



YOUR ELECTRIC RATES

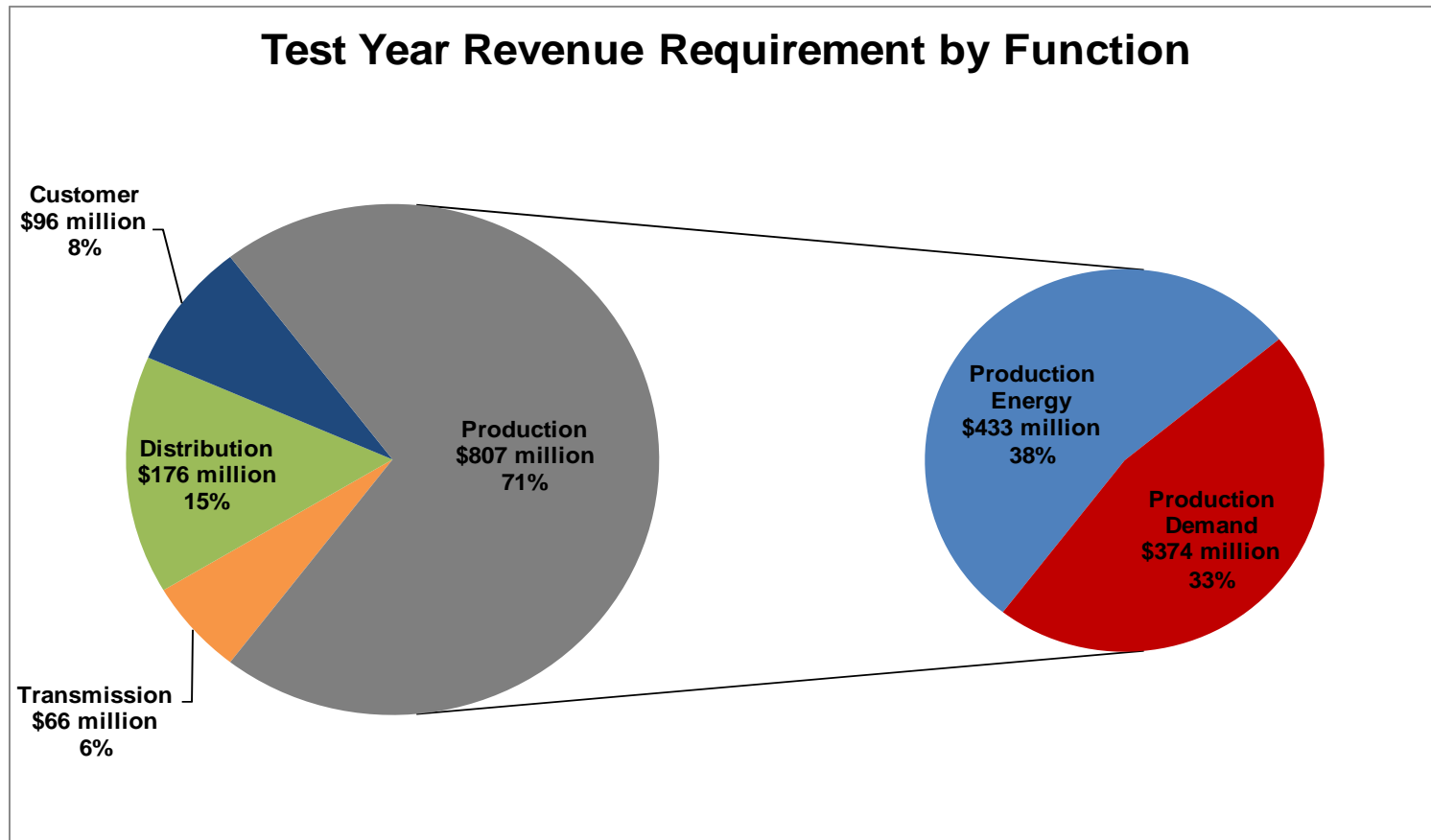
Austin has changed in the 18 years
since our last rate review.

Our commitment to our customers remains unchanged.

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

***Follow-Up to Electric Rate Proposal Modifications
City Council Work Session # 6
April 19, 2012***

Revenue Requirement – Production Function



Classification of Production Cost

Energy-related

- Fuel
- Purchased Power

Demand-related

- Operating & Maintenance (O&M)
- Debt Service
- Capital



Production Demand Allocation Methods

- Demand Responsibility
 - **4 Coincident Peak (4 CP)**
 - Recognizes peak capacity is primary cost driver of plant investment
 - Allocated based on class contribution to system 4CP
- Energy Weighting
 - **Average & Excess Demand (AED)**
 - Assumes generation portfolio is designed to serve peak & energy
 - Allocates plant investment costs based on a combination of demand and energy measures
- Time-Differentiated
 - **Baseload Intermediate Peak (BIP)**
 - Assumes hourly dispatch of generation by type and design
 - Allocates plant investment costs based on customer class loads in assigned baseload, intermediate and peak periods

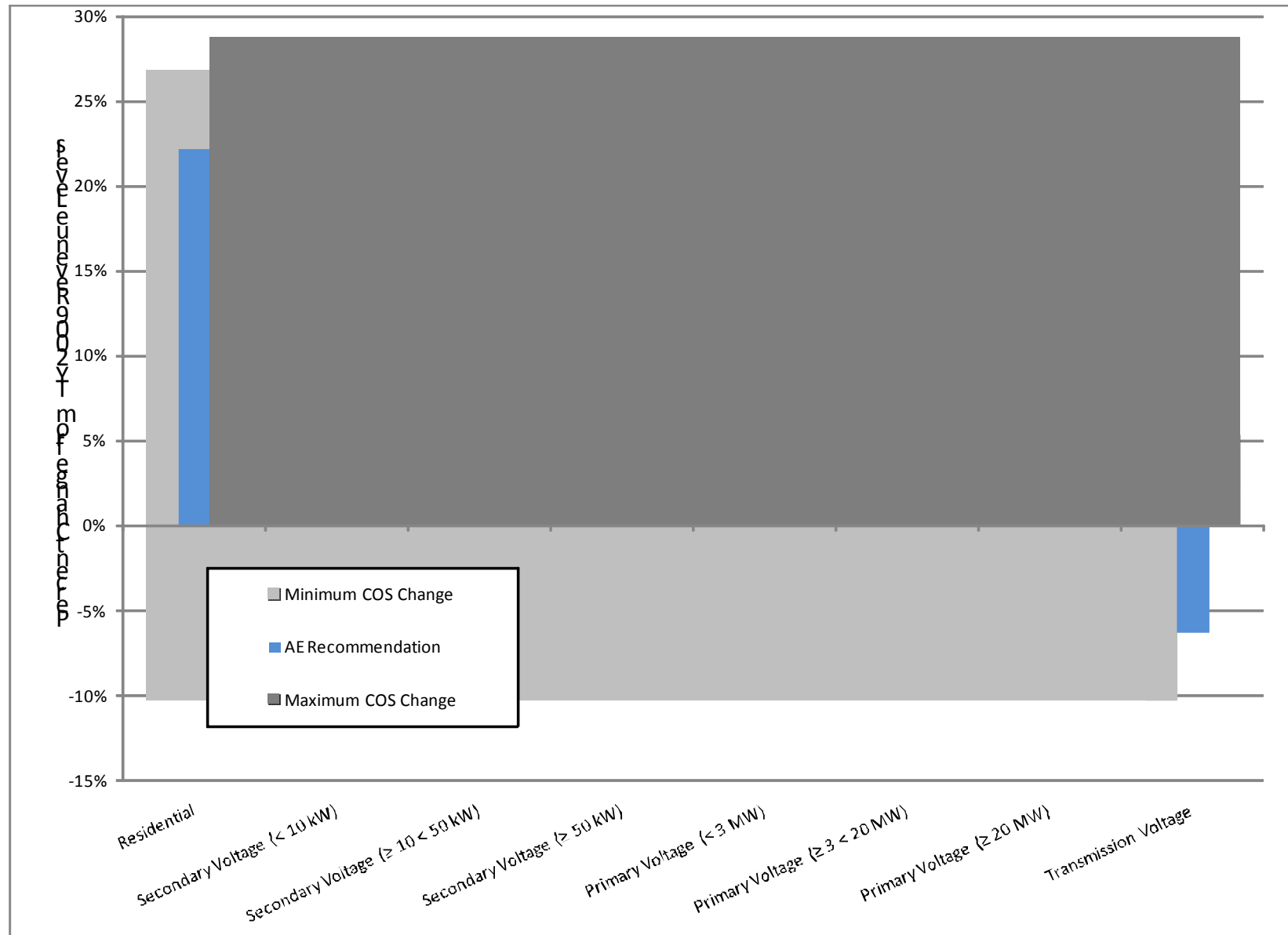


Production Allocation Methods

Customer Class	Average & Excess Demand (AED) <i>Average Monthly Bill</i>	4 Coincident Peak (4CP) <i>Average Monthly Bill</i>	Baseload Intermediate Peaking (BIP) <i>Average Monthly Bill</i>	AE Recommendation: AED within Goal <i>Average Monthly Bill</i>	Goal +/- 5%	AED within Goal less BIP <i>Increase (Decrease) in Average Monthly Bill</i>
Residential	\$ 108	\$ 107	\$ 102	\$ 103	95%	\$ 1
Secondary <10kW	\$ 122	\$ 123	\$ 122	\$ 116	95%	\$ (5)
Secondary 10 to <50kW	\$ 776	\$ 787	\$ 765	\$ 809	104%	\$ 44
Secondary ≥50kW	\$ 9,357	\$ 9,495	\$ 9,578	\$ 9,754	104%	\$ 175
Primary <3 MW	\$ 24,730	\$ 24,960	\$ 26,505	\$ 25,781	104%	\$ (723)
Primary 3 to <20 MW	\$ 224,885	\$ 223,797	\$ 250,761	\$ 234,467	104%	\$ (16,294)
Primary ≥20	\$ 1,317,497	\$ 1,320,036	\$ 1,504,173	\$ 1,373,559	104%	\$ (130,614)
Transmission	\$ 298,761	\$ 302,100	\$ 350,831	\$ 311,465	104%	\$ (39,367)



Bandwidth of Customer Class Increases – 3 Methods





Comparison of Methodologies

	Peak Demand (4CP)	Baseload, Intermediate, Peaking (BIP)	Average and Excess Demand (AED)
Allocation Perspective	Class Coincident Demand	Generation Supply	Efficiency
Industry Acceptance	Common	Limited	Common
Use in Texas	PUCT	Limited	PUCT
Nodal Market Applicability	Less	More	Less
Cost Shifting (Cost Causation)	On Peak	High Load Factor	Low Load Factor
AE DSM/EE Goals	Aligns	Less Supportive	Aligns



Austin Energy Recommends AED

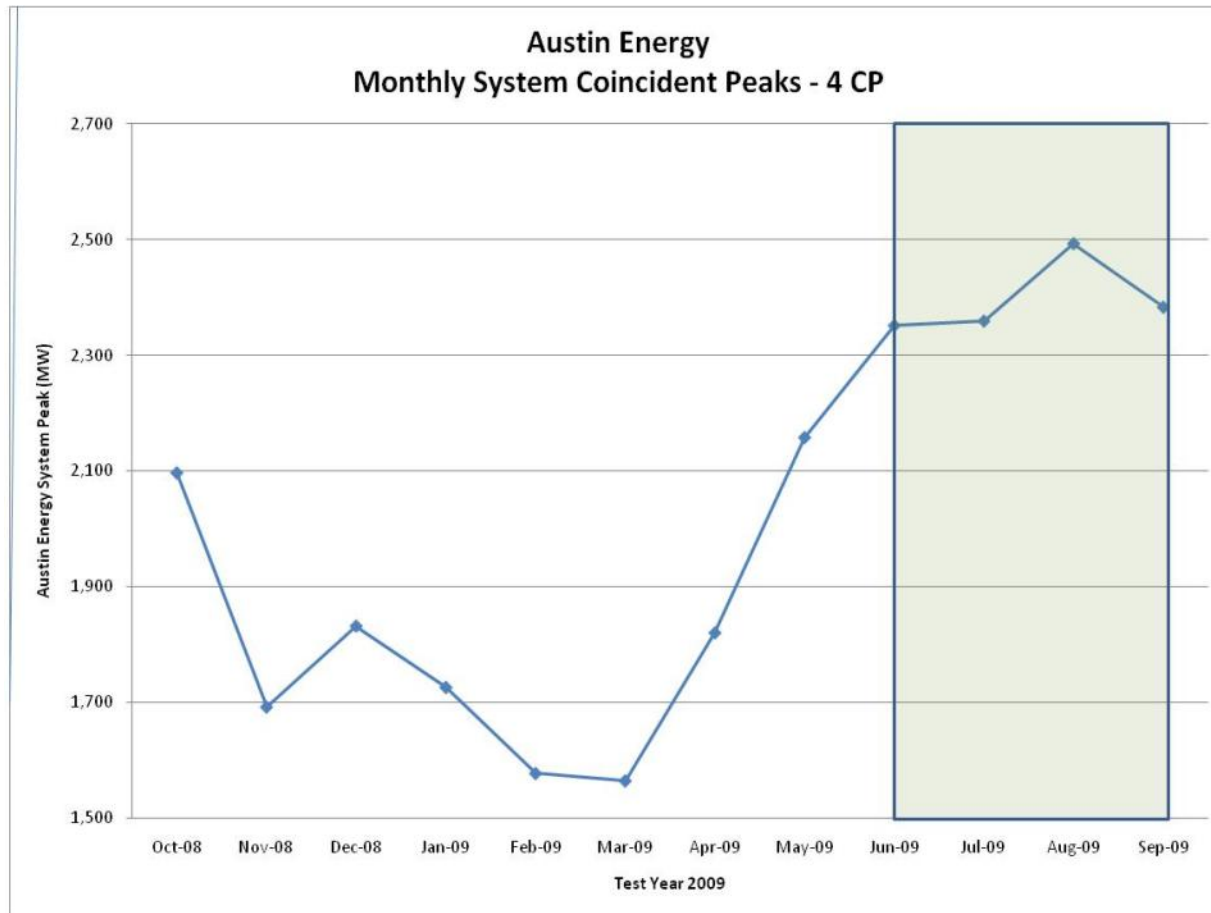
- The AED method recognizes that customers benefit from both demand and energy produced from generation assets
- AED incorporates the class non-coincident peak (NCP), recognizing class load factors
- AED provides an incentive for customers to lower demand usage (improve load factor), which aligns with AE's Strategic Goals
- The AED method is widely used: Variations of this method are recognized and have been accepted by the Texas PUC



Four Coincident Peak (4CP) Method

Rationale: Generation capacity is required to meet peak system demand

Process: Costs are allocated to customer classes based on the class contribution to the system peak in the 4 summer months (June – September)





Baseload Intermediate Peak (BIP) Method

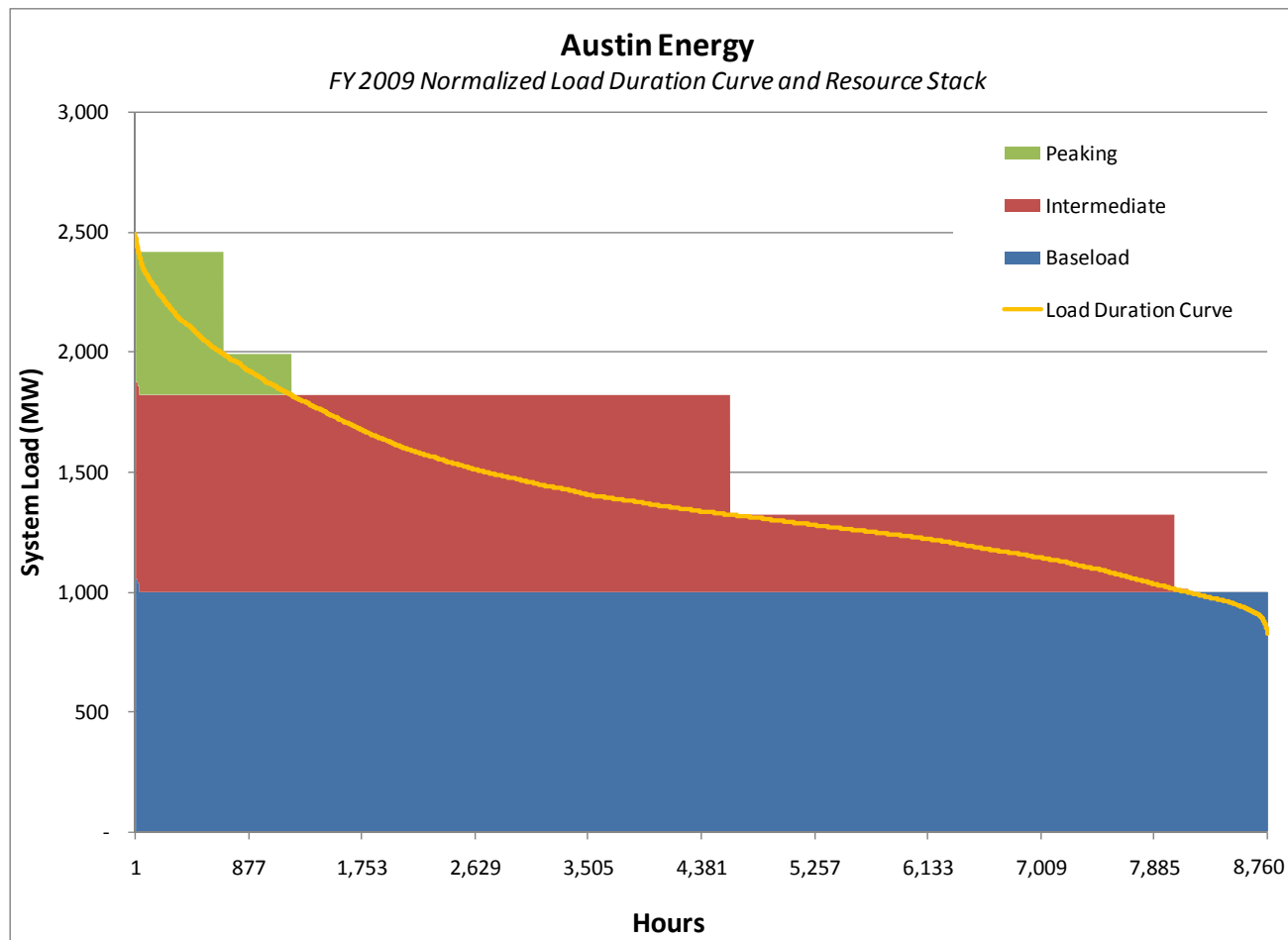
Rationale: Based on the underlying design and use of each type of generation by each customer class.

Process: Costs are sub-functionalized into baseload, intermediate and peaking generation.

Baseload is allocated to customer classes based on energy.

Intermediate generation is allocated to customer classes based on 12 Coincident Peaks (CP)

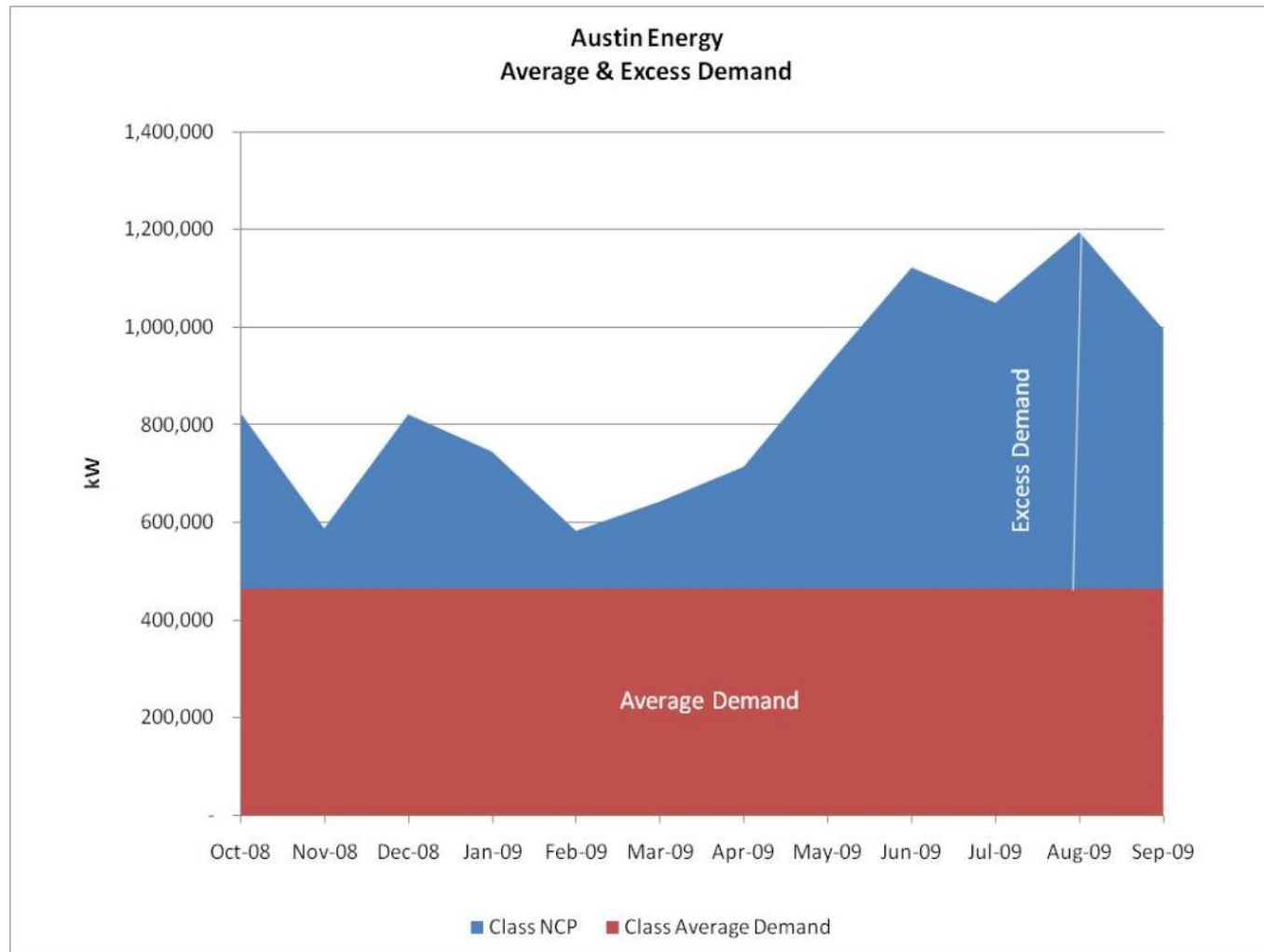
Peak generation is allocated to customer classes based on 4 CP.





Average & Excess Demand (AED) Method

Rationale: Generation provides value during peak and non peak periods.



Process: Costs are allocated to customer classes based on the mix of class Average Demand and Excess Demand.

Average Demand is equivalent to Energy.

Excess Demand is allocated on Non-Coincident Peak.



Questions

