



Austin Energy Cost of Service and Rate Review

August 22, 2016

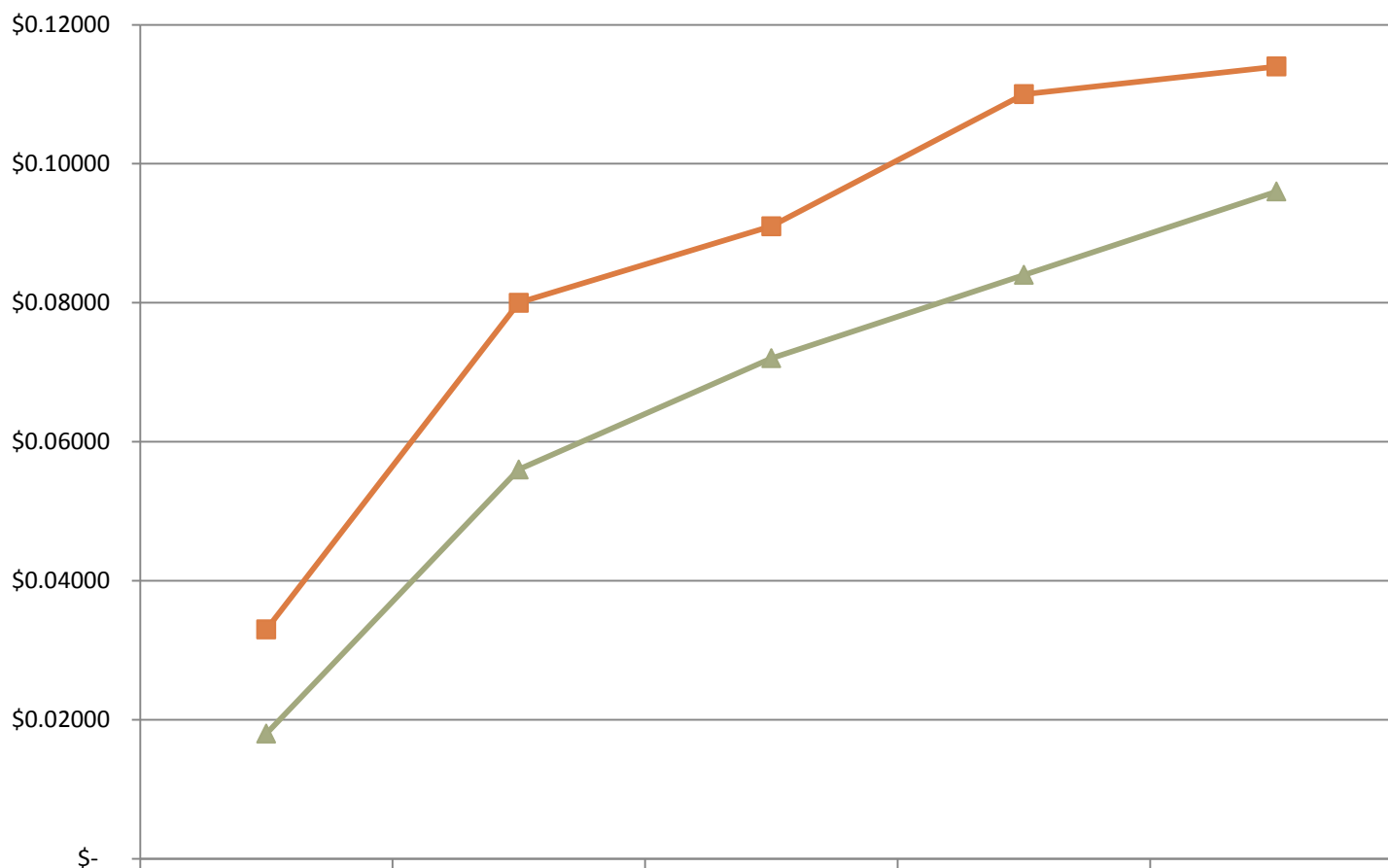




Rate Impacts



Residential Tier Structure: Current

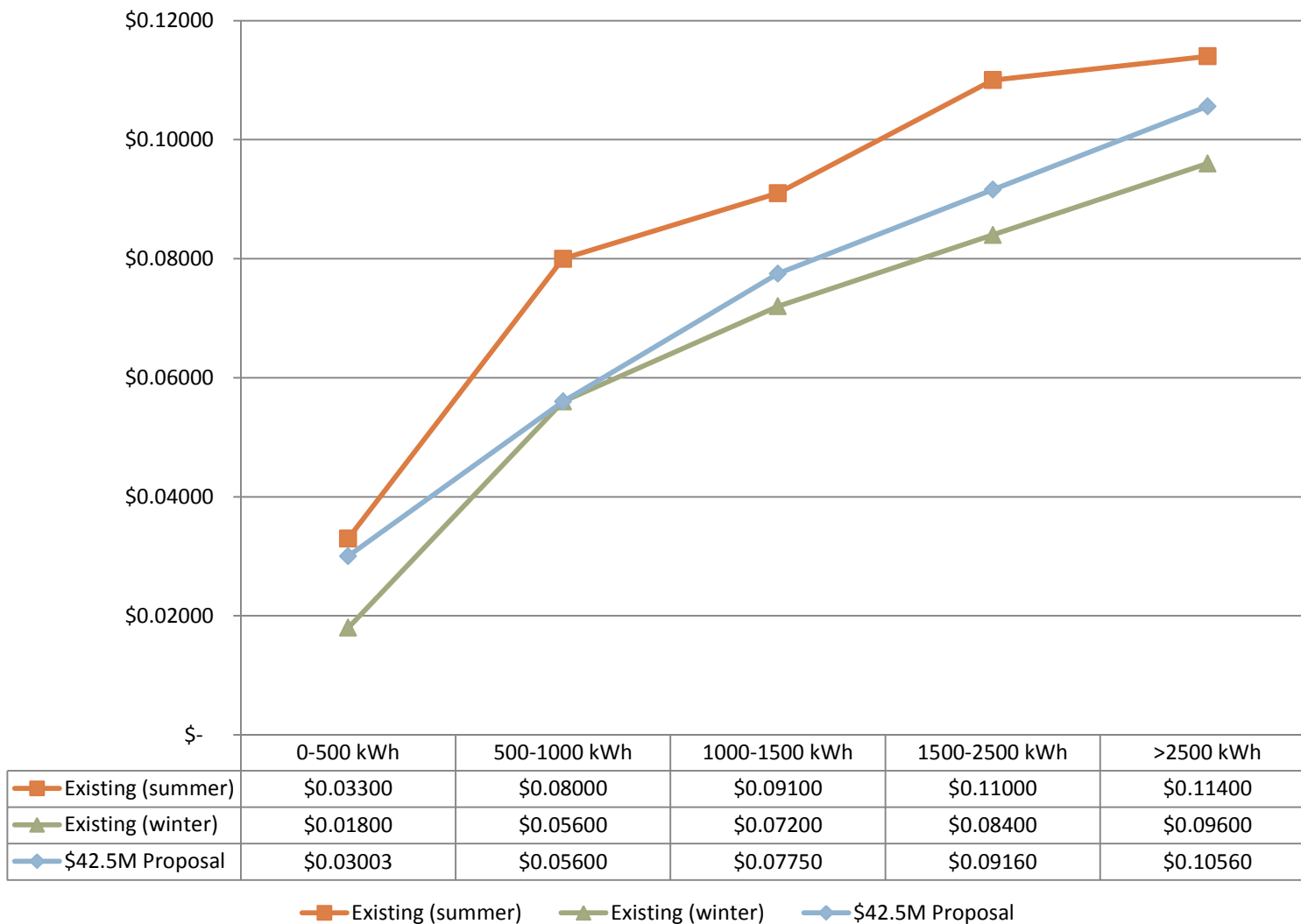


	1	2	3	4	5
Existing (summer)	\$0.03300	\$0.08000	\$0.09100	\$0.11000	\$0.11400
Existing (winter)	\$0.01800	\$0.05600	\$0.07200	\$0.08400	\$0.09600

Existing (summer) Existing (winter)

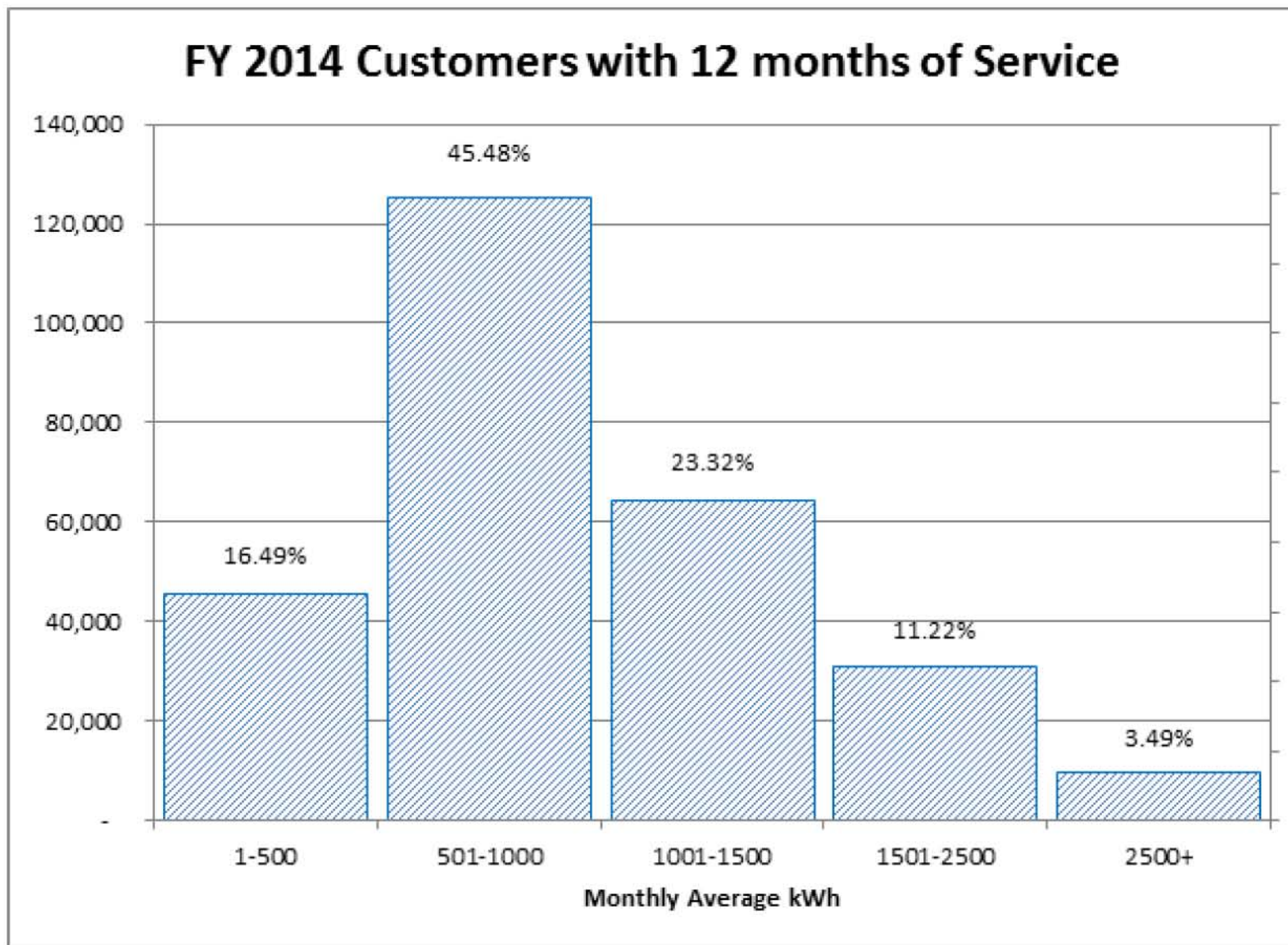


Residential Tier Structure: Current and Proposed





Residential Customers' Average Consumption by Tier





Residential Bill Impact Illustrations by Tier

Residential Customers* Monthly Charges - Existing and Proposed

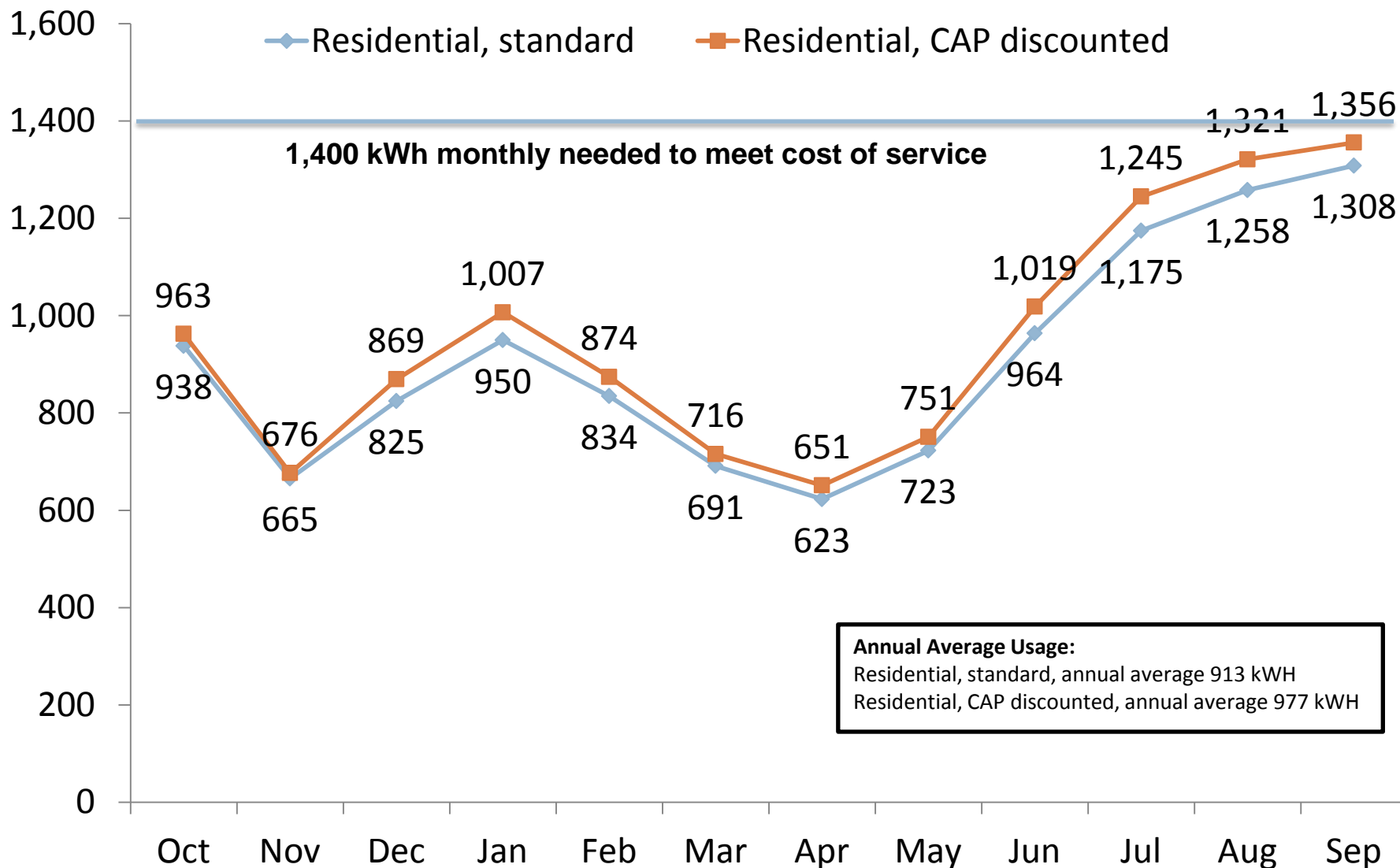
	Tier 1 Avg kWh: 460		Tier 2 Avg kWh: 960		Tier 3 Avg kWh: 1471		Tier 4 Avg kWh: 2459		Tier 5 Avg kWh: 3451	
Jan		\$21 \$25 ↑ \$3.87		\$60 \$65 ↑ \$5.28		\$99 \$105 ↑ \$6.36		\$295 \$313 ↑ \$17.71		\$270 \$286 ↑ \$16.04
Feb		\$25 \$29 ↑ \$4.55		\$41 \$47 ↑ \$5.31		\$68 \$74 ↑ \$5.26		\$188 \$199 ↑ \$11.12		\$317 \$336 ↑ \$19.12
Mar		\$23 \$27 ↑ \$4.27		\$57 \$63 ↑ \$5.28		\$73 \$78 ↑ \$5.25		\$236 \$250 ↑ \$13.86		\$300 \$318 ↑ \$18.02
Apr		\$18 \$21 ↑ \$3.31		\$56 \$62 ↑ \$5.28		\$85 \$90 ↑ \$5.71		\$165 \$175 ↑ \$9.78		\$321 \$340 ↑ \$19.40
May		\$20 \$24 ↑ \$3.71		\$65 \$70 ↑ \$5.27		\$119 \$127 ↑ \$7.28		\$194 \$206 ↑ \$11.46		\$359 \$381 ↑ \$21.95
Jun		\$51 \$47 ↓ -\$4.24		\$100 \$87 ↓ -\$12.92		\$165 \$146 ↓ -\$19.54		\$300 \$265 ↓ -\$35.04		\$429 \$387 ↓ -\$41.76
Jul		\$71 \$63 ↓ -\$8.12		\$128 \$113 ↓ -\$15.69		\$209 \$185 ↓ -\$24.73		\$350 \$312 ↓ -\$37.65		\$514 \$468 ↓ -\$46.25
Aug		\$57 \$52 ↓ -\$5.42		\$168 \$148 ↓ -\$19.91		\$288 \$254 ↓ -\$33.99		\$379 \$340 ↓ -\$39.16		\$637 \$584 ↓ -\$52.69
Sep		\$54 \$49 ↓ -\$4.93		\$140 \$123 ↓ -\$16.85		\$259 \$228 ↓ -\$30.55		\$380 \$341 ↓ -\$39.21		\$521 \$474 ↓ -\$46.59
Oct		\$20 \$23 ↑ \$3.66		\$75 \$80 ↑ \$5.25		\$147 \$156 ↑ \$8.79		\$234 \$248 ↑ \$13.73		\$392 \$416 ↑ \$24.15
Nov		\$13 \$16 ↑ \$2.50		\$39 \$45 ↑ \$5.31		\$96 \$102 ↑ \$6.23		\$166 \$176 ↑ \$9.85		\$297 \$314 ↑ \$17.80
Dec		\$16 \$19 ↑ \$3.02		\$35 \$40 ↑ \$5.32		\$67 \$73 ↑ \$5.26		\$232 \$246 ↑ \$13.62		\$335 \$355 ↑ \$20.33
	Avg Δ in bill \$0.51 Δ in annual bill \$6.18		Avg Δ in bill -\$1.92 Δ in annual bill -\$23.06		Avg Δ in bill -\$4.89 Δ in annual bill -\$58.67		Avg Δ in bill -\$4.16 Δ in annual bill -\$49.93		Avg Δ in bill -\$2.54 Δ in annual bill -\$30.48	
	Existing charges Proposed charges		Existing charges Proposed charges		Existing charges Proposed charges		Existing charges Proposed charges		Existing charges Proposed charges	

* actual customers illustrated. Calendar Year 2015.



Monthly Average Usage of CAP and non-CAP Customers

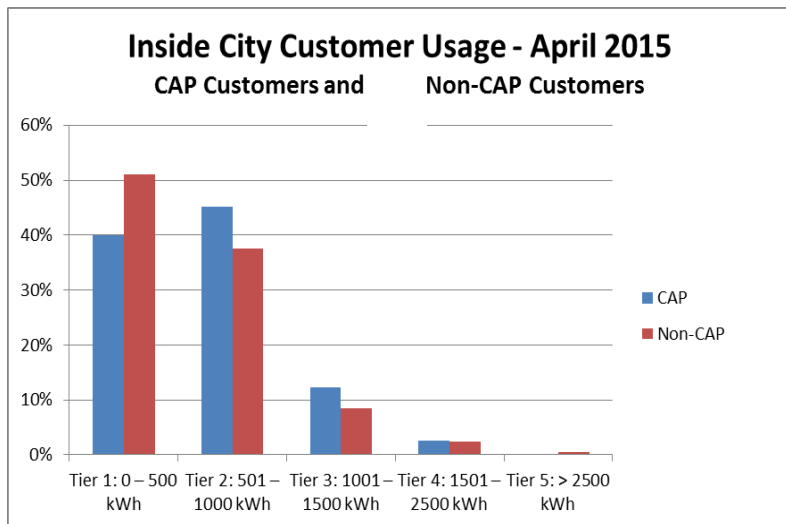
Austin Energy Monthly Average Residential Sales, FY2014



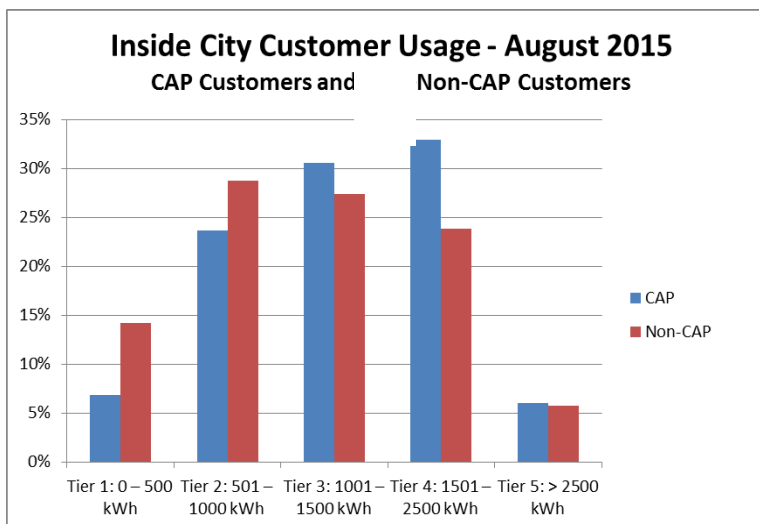


Tier Variability Across Seasons for CAP vs. non-CAP Customers

April 2015



August 2015



Fiscal Year	CAP	Non-CAP
APR-15		
Tier 1: 0 – 500 kWh	40%	51%
Tier 2: 501 – 1000 kWh	45%	38%
Tier 3: 1001 – 1500 kWh	12%	8%
Tier 4: 1501 – 2500 kWh	3%	2%
Tier 5: > 2500 kWh	0.2%	0.5%

Fiscal Year	CAP	Non-CAP
AUG-15		
Tier 1: 0 – 500 kWh	7%	14%
Tier 2: 501 – 1000 kWh	24%	29%
Tier 3: 1001 – 1500 kWh	31%	27%
Tier 4: 1501 – 2500 kWh	33%	24%
Tier 5: > 2500 kWh	6%	6%



Residential CAP Customers

Residential CAP Customers* Monthly Charges - Existing and Proposed

~500 Avg kWh/month Customer				~974 Avg kWh/month Customer				~1500 Avg kWh/month Customer																					
<div><div></div><div></div><div></div><div></div><div></div></div> <div>\$25.38</div> <div><div></div></div> <div>\$4.71</div>	<div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> <div>\$30.09</div> <div><div></div></div> <div></div>	<div><div></div><div></div><div></div></div> <div>\$19.86</div> <div><div></div></div> <div>\$3.69</div>	<div><div></div><div></div><div></div><div></div><div></div></div> <div>\$23.55</div> <div><div></div></div> <div></div>	<div><div></div><div></div><div></div></div> <div>\$19.35</div> <div><div></div></div> <div>\$3.59</div>	<div><div></div><div></div><div></div><div></div><div></div></div> <div>\$22.94</div> <div><div></div></div> <div></div>	<div><div></div><div></div><div></div></div> <div>\$17.22</div> <div><div></div></div> <div>\$3.20</div>	<div><div></div><div></div><div></div><div></div><div></div></div> <div>\$20.42</div> <div><div></div></div> <div></div>	<div><div></div><div></div><div></div></div> <div>\$19.63</div> <div><div></div></div> <div>\$3.65</div>	<div><div></div><div></div><div></div><div></div><div></div></div> <div>\$23.28</div> <div><div></div></div> <div></div>	<div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> <div>\$31.13</div> <div><div></div></div> <div>-\$1.16</div>	<div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> <div>\$29.97</div> <div><div></div></div> <div></div>	<div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> <div>\$42.93</div> <div><div></div></div> <div>-\$2.75</div>	<div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> <div>\$40.18</div> <div><div></div></div> <div></div>	<div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> <div>\$73.15</div> <div><div></div></div> <div>-\$8.51</div>	<div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> <div>\$64.65</div> <div><div></div></div> <div></div>	<div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> <div>\$78.25</div> <div><div></div></div> <div>-\$9.48</div>	<div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> <div>\$68.77</div> <div><div></div></div> <div></div>	<div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> <div>\$48.59</div> <div><div></div></div> <div>\$5.30</div>	<div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div> <div>\$53.88</div> <div><div></div></div> <div></div>	<div><div></div><div></div><div></div><div></div></div> <div>\$23.37</div> <div><div></div></div> <div>\$4.34</div>	<div><div></div><div></div><div></div><div></div><div></div><div></div></div> <div>\$27.71</div> <div><div></div></div> <div></div>	<div><div></div><div></div><div></div><div></div></div> <div>\$20.84</div> <div><div></div></div> <div>\$3.87</div>	<div><div></div><div></div><div></div><div></div><div></div><div></div></div> <div>\$24.71</div> <div><div></div></div> <div></div>	Avg Change in monthly bill \$0.87		Avg Change in monthly bill -\$2.12		Avg Change in monthly bill -\$3.39	
Change in annual bill \$10.46		Change in annual bill -\$25.48		Change in annual bill -\$40.65																									
<div><div></div> Existing charges</div> <div><div></div> Proposed charges</div>				<div><div></div> Existing charges</div> <div><div></div> Proposed charges</div>				<div><div></div> Existing charges</div> <div><div></div> Proposed charges</div>																					

* actual customers illustrated. Calendar Year 2015.



Financial Policy Revisions



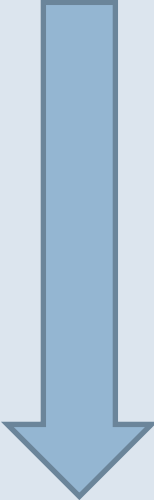
Reserve Fund Policy Changes

Existing Reserve	New Reserve	New Function
Working Capital	Working Capital	Day-to-day cash management
Strategic Reserve	Eliminated	--
Emergency Reserve	Eliminated	--
Contingency Reserve	Contingency Reserve	Mitigate risk of unforeseen events
Rate Stabilization	Power Supply Stabilization	Mitigate volatility of power supply costs and bill swings
Repair & Replacement	Capital Reserve	Infrastructure improvement, replacement, and additions



Reserve Funding Policies

Sum of all reserves will be a minimum cash equivalent of 150 days of operating, maintenance and power supply expense

Fund	Funding policy	Current Funds Available	Flow of Funds
Working Capital	Min of 60 days O&M less power supply plus amount needed to reach a minimum of 150 days cash on hand	145 days	
Contingency	60 days of O&M less power supply	60 days	
Power Supply Stabilization	90 days net power supply cost	90 days	
Capital	50% of previous year's depreciation expense	50%	
Total Days Cash On Hand		182 days	

Approving these changes would reduce AE's future revenue requirement from current policy



CAP Customer Choose Your Date (CYD)



Steps to Implement CYD for CAP

Review program details with COA legal.	August – December 2016
Develop training program, document processes, etc.	October – November 2016
User acceptance testing and configuration completed.	November 2016
Discount Steering Committee/Community Partners.	November 2016
Customer FAQ and CAP communication plan.	November 2016
Staff training and City utility education.	December 2016
Launch program for CAP Customers.	January 1, 2017



Report on Adoption of FY2017 Pass-through Charges: PSA, Regulatory, CBC



Pass Through Rates

- Power Supply Adjustment (PSA)
- Regulatory Charge
- Community Benefits Charge (CBC)
 - Energy Efficiency Services (EES)
 - Area Street Lighting (SAL)
 - Customer Assistance Program (CAP)

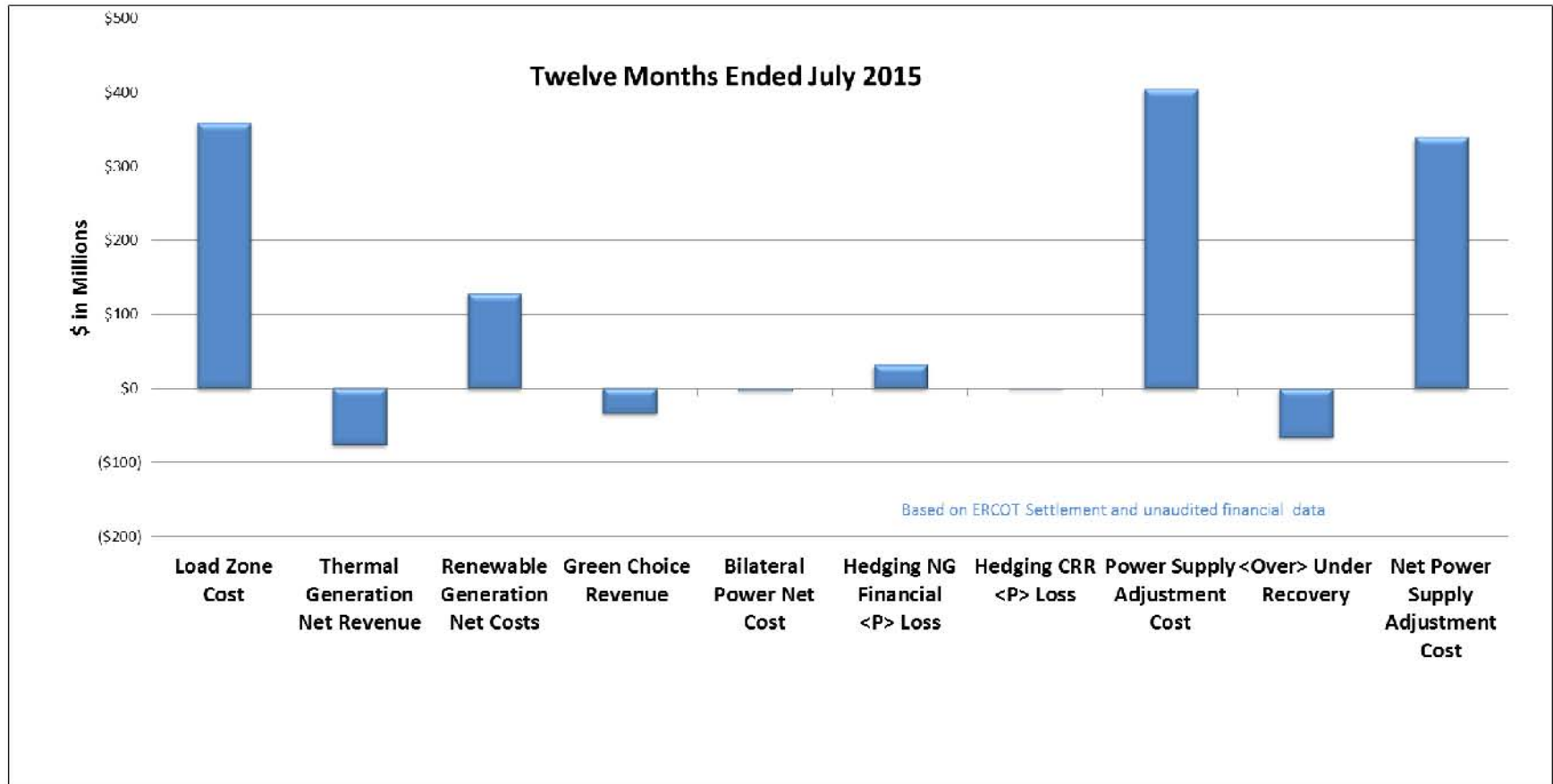


Power Supply Adjustment: Tariff Reporting Requirement

- At least once each year, the City Manager will publicly present a report to the City Council that provides the underlying calculations for the PSA by customer class. These calculations will break out fuel costs, ERCOT charges and credits, including ancillary service sales, and purchased power costs and revenues, including bilateral sales. They will also show the extent of over- or under-recovery of PSA costs for the previous twelve months.

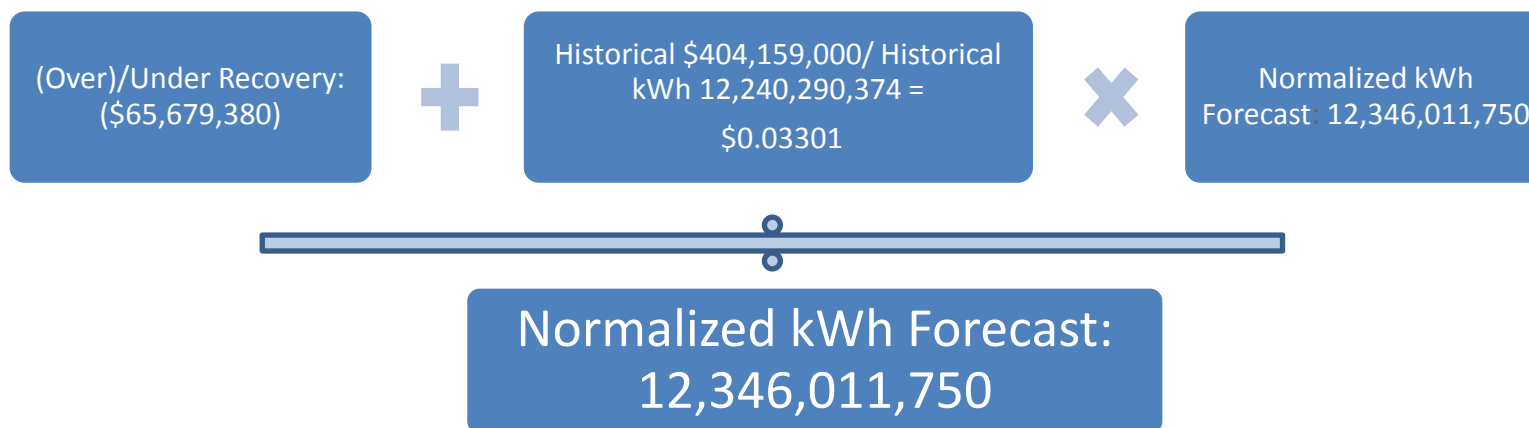


Power Supply Adjustment: Breakout of Costs and Revenues





Power Supply Adjustment: Underlying Calculation



Proposed PSA Rate = \$0.02769

- Historical 12 months ending 7/31/2016
- Normalized load forecast (kWh) period is Nov 2016 - Oct 2017
- Effective date November 1, 2016



Power Supply Adjustment: Rates by Customer Class

	System Average	Summer (Jun – Sep)	Non-Summer (Oct – May)
System Average PSA	\$0.02769	\$0.02821	\$0.02733
Secondary Voltage Level	1.0049	1.0049	1.0049
Secondary Voltage PSA	\$0.02783	\$0.02835	\$0.02746
Primary Voltage Level	0.9821	0.9821	0.9821
Primary Voltage PSA	\$0.02719	\$0.02771	\$0.02684
Transmission Voltage Level	0.9696	0.9696	0.9696
Transmission Voltage PSA	\$0.02685	\$0.02735	\$0.02650



Regulatory and CBC Rates

Assessed at system level, adjusted for voltage

- Same manner as PSA is assessed
- Simple and fair
- Less volatile and more predictable
- Regulatory Rate:
 - Residential and S1 still assessed on a kWh basis
 - S2, S3, Primary and Transmission voltage on kW basis
- Lighting classes exempt from Regulatory and CBC charges



Class Impacts from Pass Through Changes

- PSA – System level unchanged from April rates with minor reduction due to newly introduced seasonality
- EES – System costs remain stable with reduction for prior period over-recovery.
 - General class variability from prior rates due to change in assessment methodology
- SAL – Increase due to prior period under-recovery
- CAP – Unchanged
- Regulatory – System costs lower due to reduction in prior year under-recovery
 - P2 increase necessary to rebalance Regulatory Rate across customer classes following unexpected class growth since 2012



Pass-through Charges by Customer Class

Customer Classes*
Pass-Through Charges (Existing and Proposed)

	Regulatory	EES	SAL (Inside Only)	PSA (NonSummer)	PSA (Summer)
RES	\$0.01414	\$0.00289	\$0.00093	\$0.02783	\$0.02783
	\$0.01343	\$0.00251	\$0.00138	\$0.02746	\$0.02835
S1	\$0.01530	\$0.00337	\$0.00096	\$0.02783	\$0.02783
	\$0.01343	\$0.00251	\$0.00138	\$0.02746	\$0.02835
S2	\$4.57	\$0.00378	\$0.00076	\$0.02783	\$0.02783
	\$3.75	\$0.00251	\$0.00138	\$0.02746	\$0.02835
S3	\$4.43	\$0.00198	\$0.00068	\$0.02783	\$0.02783
	\$3.75	\$0.00251	\$0.00138	\$0.02746	\$0.02835
P1	\$6.75	\$0.00252	\$0.00058	\$0.02720	\$0.02720
	\$3.67	\$0.00245	\$0.00135	\$0.02684	\$0.02771
P2	\$0.69	\$0.00049	\$0.00054	\$0.02720	\$0.02720
	\$3.67	\$0.00245	\$0.00135	\$0.02684	\$0.02771
P3	\$5.18	\$0.00114	\$0.00051	\$0.02720	\$0.02720
	\$3.67	\$0.00245	\$0.00135	\$0.02684	\$0.02771
P4	\$5.18	\$0.00000	\$0.00000	\$0.02720	\$0.02720
	\$3.91	\$0.00000	\$0.00000	\$0.02684	\$0.02771
T1	\$2.79	\$0.00146	\$0.00045	\$0.02685	\$0.02685
	\$3.62	\$0.00242	\$0.00133	\$0.02650	\$0.02735
T2	\$4.12	\$0.00000	\$0.00000	\$0.02685	\$0.02685
	\$3.98	\$0.00000	\$0.00000	\$0.02650	\$0.02735
SAL	\$0.00036	\$0.00000	\$0.00000	\$0.02783	\$0.02783
	\$0.00000	\$0.00000	\$0.00000	\$0.02746	\$0.02835
Metered	\$0.00544	\$0.00000	\$0.00081	\$0.02783	\$0.02783
	\$0.00000	\$0.00000	\$0.00000	\$0.02746	\$0.02835
Non-Metered	\$0.00065	\$0.00000	\$0.00048	\$0.02783	\$0.02783
	\$0.00000	\$0.00000	\$0.00000	\$0.02746	\$0.02835
	Existing charges				
	Proposed charges				

* Re-class boundaries for S2 and S3 customer classes. In addition, there is no change to CAP portion of the CBC.

