

# Fiscal Year 2020 Proposed Budget Presentation

## Electric Utility Commission

Austin Energy  
Executive Team



August 12, 2019

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# Agenda

- Proposed Budget Summary
- Financial Health
- Major Business Unit Discussions
- Proposed Tariff and Fee Changes
- Budget Adoption Schedule



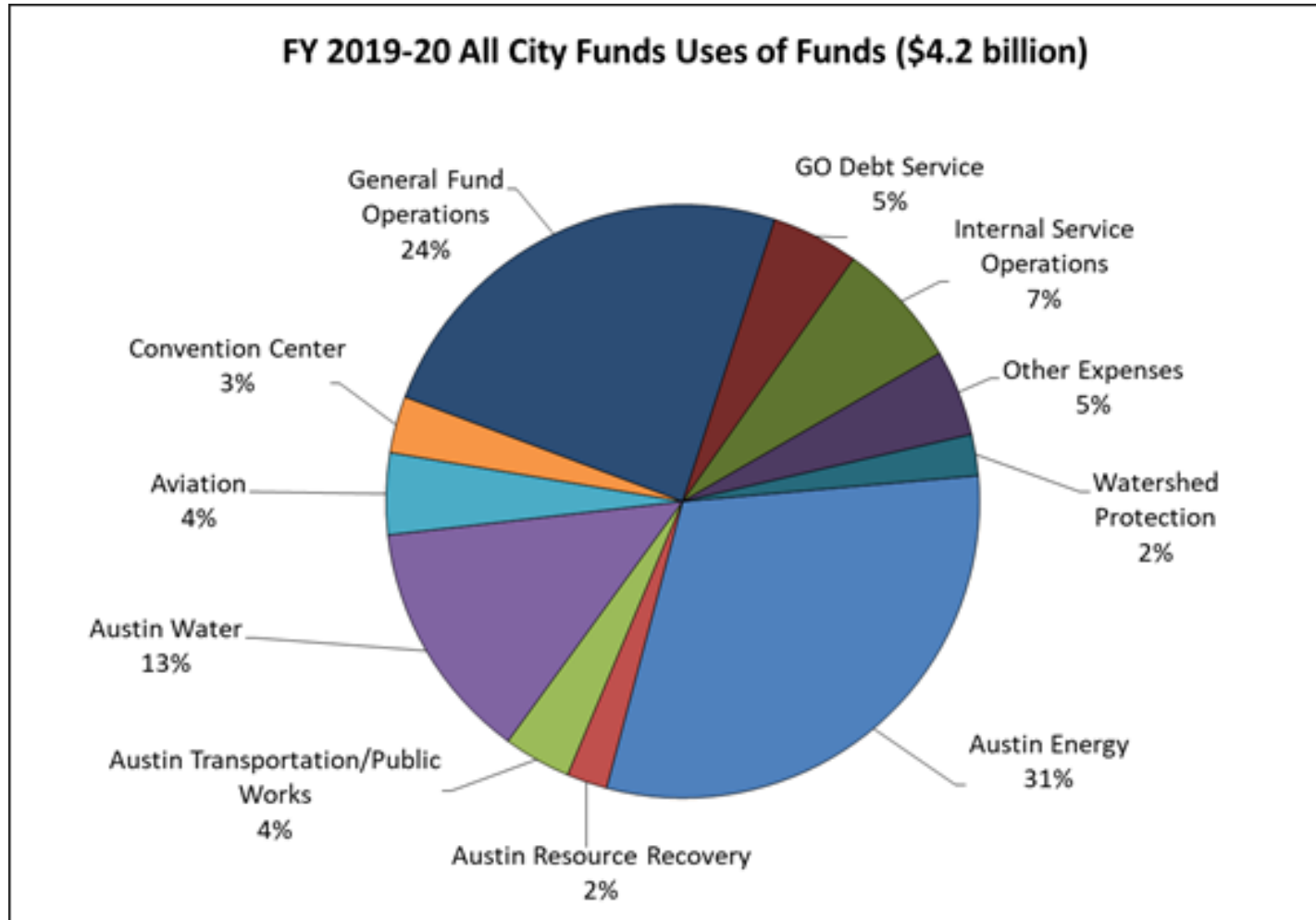
# Fiscal Year 2020 Proposed Budget Presentation

## Proposed Budget Summary



# Austin Energy's Share of the FY 2020 City Budget

All City Funds for FY 2020: \$4.2B



Austin Energy's total Expenditures Budget of \$1.4B in FY 2019 is 31% of the City of Austin's total expenditures budget of \$4.2B



# Fund Summary FY 2020

(\$ millions)	FY 2018 Actual	FY 2019 Amended	FY 2019 Estimated	FY 2020 Proposed	FY 2020 Proposed To FY 2019 Amended	% Change
Beginning Balance	\$370.8	\$403.7	\$394.9	\$364.4	(\$39.3)	(9.7%)
Revenue/Transfers In	1,417.6	1,392.3	1,362.4	1,409.7	17.4	1.3%
Expenditures:						
Operating Expenses	571.1	604.1	604.1	646.4	42.3	7.0%
Power Supply Expenses	457.1	413.0	388.5	362.1	(50.9)	(12.3%)
Debt Service	91.1	103.5	122.1	154.0	50.6	48.9%
CIP Transfer	58.7	66.6	74.2	80.5	13.9	20.9%
General Fund Transfer	109.0	110.0	110.0	111.0	1.0	0.9%
Other Transfers	51.3	54.0	54.0	56.4	2.4	4.4%
Reserve Transfers	30.1	40.0	40.0	0.0	(38.0)	(95.0%)
Total Expenditures	\$1,368.4	\$1,391.2	\$1,392.9	\$1,410.4	\$19.2	1.4%
Excess(Deficiency)	\$49.2	\$1.2	(\$30.4)	(\$0.7)		
Ending Balance	\$394.9	\$404.9	\$364.4	\$363.7	(\$41.2)	10.2%
FTEs	1,749	1,774	1,774	1,784	10	0.6%



In Millions

This information is unaudited and should be read in conjunction with the audited Comprehensive Financial Reports for the City of Austin, when published on [www.austintexas.gov/financeonline/finance/main.cfm](http://www.austintexas.gov/financeonline/finance/main.cfm)

# Acquisition of Nacogdoches Power, LLC: FY 2020 Budget Impact

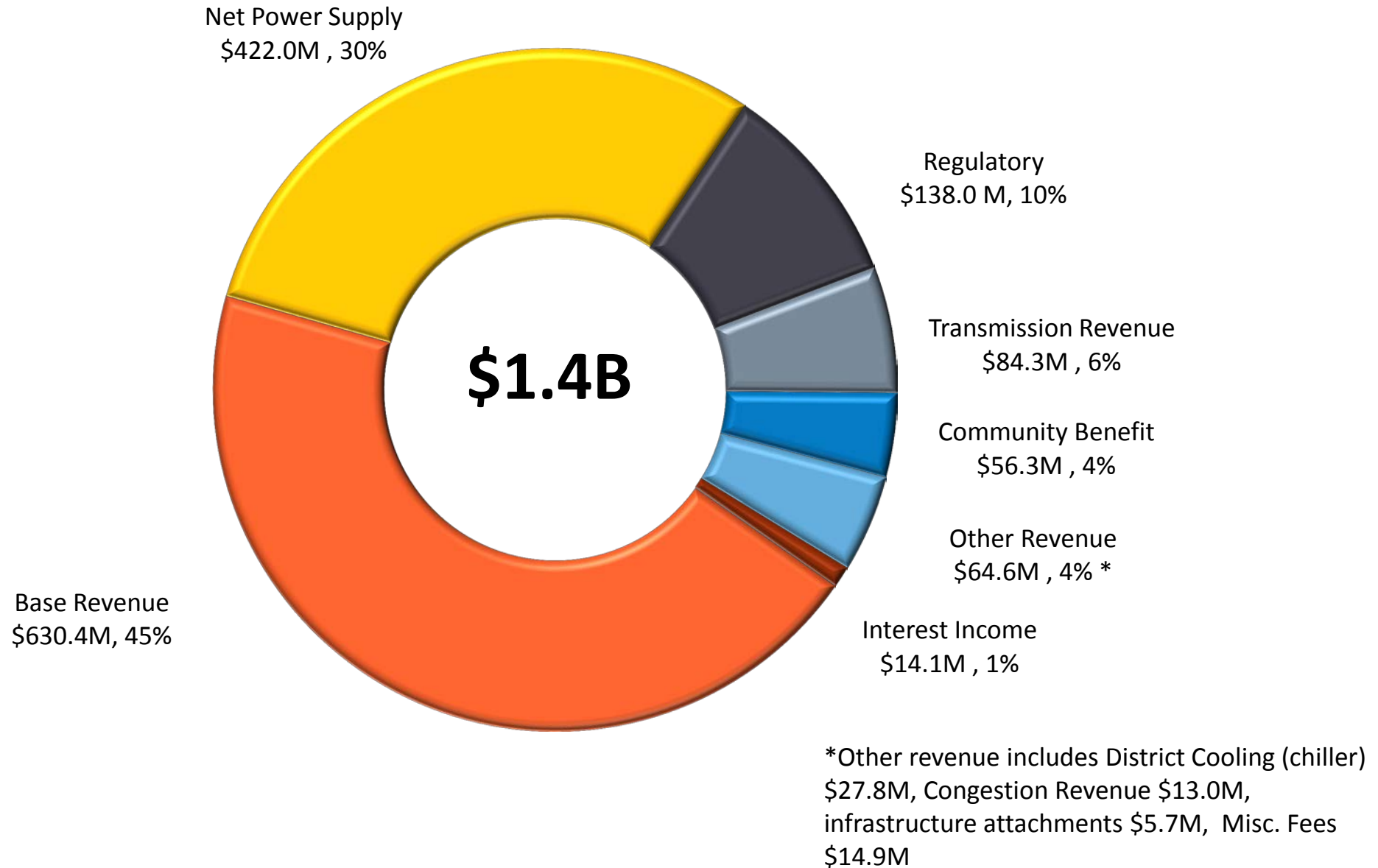
- Net impact of acquisition is budget favorable for FY 2020 by \$1M
  - Avoids the 3% escalation factor from previous contract
- Revenue from PSA will continue to fund Nacogdoches
- Expenses included in Power Supply, Power Production and Debt Service

Budget Component	FY 2019
Capacity Payment - Power Supply	\$59M
Energy Charge - Power Supply	\$4M
Debt Service	\$0M
O&M - Power Production	\$0M
Total Biomass Power Supply Exp/Rev	\$63M

Budget Component	FY 2020
Capacity Payment - Power Supply	\$0M
Energy Charge - Power Supply	\$3M
Debt Service	\$42M
O&M - Power Production	\$17M
Total Biomass Power Supply Exp/Rev	\$62M



# FY 2020 Sources of Revenue



# FY 2020 Revenue Budget Highlights

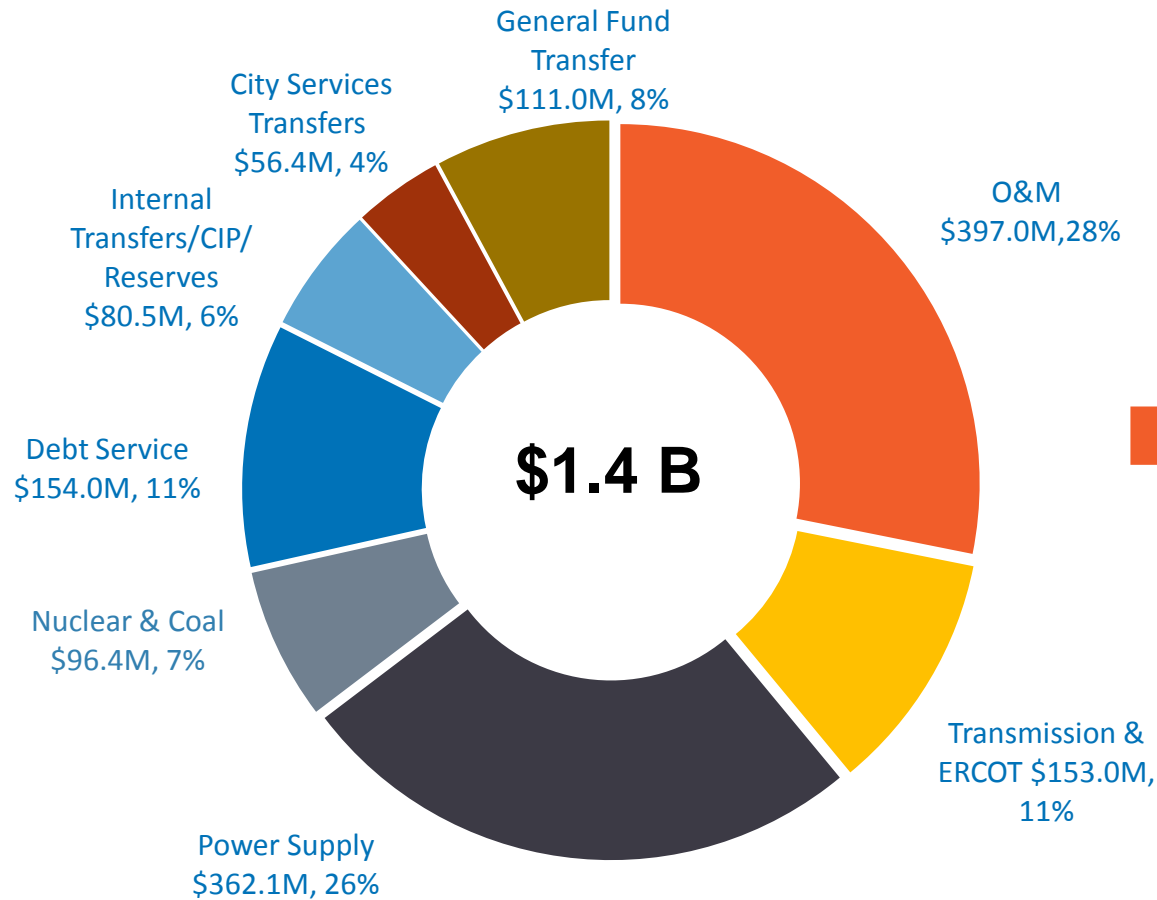
- Base revenue remains relatively flat
  - Customer growth projected at 2.0%
  - Load growth in sales <1%
  - No change in base rates
- Power Supply Adjustment to be finalized in late August
  - Anticipate upward adjustment due to \$21M over-collection returned to customers in FY19
- No change in Community Benefit Charge
- No change in Regulatory Charge anticipated



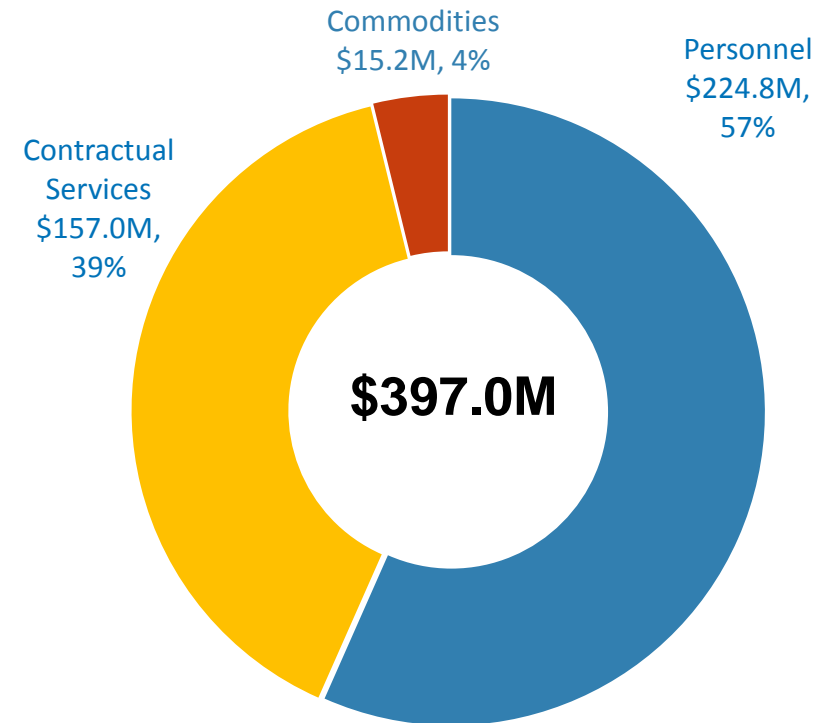


# Funding Needed for Austin Energy Operations FY 2020

## Operating Requirements



## Operations & Maintenance



# Austin Strategic Direction 2023

## City of Austin's Vision:

- Austin is a beacon of sustainability, social equity, and economic opportunity; where diversity and creativity are celebrated; where community needs and values are recognized; where leadership comes from its community members and where the necessities of life are affordable and accessible to all.

## City of Austin's Strategic Outcomes:

- Together we strive to create a complete community where every Austinite has choices at every stage of life that allow us to experience and contribute to all of the following outcomes:

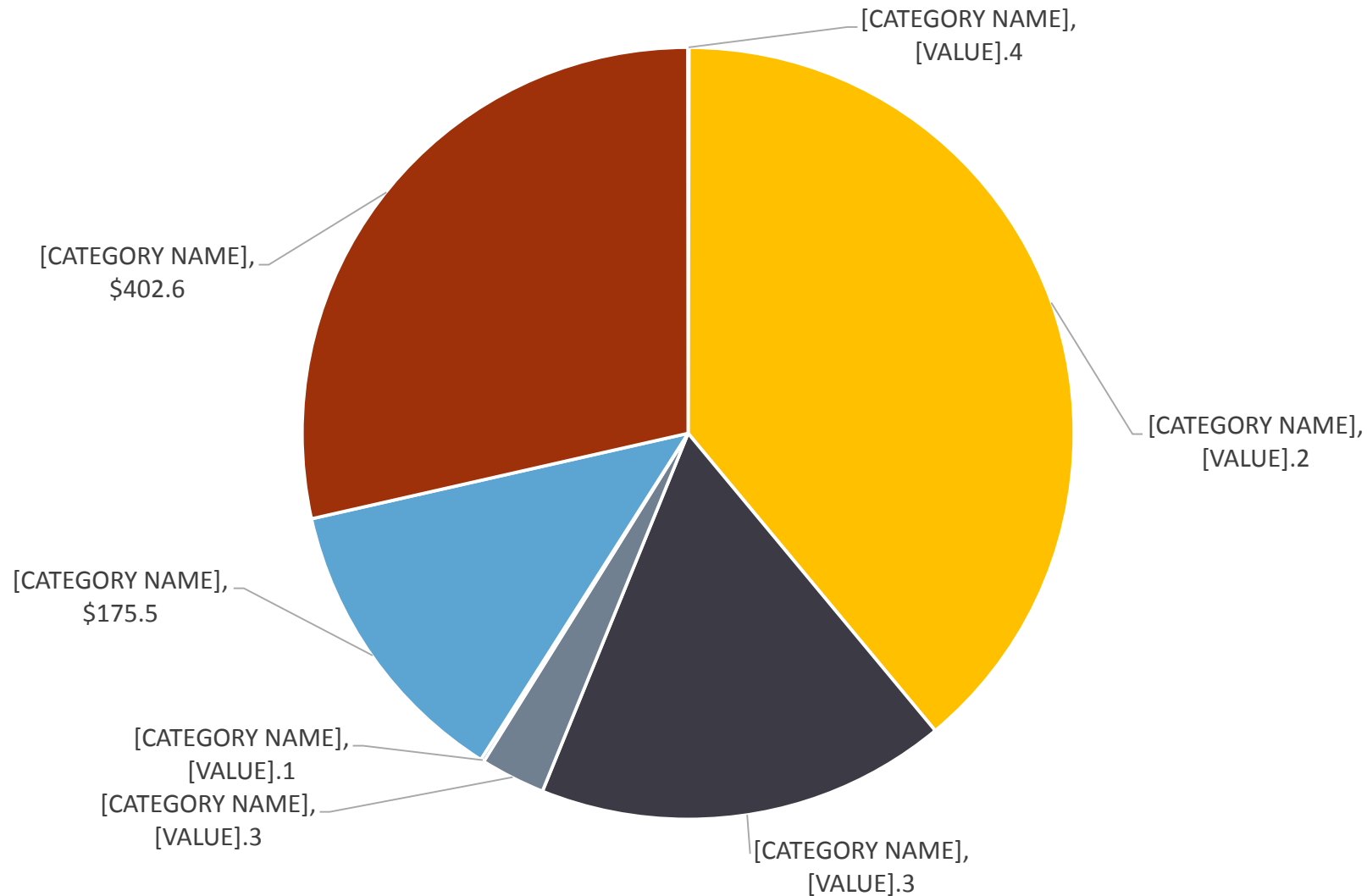
- **Economic Opportunity and Affordability:** Having economic opportunities and resources that enable us to thrive in our community.
- **Mobility:** Getting us where we want to go, when we want to get there, safely and cost-effectively.
- **Safety:** Being safe in our home, at work, and in our community.
- **Health and Environment:** Enjoying a sustainable environment and a healthy life, physically and mentally.
- **Culture and Lifelong Learning:** Being enriched by Austin's unique civic, cultural, ethnic, and learning opportunities.
- **Government That Works for All:** Believing that city government works effectively and collaboratively for all of us—that it is equitable, ethical and innovative.

*Adopted by City Council on March 8, 2018*



# FY 2020 Proposed O&M Budget by Strategic Outcome

FY2020 Austin Energy Proposed Budget by Strategic Outcome, \$1.4B



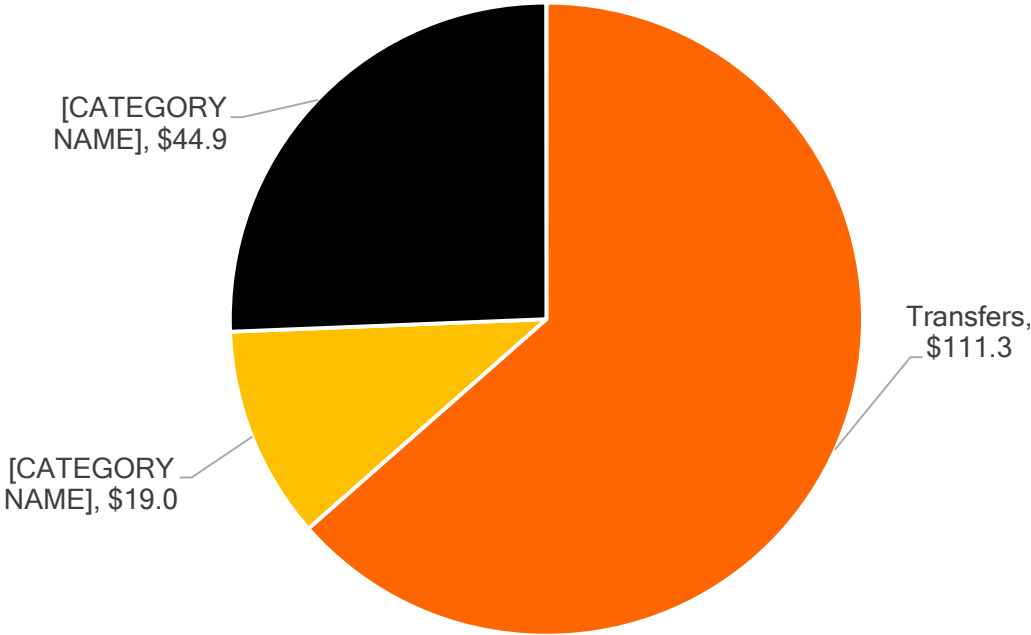
# FY 2020 Operating Expense Highlights

- Power supply expenses to be finalized in late August
- Nuclear and coal operations increases, \$8.3M
- Technology consulting and services for Customer-Facing Portal implementation, \$1.7M
- Advanced grid technology, feeder reliability improvements, switch gear maintenance ; \$2.0M
- Line Clearance contractual increase \$1.0M
- City-wide across the board, cost of living increase in wages 2.5%; \$4.3M
- 10 new FTEs for a net impact of \$1.3M; increasing count to 1,784

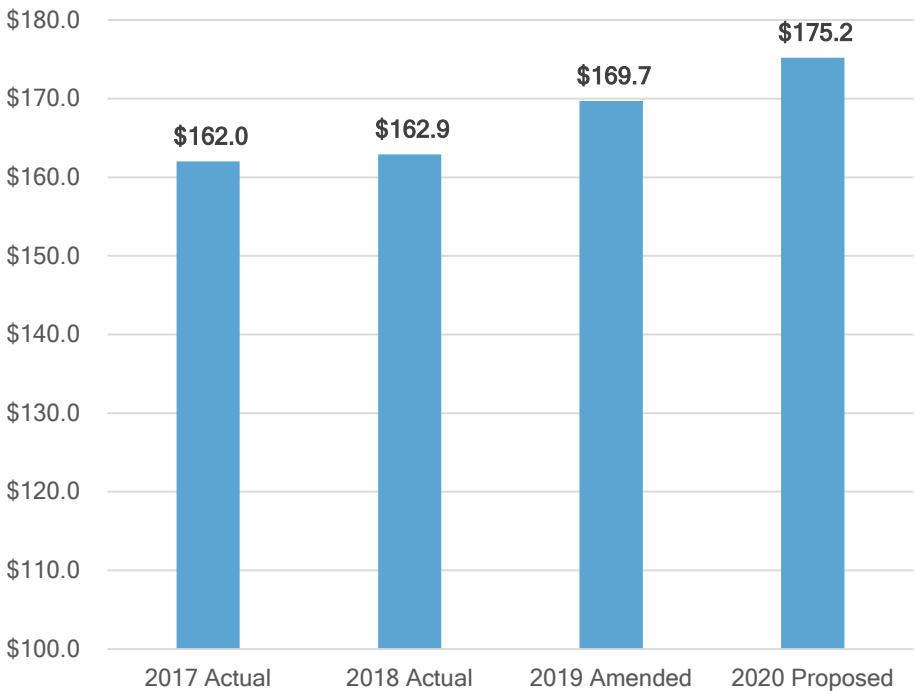


# City Transfers & Payments for Direct and Indirect Services

FY2020 Proposed Budget : Transfers and Payments to the City (In millions of \$)



In millions of \$



# Capital Improvement Plan 5-Year Spend Plan

In millions of \$

Business Unit	<i>FY 2019 Estimate</i>	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	2020 – 2024 Total
Distribution	\$104.7	\$84.1	\$79.4	\$87.8	\$89.2	\$91.3	\$431.8
Distribution Substation	10.6	12.2	16.8	10.4	9.0	8.9	57.3
Transmission*	37.4	29.9	35.0	25.0	25.0	25.0	139.9
Electric Service Delivery	152.7	126.2	131.2	123.2	123.2	125.2	629.0
Power Production	11.9	10.3	17.8	15.6	16.4	15.3	75.4
Joint Projects	10.1	14.2	13.1	13.0	9.9	10.1	60.3
District Cooling*	24.6	50.1	42.7	24.6	12.5	2.0	131.9
General	80.2	53.7	112.2	10.0	10.0	10.0	195.9
<b>Total</b>	<b>\$279.5</b>	<b>\$254.6</b>	<b>\$317.0</b>	<b>\$186.4</b>	<b>\$172.0</b>	<b>\$162.6</b>	<b>\$1,092.5</b>

\* Recovery of capital expenditures is not a component of retail rates



# Financing the Capital Improvement Plan

In millions of \$

Business Unit	<i>FY 2019 Estimate</i>	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	2020 – 2024 Total
<b>Total Capital Improvement Plan</b>	<b>\$279.7</b>	<b>\$254.6</b>	<b>\$317.0</b>	<b>\$186.4</b>	<b>\$172.0</b>	<b>\$162.6</b>	<b>\$1,092.6</b>
Debt	168.0	128.4	189.9	82.9	73.0	63.7	537.9
Cash	83.1	93.2	94.1	70.5	66.0	65.9	389.7
Contribution in aid of construction	28.6	33.0	33.0	33.0	33.0	33.0	165.0
<b>Total</b>	<b>\$279.7</b>	<b>\$254.6</b>	<b>\$317.0</b>	<b>\$186.4</b>	<b>\$172.0</b>	<b>\$162.6</b>	<b>\$1,092.6</b>
Debt %	60.1%	50.4%	59.9%	44.5%	42.5%	39.2%	46.9%
Cash %	29.7%	36.6%	29.7%	37.8%	38.3%	40.5%	38.0%
Contribution in aid of construction %	10.2%	13.0%	10.4%	17.7%	19.2%	20.3%	15.1%



# Fiscal Year 2020 Proposed Budget Presentation

## Financial Health





# Average Residential Customer Bill Impact

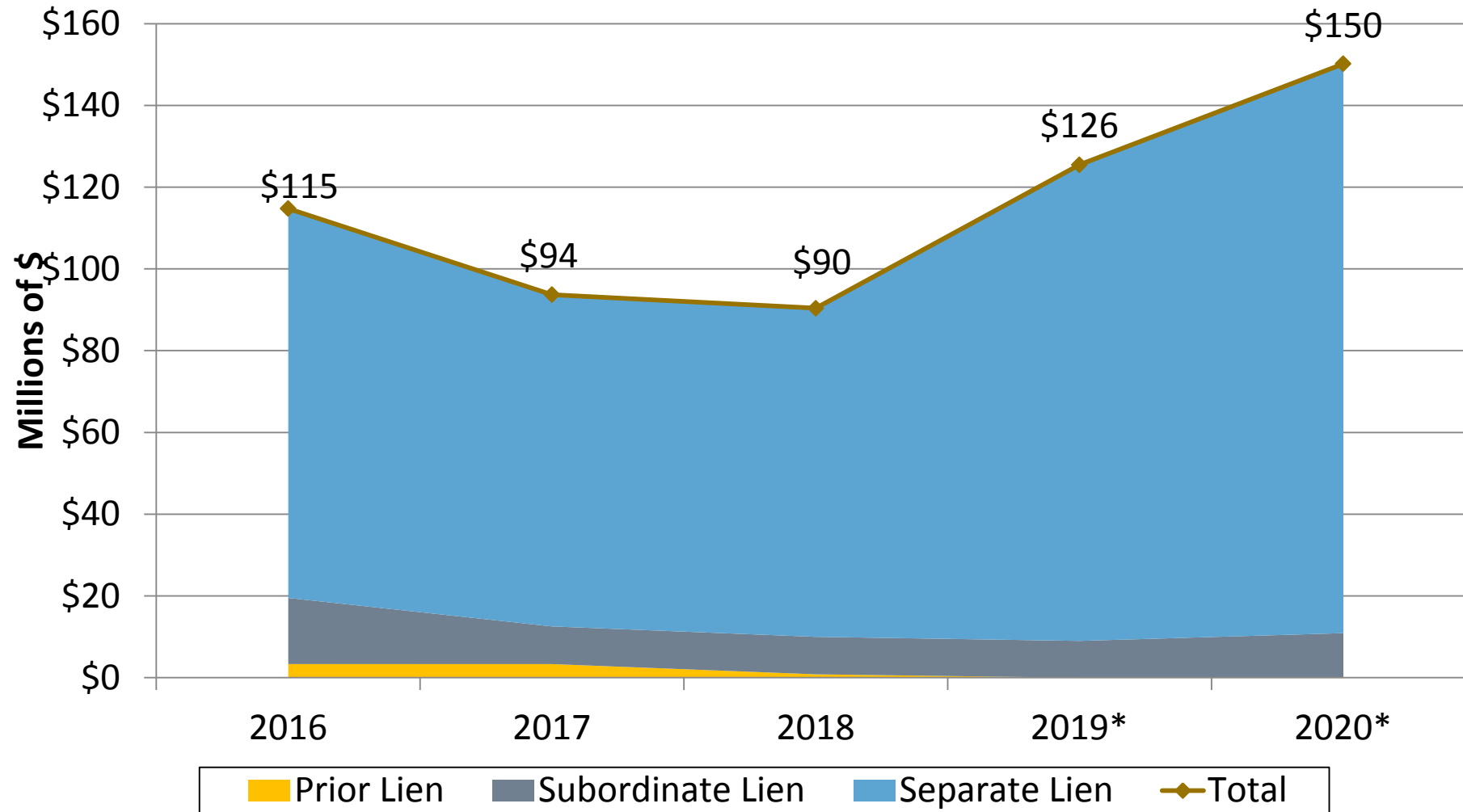
Unbundled 5-Tier Inclining Block Energy Rate (Inside City of Austin)

Average Monthly Bill	Energy (kWh)	FY 2019 Rate	FY 2020 Rate	\$ Change	% Change
Customer Charge		\$ 10.00	\$ 10.00	\$ -	0.0%
Base Electricity Charge	860	\$ 35.01	\$ 35.01	\$ -	0.0%
Power Supply Adjustment (PSA)*	860	\$ 24.90	\$ TBD	\$ -	TBD%
Community Benefit Charge (CBC)	860	\$ 5.27	\$ 5.27	\$	0.0%
Regulatory Charge	860	\$ 11.54	\$ 11.54	\$ -	0.0%
<b>Total Monthly Bill</b>	<b>860</b>	<b>\$ 86.72</b>	<b>\$ TBD</b>	<b>\$</b>	<b>TBD%</b>
<b>Total CAP Customer Discounted Bill</b>	<b>860</b>	<b>\$ 67.86</b>	<b>\$ TBD</b>	<b>\$</b>	<b>TBD%</b>

\* The PSA and other pass throughs will be updated with final proposed numbers in August 2019.



# Debt Service by Fiscal Year FY 2016-2020



	2016	2017	2018	2019	2020
Debt Outstanding	\$ 1,252	\$1,203	\$ 1,168	\$ 1,871	\$1,792

\* \$42M Nacogdoches Purchase Agreement

# Austin Energy Financial Health

	2019 Minimum	2018 Actual	2019 Estimate	2020 Forecast
Standard & Poor's (S&P) credit rating on separate-lien revenue bonds	AA	AA	AA	AA
Working Capital	\$131M	\$460M	\$452M	\$373M
Days Cash on Hand (Fitch)	150 days	233	268	236
Debt Service Coverage (before GFT) *	2.5X	4.1	3.6	2.7
Debt Service Coverage (after GFT) *	2.0X	2.9	2.5	1.9
Debt to Capitalization	50%	44%	52%	52%
Net Income	\$10M	\$58M	\$10M	\$4M
* Debt service coverage ratios presented do not include imputed debt associated with power purchase agreements				



# Austin Energy Financial Health - Reserves

	2019 Minimum	2018 Actual	2019 Estimate	2020 Forecast
Working Capital	\$131M	\$460M	\$452M	\$373M
Contingency Reserve	\$96M	\$97M	\$102M	\$104M
Power Supply Stabilization Reserve	\$102M	\$95M	\$105M	\$105M
Capital Reserve	\$81M	\$42M	\$67M	\$67M
Total	\$410M	\$694M	\$726M	\$649M

	2019 Budget		2020 Forecast
Non-Nuclear Decommissioning		\$22M	\$30M

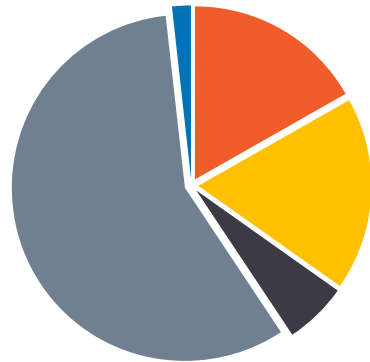
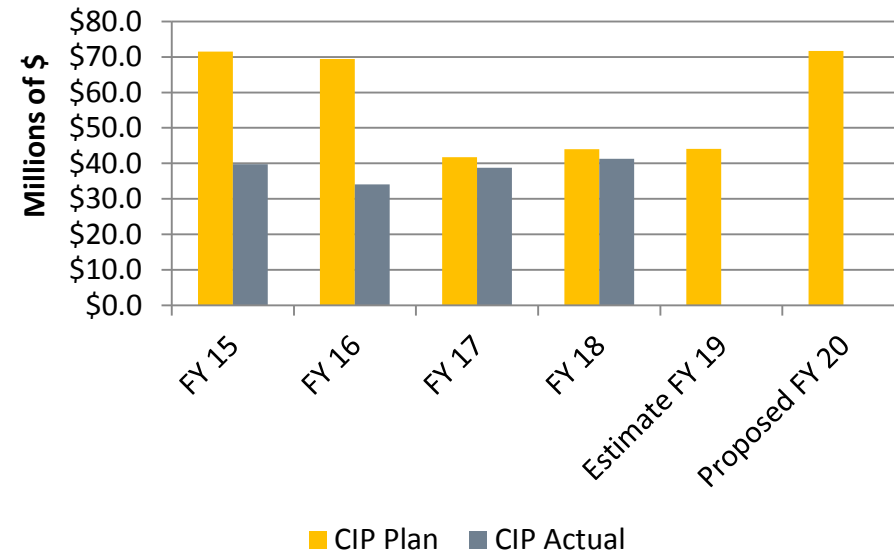
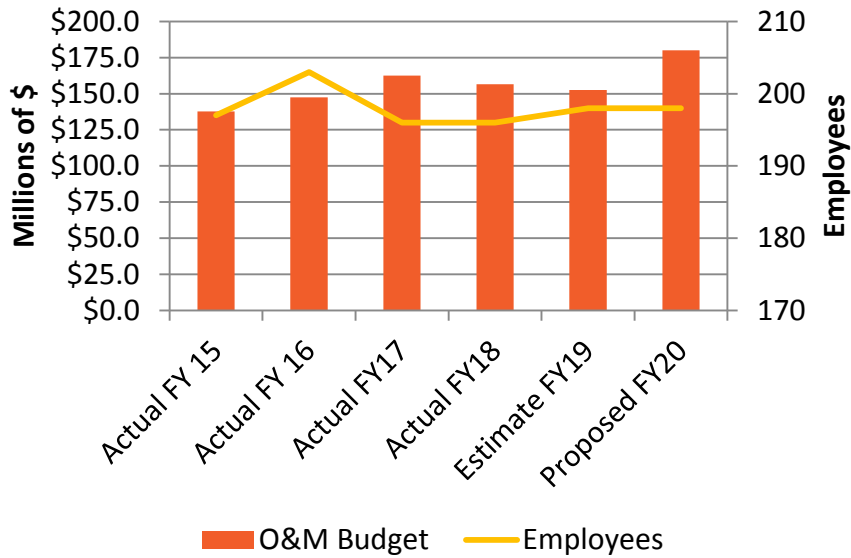


# Fiscal Year 2020 Proposed Budget Presentation

## Major Business Unit Discussions



# FY 2020 Power Generation & District Cooling Resources Budget Summary



- STP & FPP- O&M budget increased by \$10.1M due to increase in cyclic increases in planned outage and maintenance expenses
- Purchase of Nacogdoches Plant increased total proposed budget for FY20 by \$17.2M, recovered in Purchase Power Adjustment
- District Cooling O&M proposed budget for FY20 \$15.2M
- Downtown District Cooling Plant 3 capital expenses of \$21.0M
- ACC Cooling Plant capital expenses of \$13.1M
- Downtown Chiller Capacity Addition capital expenses of \$8.3M
- Sand Hill Energy Center capital expenses of \$7.4M



- Labor and Benefits
- Maintenance Contracts
- Commodities
- Contractuals
- Joint Projects

# FY 2020 Power Generation & District Cooling CIP Highlights

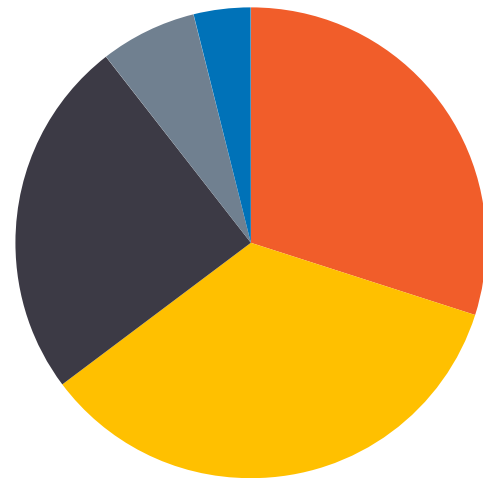
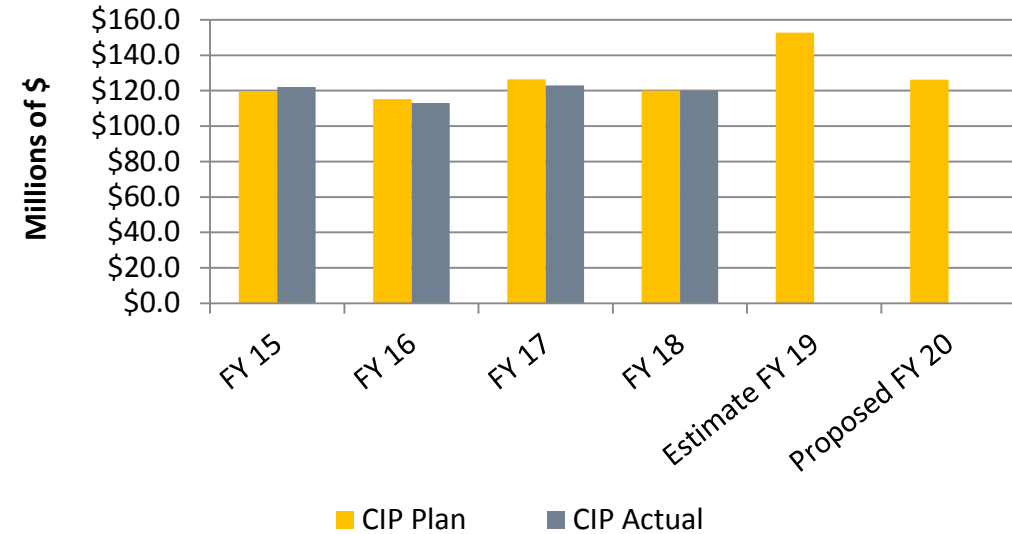
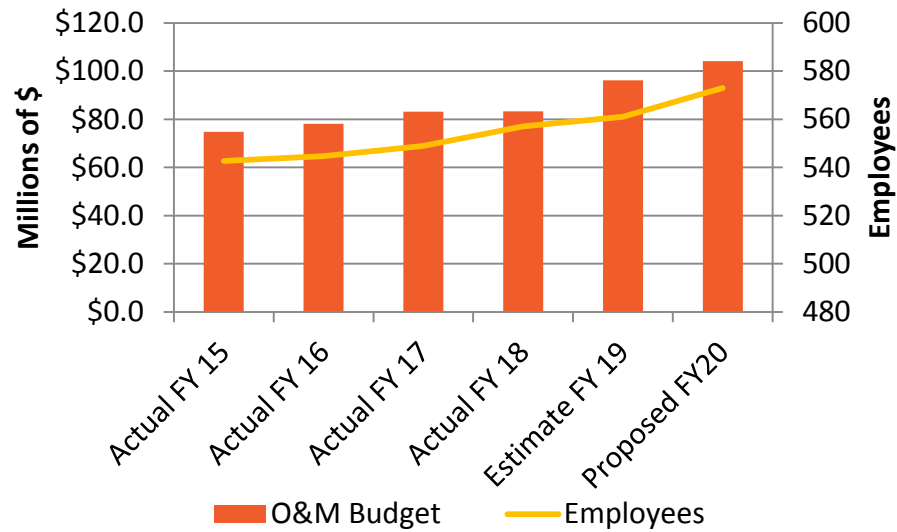
## 5-Year Spend Plan

	<i>FY 2019 Estimate</i>	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	2020 – 2024 Total
District Cooling Plant #3	\$12.0	\$21.0	\$20.0	\$0.0	\$0.0	\$0.0	\$41.0
Satellite - ACC Plant	\$0.8	\$13.1	\$16.6	\$0.0	\$0.0	\$0.0	\$29.7
Downtown Chiller Capacity Addition	\$1.9	\$8.3	\$2.0	\$0.0	\$0.0	\$0.0	\$10.3
Sand Hill Energy Center Capital Program	\$7.8	\$7.4	\$17.5	\$14.9	\$15.1	\$14.9	\$69.8

in millions



# FY 2020 Electric Service Delivery Budget Summary



- 10 new FTEs included in FY20 Proposed Budget
- \$2.0M increase for advanced technologies
- \$1.0M increase for utility line clearance
- \$1.7M increase for feeder maintenance
- \$11.7M Meter upgrades as part of electric grid modernization
- \$14.0M Downtown and Bluff Springs substations



- Labor and Benefits
- Labor Capital Projects
- Contractuals
- Line Clearance Contract
- Commodities



# FY 2020 Electric Service Delivery CIP Highlights

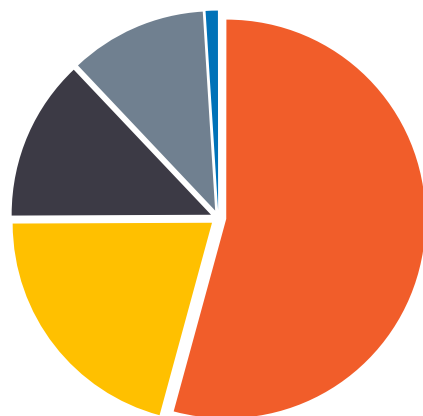
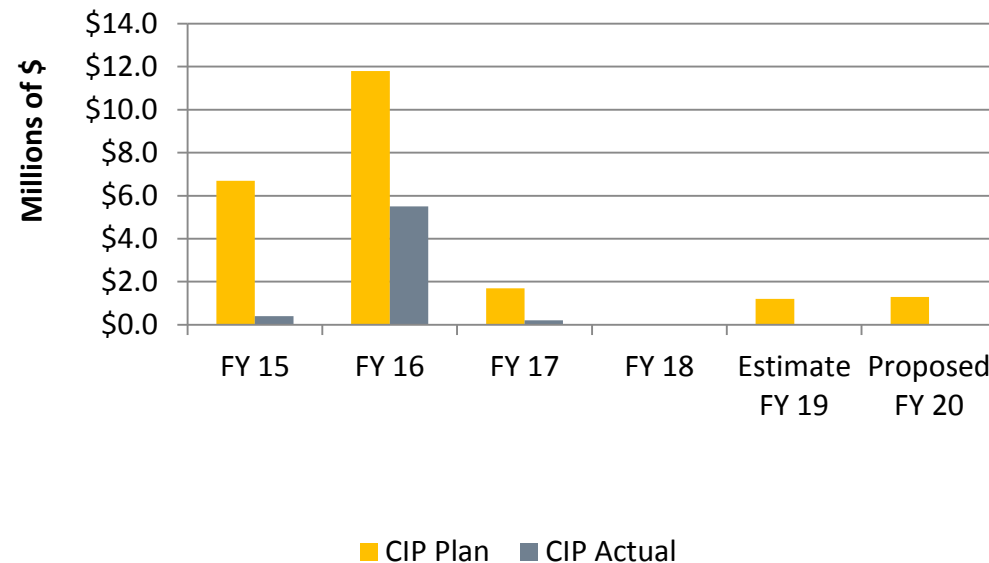
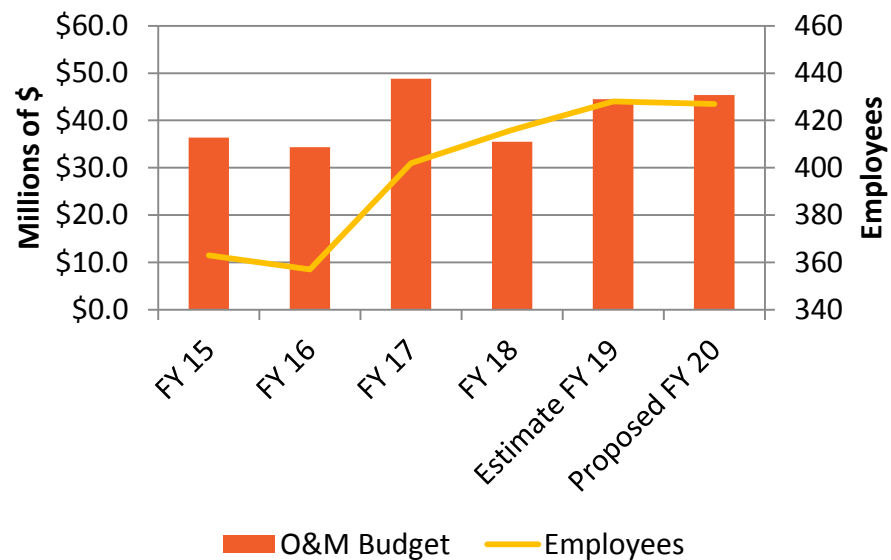
## 5-Year Spend Plan

	<i>FY 2019 Estimate</i>	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	2020 – 2024 Total
Meter Replacements	\$11.7	\$11.7	\$11.7	\$11.6	\$10.8	\$7.7	\$53.5
Rainey Street Substation	\$0.8	\$6.0	\$13.5	\$3.3	\$0	\$0	\$22.8
Brackenridge Substation	\$0.0	\$0.1	\$0.4	\$8.4	\$4.8	\$0	\$13.7
WAMS (Work Asset Management System)	\$2.5	\$4.0	\$4.0	\$4.0	\$0	\$1.5	\$13.5
Robinson Ranch Substation	\$0.04	\$0.2	\$6.5	\$5.4	\$0	\$0	\$12.1

In millions



# FY 2020 Customer Care Budget Summary

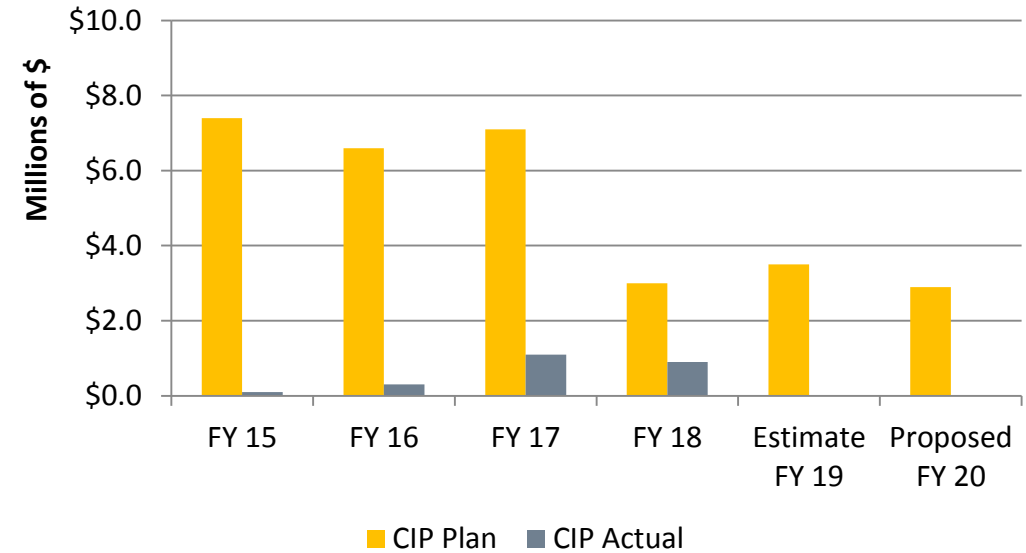
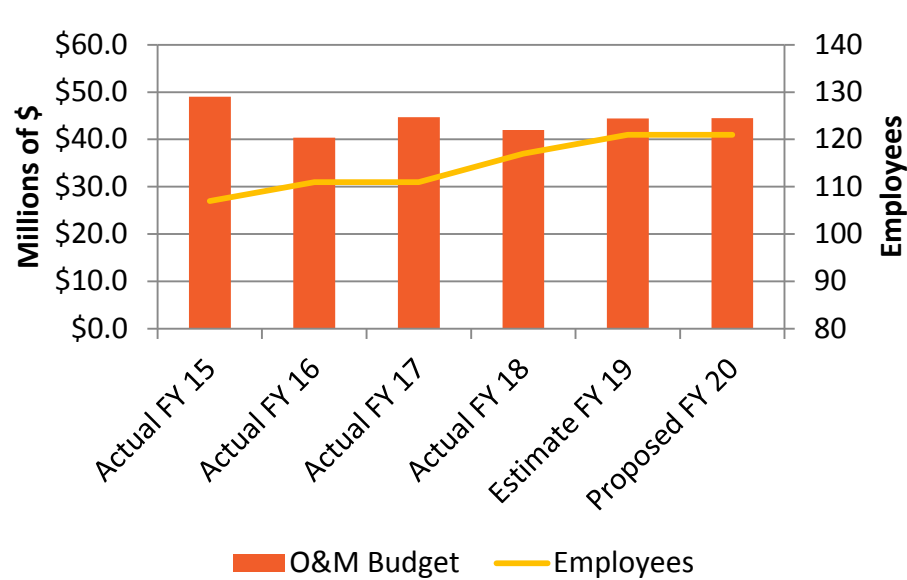


- \$360K decrease to the CIS Solution Oracle contract
- Funding included in 5 yr. CIP plan for Interactive Voice Response (IVR) enhancement



■ Labor and Benefits 
 ■ Contractuals 
 ■ Oracle Contract 
 ■ Staffing Services 
 ■ Commodities

# FY 2020 Customer Energy Solutions Budget Summary



- FY20 proposed budget meets or exceeds all Council and GenPlan goals
- Solar budget incentives decreased by \$2M
- Non-solar demand side management budget of \$39M is 2.8% of gross revenues
- 10 CIP-Electric vehicle fast charging stations
- DC fast charging stations growth \$2.1M in FY20



- Labor and Benefits
- Energy Efficiency Incentives
- Contractuals
- Solar Program

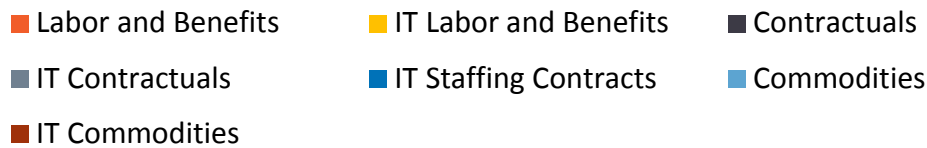
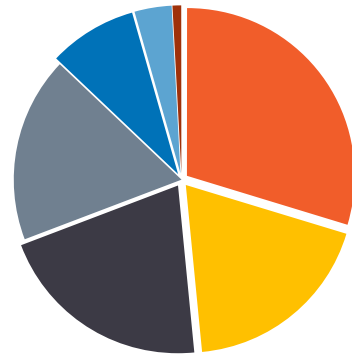
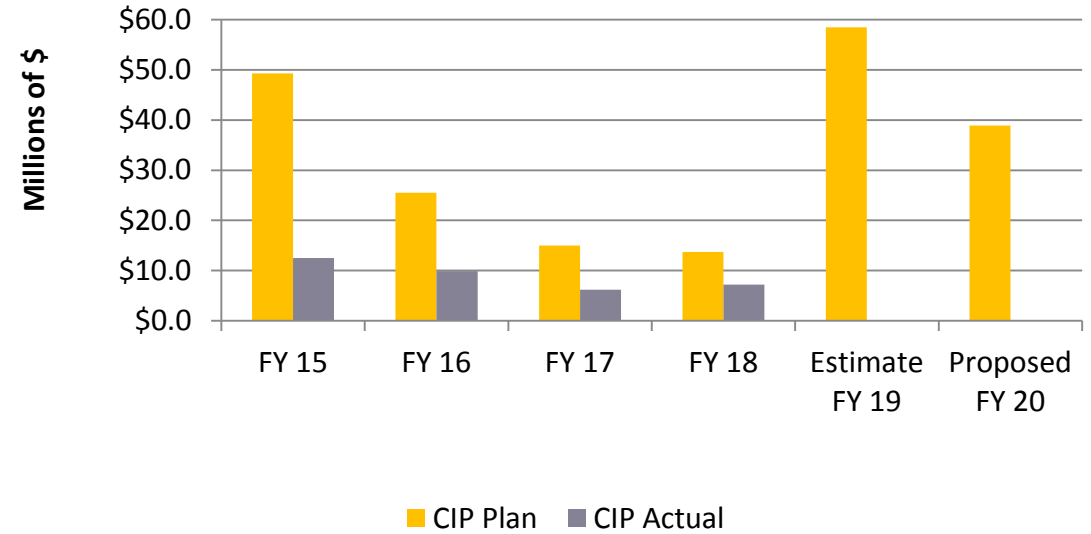
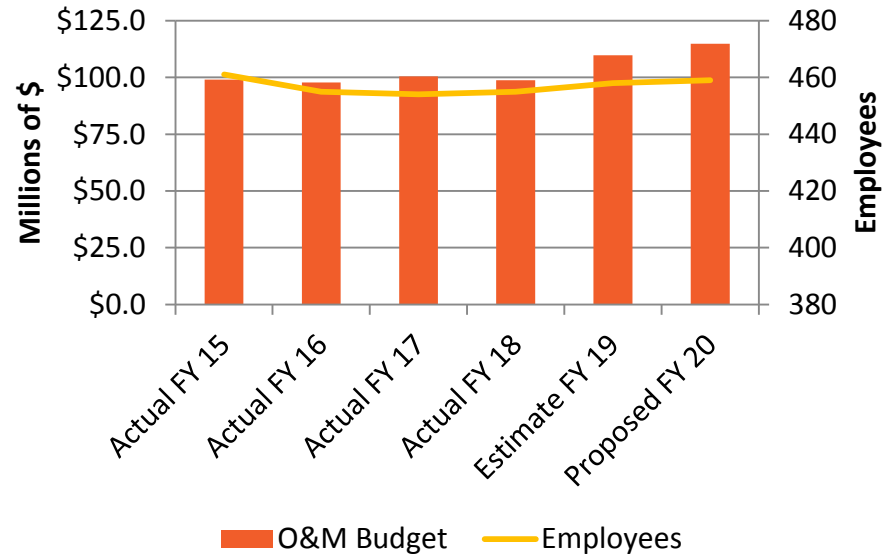
# Energy Efficiency Programs

Community Benefits Charge: Energy Efficiency Services Incentives (in thousands)

Component	FY 2019 Amended Budget	FY 2020 Proposed Budget	Variance
Austin Energy Weatherization DI	\$1,277	\$1,277	-
Appliance Efficiency Program	1,500	1,600	100
Customer Assistance Program (CAP) Weatherization Direct Incentives (DI)	1,000	1,000	-
Commercial Power Partner	90		(90)
Commercial-Existing Construction	3,100	2,335	(765)
Home Performance Energy Star	1,650	1,800	150
Load Coop	1,270	1,487	217
Loan Options	200	100	(100)
Multi-Family Rebates	425	1,060	635
Multi-Family Weatherization DI	675	1,060	385
Residential Power Partner-Aggregate	1,483	1,500	17
Small Businesses	1,900	2,260	360
Solar Program	5,000	3,000	(2,000)
Solar PV Performance Based Incentive Program	2,500	2,500	-
SPUR Strategic Partnership with Utilities & Retailers	875	1,000	125
Water Heater Timers	495	495	-
Other	388	260	(128)
<b>Total CBC: Energy Efficiency Services Incentives</b>	<b>\$23,828</b>	<b>\$22,734</b>	<b>-\$1,095</b>



# FY 2020 Support Services Budget Summary

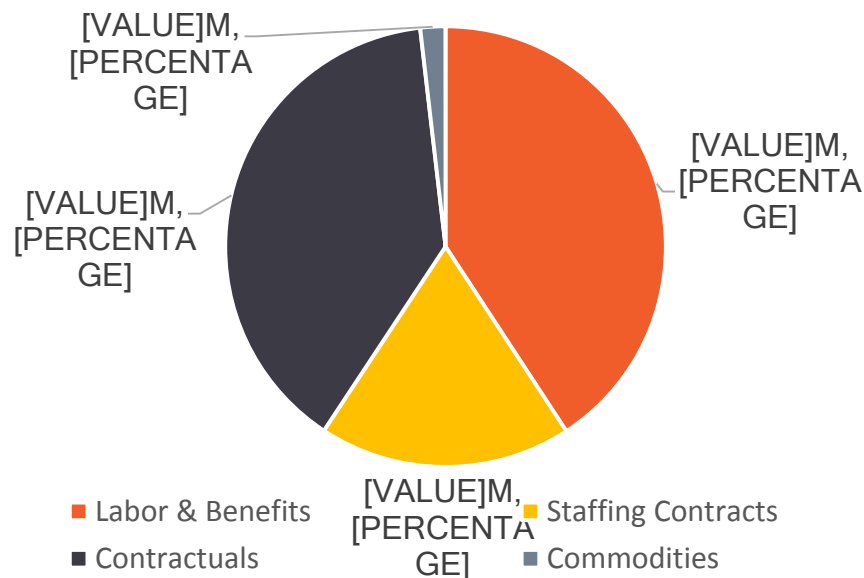
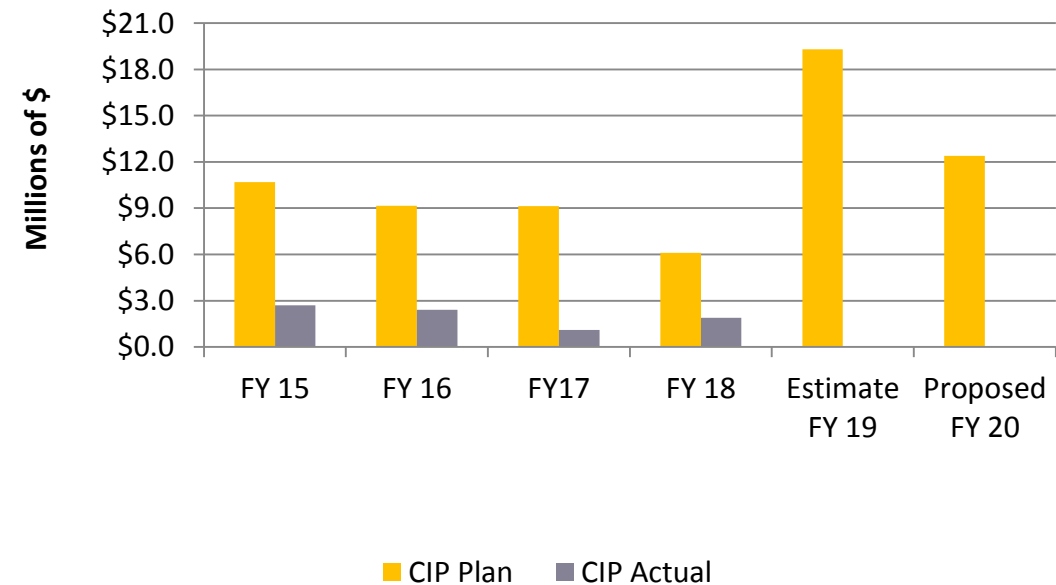
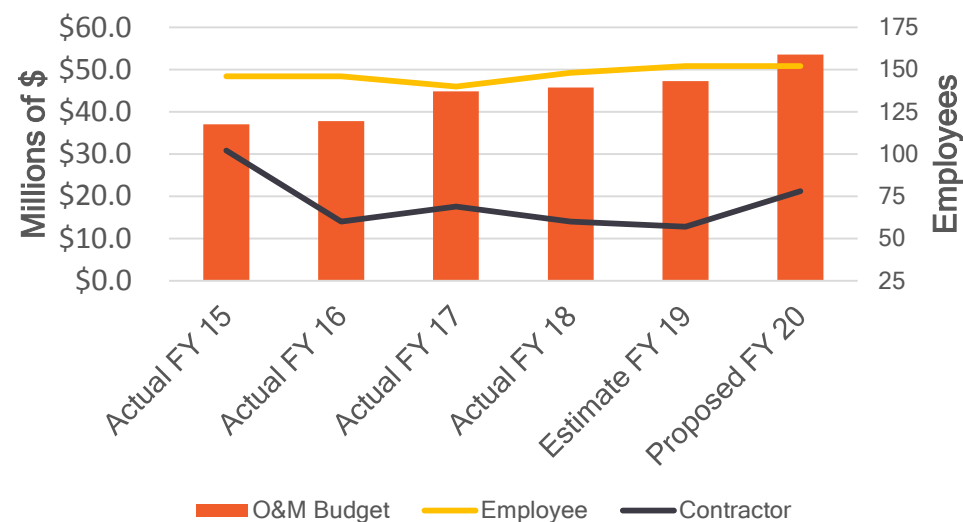


- Decreased leased/rental space by \$497K
- FY19 includes \$40M escrow for new headquarters
- FY20 includes \$26M for new warehouses
- \$3.5M in FY19 capital expenses for financial risk management system upgrade



*Information Technology details on next slide*

# FY 2020 Information Technology Budget Summary



## IT Infrastructure Transformation Program

- O&M - \$1.7M for support, maintenance and technical services for projects to automate server provisioning, cloud contracts for disaster recovery, and software for protection of privileged accounts
- CIP – Infrastructure and Technical Services \$6.8M; key projects for Software Defined Networking, Datacenter and Disaster Recovery



# Fiscal Year 2020 Proposed Budget Presentation

## Proposed Tariff and Fee Changes



# FY 2020 Tariff and Fee Changes

Fee Schedule Changes	Current	Proposed
Hit and Damaged Pad Mount Transformer	\$ 7,130.00	\$ 9,430.00
Hit and Damaged Streetlight Pole	\$ 3,650.00	\$ 5,400.00
Hit and Damaged Utility Pole	\$ 8,270.00	\$ 11,500.00
Impacted Streetlight Pole (without replacement)	\$ 430.00	\$ 540.00
Impacted Utility Pole (without replacement)	\$ 930.00	\$ 1,150.00
Broken Seal Fee	\$ 25.00	\$ 55.00
Distributed Generation Inspection Fee - Residential	-	\$ 150.00

## Tariff Changes:

- Proposed PSA pass through rate to be finalized in August

## Changes to Fee Language:

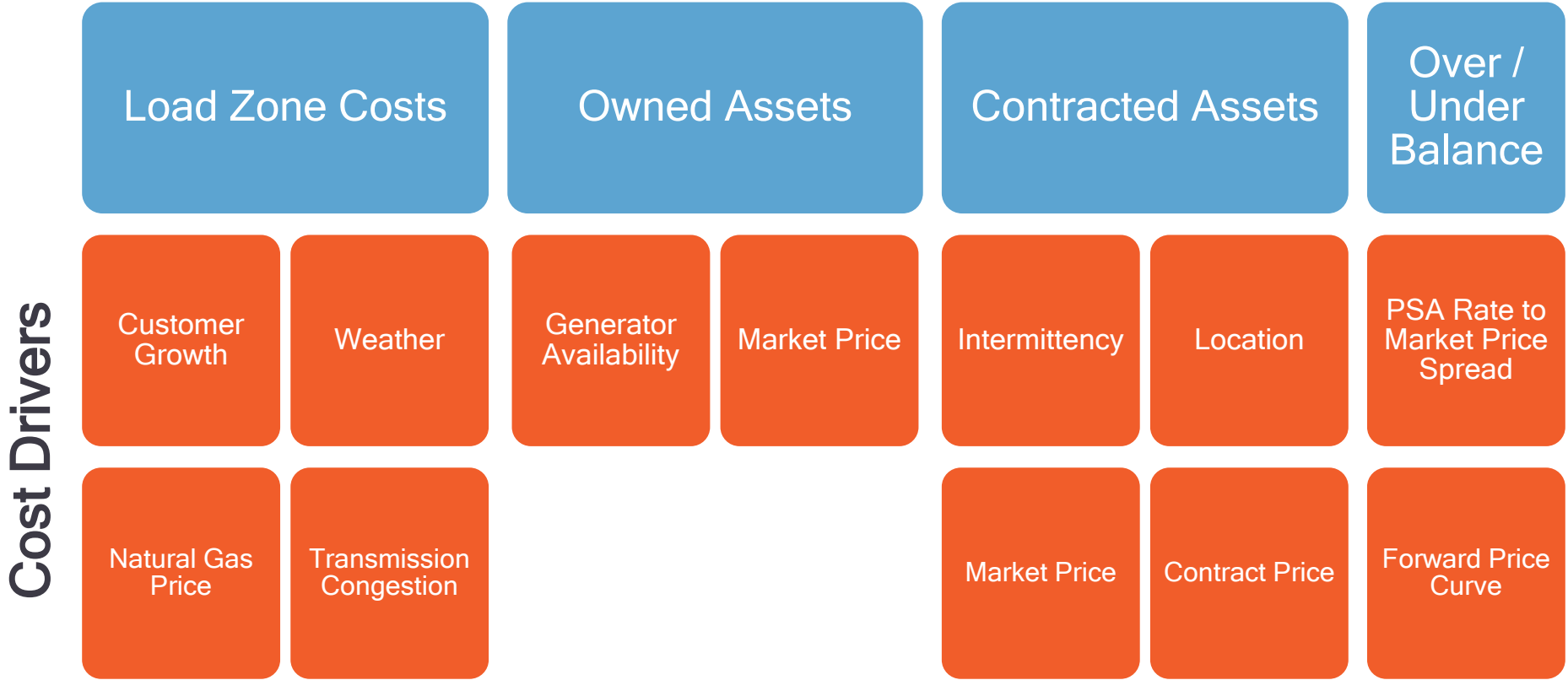
- Damaged Austin Energy Facilities - “at cost” changed to “direct cost plus overhead / G&A”
- Removed Broken Seal Fee waiver language
- Removed “Diversion” from “Utility Diversion Charges”
- “Temporary Services” to “Construction Loop Service” and the fee amount from “cost + 15%” to “at estimated cost”





# Power Supply Adjustment Drivers

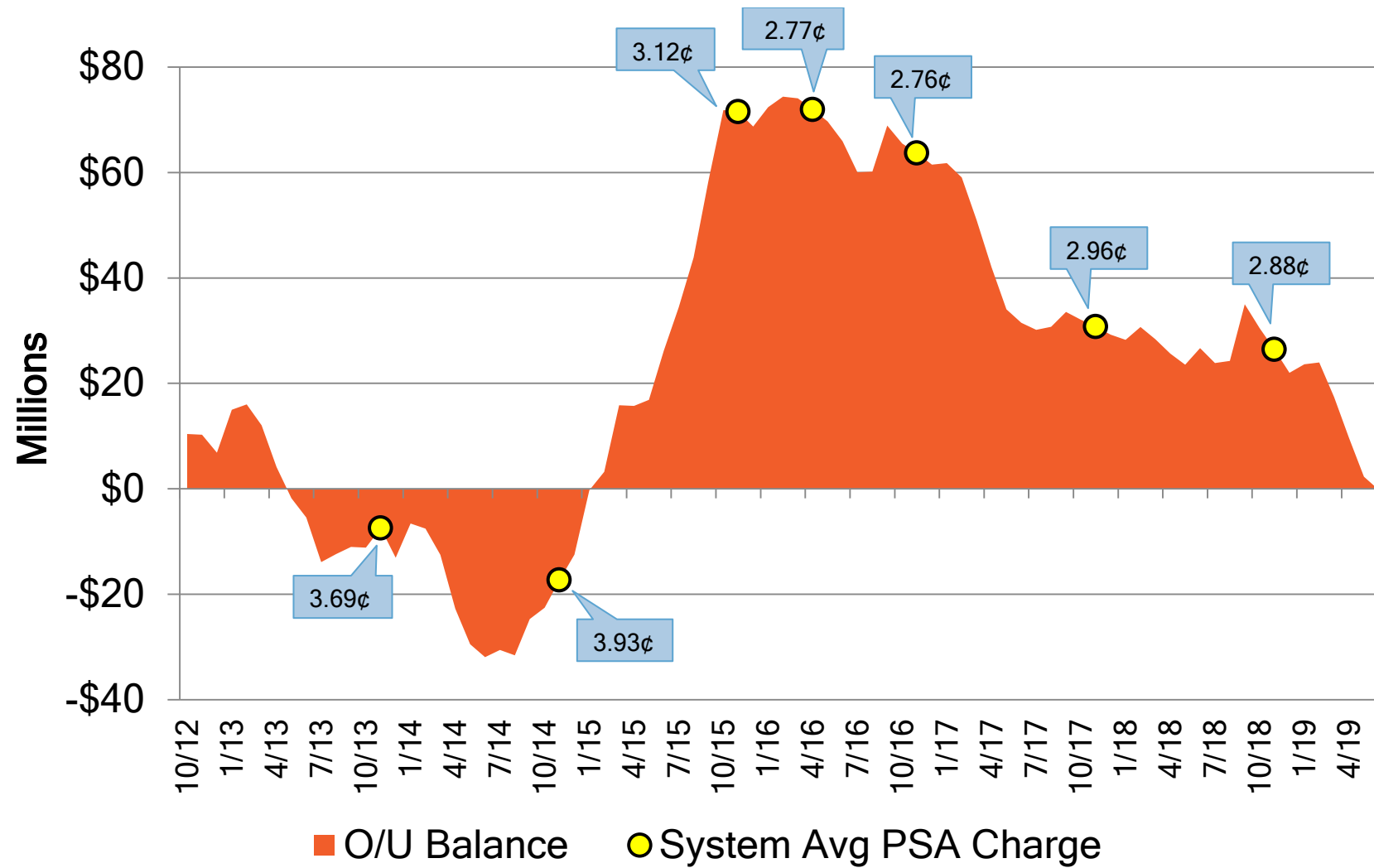
## Major Elements Impacting PSA



Future power prices are inherently uncertain



# PSA Over (Under) Balance



# Fiscal Year 2020 Proposed Budget Presentation

## Budget Adoption Schedule



# FY 2020 Budget Adoption Schedule

- August 5 – Proposed Budget Presentation/Budget Work Session #1
  - Proposed Budget available to the public
- August 8 – Adopt maximum tax rate, set public hearings
- August 20 - Budget work session #2
  - Council deliberations on select topics
- August 22 - Public Hearing on Tax rate
- August 28 – Public Hearing on Budget and Tax Rate
- August 29 – Budget work session #3
  - Austin Energy publishes final proposed PSA rate
- September 4 – Budget Work session #4
- September 10 - Budget readings and adoption





**Customer Driven.  
Community Focused.<sup>SM</sup>**



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