



## Austin Energy's Strategic Plan and Monthly Performance Dashboard: Business Excellence

April 2017





# Austin Energy's Strategic Goals

**Financial Health:** Long-term financial resiliency that ensures cost recovery, provides market competitiveness, delivers operational excellence and creates value for customers and the Austin community

**Customer Collaboration:** New heights in customer satisfaction through increased collaboration, varied and high quality services, programs, and delivery methods and competitive pricing that strengthen customer loyalty

**Environment:** Minimized environmental footprint throughout Austin Energy's value chain

**Employee Engagement:** Employees are safe, healthy and engaged, and equipped with tools and training to effectively perform their work

**Business Excellence:** Best Managed Utility culture where customer needs are thoroughly and efficiently achieved through optimal use of resources

**Grid Modernization:** Innovative two-way grid utilizing customer and company infrastructure to deliver superior reliability and customer experience at the lowest reasonable cost





# Why Business Excellence is Vital to Austin Energy

- Business Excellence focuses on creating a high-performance culture, improving our work processes and utilizing performance measurement to directly contribute to the accomplishment of all our other strategic goals
- Success in Business Excellence is measured by the improvements in key areas of operational performance and the achievement of our affordability goals
- In addition to all other metrics within the Performance Dashboard, the Business Excellence panel provides operational metrics focused on:
  - optimizing the financial benefit of our generation fleet
  - effective resource planning
  - successfully completing well-planned capital projects



# Key Initiatives – Business Excellence

## Active initiatives

- Resource Planning
- ISO 9001 – 2015 & Quality Management
- Budgeting Improvements

## New initiatives

- Data & Analytics
- Business Case Proficiency
- Asset Management

Many of these initiatives are cross cutting by design and should improve multiple areas of the strategic plan.

# Monthly Performance Dashboard



## BUSINESS EXCELLENCE

### Commercial Availability

Generation Source	Monthly Commercial Availability Dec 2016 (%)	Seasonal Commercial Availability Target (June-Sept) (%)
Decker Steam Units	80.90	95.00
Sand Hill Combined Cycle	100.00	95.00
Fayette	100.00	97.00
South Texas Project	100.00	100.00

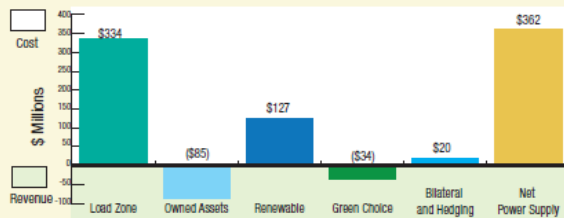
### Start Success

	Dec 2016 (%)	Target (%)
Simple Cycle Start Success	98.5	99

### The Competitive Market

POWER SUPPLY ADJUSTMENT COST COMPONENTS  
Twelve Months ending Dec 2016

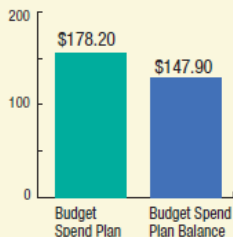
Difference between Load Zone and Power Supply Costs: + \$28M



### Capital Improvement Budget

Fiscal Year to Dec 2016

BUDGET SPEND PLAN  
(In Millions)



PERCENT OF  
SPEND PLAN MET — 17.0%



← Strategic goal panel

Owned large generation unit metrics  
*Target set by management expectation*

Owned quick-start generation metrics  
*Target set by benchmarking*

Power Supply Adjustment cost components  
*Components established by Council approved tariff*

Capital project metrics  
*Targets set according to Council's approved budget*

# Power Supply Adjustment and The Competitive Market



- Decisions made regarding the Resource Plan directly impact the Power Supply Adjustment (PSA)
- The impact of the competitive power market is most evident in the elements of the PSA
  - Adjusted to reflect the current price of fuel (natural gas, coal, uranium, and biomass) as well as the projected power purchases (both price and MWh)
- PSA character of service as defined in the *City of Austin Electric Tariff, effective November 1, 2016*:
  - The Power Supply Adjustment (PSA) provides for the recovery of the preceding year's expenditures for (PSA Costs):
    - Electric Reliability Council of Texas (ERCOT) Settlements – charges and credits from ERCOT, other than the Administrative Fees.
    - Fuel Costs – costs for fuel, fuel transportation, and hedging gains and losses.
    - Net Purchased Power Agreement Costs – costs and offsetting revenues (such as, bilateral sales and GreenChoice) associated with short- and long-term purchased power agreements, and costs for distributed generation production.

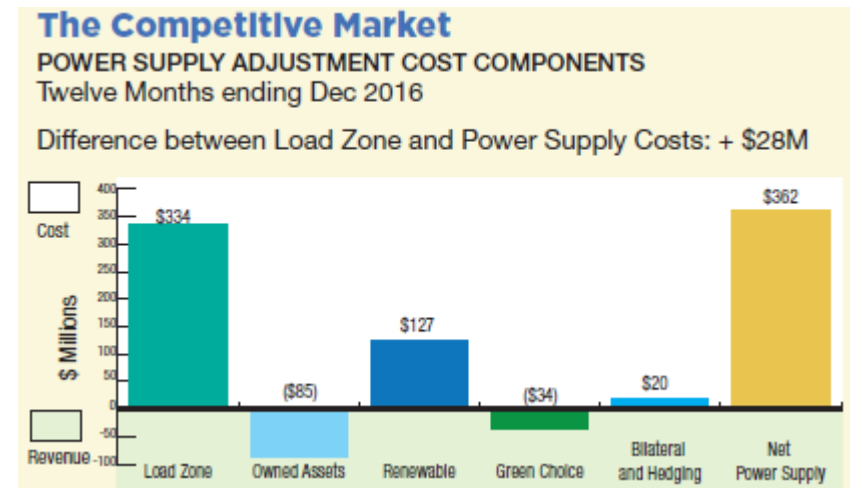


# Power Supply Adjustment Cost Components for Prior 12-months



- **Load Zone** = Cost to purchase electricity from ERCOT to serve customers
  - **Owned Assets** = ERCOT Revenue from owned generation less the cost of fuel and transportation <sup>(1)</sup>
  - **Renewables** = ERCOT Revenue from Purchase Power Agreements (PPA) less the contract price paid to the power producer
  - **GreenChoice®** = Revenue from retail customers electing GreenChoice® product
  - **Bilateral** = Net amount from the purchase/sale of energy-based physical or financial transactions between AE and another party under negotiated terms
  - **Hedging** = Net amount from financial instruments used to limit loss/gain from price volatility in the power and natural gas markets
  - **Net Power Supply** = Sum of all components listed above <sup>(2) (3)</sup>
- ERCOT Settlements

- (1) Capital costs and operating expenses associated with thermal generation are recovered through base rates, not the PSA.
- (2) The PSA rate also includes any over/under collection of net power supply costs from previous years.
- (3) PSA revenues are excluded from the General Fund Transfer (GFT).





# Reliability of our Owned Fleet

Goal: reduce power supply costs and wholesale price risk for AE customers

## Commercial Availability

- Measure of large owned unit availability when production cost is less than market price (reliability when it counts)
- Targets set for summer peak season (higher market pricing)
- During non peak- AE still strives to maximize, however, units are removed from service for planned maintenance

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## Start Success

- Measures owned quick start unit reliability
- Successful start – achievement of full generation output in 10 mins or less.
- Strive year round to maximize start success

### Start Success

	Dec 2016 (%)	Target (%)
Simple Cycle Start Success	98.5	99



# The Capital Improvement Budget

- Capital projects are designed to:
  - increase the capacity of our assets to serve our customers
  - Extend the useful life of our assets
  - Upgrade or modify our assets
- Funding for capital projects:
  - Debt (commercial paper and revenue bonds)
  - Cash (equity, current asset to a long-term asset)
  - Contributions in aid of construction (customer funded)
- Austin Energy's capital budget represents investment in long-term assets that are designed to add economic value to the utility for the benefit of our customers
- Business Excellence initiatives are designed to improve our return on investment
  - Asset Management ensures maximum value is derived from the investment
  - Business Case Proficiency assists in effective decision-making among alternative investments
  - Data and Analytics drives our ability to make informed decisions with confidence
  - Resource Generation Planning ensures balance between meeting our Environment and Financial Health goals for the long-term

