



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

## **MEMORANDUM**

**TO:** Mayor and Council Members

**CC:** Spencer Cronk, City Manager

**FROM:** Jackie A. Sargent, General Manager *JAS*

**DATE:** January 19, 2023

**SUBJECT:** Monthly Update Regarding Administrative Authority to Adjust Austin Energy's Power Supply Adjustment Rate

---

The purpose of this memo is to inform the City Council that there will be no adjustment this month to Austin Energy's Power Supply Adjustment (PSA) as authorized in the City of Austin Electric Tariff Ordinance 20221013-049, effective October 24, 2022.

### **Policy**

The Ordinance provides that from the effective date of the PSA adjustment approved in October 2022, City Council delegated administrative authority to Austin Energy to adjust the current effective system PSA rate by an amount not to exceed plus or minus five percent of the existing PSA rate to manage the elimination of any over- or under-recovery within 12 months. Within 14 days of any adjustment of the PSA, the City Manager will notify the City Council of changes to the PSA and any over- or under-recovery by system voltage level. Austin Energy will post a notice of the adjustment on its website. If it is determined that adjustment(s) of the plus or minus five percent is insufficient, Austin Energy will request City Council action to address further changes to the PSA. Austin Energy will provide monthly written reports to the City Council on the status of the PSA and any over- or under-recovery.

### **Background**

The PSA is a dollar-for-dollar cost pass-through to electric utility customers for the recovery and crediting of ERCOT settlements, fuel costs, and net purchased power agreement costs, with an adjustment for the over- or under-recovery balance for the period preceding the adjustment of the PSA. The PSA is assessed on all electric customers based on the actual number of kWh consumed. Weather and ERCOT market prices impact the amount of revenue and, therefore, the collection/return of any over/under balance. There is no gain or general fund transfer on PSA charges.

The under-recovered PSA balance when the PSA was approved in October 2022 was \$104 million. The PSA rate approved and effective November 1, 2022, was designed to recover \$35 million over 12 months, with the remaining outstanding balance of \$69 million intended to be collected over the following 24 months, beginning November 1, 2023.

## Administrative Adjustment of the PSA

As of December 31, 2022, the PSA under-recovered \$0.2 million. December's Winter Storm Elliott contributed to higher load and market prices for Austin Energy, which contributed to an under collection for the month. Since the winter event, temperatures and market costs have moderated. Recently, we have experienced warmer than normal temperatures with the forecast for the balance of the month indicating similar trends. Austin Energy expects to see continued moderation in natural gas prices which often, but not always, translates to lower power prices on the system. Given these factors, **Austin Energy is not exercising its administrative authority to increase or decrease the PSA rate at this time.**

The following table indicates the PSA rates per kWh by voltage level approved by City Council for bills beginning November 1, 2022. No administrative adjustments have been made since that time.

Voltage Level	Voltage Level Adjustment Factor	Power Supply Rate Approved by City Council (\$/kWh)	Administrative Adjustment (\$/kWh)
<i>System Average</i>	1.0000	\$0.04349	\$0.00000
<i>Secondary</i>	1.0049	\$0.04371	\$0.00000
<i>Primary</i>	0.9821	\$0.04271	\$0.00000
<i>Transmission</i>	0.9696	\$0.04271	\$0.00000

## Under-recovered PSA Balance

Additionally, Austin Energy is updating Council on the current status of the under-recovered PSA balance. In October, Council approved recovery of a \$104 million under-recovered PSA balance to be spread over three years. The balance of the under-recovery as of December 31, 2022 is \$84 million. This balance reflects \$18.2 million received in late December from ERCOT related to the Brazos bankruptcy settlement, resulting in a net collection to date of \$18 million of the first year's projected recovery of \$35 million of the \$104 million under-recovered balance.

Please contact Mark Dombroski, Austin Energy's Deputy General Manager, Chief Financial and Administrative Officer, if you have any questions.

xc: Ed Van Eenoo, Chief Financial Officer, City of Austin