

Austin City Council Policy Discussion: Austin Energy

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General Manager



Understanding Public Power

- We are **consumer-owned and consumer-focused**. Our industry looks to the ultimate policymakers, elected councils. The business is run like a private competitive one with shareholders being the city and ratepayers.
- There are **over 2,000 publicly owned entities** in the United States, most owned by a city. Some 70 towns and cities in Texas own their utility. Lower Colorado River Authority (LCRA) is a wholesale provider to most of the smaller ones and electric cooperatives. LCRA is a state agency and an AE partner in generation and transmission.
- Austin and San Antonio are the 3rd and 2nd largest municipally owned utilities in the USA. Los Angeles is the largest.
- **American Public Power Association (APPA)** is our collective trade and education organization.
- The **Large Public Power Council (LPPC)** is our national peer group.
- 75% of U.S. electric customers are served by private entities; 25% by electric cooperatives, municipals and other public power organizations.

Public Power: Among 20 Largest U.S. Cities



City	City
New York	Los Angeles*
Chicago	Houston
Philadelphia	Phoenix
San Antonio*	San Diego
Dallas	San Jose
Austin*	Indianapolis
Jacksonville*	San Francisco
Columbus	Charlotte
Fort Worth	Detroit
El Paso	Memphis*

* Cities that own their electric utility



Early History of Austin Energy

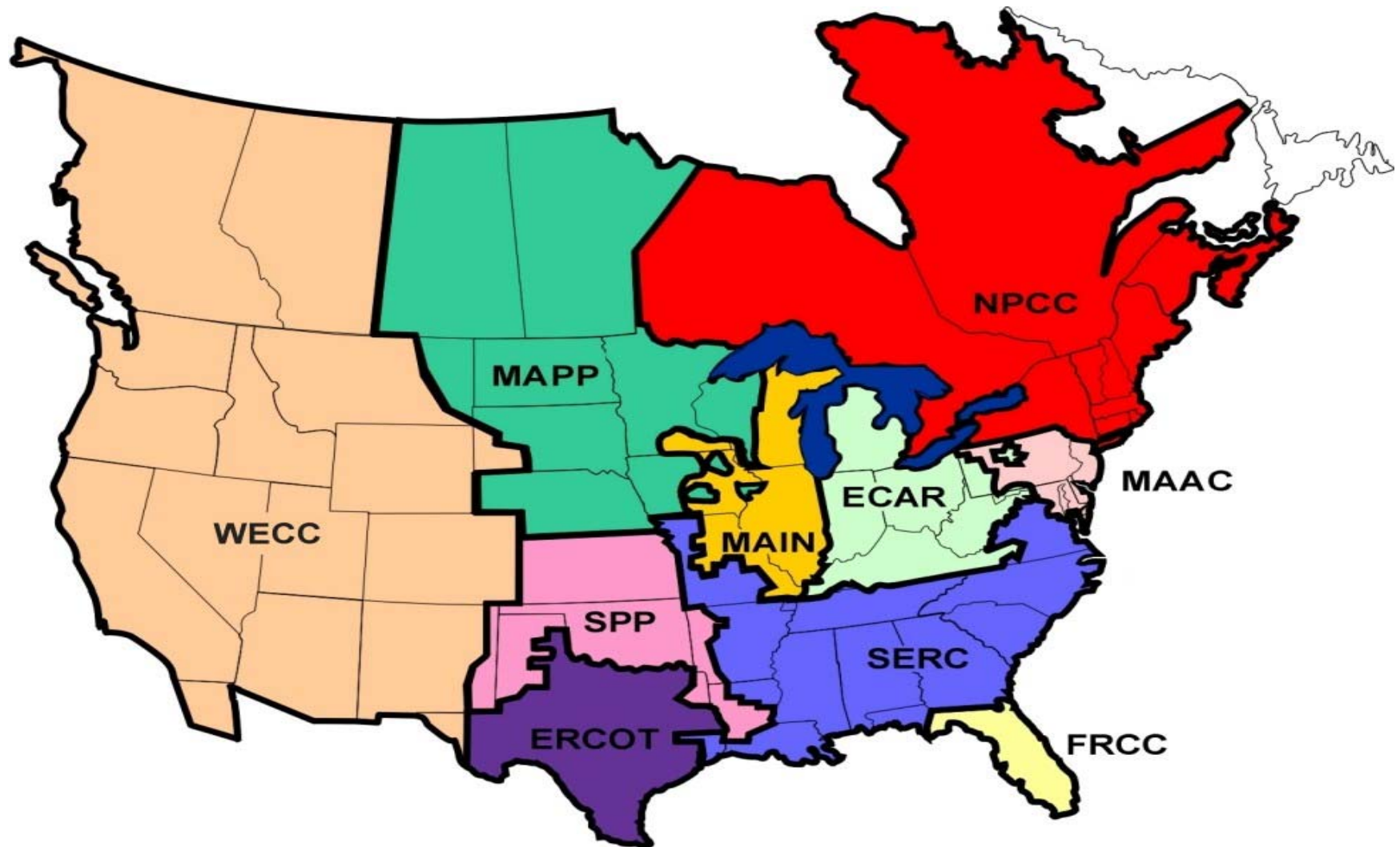
- 1895-1920 -- Initial struggle to own power supply and distribution system.
- 1930-1970 -- Expansion of natural gas and oil power generation power projects Seaholm, Holly and Decker. AE serves 100,000 customers by 1963.
- 1980-1990 -- Partners in coal and nuclear power and now serves 200,000 customers in 1985. Seaholm Power Plant retired in 1991. Federal laws create energy audits and conservation programs.



Contemporary History of Austin Energy

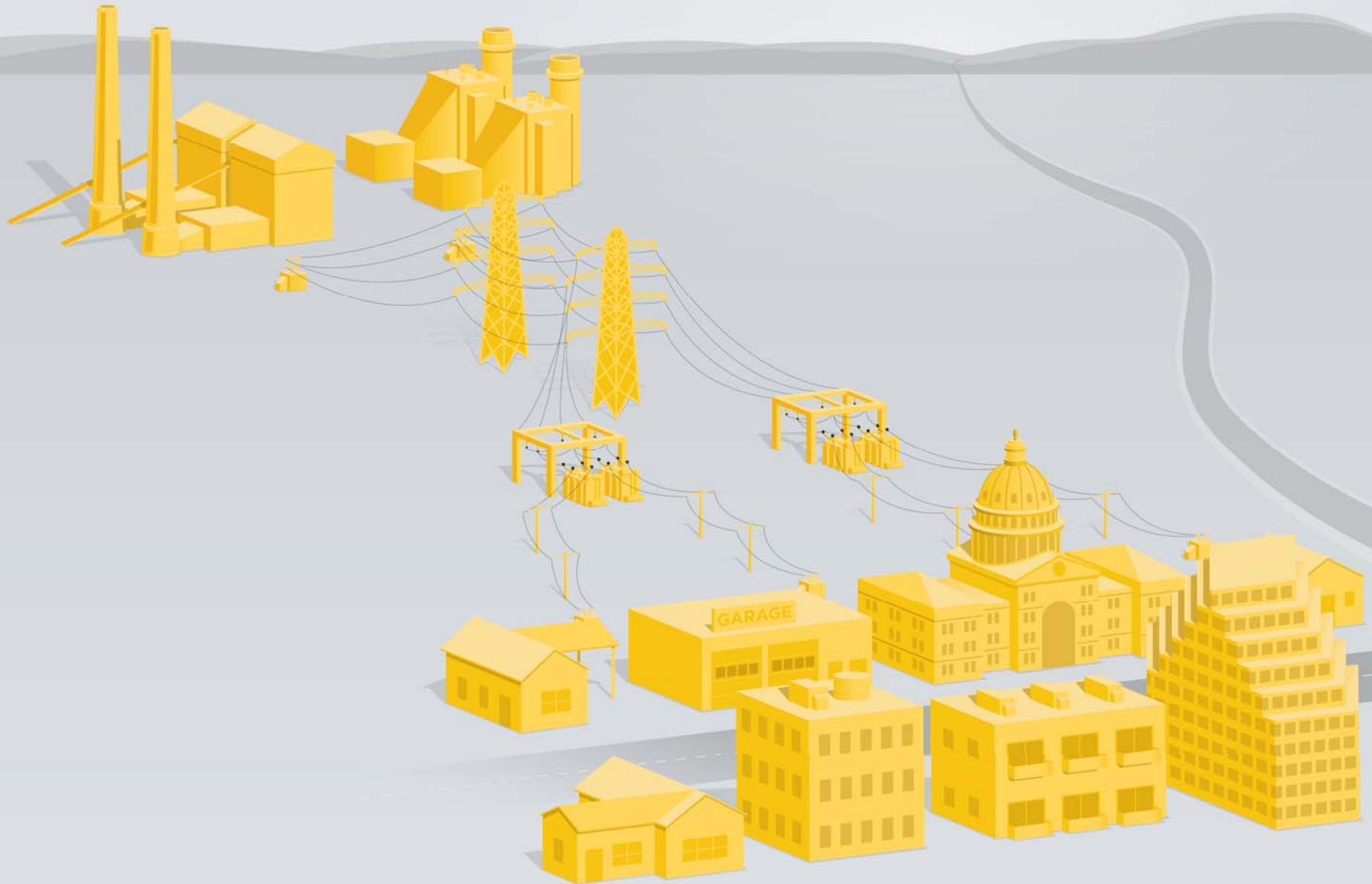
- 1995-2015 - Leadership in renewables and investment in wind and solar energy
- 1995 – Wholesale power trades deregulated. AE now serves 300,000 customers.
- 2000 – Electric Reliability Council of Texas (ERCOT) region deregulated private utilities; public power exempted. California Energy Crisis creates national impacts to public power.
- 2000-2010 – ERCOT market evolves to nodal design and a single control area/balancing authority. Fundamental shift from the past operations of generation. AE builds out Sand Hill Energy Center.
- 2007-2014 – Holly Power plant closed and decommissioned.
- 2010 Financial position of AE deteriorated due to rising costs and no rate increases for 16 years; reserves exhausted.
- 2012 – Retail rates for all customer classes redesigned and increases approved to increase AE revenues. AE now serves over 440,000 customers.

North American Electric Grid Regions



HOW IT IS ALL CONNECTED: THE OLD WAY

Austin Energy Serves the Community

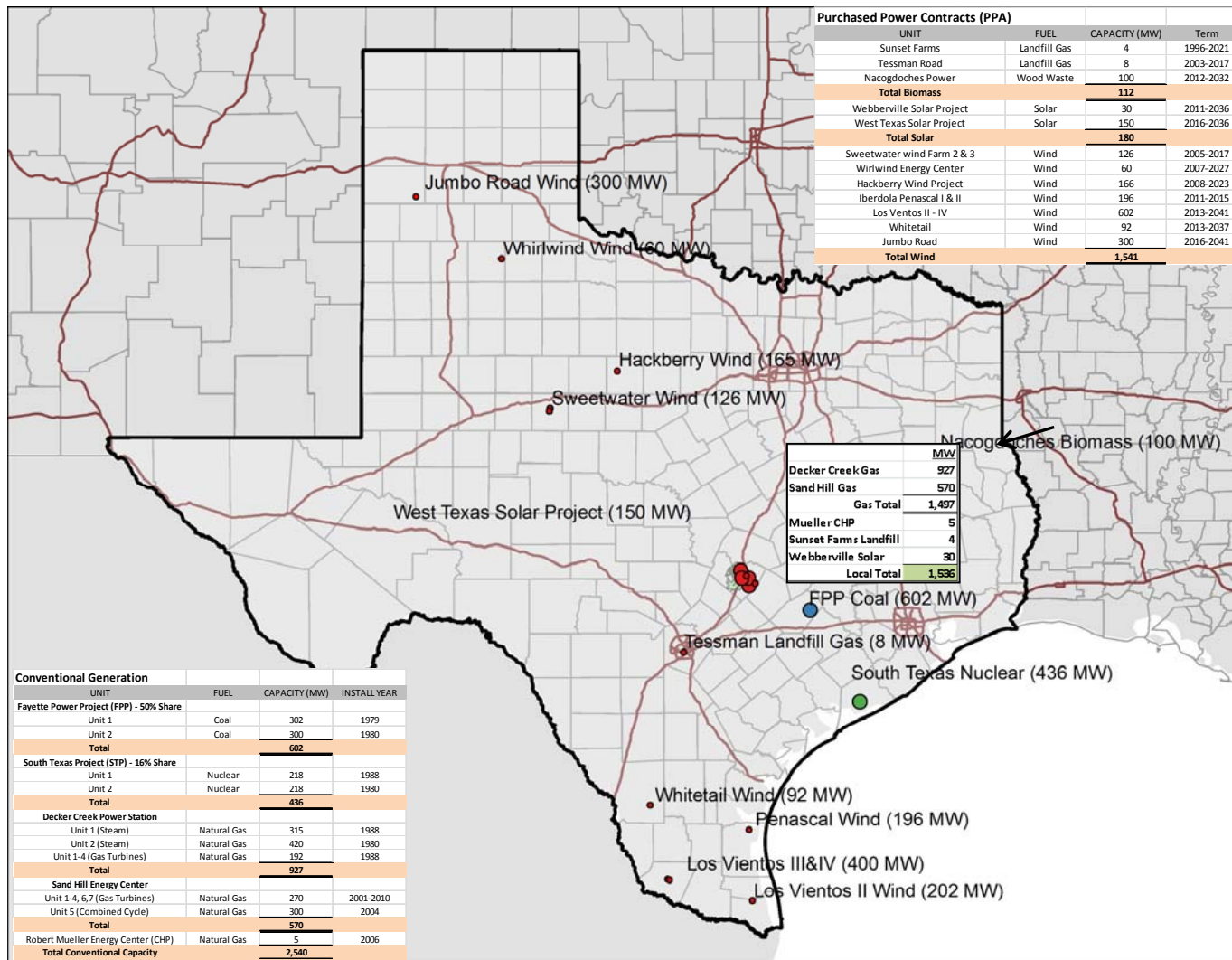


HOW IT IS ALL CONNECTED: THE NEW WAY

Austin Energy Serves the Community



Our Energy Production Portfolio

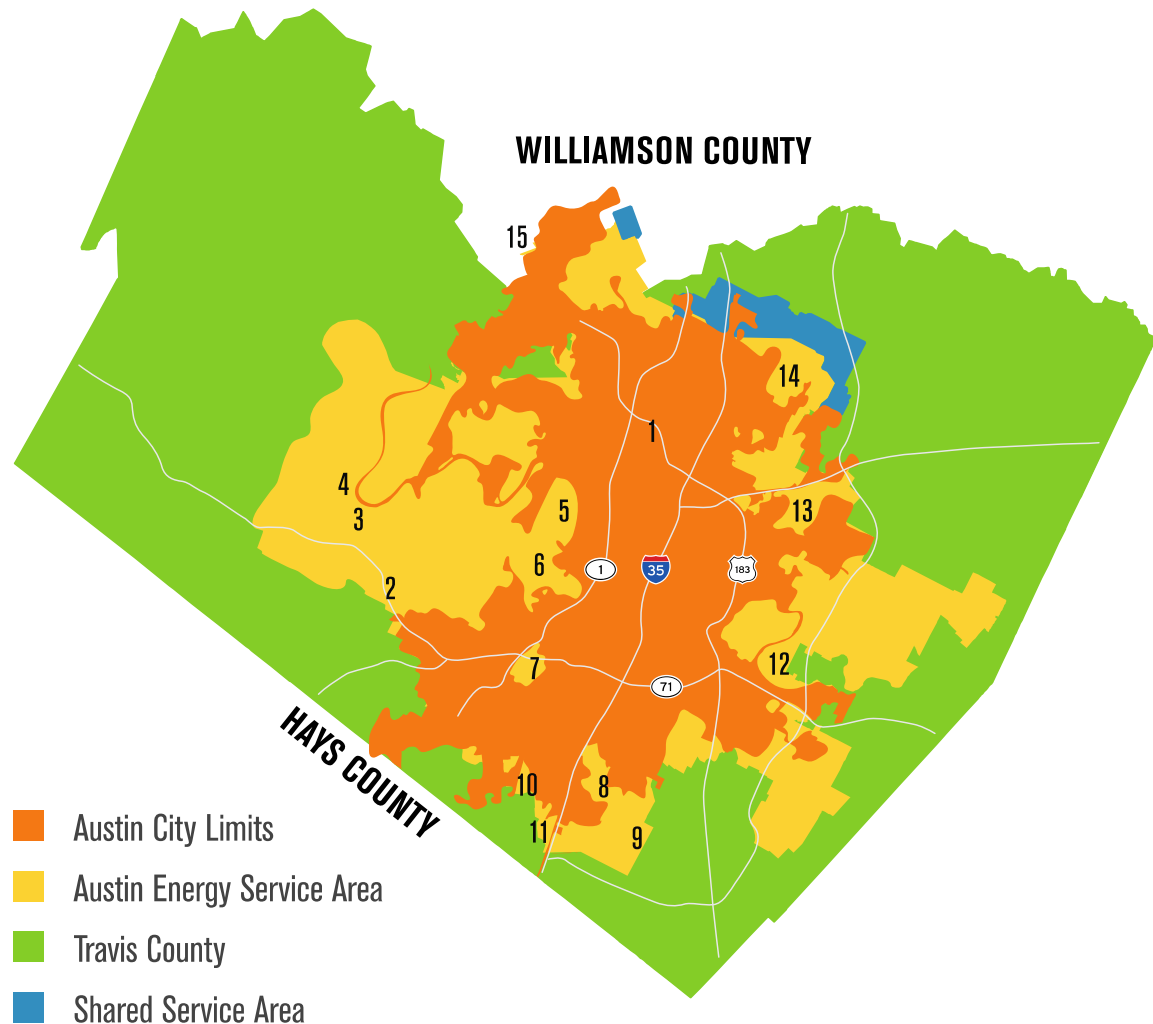




Information Sources

- Important facts and data delivery by:
 - Quarterly Report Overview
 - www.austinenergy.com
 - Council Committee Meetings
- Benchmarking is regularly conducted with peer utilities in a number of operational areas, overall statistics and within business units.
- American Public Power Association directory is a good source of comparative data across the industry.

Where We Serve



1. City of Austin
2. City of Bee Cave
3. Village of the Hills
4. City of Lakeway
5. City of Rollingwood
6. City of Westlake Hills
7. City of Sunset Valley
8. Village of Creedmoor
9. City of Mustang Ridge
10. Manchaca
11. Buda
12. Del Valle
13. Manor
14. Pflugerville
15. Cedar Park



Business Overview

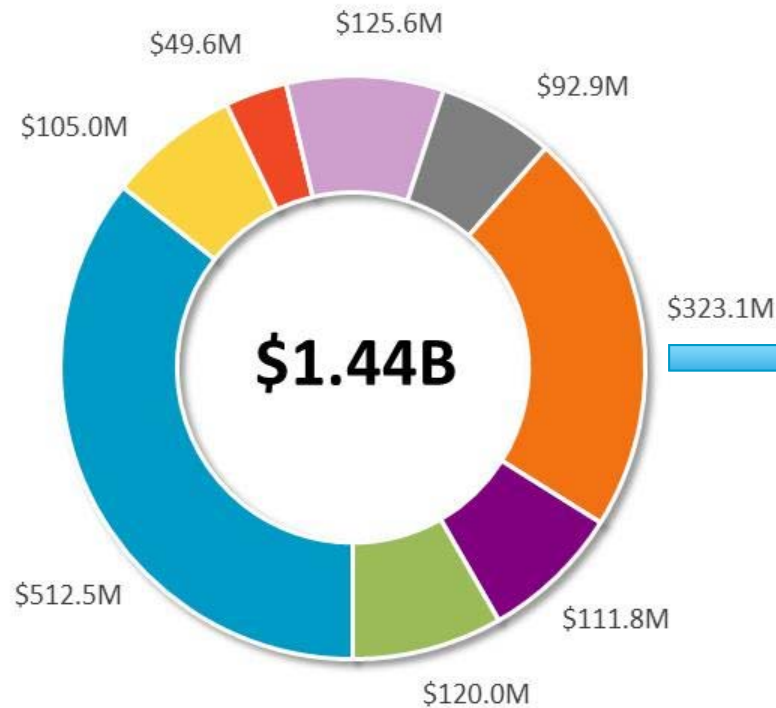
- \$1.4 billion enterprise fund budget, one-third of the City budget
- \$105 million transfer to the general fund
- \$50 million in shared city services based on approved calculations
- 1,673 full time employees and 775 contract employees.
- Operates, manages and administers billing system for all city-provided utility services, credit and collections
- Manages and operates the 311 system for the entire City. Other departments reimburse AE for those services

FY 2015 Operating Requirements



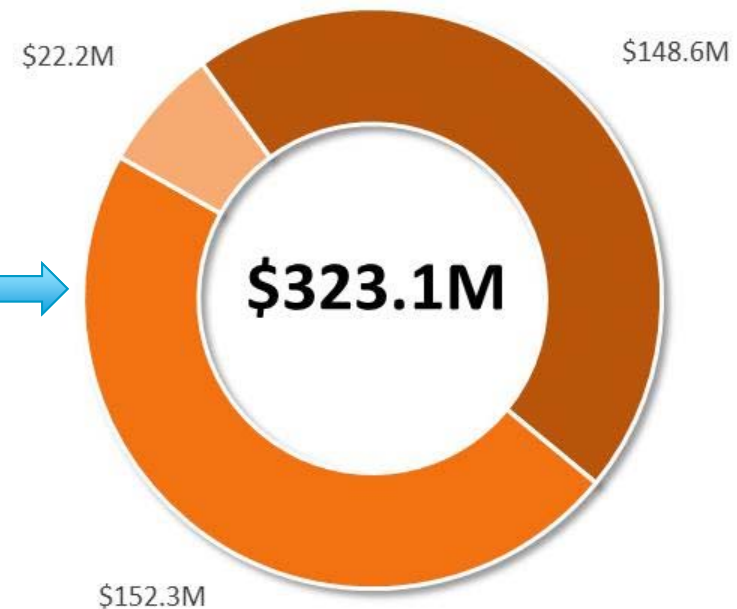
Operating Requirements

(\$ Millions)



Operations & Maintenance

(\$ Millions)



- Net Cost of Electricity
- City Services
- Joint Projects FPP/STP
- Internal Transfers/CIP/Reserves
- General Fund Transfer
- Transmission & ERCOT
- O&M
- Debt Service

- Personnel
- Contractuals
- Commodities



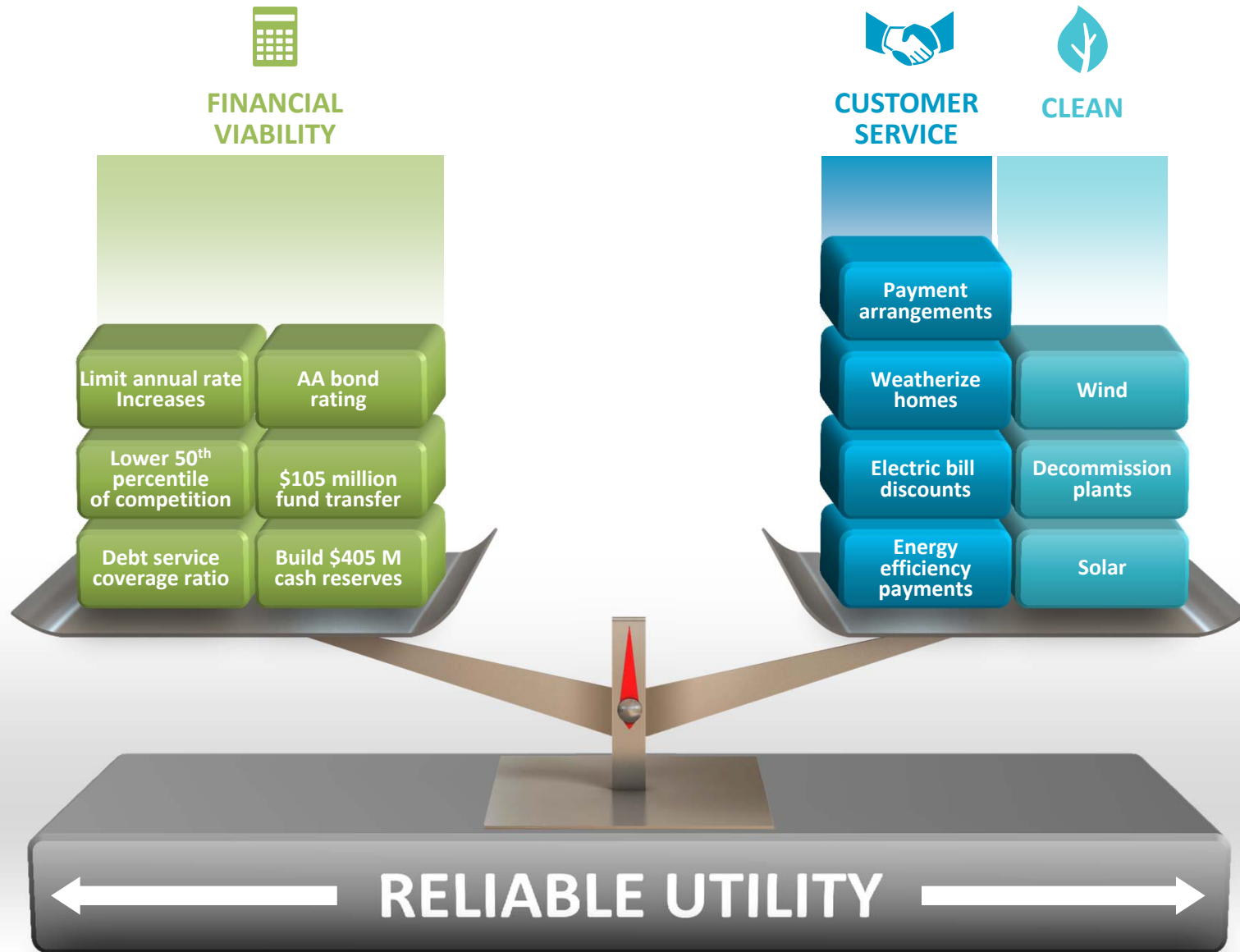
Austin Energy Challenges and Opportunities

- Ambitious goals and programs
- A state and national forum for big issues
- Staff challenges and opportunities for collaboration
- International R&D collaborations to create a more productive utility without raising cost

Our Mission:
Set by City of Austin Policies and Customer Priorities



Council Role: Balancing Interests and Goals





Business Issues Before City Council in 2015-2016

- Financial
 - Commercial paper refunding
 - Refinance current high-interest debt
 - Reserves policy
 - Affordability definition
 - Rate forecasts
 - Large customer contracts
 - Bad debt expense
- Arrearage management and deferred payment arrangements
 - Policy validation and discussions
- Facilities issues
 - Remittance processing relocation
 - Call Center relocation
 - Lease extensions
 - Crestview Reclamation Center
- Resource Plan independent review consulting reports and near term action plans
 - Solar Request for Proposal
 - Preliminary combined cycle gas turbine financial and engineering studies
- Climate Protection Plan compliance and cost impacts
- Community Benefits Charge policies
 - Energy efficiency and solar rebate program budgets
 - Customer Assistance Program eligibility and automatic enrollment

Benefits of Having a Reliable, Publicly Owned Utility



BENEFITS



OUR CUSTOMERS



OUR COMMUNITY



THE WORLD