



Austin Energy

***Quarterly Briefing
August 4, 2011***



Agenda

- 1 Financial Report Quarter 3**
- 2 Rate Review Status**
- 3 AE Wind Resource Acquisitions**
- 4 AE Solar Resource Acquisitions**
- 5 Questions**















Extreme Weather Impacts Revenue

February 2-4, 2011

As of August 4, 2011 - 50 Days of 100+ Degrees

1925 Record - 69 Days of 100 or Above Degrees

wed	thu	fri	sat	sun	mon	tue	wed	thu	fri
aug 03	aug 04	aug 05	aug 06	aug 07	aug 08	aug 09	aug 10	aug 11	aug 12
									
M Sunny	Sunny	M Sunny	Sunny	Sunny	Sunny	Sunny	Sunny	Sunny	Sunny
107° 78°	107° 78°	107° 78°	106° 77°	105° 78°	105° 77°	105° 77°	105° 78°	104° 77°	104° 78°

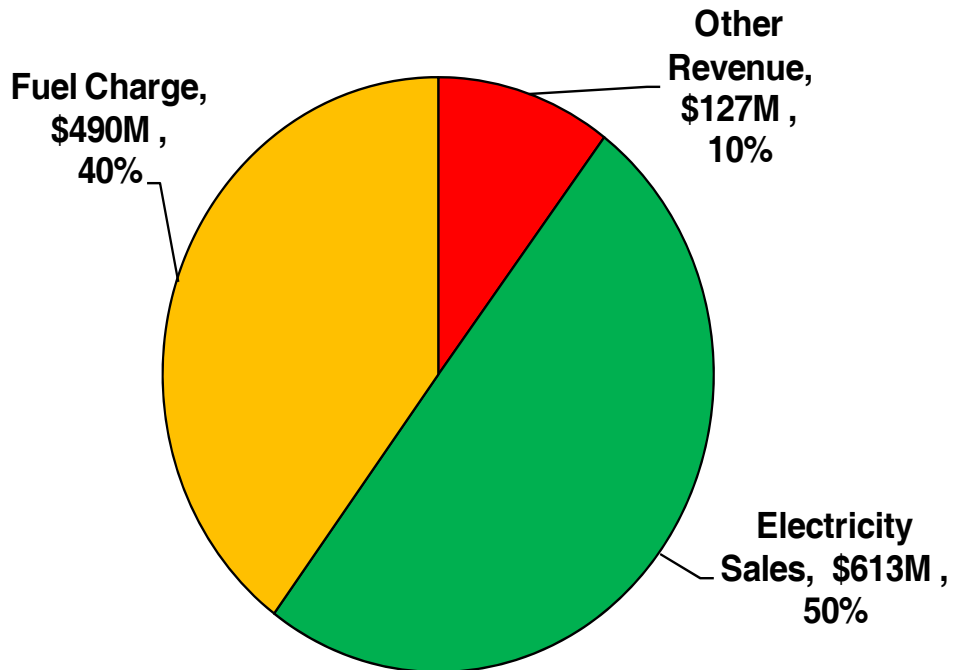
Financial Report Quarter 3

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

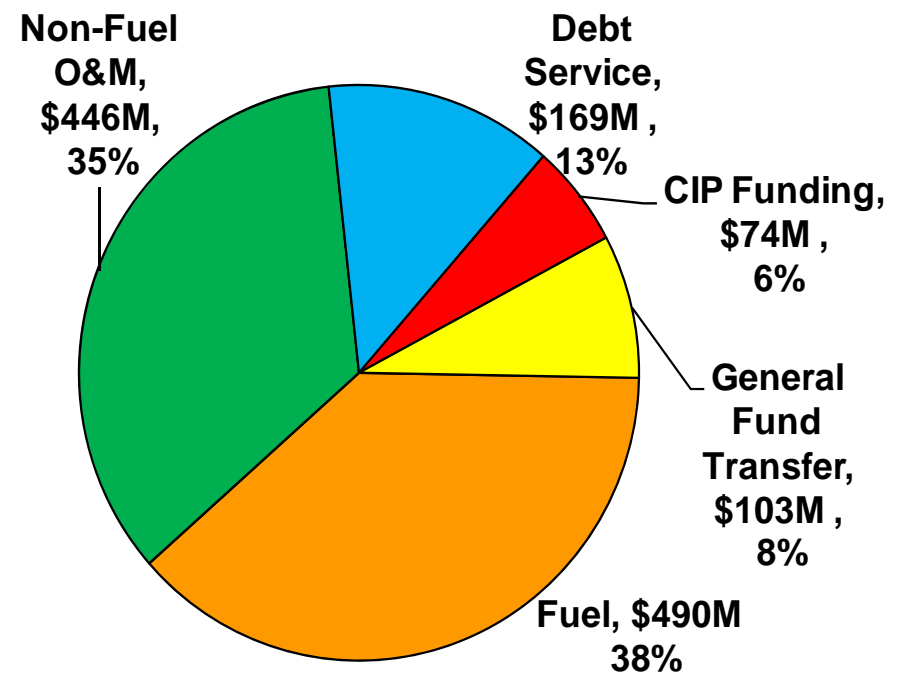


2011 Budget Sources & Uses of Funds

Sources
\$1,230 Million
(In Millions)



Uses
\$1,282 Million
(In Millions)





2011 Q3 Financial Results

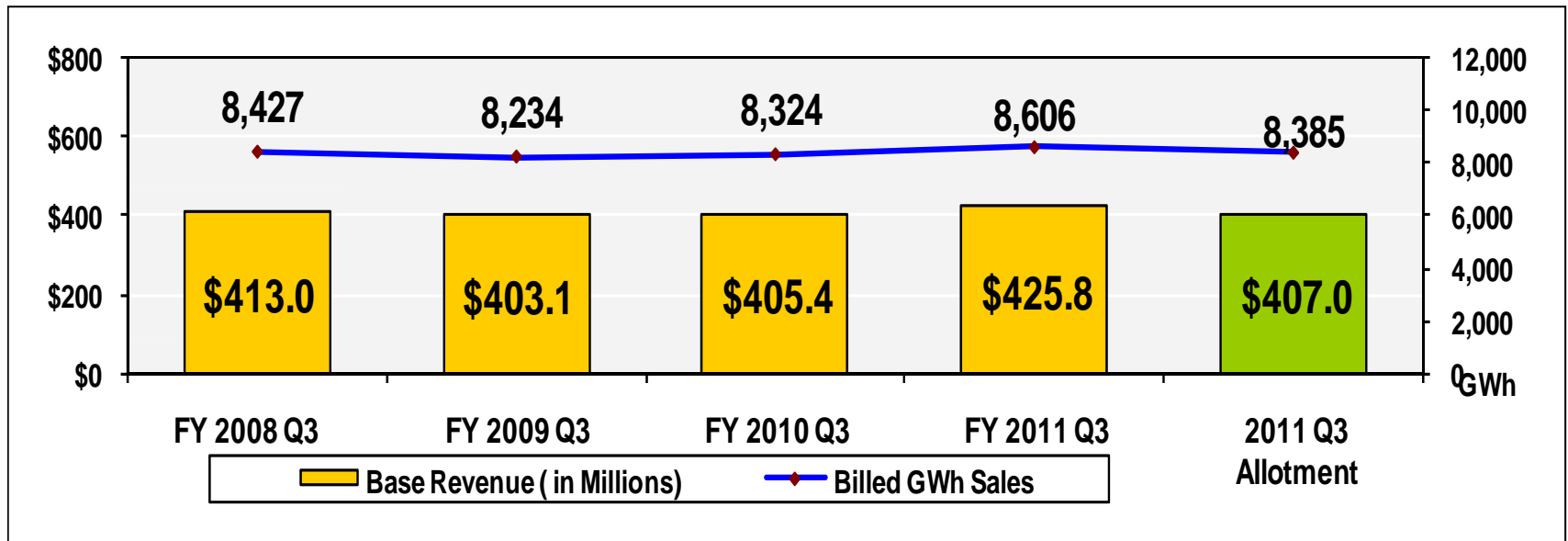
<i>(\$ millions)</i>	<i>Amended Budget 2010-11</i>	<i>Allotment Q3 FY11</i>	<i>Actual Q3 FY 11</i>	<i>Difference Actual to Allotment</i>
<i>Beginning Balance</i>	<i>\$169.4</i>	<i>\$169.4</i>	<i>\$152.8</i>	<i>(\$16.6)</i>
<i>Base and Other Revenue</i>	740.1	501.4	522.9	21.5
<i>Fuel Revenue</i>	490.2	338.4	299.9	(38.5)
<i>Total Available Funds</i>	<i>\$1,230.3</i>	<i>\$839.8</i>	<i>\$822.8</i>	<i>(\$17.0)</i>
<i>Fuel Cost</i>	490.2	338.4	299.9	38.5
<i>Non-Fuel Operating Expense</i>	444.5	330.2	319.7	10.5
<i>Debt Service</i>	169.4	104.7	105.3	(0.6)
<i>Transfers</i>	178.1	133.3	133.3	0.0
<i>Total Requirements</i>	<i>\$1,282.2</i>	<i>\$906.6</i>	<i>\$858.2</i>	<i>\$48.4</i>
<i>Excess(Deficiency)</i>	(51.9)	(66.8)	(35.4)	31.4
<i>Ending Balance</i>	<i>\$117.5</i>	<i>\$102.6</i>	<i>\$117.4</i>	<i>\$14.8</i>





2011 Q3 Revenue Highlights

Service Area Retail Electric Sales (Base or Non-Fuel) in Millions & Billed GWh Sales



Service Area Retail Electric Sales (Base or non-fuel)

- Actual results affected by economic conditions and weather
- \$613.4 million annual budget is 50% of total revenue
- \$624.6 million current year estimate is \$11.2 million higher than budget
- \$425.8 million exceeds FY 2010 Q3 by \$20.4 million or 5.0%

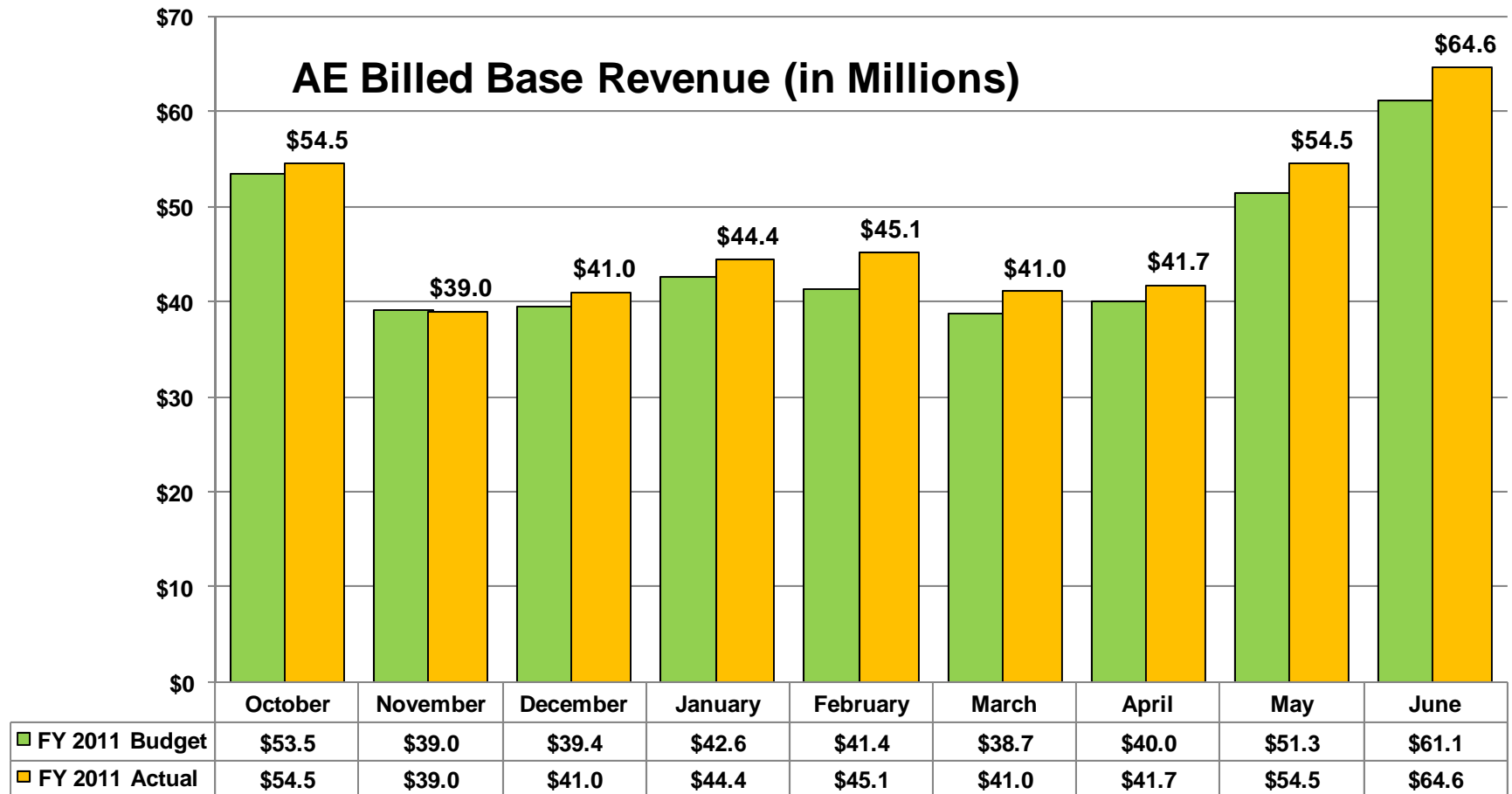
Billed sales of 8,606 gigawatt hours (GWh)

- 282 GWh or 3.4% higher than FY 2010 Q3 actual of 8,324 GWh





AE Billed Base Revenue Budget vs. Actual

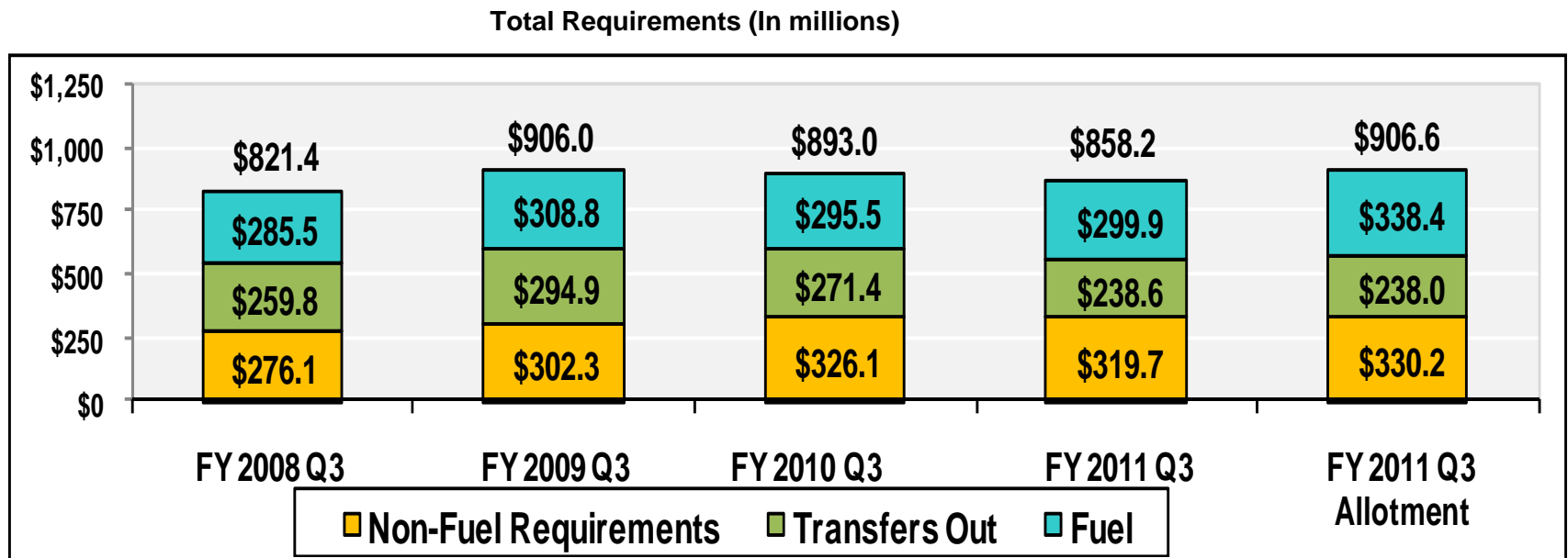


- Actual revenue exceeds budget in each month except November
- Primarily due to extreme weather conditions





2011 Q3 Requirements Highlights



Total Q3 Requirements \$48.4 million below Q3 Allotment

- \$1,282.2 million annual budget
- \$1,177.8 million current year estimate with \$104.4 million favorable variance
- Fuel cost \$38.5 million lower than Q3 allotment due to lower prices for fuel and power supply
- Non-fuel operating expenses \$10.5 million lower than Q3 allotment
 - Savings on power plant equipment maintenance with new service contracts
 - Savings on Call Center billing costs and temporary services





2011 Budget & Current Year Estimate

<i>(\$ millions)</i>	<i>Amended Budget 2010-11</i>	<i>Estimated 2010-11</i>	<i>Difference Budget to Estimate</i>
<i>Beginning Balance</i>	<i>\$169.4</i>	<i>\$152.8</i>	<i>(\$16.6)</i>
<i>Base and Other Revenue</i>	740.1	750.2	10.1
<i>Fuel Revenue</i>	490.2	390.2	(100.0)
<i>Total Available Funds</i>	<i>\$1,230.3</i>	<i>\$1,140.4</i>	<i>(\$89.9)</i>
<i>Fuel Cost</i>	490.2	390.2	100.0
<i>Non-Fuel Operating Expense</i>	444.5	442.0	2.5
<i>Debt Service</i>	169.4	167.5	1.9
<i>Transfers</i>	178.1	178.1	0.0
<i>Total Requirements</i>	<i>\$1,282.2</i>	<i>\$1,177.8</i>	<i>\$104.4</i>
<i>Excess(Deficiency)</i>	(51.9)	(37.4)	14.5
<i>Ending Balance</i>	<i>\$117.5</i>	<i>\$115.4</i>	<i>(\$2.1)</i>





Rate Review Status

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



AE's Strategic Plan

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

- **Financial Integrity**
 - “AA” Credit Rating Target
- **Energy Resources by 2020**
 - 800 MW of energy efficiency
 - 35% of energy from renewable resources
 - 200 MW of installed solar generation
- **Excellent Customer Service**
 - Customer satisfaction index of 83/100
- **Exceptional Reliability**
 - System average interruption duration index (SAIDI) of 60 minutes
 - System average interruption frequency index (SAIFI) of 0.8 occurrences
 - System Average Transmission Line Performance Index (SATLPI) of 4.1 per year
 - Intermediate/Peak Equivalent Availability Factor (EAF) 95%



MW = Megawatt



Rate Review Objectives

- Align with AE's Strategic Plan
- Ensure utility's long-term financial strength
- Fairness - equitably distribute cost among customer classes
 - Based on "cost to serve"
- Establish new rate designs & structures
 - Remain competitive with sustainable revenue source
 - Incentives for energy efficiency & solar
 - Meet changing customer needs
 - Net metering for consumer solar & other distributed generation
 - Electric vehicles

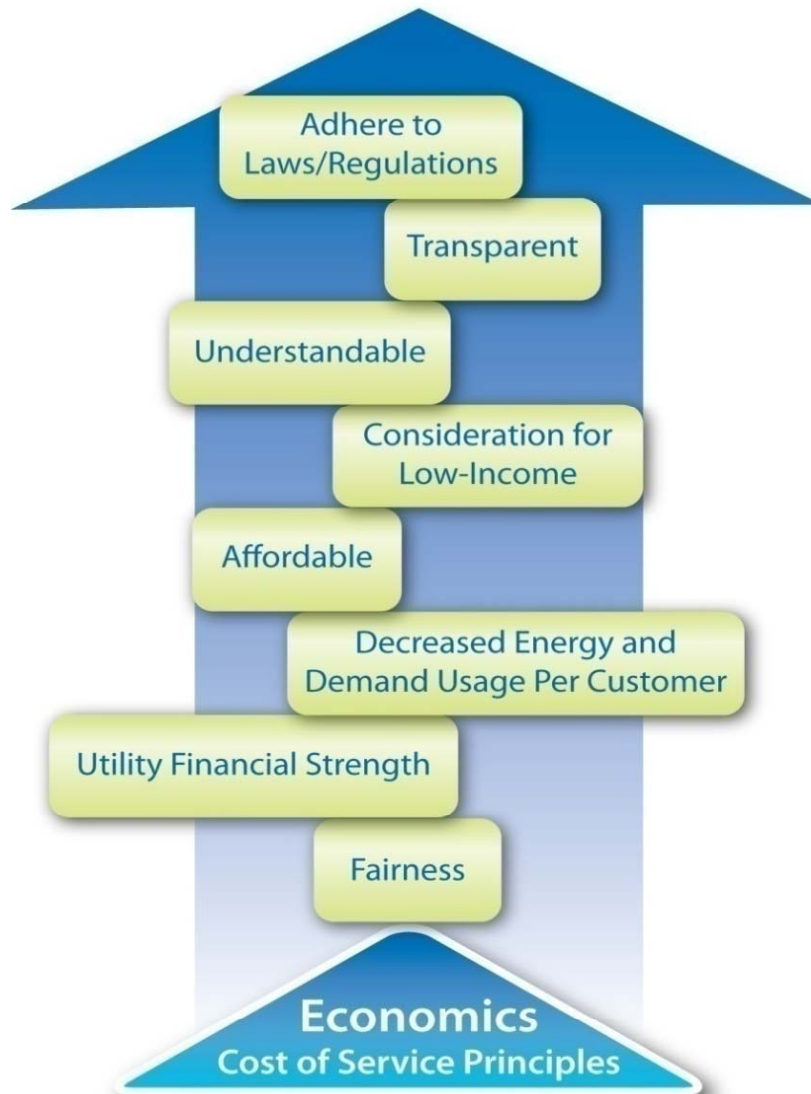


Rate Review website www.rates.austinenergy.com



AE's Rate Design Principles

Austin Energy's Strategic Direction



Policy Framework
Striking a Balance
Among Objectives





Rate Review Policy Goals & Metrics

Policy Goals	Metrics
Achieve Revenue Requirement	Revenues sufficient to fund core functions & strategic objectives.
Align with Cost of Service (minimize subsidies across customer classes)	No customer class pays greater than 105% or less than 95% of its cost of service.
Provide Affordable Energy (mitigate impacts within customer classes)	<ul style="list-style-type: none">○ No residential customer electric bill below 1,500 kWh to increase by more than \$20 per month on average.○ Transition non-demand secondary commercial customers to demand rates.
Affordability Forecast Goal	System average rate increases of no more than 2% annually, after implementation of new rates and rate design.
Rate Benchmarking	Customer bills within the lowest 50% of comparable Texas utilities.
Customer Assistance Program	Increase funding by 50 to 75% to assist more customers. Customer Assistance Program discount of \$25 per month.
Achieve long-term Financial Stability	New rate design ensures utility's long-term financial strength & are in compliance with Financial Policies. Maintains or improves credit ratings.
Maintain excellence in programs (GreenChoice® & Solar)	Rate redesign retains national leadership position of GreenChoice®. Continue solar incentives coupled with net metering rate redesign.





Rate Review – Progress To Date

- Retained utility consultants on August 26, 2010 to assist in rate review (R.W. Beck, Inc. & J. Stowe & Co., LLC)
- Preliminary Revenue Requirements & Cost of Service complete January 2011
- Public Involvement Committee Process
 - Opportunity for representative of each customer type
 - Six 3-hour meetings between January 2011 and June 2011
 - Six white papers & presentations using preliminary Cost of Service
 - Extensive Questions & Answers
 - Documents at Rate Review website www.rates.austinenergy.com
- Final Revenue Requirement, Cost of Service and rate redesign in progress





Public Involvement Opportunities

- Websites
 - www.rates.austinenergy.com
 - www.austinenergy.com
- Newspapers throughout the service area
- E-mail
- Public Involvement Committee (PIC)
- Community Advocacy Group (CAG)
- Participation at Electric Utility Commission & City Council
- Twitter
- Facebook
- Customer Bill Stuffers
- Speakers Bureau





Rate Review Timetable

- **AE's Rate Analysis & Recommendations Report**
 - Publish August 29; present September 1
 - 2 Volumes - Recommendations & Cost of Service
- **Electric Utility Commission (EUC) Rate Review**
 - September 1 - special meeting at Council Chambers & televised
 - September 19 - regular meeting
 - October 3 - special meeting at Town Lake Center
 - October 17 - regular meeting
- **City Council Rate Presentations & Approval**
 - November 2011 - January 2012



Wind Generation - Penascal Wind Farm, Texas, USA



AE Wind Resource Acquisitions



Background

- Request for Proposals (RFP) issued February 2011 for up to 200 MW wind & solar
 - Over 70 firms responded with about 300 offers
 - Evaluation based on
 - 70% Evaluated Cost
 - 10% Corporate & Professional Experience
 - 10% Financial Strength
 - 10% Project Concept & Viability





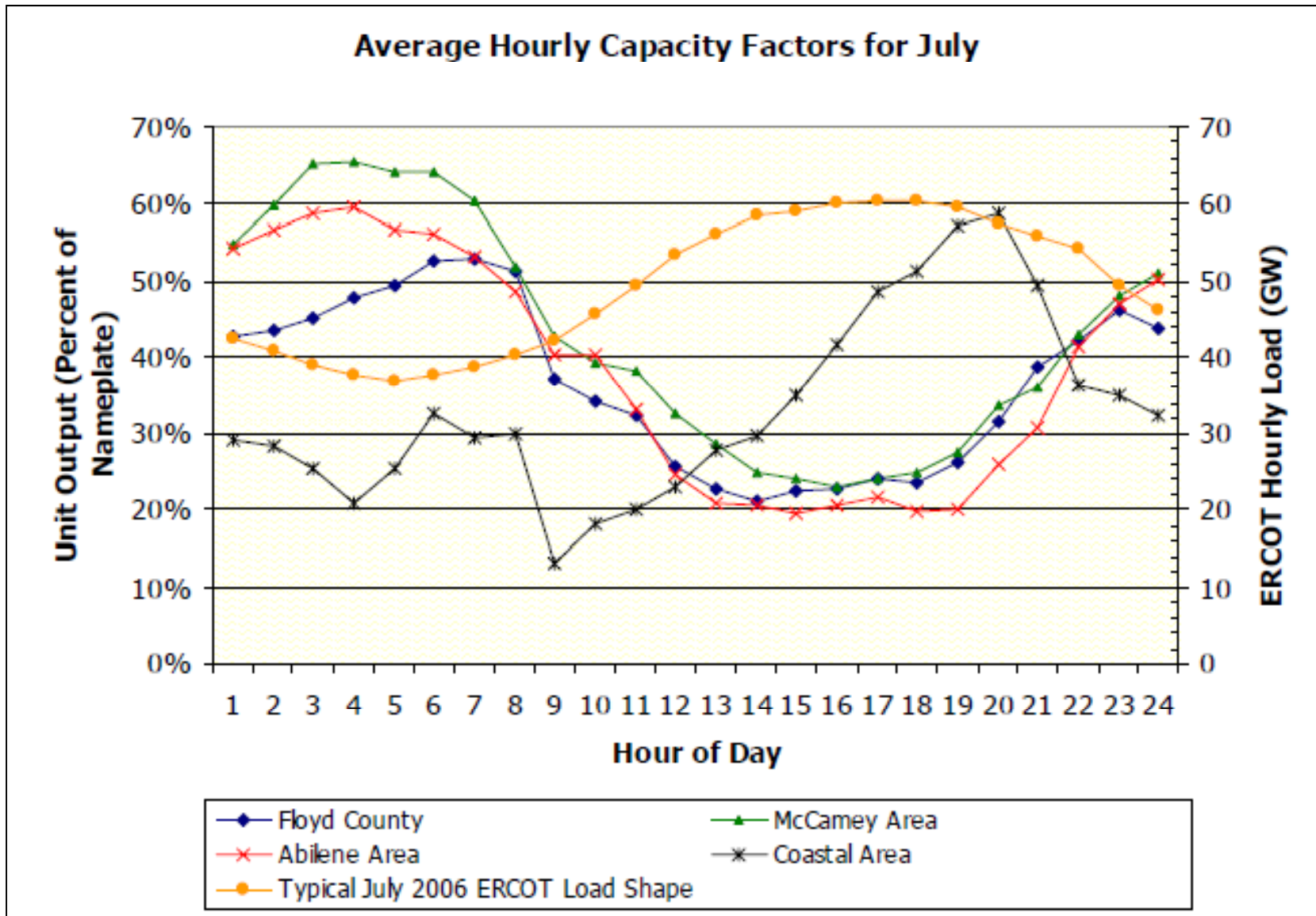
Top Two Projects

- 291 MW from two wind projects
- 20 to 25 year terms
- Fixed prices
- Projects are South Texas / Coastal
 - Coastal compared to West Texas wind
 - More consistent production over the year
 - More production during on-peak hours
 - Better transmission access
- Expected to be online by December 2012





Texas Load and Winds



SOURCE: ERCOT Report entitled "Analysis of Transmission Alternatives for Competitive Renewable Energy Zones in Texas". ERCOT System Planning. December, 2006.





Impacts

- 26% renewable energy by 2013 with goal of 35% by 2020
 - 30 MW utility-scale solar to be energized Fall 2011 in Austin, TX (under construction)
 - 100 MW biomass online June 2012 in Nacogdoches, TX (under construction)
 - 291 MW wind available December 2012
- Resource Plan – Wind
 - Fully addresses 2011 additions
 - Partially addresses 2013 additions
- Supports Affordability Goal
 - Prices fixed – no increase over time
 - Maintain or slightly lower fuel charge
 - Negligible bill impact





Timeline

- Continue negotiations on Purchase Power Agreement (PPA) & Purchase Option
- Endorsements of Electric Utility & Resource Management Commissions at August meetings after July presentations
- Additional Public Comment Opportunities
 - August 18 Council Agenda Item
 - August 25 Council Agenda Item
- Council approval proposed for August 25
- Anticipate final agreements signed in September



Consumer Solar Installations, Public Facilities and Utility-Scale Solar



AE Solar Resource Acquisitions



AE Solar Resource Acquisitions

- Consumer Solar Installations
- Public Facilities (Municipal & School)
- Utility-Scale Solar





Solar Incentives - Consumer

- Photovoltaic (PV) Incentives
 - Rebate incentive for Residential
 - Performance-based incentive (PBI) for Commercial & Multifamily
- Consumer may supplement AE incentives
 - Federal Tax Credits, when available under Tax Code
 - Credit of 30% of installation costs for a new system
 - Expires December 31, 2016
 - Pecan Street Project solar rebates
 - Range from \$0.50 to \$0.80 per watt to residential volunteers in Mueller community dependent on installation (south, west or combined facing). Up to 6kW system.
- Hot Water Rebates
 - Residential
 - Commercial





Solar Incentives - Consumer

Residential Photovoltaic (PV) Rebate

- Rebate of \$2.50 per watt plus \$0.50 Bonus if PV system installed by September 30, 2011
- Annual cap \$15,000 (\$18,000 under current \$0.50 Bonus)
- Program cap of \$50,000
- Applicants required to demonstrate compliance with energy efficiency standards for their residence prior to receiving a Letter of Intent from Austin Energy





Solar Rebates - Consumer

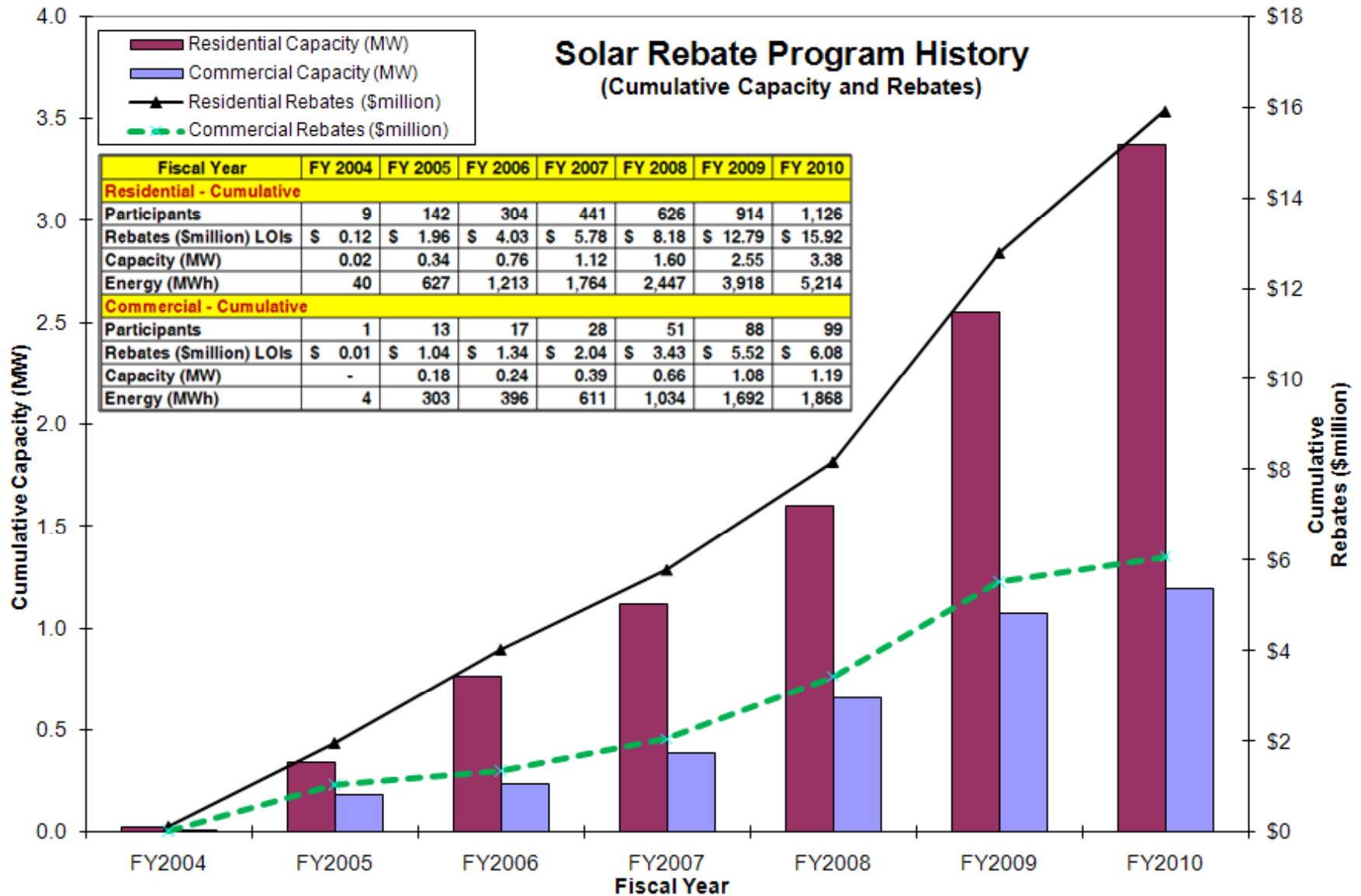
- Solar Rebate expenditures for Fiscal Years 2008, 2009 & 2010 and FY 2011 year-to-date actual through June 2011

Rebate Type	FY 2007-08	FY 2008-09	FY 2009-10	YTD 06/30/2011	Total
Residential	\$1,763,799	\$4,615,225	\$3,111,279	\$1,027,148	\$10,517,451
Commercial	1,249,082	2,086,483	560,048	0	\$3,895,613
Commercial Performance Based Incentive (PBI)	0	0	0	4,701	\$4,701
Solar Water Heater	0	44,500	75,500	64,500	\$184,500
Rebates Processed	\$3,012,881	\$6,746,208	\$3,746,827	\$1,096,349	\$14,602,265
Processed in Prior Period, Payment made in Current Fiscal Year (Timing Difference)	\$1,185,613	(\$36,199)	\$157,661	(\$242,624)	\$1,064,451
Rebate Expenditures	\$4,198,494	\$6,710,009	\$3,904,488	\$853,725	\$15,666,716
Rebate Amended Budget	\$4,000,000	\$4,500,000	\$4,350,000	\$4,000,000	\$16,850,000



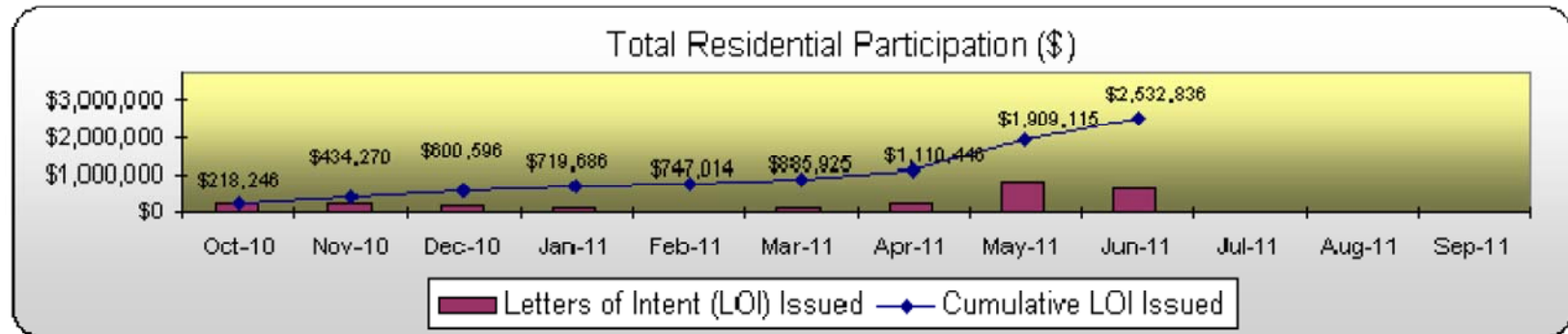


Solar Rebates - Consumer





2011 Solar Rebates - Consumer



Solar PV Rebate Program 6-30-11 FY11 Participation Report				
Total Participation	Current		Final Projected	% of Goal
	Month	YTD		
Requests Received:	50	185	240	77%
Site Surveys Completed:	50	195	240	81%
LOI Issued				
# of Residential	41	179	225	80%
# of Commercial	1	3	30	10%
LOI \$ Committed				
Residential	\$623,721	\$2,532,836	\$3,500,000	72%
Commercial (Estimated Annual PBI Payments)	\$4,731	\$22,939	\$100,000	23%
Final Inspections Completed				
Residential	20	81	225	36%
Commercial	1	7	30	23%





Solar – Public Facilities

- Highly visible public awareness & education program through installation of solar projects at schools, libraries, community centers & city buildings
- Contributes toward goal of 200 MW of installed solar generation
- Budget annually for projects in capital improvements program



Solar roof at COA PARD Facility



18-kilowatt solar roof & solar hot water system installed at Austin Animal Center (under construction)





Solar – Utility Scale

- 30 MW utility-scale solar power plant
 - 25-year purchased power agreement with Gemini Solar Development Company, LLC (August 2009)
 - Located on an Austin Energy Webberville site east of Austin
 - Under construction & to be energized Fall 2011
 - Contributes toward goal of 200 MW of installed solar generation





Questions