

Fiscal Year 2023 Proposed Budget Presentation

Electric Utility Commission



August 8, 2022

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Disclaimer

Certain information set forth in this presentation contains forecasted financial information. Forecasts necessarily involve known and unknown risks and uncertainties, which may cause actual performance and financial results in future periods to differ materially from any projections of future performance.

Although the forecasted financial information contained in this presentation is based upon what Austin Energy management believes are reasonable assumptions, there can be no assurance that forecasted financial information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such forecasts.

In addition, this presentation contains unaudited information and should be read in conjunction with the audited Annual Comprehensive Financial Reports for the City of Austin, which was published on March 14, 2022:

http://finance.austintexas.gov/web/controller/annual_comprehensive_financial_report/annual_comprehensive_financial_report_2021.pdf



Agenda

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



Fiscal Year 2023 Proposed Budget Presentation

Budget Adoption Schedule



FY 2023 Budget Adoption Schedule

- **July 15 – City Manager Proposed Budget Presentation**
- Aug 2 – Set max tax rate and budget & tax rate hearings – City Council
- Aug 2 – Set public hearing on Austin Energy rates & fee schedule – City Council
- **Aug 8 – Electric Utility Commission Proposed Budget Presentation**
- August 9, 11 – Budget work sessions – City Council
- **August 17-19 – Budget readings and adoption – City Council**
 - Budget public input meeting (August 17)
 - Public hearing on Austin Energy rates and fee schedule (August 17)
- September 29 – Propose updated FY 2023 Power Supply Adjustment, Community Benefit Charge, and Regulatory charge

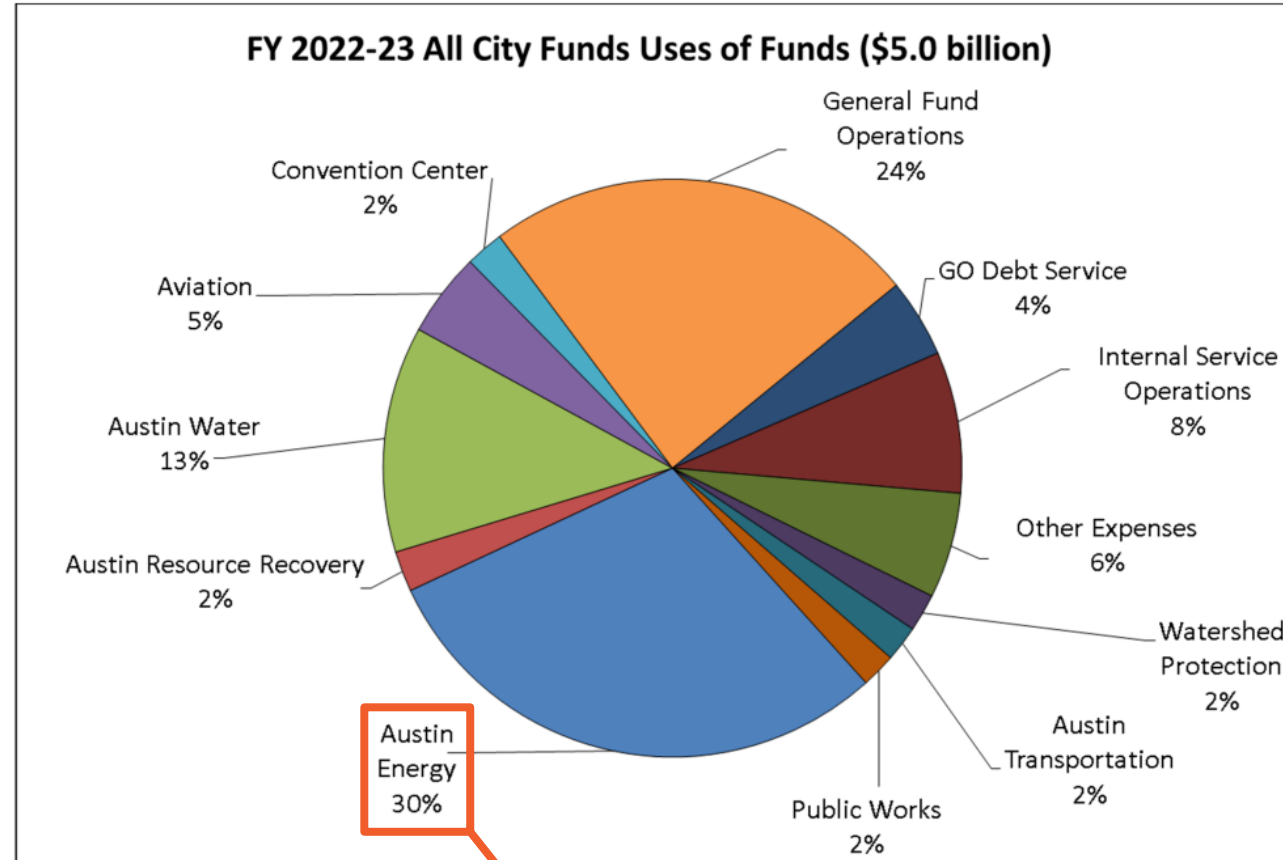


Fiscal Year 2023 Proposed Budget Presentation

Proposed Budget Summary



Austin Energy's Share of the FY 2023 City Budget



Austin Energy's total Expenditure Budget of \$1.6B in FY 2023 is 30% of the City of Austin's total expenditures budget of \$5.0B

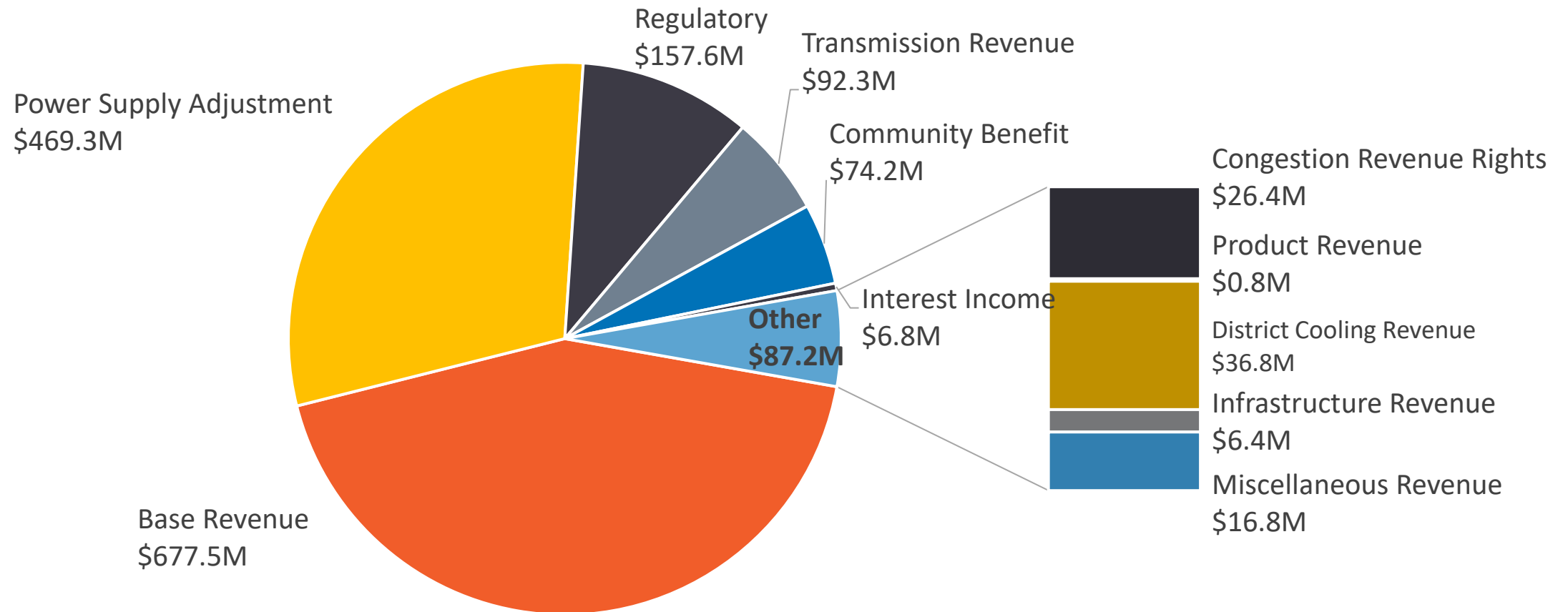


FY 2023 Austin Energy Fund Summary (\$millions)

	FY 2020	FY 2021	FY 2022		FY 2023	Change from FY 2022 Amended to FY 2023 Proposed	
	Actual	Actual	Estimated	Amended	Proposed		
Beginning Balance	\$413.4	\$387.8	\$234.3	\$261.0	\$204.9	(\$56.1)	(21.5%)
Revenue/Transfers In	\$1,389.9	\$1,288.8	\$1,501.6	\$1,490.3	\$1,577.3	\$87.0	5.8%
Expenditures							
Operating Expenses	\$634.3	\$659.3	\$668.3	\$698.1	\$729.1	\$31.0	4.4%
Power Supply Expenses	\$376.4	\$281.3	\$431.4	\$431.4	\$417.9	(\$13.6)	(3.1%)
Debt Service	\$152.0	\$159.5	\$158.6	\$161.9	\$166.2	\$4.3	2.7%
CIP Transfer	\$80.5	\$143.1	\$88.3	\$40.2	\$90.3	\$50.0	124.3%
General Fund Transfer	\$111.0	\$114.0	\$114.0	\$114.0	\$115.0	\$1.0	0.9%
Other Transfers & Requirements	\$65.2	\$74.7	\$70.4	\$63.9	\$67.2	\$3.3	5.2%
Total Expenditures	\$1,419.3	\$1,431.9	\$1,531.0	\$1,509.6	\$1,585.7	\$76.1	5.0%
Excess (Deficiency)	(\$29.5)	(\$143.1)	(\$29.4)	(\$19.4)	(\$8.4)	\$10.9	(56.5%)
Ending Balance (Adjusted)	\$387.8	\$234.3	\$204.9	\$241.7	\$196.5	(\$45.2)	(18.7%)
FTEs	1,784	1,813	1,897	1,897	1,897	0	0.0%



FY 2023 Austin Energy Sources of Revenue (\$1.6 Billion)

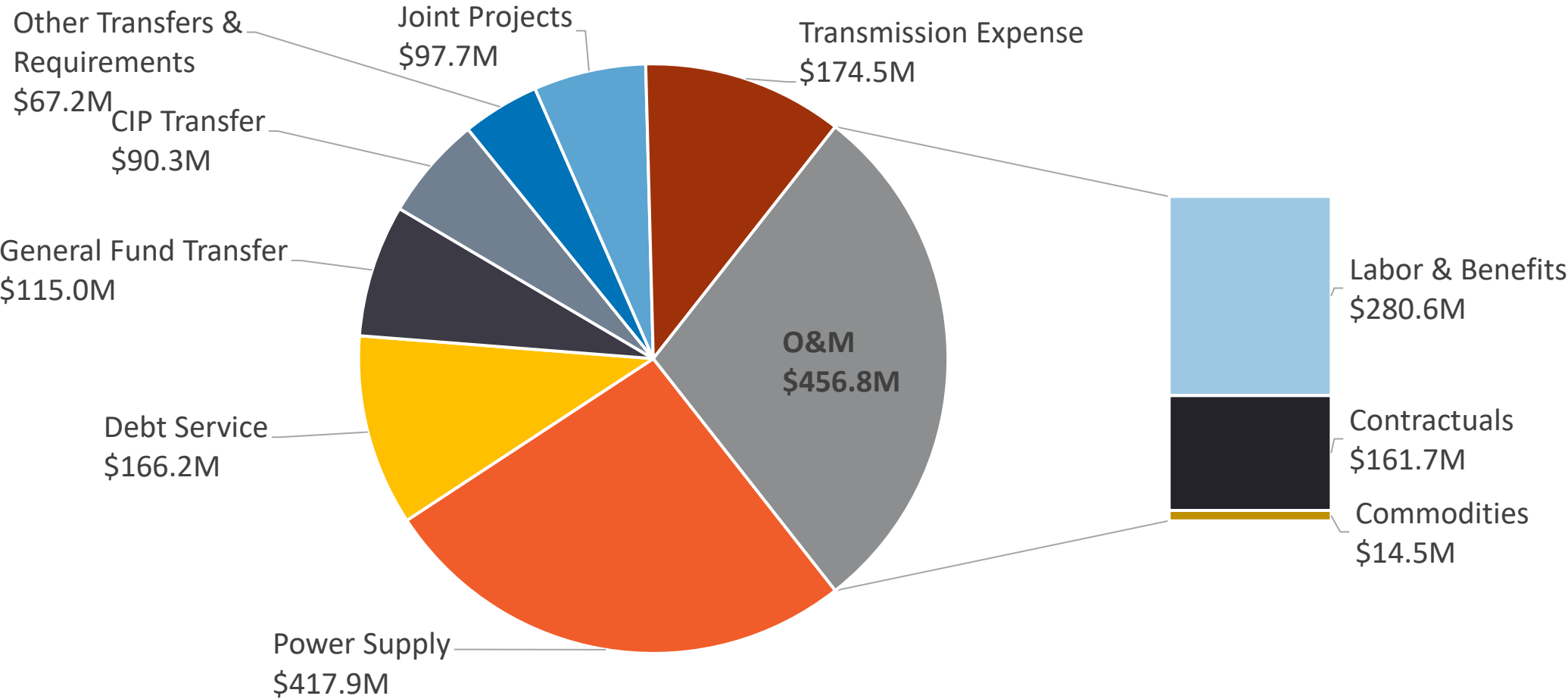


FY 2023 Revenue Budget Highlights

- Base revenue is projected to increase
 - Customer growth projected at 1.7%
 - Energy sales growth forecasted at 0.6%
 - Base revenue projected to increase by \$40M starting January 2023
- Power Supply Adjustment to be finalized in September
- Regulatory Charge to be finalized in September
- All Community Benefit Charges (CAP, SAL & EES) will be reviewed and updated as necessary in September
 - Customer Assistance Program (CAP) returns to a 10% discount
- Pending rate adoption review in late November



FY 2023 Austin Energy O&M Requirements (\$1.6 Billion)



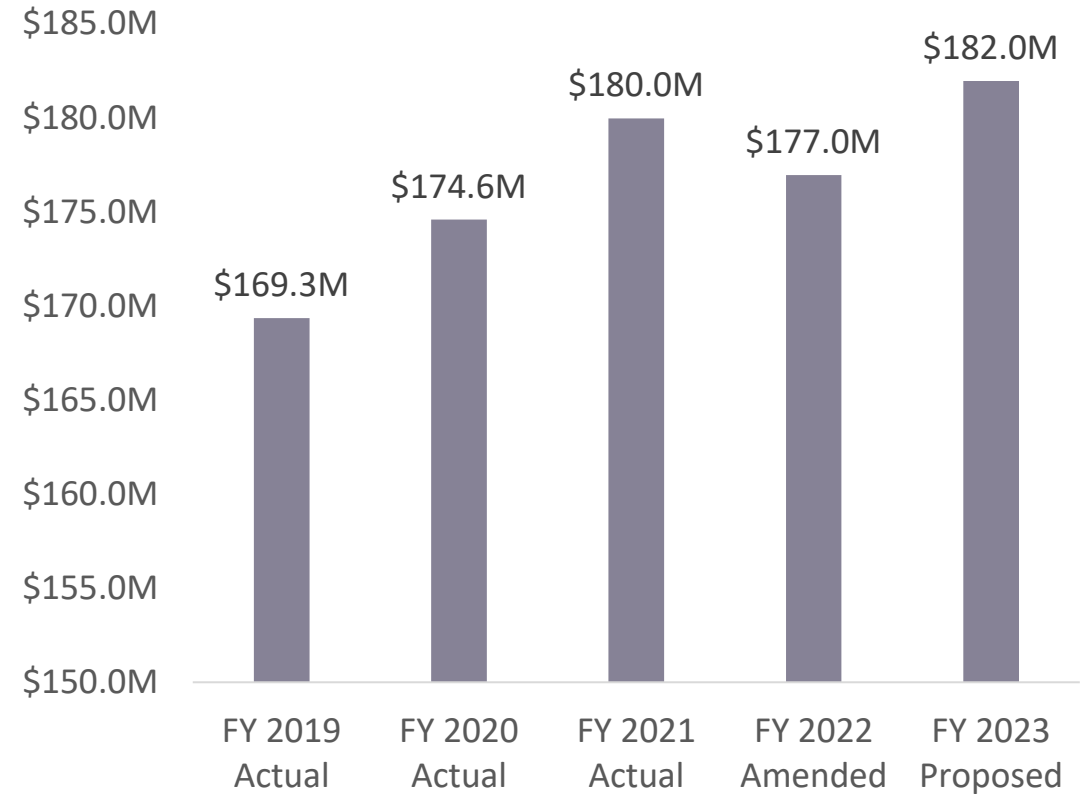
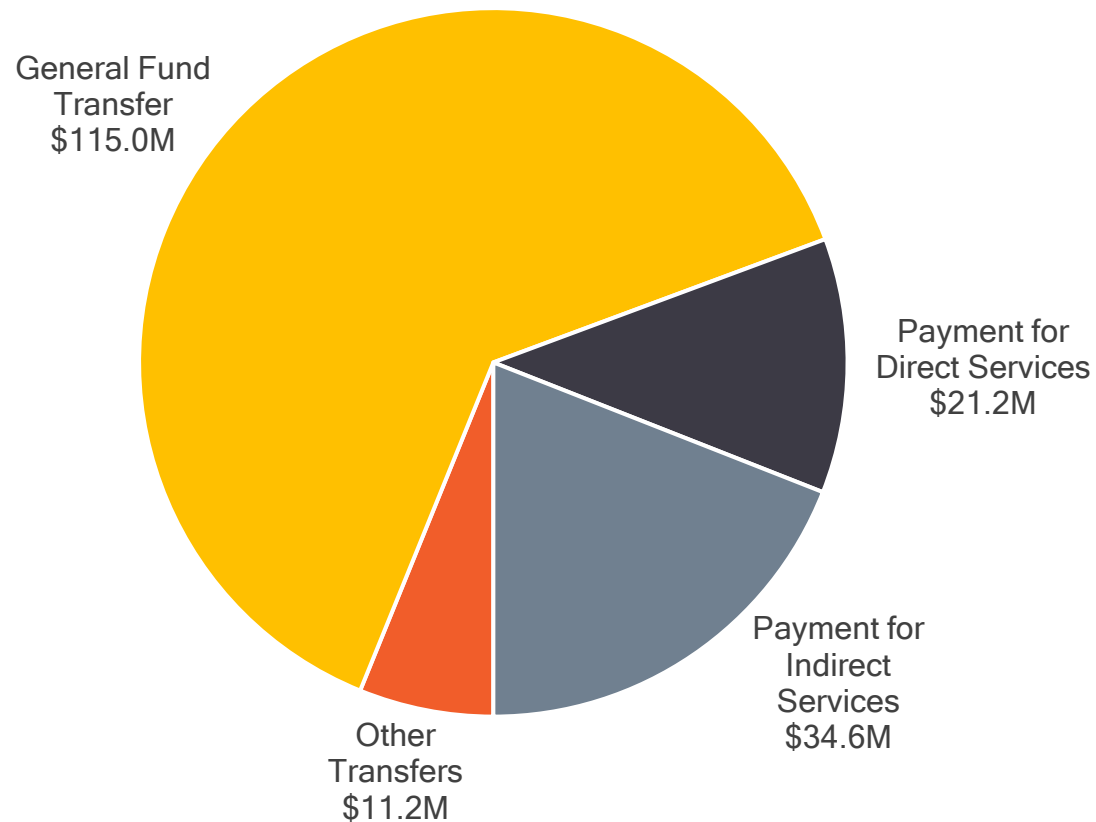
FY 2023 Operating Expense Highlights

- O&M budget of \$456.8M re-aligns business areas with predicted spending levels with considerations given to the pending rate case and the overall financial condition of the utility
 - \$2.5M decrease (0.5%) from FY 2022 Amended of \$459.3M
 - \$45.5M increase (11.1%) from FY 2022 estimated spending of \$411.3M
- Personnel – 1,897 FTEs
 - No new FTEs added
 - Citywide across-the-board cost-of-living wage increase – \$7.6M total, or 4% per FTE
 - Insurance cost per FTE increasing from \$12,546 to \$13,550



Payments to the City

FY2023 Proposed Payments to the City



Capital Improvement Program (CIP) 5-Year Spend Plan (\$millions)

Business Unit	<i>FY 2022 Approved</i>	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	2023 – 2027 Total
Distribution	\$123.6	\$105.3	\$82.4	\$87.0	\$72.6	\$97.6	\$444.9
Distribution Substation	23.1	16.6	22.6	15.9	10.2	3.4	68.7
Transmission*	56.6	64.9	65.1	84.9	78.2	55.7	348.8
Electric Service Delivery	203.3	186.8	170.1	187.8	161.0	156.7	862.4
Power Production	36.6	35.6	31.4	27.3	16.2	11.8	122.3
District Cooling*	40.6	21.1	9.5	0.8	0.2	0.2	31.8
General	39.5	39.9	56.9	5.9	3.6	2.7	109.0
Total	\$320.0	\$283.4	\$267.9	\$221.8	\$181.0	\$171.4	\$1,125.5

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



Financing CIP (\$millions)

Business Unit	<i>FY 2022 Approved</i>	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	2023 – 2027 Total
Total Capital Improvement Plan	\$320.0	\$283.4	\$267.9	\$221.8	\$181.0	\$171.4	\$1,125.5
Debt	184.3	148.7	149.1	105.2	81.8	63.5	548.3
Cash	96.2	89.7	73.8	71.6	54.2	62.9	352.2
Contribution in aid of construction	39.5	45.0	45.0	45.0	45.0	45.0	225.0
Total	\$320.0	\$283.4	\$267.9	\$221.8	\$181.0	\$171.4	\$1,125.5
Debt %	57.6%	52.5%	55.7%	47.4%	45.2%	37.0%	48.7%
Cash %	30.1%	31.7%	27.5%	32.3%	29.9%	36.7%	31.3%
Contribution in aid of construction %	12.3%	15.9%	16.8%	20.3%	24.9%	26.3%	20.0%



Fiscal Year 2023 Proposed Budget Presentation

Financial Health



Typical Residential Customer Bill Impact

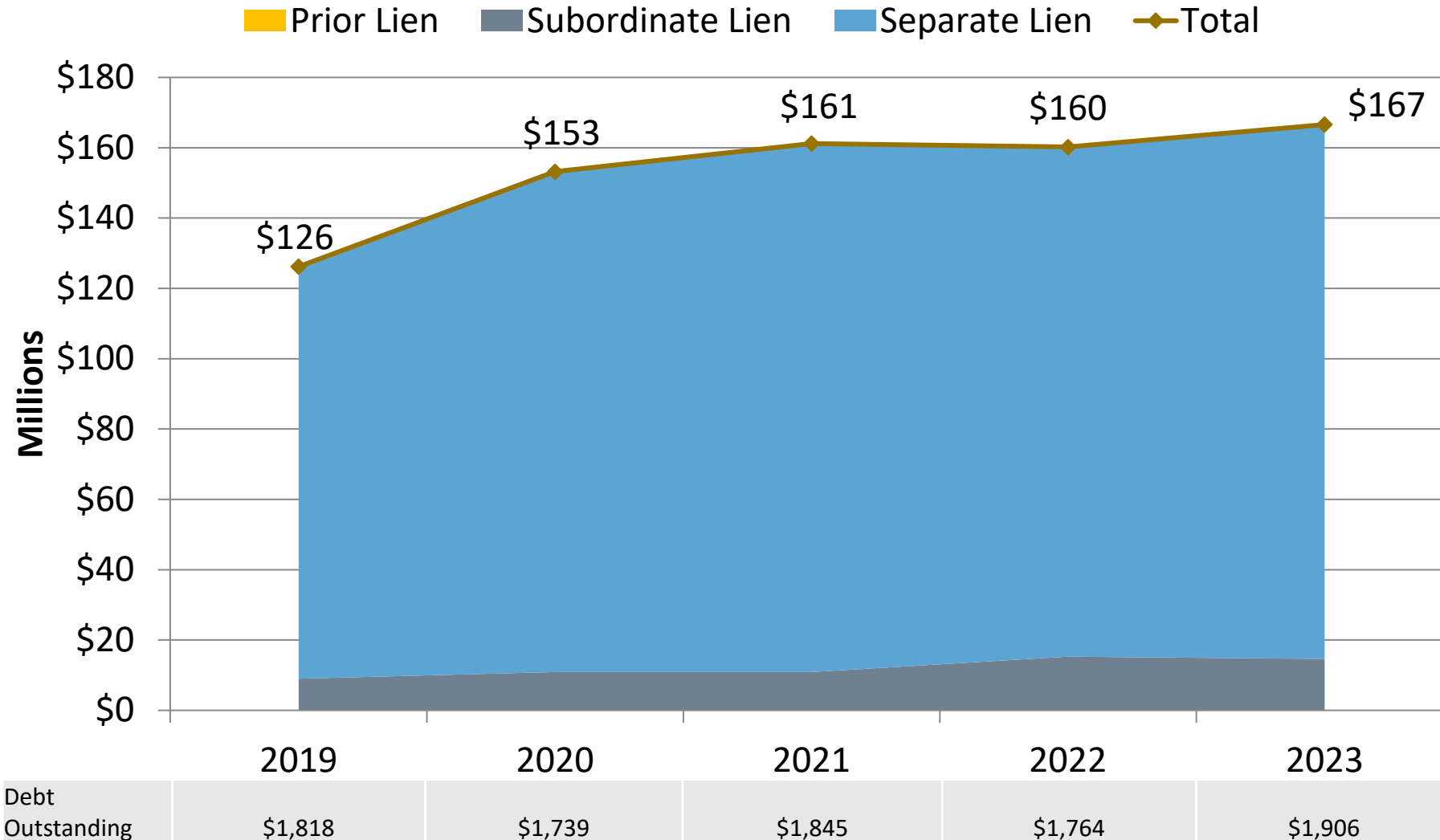
FY2022 bill based on current rates / FY2023 bill based on proposed rates (Inside City of Austin Customer)
presented on April 18th, 2022.

Average Monthly Bill	Energy (kWh)	FY 2022	FY 2023	\$ Change from FY2022 (Budget)	% Change
Customer Charge		\$10.00	\$25.00	\$15.00	150.00%
Base Electricity Charge	860	\$35.01	\$35.10	\$.09	0.3%
Power Supply Adjustment (PSA)*	860	\$24.74	\$24.74	-	0.0%
Community Benefit Charge (CBC)*	860	\$4.44	\$4.92	\$.48	10.8%
Regulatory Charge *	860	\$10.37	\$10.37	-	0.0%
Total Monthly Bill	860	\$84.56	\$15.57	\$ 100.13	18.4%
Total CAP Customer Discounted Bill*	860	\$65.92	\$ TBD	\$ TBD	TBD%

* The PSA, Regulatory Charge and Community Benefit Charges will be updated in September.



Debt Service by Fiscal Year FY 2019-2023



Austin Energy Financial Health

	2022 Minimum	2021 Actual	2022 Estimate	2023 Forecast
Standard & Poor's (S&P) credit rating on separate-lien revenue bonds	AA	AA	AA	AA
Working Capital	\$118M	\$329M	\$259M	\$184M
Days Cash on Hand (Fitch)	150 days	213	180	150
Debt Service Coverage (before GFT) *	2.5X	1.9	2.1	2.2
Debt Service Coverage (after GFT) *	2.0X	1.2	1.4	1.5
Debt to Capitalization	50%	54%	55%	55%
Net Income	\$10M	(\$57M)	(\$18M)	(\$0.2M)
<ul style="list-style-type: none"> Debt service coverage ratios presented do not include imputed debt associated with power purchase agreement Metrics are based on proposed rates presented on April 18, 2022 				



Austin Energy Financial Health - Reserves

	2022 Minimum	2021 Actual	2022 Estimate	2023 Forecast
Working Capital	\$118M	\$329M	\$259M	\$184M
Contingency Reserve	\$118M	\$108M	\$108M	\$108M
Power Supply Stabilization Reserve	\$104M	\$110M	\$110M	\$110M
Capital Reserve	\$140M	\$70M	\$70M	\$70M
Total	\$479M	\$617M	\$547M	\$472M

	2022 Estimate		2023 Forecast
Non-Nuclear Decommissioning		\$46M	\$40M

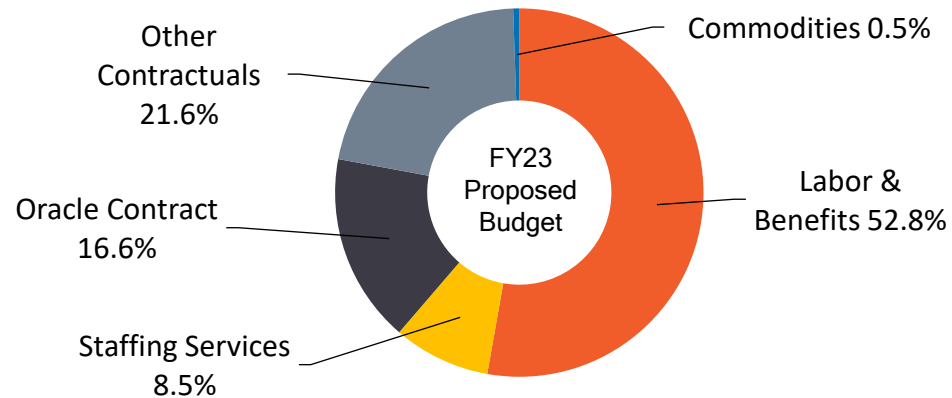
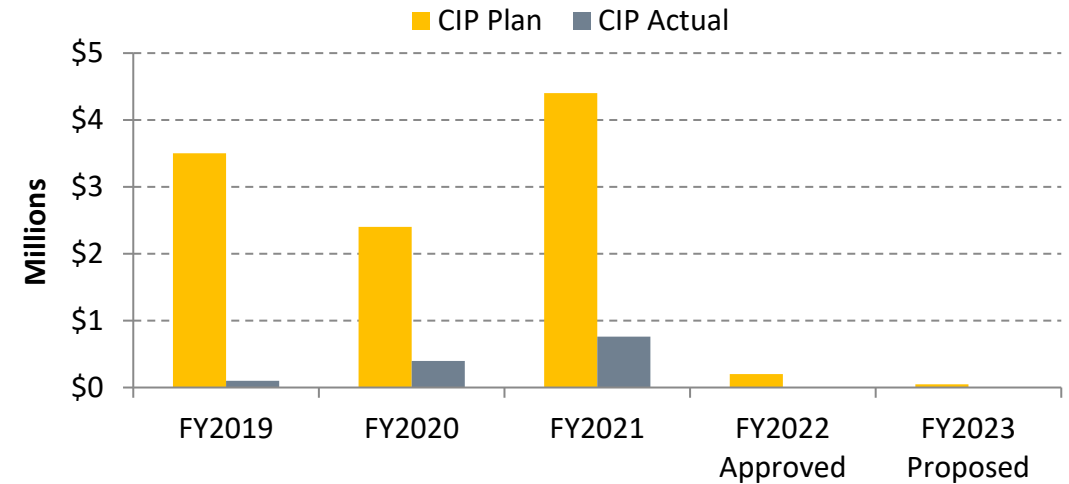
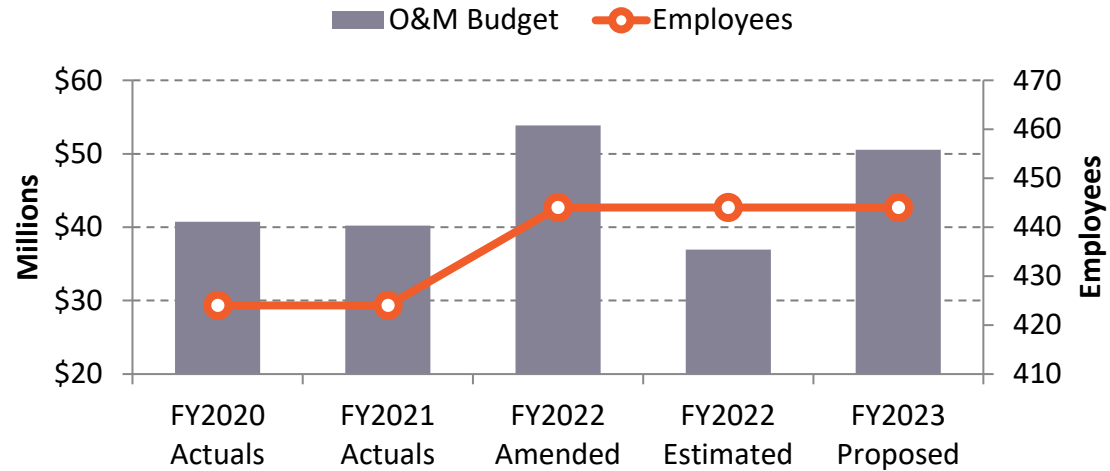


Fiscal Year 2023 Proposed Budget Presentation

Major Business Unit Discussions



FY 2023 Customer Care & Customer Account Management Budget

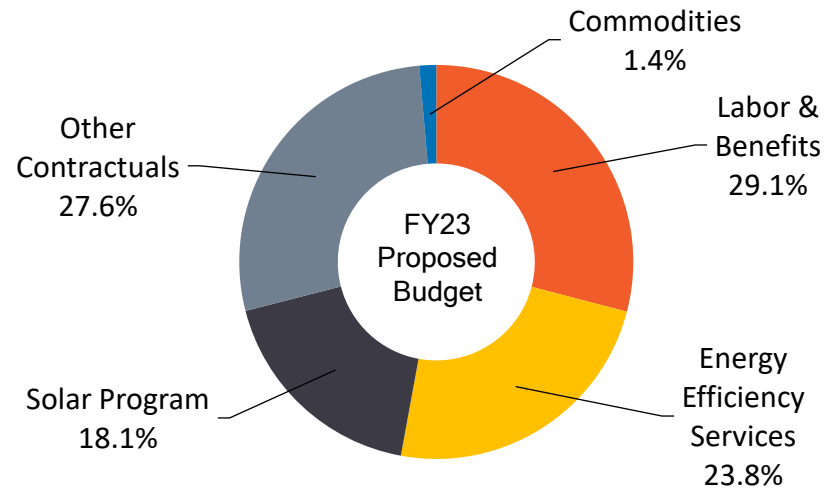
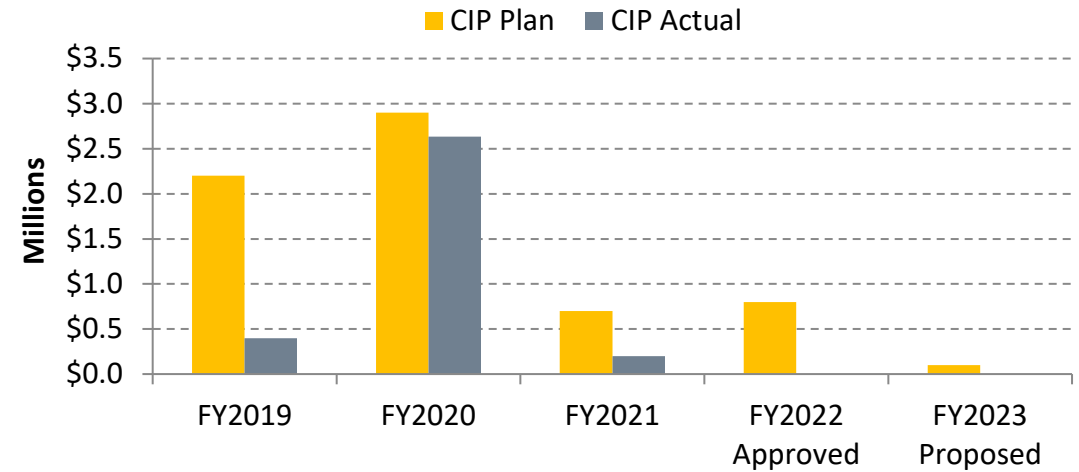
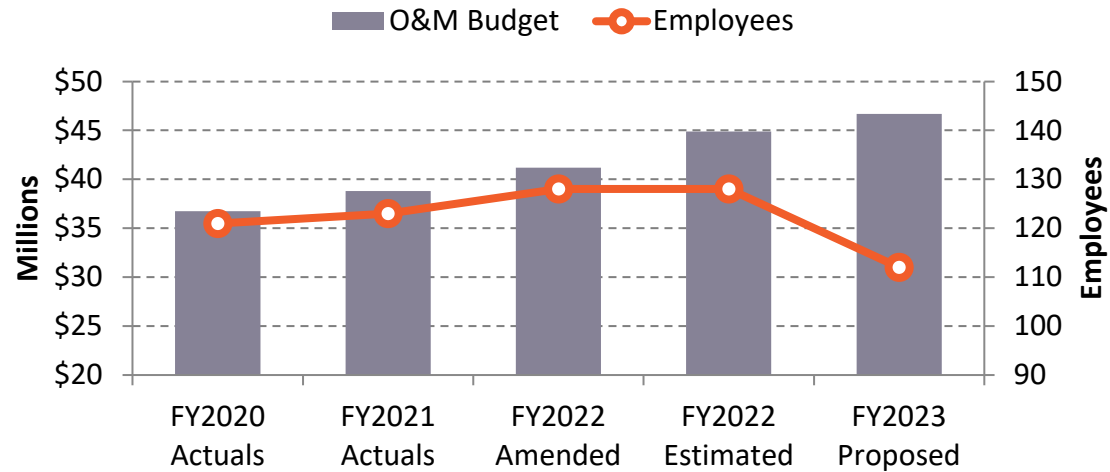


O&M

- \$2.6M increase in telephony technology for both 311 and COA Utilities contact centers to replace Avaya Solutions with Genesys contract
- \$3.0M decrease in Customer Information Systems for removal of one-time CC&B licenses and upgrades costs



FY 2023 Customer Energy Solutions Budget



O&M

- FY2023 proposed budget meets or exceeds all Council and GenPlan goals
- \$2.85M increase to meet demand of the Solar PV Performance Based Incentive Program
- 16 positions transferred to other Austin Energy areas



Energy Efficiency Services

Program Budget & Tariff Development

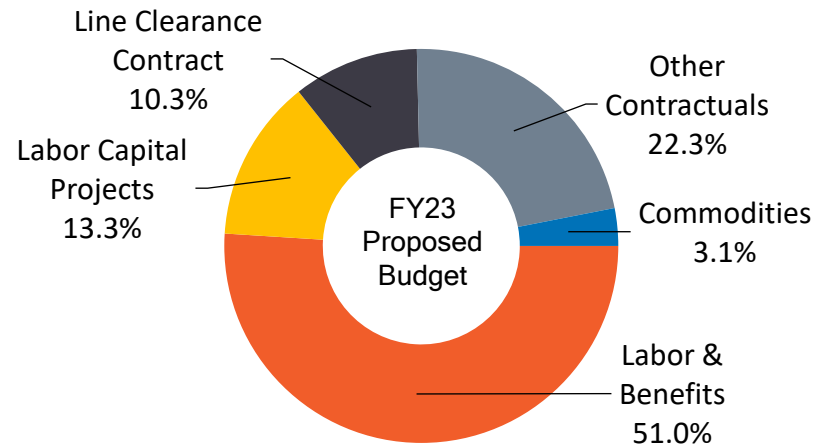
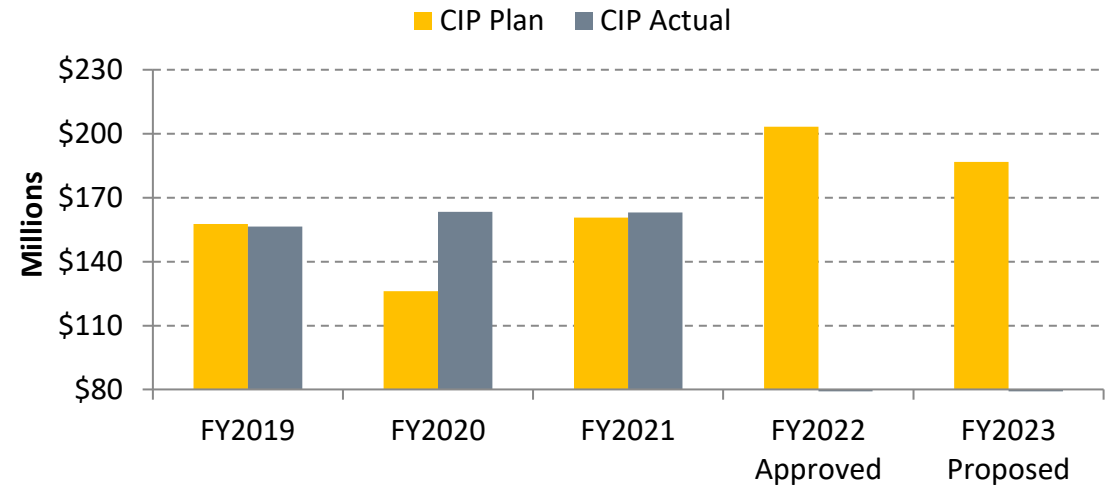
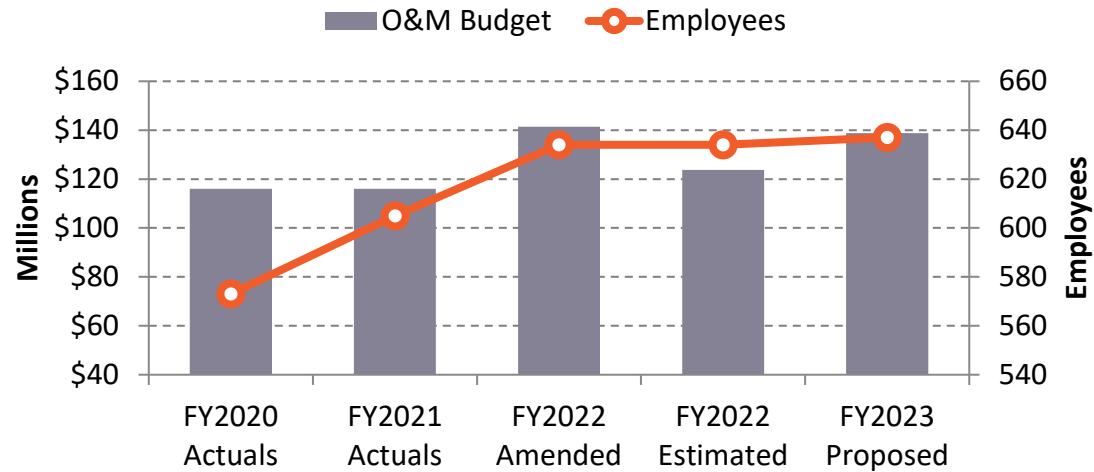


Community Benefit Charge: Energy Efficiency Services Incentives

Component	2022 Amended	2023 Proposed	Change
AE Weatherization-D.I.	\$1,577,000	\$1,577,000	\$0
Multi-Family Rebates	900,000	850,000	(50,000)
Multi-Family WX-D.I.	1,800,000	1,800,000	0
Loan Options	400,000	500,000	100,000
Commercial-Existing Construction	2,250,000	2,250,000	0
Small Businesses	1,100,000	1,100,000	0
Solar Program	2,500,000	2,500,000	0
Solar PV Performance Based Incentive Program	2,750,000	6,000,000	3,250,000
Residential Power Partner-Aggr	1,499,910	1,600,000	100,090
Load Coop	2,000,000	2,000,000	0
Home Performance w Energy Star	1,300,000	1,600,000	300,000
School Based Education	200,000	350,000	150,000
Appliance Efficiency Program	1,500,000	1,500,000	0
Direct Install Partners and Events	150,000	150,000	0
SPUR Strategic Partnership w Utilities & Retailers	1,000,000	1,250,000	250,000
Municipal Conservation Program	60,000	60,000	0
Behavioral Demand Response Pilot	0	200,000	200,000
Total	\$20,986,910	\$25,287,000	\$4,300,090



FY 2023 Electric Service Delivery Budget



O&M

- \$2.6M decrease to align with spending trends
- \$946K increase for Landis+Gyr advanced metering infrastructure contract
- \$250k increase for Distribution Design North and South contractors to keep up with growth
- CIP projects highlighted on next slide



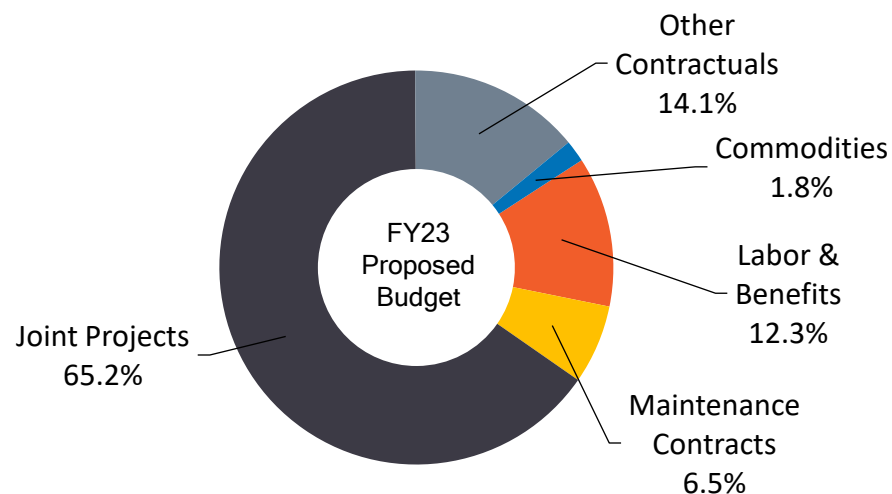
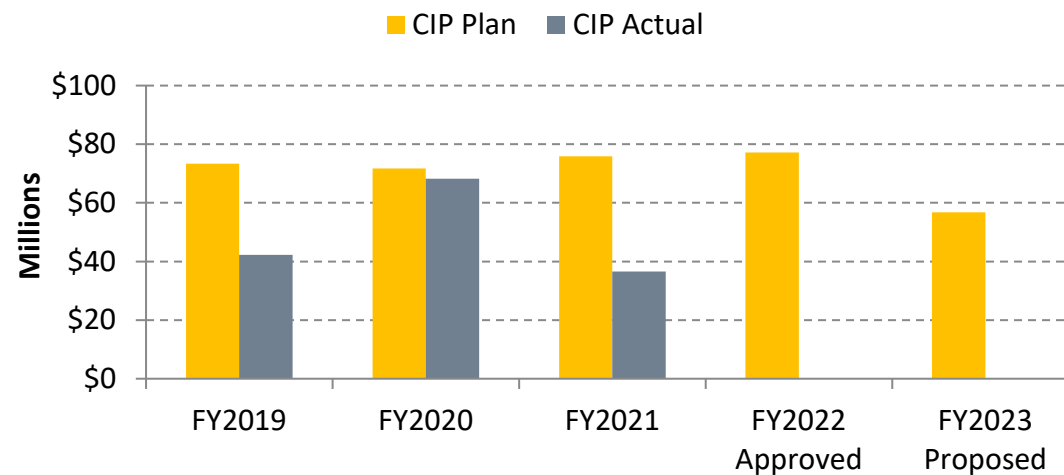
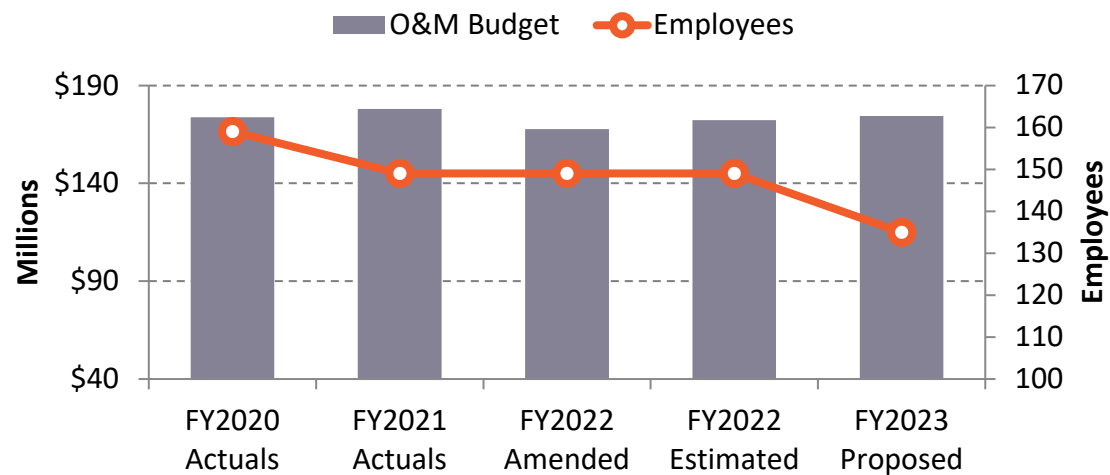
FY 2023 Electric Service Delivery CIP Highlights

5-Year Spend Plan

	<i>FY 2022 Estimate</i>	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	2023 – 2027 Total
East Village Substation	\$0.6	\$7.2	\$0.1	\$0.0	\$0.0	\$0.0	\$7.3
Southeast Substation	\$0.2	\$1.0	\$14.9	\$0.0	\$0.0	\$0.0	\$15.9
Overhead Reliability Program	\$3.9	\$10.0	\$10.0	\$10.0	\$0.0	\$0.0	\$30.0
LS-NL CKT 916 Reconductor	\$0.5	\$1.0	\$3.9	\$8.4	\$7.7	\$6.5	\$27.5
Dunlap Transformer 2 (672MVA Addition)	\$5.9	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0



FY 2023 Power Generation & District Cooling Budget



O&M

- \$9.9M increase in Austin Energy's share of operating costs for Joint Projects
 - \$7.2M – South Texas Plant – Two refueling outages during FY2023
 - \$2.7M – Fayette Power Plant – Increase due to maintenance costs and increase in G&A expense
- Reduction in employees is a result of Decker retirement. Positions were reallocated across the utility
- CIP projects on next slide



* District Cooling expense is not a component of electric retail rates

FY 2023 Power Generation & District Cooling CIP Highlights

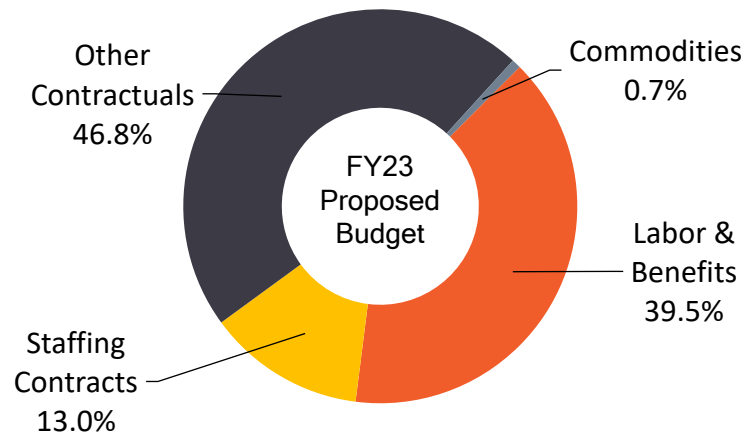
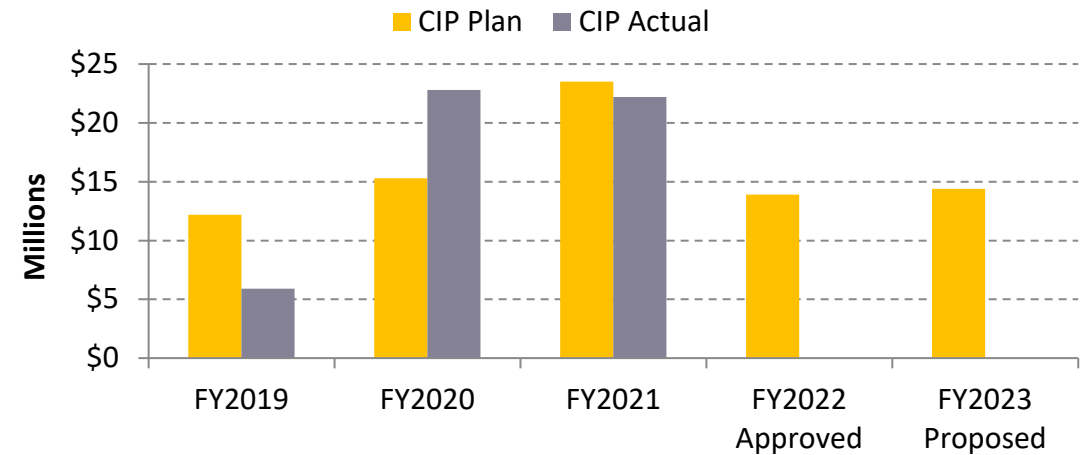
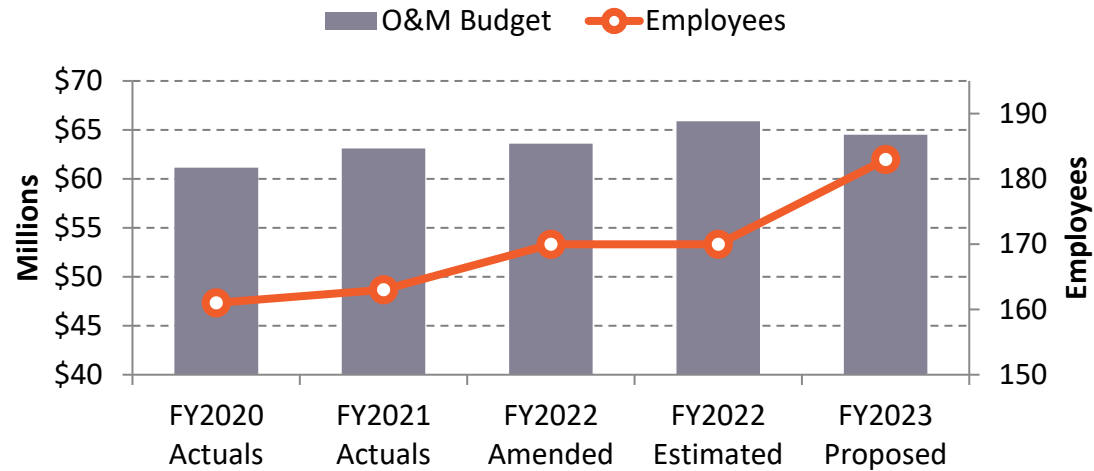
5-Year Spend Plan

	<i>FY 2022 Estimate</i>	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	2023 – 2027 Total
District Cooling - Satellite - ACC Plant	\$3.1	\$1.0	\$0.0	\$0.0	\$0.0	\$0.0	\$1.0
Sand Hill Energy Center Capital Program	\$13.6	\$21.0	\$15.3	\$13.1	\$3.3	\$3.0	\$55.7
District Cooling - Downtown - DT Red River Transmission Pipe	\$3.5	\$3.0	\$0.0	\$0.0	\$0.0	\$0.0	\$3.0
Decker Dam Improvements	\$0.0	\$2.0	\$4.0	\$0	\$0	\$0	\$6.0

* District Cooling expense is not a component of electric retail rates



FY 2023 Technology & Data Budget



O&M

- \$1.1M increase in utility-wide information technology services and solutions

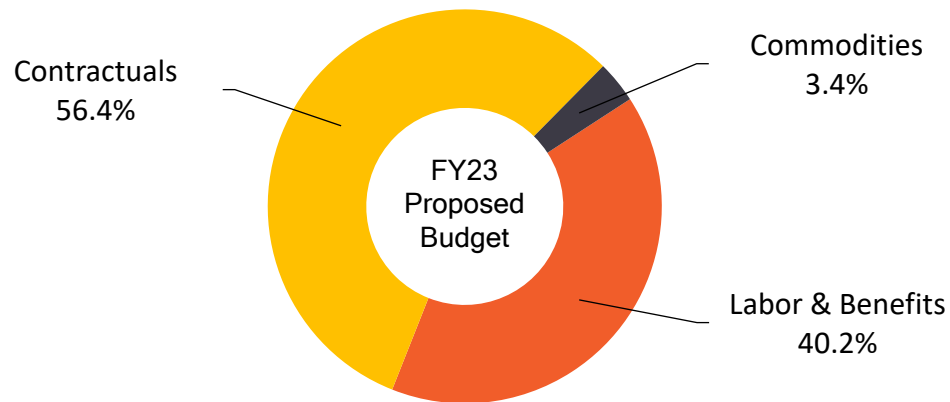
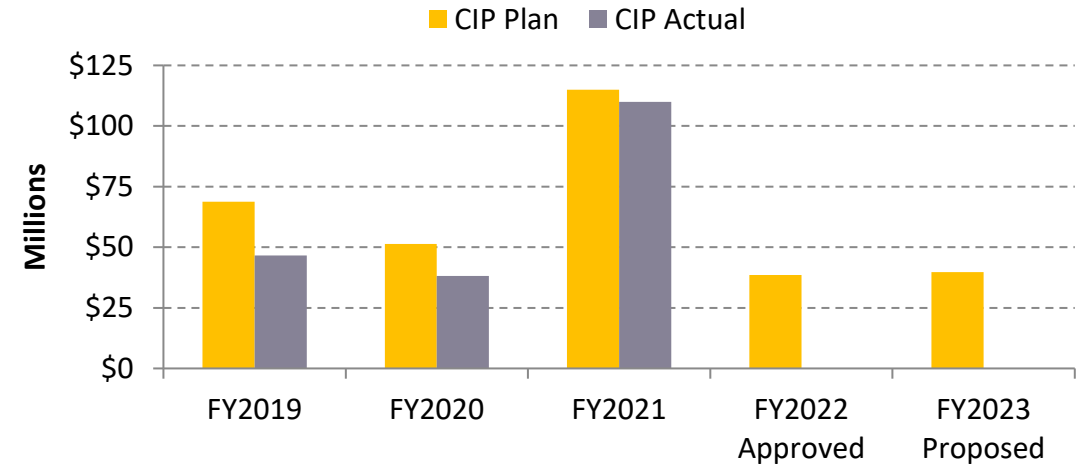
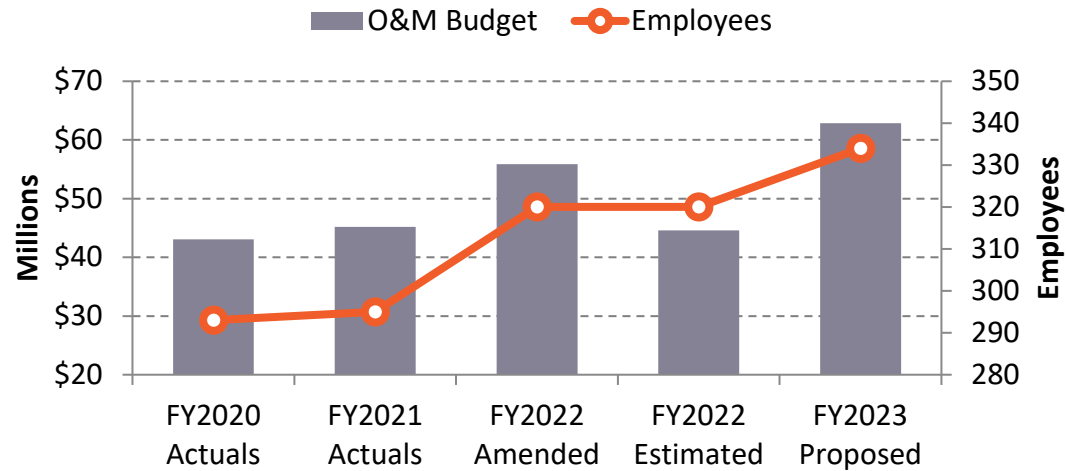
- 14 positions transferred in from Customer Energy Solutions

CIP

- \$9.2M for completion of the infrastructure transformation project
- \$3.7M for hardware (servers, laptops, networking gear, etc.)
- \$0.8M for web content management system migration



FY 2023 Support Services Budget*



O&M

- 14 employees transferred in from other Austin Energy areas to allow for better organizational alignment

CIP

- Austin Energy Warehouse project - \$61M projected through FY2024



*Technology & Data not included

Fiscal Year 2023 Proposed Budget Presentation

Proposed Tariff and Fee Changes



FY 2023 Tariff & Fee Changes

Fee Schedule Changes	Current	Proposed
Hit and Damaged Pad Mount Transformer	\$ 9,810.00	\$ 11,050.00
Hit and Damaged Streetlight Pole	\$ 5,570.00	\$ 6,320.00
Hit and Damaged Utility Pole	\$ 12,020.00	\$ 14,030.00
Impacted Streetlight Pole (without replacement)	\$ 560.00	\$ 630.00
Impacted Utility Pole (without replacement)	\$ 1,200.00	\$ 1,400.00
Austin Energy Re-Inspection Fee	\$ 75.00	\$ 165.00
Auxiliary Power Electrical Permit Base Fee	-	\$ 101.51
Building Service Planning Application Review	\$100.00	\$200.00
Special Locates of Underground Austin Energy Electric Facilities	\$250.00	\$330.00

Tariff Changes:

- The PSA, Regulatory Charge and Community Benefit Charges will be updated in September.





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Community Focused.SM**



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