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MEMORANDUM

TO: Mayor and Council Members

THROUGH: Jesús Garza, Interim City Manager

FROM: Stuart Reilly, Interim General Manager *SR*

DATE: May 22, 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 return earned or general fund transfer on PSA charges.

The forecasted under-recovered PSA balance when the PSA was approved in October 2022 was \$104 million. The approved PSA rate included two months' forecasted power supply costs and load; however, the actual under-recovered balance as of November 1, 2022, was \$102 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 April 30, 2023, the current PSA rate recovered the net power supply costs and \$42 million of the actual \$102 million under-recovered amount. In April, weather was near historical averages. Austin Energy saw moderate market power costs due to continued renewable capacity growth, lower natural gas prices, and lower congestion costs. Current weather forecasts and portfolio performance in May will likely result in a similar trend. However, we are anticipating increased demand levels as we head into the summer. Given this factor and the seasonality of Nacogdoches Power Project debt service payments, which cause higher power supply costs, **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

Status of the PSA Balance

The total under-recovered balance in the PSA as of April 30, 2023, is \$42 million. This balance reflects the \$42 million recovered from the PSA rate and \$18 million received in late December from ERCOT related to the Brazos bankruptcy settlement. Total net collection is \$60 million of the actual \$102 million under-recovered balance.

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

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