

Issues to be addressed:

1. Whether AE has a revenue deficiency that requires an increase in rates?
 - a. What percentage of capital investment should be paid for in cash?
 - b. What should AE's debt service coverage be?
 - c. How much working capital does AE need?
 - d. Was each of AE's proposed known and measureable changes reasonable and necessary?
 - i. Was each change a result of a reasonable prudent business decision?
 - ii. Does each change represent a cost that will incur during the rate year?
 - iii. Was each change reviewed for any counter revenue effects, if any?
 - e. How can the excessive revenues obtained as a result of the hot weather be considered for purposes of setting rates?
 - f. In unbundling business operations for purposes of charging separate rates for unbundled parts, has AE double counted some of the costs?
2. Does AE's proposed cost of service accurately track costs that should be allocated and therefore charged to the various customer rate classes?
 - a. Of the three cost of service methodologies presented by AE for allocating production costs, does AE's recommended cost of service methodology most accurately reflect how AE incurs costs in the nodal market?
 - b. Does the use of a non- coincident peak (NCP) in AE's recommended Average and Excess peak (AEP) methodology used to allocate production costs result in unfairly shifting costs away from those customers that contributed to AE's system peak?
 - c. Has AE unfairly allocated some costs on based on a customer allocation methodology as opposed to production or distribution methodologies?
 - d. Has AE provided a reasonable estimate for the number of kWhs that will be sold during the year the rates will be in effect (2012)?
 - i. Did AE adjust the kWh sales for customer growth throughout the test year?
 - ii. Was AE's reduction of test year kWh sales to account for abnormal weather conditions a reasonable adjustment given the climate trend towards hotter weather?
3. Is AE's proposed residential rate design a response to a new business model?
 - a. What is the new business model?
 - b. How does it compare or not compare with other Texas electric utilities' business models?
 - c. What are the rate designs being used in the Texas retail electric market for residential customers ?

- d. Based on raw, unadjusted sales volume, what would residential customers cost of service be?
 - e. Between the current residential rate design and AE's proposed rate design, which rate design is the most consistent with energy conservation principles?
 - f. What cost components such as billing and collecting are in AE's proposed customer charge? For each component, is it a cost that increases with the addition of a customer on the system?
 - g. What cost components are in AE's proposed wires charge?
 - h. How did AE take into account its Residential Electricity Burden report in addressing affordability of rates?
 - i. What refund mechanism has AE created for its unbundled rates?
 - j. Has AE over recovered on any of its unbundled rates in the recent past.
 - k. For the proposed energy efficiency recovery rider, what is the underlying energy efficiency program budget? Is the EE plan equitable and does it promote energy conservation?
4. Is the proposed CAP program appropriate?
- a. Why is there not a separate rate for low income customers with different elements?
 - b. How effective will the program be in serving the targeted customers?
 - i. What if anything has the history of the program shown us regarding the effectiveness of self- application versus automatic enrollment?
 - ii. What kind of outreach has been planned to increase the number of enrolled customers?
 - c. Does AE implement all of its special needs programs and low income programs in a coordinated fashion?
 - d. Specifically, what has AE accomplished with its low income weatherization program?
 - e. If at the end of the rate year, AE has accrued excess revenues from the rider, what is AE planning to do with the excess revenues to better ensure low income customers are benefitting?
5. Has AE's energy efficiency budget been planned out according to its proposed rider?
- a. How have these costs been allocated among the various customer classes?
 - b. Has there been a distinction between demand savings versus energy conservation for purposes of cost allocation?
 - c. Has the various segments within each customer class who is paying the rider been budgeted to get a fair and equitable share of the EE programs?
 - d. How has the administration and management of the programs been accounted for in the rider? Is there any overlapping of costs in the EE rider with the costs being sought to be recovered in base rates?

- e. How is AE's EE budget and programs consistent with AE's generation plan approved by the council?

