INDEPENDENT RESIDENTIAL RATE ADVISOR REPORT TO ELECTRIC UTILITY COMMISSION

September 1, 2011

Background on Bob Wittmeyer, P.E.

- Lower Colorado River Authority (1986 – 1996)
  - Production Performance Engineer (energy efficiency at power plant level)
  - Production Cost Modeling (system level)
  - Managed term off-system sales/purchases (start of deregulation)
- PanCanadian Energy Services (1996 – 2001)
  - Manager of project development at ERCOT and SPP
  - Managed wholesale supply for retail customers in California
- Energy Consultant (2001 – Present)
  - Provided Risk Management assistance to large North East Utilties
  - Represented Denton Municipal Electric at ERCOT
  - Work with other Municipal customers on wholesale power contracts and ERCOT activities
- Chaired Numerous ERCOT Committees (Since 1997)
  - ERCOT Technical Advisory Committee (April 2010 – Present)
    - Residential member appointed by the Office of Public Utility Counsel to represent ERCOT residential rate payers

Role of the Independent Residential Rate Advisor

- Independently review Austin Energy Rate Proposals
- Translate “utility speak” for Residential members of the Public Involvement Committee
  - Seek clarity of understanding over precision of terminology
- Gather information from the public
- Relay public’s concerns to Austin Energy
- Provide balanced representation of all residential interests

Goals

- Reduce carbon dioxide by 20 percent below 2005 level by 2020.
- 800 MW of energy efficiency by 2020;
- 35 percent of energy from renewable resources by 2020; and
- 200 MW of installed solar generation capacity by 2020.

Principles

1. Alignment with AE's strategic objectives.
2. Founded on utility economic standards.
3. Fair among customer classes.
4. Ensure the long-term financial strength
5. Provide incentives for energy conservation, promote the efficient use of resources, and encourage consumer investment in energy efficiency.
6. Maintain the affordability of electricity.
7. Provide a low-income discount.
8. Simple and understandable.
9. Process should be transparent.
10. Adhere to laws and regulations.

(Edited for presentation)

REVIEW OF AUSTIN ENERGY'S RATE ANALYSIS AND RECOMMENDATIONS REPORT

Residential Rate Advisor's Perspective on Austin Energy's Recommendations

Disagree

- Cost Allocation
- Community Assistance Program charges for residential customers
- Disclosure of all electric delivery charges
- Disclosure of fuel and energy cost
- Changes to GreenChoice®

Agree

- Customer service charges
- Fixed electric delivery charges
- 5-tier rate structure
- Community benefit charges for non-residential, and energy efficiency and lighting charges for residential customers
- Regulatory charges

What Austin Energy got wrong

- Cost Allocation
  - Should use Baseload, Intermediate, Peak (BIP) method consistent with ERCOT Nodal Market [not Average and Excess Demand method]
  - As close as practical to Probability of Dispatch (previously approved - rescinded)
  - Results in 20 percent lower rate increase for residential customers
- Community Assistance Program Charges for Residential Customers
  - Charge $1/Month per residential customer [not AE's $0.00065/kWh]
  - Results in additional $1.5 million in annual program funding
  - Easy for customers to understand
  - Funding scales as does the number of customers / need
- Full Disclosure of Electric Delivery Charges
  - Apply fixed charge as Austin Energy recommends
  - Disclose all electric delivery charges [remove from energy charge]
  - Provides transparency and understandability
  - Maintains comparability with deregulated areas

What Austin Energy got wrong, cont.

- Disclosure of Fuel and Energy Cost
  - Fuel and energy cost should be itemized [not embedded in base rate]
  - Disclosed charges are transparent
- Changes to GreenChoice®
  - GreenChoice needs to show an offset to fuel and energy charge
  - Program needs to remain simple and easy to understand
  - Change to portfolio of resources is fine, but must have term price locks
  - New program description is unnecessarily complex
  - Much of the complexity is driven by the embedding of fuel and energy cost in base rates

GreenChoice®

AE Recommendation Calculation - Table 6.7 of report

GreenChoice® Price	GCP_1	= 20.0 ¢/kWh
Fuel Charges FC		= 10.0 ¢/kWh
Subtotal (GCP_1 – FC)	GCP_2	= 20.0 ¢/kWh – 10.0 ¢/kWh
		=> 10.0 ¢/kWh
System Green Power Prod/Purch		= 10,000,000 MWh/Year
Green Power Subscribed		= 5,000,000 MWh/Year
Total Energy Prod/Purch		= 100,000,000 MWh/Year
Community Supply (CS)		= 10,000,000 MWh/ 100,000,000 MWh
		=> 10%
GreenChoice® Supply (GS)		= 5,000,000 MWh/ 100,000,000 MWh
		=> 5%
SRS Adjustment		= 100% – [10% – 5%]
		= 100% – 5%
		=> 95%
GreenChoice® Adjustment		= (10 ¢/kWh * 95%) * 1,000 kWh
		=> $95

The related charge the customer pays is the GreenChoice Price minus the system average fuel price times consumption plus the GreenChoice Adjustment => $195; or $105; or $95 ?

Three people gave me 3 different answers to the question “What is customer’s final bill?”

GreenChoice®

- My Recommended Calculation
  - Continue fuel charges like today and include system renewables as part of the fuel and energy charge

GreenChoice® Price	= 20.0 ¢/kWh
Fuel & Energy Charge Credit	= -9.5 ¢/kWh
	= 10.5 ¢/kWh
= 10.5 X 1000 kWh	= $105

What Austin Energy Got Right

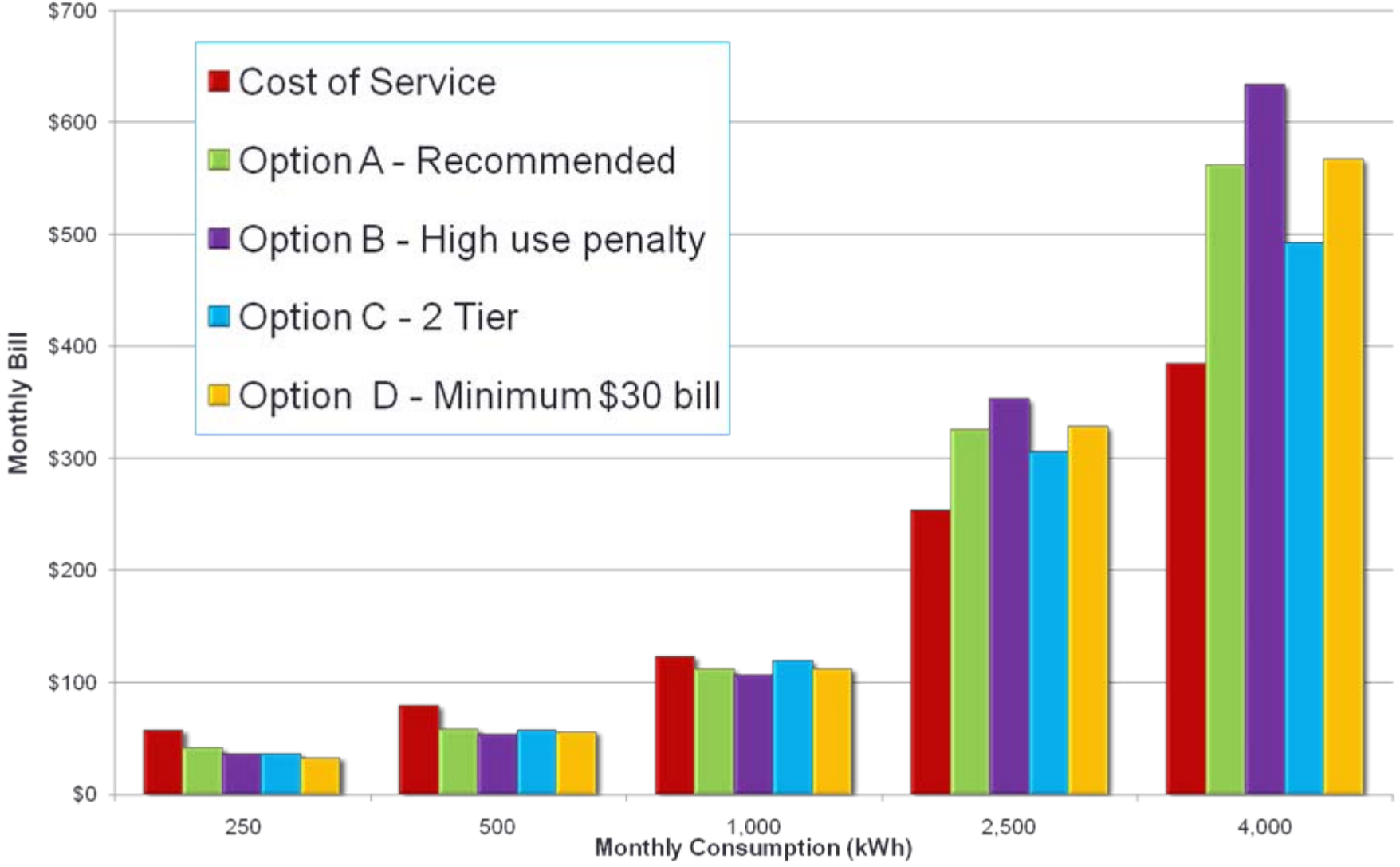
- Customer Charge $10 – $15
  - Recovers costs associated with customer existence
- Fixed Portion Electric Delivery Charge
- Recovers cost associated with connecting to the grid
- Collects value for customers using the grid as storage
- 5-Tier Rate Structure
- Encourages energy conservation and energy efficiency

What Austin Energy Got Right, cont.

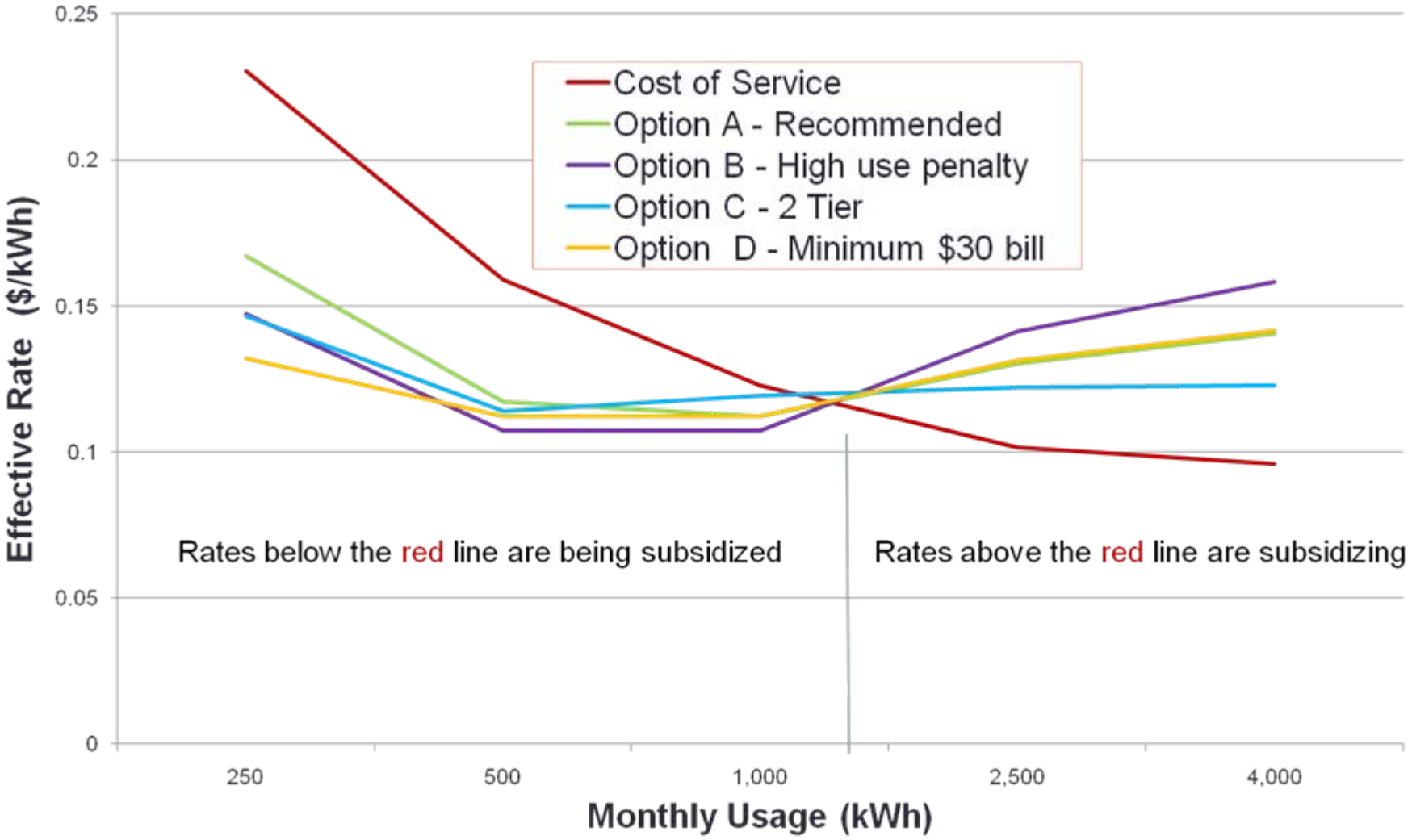
- Updating Summer Rate Period
  - ERCOT Peak occurs between June and September
  - ERCOT charges for transmission based on peak in these months
  - Austin Energy update is consistent with ERCOT Peak
- Community Benefit Charge
  - Reflects transparency
  - Applied uniformly to all customers
- Regulatory Charge
  - Reflects regulatory charges imposed on Austin Energy

REVIEW OF THE RESIDENTIAL RATE DESIGN OPTIONS PRESENTED BY AUSTIN ENERGY

Residential Rate Design Option Impacts on Residential ***Summer*** Electric Bills



Effective Rates Resulting From Options



Status

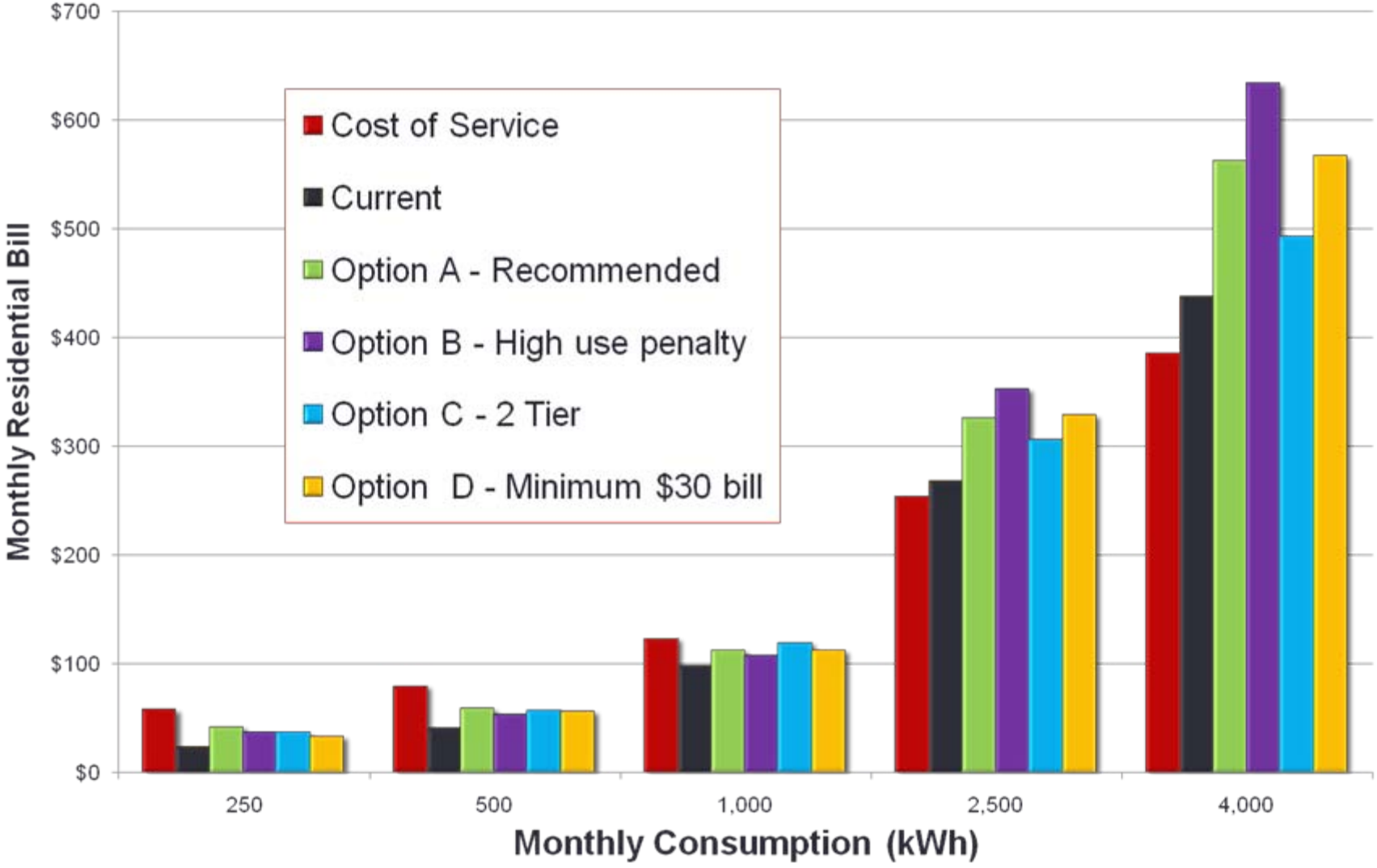
- My specific areas of disagreement with Austin Energy are generic and can be addressed in nearly any rate structure
- Of the four options presented to date, I believe Option A best follows the City of Austin goals and the Austin Energy principles
- Additional input from the Electric Utility Commission members over the next two weeks regarding relative weighting of the goals and principles or additional considerations would be instructive

Question or Comments: Contact
ResidentialAdvisorRateReview@gmail.com

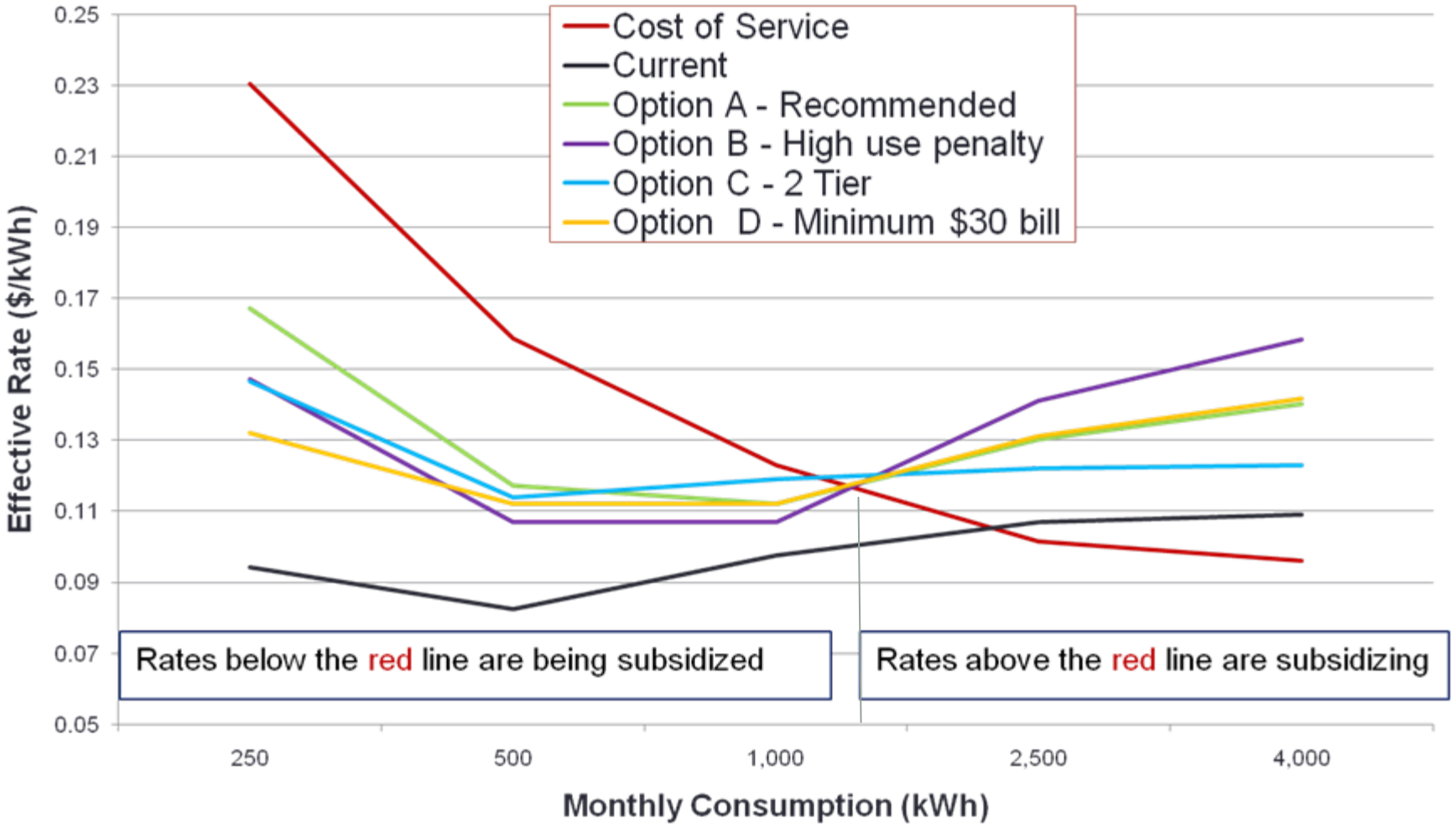
Questions

APPENDIX

Residential Rate Design Option Impacts on Residential ***Summer*** Electric Bills

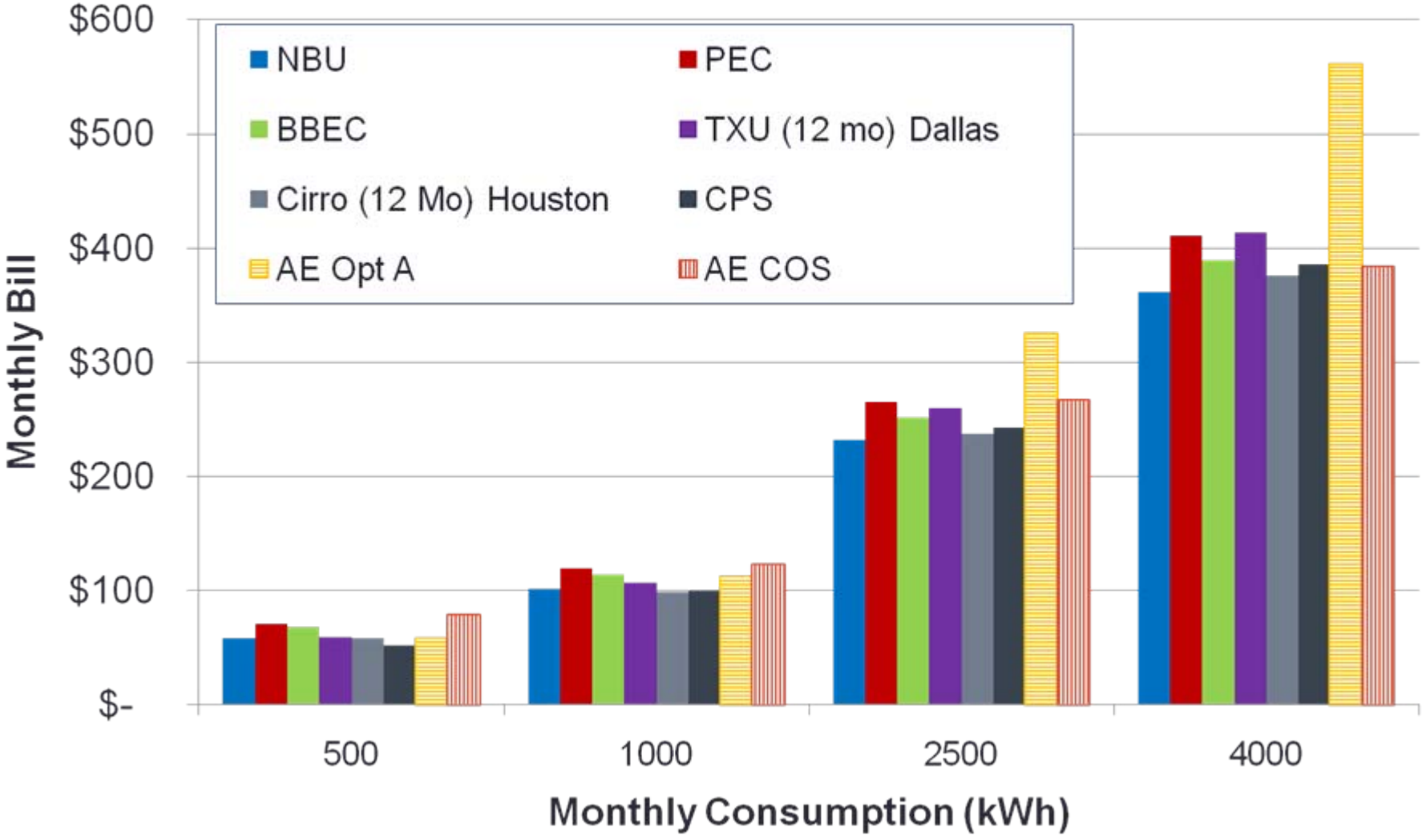


Effective Summer Rates resulting from Options



Competitive Analysis (Summer)

12 month contracts in competitive areas & current rates in non-competitive areas



Effective Summer Rates in Competitive Market