



## Fundamentals Supporting Austin Energy Rate Hike

The re-design of Austin Energy (AE) electric rates and proposed 12.5% increase represent the first change to AE base electric rates in 17 years. The update is needed to pay for much higher costs, provide greater rate fairness between customer classes and to better support a strategy for widespread energy efficiency.

### Targets basic costs

The new rates would recover through monthly fixed charges — more of the basic fixed cost of providing reliable electric service. More than half (57%) of AE costs are fixed, but only one-fifth of those fixed costs are assured through fixed charges. Remaining fixed costs must be collected through the Energy Charge per kilowatt-hour (kWh) of electricity used. Recovering fixed costs this way requires customers to use a certain amount of electricity. This is inconsistent with an energy efficiency emphasis.

### Serious need for increase

The need for a rate increase is far overdue. In spite of stringent budgeting, AE has experienced deficits of \$75 million, \$86 million and \$6 million (an extra hot summer reduced the projected deficit) respectively over the last three successive years and projects a \$75 million dollar deficit for the current fiscal year, with normal weather.

Key to deficits is the rising costs of materials and equipment over 17 years. Growth in energy sales has also slowed dramatically from 5.8% on average in the late 1990s to 1.5% over the past 11 years including four years when sales dropped. Looking forward, growth is projected at between 1% and 2%. Slow or erratic growth increases financial instability when fixed costs are not being recovered.



### Rate design goals

The proposed rate design follows City of Austin financial policies and reflects budget and cost-to-serve methodologies that meet Texas Public Utility Commission (TPUC) standards. The AE budgeting methodology, debt-to-equity ratio, expenses and dividends returned to the City through the General Fund Transfer have all been reviewed by the TPUC.

This occurs during rate-like proceedings that take place periodically so the TPUC can set the rate AE charges for the use of its transmission by other providers.

On average, residential and the smallest businesses are currently paying about 25% less than the cost to serve them. Under the new rates, residential bills would increase \$10-\$20 a month for usage averaging 1,500 kWh or less. This equates to a 20% increase on average for residential. More than 80% of residential customers average 1,500 kWh or less per month. The benchmark goal is to ensure the electric bills of all AE customers remain in the lowest 50% of comparable Texas utilities. AE rates are among the lowest in Texas.

### Residential electric bill

To improve fixed cost recovery, the monthly Customer Charge would increase from \$6 to \$12. This would recover about two-thirds of the \$19.70 monthly cost to serve each customer

for billing, meters, call center and other account management. A \$10 monthly Electric Delivery Charge would also be established and would recover about two-thirds of the \$14.42 monthly cost per customer for the maintenance and operation of the electric system. Having fixed charges helps keep the Energy Charge lower.

The Energy Charge, which is the charge for each kWh of electricity used would be expanded to a 5-tier rate structure. Customers who use less electricity pay the lowest rates. Those using higher levels pay higher rates to cover the additional generation and infrastructure sizing needed to serve higher usage. A 5-tier structure encourages energy efficiency.

### Line items to provide more information:

The new electric bill will continue line item charges plus add some new ones to provide a breakout of various expenses:

- **Energy Charge** recovers fixed costs associated with power production as well as cost not fully recovered through line items.
- **Fuel Charge** recovers the cost of fuel and the net cost of wholesale power purchases if they exceed power sales;
- **Regulatory Charge** recovers AE's cost for statewide transmission use and AE's share of statewide transmission construction costs and costs to support state grid operations;
- **Customer Assistance Program** charge would increase funding for low-income customers from \$3 million to \$7 million to more than double the number of low income customers that can be assisted;

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## Rate Hike *(continued from front)*

- **Service Area Streelighting** pays for the maintenance and electricity for streetlights in all communities served by AE; and
- **Energy Efficiency** pays for energy efficiency, Green Building, solar and electric transportation programs. Energy efficiency is the least expensive way to address the need for more generation and a critical component of the utility's generation plan.

### Commercial and industrial rate design

Rate re-design for commercial customers begins with the consolidation of all commercial customers from 24 to 9

customer classes — based on common service requirements and electricity usage characteristics. This consolidation aligns with industry best practices and allows for better determination of the cost to serve each class. This enables equitable rates. The new rates represent on average a 3% to 20% increase for commercial. The range reflects the fact that about one-third of businesses are currently paying very close to their cost to serve — while two-thirds are paying 13% to 21% less than cost to serve. Visit [www.rates.austinenergy.com](http://www.rates.austinenergy.com) for additional information on the rate proposal plus ongoing updates.

## FUEL CHARGE INCREASE

The Austin Energy (AE) fuel charge will increase from 3.10 cents per kilowatt-hour (kWh) of electricity to 3.61 cents per kWh effective with January electric bills. A residential customer bill for 1,000 kWh per month would increase by \$5.10. The fuel charge is a dollar-for-dollar recovery of fuel and purchased power costs and Austin's share of state grid operations. The increase is due to higher fuel use during the record summer heat plus replacement power for unplanned outages of the Fayette Power Project (FPP) last summer and an STP Unit currently underway. AE's fuel charge has been stable in recent years with no change for 2008-2011, and a decrease in 2011.

## Volunteers Needed to Assist Low-Income Families with Income Tax Services



Volunteers are being recruited through January for Community Tax Centers to assist low-income residents with income tax preparation services. The Centers are a program of Foundation Communities, which is a partner with the City of Austin to provide a number of services including affordable housing. Volunteers may submit an application at [www.foundcom.org](http://www.foundcom.org). Community Tax Centers prepare 20,000 tax returns for low-income working families and put more than \$32 million into the pockets of those who need it most in Central Texas. The comprehensive volunteer training and staff support provides volunteers all the tools required to be one of 700 volunteers on the tax preparation team.

## SIMPLE TIPS TO REDUCE HEATING COSTS

With cold winter temperatures here, customers can lower their heating costs with simple measures that cost no or very little money and produce big energy savings. Follow these simple tips:

- **Thermostat.** Set your thermostat for heating at 68 degrees or lower during the day. Proper thermostat settings can help you save up to 20% of your energy costs.
- **Fireplace.** Close the flue to your fireplace when not in use to prevent heat in your home from escaping.
- **Curtains and shades.** On days where sunlight is available, open your curtains and shades on eastern and southern windows during the day to allow the sun to help heat up your home.
- **Filters.** Change or clean filters once a month or as required to keep the furnace running efficiently.
- **Ceiling fans.** Switch the setting on ceiling fans to run counter-clockwise to help push warm air back down. Turn fans off when not in the room.
- **Windows and doors.** Caulk and weatherstrip windows and entry doors to prevent drafts.
- **Water heater and pipes.** Insulate electric water heaters and hot water pipes to avoid wasting energy.
- **Ducts.** The average Austin home wastes 25% to 30% of its heating due to leaking ducts. Sealing leaky ducts is one of the most cost-effective measures a resident can make.



- **Attic insulation.** The average 20-year-old Austin home has only 3 to 4 inches of attic insulation. Austin Energy recommends 12 to 13 inches or R-38. Make sure the duct work is sealed prior to investing in insulation. Visit [www.austinenergy.com](http://www.austinenergy.com) for more energy-efficiency tips and information about available rebates and low-interest loans to help make improvements.

### Para una Traducción en Español:

Si gusta recibir este folleto en español, llame a Austin Energy al 972-9523.



Customer Service Center: 494-9400

Hours: Saturday 9:00 a.m. - 1:00 p.m.; Weekdays 7:00 a.m. - 9:00 p.m.

24-Hour Power Outage Reporting: 322-9100

