



**Public Hearing
CITY OF AUSTIN
RECOMMENDATION FOR COUNCIL ACTION**

AGENDA ITEM NO.: 54
AGENDA DATE: Thu 12/01/2005
PAGE: 1 of 1

SUBJECT: Conduct a public hearing and approve an amendment to Exhibit A of Ordinance No 20050912-05, the Fiscal Year 2005-2006 Approved Fees, Fines and Other Charges, to amend the Fuel Adjustment Clause in the Electric Rate Schedule to allow projected fuel costs to be considered in determining whether there will be an under or over recovery of fuel costs

AMOUNT & SOURCE OF FUNDING: Funding for projected fuel expenses for fuel and power will be provided by the Electric Fuel charge revenue

FISCAL NOTE: There is no unanticipated fiscal impact A fiscal note is not required

REQUESTING Austin Energy
DEPARTMENT:

**DIRECTOR'S
AUTHORIZATION:** Juan Garza

FOR MORE INFORMATION CONTACT: Bob Kahn, Deputy General Manager / 322-6572

PRIOR COUNCIL ACTION: N/A

BOARD AND COMMISSION ACTION: Recommended by the Electric Utility Commission

PURCHASING: N/A

MBE / WBE: N/A

Due to the volatility of the natural gas market, Austin Energy proposes to make a change to the Fuel Adjustment Clause (FAC) tariff to increase its flexibility and timeliness to change the fuel charge as the market for fuel changes Austin Energy recommends amending the FAC tariff to allow Austin Energy to consider projected fuel costs when determining whether there is an over or under recovery of fuel costs Currently, Austin Energy cannot make an over and under recovery adjustment to the fuel rate until the actual fuel costs are incurred When the fuel charges are under recovered, Austin Energy subsidizes the under recovery because it cannot adjust the fuel rate to start recouping fuel costs until the cost deficit actually occurs The criteria for an over recovery under this tariff have never been triggered

In addition, the proposed change allows Austin Energy to collect or pay out the under or over recovery over a 12 month period Under the current tariff, when an adjustment is made, the under or over recovered charges need to be collected or paid out during the remainder of the fiscal year, which at times may only be a few months

Further, because of the significant increase in the volatility of gas prices, this amendment will allow Austin Energy to update the original projected fuel costs prior to determining whether it is going to over or under recover When an under or over recovery is triggered, Austin Energy will initiate a review of the FAC to project whether the under or over recovery will be within 10% for the remaining months of the 12 month period used to calculate those costs If not, the FAC will be adjusted for the next 12 months to eliminate the under or over recovery

ORDINANCE NO.

AN ORDINANCE AMENDING ORDINANCE NO. 20050912-05 AMEND THE ELECTRIC RATE SCHEDULE FUEL ADJUSTMENT CLAUSE IN EXHIBIT A.

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF AUSTIN:

PART 1. Ordinance No 20050912-05 is amended to amend the Electric Rate Schedule Fuel Adjustment Clause in Exhibit A to read

**CITY OF AUSTIN
ELECTRIC RATE SCHEDULE
FUEL ADJUSTMENT CLAUSE**

Application

This clause is applicable to all City of Austin electric rates for which a Fuel Adjustment Clause (FAC) is prescribed

Fuel Rate

The Fuel Rate is ~~can be~~ expressed by the following formula

$$\text{Fuel Rate} = \frac{F + I}{S} + \frac{(E + T) - A}{S} \quad \text{---}$$

In the Fuel Rate formula

[Where] F is the estimated cost of fuels and related expenses, including refunds and the cost of purchased power for the twelve (12) month period used to calculate the FAC ~~[calendar-year]~~ for service-area sales

[Where] I is 1) the estimated fees and charges from the Electric Reliability Council of Texas (ERCOT) Independent System Operator (ISO) incurred by the City of Austin when providing energy and capacity needed to meet its service-area obligations for the twelve (12) month period used to calculate the FAC ~~[calendar-year]~~ and 2) the estimated cost of the ERCOT ISO Administrative Fee for the twelve (12) month period used to calculate the FAC ~~[calendar-year]~~

[Where] S is the estimated service-area sales of kWh for the twelve (12) month period used to calculate the FAC [calendar-year]

[Where] E is the actual cost of fuels and related expenses, including refunds and the cost of purchases power, less any fuel costs for off system sales of energy for the latest twelve (12) month period of data available [~~or firm power for the twelve months ended-~~ November-30]

[Where] T is 1) the actual fees and charges from the ERCOT ISO incurred by the City of Austin when providing energy and capacity needed to meet its service-area obligations and 2) the actual Administrative Fee for the latest twelve (12) month period of data available [~~twelve months ended November-30~~]

[Where] A is the actual cost recovered from service-area sales for the latest twelve (12) month period of data available [~~twelve months ended November-30~~]

The fuel rate shall be effective January 1st, unless adjusted for over- or under-recovery

If, at any time, there is more than a ten percent over-recovery from the total projected fuel and purchased power costs for the twelve month period used to calculate those costs, the City of Austin shall initiate a review of the FAC to project whether the over-recovery will be within ten percent for the remaining months of the twelve month period used to calculate those costs. If the review indicates an over-recovery of more than ten percent for the remainder of the period, the City of Austin shall adjust the FAC for the next twelve months to eliminate the over-recovery

If, at any time, there is more than a ten percent projected under-recovery from the total projected fuel and purchased power costs for the twelve month period used to calculate those costs, the City of Austin will initiate a review of the FAC to project whether the under-recovery will be within ten percent for the remaining months of the twelve month period used to calculate those costs. If the review indicates an under-recovery of more than ten percent for the remainder of the period, the City of Austin may adjust the FAC for the next twelve months to eliminate the under-recovery

[If, at any time, there is more than a ten-percent (10%) over-recovery from the projected calendar year fuel and purchased power costs, the City of Austin shall adjust the FAC for the remaining months of the calendar year to reflect the revised estimates of fuel and purchased power costs. If, at any time, there is more than a ten-percent (10%) under-recovery from the projected calendar year fuel and purchased power costs, the City of Austin may adjust the FAC for the remaining months of the calendar year to reflect the revised estimates of fuel and purchased power costs]

Calculation

The Fuel Rate is ~~will be~~ multiplied by the following voltage level adjustment factors

Secondary Multiplier	1 004854
Primary Multiplier	.974939
Transmission Multiplier	.964826

PART 2. This ordinance takes effect on December 12, 2005

PASSED AND APPROVED

_____	§	_____
, 2005	§	
	§	Will Wynn
		Mayor

APPROVED: _____
David Allan Smith
City Attorney

ATTEST: _____
Shirley A. Brown
City Clerk



Electric Utility Commission
October 17, 2005
Meeting

Conduct a public hearing and approve an amendment to Exhibit A of Ordinance No 20050912-05, the Fiscal Year 2005-2006 Approved Fees, Fines and Other Charges, to amend the Fuel Adjustment Clause in the Electric Rate Schedule to allow projected fuel costs to be considered in determining whether there will be an under or over recovery of fuel costs

Motion by Weston

Seconded by LeGette

Ayes Carr, LeGette, Owens, Sessa, Shaw, and Weston

Nays Fath

Abstaining NONE

Off the dais NONE

Absent Skeith

The Commission approved this item, 6-1