2011 Rate Review Decision Point List

Discussion for October 3, 2011 EUC meeting

Issue	Austin Energy Staff Recommendation[1]	Residential Rate Advisor	Other Parties	Draft: EUC	Draft: Barbara Day
1. Achieve Revenue Requirement	Collect revenues from all customer classes sufficient to fund core functions and the utility's strategic objectives. Increase overall revenues based on the Test Year 2009 results from $1,004,133,897 to $1,111,135,775, or an 11.1% increase.	Concur as Austin Energy must collect its revenue requirement.		Concur, subject to removing the following from revenue requirement: 1. EGRSO and all other non general fund transfers to COA (See annual EUC resolutions since 2007); 2. Any portion of the general fund transfer based on fuel revenues (See annual EUC resolutions since 2007); 3. PLACEHOLDER (Awaiting discussions between RRRA and EU)	Agree with PHS proposal to remove economic recovery as a regulated rate recovery expense. Also agree with removal of all non general fund transfers from rates. Propose the following additional adjustments to AE's requested revenue requirement. **Off-System Sales Revenues** Reverse AE's adjustment. The test year level of the energy component [not including fuel] of off-system sales revenues must be added back in to the calculation of the revenue requirement consistent with the matching principle. Rates are set to include all capital costs and O&M costs to produce energy. To exclude the energy portion of the revenues received from off-system sales would cause AE customers to subsidize the production and operating costs of such sales, and create a mis-match between revenues and expenses in violation of the accepted principles of rate regulation. AE customers would be paying all the capital and O&M costs associated with the production of the energy sold off-system unless this

[1] Preliminary; to be finalized for final proposal to the Austin City Council based on consideration of public input and input from the EUC.

					adjustment is reversed. AE has adjusted the test year to remove recognition of those revenues based on an assumption that energy and fuel will be merged. Both the RRA and PHS's draft answers to the decision point list reject merging fuel and energy. I agree with that position. Therefore, AE's adjustment removing those revenues must be reversed so off-system sales revenue for the energy portion of the off-system sales is recognized. The adjustment to recognize the energy portion of off-system sales lowers AE's requested revenue requirement by $35,130,256. *See,* rate filing, section 3, Table 3.1, at page 52. [2] **Normalization of Load and Resources** Reject AE's proposed adjustment as not known and measurable. AE claims that its revenues were <u>higher</u> in test year 2009 than normal. *See,* Rate Package, Section 3, page 55. So in its calculation of revenue requirement it <u>removes</u> revenues thus increasing its claimed need for a rate increase. This claim does not withstand scrutiny. During the public process of evaluating the need for this rate increase request, Councilmember Laura Morrison requested information from AE showing the percentage change year over year in retail kWh sales in each year since the last rate case (1994). The graphs that AE produced for Councilmember Morrison show that usage <u>dropped</u> in 2009, not that it was higher than normal.

[2] This does nothing with the fuel portion of off-system sales revenues which remains in the fuel component of rates and will be recognized as a credit against fuel costs, as is appropriate and as it is currently done.

					AE's rationale for removing some revenues is that the weather was anomalous in 2009, i.e. a hot summer with a peak usage in June. *See*, rate filing, section 3, page 55. Now that we are coming to the end of 2011 as the hottest summer on record, this claim that the test year adjustment is warranted is unsupportable. Recently AE has provided City Council with additional revenues based on the increase in revenues associated with the hot summer of 2011. 2009 should not be adjusted as showing too much revenue. 2009 usage is not anomalous. Indeed, 2009 usage looks moderate compared to 2011. AE's adjustment in the amount of $9,661,881 should be rejected. The *normalization* to remove revenues, thus raising the alleged deficiency due to claimed anomalous weather should be rejected. **Reserve Fund Contributions** Remove $22,677,528 for "*reserve funds*". The $22.7 million number includes various funds such as working capital reserve, repair and replacement reserve, contingency reserve, emergency reserve, rate stabilization reserve. RRA has recommended -0- working capital for the reason that working capital is actually negative, meaning AE makes money from the lag between receiving income and payment of bills. The requested reserves are already funded by building into rates debt service coverage of <u>twice</u> debt service costs. Recommend accepting 2 X coverage which provides

					sufficient cushion for AE to set aside whatever reserve funds it wishes from that revenue cushion. However, an *additional* expense for reserves is double charging or double counting such expense. AE already receives depreciation expense (either directly or through the margin calculation), funding for an additional reserve for repair and replacement would double collect). Reserve funds are not required by bondholders. *See,* 2010 Bond issuance, page 8. The 2010 bond covenant showed AE's actual debt service coverage for 2009. It is 2.78 X. AE produced net revenues adequate to meet and surpass the City's policy goal of 2X DSC by 72%. The point of the City policy of collecting double the DSC is to provide a cushion, or reserve, if you will. How the city wishes to denominate such cushion/reserve into various additional component reserve funds is its perogative. Adding $22,677,528 as expense in this rate case double collects a cushion for reserve from ratepayers. It is not plausible that the PUC would accept recognition of expense funding for these various reserve accounts. These are not recognized reserve accounts like decommissioning expense. Instead, the reserves AE uses are already funded by the choice to set rates sufficient to double collect, or collect 200% of debt service costs. Indeed, if AE's rates are appealed to the PUC AE could defend its choice to provide 2 X debt service costs as providing a cushion sufficient to fund the various reserve accounts it chooses to

					establish. However, these are not expenses to be built into rates, and would double collect costs. **Interest and Dividend Income** AE requests that ratepayers fund $9,661,881 for hypothetical interest because AE projects it will not make as much interest in the future as in the test year. Recommend removing this expense as not known and measurable. Further, ratepayers are not required to provide or guarantee a specific level of interest as a recognized cost of producing electricity. **Rate Review Expenses** Remove $1,292,907 attributable to rate review expenses as non-recurring. The correct and accepted method of collecting such expense is through a surcharge on customer bills that ends at a set time when the expense is collected. Inclusion of non-recurring items in rates assures that the amount will be over-collected from customers. The Public Utility Commission has adopted the specific, term defined surcharge and that should be done in this case as well. **General Fund Transfer (GFT)** The amount of GFT should be calculated on net revenues, not gross revenues including fuel. Fuel is a dollar for dollar pass-through. City Council should not collect a profit on fuel.
2. Align Rates by	No customer class should pay	Concur with this metric.		Concur, but as 95% and 105%	Delete this item from the Decision Point

Customer Class with Cost of Service (minimize subsidies across customer classes)	greater than 105 percent or less than 95 percent of its cost of service in the implemented new rates, with the condition that the utility achieve its total revenue requirement through implemented rates with the exception of contract customers.	However, the selection of the cost of service model upon which the 105 percent and 95 percent are calculated, defines the true impact. The Average and Excess Demand (AED) method places 20% more cost on residential customers than the Baseload, Intermediate, Peak (BIP) method.		are arbitrary, consider adjusting and expanding, to perhaps 92.5% and 107.5% as means to alleviate impact on lowest income customers and alleviate impact of selecting AED cost allocation method over BIP. Also, remove (a) GFT, (b) economic development and (c) bad debt from residential fixed costs and allocate them to (a) all classes, (b) Commercial and Industrial only and (c) all customer classes.	List or, at most, state it as a guideline that has been applied; not a policy. As the question and AE's answer is stated it implies that no judgment is involved, that this is an objective task, and that no disagreement is possible. An excellent example that aligning rates by class and cost to serve is a subjective task is the economic development expense. In the functionalization process, AE has functionalized the entire $10 million as a customer cost.[3] This is a judgment call on AE's part to functionalize 100% of the economic development costs as "customer". Approximately 90% of the customer costs are allocated to the residnetial class. So an expense that benefits the commercial or industrial classes is functionalized in such a way that almost the entire cost is imposed on the residential class. This example vividly illustrates that costs allocated to various customer classes are subject to judgments made by AE that are not accepted by all, or even valid. Questions #2 and #3 on the decision point list invite the inference that class costs are an objective, uncontested assignment, when this is clearly not the case. Recommend deleting questions #2 and 3, or at least re-stating them as a goal that has been used in classification.
3. Set Policy Bounds on Customer Class Alignment with Cost of Service	Set the Residential, Secondary Voltage <10 kW, and Lighting customer class target revenues at 95 percent of cost of service	Concur with this metric. See Issue #2, regarding cost allocation differences between the BIP method		See 2 above; Open question: why is lighting at 95% and not 100%	Delete question for the reasons stated above to #2.

[3] Rate filiing, Schedule D, pg. 11 of 296, line 147 shows $10,140,552 called "supervision" which AE identified to me as the economic development expense.

	and set all other customer classes at 104 percent of cost of service.	and the AED method.			
4. Mitigate Impacts Within Customer Classes	(a) No residential customer electric bill below 1,500 kWh should increase by more than $20 a month on average. (b) Transition non-demand secondary commercial customers to demand rates.	(a) Concur with Austin Energy. (b) Concur – Rate shock will be reduced with a transitional plan for non-demand customers, as they are brought up to cost of service.		Concur. While the fixed costs on residential customers will increase as a necessary consequence of "unbundling", this is offset by charging LESS under the proposed rates for energy for the two lowest user classes (under 500kWh and 500 kWh – 100 kWh. In the summer season, those users represent 55% of all residential customers and in the winter they represent 77% of residential customers). It is very unique that after no rate adjustment since 1994, the cost of energy for low energy users will actually decline. These benefits are coupled with the substantial increase in funding for the CAP, which is targeted specifically at low income customers.	Placeholder subject to the size of the revenue requirement recommended and the recommendations on unbundling.
5. Select a Production Demand Cost Allocation Method	Apply the Average and Excess Demand Method to 1) recognize that customers benefit from both capacity and energy produced from generation assets; 2) to reward high load factor and energy efficient customers; 3) to be consistent with methodologies commonly used in Texas and around the country.	**Disagree** - Apply the BIP Method. Consistent with the Public Utility Commission of Texas (PUCT)-ordered nodal market. Recognizes that customers benefit from both capacity and energy produced from generation assets; and is consistent with methodologies used around the country. The BIP method is a simplified		Concur with AE, subject to #2 above	No position until after commercial and industrial hearing.

		version of the Probability of Dispatch method previously approved by PUCT and the City of Austin. The PUCT has not made any determination regarding cost allocations in a nodal market. Furthermore, the BIP method is consistent with the use of Austin Energy's generation resources by the Electric Reliability Council of Texas (ERCOT).			
6. Consolidate Customer Classes	Consolidate current customer classes from 24 to 9 classes and develop classes based on cost of service differentials, including unique service requirements and electricity usage characteristics.	Concur with the reduction in classes and recommend that AE continue to monitor differences in consumption within the secondary and primary customer classes and seek future reductions in the number of customer classes.		Concur, but either include in this rate adjustment or set a goal to adopt within three years, two additional rate classes: 1. Residential all electric homes (and institute Option B on all other residential customers at that time); and 2. Apartment dwellers with lower tiered fixed costs (wires and electric delivery) costs	Concur with S. Fath's position on all electric homes.
7. Update Rate Structure for Residential Customers	Unbundle rates and apply a customer charge, electric delivery charge, energy charge, regulatory charge, community benefit charge, and energy	Concur with the direction and suggest complete unbundling of the electric delivery charge from the energy charge to be consistent with Austin		Concur. It is necessary to unbundle rates in order to fully achieve the benefits of a utility company that does not depend on the sale of energy to recoup its fixed costs. Once the	Disagree. AE's request to change its entire rate structure to move collection of revenues to fixed charges should be rejected. Fixed charge structure may be used in the de-regulated market, but it is not accepted or correct for regulated

	adjustment.	Energy's transparency principle and the Texas deregulated market.		business model is shifted in this manner, the utility will have less incentive to promote the sale of additional energy and will have more incentive to encourage both energy efficiency and distributed generation. It is this type of change that will allow Austin Energy to preserve its role an a leading innovator in the electric utility industry. There will never be a "good" or "easy" time to make such a change, so we may as well do it now – those who follow us will thank us for having the courage to make this change so they may reap the benefits later. We cannot today fully anticipate what benefits may be unleashed from such a fundamental change in the utility's business model, but we can expect them to be profound, especially if they trigger growth in distributed generation.	monopolies. Fixed charge structure actually *prevents* conservation based on price signals. AE hasn't even identified a rationale for considering such a radical change that de-couples pricing from use. Since there are basically three components to the change that AE proposed, each is addressed separately in #13, 14, 16. The fixed charge form of recovery is inconsistent with regulatory principles of cost causation and sends incorrect pricing signals to customers. Fixed charges are punitive to low-use customers and negate conservation principles. Finally, AE has padded certain of these costs so much that the entire plan must be rejected. *See*, response to #13 *infra.*
8. Update Rate Structure for Commercial and Industrial Customers	Unbundle rates and apply a customer charge, electric delivery charge, energy charge, demand charge, regulatory charge, community benefit charge, and energy adjustment.	Concur with the direction and suggest complete unbundling of the electric delivery charge from the energy charge to be consistent with Austin Energy's transparency principle and the Texas deregulated market.		Concur, subject to C&I rate hearing. See prior response.	See comments to #7 above. The principles are the same. Not ready to take a final position on this until after the Commercial and Industrial hearing
9. Update Fuel and Energy Market Costs Recovery	Recover Test Year fuel-related costs in the energy charge and	**Disagree –** Rates are more transparent and		Disagree with AE and Agree with RRA for the reasons	Disagree with AE; agree with RRA, S. Fath and PHS, with additional rationale. AE's revenue requirement request must

Mechanism	apply an energy adjustment in future years to account for future fluctuations in fuel-related and energy market costs.	GreenChoice® Program is easier to understand if fuel and energy discrete line items.		stated by the RRA	be adjusted to reflect the energy portion of off-system sales revenue consistent with the matching principle. *See, supra.* At #1. [$35 million revenue] AE's filing excludes recognition of this revenue due to AE's assumption that its proposal to merge fuel and energy charges will be adopted. Consistent with the recommendation that energy remain separate from fuel, the test year revenues for the energy portion of off-system sales must be recognized consistent with the matching principle as well as the test year principle. AE's proposal to add an energy adjustment should be rejected as an impermissible pass-through mechanism for items other than fuel and purchased power. AE seeks to use the new energy charge to evade regulatory scrutiny in a rate case and make it a pass-through of much more than variable costs. Further, AE would avoid any future rate cases and would pass-through individual items that it has not recovered while ignoring expenses that have decreased or revenues that have increased. In other words to engage in <u>single issue ratemaking</u> outside a rate case and with little scrutiny. "*Additionally, the energy charge includes the unrecovered <u>fixed costs from the customer, electric delivery, and/or demand charges.</u>"* [emphasis added] AE's Executive Summary, dated August

					29, 2011, at page 22. AE seeks approval to simply "adjust" its energy charge to flow through fixed charges that it claims might not be recovered in the customer, delivery, or demand charges. This is inconsistent with regulation and would facilitate cross-subsidization among classes.
10. Apply Regulatory Charge	Add a regulatory charge to recover costs associated with transmission and ERCOT fees and remove these costs from the energy charge.	Concur as these charges are beyond Austin Energy's control.		Concur. Also, by ordinance, funds received for this program must be spent on this program with annual reconciliation.	Disagree. *See*, response to #7, above. This expense should be collected in the energy component, not as a surcharge. When investor owned utilities were regulated in Texas by the PUC, nuclear decommissioning expenses were rolled into rates for collection purposes, but set aside in a reserve or trust fund for expending and accounting for separately. This is the appropriate way to handle the community benefit expenses and regulatory; not as additional surcharges.
11. Apply Community Benefit Charge	Add a community benefit charge to recover costs associated with the Customer Assistance Program, service area lighting, and energy efficiency programs and remove these costs from the energy charge.	Concur as the entire community benefits from these programs. Change makes rates more transparent.		Concur, but designate energy efficiency as "Energy Savings Fund". Also, by ordinance, funds received for this program must be spent on this program with annual reconciliation and a designated percentage must be allocated to low income weatherization/energy efficiency.	Disagree. *See*, response to #7, above. These charges can be set aside in a reserve fund with reconciliation and accountability that all dollars approved in this case are set aside, accumulated, and used only for the special purpose.
12. Update Summer Rate Period	Shorten summer rate period from six (May – October) to four months (June – September) so that stronger pricing signals can be provided during the summer time period and to align with ERCOT.	Concur as this was one of my recommendations during the Rate Review Public Involvement Committee process.		Concur	Agree.

13. Apply Residential Customer Charge	Raise the current residential customer charge from $6 to $15 and remove this portion of residential customer-related costs from the variable energy charge.	Concur as the need to contact customer service is not a function of electric delivery. During AE's Rate Review Public Involvement committee meeting process, the residential representatives on the PIC recommended a $12 customer charge.		Concur, but develop a plan that increases the flat fee based on volumetric usage, so lowest users pay a slightly lower fixed cost than the higher users. For example, a user at 500 KWh may pay $12.50 while a user at 2500 KWh would pay a $25 customer charge. We should not have a regressive method of allocating fixed costs and need to introduce some element of progressiveness in how fixed costs are allocated.	Disagree for the reasons stated above in response to #7. The customer component of a bill has a very limited definition: meter reading, billing, customer service. This has been the regulatory definition for 100 years. AE hasn't identified new categories that it believes should be added or why. 50% of the $30 million AE seeks to recover in a fixed customer charge is the economic development expense and uncollectibles. Neither is appropriate in the customer charge as set out below. AE has padded customer costs by putting in costs that either are not accepted rate expenses or costs that have been and should be collected based on usage. For example, AE included $10 million in economic development cost in customer costs by putting the amount in FERC account 911, labeled "supervision". *See,* Rate filing, Schedule D, page 11 of 296, line 147. Economic development is not a customer cost. Another illustration is that AE has put "uncollectible" expense of $4,669,787 in FERC account 904, labeled as a customer cost when it has always been collected based on usage and is not a cost to be recovered as a fixed customer cost. *See,* Rate Filing, Schedule D, page 11 of 296, line 138. Moreover, demonstrating and selling expense, advertising expense, and miscellaneous sales expense are now all functionalized to "customer" when these are not customer costs and indeed, are likely not even recoverable expenses

					under the Public Utility Regulatory Act. This group of costs totals $4.2 million. *See*, Rate Filing, Schedule D, page 11 of 296, lines 148-150. Thus, of the $15,165,448 total in "Customer service and information Expense" costs" that AE requests in this case, $14.2 million are not recoverable as customer costs because they are comprised of economic development expense, advertising, and selling. *See*, Rate Filing, Schedule D, page 11 o 296, lines 142-150. Another $4,669,787 is uncollectible expense which is a cost of all customers based on usage. *See*, Rate Filing, Schedule D, page 11 of 296, lines 138-139. A customer charge should not be a number pulled out of the air. It should be related to the very narrow range of items which are recognized as fair to be recovered on a fixed basis. AE has demonstrated no evidence to change its customer charge from $6 per month. Indeed, $19 million of the $30 million total AE includes as customer charge are not expenses which may be functionalized as "customer". [4]
14. Apply Residential Electric Delivery Charge	Move distribution costs from the energy charge to an electric delivery charge for residential customers set at $10 and remove this portion of residential distribution costs	**Partly Disagree** – There is a cost of meter reading systems, meter drops, tree trimming, etc. that is unrelated to energy consumption. Therefore we		Concur with AE, but develop plan that increases the flat fee based on volumetric usage, so lowest users pay a slightly lower fixed cost than the higher users. For example, a	Disagree for the reasons stated above in response to #7. AE's request to have a fixed charge for distribution costs should be rejected. This request would represent a drastic change. Currently distribution costs are

[4] This does not even question the "meter reading" expense of $14 million that AE shows on Schedule D, page 11, line 136. This amount is unbelievable for a utility that has remote metering and smart meters.

	from the variable energy charge.	agree with the $10 per month fixed electric delivery charge. However, there are other electric delivery costs that are driven by demand (a measure of consumption). I recommend adding a second electric delivery charge to be consistent with deregulated areas and removing all electric delivery charges from the energy charge. This change is consistent with Austin Energy's transparency and understandability principles. It also allows comparisons to be made with the deregulated market.		user at 500 KWh may pay $8 while a user at 2500 KWh would pay a $20 customer charge. We should not have a regressive method of allocating fixed costs and need to introduce some element of progressiveness in how fixed costs are allocated.	collected based on usage. If certain customer classes use less of distribution lines for reasons of voltage level, that is accounted for in the functionalizing process, i.e. less of those costs are assigned to those classes or customers. But after the functionalization, distribution costs are collected on a per kWh basis. The impact of changing to a fixed charge is that it sends incorrect pricing signals and punishes low use customers. Distribution costs have been collected on usage and function consistent with the City's goals of price signals to encourage conservation; fairness based on the idea that rates be aligned with usage; and long-standing regulatory principles in the monopoly electric market. The change that AE proposes also would cause rate shock to low use customers. AE has demonstrated no need for or even rationale for such a radical change. However, general statements have been made indicating a fear that in the future with more alternative energy available some distribution costs will not be recovered. If that is a true concern, the solution is to evaluate ways to design tariffs to charge customers who are not paying the costs they impose on the system a share of distribution costs. However, no such fact has been demonstrated. More of a concern is that costs are being placed on the system but not recovered from the cost causers associated with line extensions and new connections. AE should evaluate such costs and means of

					collecting said costs from those who impose them. Two obvious methods to consider in such evaluation are a line extension fee and a new service connection fee. Other methods are also worth considering. But the solution to a problem, if it is even a problem, is not to unfairly charge existing customers. Existing customers are merely causing repair and replacement costs to the delivery system. In sum, the reasons to reject a residential delivery charge are that it causes rate shock; is inconsistent with cost causation; is inconsistent with regulatory principles; and there is no evidence of lack of recovery of delivery costs using usage-based recovery methods currently in rates. If AE actually believes that it will have a problem in the future with cost recovery of distribution costs it should clearly identify the problem and the source and study other methods of cost recovery such as line extension fees and new service connection fees.
15. Implement Residential Inclining Block Tiered Rate Structure for Energy Charge	Expand existing residential inclining block rate structure from two tiers to five tiers to provide stronger conservation and energy efficiency pricing signals to the highest users in the residential customer class.	Concur - This will be one of the most complex rate designs in the country and, therefore, does not follow the AE design principle of "simple and understandable" rates. But it does follow Austin Energy's strategic goal of incentivizing energy efficiency. I believe more weight should be given to goals than principles and, therefore, this change is		Concur	Agree with the principle of inclining block structure. However, there are numerous proposals by AE, and the final revenue requirement is unknown, so agreement with the principle is not necessarily agreement to a final structure and price

		appropriate.			
16. Fund Customer Assistance Program	Fund the Customer Assistance Program with a Community Benefit Charge sub-component of $0.00065/kWh to all customers.	**Disagree -** Recommend a flat fee consistent with survey results for residential customers of $1/month. A $1 fee is simple to understand, and transparent and therefore follows those principles. It will provide a stable funding source throughout the year, and will scale with the number of residential customers served by Austin Energy. Concur - with the proposed funding mechanism for non-residential customers.		Agree with RRA. In addition, users above 2500KWh should pay $3.00.	Agree should be funded, but disagree that it should be surcharged. *See*, response to # 7 and 11, above. A final component of AE's request is to add surcharges to the bills for Customer Assistance Program, Street Lighting, Energy Efficiency, Regulatory. Disagree with this proposal. CAP funding, street lighting, energy efficiency expenses and regulatory are all expenses rolled into rates currently. They should remain as expenses funded through rates. It is contrary to monopoly regulation to surcharge items on a bill except in certain narrow situations. The most obvious one is for an expense such as rate case expense which can be a legitimate expense but a non-recurring one. In that situation, a surcharge of a set amount and fixed duration is appropriate so that over-recovery is not built into rates for an item that will not recur in every year rates are in effect. The statements of customers on CAP and energy efficiency can be taken into account by placing the expense approved for recovery in rates into a separate account each year so that the funds are earmarked and carry over from year to year if there are unexpended funds. The savings account idea proposed by Public Citizen can be administered by AE but the amount can still be collected in rates, not as a separate surcharge on the bills. It should be collected as a regular expense item recovered in rates but segregated and held separately for its

					specific purpose.
17. Apply Commercial and Industrial Customer Charge	Apply customer charge at or near cost of service for commercial and industrial customers.	Concur		Concur, subject to C&I rate hearing and subject to No. 2 above	No position until after commercial and industrial hearing.
18. Apply Commercial and Industrial Electric Delivery Charge	Unbundle rates and apply an electric delivery charge on a $/kW basis at or near cost of service for all commercial and industrial customers.	Concur		Concur, subject to C&I rate hearing	No position until after commercial and industrial hearing.
19. Apply Commercial and Industrial Demand Charge	Expand use of demand charges to all commercial and industrial customers and implement a three-year phase-in of demand-related charges (electric delivery and demand charge on a $/kW basis) for the current non-demand customers.	Concur - This phased-in approach will reduce the rate shock on these customers as they transition to demand rates.		Concur, subject to C&I rate hearing	No position until after commercial and industrial hearing.
20. Apply Power Factor Adjustment for Commercial and Industrial Customers	Apply a power factor adjustment of 90 percent to all commercial and industrial customers with the exception of current non-demand customers during the phase-in period and customers with demand less than 10 kW.	Concur – Austin Energy is required by ERCOT to maintain a power factor of 97 percent so this is a good first step. The costs for AE to correct power factor to 97 percent are currently placed on all customers. Following this change, Austin Energy should continue to monitor the cost to correct the distribution power factor and determine if a greater adjustment is warranted.		Concur, subject to C&I rate hearing	No position until after commercial and industrial hearing.
21. Implement Time-of-Use Alternative Rates	Implement a time-of-use alternative rate for residential customers with a 2,000 customer enrollment cap and implement time-of-use rates	Concur – Suggest preference be given to residential customers with solar PV and/or an electric vehicle to ensure a		Waiting for discussions between RRA and AE	No position at this time.

	for each commercial and industrial customer class with an enrollment cap of the higher of 10 percent of the customers in the class or 10 customers for each class.	representative sample of the impact these customers could have on future rates and demand profile.			
22. Update Renewable Energy Alternative Rate (GreenChoice®)	Maintain the GreenChoice alternative rate for customers who wish to receive a 100 percent renewable energy price that is locked in and use a bundled portfolio approach that prorates the GreenChoice adjustment to account for system-wide renewables.	**Disagree** –Adjustment should continue to be shown as offsetting fuel charge. Program as described is unnecessarily complex and confusing. The recommended change to the portfolio approach is fine, but the overall program will be better accepted if credit is given for the fuel charge. If system level renewables were included as part of the fuel and energy charge (as the name implies), the entire program is simplified. That change achieves the AE goal, and meets Austin Energy's transparency and "simple and understandable" principles.		Agree with RRA	Agree with RRA and PHS. Disagree with AE.
23. Update Net Metering Alternative Rate	Maintain a net metering rate for customers with distributed generation (e.g., solar PV) and apply a credit at the annual	Concur – Suggest moving to a solar rate which considers the hourly value of energy		Waiting for discussions between RRA and AE. Net metering customers should	Disagree as premature. Delete from the Decision Point List. This proposal was first made on Sept. 19, 2011. There has been no time to discuss or consider it.

	value of solar rate for excess energy generated on a monthly basis with the intent to move to a separate solar rate when meter data management capabilities are achieved.	as expeditiously as possible.		pay full wires charges without subsidy ($35 per month). Will this can be seen as discouraging DG customers by assessing the highest fix cost on them, that disincentive is counterbalanced by: (1) by allowing the utility to recover all of its fixed costs from DG customers it incentives the utility to attract more DG customers, (2) DG customers tend to be wealthier and should not have their actual expenses subsidized by less affluent customers, and (3) DG customers have a higher customer care cost than regular customers due to the complexities of their bill & the reverse charges and those costs should be borne by the DG customers rather than being absorbed by other customers. In connection with this, a plan for promoting community solar projects should be adopted.	Questions were not taken when the proposal was made due to time constraints. The proposal may have value but it has not been thoroughly vetted or alternatives considered. It should not be adopted in this proceeding. Staff should continue to work on this; take input from interested parties; EUC should be allowed to ask questions about it and thoroughly consider it. It could be considered after the rate case is complete and could be implemented on a trial basis thereafter.
24. Update Thermal Energy Rate Option	Update existing thermal storage rate option to support customer investment in this technology.	Concur – As transmission lines are completed to wind areas, significant savings may be available for energy storage.		?	Disagree as premature. This issue has not been considered in this case. As with the net metering idea, it is just that: an idea. It has not been considered. This does not mean work cannot be done on it after the rate case is completed; brought to the EUC; and on to Council if valid reasons are presented for such an option and full consideration is given to various ideas and proposals.

25. Plan for Pricing Pilot Projects with Pecan Street Project	Austin Energy will work with the Pecan Street Project to pilot new rates for customers. Any pilot project implemented must first be approved by the Austin City Council.	Concur – Suggest that the Austin City Council be very liberal on approving pilot projects with a maximum participation rate of 1 megawatt (MW), and less than 2 years in duration.		Concur with AE and RRA.	Disagree. Delete from the Decision Point List. There is no such proposal made in this proceeding to consider. Certainly staff will begin such planning; bring proposals to the EUC; and then to City Council. But, there is no plan to consider or decide in this proceeding. Delete from Decision Point List.
26. Plan for Future Pricing of Long-Term Contract Customers	Move long-term contract customers to cost of service-based rates upon expiration of their contracts in 2015.	Concur on move to cost of service-based rates, and further suggest future long-term contract customers be tied to a specific fuel or power hedge which minimizes impact on other customers.		?	Disagree. Delete from the Decision Point List. Clearly staff must start doing this activity but it is not an issue in this case and does not belong on the Decision Point List.
27. Adopt Residential Option "A"				Concur, with goal to adopt Option B within five years following creation of separate rate class for all electric homes. Adopting Option B today, while further incentivizing energy efficiency, would be too punitive to owners of all electric homes and they must first be given a separate rate class. Ultimately, the goal should be to have electric home owners subject to Option A and all other home owners subject to Option B.	Disagree with all rate options presented by AE. Re-structure of rates to adopt fixed charge pricing is unwarranted and inappropriate for pricing for a regulated monopoly. Before rates are established the revenue requirement must be determined. Numerous adjustments need to be made to the rate increase request as stated herein. Once that is done it may be that no increase is warranted, or that the increase is smaller than requested. It is incorrect to select a rate option which incorporates higher revenue requirement than is warranted.

To: Toye Goodson Collins **Page 1 of 4**
Email: toye.goodson@austinenergy.com
From: Shudde Fath, 442-2718
Date: September 26, 2011
Subject: Austin Energy 2011 Rate Review
Decision Point List

Thanks to Phillip Schmandt for the 09-23-11 Draft: EUC memo. Following are some comments which I ask that you forward to EUC members.

Issue 1: I believe we will have to include AE's share of Administrative Support (and hope that someday the allocation methodology is changed to be more fair to AE).

Issue 4: Should lines 10-11 be. . . 500 kWh and 501 kWh-1000 kWh?

Issue 5: I strongly support the BIP method rather than AED because of (a) the reasons stated by Residential Rate Advisor on the List, (b) the RRA's 08-29-11 Final Report with the pages 6-10 discussion, including a chart showing that AED allocates 20.2% more costs to Residentials than does BIP, and (c) all the pro-BIP advocacy and rationale from AE prior to its late-in-the-game surprising switch from BIP to AED.

Issue 6: Puh-leeze do not consider regressing to a separate all-electric residential rate class. It is true that electric resistance heating and resistance water heating use energy inefficiently, but all-electric ratepayers have options to reduce kWh consumption with heat pumps, weatherization, tankless water heaters, and possibly solar. I suspect that the payback on electric tankless water heaters is faster than the payback on gas tankless water heaters.

Following are my Texas Gas Service and AE electric bills for the past 21 months:

	Gas	Electric		
Dec. 2009	**$106.78**	**$23.88**	**336 kWh**	**Green Choice fuel**
Jan. 2010	**167.81**	**20.49**	**272 kWh**	
Feb. 2010	**135.15**	**20.70**	**276 kWh**	
Mar. 2010	**81.21**	**17.42**	**214 kWh**	
Apr. 2010	**37.37**	**14.65**	**162 kWh**	
May 2010	**15.91**	**27.37**	**402 kWh**	
Jun. 2010	**12.78**	**63.53**	**822 kWh**	
Jul. 2010	**13.75**	**66.41**	**852 kWh**	
Aug.2010	**11.32**	**99.30**	**1194 kWh**	
Sep.2010	**13.31**	**26.10**	**378 kWh**	
Oct. 2010	**13.21**	**18.71**	**235 kWh**	
Nov.2010	**23.70**	**19.15**	**243 kWh**	
Dec.2010	**68.92**	**20.55**	**269 kWh**	
Jan.2011	**99.25**	**21.83**	**293 kWh**	
Feb.2011	**123.78**	**19.09**	**242 kWh**	
Mar.2011	**32.29**	**17.89**	**174 kWh**	
Apr.2011	**17.87**	**24.49**	**271 kWh**	**$.03105 fuel charge**
May2011	**14.90**	**69.21**	**762 kWh**	**.03105 fuel charge**
Jun2011	**13.94**	**122.80**	**1244 kWh**	**.03105 fuel charge**
Jul.2011	**12.49**	**131.80**	**1325 kWh**	**.03105 fuel charge**
Aug2011	**13.25**	**166.70**	**1639 kWh**	**.03105 fuel charge**
	1028.99	**1012.07**		

Mr. all-electric homeowner does not pay natural gas bills.
My 2184 square foot house has gas heat, water heating, and clothes dryer. In summer 2011 my thermostat was set at 76 degrees 24/7. I had Green Choice batch 1 fuel at $.017 for 10 years until April 2011.

Issue 6 (continued): I also oppose a separate rate class for apartment dwellers. I suspect that the spread between low and high kWh consumption for apartment ratepayers is almost as wide as it is for single family homes and condos. With BIP and properly designed rates, we can mitigate bill impact for low kWh users in all types of residences.

Issue 7: I strongly oppose a separate Electric Delivery Charge. The profit-making wires charge dollars should be rolled into the profit-making Energy Charge. As AE says in the response to CmDay 1.14 regarding the Electric Delivery Charge: "It is appropriate to recover these costs on either a fixed dollar per month basis or a per kWh basis from customers since these costs do not vary significantly with energy (kWh) usage." And it also makes one less billing component.

Issue 9: I strongly support retaining the Fuel Charge as a separate billing component. It is wrong to combine pass-through-at-cost fuel dollars with the profit-making Energy Charge. Over the past 15 years AE has had 15 different fuel charges, enduring from 2 months to 36 months. Future fuel costs likely will continue to be changeable.

As previously stated, I believe AE could discontinue the costly hedging program, since AE can change the fuel charge when necessary. And I still believe AE should resume actual monthly fuel charges based on a 3-month moving average as used successfully from January 1988 to April 1997.

Issue 11: I prefer the terminology Energy Savings Fund over Community Benefit Charge; it is more descriptive and more positive.

Issues 13, 14, 16 and overall: Please review my (complete) one-page 09-06-11 Residential Rate Design request (CmFath1 following CmDay 3.3 in the 09-14-11 Release) and consider that my proposal, including a minimum bill amount, may accomplish results sought by more complex recommendations in the 09-23-11 draft.

And AE should move quickly to institute hookup fees for all extensions of new service (new meters).