

**Late Backup**

**DOCUMENTS PRESENTED TO**

**AUSTIN CITY COUNCIL**

**MARCH 1, 2012**

**BY**

**TEXAS LEGAL SERVICES CENTER ON BEHALF OF**

**TEXAS LEGAL SERVICES CENTER,**

**TEXAS RATEPAYERS ORGANIZATION TO SAVE ENERGY, AND**

**GRAY PANTHERS OF TEXAS**



Electric Utility Commission  
February 27, 2012 – 6:00 p.m.  
Town Lake Center, Shudde Fath Conference Room  
721 Barton Springs Road, Austin, Texas

**AGENDA**

**Members:**

Phillip Schmandt, Chair  
Linda Shaw, Vice Chair  
Gary "Bernie" Bernfeld

Barbara Day  
Shudde Fath

Stephen Smaha  
Dr. Michael E. Webber

For more information, please visit: City of Austin Boards and Commissions Information Center  
(<http://www.austintexas.gov/content/electric-utility-commission>)

The Electric Utility Commission may go into a closed session, if necessary, under Chapter 551 of the Texas Government Code to discuss or take action on a "competitive matter" of Austin Energy as provided for under Section 551.086. Reading and Action on Consent Agenda: Items 4-12 may be acted upon by one motion. No separate discussion or action on any of the items is necessary unless desired by a Commissioner.

**✓ CALL TO ORDER**

**✓ APPROVAL OF MINUTES** - Approve minutes of the January 23, 2011 regular meeting.

**✓ CITIZEN COMMUNICATIONS: GENERAL** (*Please limit to three minutes.*)

**NEW BUSINESS – CONSENT ITEMS**

**✓ 4.** Authorize award and execution of a contract with TECHNOLOGY FOR ENERGY CORPORATION for the purchase of field testing devices for Austin Energy to test electrical meter installations in an amount not-to-exceed \$187,630.

**5.** Authorize award and execution of a contract with PRIESTER-MELL & NICHOLSON INC for the purchase of voltage regulators for Austin Energy in an amount not to exceed \$88,694.

**6.** Authorize award and execution of a 24-month requirements supply contract with POWELL ELECTRICAL SYSTEMS, INC. for the purchase of 15kV Arc-Resistant Switchgear for Austin Energy in an estimated amount not to exceed \$12,347,692, with two 24-month extension options in an estimated amount not to exceed \$12,347,692 per extension option, for a total estimated contract amount not to exceed \$37,043,076.

**7.** Authorize award and execution of a 12-month requirements service contract with A&B ENVIRONMENTAL SERVICES, INC. for priority and regulated pollutant analyses for Austin Energy Lab Services in an estimated amount not to exceed \$79,695, with three 12-month extension options in an estimated amount not to exceed \$79,695 per extension option, for a total estimated contract amount not to exceed \$318,780.

**8.** Authorize award and execution of Amendment No. 3 to a contract with GC3 SPECIALTY CHEMICALS, INC. for the purchase of aqueous ammonia for use at Austin Energy's Sand Hill Energy Center, to increase the current contract in an estimated amount not to exceed \$45,000, and to increase the two remaining extension options in an estimated amount not to exceed \$45,000 per extension option, for a revised total estimated contract amount not to exceed \$460,000.

The City of Austin is committed to compliance with the Americans with Disabilities Act. Reasonable modifications and equal access to communications will be provided upon request. If requiring Sign Language Interpreters or alternative formats, please give notice at least three days before the meeting date. Please call Toye Goodson Collins at Austin Energy at (512) 322-6450 for additional information. TTY users route through Relay Texas at 711.

9. Authorize award, negotiation, and execution of a 12-month requirements service contract with OSISOFT LLC for the purchase of additional licenses and maintenance and support services for process integration software for Austin Energy in an estimated amount not to exceed \$127,711, with four 12-month extension options in an estimated amount not to exceed \$79,330 per extension option, for a total estimated contract amount not to exceed \$445,031.
10. Authorize award and execution of a 24-month requirements service agreement contract with TRIPLE-D SECURITY, or one of the other qualified bidders for IFB-BV No. JSD0211, to provide armored car services in an estimated amount not to exceed \$171,438 with two 12-month extension options in an amount not to exceed \$92,200 for the first extension option, and \$96,810 for the second extension option, for a total contract amount not to exceed \$360,448. Shared contract for several City departments; AE's share is \$10,668/year.
11. Authorize award and execution of a 36-month requirements service contract with ALAMO DOOR SYSTEMS OF TEXAS, INC. for overhead door maintenance and repair for various city facilities in an estimated amount not to exceed \$1,200,000 with three 12-month extension options in an estimated amount not to exceed \$450,000 for the first extension option; \$500,000 for the second extension option, and \$550,000 for the third extension option, for a total estimated contract amount not to exceed \$2,700,000. Shared contract for several City departments; AE's share is estimated to be \$40,000/year.
12. Authorize award, negotiation, and execution of 36-month requirements service contract with COMMUNICATION SERVICES FOR THE DEAF, or one of the other qualified respondents for RFQS No. BKH0127, for sign language interpretation services for various City departments in an estimated amount not to exceed \$279,000, with two 12-month extension options in an estimated amount not to exceed \$93,000 per option, for a total estimated contract amount not to exceed \$465,000. Shared contract for several City departments; AE's share is estimated to be \$4,000/year.

#### **OLD BUSINESS – DISCUSSION**

- ✓ 13. Discussion of Annual Internal Review and Report required of Boards and Commissions per Section 2-1-46 of the City Code.

#### **STAFF REPORTS AND BRIEFINGS**

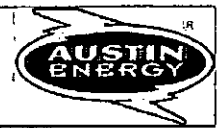
- ✓ 14. Financial Report
15. Rate review process update
16. Briefing on recent fuel charge increase
- ✓ 17. Customer billing system update

#### **FUTURE AGENDA ITEMS**

18. Request agenda items including information related to the Upcoming Procurements Report

#### **19. ADJOURN**

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**AUSTIN ENERGY**  
**FY 2012 BUDGET TO ACTUAL (Budget-Based Statement)**

**Unaudited Results**

\$ In Thousands

|   | December 2011<br>Year to Date<br>Actual | December 2011<br>Year to Date<br>Budget | Variance         | Percent      |
|---|---|---|------------------|--------------|
| <b>REVENUES</b>                                     |   |   |                  |              |
| Service Area Base Revenue                           | \$ 147,129                              | \$ 134,188                              | \$ 12,941        | 9.6%         |
| Bilateral & Ancillary Service Sales                 | 4,819                                   | -                                       | 4,819            | NA           |
| Transmission Service Revenue                        | 14,778                                  | 14,778                                  | -                | 0.0%         |
| Transmission Rider                                  | 3,266                                   | 3,916                                   | (650)            | -16.6%       |
| Miscellaneous Revenue                               | 9,086                                   | 11,784                                  | (2,708)          | -23.0%       |
| Interest Income                                     | 1,969                                   | 1,120                                   | 849              | .75.8%       |
| <b>Total Operating Revenue Without Fuel Revenue</b> | <b>181,047</b>                          | <b>165,796</b>                          | <b>15,251</b>    | <b>9.2%</b>  |
| Fuel & Green Choice Revenue                         | 86,103                                  | 92,679                                  | (6,576)          | -7.1%        |
| <b>Total Operating Revenue</b>                      | <b>267,150</b>                          | <b>258,475</b>                          | <b>8,675</b>     | <b>3.4%</b>  |
| <b>OPERATING REQUIREMENTS</b>                       |   |   |                  |              |
| Fuel and Green Power Expense                        | 86,103                                  | 92,679                                  | 6,576            | 7.1%         |
| <b>Department O&amp;M Without Fuel</b>              |   |   |                  |              |
| Department O&M                                      | 45,157                                  | 51,482                                  | 6,325            | 12.3%        |
| Transmission Service Expense                        | 16,525                                  | 16,525                                  | -                | 0.0%         |
| South Texas Project O&M                             | 20,133                                  | 19,686                                  | (447)            | -2.3%        |
| Fayette Power Project O&M                           | 5,921                                   | 5,540                                   | (381)            | -6.9%        |
| Call Center   | 3,809                                   | 7,174                                   | 3,365            | 46.9%        |
| Energy Conservation Rebates                         | 2,092                                   | 2,471                                   | 379              | 15.3%        |
| Bad Debt Expense                                    | 854                                     | 976                                     | 112              | 11.5%        |
| Administrative Support Transfer                     | 4,248                                   | 4,248                                   | 0                | 0.0%         |
| <b>Total Operating O&amp;M Without Fuel</b>         | <b>98,749</b>                           | <b>108,102</b>                          | <b>9,353</b>     | <b>8.7%</b>  |
| <b>Total Operating Requirements</b>                 | <b>184,852</b>                          | <b>200,781</b>                          | <b>15,929</b>    | <b>7.9%</b>  |
| <b>DEBT SERVICE REQUIREMENTS</b>                    |   |   |                  |              |
| Revenue Bond & Other Obligations                    | 42,404                                  | 42,572                                  | 168              | 0.4%         |
| <b>Total Debt Service Requirements</b>              | <b>42,404</b>                           | <b>42,572</b>                           | <b>168</b>       | <b>0.4%</b>  |
| <b>TRANSFERS/USES OF COVERAGE</b>                   |   |   |                  |              |
| General Fund Transfer                               | 26,250                                  | 26,250                                  | 0                | 0.0%         |
| Electric CIP Transfer                               | 19,123                                  | 19,123                                  | 0                | 0.0%         |
| Economic Incentive Fund Transfer                    | 83                                      | 83                                      | 0                | 0.0%         |
| <b>Total Transfers</b>                              | <b>45,456</b>                           | <b>45,456</b>                           | <b>0</b>         | <b>0.0%</b>  |
| <b>Total Requirements Without Encumbrances</b>      | <b>272,712</b>                          | <b>288,809</b>                          | <b>16,097</b>    | <b>5.6%</b>  |
| <b>Total Encumbrances</b>                           | <b>16,660</b>                           | <b>16,660</b>                           | <b>0</b>         | <b>0.0%</b>  |
| <b>Total Requirements</b>                           | <b>289,372</b>                          | <b>305,469</b>                          | <b>16,097</b>    | <b>5.3%</b>  |
| <b>CHANGE TO BEGINNING BALANCE</b>                  | <b>\$ (22,222)</b>                      | <b>\$ (46,994)</b>                      | <b>\$ 24,772</b> | <b>52.7%</b> |



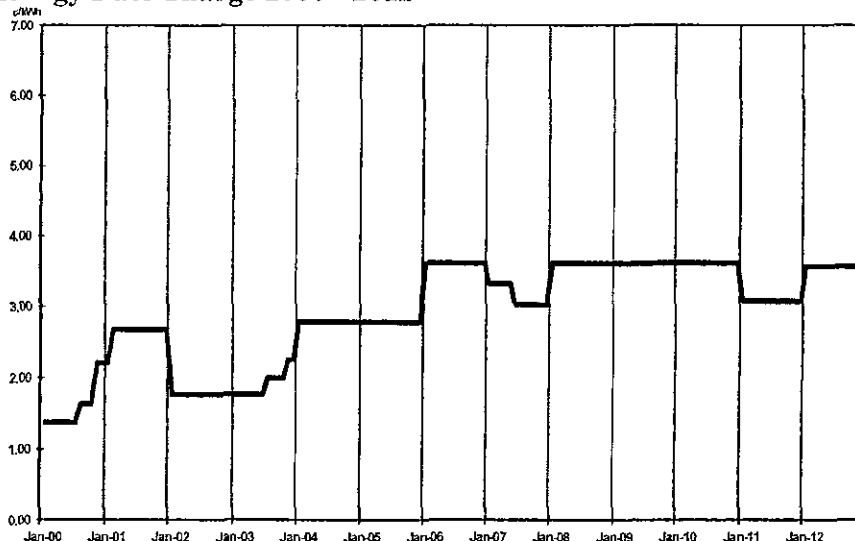
## MEMORANDUM

**TO:** Larry Weis, General Manager  
**FROM:** Cheryl Mele, Chief Operating Officer  
**DATE:** February 23, 2012  
**SUBJECT:** Fuel Charge Increase Summary, as requested by the Electric Utility Commission

Effective January 1, 2012 Austin Energy increased the Fuel Charge for calendar year 2012. The Secondary Service Fuel Charge increased from 3.105 cents to 3.615 cents per kilowatt-hour (kWh) of electric use, which equates to approximately \$5.10 per month on an average residence using 1,000 kWh. Primary and Transmission level Fuel Charges also increased by like amounts.

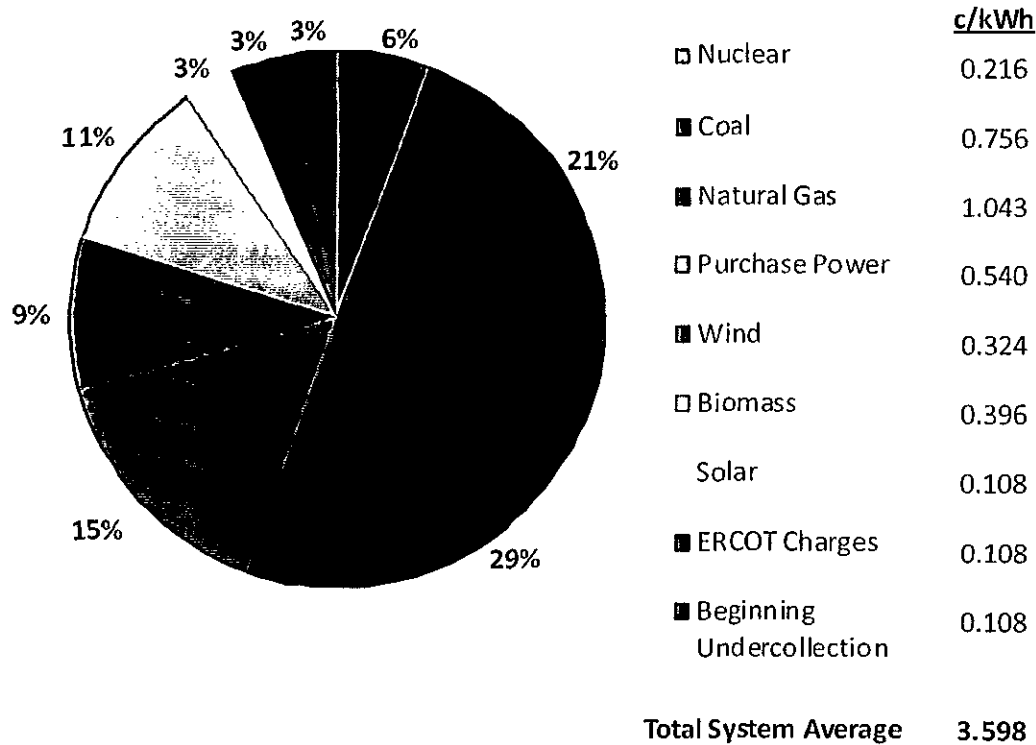
**Background**

The Fuel Charge is calculated by formula under a City Council approved tariff designed to recover actual and forecasted costs for fuel and power. Those costs include nuclear, coal, natural gas, market power purchases, renewable power purchases (other than those allocated to GreenChoice), along with the associated costs of transportation and hedging. The Fuel Charge also includes ERCOT wholesale market fees and charges, as well as an adjustment for the prior year over or under collection. For example, if there was an over-collection in the prior year, it is subtracted from the next year's forecasted fuel charge and subsequently if there was an under-collection in the prior year, it is added to the next year's forecasted fuel charge. The tariff requires that it be reset each January 1<sup>st</sup>; however, it may be adjusted more frequently if there is a projected over or under recovery that exceeds 10% of total projected cost (a copy of the complete Fuel Adjustment Clause is attached to this memo for further reference). Using this method, in general Austin Energy has enjoyed a relatively stable Fuel Charge over the last several years:

**Austin Energy Fuel Charge 2000 - 2012**

The components of the 2012 Fuel Charge can be viewed in percentage terms based on the total contribution of each cost component:

## Fuel Charge Cost % by Type



### Outlook For 2013

Austin Energy currently expects a 0% to 5% decrease for the 2013 Fuel Charge. The key drivers included in this forecast include:

- Similar or lower natural gas prices
- Addition of 291 MW of new wind power
- Full year of production from Nacogdoches Biomass plant
- No unplanned generator outages, no extension of the STP Unit 2 beyond expected time frame
- Normal Weather

If actual results deviate from these assumptions a different outcome for the 2013 Fuel Charge may occur.

### Drivers for 2012 Fuel Charge

There were three primary drivers to the need for an increase for 2012:

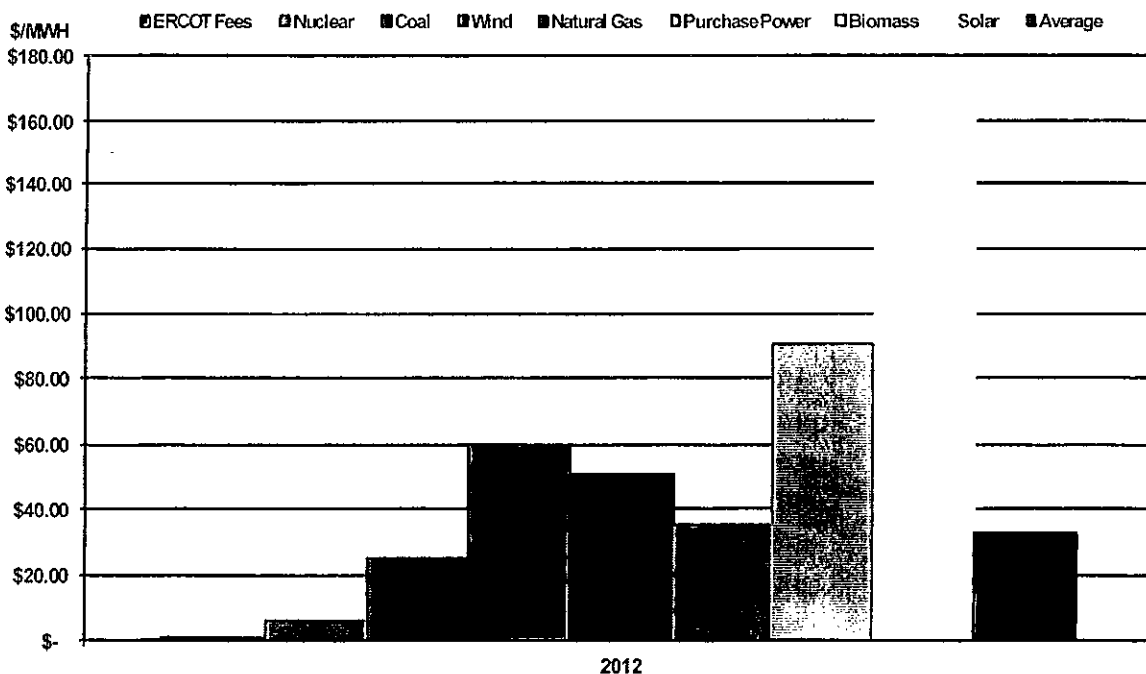
- Above Normal Load (weather related) – approximately \$20 Million
- Unplanned Fayette Power Plant (FPP) Outage – \$13 Million
- Unplanned South Texas Project (STP) Outage – approximately \$14 Million

The first and largest contributor was above normal load for 2011. Austin, like most of Texas, experienced record heat during 2011. Austin Energy demand was approximately 5% higher overall and nearly 9% higher for the summer months compared to 2010. The Fuel Charge calculation is based on normal weather and load conditions rather than extremes. In general, above normal demand is served at higher costs from natural gas based power, particularly during summer months. While higher demand generates both additional base and Fuel Charge revenue, it was accompanied by higher cost, leading to insufficient Fuel Charge revenue.

The second major contributor was a five-day unplanned outage of FPP Unit 2 (300 MW for Austin Energy) during the first week of August 2011. This required Austin Energy to purchase replacement power during a period of peak demand and peak market prices. In fact, during this time frame the market price for energy reached the ERCOT market cap of \$3,000 per MWh for several hours on several days.

The third major contributor was an unplanned outage of STP Unit 2 (200 MW for Austin Energy) that began at the end of November 2011. Unlike the previous items, most of the expense of this on-going outage is projected to occur in 2012. While market prices during the expected replacement period are significantly lower than those seen last summer the replacement of STP's low fuel cost and baseload production results in a large cost impact to the Fuel Charge.

The combination of these events in 2011 and projected costs for 2012 required the 2012 Fuel Charge increase. The following chart indicates the unit costs of the components of the Fuel Charge:



**ATTACHMENT****Fuel Adjustment Clause****Application**

This clause is applicable to all City of Austin electric rates for which a Fuel Adjustment Clause (FAC) is prescribed.

**The Fuel Rate is expressed by the following formula:**

$$\text{Fuel Rate} = \frac{F + I}{S} + \frac{(E + T) - A}{S}$$

**F** is the estimated cost of fuels and related expenses, including refunds and the cost of purchased power for the 12 month period used to calculate the FAC for service-area sales.

**I** is 1) the estimated fees and charges from the Electric Reliability Council of Texas (ERCOT) Independent System Operator (ISO) incurred by the City of Austin when providing energy and capacity needed to meet its service-area obligations the 12 month period used to calculate the FAC; and 2) the estimated cost of the ERCOT ISO Administrative Fee for 12 month period used to calculate the FAC.

**S** is the estimated service-area sales of kWh for the 12 month period used to calculate the FAC.

**E** is the actual cost of fuels and related expenses, including refunds and the cost of purchased power, less any fuel costs for off system sales of energy for the latest 12 month period of data available.

**T** is 1) the actual fees and charges from the ERCOT ISO incurred by the City of Austin when providing energy and capacity needed to meet its service-area obligations; and 2) the actual Administrative Fee for the latest 12 month period of data available.

**A** is the actual cost recovered from service-area sales for the latest 12 month period of data available.

The fuel rate shall be effective January 1<sup>st</sup>, unless adjusted for over- or under-recovery.

If, at any time, there is more than a 10% over-recovery from the total projected fuel and purchased power costs for the 12 month period used to calculate those costs, the City of Austin shall initiate a review of the FAC to project whether the over-recovery will be within 10% for the remaining months of the 12 month period used to calculate those costs. If the review indicates an over-recovery of more than 10% for the remainder of the period, the City of Austin shall adjust the FAC for the next 12 months to eliminate the over-recovery.

If, at any time, there is more than a 10% projected under-recovery from the total projected fuel and purchased power costs for the 12 month period used to calculate those costs, the City of Austin will initiate a review of the FAC to project whether the under-recovery will be within 10% for the remaining months of the 12 month period used to calculate those costs. If the review indicates an under-recovery of more than 10% for the remainder of the period, the City of Austin may adjust the FAC for the next 12 months to eliminate the under-recovery.

**Calculation**

The Fuel Rate is multiplied by the following voltage level adjustment factors:

Secondary Multiplier: 1.004854

Primary Multiplier: .974939

Transmission Multiplier: .964826



**Rate Review –  
Responses to Questions and Requests for Information**

**REQUEST NO.: CmDay2**

**REQUESTED BY: Commissioner Barbara Day**

**DATE REQUESTED: 9/7/2011**

**SME RESPONSES DUE: EOD 9/13/2011**

**RESPONSE FILED: 9/19/2011**

**SECOND SET OF QUESTIONS TO AE FROM BARBARA DAY  
FUEL/ENERGY**

Please refer to Austin Energy's draft Annual Performance Report, revised 8-5-11, page 13 showing over and under-recovered fuel at close of FY 2006-2010. The table shows cumulative fuel over-recoveries for the period 2006-2010 in the amount of \$77,579,219; or \$22.7 million for the test year 2009. Please answer the following questions regarding this table, and these over-recoveries.

**CmDay2.1** Since Austin Energy is requesting to combine the fuel charge with the energy charge going forward, and re-set the fuel balance to -0-, how does Austin Energy plan to refund the \$77.6 million in over-recovered fuel to its customers? Where is that request and information in this rate case?

**Response:** Austin Energy has not over-recovered \$77.6 million in fuel revenue. The information in the cited table is not cumulative. Rather, this information is a rolling number. At Test Year-end 2009, Austin Energy had over-recovered \$22.7 dollars in fuel and as of August 2011 has an **under-recovered** balance of nearly \$19 million.

The revenue requirement does not account for any over or under-recovery of fuel costs. At the time in which Austin Energy's rate request is ultimately approved and implemented, any over-recovery of fuel costs will be placed into the Rate Stabilization Fund.

**CmDay2.2** If Austin Energy is planning to keep the over-recoveries and not refund them to customers, what is the basis for that plan?

**Response:** Please see the response to CmDay2.1. The Rate Stabilization Fund is for the customers' benefit and will be used to buffer and/or avoid passing higher fuel costs on in the future.

**CmDay2.3** In what Federal Energy Regulatory Commission (FERC) accounts are the fuel over-recoveries recorded?

**Response:** Fuel over-recovery is recorded to a balance sheet account that is equivalent to FERC