



# Financial Forecast FY 2018

May 15, 2017

Electric Utility Commission



# Forecast Highlights

*FY 2017 Total Requirements \$1.27 billion; 1,718.0 FTEs*

- **Austin Energy is financially sound; financial indicators improving**
  - Base revenue grows 2% due to growth in number of customers
  - Forecast indicates compliance with 2% affordability metric and trending toward metric of being in lower 50% of all Texas utilities
- **Key forecast assumptions**
  - Addition of up to 20 new positions projected for FY 2018
  - City-wide cost drivers included at \$5.7 million increase
  - Increases in renewable energy supply purchases projected
    - Council's adopted goal to achieve 55% of supply by 2025; currently at 38%
  - Non-nuclear decommissioning funding of \$8 million
  - Transmission expenses expected to grow by \$6.4 million
  - Lower nuclear and coal operating expenses \$8.7 million



# Forecast Highlights

*FY 2017 Total Requirements \$1.27 billion; 1,718.0 FTEs*

- No base rate increase in 2018. 5-year planning horizon forecasts 2% increase in FY 2021
  - FY 2018 adjusts Community Benefit Charge upwards due to prior over collection return completion
- Debt service projected lower by \$7 million due to bond refinancing
  - Debt service coverage of 2.6x exceeds policy level of 2x
- Risks to forecast
  - ERCOT power market prices remain historically low
    - Means lower prices for power purchased to meet load requirements BUT...
    - Little to no market earnings for power generated and sold
  - Credit agencies report a weakening power industry in Texas with downgrades and outlook revisions
  - Risk from legislative and environmental regulation remains uncertain



# Austin Energy Fund Summary

Austin Energy Fund Summary (in \$M)

	FY 2017 Budget	FY 2017 CYE	FY 2018 Forecast	FY 2019 Forecast	FY 2020 Forecast	FY 2021 Forecast	FY 2022 Forecast
Beginning Balance	\$310.5	\$334.5	\$365.0	\$380.7	\$394.6	\$409.1	\$440.9
Revenues/Transfers In	1,284.2	1,306.0	1,323.9	1,370.0	1,388.9	1,420.8	1,433.4
<b>Requirements:</b>							
Operating Expenses	579.3	579.3	576.9	585.2	602.6	596.1	602.2
Power Supply Expenses	361.9	371.0	373.0	402.9	408.3	409.6	411.7
Debt Service	103.2	103.2	96.6	112.8	118.9	127.8	132.4
CIP	64.1	64.1	58.7	58.8	69.3	60.2	63.4
General Fund Transfer	108.0	108.0	109.0	110.0	111.0	113.0	115.0
Support Transfers	43.9	43.9	46.0	48.4	51.3	54.3	55.9
AE Reserve Transfers	6.0	6.0	48.0	38.0	13.0	28.0	28.0
Total Requirements	1,266.4	1,275.5	1308.2	1356.1	1374.4	1389.0	1408.6
Excess (Deficiency)	17.8	30.5	15.7	13.9	14.5	31.8	24.8
Ending Balance	\$328.3	\$365.0	\$380.7	\$394.6	\$409.1	\$440.9	\$465.7
FTEs	1,718	1,718	1,738	1,748	1,758	1,768	1,778



# Capital Improvement Program

## New Investments in 5-Year CIP – \$ 878 million

- FY 2018 CIP \$186M
- 5-year average \$175M per year
- Average funding 49% cash and 51% debt
  
- Planned spending on routine infrastructure and maintenance projects, including:
  - Replacement of the Supervisory Control and Data Acquisition-Energy Management System (SCADA-EMS)
  - District Cooling Satellite Plant at ACC Highland Campus
  - Downtown repowering and network upgrades



# Working Capital and Reserves

## Cash Analysis (Millions of \$)

		Balance 3/31/2017	2017 Policy Minimums	Variance
A	<b>Total Cash on Hand</b>	<b>\$562</b>		
	Less: Contingency Reserve	(\$98)		
	Less: Power Supply Stabilization	(\$89)		
	Less: Capital Reserve	(\$12)		
B	<b>Working Capital</b>	<b>\$363</b>		
	Known Material Commitments and Claims to Cash:			
	Power Supply Adjustment Overage	(\$51)		
	Accounts Receivable	\$105		
	Accounts Payable and Sales Tax	(\$64)		
	Deferred Revenue - FAS 71 fuel	(\$65)		
	NPO and OPEB liabilities*, GASB 68	(\$430)		
C	<b>Total Commitments from Cash</b>	<b>(\$505)</b>		
B-C	<b>Uncommitted Working Capital</b>	<b>(\$142)</b>	\$125	(\$267)
	Add: Contingency Reserve	\$98	\$96	\$2
	Add: Power Supply Stabilization	\$89	\$89	\$0
	Add: Capital Reserve	\$12	\$78	(\$66)
	<b>Uncommitted Cash on Hand</b>	<b>\$57</b>	<b>\$388</b>	<b>(\$331)</b>

\* Net Pension Obligations and Other Post Employment Benefits



# Sources of Working Capital

## Contributions to Working Capital (Millions of \$)

		Fiscal Year				
		Actual 2013	Actual 2014	Actual 2015	Actual 2016	Projected 2017
Reserve expense in base rates	A	\$18	\$18	\$18	\$18	\$0
Depreciation expense (from CAFR)		\$150	\$152	\$153	\$157	\$155
Less: Principal on debt		(\$105)	(\$83)	(\$49)	(\$65)	(\$44)
Less: Cash for Construction		(\$69)	(\$80)	(\$68)	(\$65)	(\$64)
Depreciation contribution	B	(\$24)	(\$11)	\$36	\$27	\$47
Net income contribution	C	\$51	\$2	\$55	\$60	(\$11)
Contribution to Working Capital	A+B+C	\$45	\$9	\$109	\$105	\$36



# Residential Bill Impact

## *Typical Residential Customer Bill History (Inside City Customer)*

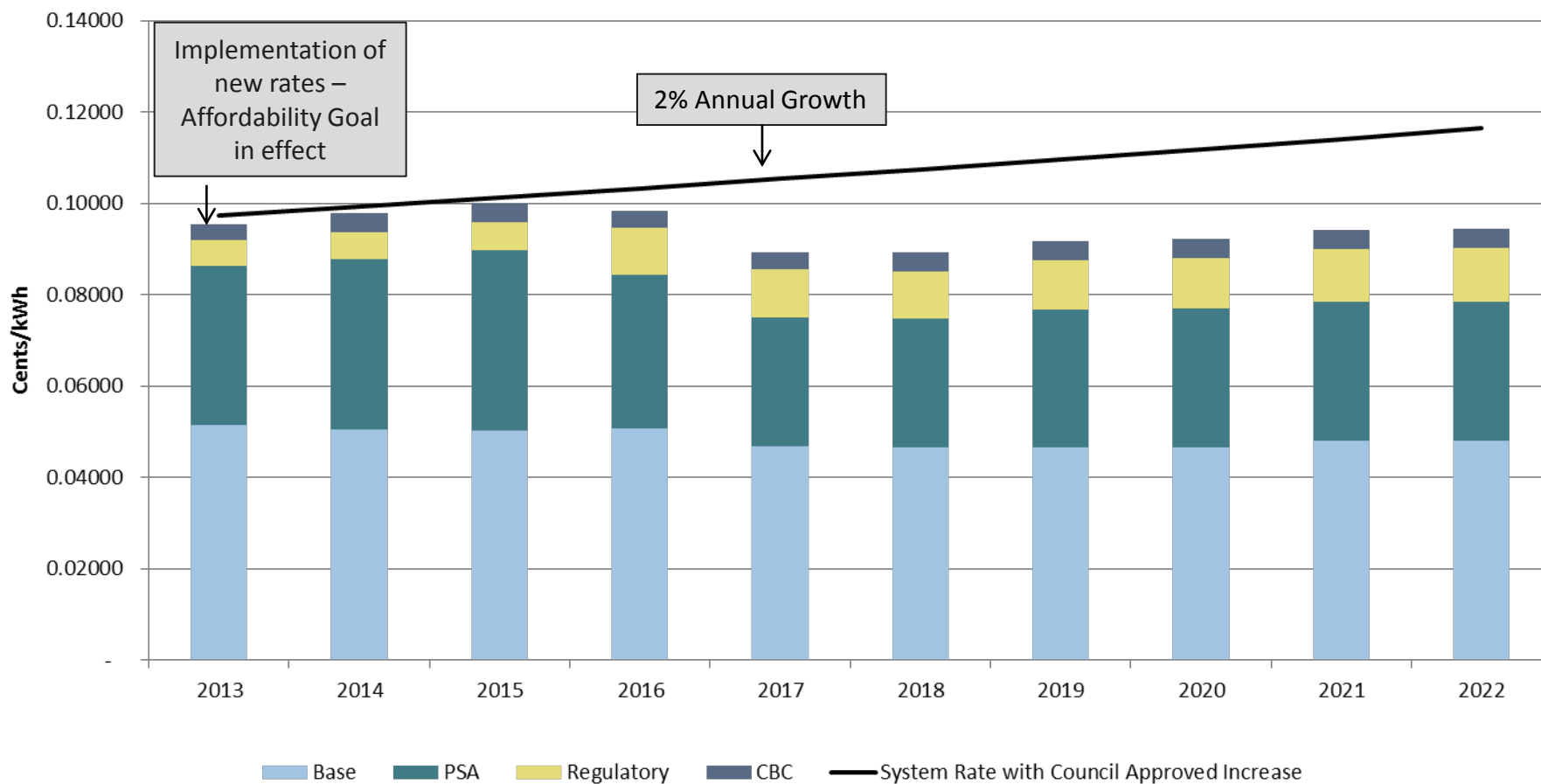
Typical Monthly Bill	FY 2014 Rate	FY 2015 Rate	FY 2016 Rate	FY 2017 Rate	FY 2018 Forecast	Change
<i>Monthly Average kWh</i>	915	895	895	895	895	
Customer Charge	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$ 0.00
Base Electricity Charge	\$ 38.06	\$ 36.78	\$ 36.78	\$ 37.05	\$ 37.05	\$ 0.00
Power Supply Adjustment (PSA)	\$ 33.94	\$ 35.31	\$ 24.91	\$ 24.71	\$ 24.71	\$ 0.00
Community Benefit Charge (CBC)	\$ 6.08	\$ 5.95	\$ 4.96	\$ 5.03	\$ 5.37	\$ 0.34
Regulatory Charge	\$ 7.27	\$ 7.43	\$ 12.66	\$ 12.02	\$ 12.02	\$ 0.00
<b>Total Monthly Bill</b>	<b>\$95.35</b>	<b>\$95.47</b>	<b>\$89.31</b>	<b>\$88.81</b>	<b>\$89.15</b>	<b>\$ 0.34</b>
<b>CAP Discounted Bill</b>	<b>\$ 75.40</b>	<b>\$ 75.54</b>	<b>\$ 69.99</b>	<b>\$ 69.54</b>	<b>\$ 69.85</b>	<b>\$ 0.31</b>





# Affordability Metric

Forecasted System average and 2% Council Affordability Line

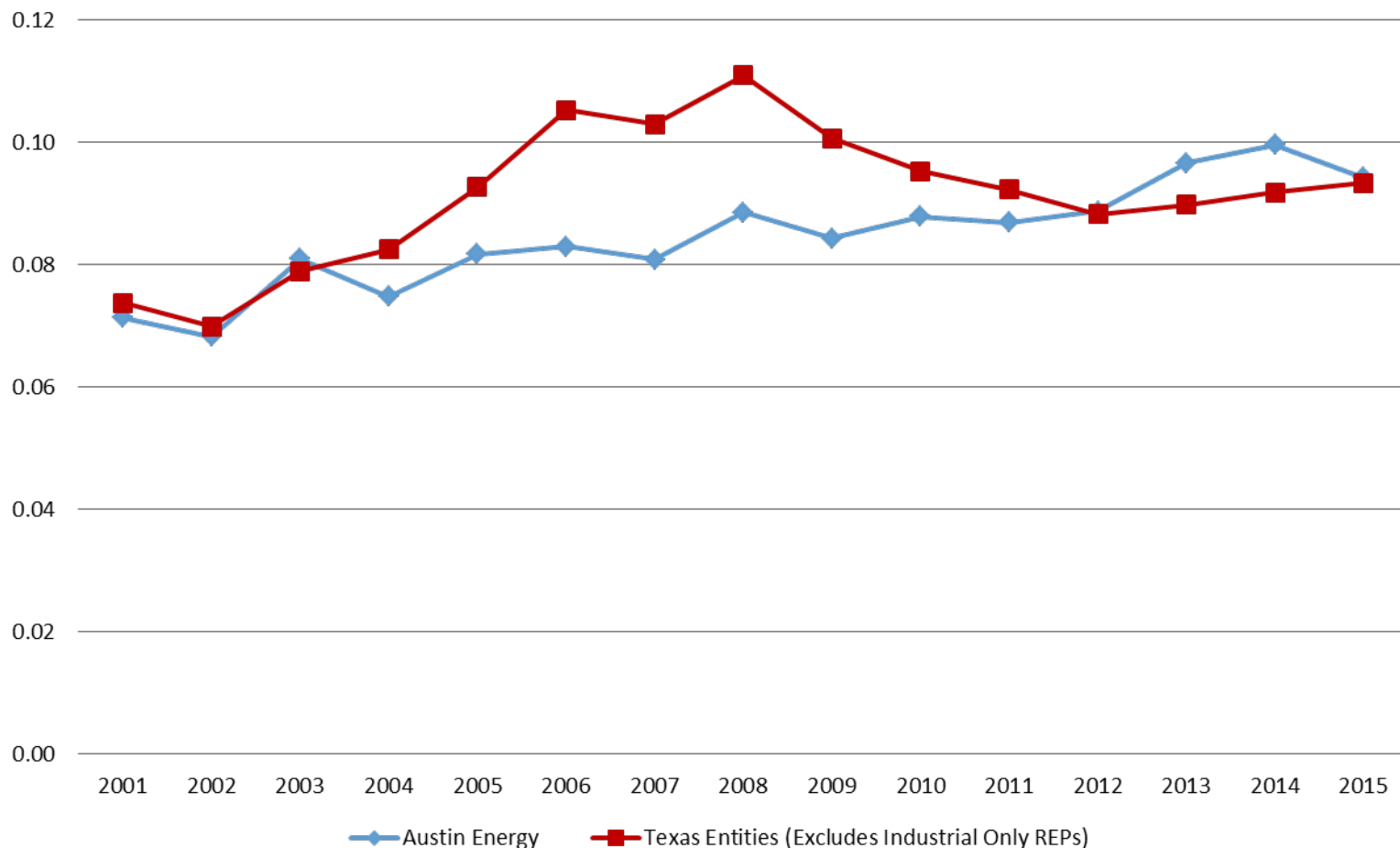




# Competitiveness Metric

Rates in the Lower 50% of all Texas Utilities

Average System Rate Comparison



Source: EIA Form 861 Data (2001 - 2015)



# City Budget Development Timeline

