



AUSTIN ENERGY

FY 2016 – 2020 Financial Forecast



Forecast Presentations:

www.austintexas.gov/finance

Austin Energy Overview

- *Mission: Deliver clean, affordable, reliable energy and excellent customer service*
- 8th largest publicly owned electric utility in the nation
 - 440,000 customers
 - 1 million residents
 - 2,714 MW peak demand
 - Over 12,000 miles of transmission & distribution Lines
- \$3.9 billion in total assets
- \$1.5 billion annual budget
- Vertically-integrated utility in a deregulated market

Forecast Overview

- Increasing revenues
- Profitable operations
- Improving cash reserves
- Stable repayment ability (Debt Service Coverage)
- Adequate debt capacity (ability to borrow)
- Planned plant expansion
- Uncertainty of Resource Generation Plan
- System average rate change at or below 2%
 - Decrease in Power Supply Adjustment (PSA)
 - Full Regulatory recovery by FY 2017; currently under-recovered

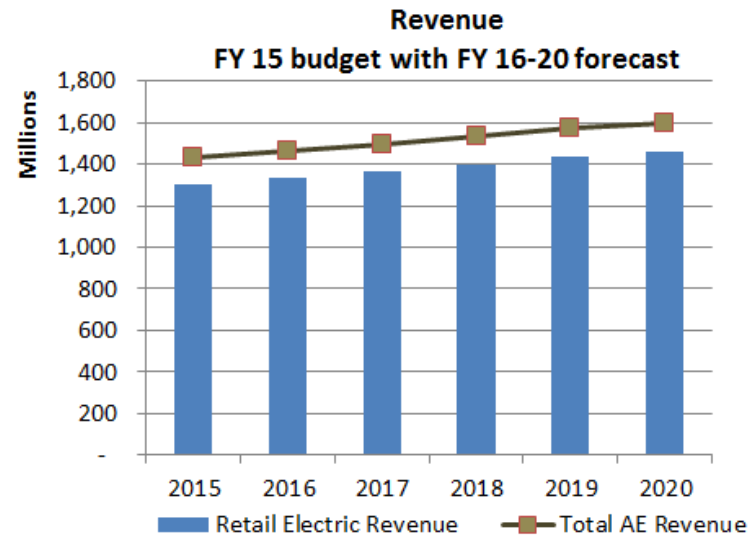
FY 2016 Revenue Forecast

Austin Energy (AE) Total Revenues

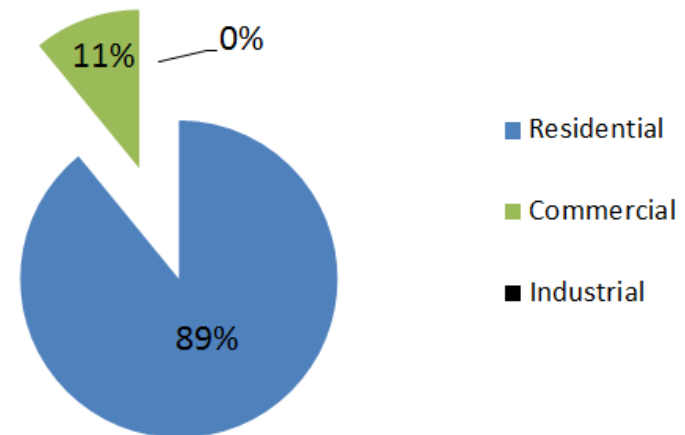
- Retail electric revenue is 90% of AE total revenue
- Electric revenue growth 2.28%
Compound Annual Growth Rate (CAGR)
FY 2016 through FY 2020 includes both
growth and rate increases

Revenue Drivers

- Customer growth CAGR 1.3%
- Normalized weather
- Base rate increases 1.9% in FY 2018
and FY 2020
- Changes to pass through
 - Power Supply Adjustment (PSA)
 - Transmission
 - Energy efficiency



Forecast FY 16 Number of Customers



Forecast Residential Bill Impact

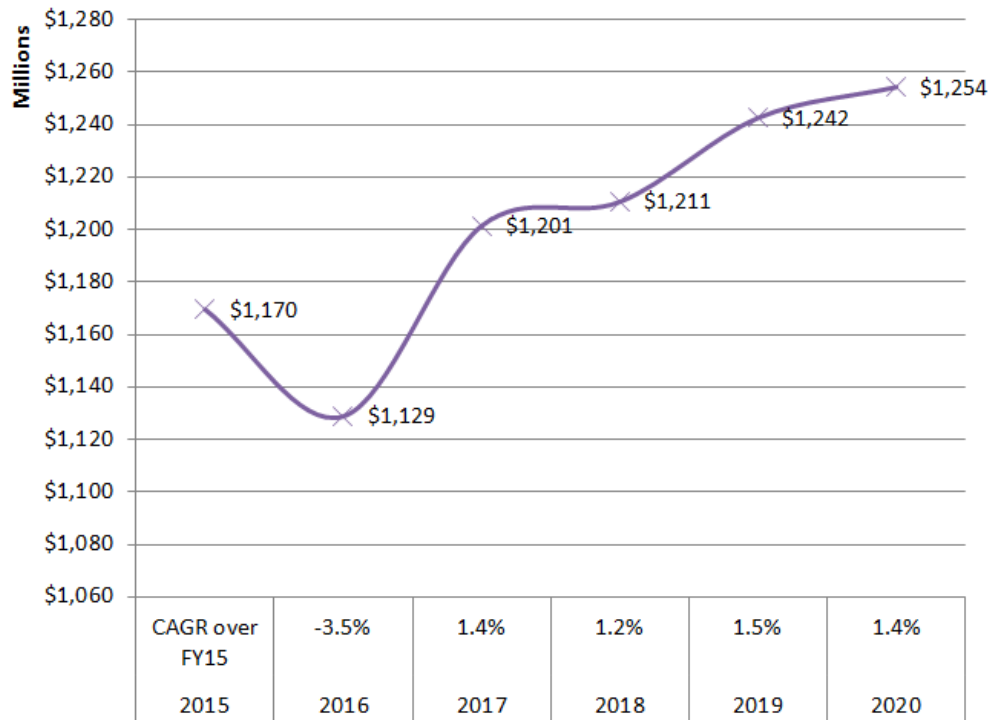
- Based on average monthly residential customer usage of 1000 kilowatt hours (kWh)

2015 Actual Rate	2016 Forecast Rate	2017 Forecast Rate	2018 Forecast Rate	2019 Forecast Rate	2020 Forecast Rate
\$107.90	\$109.01	\$109.01	\$110.03	\$110.03	\$111.07

Forecast O&M Expenses and Drivers

Operations & Maintenance (O&M) Expenses

Excludes debt service, capital improvement program (CIP) funding, reserve transfers



FY 2016

Increase in Wages & Insurance \$8M

Increase in City allocated costs

- Administrative support \$2M
- Communication & Technology Management (CTM) support \$0.6M

Increase in Department Cost

- Fayette Power Project (FPP) \$5M

Decrease in Department Cost

- Power supply costs (\$30M)
- South Texas Project (STP) (\$7M)

FY 2017-2020 Cost

Increase in City allocated costs

- Wages & Insurance \$29M
- City allocated costs \$8M
- General Fund Transfer (GFT) \$13M

Increase in Department Cost

- Power supply costs \$56M
- STP \$2M
- FPP \$1M

Decrease in Department Cost

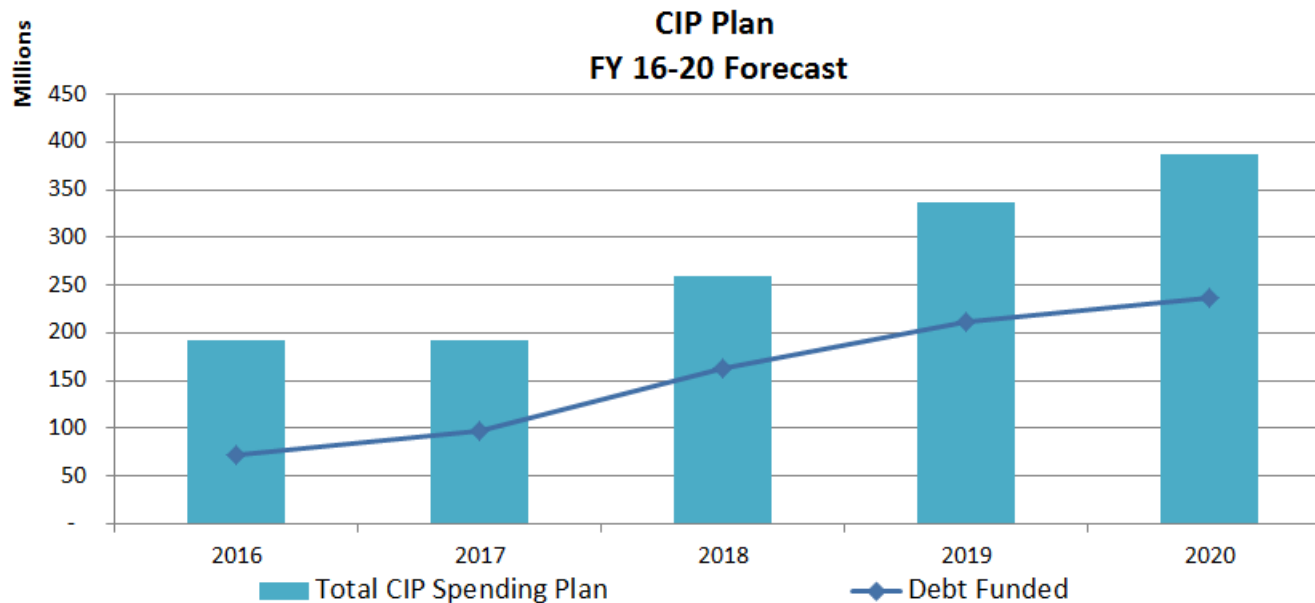
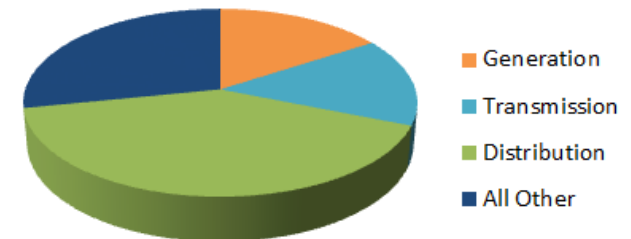
- Bad Debt (\$9M)

5 Year Capital Highlights

New Investments – \$ 1.4 billion

- FY 2016 CIP \$190M
- 5-year average \$273M per year
- Average funding 43% cash and 57% debt

2016 CIP Plan



\$500M included for Decker/Combined Cycle Combustion Turbine plant FY 2018 – FY 2020

FY 2016 Capital Plan

- Ultra filtered water system at Sand Hill Plant
- Plant upgrades at South Texas Project
- Distribution system growth and reliability
- Upgrades to the Dunlap, Kingsbery and Sprinkle distribution substation transformers
- Distribution projects for energy storage, automation & conservation voltage reduction
- Transmission upgrades for the Gilleland to Techridge and Kingsbery to Mueller circuits
- Downtown hotel On-Site energy connections
- Domain Chiller plant new cooling tower
- Electric vehicle fast charging stations
- New warehouse site for salvage & recycling operations

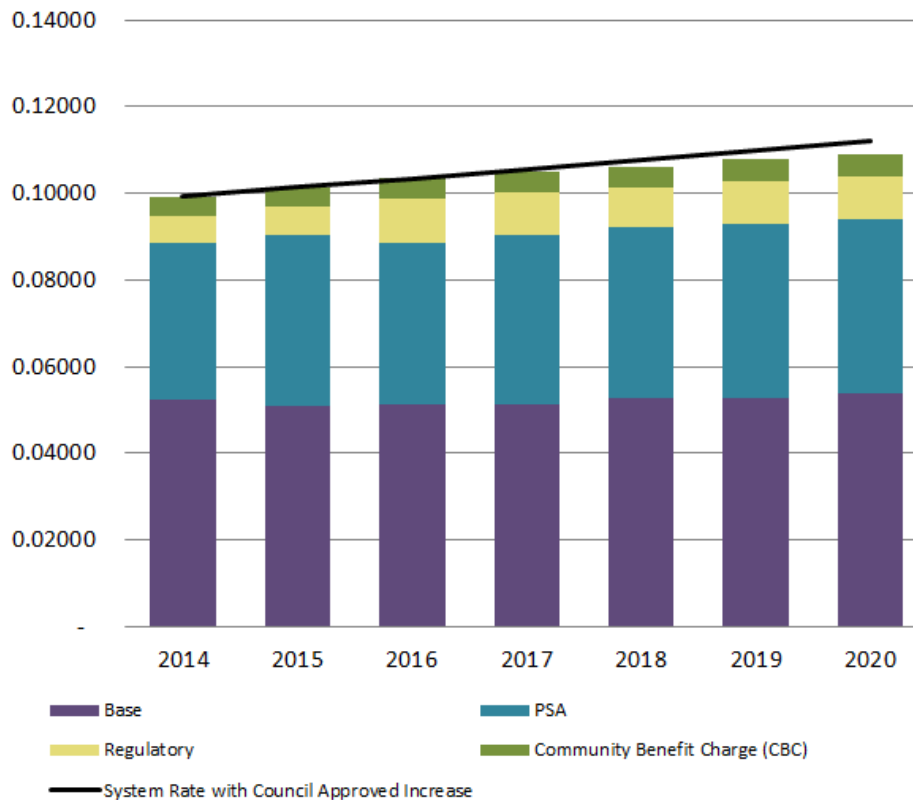


Austin Energy Fund Summary

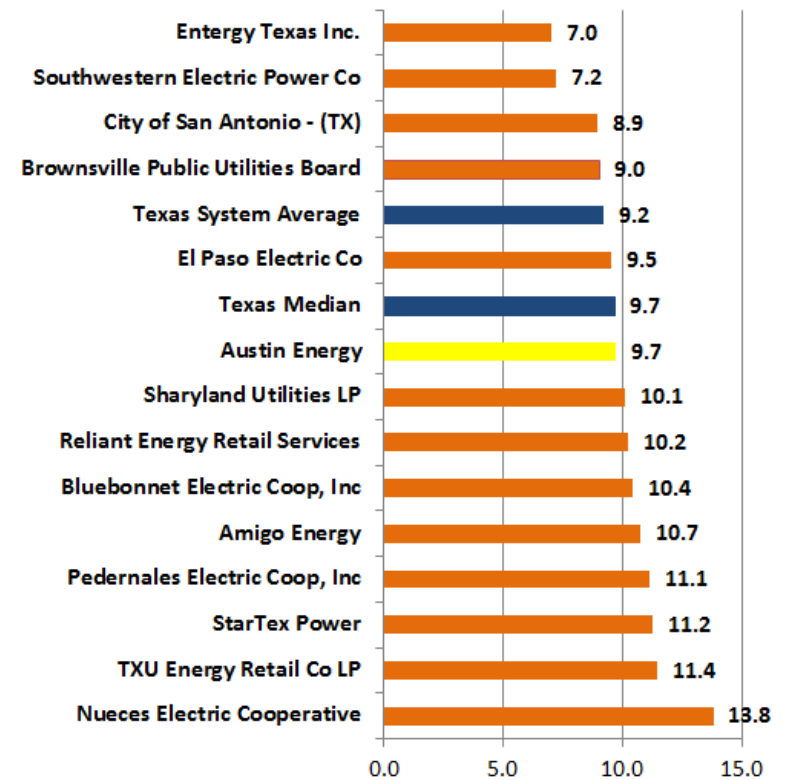
Austin Energy Fund Summary (in \$M)							
	FY 2015 Budget	FY 2015 CYE	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Beginning Balance	\$253.7	\$275.2	\$265.7	\$309.8	\$317.2	\$340.1	\$354.3
Revenues/Transfers In	1,430.9	1,430.9	1,462.2	1,498.6	1,533.2	1,572.0	1,600.4
<u>Requirements:</u>							
Total Program	1,064.5	1,064.5	1,023.8	1,092.4	1,097.5	1,126.5	1,136.2
Debt Service	120.0	120.0	124.3	120.1	120.0	136.2	152.2
CIP	67.8	67.8	78.7	83.9	81.4	109.7	135.6
General Fund Transfer	105.0	105.0	105.0	109.0	113.0	116.0	118.0
Support Transfers	38.5	38.5	39.9	41.1	42.7	45.2	47.9
Other Requirements	0.6	0.6	1.4	0.7	0.7	0.7	0.7
AE Reserve Transfers	44.0	44.0	45.0	44.0	55.0	23.5	13.6
Total Requirements	1,440.4	1,440.4	1,418.1	1,491.2	1,510.3	1,557.8	1,604.2
Excess (Deficiency)	(9.5)	(9.5)	44.1	7.4	22.9	14.2	(3.8)
Ending Balance	\$244.2	\$265.7	\$309.8	\$317.2	\$340.1	\$354.3	\$350.5
FTEs	1673	1673	1673	1683	1693	1703	1713

Affordability and System Average

Forecasted System average and 2% Council Affordability Line



2013 System Average Rates - Cents/kWh



The Texas Median represents the median rate of all Texas entities that serve Residential, Commercial, and Industrial customers.

Source: Energy Information Administration (EIA) Form-861 2013 Data

Austin Energy Ratios

Forecast Ratios						
	Credit Rating Target	FY 2016	FY2017	FY 2018	FY 2019	FY 2020
Days Cash on Hand	150	147	150	173	180	182
Cash and Reserve Balances (in millions)		\$412	\$449	\$519	\$556	\$567
Debt Service Coverage (Fitch calculation includes GFT)	2.0	2.59	2.28	2.66	2.43	2.26
Debt Service Coverage (excluding GFT)	2.0	3.53	3.38	3.63	3.27	3.05
Debt/Equity	50%	46%	46%	48%	49%	51%

Credit Rating Agency	Rate Range Default/Highest Risk-----Highest Credit Quality	Austin Energy's Rating
Fitch Inc.	D, C, CC, CCC, B, BB, BBB, A, AA , AAA + or – indicates strength or weakness in the assigned rating	AA-
Moody's	B3, B2, B1, Ba3, Ba2, Ba1, Baa3, Baa2, Baa1, A3, A2, A1 , Aa3, Aa2, Aa1, Aaa	A1
Standard & Poor's	D, C, CC, CCC, B, BB, BBB, A, AA , AAA + or – indicates strength or weakness in the assigned rating	AA-

FY 2016 Outlook

Opportunities

- Growing AE service area
- Unemployment is lower than the State and Nation
- Lower energy prices
- Resource Generation Plan

Challenges

- Electric Reliability Council of Texas (ERCOT) market and resources
- AE reserve levels below target
- Bad debt
- Significant number of key professionals eligible to retire
- Competition for utility skilled labor
 - Professional, service crews, customer care, IT
- Balancing affordability goals with rising costs
 - Rate Stabilization Reserve
- Competing in deregulated market with low natural gas prices (low market prices)

For More Information

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www.austinenergy.com