

## Power Supply Adjustment

Application:

Applies to all electric service whose point of delivery is located within the limits of Austin Energy’s service territory, unless otherwise stated. The rates for this pass-through charge are effective November 1, 2019.

Character of Service:

The Power Supply Adjustment (PSA) provides for the recovery of the preceding year’s expenditures for (PSA Costs):

- Electric Reliability Council of Texas (ERCOT) Settlements – charges and credits from ERCOT, other than the Administrative Fees.
- Fuel Costs – costs for fuel, fuel transportation, and hedging gains and losses.
- Net Purchased Power Agreement Costs – costs and offsetting revenues (such as, bilateral sales and GreenChoice) associated with short- and long-term purchased power agreements, and costs for distributed generation production.

As part of the City of Austin’s annual budgeting process, which includes a public hearing, the PSA is determined by calculating the sum of all net power supply costs divided by the historical twelve-month period service territory sales, plus any existing over- or under-recovery of PSA Costs balance divided by projected service territory sales preceding the effective date of the PSA. This results in an annual uniform system rate per kWh that is adjusted for voltage level and applied to each of the customer classes.

At least once each year, the City Manager will publicly present a report to the City Council that provides the underlying calculations for the PSA by system voltage level. The PSA Cost calculation will break out Fuel Costs, ERCOT Settlements, and Net Purchased Power Agreement Costs; it will also show the extent of over- or under-recovery of PSA Costs for the previous twelve months.

From the effective date of the last PSA adjustment, the PSA may be adjusted to eliminate any over- or under-recovery if the balance of net PSA Costs recovered is either over or under 10 percent of the actual PSA Costs incurred during such period. If such over- or under-recovery is projected to remain either over or under 10 percent after 12 months from the effective date of the last PSA adjustment, then the PSA shall be adjusted to eliminate the amount of the over- or under-recovery balance within the next 12 months. Within 30 days of any adjustment of the PSA to eliminate over- or under-recovery of PSA Costs, the City Manager will publicly present a report to the City Council that provides the underlying calculations for the PSA, both pre- and post-adjustment by system voltage level.

The PSA charges by voltage level are:

<b>Voltage Level</b>	<b>Adjustment Factor</b>	<b>Power Supply Rate (\$/kWh)</b>
<i>System Average</i>	1.0000	\$0.03124
<i>Secondary</i>	1.0049	\$0.03139
<i>Primary</i>	0.9821	\$0.03068
<i>Transmission</i>	0.9696	\$0.03029

Renewable Offtake Agreement Option:

Customers who desire to purchase and to receive additional renewable offtake while receive the renewable energy certificates (RECs) and other attributes of the renewable facility to meet their sustainability targets, may enter into a virtual purchase power agreement (VPPA) contract, dependent upon market availability. A VPPA is settled financially as a fixed-for-floating swap or contract-for-differences, where under the VPPA arrangement the customer pays a fixed price for electricity, whereas

FY 2020  
ELECTRIC TARIFF

the renewable facility receives the floating market price. If the facility generates more revenue than the fixed VPPA price by selling on the market, it pays the surplus revenue to the customer. Conversely, if the facility makes less money than the fixed VPPA price by selling on the market, it receives a true-up payment from the customer. The VPPA settled financial costs or benefits will be applied to the customer's monthly bill based on ERCOT market settlement prices and the customer's volume firming agreement with a one-month lag.

To qualify for a VPPA, the customer shall maintain at least a creditworthiness of BBB by Standard & Poor's Rating Group or Baa2 by Moody's Investor Services, Inc. and an average monthly billed demand of at least 75,000 kilowatts. The contracted quantity, related fees, and terms shall be separately executed and set forth in a transaction term sheet contract. All other pricing, charges, and fees shall be billed as set forth in their corresponding Rate Schedule.

To manage the VPPA, Austin Energy will be the customer's qualified scheduling entity (QSE) and clearing house for a fee, for which, Austin Energy shall have no liability. The customer agrees that it will bear all risks associated with the VPPA and payment of the full contracted quantity agreed to be delivered. The possible risks include, but not limited to, the price risk difference between the VPPA price and the ERCOT wholesale electricity market price at a defined settlement location (node, trading hub or load zone); shape risk between that of the facility output is not simultaneous with the customer's consumption; volume risk from that of the facility not producing the total MWhs contracted for; and operational risk from underperformance of a facility's equipment.

The VPPA is in addition to the customer continuing to get their electricity from Austin Energy at their PSA rate.