

Spelman/Riley/Cole AE Rate Proposal

Revenue Requirement

- Financial shortfalls can only be solved when all customers classes participate
 - This action will stabilize revenue needs starting this fall
 - We won't see a return to sufficient reserve levels until we can include all classes in the revenue increase (projected in 2015/2016)
- Increase in revenue requirement of \$106M to be collected in 2 Phases
 - Phase 1 revenue target: \$71 million
 - Cost allocation methodology: AED (57/43) at +/- 5%
 - Phase 2 revenue target: \$35 million
 - Incorporates applicable increases for long term contract customers and rebuilding some reserve funds

Fixed charges (residential)

- \$10 customer charge
- \$0 electric delivery – move revenue collection to energy charges
- \$1.50 CAP charge

Residential Rates

- Progressive 5-tier rate structure
 - Examine tier structure so top 10% bills in top tier, bottom 10% bills in lowest tier
- No free electricity

Clean Energy

- Reinstate energy efficiency services line item (incl. O&M and CRIF)
 - Adjust annually to meet EE/solar goals through budget making process
 - Consider MWh incentive for future funding increases
 - Consider how to maximize outcomes of local solar initiatives
- Short- and long-term targets to ensure we reach at least 800 MW savings and 200 MW of solar by 2020
 - Short term should be \$\$ and MW targets; long-term as annual MW target
 - Explore goals and initiatives with Local Solar Advisory Committee to ensure Austin remains a national leader on solar programs
 - Develop neighborhood-based EE program with specific targets for weatherizing lowest income & highest energy using communities
 - Develop houses of worship focused efficiency program
- Implement Value of Solar rate

Houses of worship

- Move all to commercial class
- Cap maximum total bill at 12.5¢/ kWh
 - Fuel, regulatory, and energy efficiency lines to adjust with budget changes
 - Rate to expire with next base rate case once more detailed study of time of use rates completed

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Customer Assistance Program

- Increase customers served from 10,000 to 25,000 over 2-3 years
 - Automatic enrollment through SNAP, Medicaid
- Waive all fixed charges (including CAP) and give 10% discount on energy
- Periodically review work of discount steering committee

Out-of-town customers

- Out of town customers need a voice in AE's governance structure
- Spelman, Riley and Cole will bring a resolution on June 7th to investigate options for new governance structures with report back within 90 days

Schools

- 10% discount on total bill
- Request that they promote a plus-1 program to their employees
- Institute a plus-1 school program

Long-term Industrial Contract Customers

- Request that they promote a plus-1 program to their employees

Financial Policies

- Debt Service Coverage is a fall out number based on operating reserve balance
 - Focus on reserve policies and don't improve credit rating right now
- Debt to equity ratio should be 60/40 in short run; 50/50 over long run
 - Respond to market conditions, especially when rates are cheap
 - Amortize large, long-term assets so future customers share in cost

FY2013 budget changes

- Budget scrub with 5% operating budget reduction target
- General Fund Transfer
 - Set GFT to \$105MM for coming years
 - Calculate transfer amount as 12% of non-fuel revenue
 - Allocate cost based on total revenue (fuel + non-fuel)
 - GFT to increase once new formula rises above \$105MM
- EGRSO
 - Plan to move budget to Economic Reserve Incentive Fund
 - Funded out of AE, AWU, General Fund
 - Move Workforce Development funding to HHSD (\$1.3 million) in FY 14
- Off-system sales
 - If sales exceed budget, then provide rate relief by decreasing fuel factor
- Capital Improvement Plan
 - Hard review of timing of CapEx to minimize rate increase and also take advantage of market conditions

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Phase II work

- Conduct comprehensive review of finances; rate structure; and policy priorities, including energy efficiency and solar goals, prior to implementing Phase 2
- Effective revenue target of \$35 million
 - Incorporates increases applicable to long term contract customers and rebuilding of some reserve funds
- Line extension fee study
- Time of Use rates study
- Update Value of Solar study to consider economic development aspects