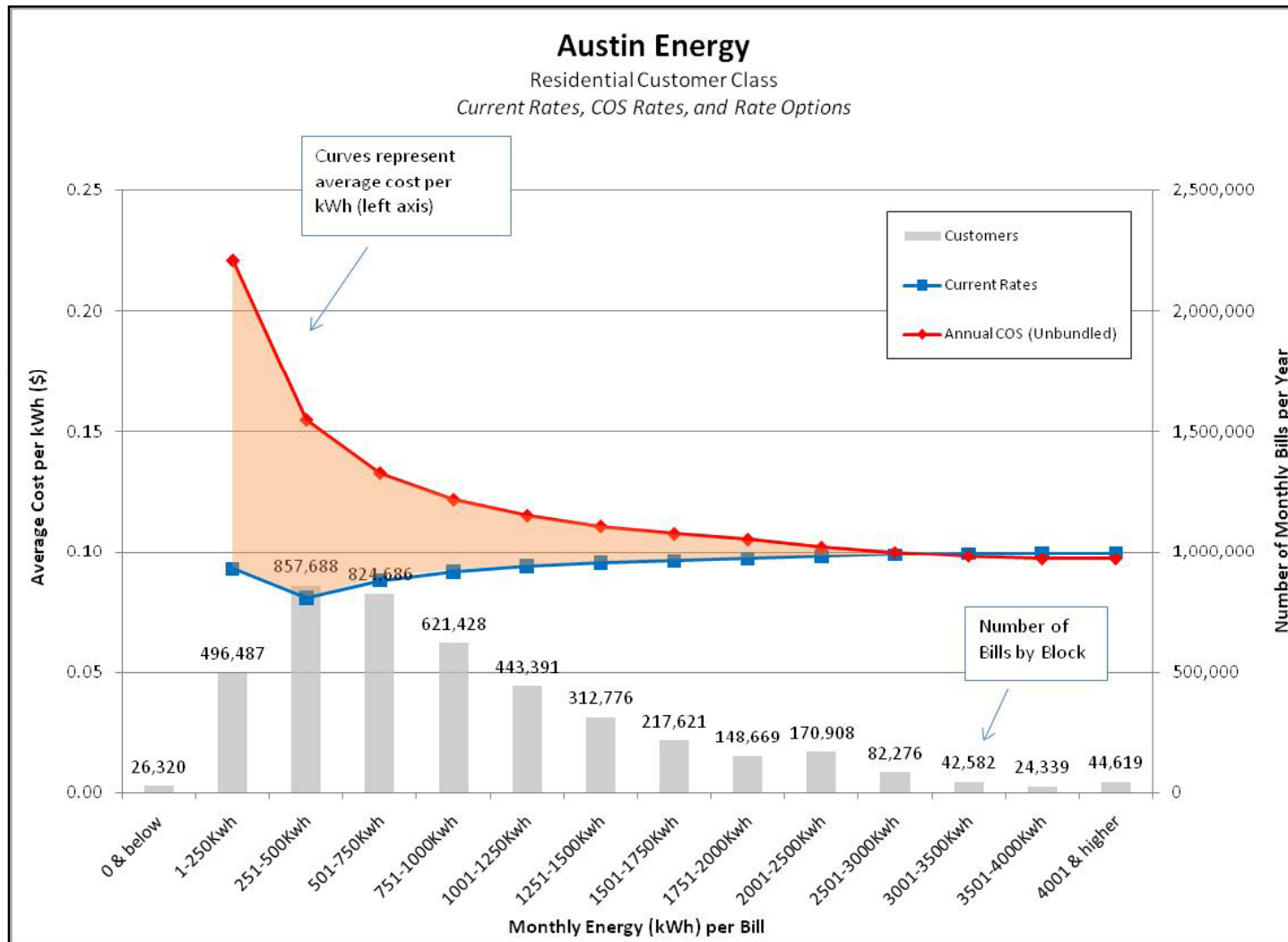


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Cost of Service Gap – Average Electricity Rate (\$/kWh)



Average monthly residential (E01) electricity usage was 943 kWh in FY2009.
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Residential Rate Design Strategies Under Consideration



- Improve fixed cost recovery
 - Raise customer charge to reflect cost of service (from \$6.00 to \$18.75)
 - Recover distribution costs to reflect cost of service through a new wires charge (\$14.26)
- Improve transparency and protect the utility from rising costs outside of its direct control
 - Add new pass-through charges (new line items on bill)
- Encourage and promote energy efficiency
 - Expand from 2-tier rate structure to 3-tier or 5-tier block structure
- Provide discount to low-income customers



Residential Rate Structure under Review: 3-Tier vs. 5-Tier



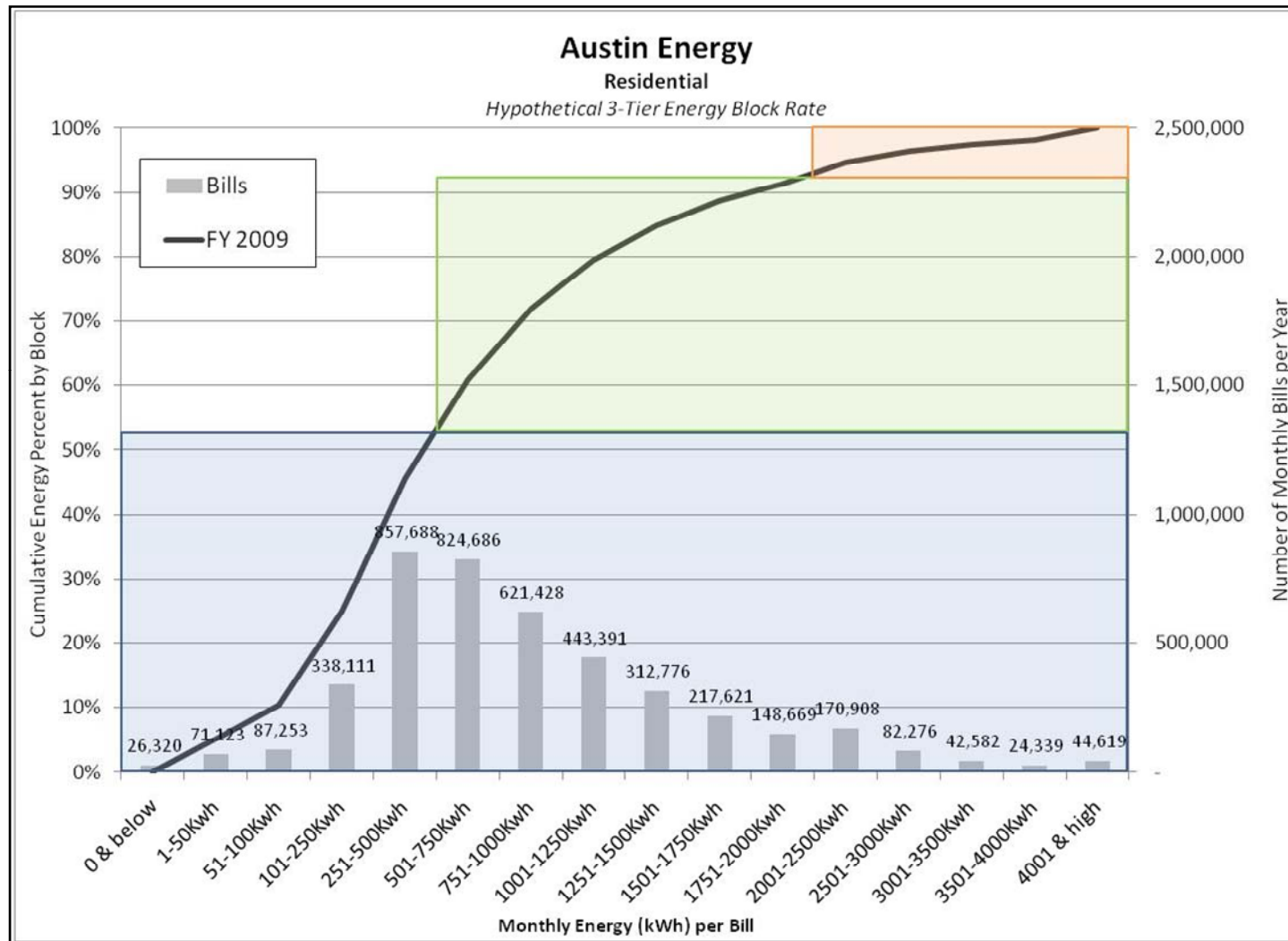
Residential	Existing Rate	Cost of Service	3-Tier Option 1	5-Tier Option 2
Customer Charge per month	\$ 6.00	\$ 18.75	\$ 18.75	\$ 18.75
Wires Charge per month	n/a	\$ 14.26	\$ 14.25	\$ 14.25
Base Energy Charge (¢/kWh) – Summer Period (May – October)				
< 500 kWh	6.877 ¢	6.197 ¢	4.766 ¢	4.766 ¢
500 – 1250 kWh	11.147 ¢	6.197 ¢	9.500 ¢	8.500 ¢
1250 - 2000 kWh	11.147 ¢	6.197 ¢	9.500 ¢	10.500 ¢
2000 – 3000 kWh	11.147 ¢	6.197 ¢	13.000 ¢	12.000 ¢
> 3000 kWh	11.147 ¢	6.197 ¢	13.000 ¢	15.319 ¢
Power Cost Adjustment Factor*	Inc. Above	Inc. Above	0.000 ¢	0.000 ¢
Community Benefit Charge	n/a	Inc. Above	0.000 ¢	0.000 ¢
Regulatory Charge (¢/kWh)	0.082 ¢	Inc. Above	0.736 ¢	0.736 ¢

*Fuel charge included in base energy charge.

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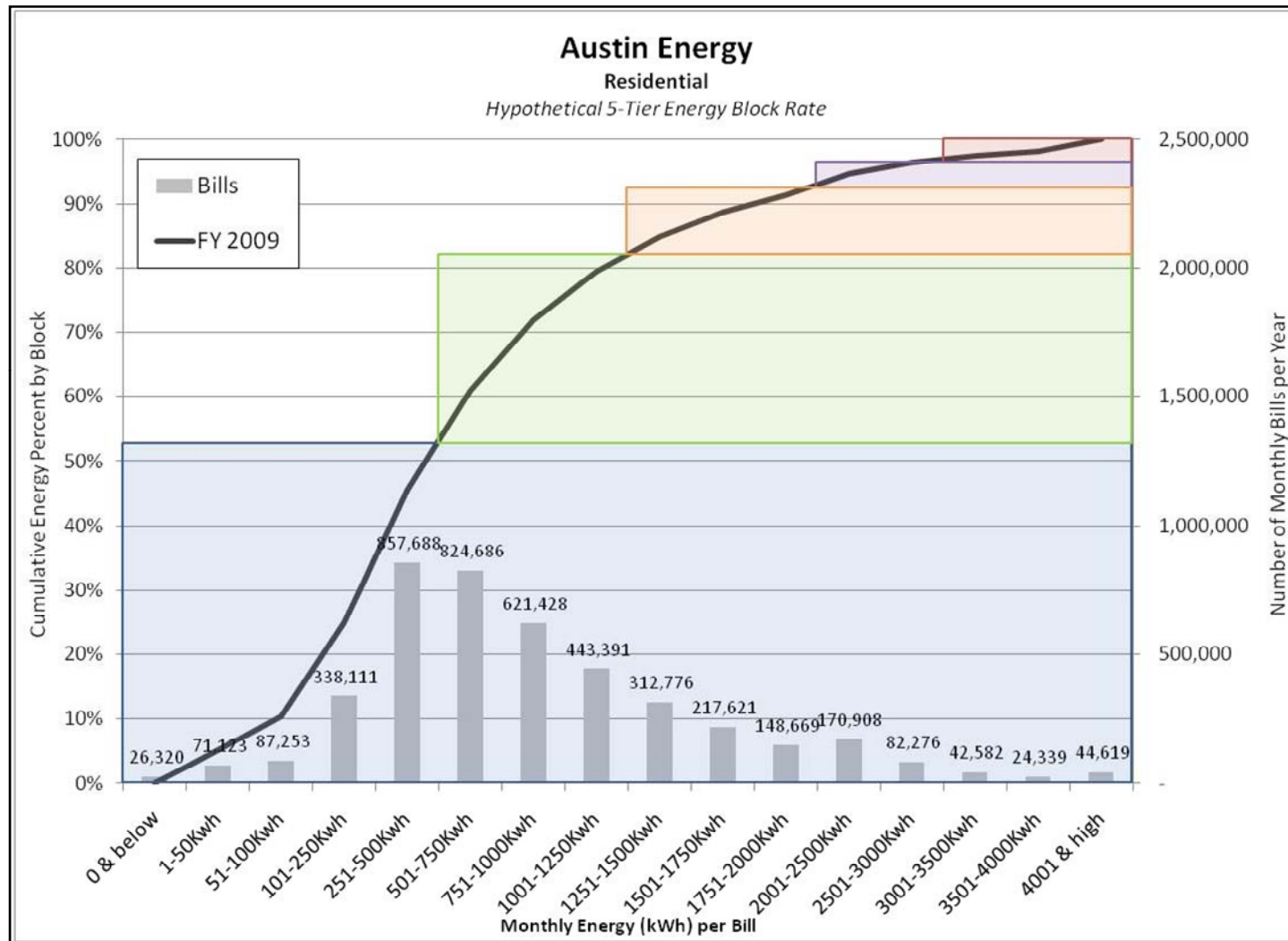
Residential Rate 3-Tier Option



Average monthly residential (E01) electricity usage was 943 kWh in FY2009.
Preliminary: Results subject to review, correction & change.



Residential Rate 5-Tier Option



Average monthly residential (E01) electricity usage was 943 kWh in FY2009.
Preliminary: Results subject to review, correction & change.



Residential Cost of Service (COS)

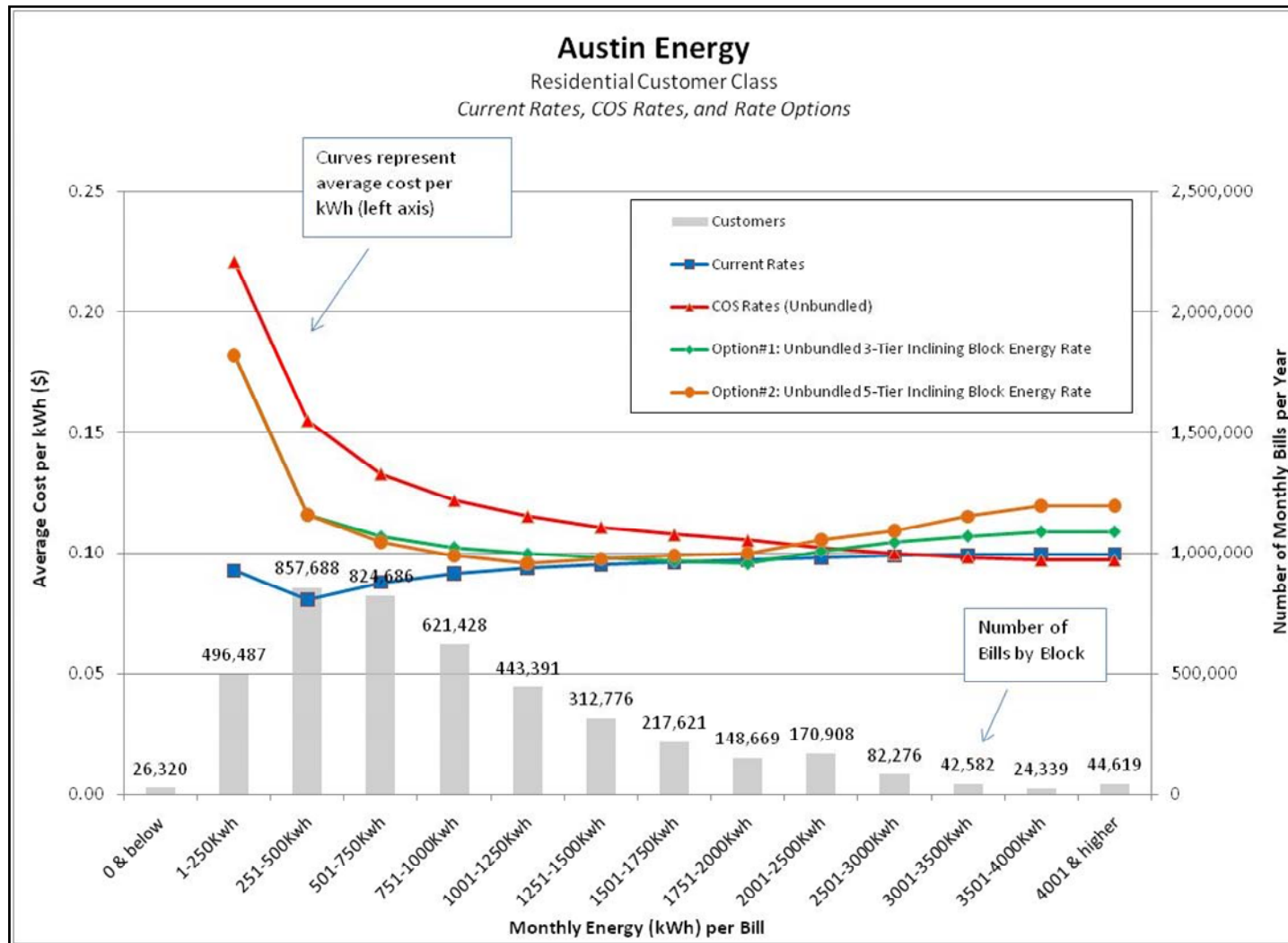


Bill Comparison	250 kWh	750 kWh	1000 kWh	1500 kWh	2500 kWh	4000 kWh
3-Tier Rate Structure						
Tiers (cents/kWh)	4.77¢	9.50¢			13.00¢	
Current Bill	\$ 23.19	\$ 66.00	\$ 91.62	\$ 142.85	\$ 245.32	\$ 399.03
Bill at COS	\$ 45.51	\$ 80.27	\$ 102.53	\$ 147.05	\$ 252.75	\$ 436.29
Difference	\$ 22.31	\$ 14.27	\$ 10.91	\$ 4.20	\$ 7.43	\$ 37.27
5-Tier Rate Structure						
Tiers (cents/kWh)	4.77¢	8.50¢		10.50¢	12.00¢	15.32¢
Current Bill	\$ 23.19	\$ 66.00	\$ 91.62	\$ 142.85	\$ 245.32	\$ 399.03
Bill at COS	\$ 45.51	\$ 78.60	\$ 99.19	\$ 146.62	\$ 263.98	\$ 479.12
Difference	\$ 22.31	\$ 12.60	\$ 7.57	\$ 3.77	\$ 18.66	\$ 80.09
Preliminary: Results subject to review, correction & change.						

- Considering 3-Tier or 5-Tier residential rates
- Average monthly Customer Assistance Program (CAP) participant (E01A) electricity usage was 1,023 kWh in FY 2009.



3-Tier vs. 5-Tier Gap Impact Average annual Rates (\$/kWh)



Average monthly residential (E01) electricity usage was 943 kWh in FY2009.
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Pass-Throughs Under Consideration for All Rate Classes



- Power Cost Adjustment Factor (¢/kWh)
 - Fuel
 - Net ancillary services
 - Net ERCOT purchases and sales to serve customer load
- Regulatory Charge (¢/kWh)
 - ERCOT administration fees
 - Transmission access charge (TSAR)
- Community Benefit Charge (¢/kWh)
 - City of Austin Street Lighting
 - Discounts for low income



Alternative Rates



- GreenChoice®
- Net Metering
- Demand Time-of-Use/Off-Peak Demand Rate
- Future Pilot Programs



Renewable Energy Alternative Rate - GreenChoice®



- Continues GreenChoice® program
 - Replaces fuel cost charges built into rate structure
- Current GreenChoice® customers locked into contracts
 - Changes to base electric rates (non-fuel) will affect these customers
- A new GreenChoice® charge would replace existing renewable energy charges on a going forward basis
 - GreenChoice® charge to be determined based on further analysis



Net Metering Alternative Rate



- Available for customers who install distributed generation at residence (e.g., solar PV on rooftop)
- Power Cost Credit (PCC) used to credit excess energy output in any month the customer's energy output exceeds the customer's usage
 - Based on actual variable cost that AE avoids as a result of purchasing the net metered energy
 - PCC to be determined based on further analysis
- Increase customer charge to cover cost of necessary metering equipment



Off Peak Demand Alternative Rate



- Since electricity prices are higher during peak period, off-peak demand rate provides an incentive for customers to shift electricity usage from on-peak to off-peak periods
- Introduce an on-peak only demand charge and lower base energy rates
- Increase customer charge to cover additional cost of necessary metering and billing equipment
- Attractive to high load factor customers and off-peak users (e.g., Electric Vehicles)



Residential Rate Design Customer Assistance Program (CAP)



Residential Customer Class – Profile Data



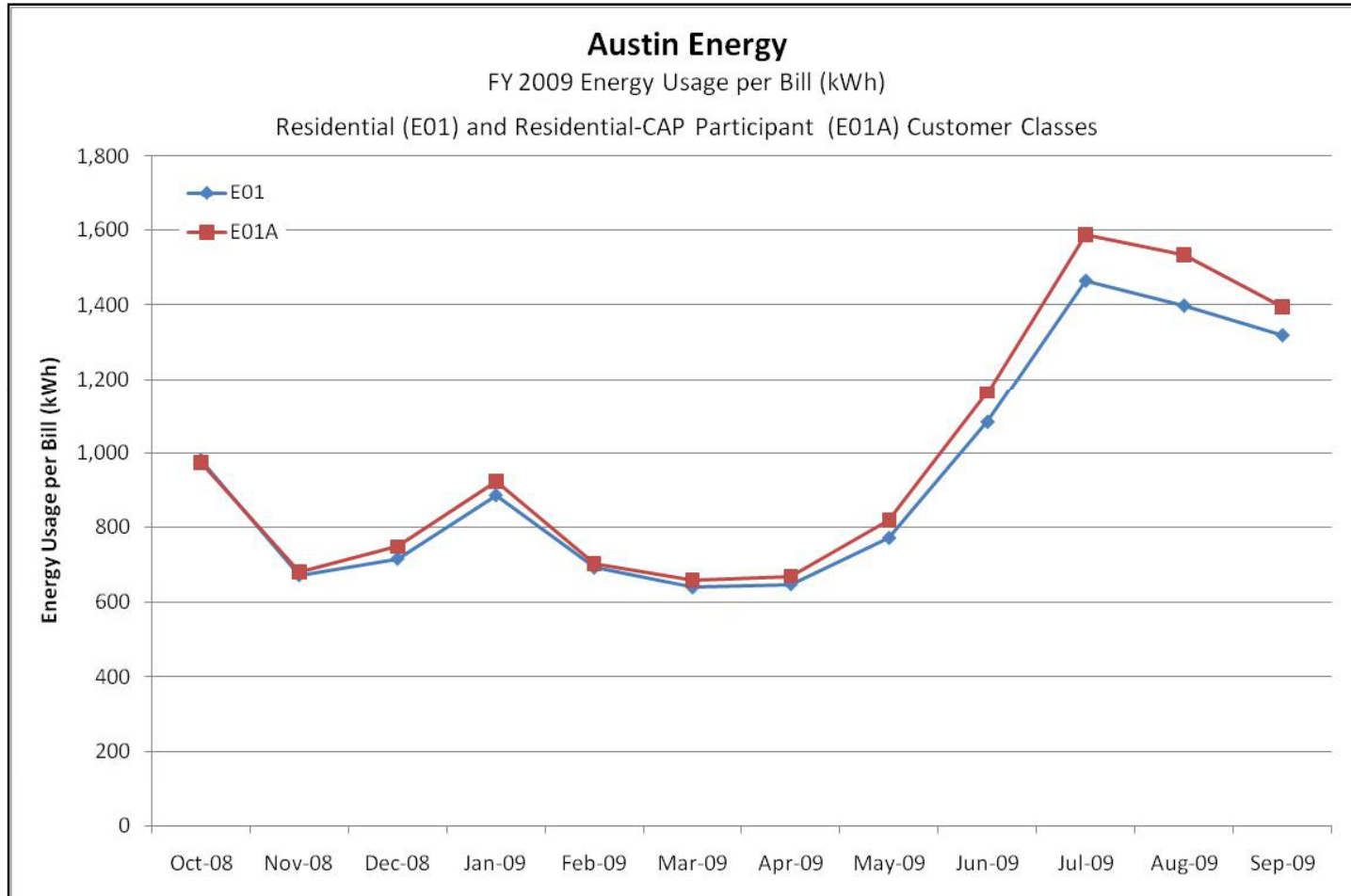
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* August 2010 data

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CAP Participants Use Higher Amount of Electricity on Average



Average monthly Customer Assistance Program (CAP) participant (E01A) electricity usage was 1,023 kWh in FY 2009.

Preliminary: Results subject to review, correction & change.



Customer Assistance Program Overview



- Utility Bill Discount for Electricity Portion:
 - \$3.1 million to 9,949 qualified low-income customers in 2010
 - Average discount - \$26/month
- Emergency Utility Bill Payment Assistance:
 - \$353,351 to 1,863 households in 2010
- Free Weatherization:
 - \$752,132 to 538 households in 2009



Customer Advocacy Group Input



- Support for a tiered discount structure serving all customers at 125% of the Federal Poverty Level (FPIIL) (i.e. higher discount for those most in need Tier 1)
 - Tier 1 –TANF, Medicaid Needy, Aged & Disabled and Supplemental Security Income
 - Tier 2 –MAP, Children's Medicaid and CEAP
 - Tier 3 –SNAP, Medicaid Pregnant Women and Infants, Medicaid Newborns & CHIP
- Agreed on program that maintains low administrative costs



Low Income Discounts



- Options being considered by Austin Energy
 - Flat discount?
 - Percentage discount?



Rate Review – Next Steps



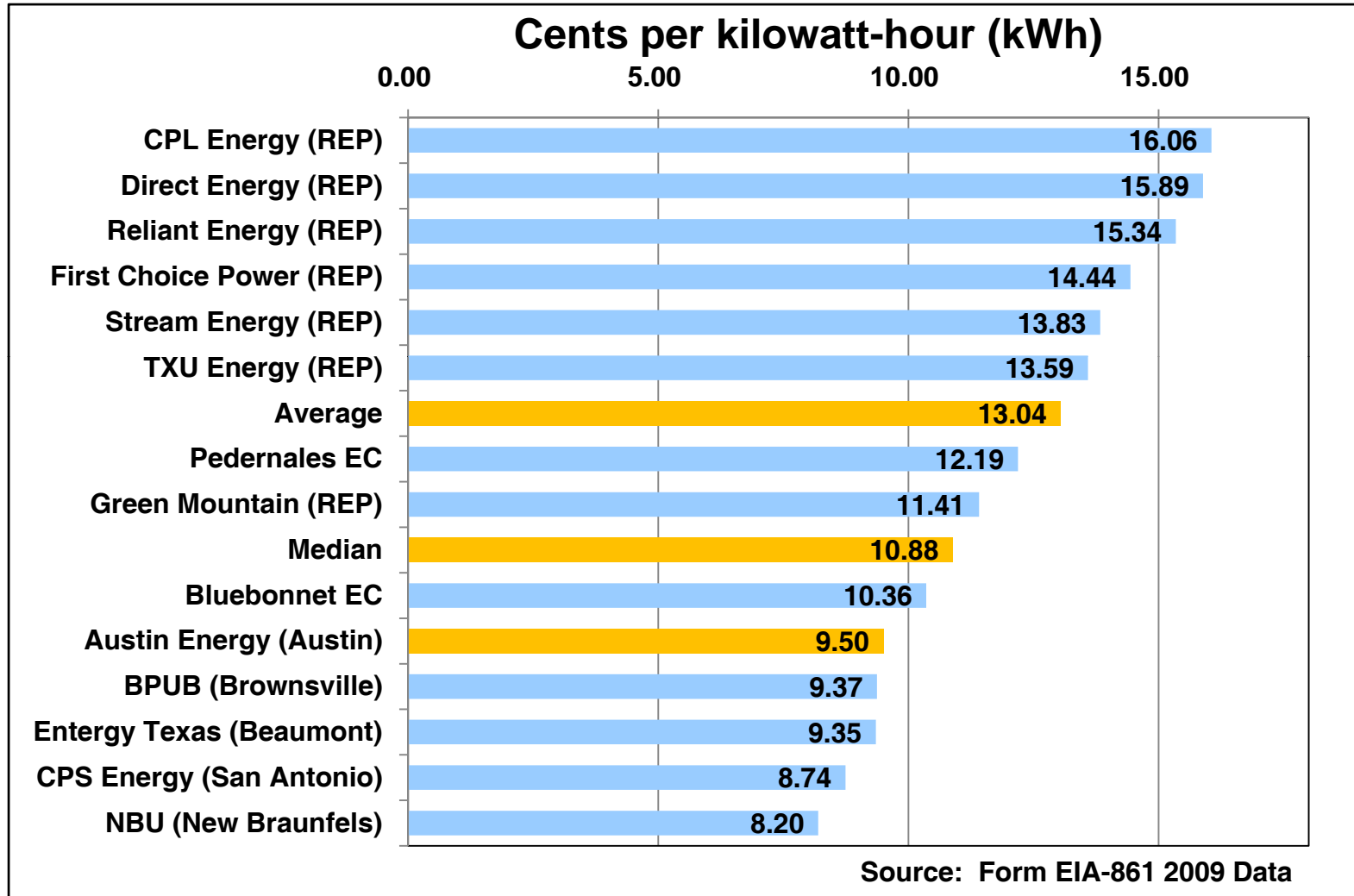
- Conclude Public Involvement Process
- June – July to complete Preliminary Rate Design
- August – Finalize AE Rate Analysis and Recommendations Report
- Electric Utility Commission Presentations
 - September 1 – special meeting
 - September 19 – regular meeting
 - October 3 – special meeting
 - October 17 – regular meeting
- City Council Presentations and Action
 - November 2011 – January 2012



Annual Update Benchmarking



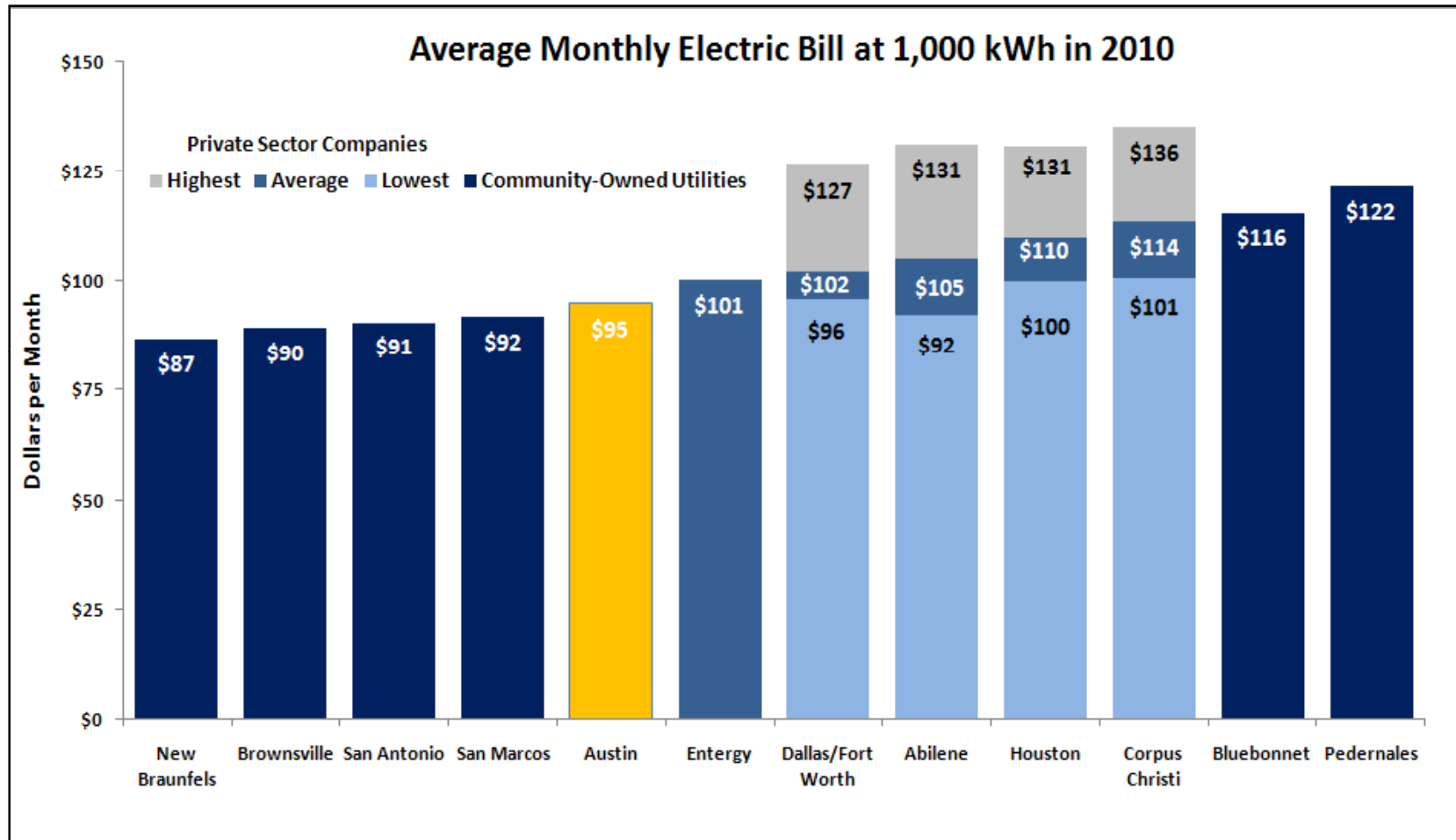
Residential Rates



U.S. Energy Information Administration (EIA) Form EIA-861 Annual Electric Power Industry Report
REP = Retail Electric Provider. EC= Rural Electric Co-operative.



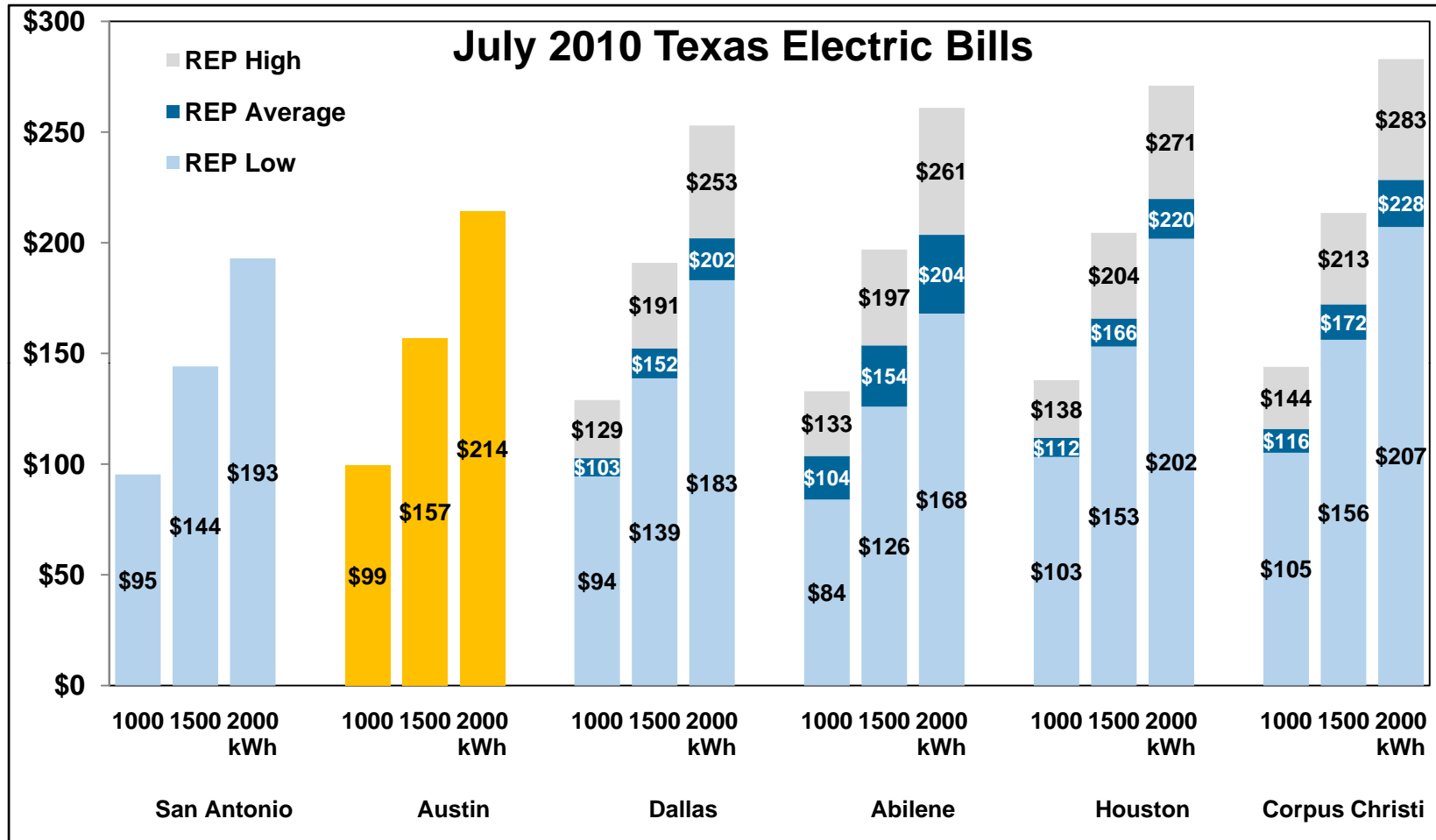
Residential Bill (1,000 kWh)



Electric rates will vary for consumption levels. Average monthly usage for AE residential customers in 2009 was 964 kWh.



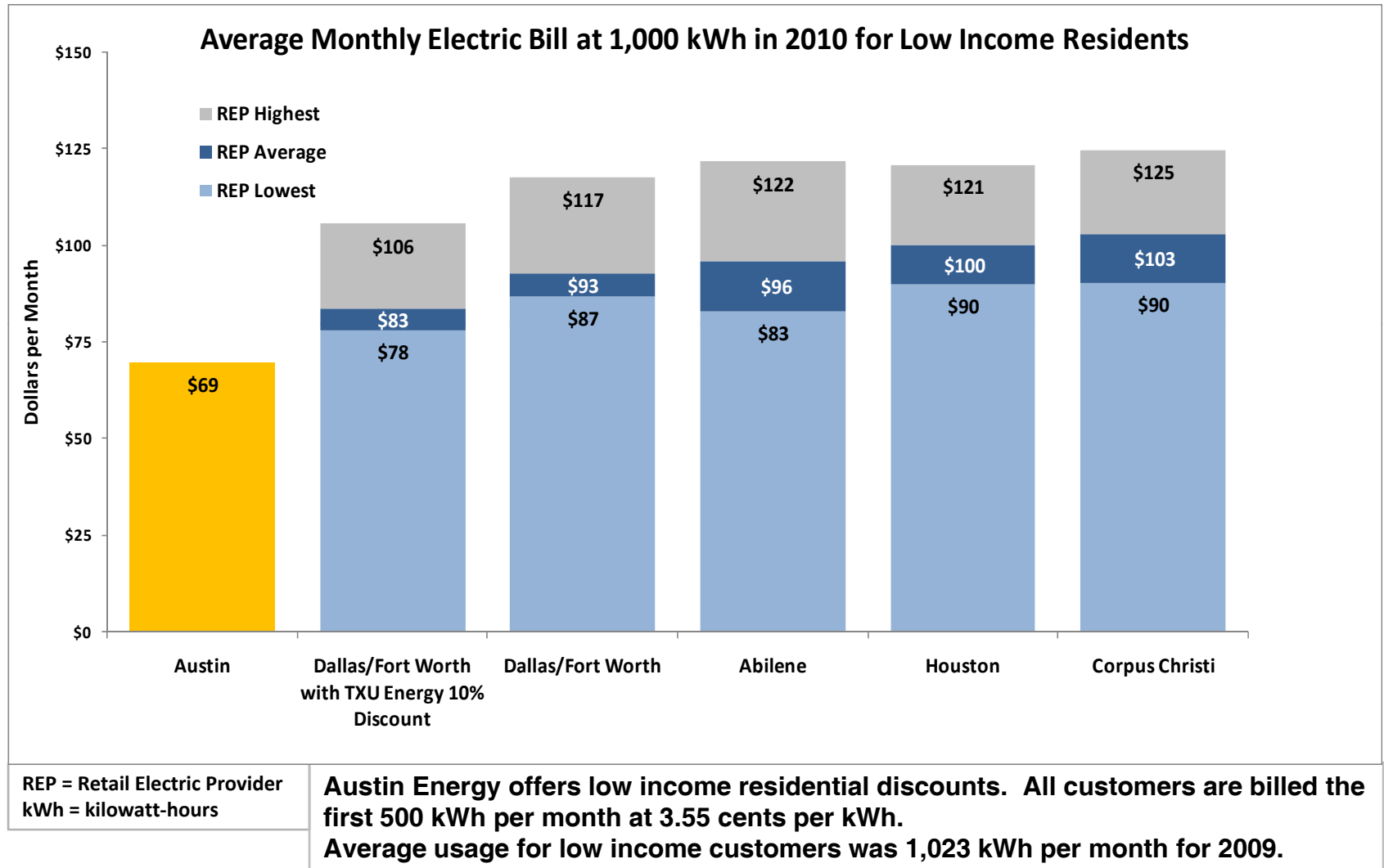
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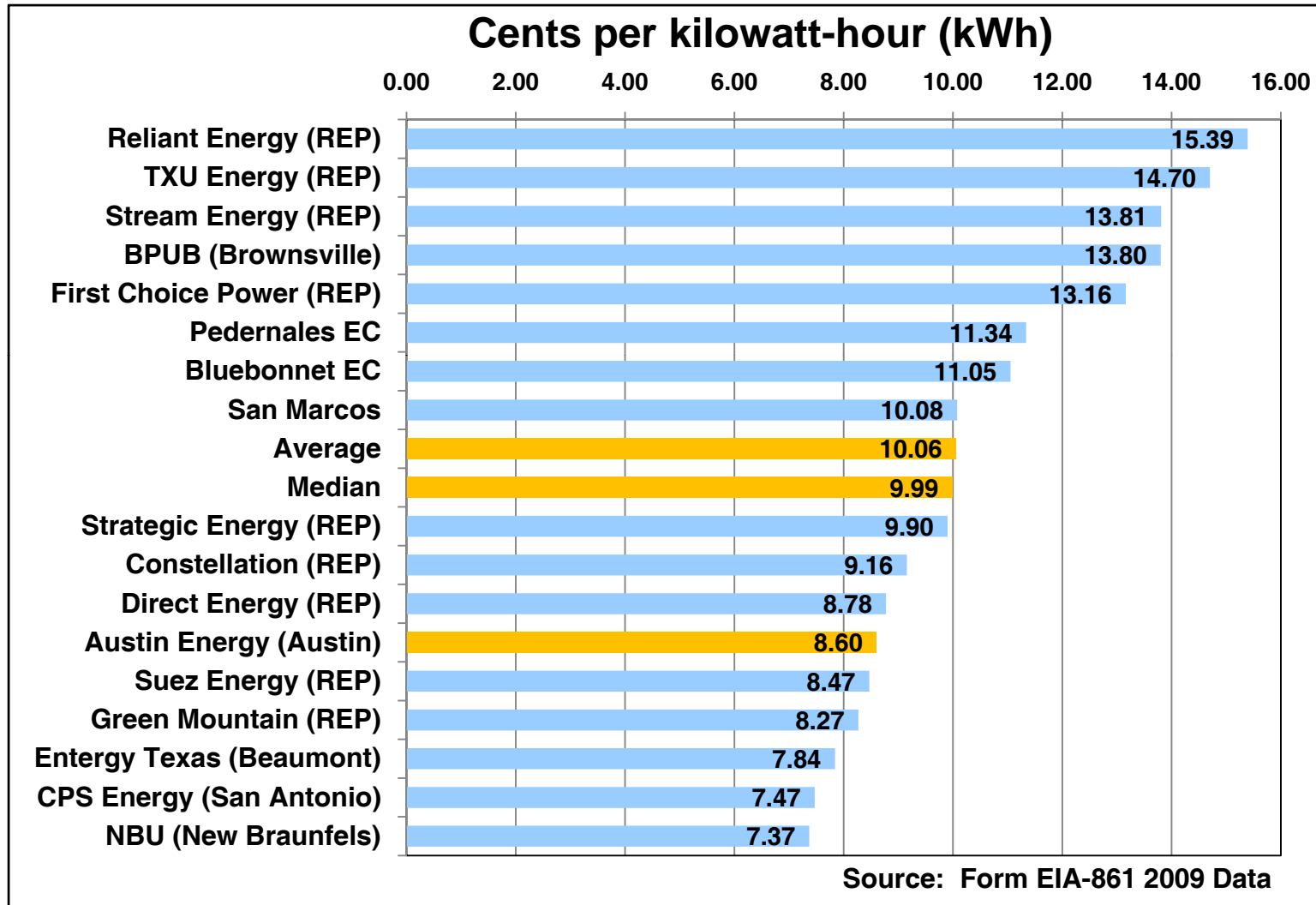


Low Income Residential Bill (1,000 kWh)





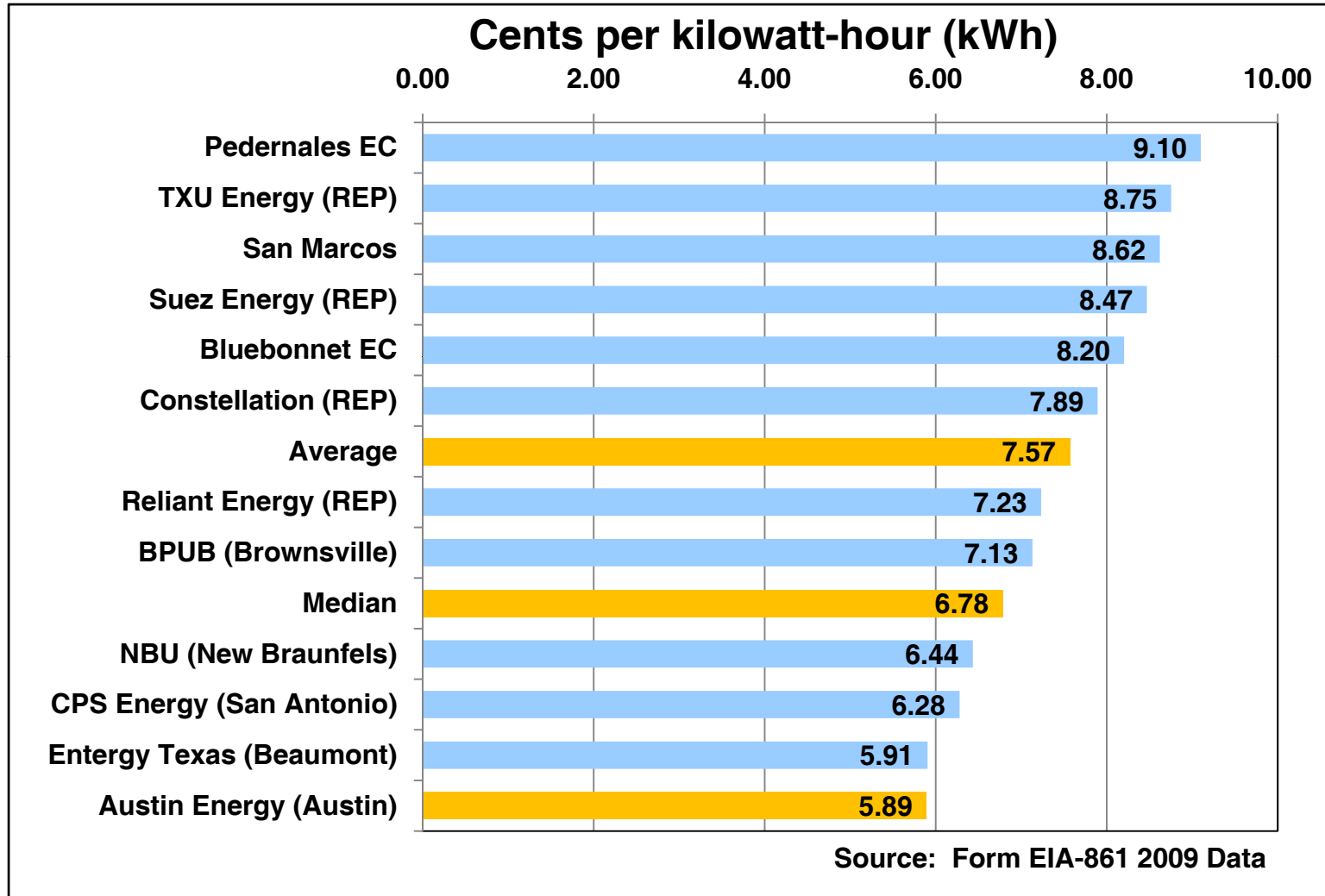
Commercial Rates



U.S. Energy Information Administration (EIA) Form EIA-861 Annual Electric Power Industry Report
REP = Retail Electric Provider. EC= Rural Electric Co-operative.



Industrial Rates



U.S. Energy Information Administration (EIA) Form EIA-861 Annual Electric Power Industry Report
REP = Retail Electric Provider. EC= Rural Electric Co-operative.



Benchmarking Summary



- Austin Energy's average rates remained competitive in 2009 with other Texas utilities for all customer types
 - Remained in lower 50% of Texas rates for all customer types
- Prices in competitive markets declined in 2009 and 2010 due to lower natural gas prices



Annual Update Generation Plan Implementation



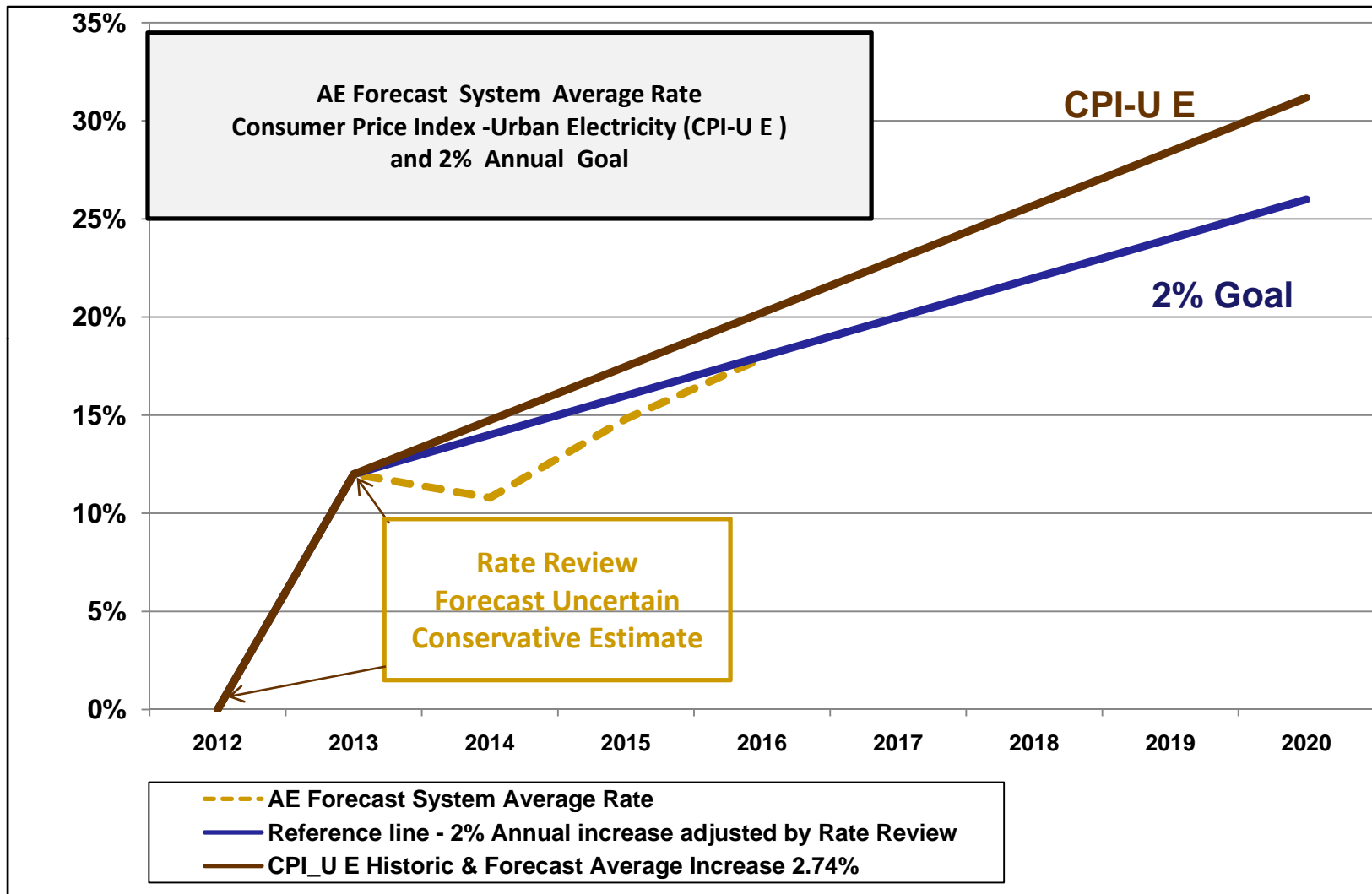
Generation Plan Implementation



- February 17, 2011 Council approved Resource, Generation & Climate Protection Plan and related Affordability Goal
 - Update Generation Plan every two years, at a minimum
 - Achieve 35% of annual energy supply from qualifying renewable sources and 800 MW of energy efficiency measures by 2020
 - Control all-in (base, fuel, riders, etc.) system average rate increases to residential, commercial & industrial customers to 2% or less per year
 - Maintain rates in lower 50% of Texas rates overall
- Effective upon implementation of AE's revised rates based on rate review currently underway to reset revenue requirements in 2012



Forecast





Generation Plan Implementation



Year	Coal & Nuclear	Gas	Biomass	Wind	Solar	Total	Renewable Portfolio
2009	1,029	1,444	12	439	1	2,925	10%
2010		100			30	130	10%
2011				(77)* 200		123	15%
2012			100			100	17%
2013				150		150	25%
2014					30	30	25%
2015		200		100		300	28%
2016			50		20	70	30%
2017				(126)* 200	30	104	33%
2018					20	20	32%
2019					30	30	32%
2020				115	40	155	35%
TOTAL	1,029	1,744	162	1,001	201	4,137	

Generation Plan approved by Council February 17, 2011.

* Contract expires.

Year	Coal & Nuclear	Gas	Biomass	Wind	Solar	Total	Renewable Portfolio
2009	1,029	1,444	12	439	1	2,925	10%
2010		100				100	10%
2011				(77)* 200	30	153	10%
2012			100			100	18%
2013							22%
2014							21%
2015							19%
2016							19%
2017		200		(126)*		74	17%
2018							16%
2019							16%
2020							15%
TOTAL	1,029	1,744	112	436	31	3,352	

Generation Plan in Forecast. Generation Plan to be updated after rate redesign. * Contract expires.

- Request for Proposals – Renewable Energy
- Investigating wind acquisitions for two projects in approved energy resource plan
 - 200 MW in 2011 to replace expiring 77 MW contract
 - 150 MW in 2013



Questions or Comments

more information available at:
www.ci.austin.tx.us/budget

