

Bryan Texas Utilities

FY15 Rate and Budget Presentation

August 12, 2014

Gary Miller
General Manager
Bryan Texas Utilities

Municipal Electric Rates *Fair - Equitable - Predictable*

** prevent cross subsidization*

** minimize large swings in price*

Local Control

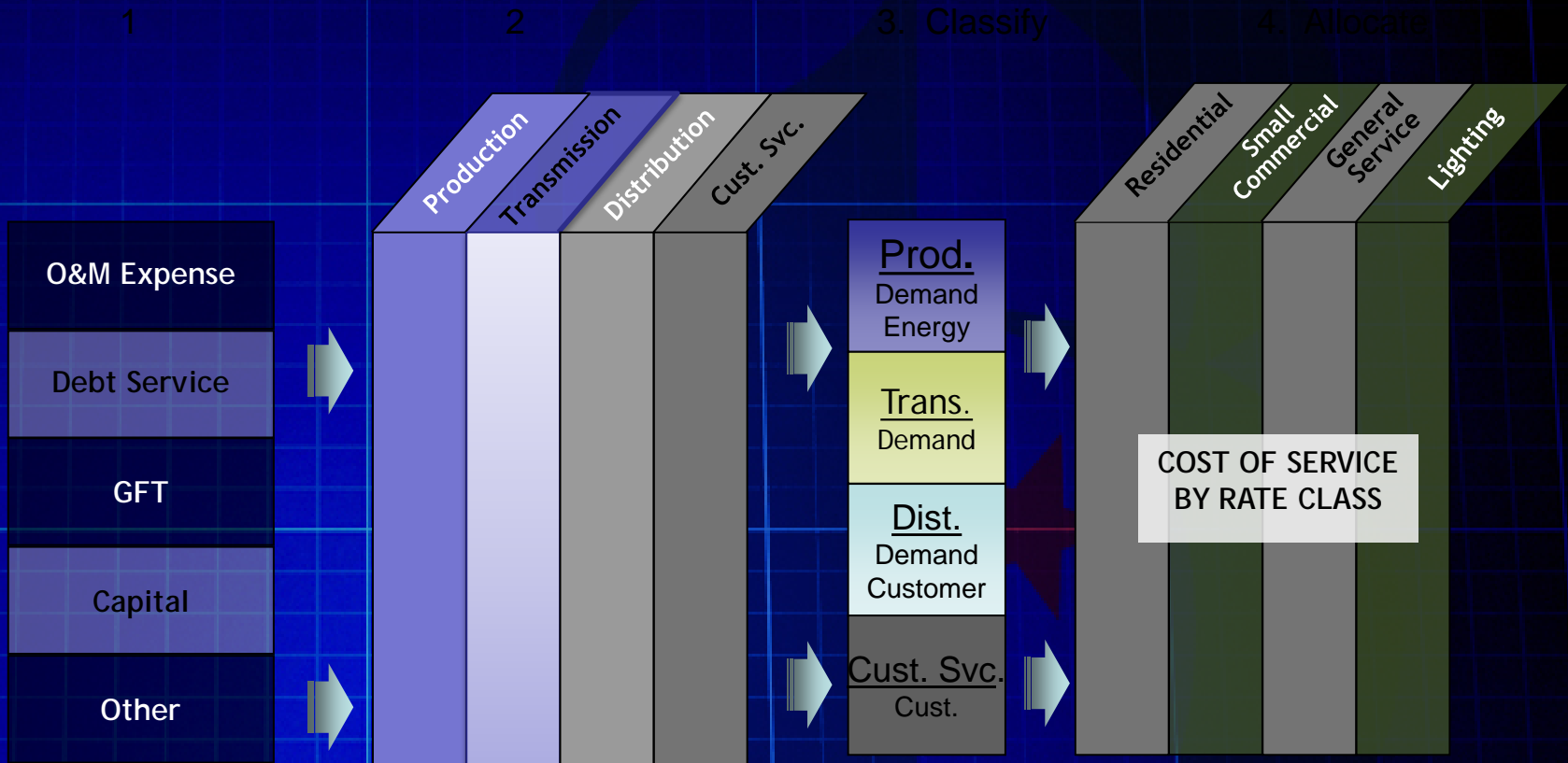
Not for Profit

Cost of Service studies *identify the costs to serve each type of customer and is then used to set rates accordingly*

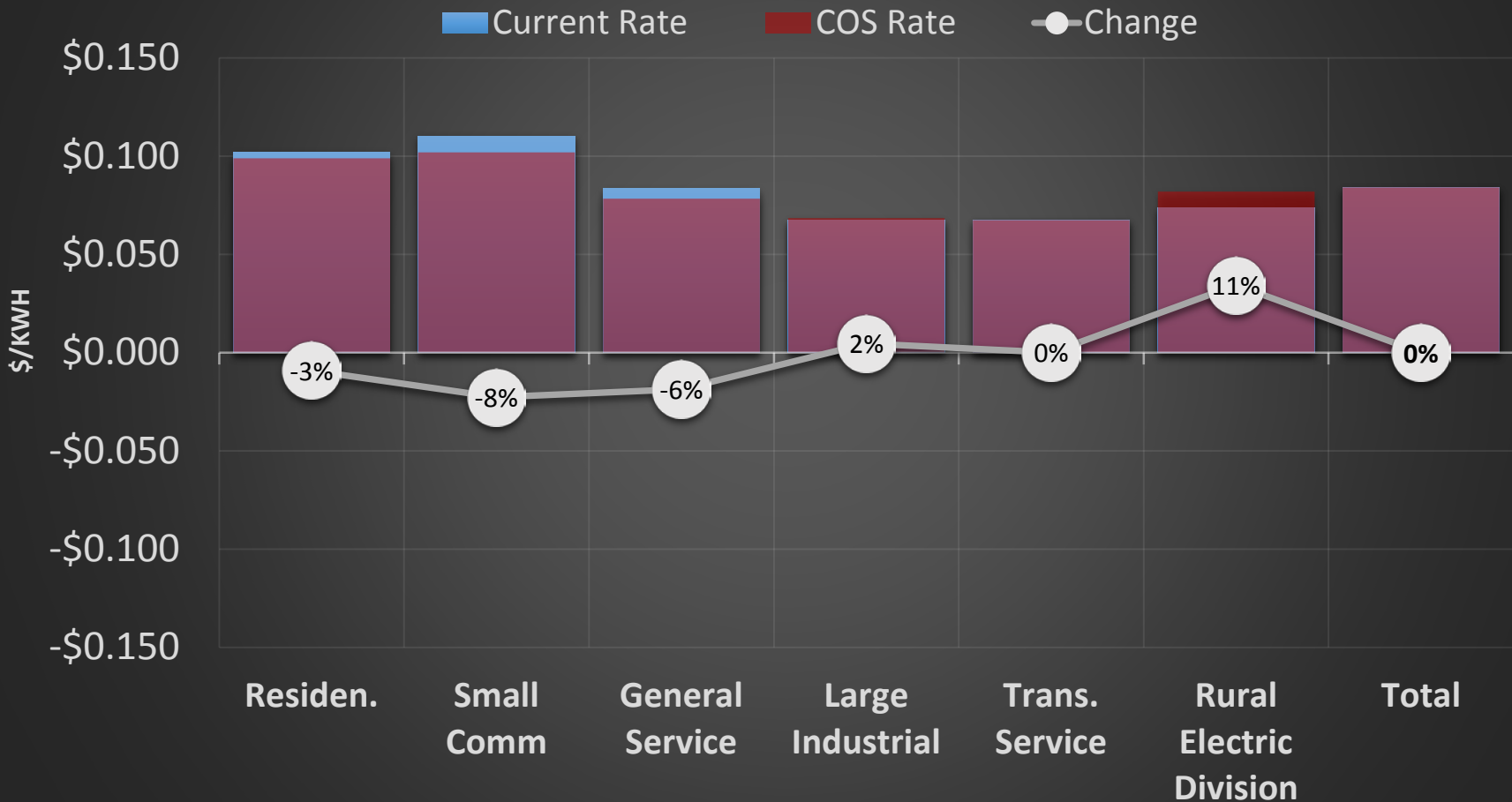
Regular COS studies *identify valuable information for the financial proforma needed for both short and long range strategic business planning*

Municipal and Governmental Clients in Texas Include:

- Austin (Texas)
- Austin Energy (Texas)
- Bryan Texas Utilities (Texas)
- Garland Power & Light (Texas)
- Garland (Texas)
- Greenville Electric Utility System (Texas)
- Lubbock (Texas)
- Lubbock Power & Light (Texas)

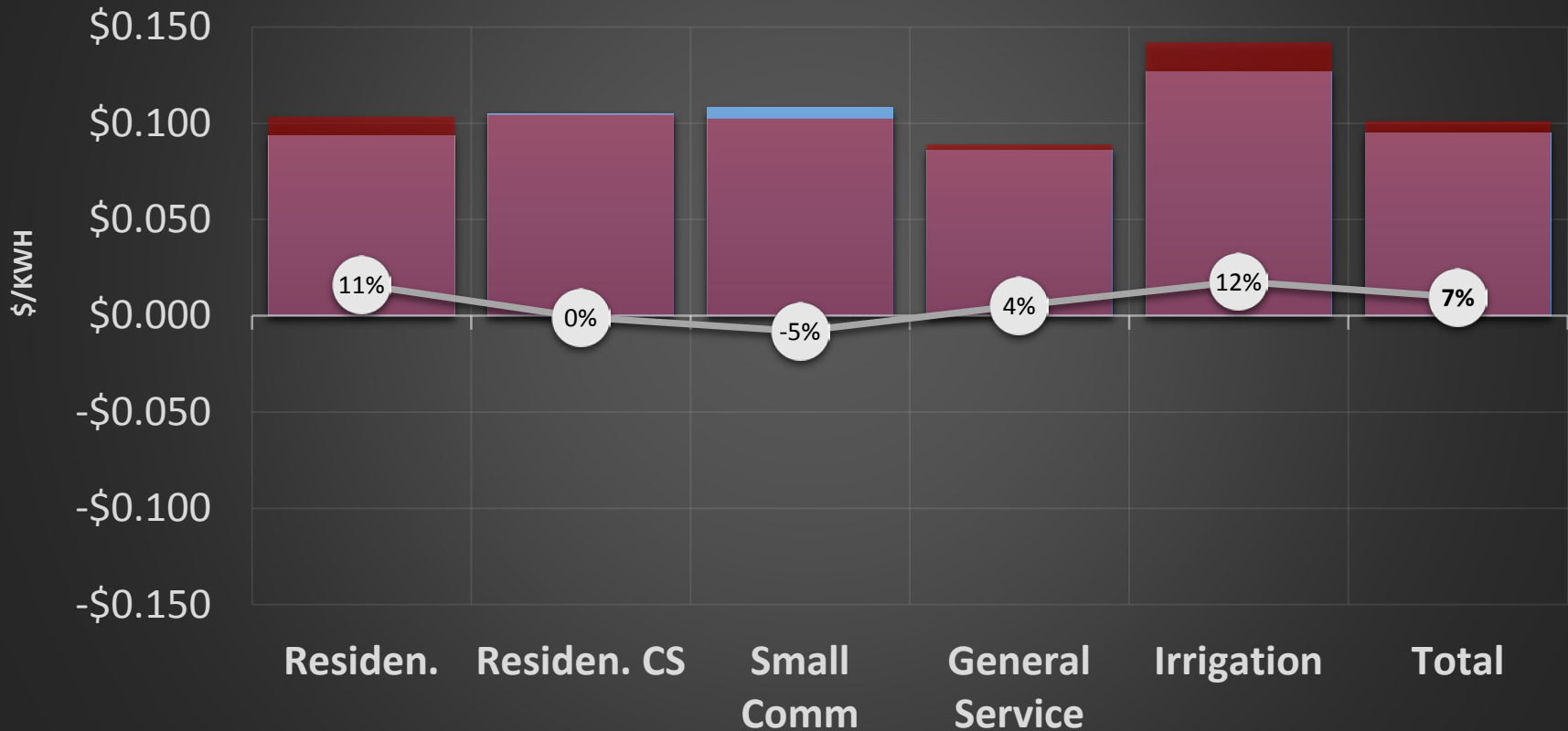


City Cost of Service Rate vs. Current Rate (\$/kWh and Percentage Change)

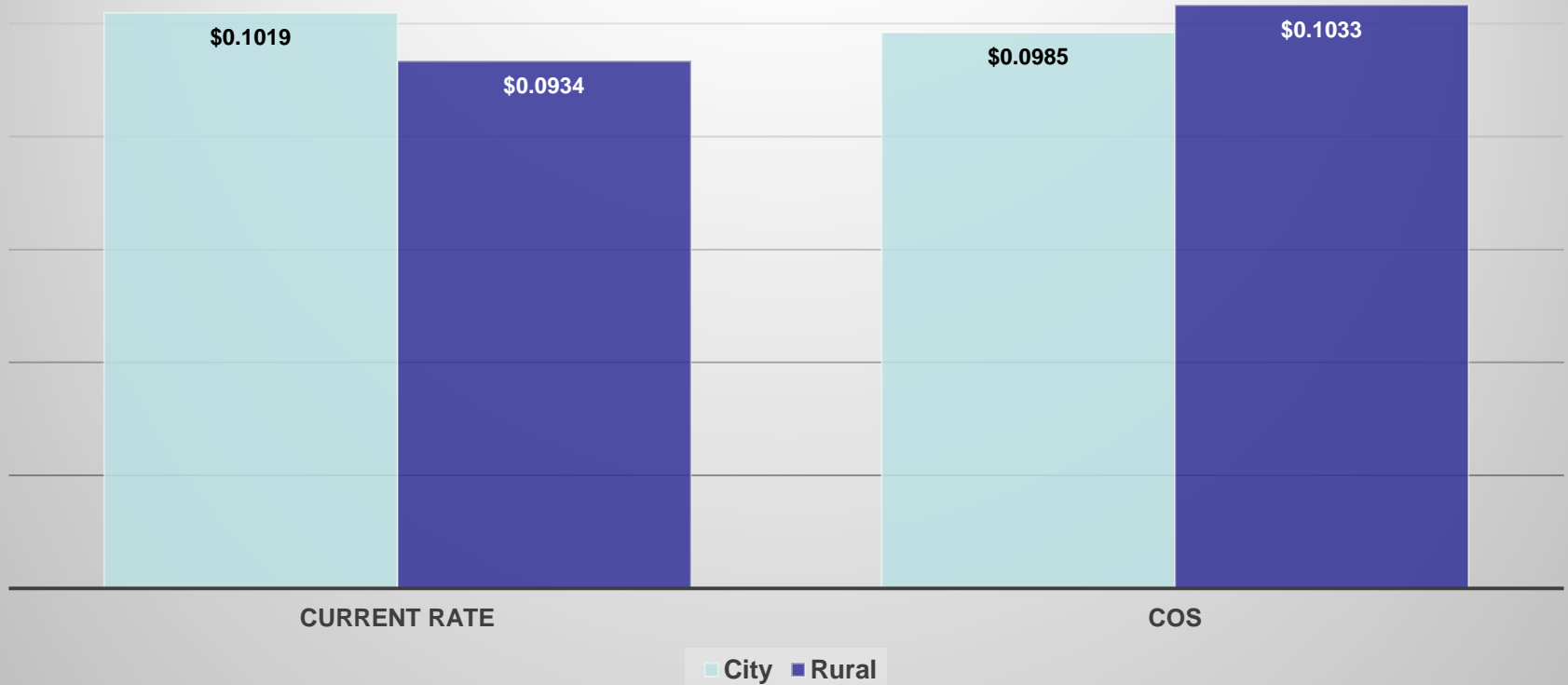


Rural Cost of Service Rate vs. Current Rate (\$/kWh and Percentage Change)

■ Current Rate
 ■ COS Rate
 ● Change

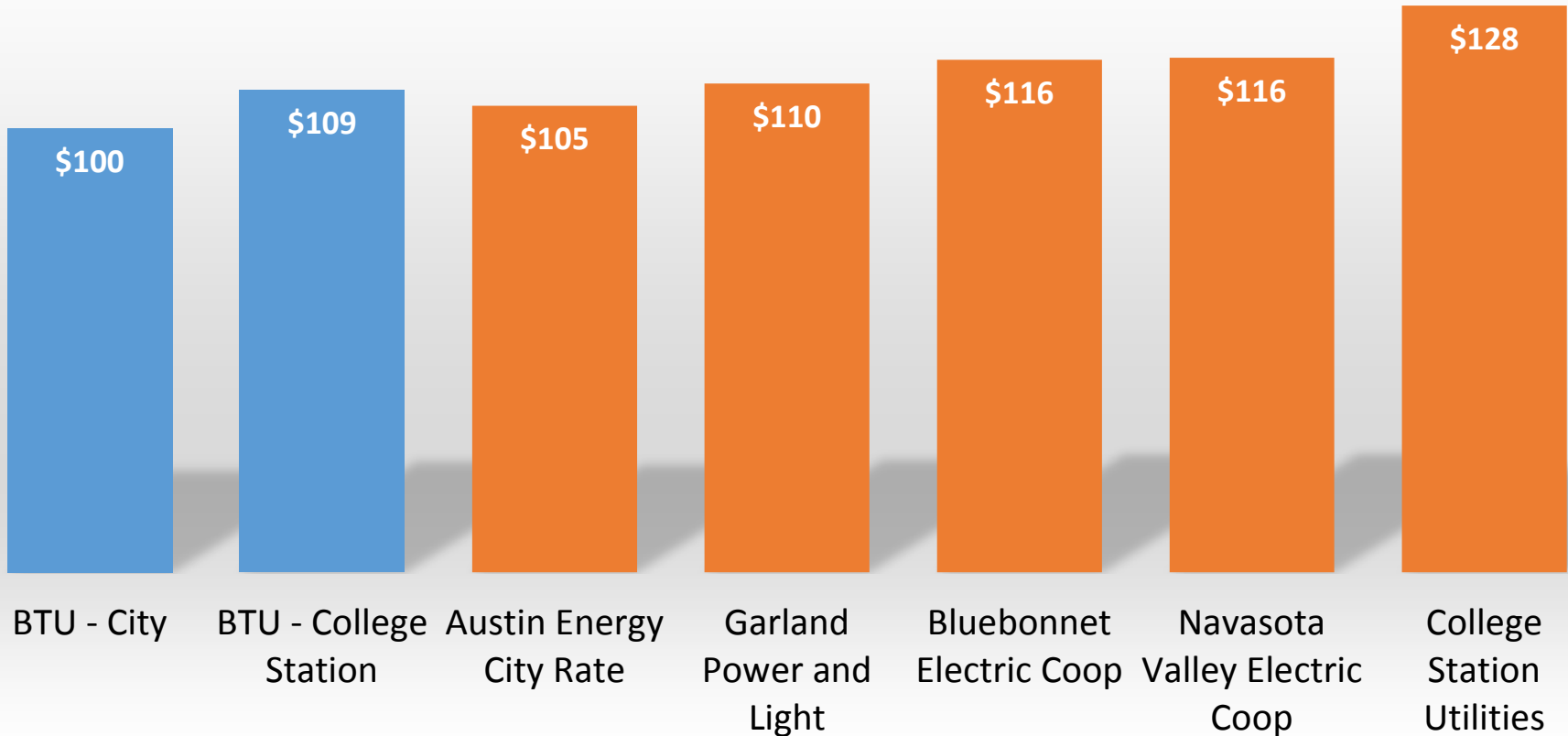


City and Rural Residential Rate Comparison (\$/kWh)

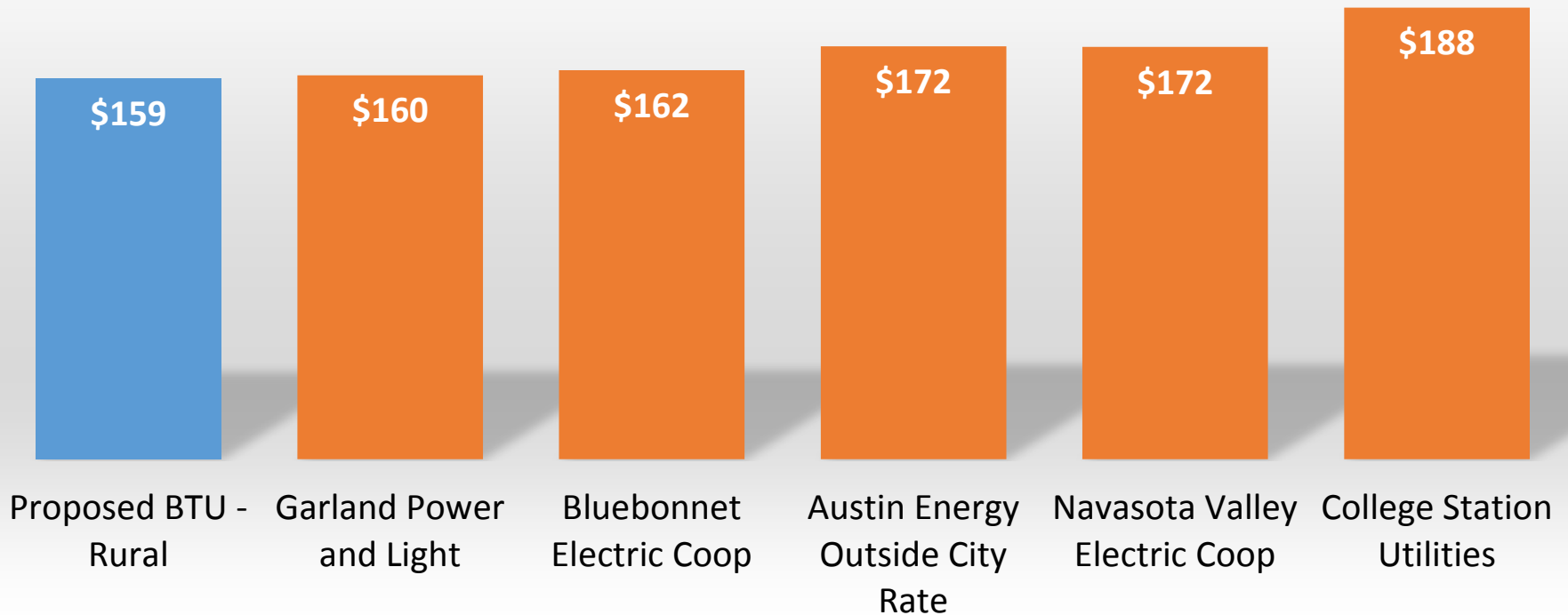


- Retail rates designed to reach cost of service for all classes in three phases
- Rate increases initially offset by decrease to Power Supply Adjustment
- Power Supply Adjustment offset duration dependent on future fuel costs
- Maintain Regulatory Charge pass through in Rate Structure

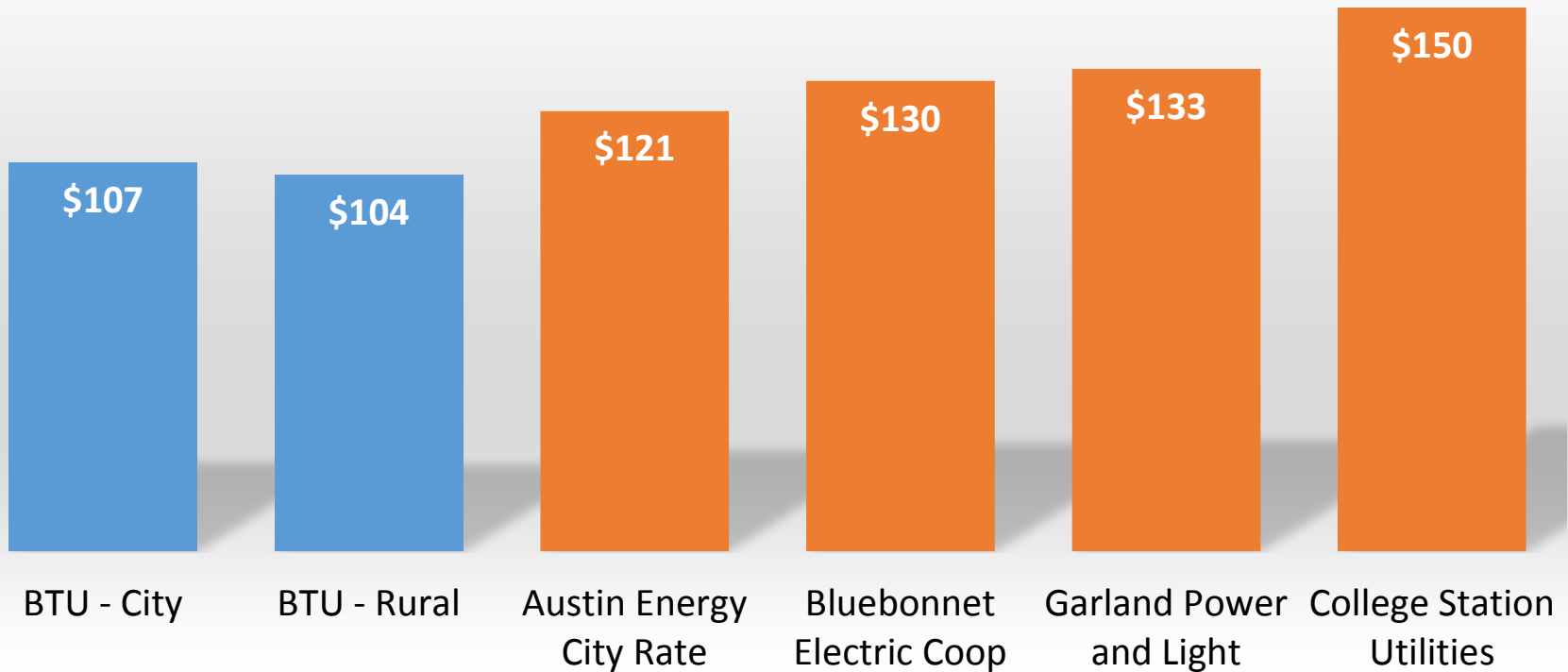
Average Monthly Residential Bill at 1,000kWh (\$/Month)



Average Monthly Residential Bill at 1,500kWh (\$/Month)

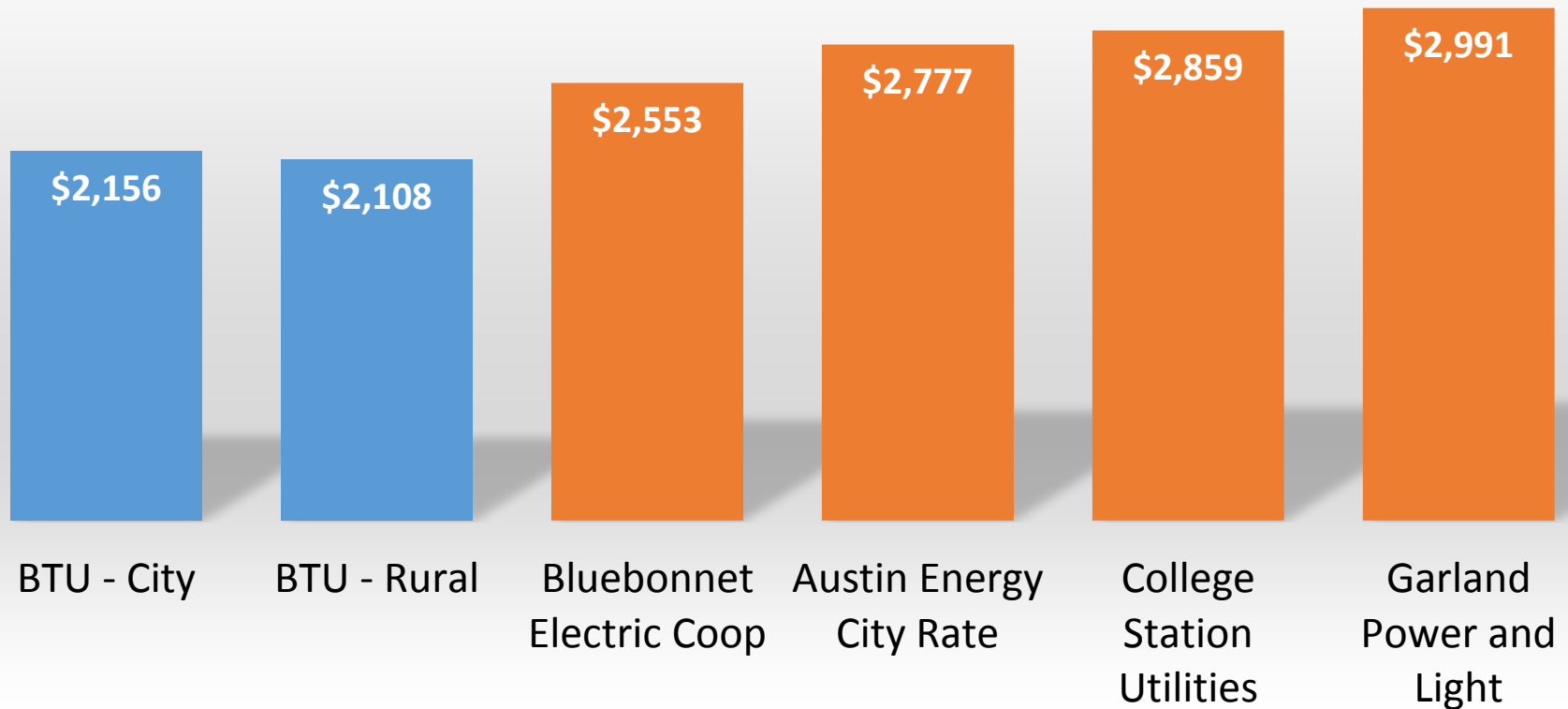


Secondary Service Small - Average Monthly Bill at 1,000 kWh



Secondary Service Demand Average Monthly Bill

25,000kWh Energy Usage/85kW Demand
(40% Load Factor)

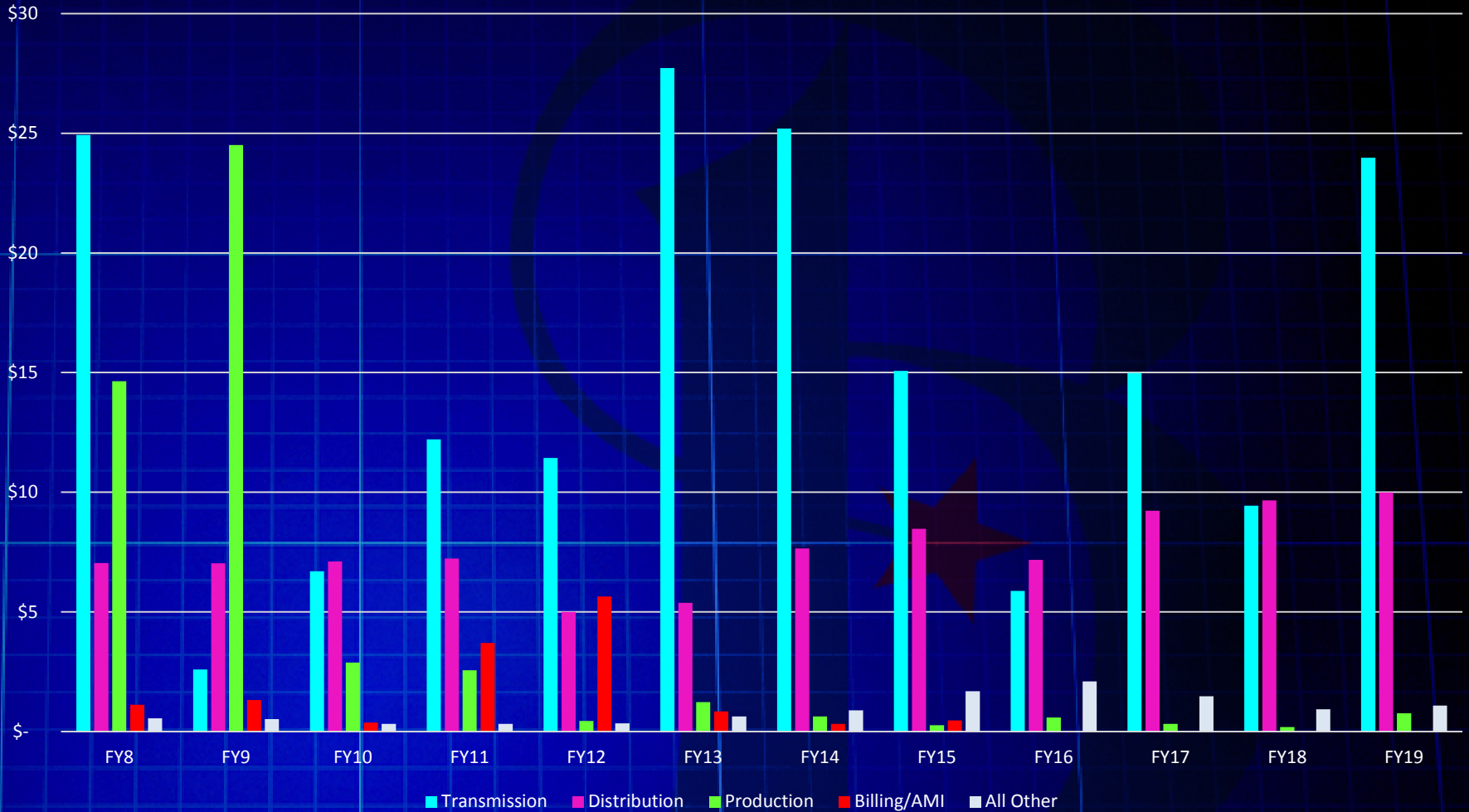


- BTU can temporarily offset base rate increases by returning current fuel charge over-recovery balance
- Total City rate increase with fuel offset: 0 percent
- Total City rate increase without fuel offset: 2.4 percent
- Total Rural rate increase with fuel offset: 7 percent
- Total Rural rate increase without fuel offset: 9.9 percent
- At end of phase in period and end of fuel offset, BTU still maintains competitive rates.

- Modify rates to collect correct cost of service
- Phase in rates over a three year period to minimize cost impacts on customers
- Adopt Electric Rate Ordinances as proposed

FY15 Budget Highlights

Capital Spending

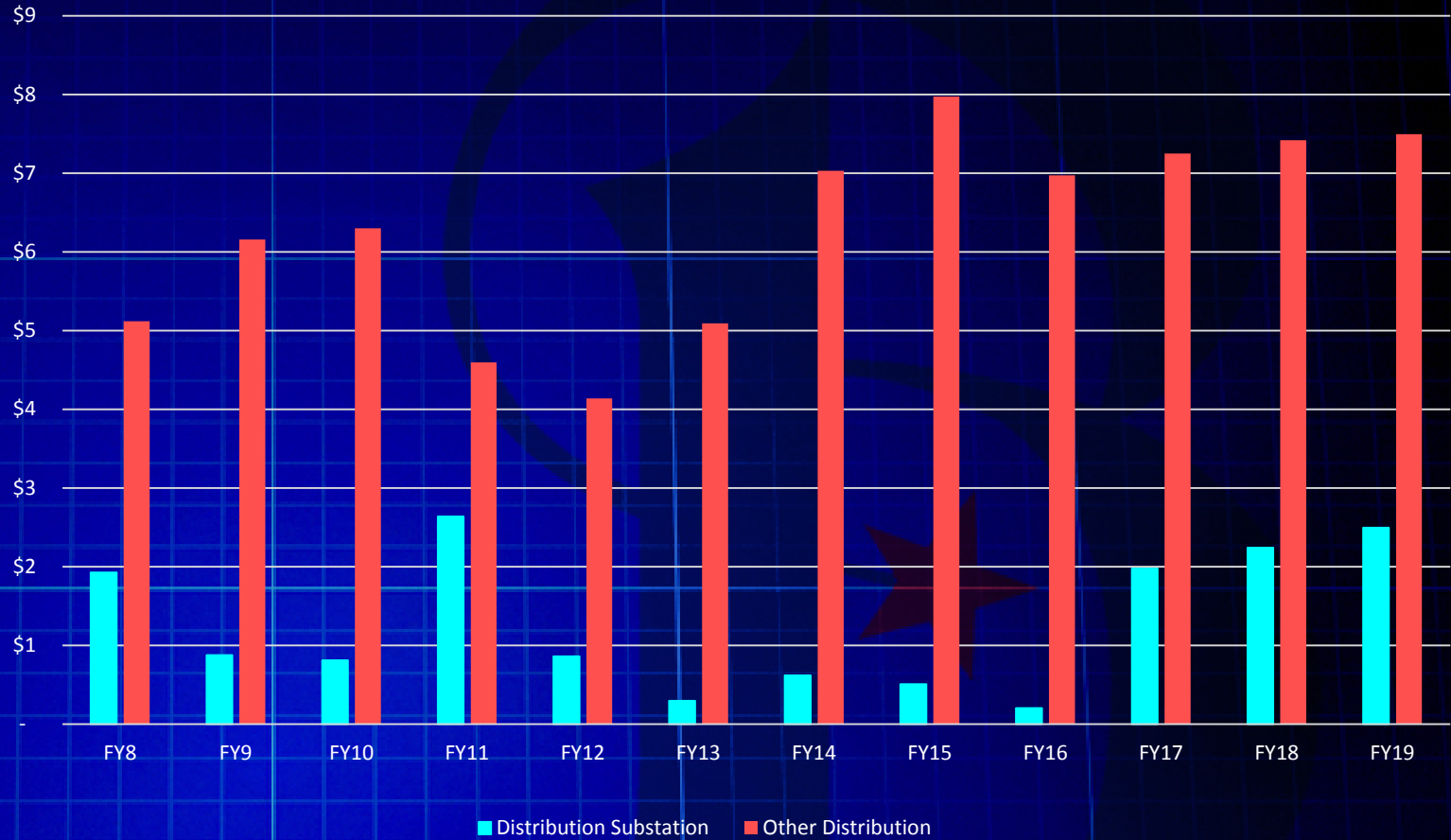


- FY15
 - Atkins to Briarcrest \$ 5.0 mm
 - Wellborn to Millican \$ 2.1 mm
 - Kurten Sub \$ 1.5 mm
 - Triangle Park Sub \$ 1.3 mm
- FY16
 - Rayburn to Nall \$ 1.5 mm
- FY17-19
 - Triangle Park Sub #2 \$ 6.0 mm
 - Underground Cable Replace \$ 5.0 mm
 - Annex Sub \$ 4.5 mm
 - Tabor to Rayburn \$ 4.5 mm
 - Graham Sub \$ 3.5 mm



Distribution CIP Trends - City

(in millions of \$)

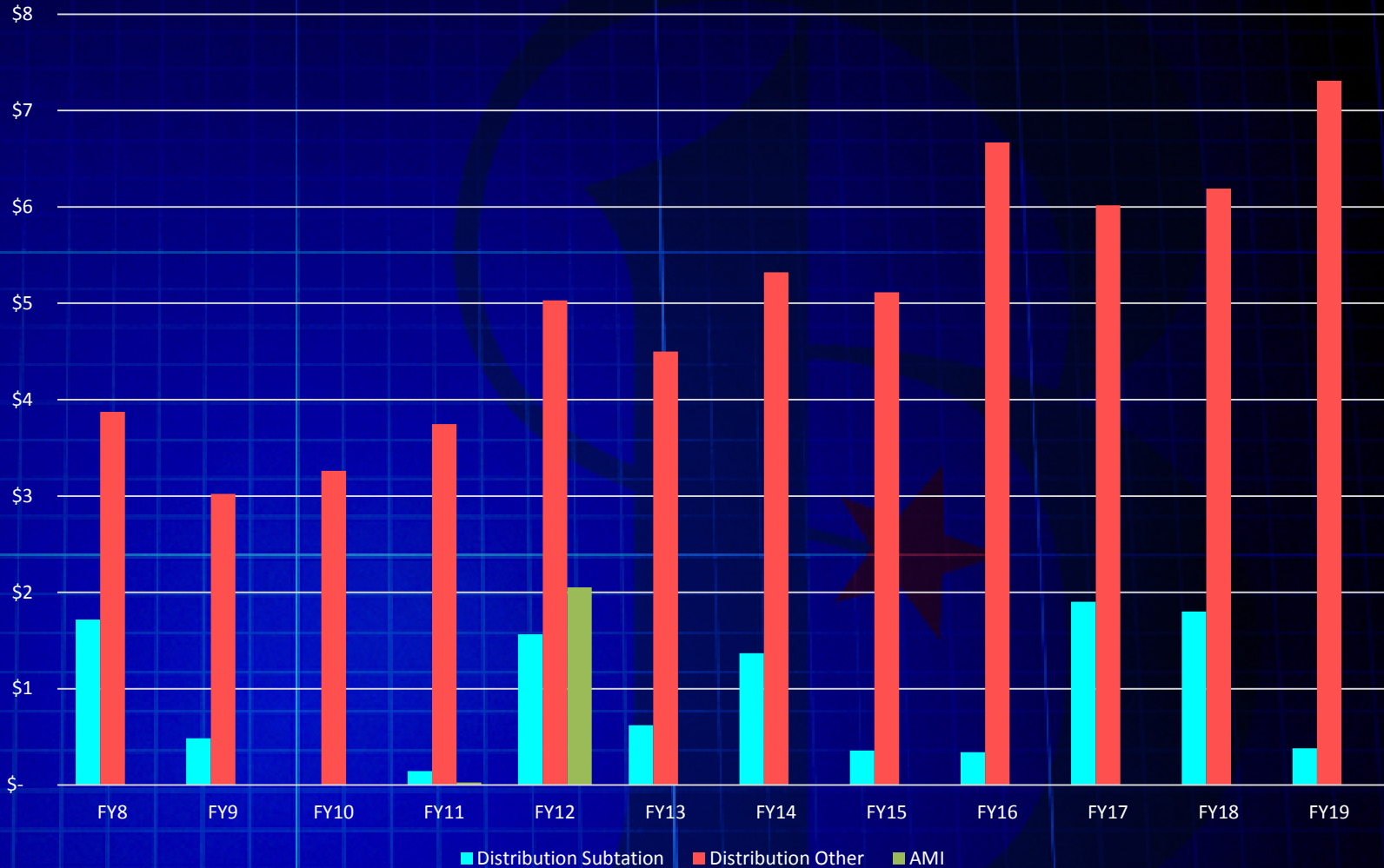


- Pole Replacement Program
\$2.3 mm
- Atkins to Briarcrest Upgrade
\$385k
- Atkins Cable Tray
\$250k
- Underground Cable Replacement
\$160k
- GIS Mapping
\$160k



Distribution CIP Trends - Rural

(in millions of \$)



- New Customer Construction \$2.9 mm
- New Feeder Construction \$0.9 mm
- Distribution Substations \$0.4 mm

Financial Measures

S&P

- A+
- Stable Outlook

Fitch

- A+
- Stable Outlook

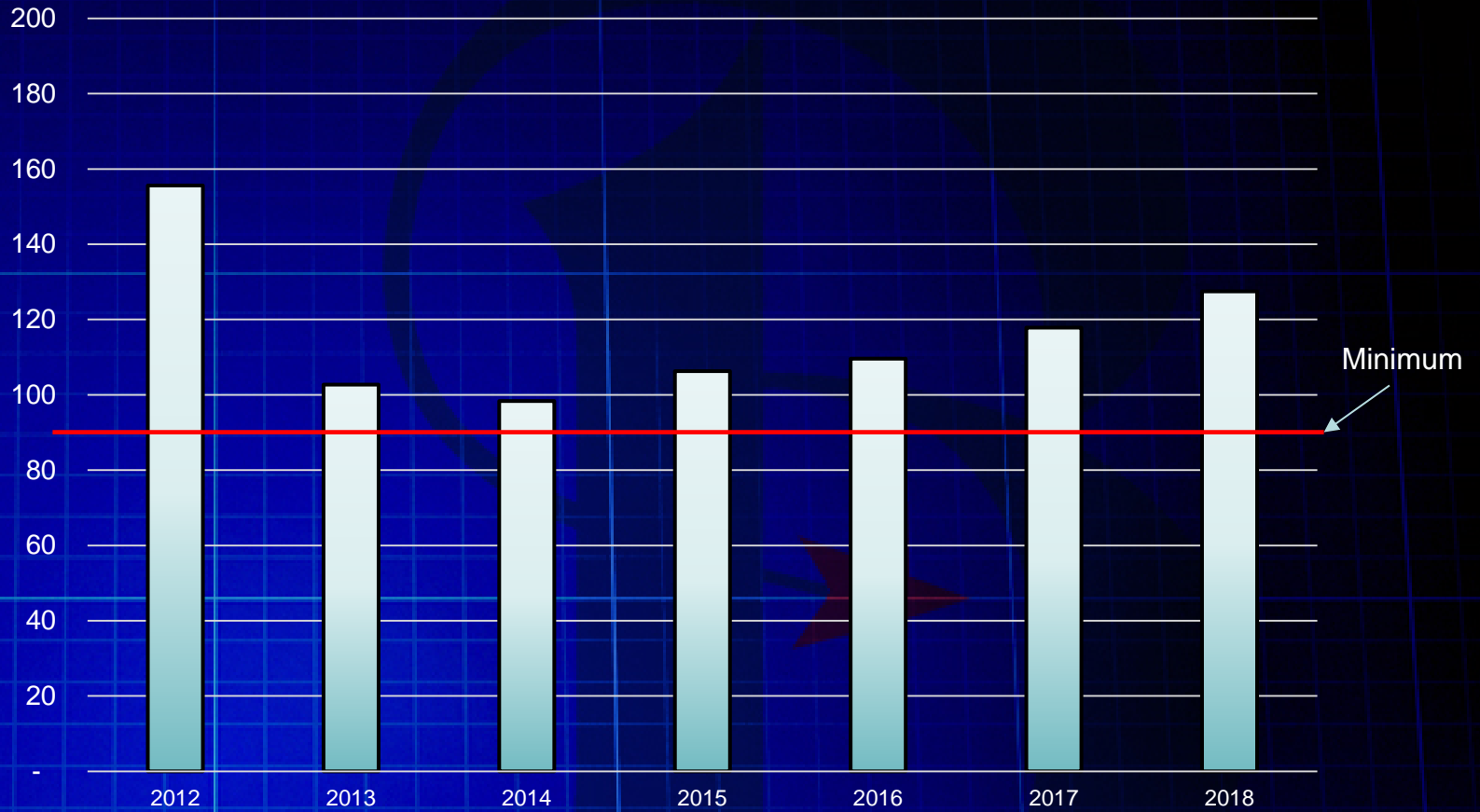
Moody's

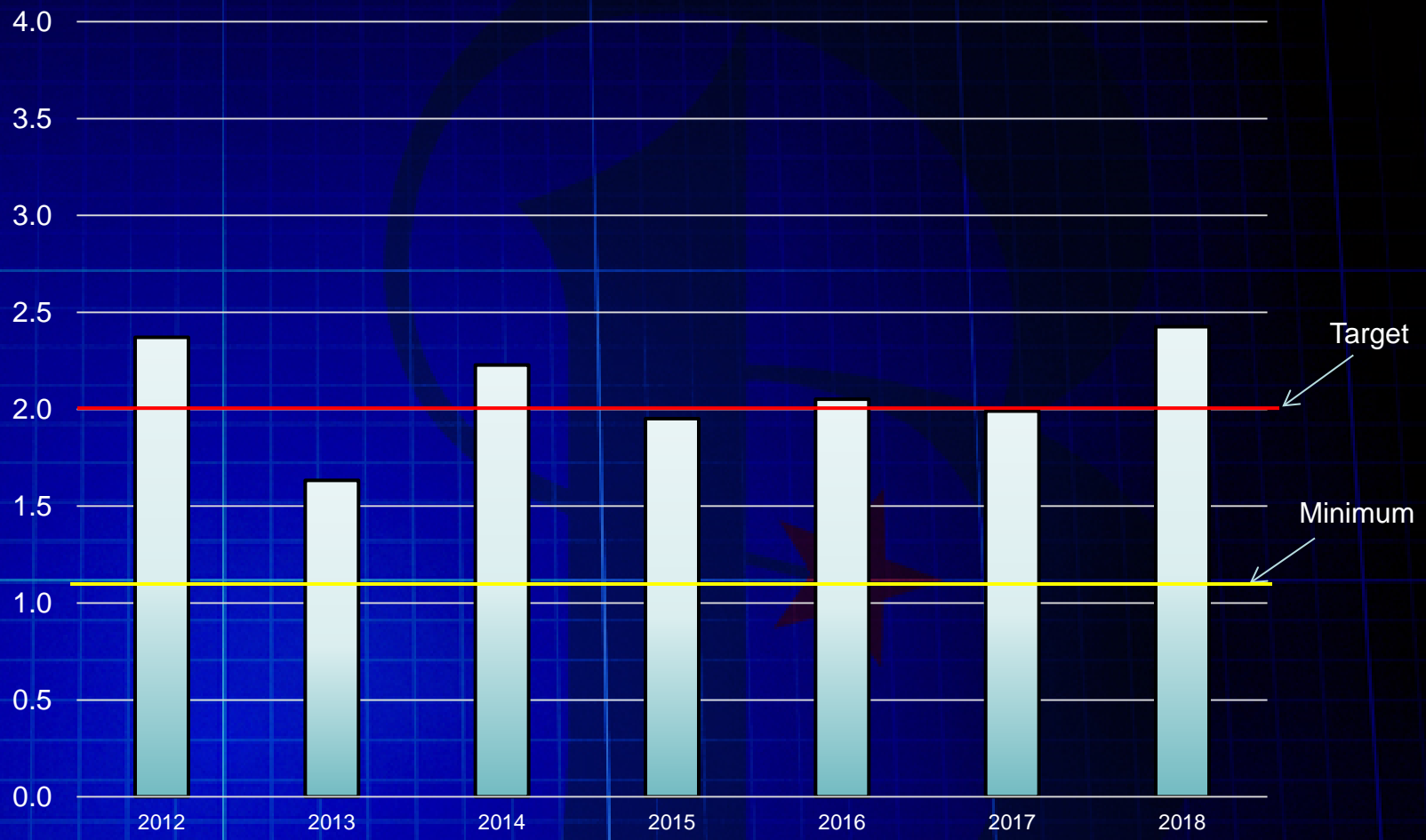
- A2
- Stable Outlook

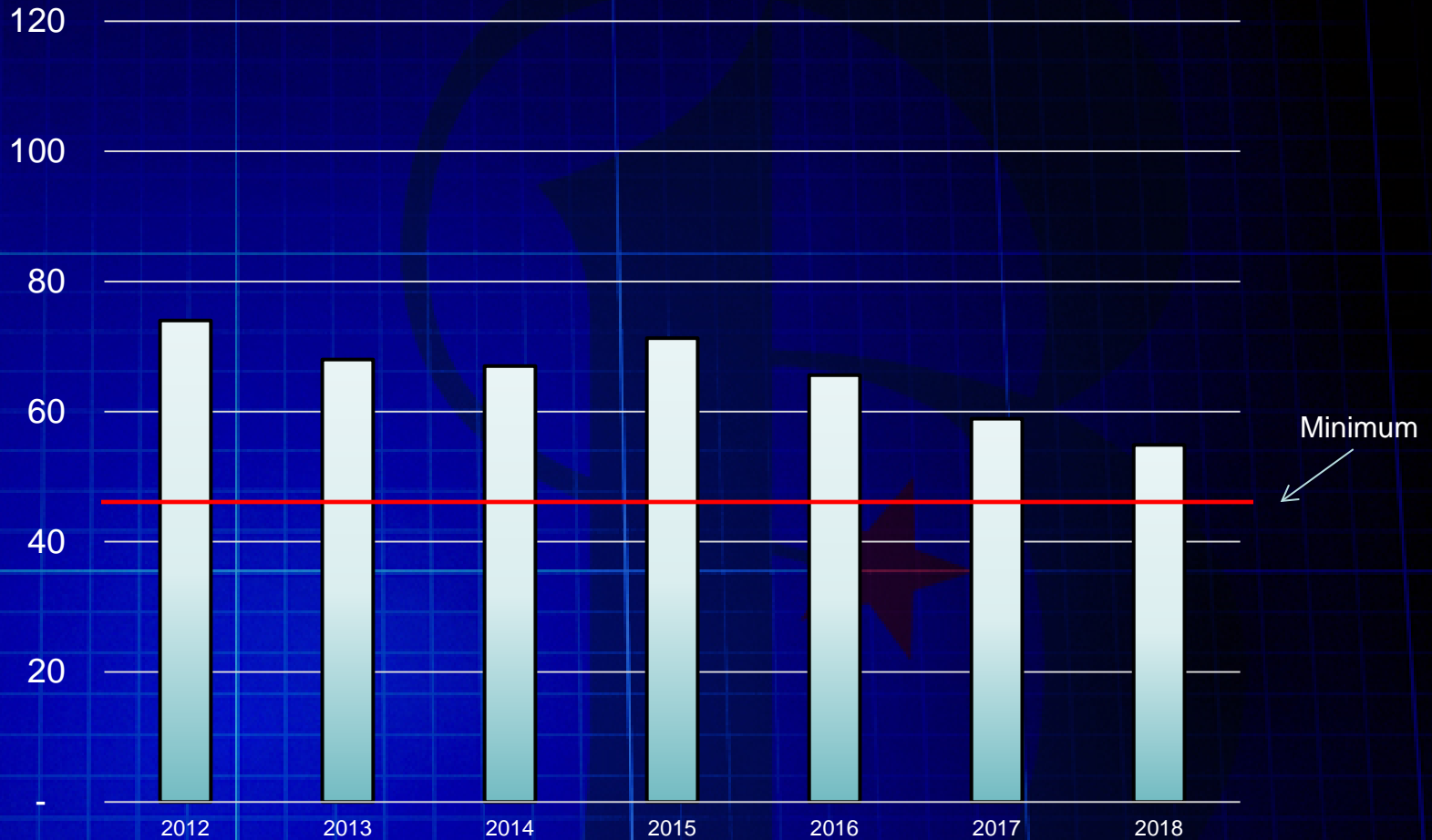
'AA'—Very strong capacity to meet financial commitments.

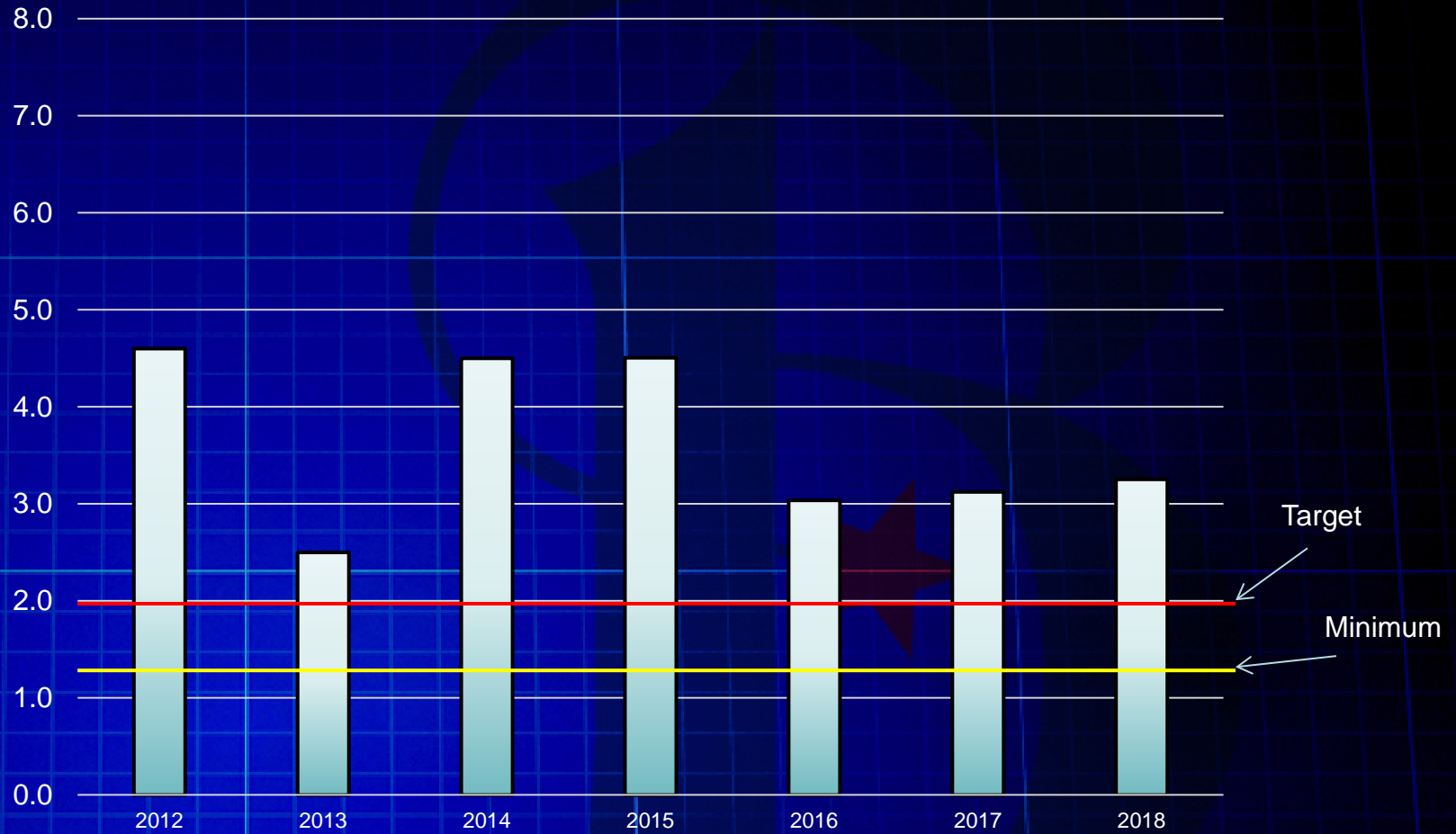
'A'—Strong capacity to meet financial commitments, but somewhat susceptible to adverse economic conditions and changes in circumstances.

Days Operating Cash – City System









Budget Summary

Overall Expenditures up \$20.1 mm

- Energy cost up \$12.6 mm due to customer growth, greater off-system sales, and expected higher fuel costs
- TMPA capacity cost up \$6.3 mm
- Higher General Fund Transfer - \$1.4 mm
- Departmental O&M up \$ 100k (less than 1%) for:
 - 3.5% Merit
 - 4 staff additions
 - Offset by lower production maintenance costs



FY15 Budget Proposal – City System

(in thousands of \$)



<u>Revenues</u>	<u>FY 2014 Budget</u>	<u>FY 2015 Proposal</u>
Operating Revenues		
Base Revenue	\$ 64,129	\$ 70,624
Fuel Pass Through	72,354	84,941
Regulatory Charge Pass Through	13,425	14,778
Other Operating Revenue	22,036	25,989
Total Operating Revenue	171,943	196,333
Non-Operating Revenues	148	188
Total Revenues	172,091	196,521
<u>Expenditures</u>		
Operating Expenses		
Energy Cost	72,354	84,941
Capacity Cost	22,463	28,745
TCOS Expense - BTU	13,425	14,778
TCOS Expense - Wholesale	4,171	3,257
Departmental Expenses - Net	21,051	21,151
Total Operating Expenses	133,463	152,872
Non-Operating Expenses		
Annual Capital	10,046	8,573
Right-of-Way Payments	10,202	11,619
Debt Service	21,564	22,370
Total Non-Operating Expenditures	41,812	42,562
Total Expenditures	175,274	195,434
Net Increase (Decrease)	(3,183)	1,086
Beginning Unrestricted Cash	36,876	40,747
Release of Restrictd Collateral		1,000
Ending Unrestricted Cash	\$ 33,693	\$ 42,833
# of Days of Reserve (90 day min)	97	106

FY15 Budget Proposal – City System

(in thousands of \$)



<u>CIP Summary</u>	<u>FY 2014 Budget</u>	<u>FY 2015 Proposal</u>
Bonds Issued	\$ 40,443	\$ -
Capital Expenditures from Bonds	34,816	17,397
Net Increase (Decrease)	<u>5,627</u>	<u>(17,397)</u>
Beginning Bond Funds	6,840	17,527
Ending Bond Funds	<u>\$ 12,467</u>	<u>\$ 130</u>

FY15 Budget Proposal – Rural System

(in thousands of \$)



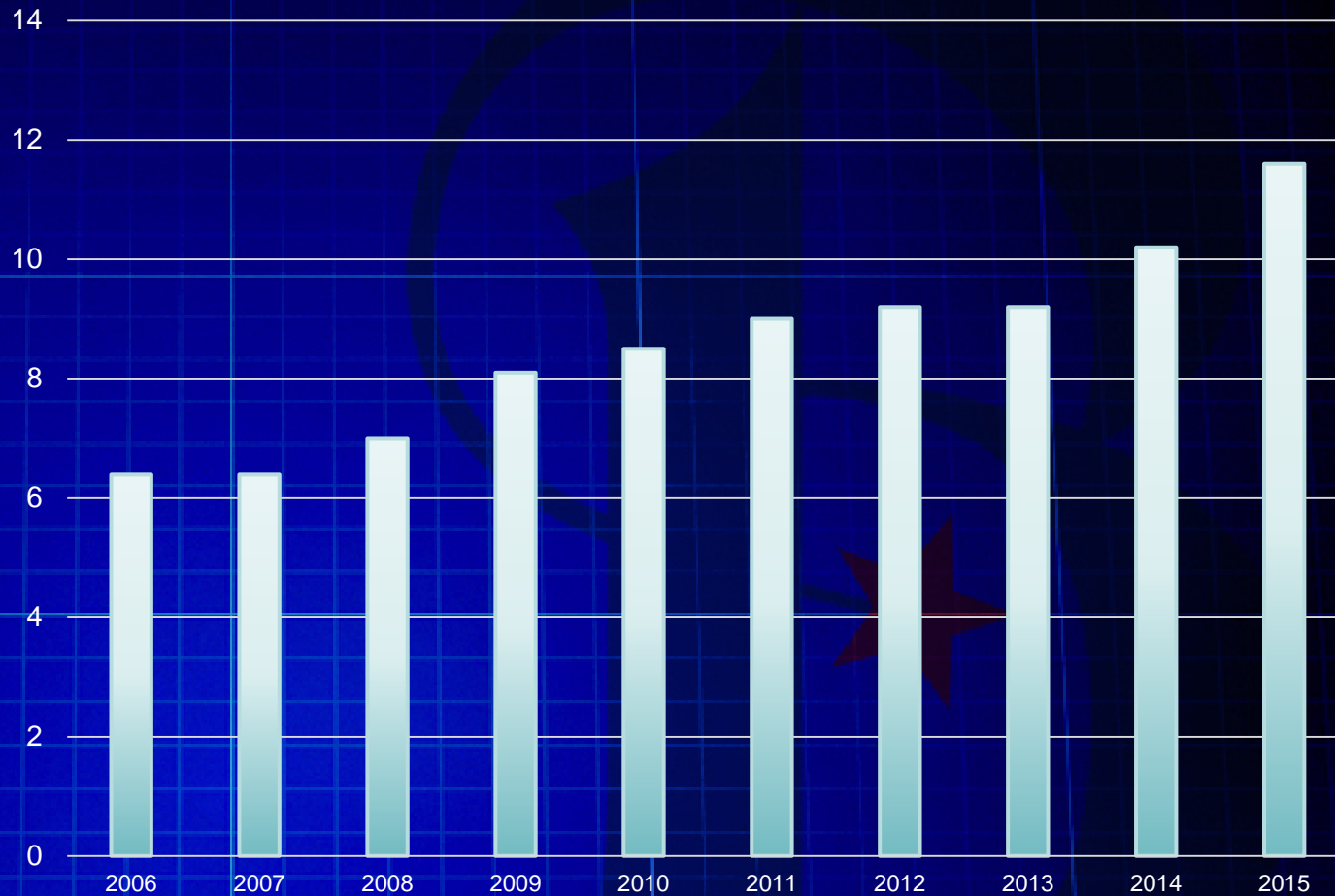
	<u>FY 2014 Budget</u>	<u>FY 2015 Proposal</u>
<u>Revenues</u>		
Operating Revenues		
Base Revenue	\$ 18,560	\$ 21,465
Fuel Pass Through	12,079	14,093
Regulatory Charge Pass Through	2,542	4,041
Miscellaneous	302	309
Total Operating Revenues	<u>33,483</u>	<u>39,907</u>
Non-Operating Revenues		
Interest Income	28	36
Total Revenues	<u>33,511</u>	<u>39,943</u>
<u>Expenditures</u>		
Operating Expenses		
Purchased Power - Base	12,041	14,818
Purchased Power - Fuel	12,079	14,093
Purchased Power - Regulatory Charge	2,542	4,041
Departmental Expenses and Other	1,415	1,564
Total Operating Expenses	<u>28,077</u>	<u>34,515</u>
Non-Operating Expenses		
Annual Capital	4,291	3,339
Debt Service	1,145	1,205
Total Non-Operating Expenditures	<u>5,436</u>	<u>4,543</u>
Total Expenditures	<u>33,513</u>	<u>39,059</u>
Net Increase (Decrease)	(2)	884
Beginning Unrestricted Cash	5,618	5,857
Ending Unrestricted Cash	<u>\$ 5,617</u>	<u>\$ 6,741</u>
# of Days of Reserve (45 day min)	73	71

CIP Summary

	FY 2014 Budget	FY 2015 Proposal
Bonds Issued	\$ -	\$ -
Capital Expenditures from Bonds	2,108	2,135
Net Increase (Decrease)	(2,108)	(2,135)
Beginning Bond Funds	4,161	2,145
Ending Bond Funds	\$ 2,054	\$ 10

BTU – General Fund Transfer

(in millions of \$)



- Council Feedback
- Rate and Budget Resolutions from BTU
- Incorporate BTU Budget into total City Budget