



City of Austin/Austin Energy Senate Business & Commerce Committee July 10, 2012



City of Austin/Austin Energy

Overview



- City power department established in 1895
- 8th largest municipally-owned electric utility in nation
- Serves over 417,000 customers
- \$4.4 billion in assets
- \$1.3 billion annual revenues
- Investment Grade Credit Rating
 - Moody's A1; Standard and Poors A+; Fitch AA-
- Proceeds returned to the community
 - 9.1% gross revenue transferred to City General Fund



Austin Energy



- Austin Energy is vertically-integrated electric utility
 - Generation
 - Transmission and Distribution
 - Customer service and billing
 - Energy efficiency
 - Low-income programs
 - Renewables
 - Environmental stewardship



Diverse Generation Portfolio



- Owns and Operates 2,500 MW of generation capacity
 - Natural Gas plants in Austin area (1,496 MW)
 - Peaking and base load units
 - Combined Heat and Power (9 MW)
 - Co-owner with LCRA of Fayette Power Plant (coal) (630 MW)
 - Own 16% of South Texas Project nuclear plant with CPS Energy and NRG (412 MW)
 - Purchase Power Agreements
 - Wind(633 MW)
 - Landfill gas (12MW)
 - Customer-owned roof-top solar (6MW)



New Power Capacity to Help Satisfy Summer Peaks



- 100 MW Gas (2 peaking units) 2010
- 30 MW Solar Plant December 2011
- 100 MW biomass plant on line in June, 2012
- 293 MW Coastal wind contracts on line December 2012
- 200 MW combined cycle gas in 2015



City Council Examines Austin Energy Governance



- Outcome of Two-year open and transparent public process to restructure rates
 - 5 public meetings of Electric Utility Commission
 - 6 month Public Involvement Committee (14 members from wide range of customer classes)
 - 14 City Council work sessions devoted to specific aspects of Austin Energy rate proposal and open to public
 - 3 public hearings for stakeholder testimony to Council
- Examining Austin Energy governance structure
- Revising financial policies between the electric utility and the city



Governance of Austin Energy



- Austin City Council
 - Sets electric rates for all AE customers
 - Outside city customers may appeal rates to Public Utility Commission
 - Approves Austin Energy budget
 - Authorizes major utility investments
 - Approves bonds
- City Council appointed electric advisory board
 - Seven-member Electric Utility Commission
 - Three members live outside City of Austin



Review of Austin Energy Governance



- City Council directed City Manager and Electric Utility Commission to study and report on governance models of public power utilities that serve outside city customers in Texas and nationally
- Governance study will consider
 - Impacts on Local Control
 - Impacts on public participation
 - Effect on bond ratings
 - Legal issues
 - Utility and regional finances
- Findings to be presented to City Council by October 31, 2012



General Fund Transfer



- 9.1 percent gross revenue transfer to City General Fund
- \$105 million in 2011
- General Fund Transfer supports general city services including public safety, fire protection, EMS, roads, parks, libraries



Shared Services



- Austin Energy funds its portion services shared with entire city
 - Fuel and Vehicle Maintenance
 - Homeland Security (power plant patrols)
 - Workers Compensation & Liability Reserve
 - Financial, purchasing, and legal services
 - Human resources



Other Payments



- Street Lighting and Traffic signals for all the communities in Austin Energy service area
- Austin Energy pays franchise fee for use of rights-of-way to all the suburban cities we serve
- Economic Development
- Community Programs such as the Chamber of Commerce, Central Texas Clean Air Force, and Technology Opportunity Grants.



Revising General Fund Transfer



- City Council changes transfer policy by removing fuel revenue from calculation.
 - Current formula is based on gross revenue which includes fuel costs
 - New calculation will be based on 12% of *non-fuel* revenue
 - GFT temporarily frozen at current amount to allow for transition
- New calculation results in more stability
 - Reflects true electric revenue growth
 - Eliminates volatility in GFT due to changing fuel costs
- City Council is re-examining other transfer policies



Continued Assessment of City of Austin/Austin Energy



- Study of MOU Governance Structures
- Revising General Fund Transfer and other payments to City
- Cost containment and reduction at utility
- Continued public participation and community discussion on utility issues

