Utilities are often natural monopolies because of the large investment that is required to produce, maintain and deliver electricity, natural gas, and water to our communities. As your provider in Austin, we strive to keep our rates as low as possible while still maintaining reliability. We hope the information we are providing shows the time and importance we put on our rates. We are happy to answer any additional questions you may have.

Mark Nibaur
General Manager

Many of our customers are interested in how we determine our rates, so we are providing information to help customers understand how rates are established. This information is being provided as the result of a customer satisfaction survey identifying the need to provide rate education.
Cost of Service Study – the first step

A cost of service study is the tool typically used by public utilities* to ensure the rates they charge their customers match the cost to provide service to those customers. A cost of service study involves analyzing historical expenses and projecting future cash flow needs to arrive at a revenue requirement. During a cost of service study, costs are allocated to different customer classifications such as residential or commercial. Austin Utilities performed their last rate study in 2016 and will be performing a rate study in 2020 which will recommend rates through 2023.

Cost of Service

Rate Design

Once costs are allocated to a customer class, rates are designed to recapture the costs associated with each customer class. Rate designs typically include a Service Availability Charge (to cover fixed costs) and a Usage Charge (to cover variable costs).

Service Availability – FIXED COSTS

Service Availability covers the cost of our distribution system which is how we connect with your home. It does not fluctuate with consumption but is a necessary cost to be sure you have service when you want it. Many customers are confused by this charge because when consumption is low it can sometimes cost more than the usage charge. This charge covers costs such as:

- Meters
- Customer Service
- Meter Reading
- Administration
- Billing and Collections
- Poles and Pipes

Usage Charge – VARIABLE COSTS

Usage costs are calculated according to the metered amount of usage consumed during the billing period. Meters are read monthly for each service provided and the amount consumed is multiplied by the current rate. This charge covers costs such as:

- Electric Commodity
- Water Pumping
- Water Treatment
- Water System Maintenance
- Natural Gas Commodity
- Natural Gas System Maintenance
- Electric System Maintenance

* A public utility is an organization that maintains the infrastructure and provides the service for public good instead of profit.

** Other Groups includes street and security lighting, hydrant meters, etc.
2020 Residential Rates
Rates are reviewed and set annually based on the income needed to cover the cost to serve.

<table>
<thead>
<tr>
<th>2020 Austin Utilities Residential Rates</th>
<th>2020 rate changes: Electric 0% Natural Gas 0% Water 4.9%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Monthly Service Availability Charge</td>
</tr>
<tr>
<td>Electric</td>
<td>$14</td>
</tr>
<tr>
<td>Natural Gas</td>
<td>$17</td>
</tr>
<tr>
<td>Water</td>
<td>$15.50</td>
</tr>
</tbody>
</table>

One kWh of electricity = 1,000 watts used for one hour
One ccf of gas = 100 cubic feet
One ccf of water = 748 gallons

13% of the electricity delivered by AU in 2019 was provided from Renewable Energy Sources.

Historical Utility Cost Per Day (Based on average AU residential use)

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Electric</td>
<td>$2.75</td>
<td>$2.45</td>
<td>$2.15</td>
<td>$1.85</td>
<td>$1.55</td>
</tr>
<tr>
<td>Natural Gas</td>
<td>$2.20</td>
<td>$2.00</td>
<td>$1.80</td>
<td>$1.60</td>
<td>$1.40</td>
</tr>
<tr>
<td>Water</td>
<td>$0.92</td>
<td>$0.72</td>
<td>$0.52</td>
<td>$0.32</td>
<td>$0.12</td>
</tr>
</tbody>
</table>

Tip:
Managing your energy just got easier.
Track your usage and take the guesswork out of your bill with SmartHub. Through detailed graphs, you'll be able to monitor usage 24/7 and track your consumption, finding ways to reduce and save on mobile and online.

In 2019, customers ranked Austin Utilities value as high compared to other essential things they spend money on with a score of 7.6 out of 10. Customers said that AU is fair, reasonable, needed and that they are satisfied with services.

2020 City of Austin Service Rates
As a convenience we also bill some services provided by the City of Austin.

Any questions about these charges should be directed to the City of Austin by calling (507) 437-9940.
**Residential Electric Cost Comparison**

**Annual Household Average = $1,027**  
* Xcel Includes; Fairbault, Mankato, Northfield and Red Wing

AU annual electric costs are average compared to other local communities, but our reliability exceeds industry standards. Austin Utilities is in the top 25% of utilities for System Average Interruption Duration Index (SAIDI) based on EIA data, qualifying us for the 2019 Certificate of Excellence in Reliability from the American Public Power Association.

**Residential Gas Cost Comparison**

**Annual Household Average = $708**  
* Xcel Includes; Fairbault, Mankato, Northfield and Red Wing

MN customers depend on natural gas for winter heating. AU investments in our propane air plant in 2019 provide additional reliability to our system. As a public utility, AU continues to offer services not available from other gas companies such as lighting gas appliance pilots and installing thermocouples.

**Residential Water Cost Comparison**

**Annual Household Average = $334**

AU was able to make major investments in the Ellis water tower, yet continue to maintain lower water rates. Operating costs remain low in part due to the high-quality water supply. Little treatment is needed before water is delivered to our customers.

We welcome comments at talk2AU@AustinUtilities.com or by calling 507.433.8886.