

**Late Backup**

**PARTIAL AUSTIN ENERGY RESPONSE**

**TO TLSC DISCOVERY REQUEST**

**PRESENTED TO AUSTIN CITY COUNCIL**

**MARCH 1, 2012**

**BY**

**TEXAS LEGAL SERVICES CENTER, ON BEHALF OF**

**Texas Legal Services Center**

**TEXAS RATEPERS ORGANIZATION TO SAVE ENERGY**

**GRAY PANTHERS OF TEXAS**



Americas  
Asia Pacific  
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Mideast

# **Austin Energy**

## ***Operating and Capital Cost Structures and Benchmarking Analysis***

***Final Report  
March 5, 2007***

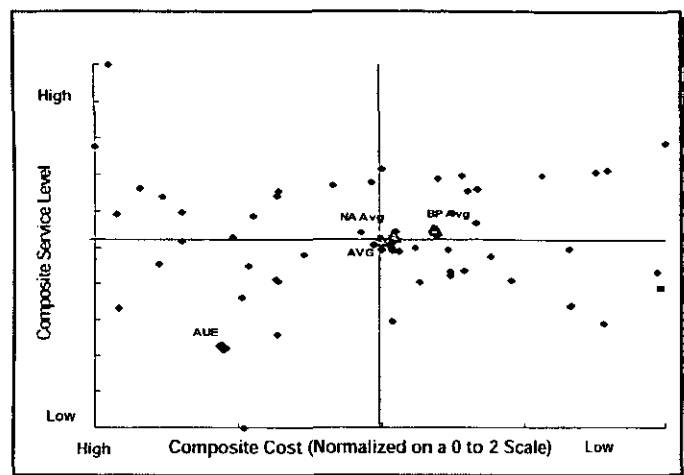
In reviewing AE's performance at the General Performance Diagnostic level there are opportunities to improve efficiencies across the enterprise, particularly when compared to industry "Best Performers."

### PERFORMANCE IMPROVEMENT OPPORTUNITY

FUNCTION	CURRENT SPEND	GAP TO AVERAGE	GAP TO BP
Distribution	\$26.3M	(\$10.0M)	(\$16.8M)
Transmission	\$4.2M	(\$0.9M)	(\$1.9M)
Generation (Gas)			
Customer Service	\$23.3M	(\$6.2M)	(\$10.7M)
Shared Services	46.3M	(\$7.0M)	(\$13.2M)
TOTAL			

NOTE: With the implementation of specific short-term improvement initiatives there may be opportunity to reduce the current Capital and O&M cost structure by as much as \$24.7M; specific longer term improvement initiatives could potentially improve this projection by an additional \$20.6M

# Electric Distribution General Performance Diagnostic: Target Reduction \$7.5M



SUB-FUNCTION	COMMENTS
Asset Strategy	Gap to Average: (\$0.4M)
Capital Design	Gap to Average: (\$1.8M) Issues with Productivity and Utilization Staff size larger than normal Degreed/Non-Degreed mix lower than the norm
OH/UG Construction	Gap to Average: (\$2.9M) Low Productivity/High OT Worker to Supervisor Ratio lower than the norm High Contractor to FTE ratio
OH/UG Maintenance	Low Productivity/High OT Large Number of Supervisors Worker to Supervisor Ratio 50% of NA Average
Vegetation Management	Gap to Average: (\$4.9M) Productivity 20% of NA Average
Reliability	High Cost linked to Vegetation Management

## DISTRIBUTION PERFORMANCE SUMMARY

SUB-FUNCTION	COST	SERVICE LEVEL
Asset Strategy	↘	↔
Capital Design	↓	↔
Overhead Construction	↓	↔
Underground Construction	↗	↔
Overhead Maintenance	↗	↓
Underground Maintenance	↗	↔
Vegetation Management	↓	↓
Reliability	↘	↔

LEGEND	
↑	First Quartile
↗	Second Quartile
↔	Average
↘	Third Quartile
↓	Fourth Quartile

### ORGANIZATION DESIGN:

Verify current approach re: use of contractors vs. in-house staff  
Evaluate current staffing philosophy against overall maintenance strategy (programmed overtime, use of contractors, staffing mix, etc.)

### STAFFING SIZE AND MIX:

Develop strategy/plan to improve worker to supervisor ratio over time (Balancing Recruiting and Retention Plan with anticipated turnover of an aging workforce)  
Challenge amount of in-house staff required to plan/oversee Vegetation Management activities

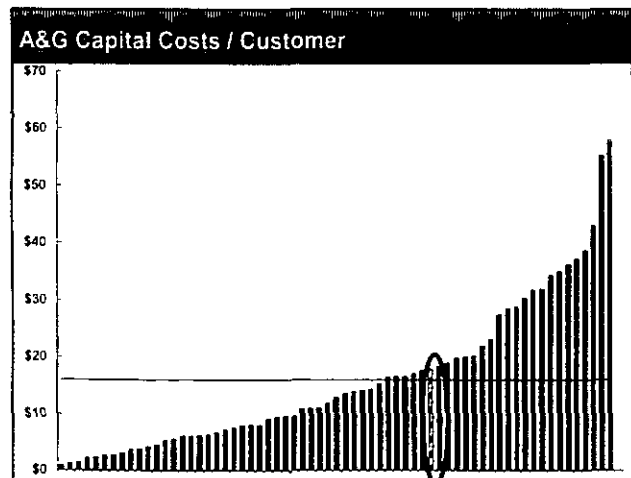
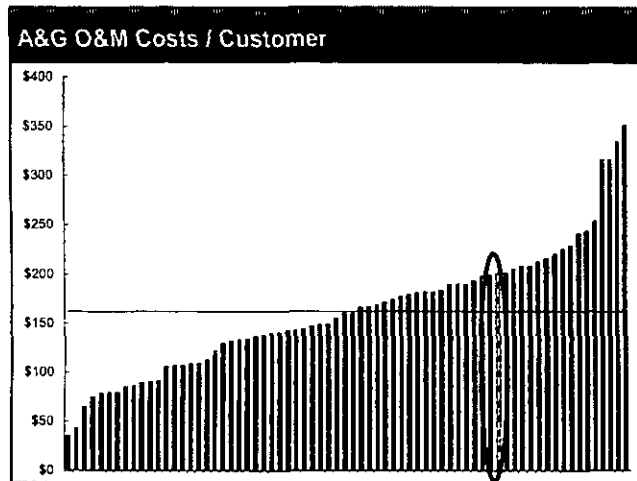
### PROCESS EFFICIENCY:

Audit Project Execution Process (Conceptual Design to Final Closeout)  
Improve work planning/materials management related processes (pre-staging, logistics, etc.)

### STRATEGY AND ANALYSIS:

Align contractor compensation with performance objectives

## A&G/Shared Services: Infrastructure appears too high for current customer and/or employee base



FUNCTION	Per Customer	Per Operating Revenue	Per Operating Cost	Per Employee
Information Technology	↓	↗	↔	↘
Property Services	↓	↗	↔	↘
Finance	↓	↗	↔	↘
Human Resources	↓	↓	↗	↘
Fleet	↓	↗	↔	↘
Corporate Support	↓	↗	↔	↘

LEGEND	
↑	First Quartile
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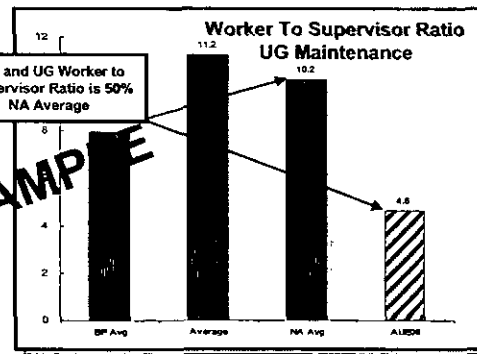
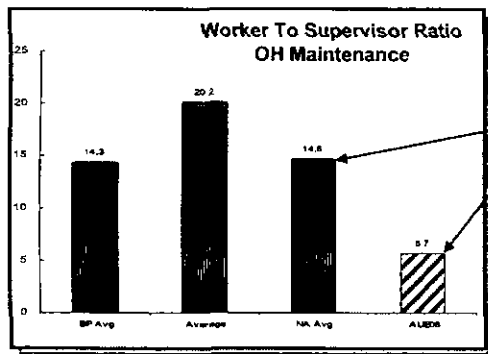
### PERFORMANCE IMPROVEMENT OPPORTUNITY

FUNCTION	GAP TO AVERAGE
Information Technology	(\$2.6M)
Property Services	(\$0.4M)
Finance	(\$0.8M)
Human Resources	(\$0.7M)
Fleet	(\$0.8M)
Corporate Support	(\$1.7M)

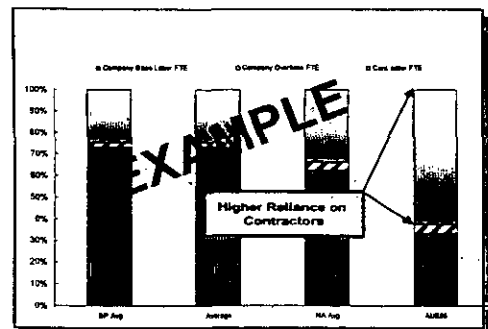
# Long-Term Staffing Strategy:

In reviewing the results of the surveys and assimilating the information gleaned from the interviews, it appears that AE faces the challenge of rapidly aging work force and a comparatively high labor cost structure. The symptoms that lead to this hypothesis include:

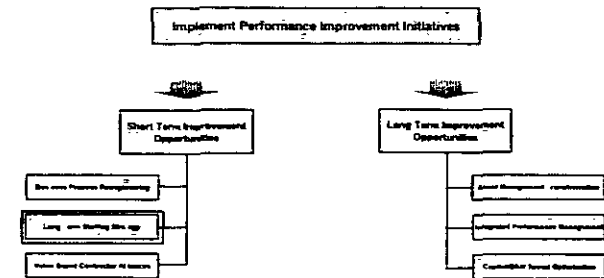
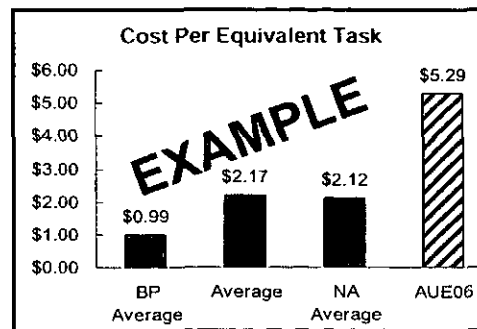
**Low Worker to Supervisor Ratios** (Connotes Higher Labor Cost and Less Productivity):



**Higher Reliance on Contractors** (Staff Supplementation):



**Higher Task Cost** (For Comparable Activity Level):

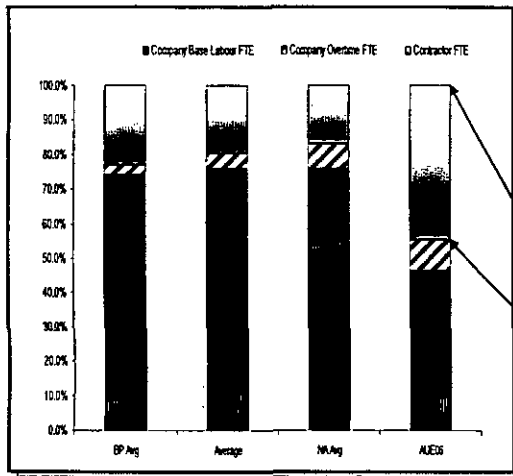


Potential Remedies Include:

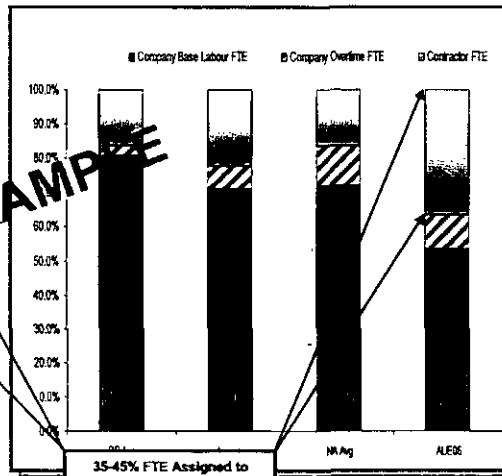
- Junior-level recruiting
- Focus on Developing Leadership Competencies
- Conversion of Contractors (Base Load)
- Integrate Business Process Reengineering Initiatives into the Job Position Descriptions

# Value-Based Contractor Alliances: Heavy reliance on outside contractors suggests potential value in evaluating the key aspects of contract management

Underground Maintenance FTE Breakdown



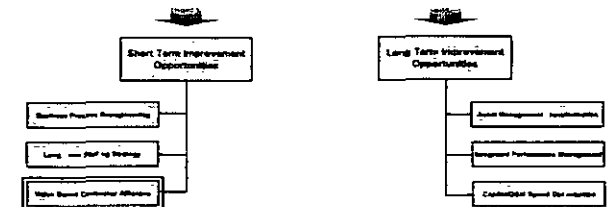
Overhead Maintenance FTE Breakdown



EXAMPLE

35-45% FTE Assigned to Contractors vs. 15-20% for Best and Average Performers

Implement Performance Improvement Initiatives



## ITEMS FOR CONSIDERATION:

Establish Contracting Strategy in conjunction with Long Term Staffing Strategy and Business Process Reengineering efforts

Apply concept of pre-negotiated "work units" in lieu of traditional "one-off" bidding to ensure AE is receiving maximum value at market cost

Establish 2-tiered incentive compensation approach:

- Schedule/Budget/Safety Performance
- Direct Contribution to AE Performance Goals