



# Council Committee on Austin Energy

**June 23, 2014**

## Power Supply Adjustment and Other Rate and Fee Changes

**FY 2015**





# PSA-Proposed Budget 2015

- Power Supply Adjustment (PSA)
  - PSA recovers actual fuel and power costs on a dollar for dollar basis
  - Initial 2015 proposed PSA is based on a rolling 12 month period ended April 2014
  - Costs are increasing leading to a higher PSA
    - Proposed rate increases average residential bill by 2.2%
    - In line with increases experienced by other providers
  - Proposed rate will be updated with actual May, June & July costs for review during August budget deliberations



# PSA 2015 - Primary Drivers

## Market Factors

- Unusually cold winter – Demand up 5% for AE
- Higher demand in Texas and US has driven energy cost up
  - Natural gas prices increased 25%
  - AE Load Zone power prices increased 44%
  - ERCOT Ancillary Service prices increased 53%

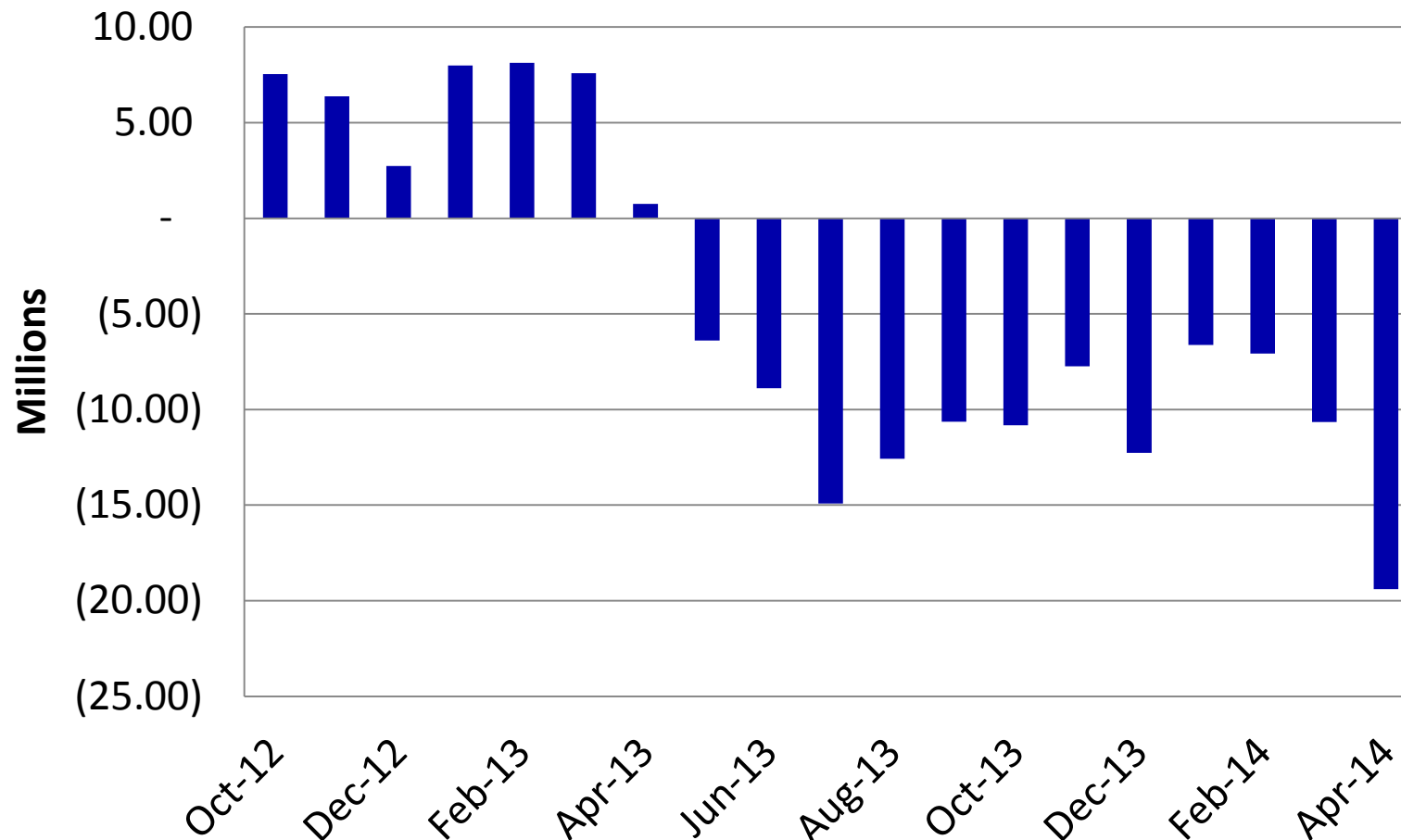
## Other Factors

- Under recovery increased \$4.4M (PSA)



# Power Supply Cost Current Under Recovery

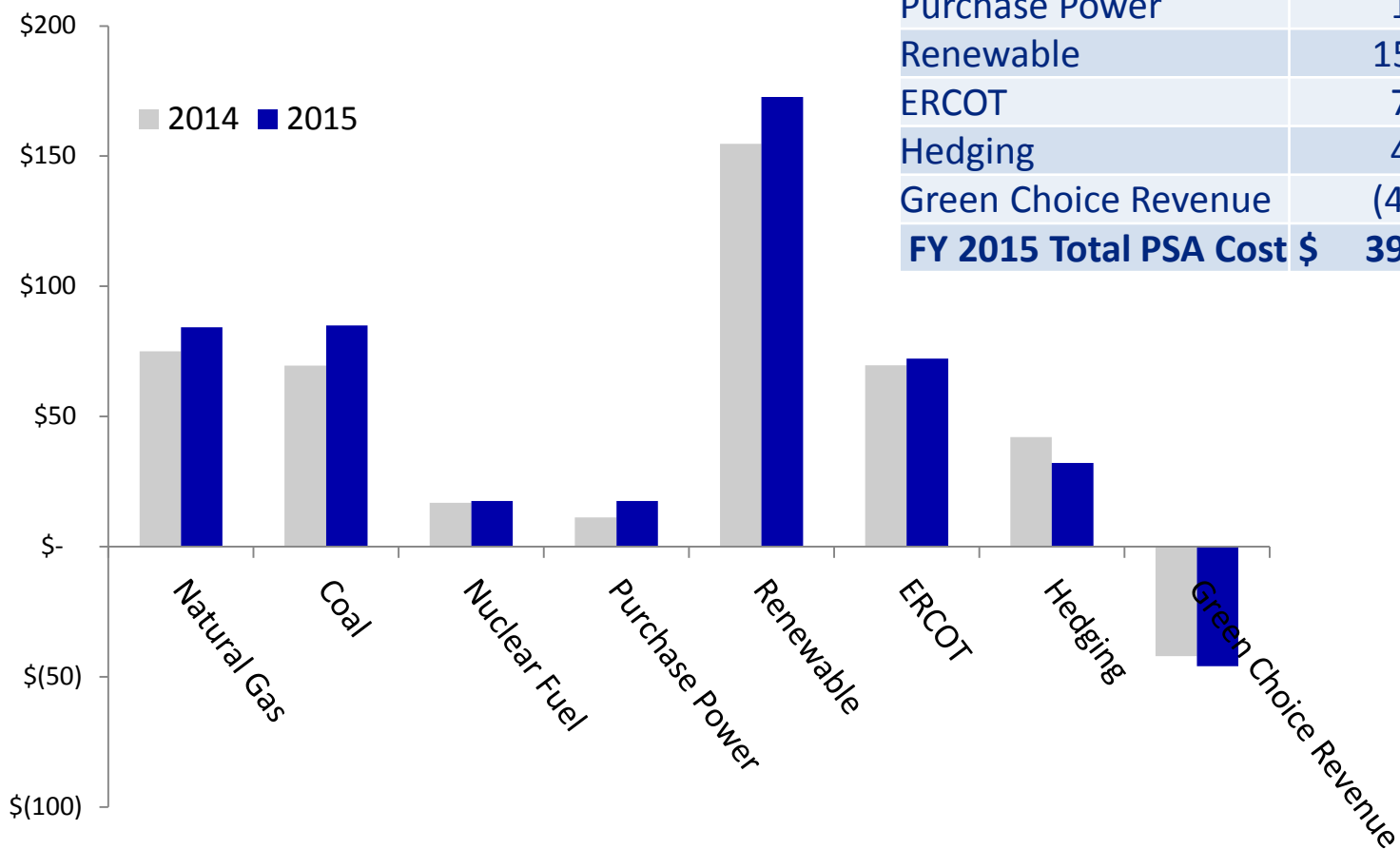
## PSA Over/(Under) Recovery – Inception to Date





# PSA COST COMPARISON

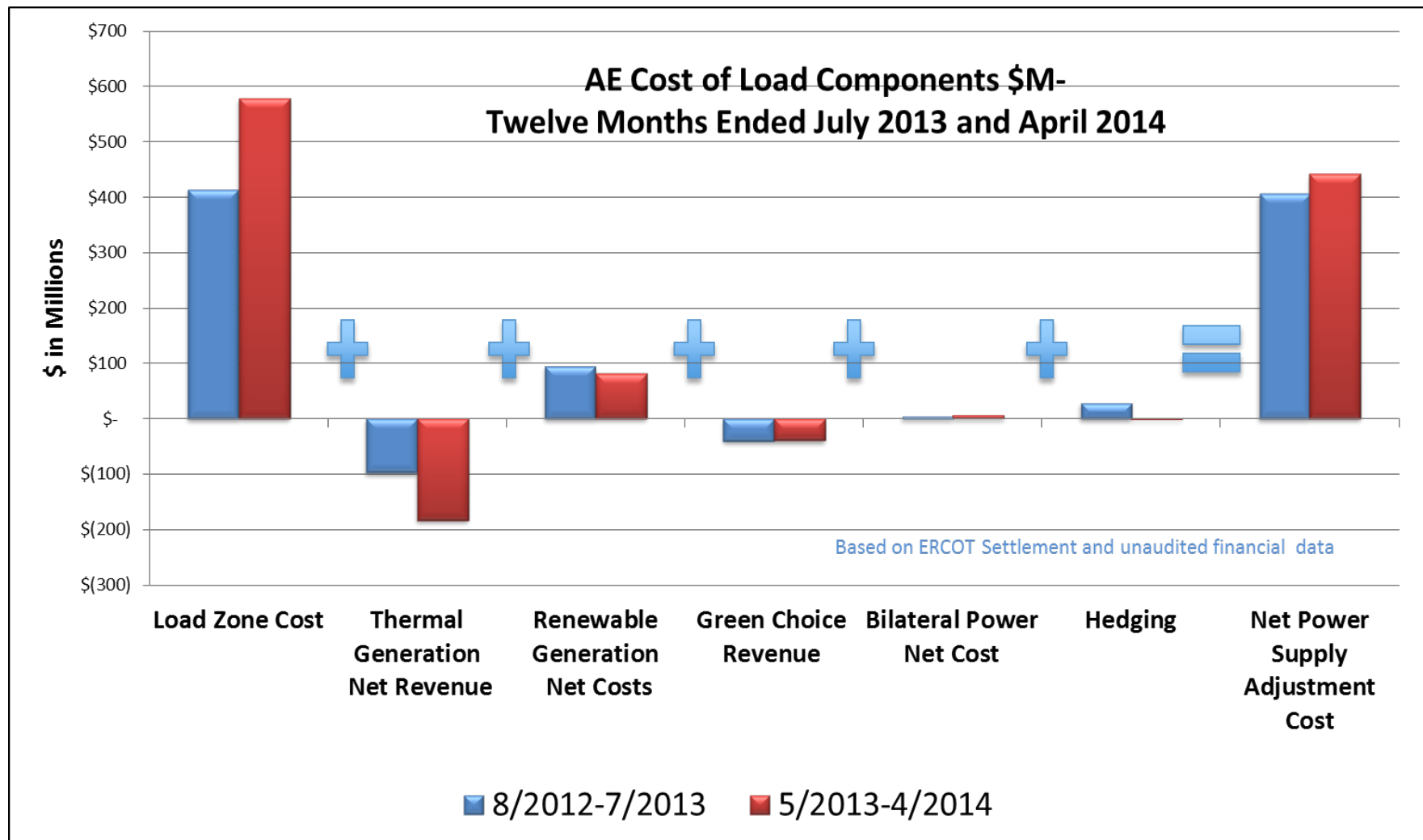
\$ in millions



(\$ in millions)	2014	2015
Natural Gas	\$ 75	\$ 84
Coal	69	85
Nuclear Fuel	17	18
Purchase Power	11	18
Renewable	155	173
ERCOT	70	72
Hedging	42	32
Green Choice Revenue	(42)	(46)
<b>FY 2015 Total PSA Cost</b>	<b>\$ 397</b>	<b>\$ 436</b>



# PSA COST COMPONENTS





# Power Supply Adjustment Formula

$$\text{Under Recovery} + ((\text{Historical \$} / \text{Historical kWh}) \times \text{Normalized kWh Forecast for PSA})$$
$$\$19 + ((\$436 / 11,742) \times (12,935 \times 70\%))$$



Normalized kWh Forecast for PSA  
(12,935 x 70%)

\$ in millions &  
GWh units

1. Over/Under (O/U) recovery from the latest closed month
  - Includes actual O/U as of 4/30/2014
  - Will be updated with actual O/U as of 7/31/2014 for the final rate
2. Use latest available rolling 12 months as the historical period
  - Historical 12 rolling months (May 2013 – April 2014)\*
  - Will be updated with most current 12 rolling months ended 7/31/2014\*
3. Normalized load forecast (kWh) period is 11/1/2014 - 10/31/2015

*\* Historical numbers may be adjusted for known and measurable changes*



# Power Supply Adjustment Rates

	Current Rate (cents/kWh)	Projected Rate Effective Nov. 1, 2014 (cents/kWh)
System Average	3.691	3.924
Secondary Voltage	3.709	3.943
Primary Voltage	3.625	3.853
Transmission Voltage	3.579	3.804

Final rates are subject to change following inclusion of May through July actual costs





# Regulatory Charge Increase

- Austin Energy's share of the statewide cost of using the transmission grid, as well as managing, expansion and upkeep of the lines
- Help bring more renewable energy from West Texas to the rest of the state
- Costs are reviewed, approved and apportioned by the Public Utility Commission of Texas. Other non-discretionary regulatory costs may also be included.

Under-recovery at the end of FY2013 was approximately \$2 million

True-up for FY2015 requires a 29% increase

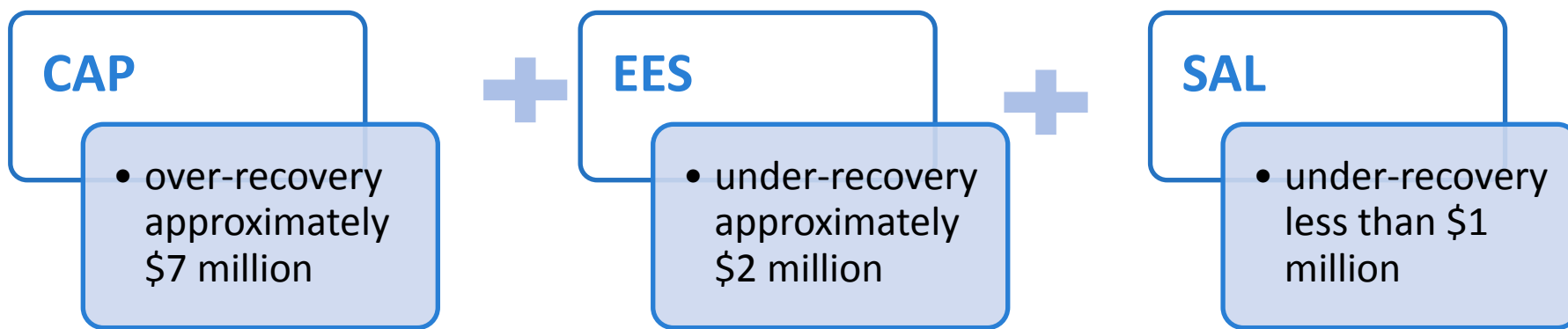
Target Recovery in 2015 is \$108 million



# Community Benefit Charge (CBC)

## *No Change in Budget FY 2015*

- Customer Assistance Program (CAP)
  - to provide utility bill assistance, weatherization, and discounts for qualifying low-income customers
- Energy Efficiency Services (EES)
  - AE's energy efficiency and distributed solar services
- Service Area Lighting (SAL)
  - to provide service area lighting throughout the City of Austin



*Over/Under Recovery at end of FY2013*



# Average Residential Customer Bill Impact

Unbundled 5-Tier Inclining Block Energy Rate (Inside City of Austin Customer)

Average Monthly Bill	Energy (kWh)	FY 2013-14 Rate	FY 2014-15 Rate	\$ Change	% Change
Customer Charge		\$ 10.00	\$ 10.00	\$ -	0.0%
Base Electricity Charge	1,000	\$ 43.50	\$ 43.50	\$ -	0.0%
Power Supply Adjustment (PSA)*	1,000	\$ 37.09	\$ 39.43	\$ 2.34	6.3%
Community Benefit Charge (CBC) **	1,000	\$ 6.65	\$ 6.65	\$ -	0.0%
Regulatory Charge***	1,000	\$ 7.94	\$ 10.27	\$ 2.33	29.3%
<b>Total Monthly Bill</b>	1,000	\$ 105.18	\$ 109.85	\$ 4.67	4.4%

\* The PSA is based on a non-approved forecast, as of May 23, 2014.

\*\* The CBC is based on the current rate.

\*\*\* The Regulatory Charge is based on an estimated, but unapproved, forecast as of May 23, 2014.



# GreenChoice® Reduction

**GreenChoice Reduced from 1 cent to .75 cent above PSA**



**Reduction Effective January 2015**



**Patron Fixed Rate Customer Calculation will be Developed**



# Average Residential GreenChoice® Bill Impact

Unbundled 5-Tier Inclining Block Energy Rate (Inside City of Austin Customer)

Average Monthly Bill	Energy (kWh)	FY 2013-14 Rate	FY 2014-15 Rate	\$ Change	% Change
Customer Charge		\$ 10.00	\$ 10.00	\$ -	0.0%
Base Electricity Charge	1,000	\$ 43.50	\$ 43.50	\$ -	0.0%
GreenChoice * (.75 cents > PSA)	1,000	\$ 47.09	\$ 46.93	\$ (.16)	(0.3)%
Community Benefit Charge(CBC)**	1,000	\$ 6.65	\$ 6.65	\$ -	0.0%
Regulatory Charge***	1,000	\$ 7.94	\$ 10.27	\$ 2.33	29.3%
<b>Total Monthly Bill</b>	1,000	\$ 115.18	\$ 117.35	\$ 2.17	1.9%

\*The PSA is based on a non-approved forecast, as of May 23, 2014 and is subject to change

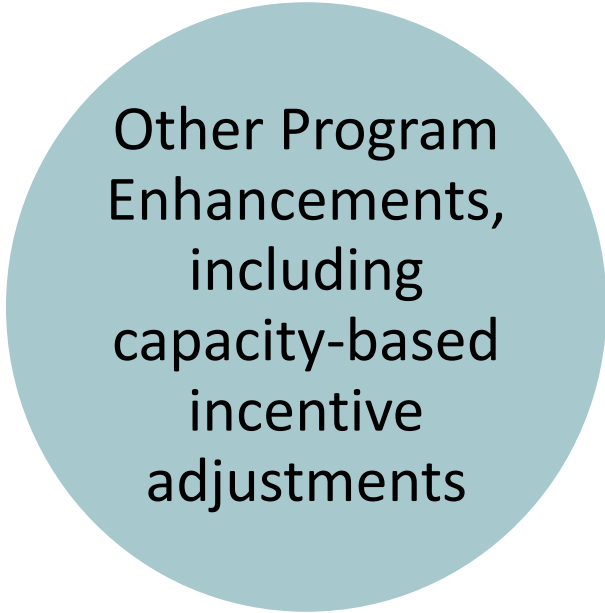
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# Residential Value of Solar (VoS) Change

- Remove 20 kW tariff cap
- Year-end credits roll over until/unless account is closed
- Applies to all electric services on premise in same customer name and customer class
- Enable equipment leasing
- VOS set annually through the budget process
  - Same methodology
  - 2015 assessment lower due to lower gas price forecast
  - 2015 factor based on historic rolling average to smooth



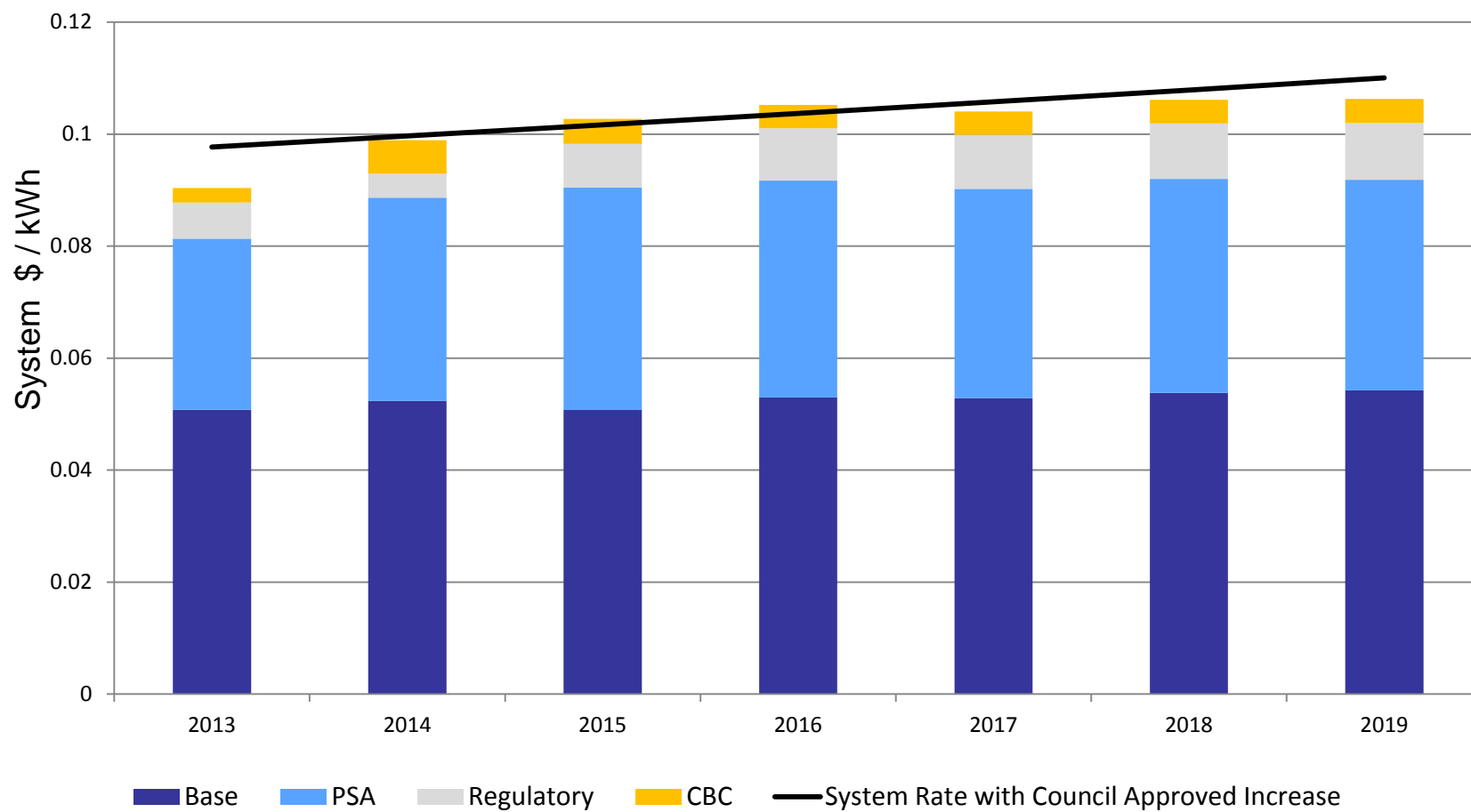
Other Program Enhancements, including capacity-based incentive adjustments



New VoS Factor
11.3 cents/kWh
Effective January 2015



# AFFORDABILITY CHART





# Fee Changes

Changes to Fee Schedule	Current Fee	Proposed Fee
Line Extension Fee- to establish new service	Est Cost >300 ft	Estimated Cost
Non-scheduled disconnect (non emergency)	New	\$ 170
Impacted streetlight pole (without replacement)	\$ 289	\$ 360
Hit and damaged streetlight pole	Cost	\$ 3,460
Impacted utility pole (without replacement)	\$ 482	\$ 560
Hit and damaged utility pole	Cost	\$ 5,750
Hit and damaged pad mount transformer	Cost	\$ 7,020
Dual Feed initial assessment fee	\$ 4,000	\$ 6,000





## Next Steps – August CCAE Meeting

- Proposed PSA rate will be updated with May - July costs
- Review and approve final PSA rate during August budget deliberations
- Review possible changes to Regulatory and Community Benefit Charges at that time
  - This will include overall impacts to customer bills and affordability



# PSA and Other Rate Changes

**Questions?**