



YOUR ELECTRIC RATES

Austin has changed in the 17 years
since our last rate review.

Our commitment to our customers remains unchanged.

Mission: *Deliver clean, affordable, reliable energy and excellent customer service.*

***Electric Utility Commission – Commercial and Industrial Rates
October 3, 2011***

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YOUR ELECTRIC RATES

Commercial and Industrial Rates





Commercial & Industrial Rate Design Recommendations

- Consolidate commercial and industrial customers into seven classes
- Add Customer Charge at or near cost of service
- Add an Electric Delivery Charge on a \$/kW basis
- Expand use of demand charges to all Secondary Voltage customers
- Phase-in demand charges over three years for smallest commercial customers
- Improve seasonal (summer/non-summer) rate alignment
- Increase power factor adjustment from 85% to 90% for most demand customers
- Expand funding for Customer Assistance Program
- Provide rate alternatives for GreenChoice[®], Time-of-Use, Thermal Energy Storage and Net Metering



Commercial and Industrial Proposed Rates

Orange Highlights indicate Year 1 of 3 Year Phase-In (*Current Non-Demand Customers)

Bill Components	Secondary Voltage <10 kW	Secondary Voltage 10- <50 kW Non-Demand*	Secondary Voltage 10- <50 kW	Secondary Voltage ≥50 kW Non-Demand*	Secondary Voltage ≥50 kW	Primary Voltage <3MW	Primary Voltage 3 - <20 MW	Primary Voltage ≥20 MW	Transmission Voltage
Customer Charge (\$/month)	18.00	25.00	25.00	65.00	65.00	250.00	2,000.00	2,500.00	2,500.00
Electric Delivery (\$/kW billed)	1.50	2.00	4.00	2.00	4.50	2.50	3.50	3.50	N/A
Demand (\$/kW billed)									
Summer	1.00	2.00	6.50	2.00	8.00	10.00	13.00	13.00	13.00
Non-Summer	1.00	2.00	5.50	2.00	7.00	9.00	12.00	12.00	12.00
Energy (¢/kWh)									
Summer	9.097¢	7.505¢	5.868¢	7.855¢	5.142¢	4.127¢	4.004¢	3.945¢	3.466¢
Non-Summer	7.278¢	7.023¢	5.491¢	7.351¢	4.812¢	3.862¢	3.747¢	3.692¢	3.243¢
Community Benefit Charges (¢/kWh)									
Customer Assistance Program	0.065¢	0.065¢	0.065¢	0.065¢	0.065¢	0.065¢	0.065¢	0.065¢	0.065¢
Service Area Street Lighting	0.113¢	0.088¢	0.088¢	0.078¢	0.078¢	0.066¢	0.062¢	0.059¢	0.053¢
Energy Efficiency Charge	0.296¢	0.231¢	0.231¢	0.206¢	0.206¢	0.174¢	0.162¢	0.156¢	0.139¢
Regulatory Charge									
(¢/kWh)	0.711¢								
(\$/kW billed)		2.44	2.44	2.57	2.57	2.28	2.93	2.92	2.49
Percent Class Rate Change	22%	9%	9%	6%	6%	1%	16%	15%	-5%



Transition Rates

- Objective for all commercial and industrial customers to be applied a demand charge as a pricing signal to encourage conservation and energy efficiency
- Transitioning customers currently not applied a demand charge to demand rates
 - Secondary voltage customers with demand less than 20 kW
 - Worship facilities
 - City of Austin facilities (including water/wastewater facilities)
- Transitioning to demand rates will help mitigate short-term impacts of rate increases for low load factor customers



Commercial and Industrial Optional Rates

- GreenChoice® renewable energy product: Offered to commercial and industrial customers on same terms as for residential. Customers must purchase 100% GreenChoice per meter.
- On-Site Solar: Commercial customers will be offered the Performance Based Incentive (PBI) for qualifying on-site solar systems.
- Time-of-use: Time-of-use rates will be developed for each customer class
- Thermal energy storage rate: Continued with new customer option for on-peak pricing period



YOUR ELECTRIC RATES

Allocation of Generation Demand





Comparison of Methodologies

	Peak Demand (4CP)	Baseload, Intermediate, Peak (BIP)	Average and Excess Demand (AED)
Allocation Perspective	Class Coincident Demand	Generation Supply	Efficiency
Industry Acceptance	Common	Limited	Common
Use in Texas	PUCT	Limited	PUCT
Nodal Market Applicability	Less	More	Less
Cost Shifting	On Peak	High Load Factor	Low Load Factor



Allocation of Generation Fixed Costs

Generation Fixed Costs			
	Peak Demand (4CP)	Baseload, Intermediate, Peaking (BIP)	Average and Excess Demand (AED)
Demand	\$331,562,101	\$71,611,125	\$143,603,104
Energy	--	\$259,950,975	\$187,958,997
Total	\$331,562,101	\$331,562,101	\$331,562,101



Comparison of Production Allocation Methods

Customer Class	Average & Excess Demand (AED) cents/kWh	4 Coincident Peak (4CP) cents/kWh	Baseload Intermediate Peaking (BIP) cents/kWh	AED within Goal cents/kWh	Goal +/-5%	Difference Between BIP and AED within Goal cents/kWh
Residential	12.43	12.27	11.76	11.81	95%	0.05
Secondary <10kW	12.26	12.32	12.19	11.64	95%	(0.55)
Secondary 10 to <50kW	9.57	9.71	9.43	9.99	104%	0.56
Secondary ≥50kW	8.50	8.63	8.71	8.88	104%	0.17
Primary <3 MW	7.19	7.26	7.72	7.51	104%	(0.21)
Primary 3 to <20 MW	6.72	6.68	7.51	7.01	104%	(0.50)
Primary ≥20	6.47	6.48	7.38	6.75	104%	(0.63)
Transmission	5.73	5.80	6.73	5.98	104%	(0.75)
Lighting	27.73	21.99	24.09	26.30	95%	2.20
Average	9.62	9.62	9.62	9.62		-

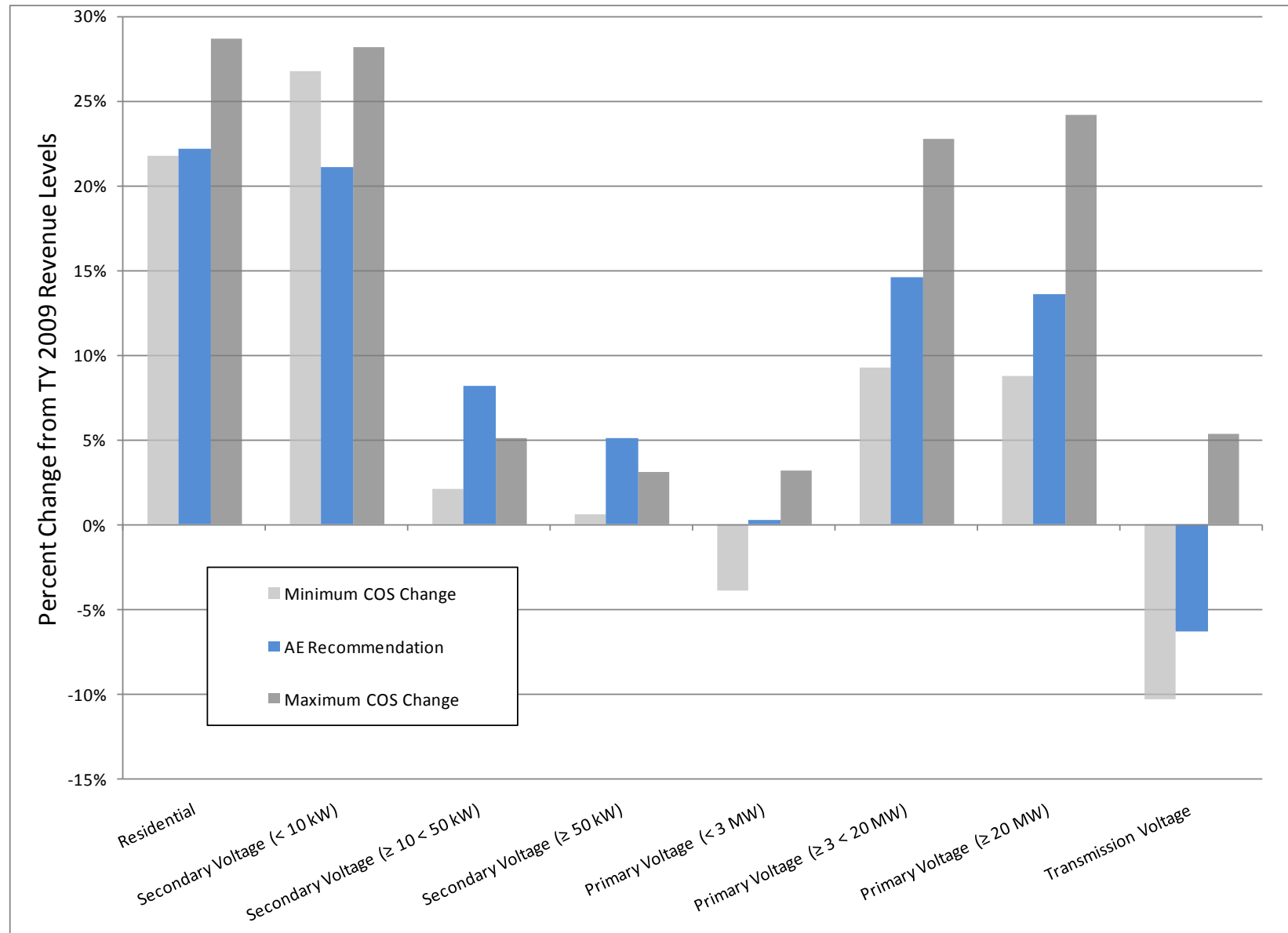


Bandwidth of Customer Class Increases – 3 Methods

Customer Class	Range of Increase/Decrease to Reach COS Levels		AE Recommendation
	Minimum	Maximum	
Residential	21.8%	28.7%	22%
Secondary Voltage (< 10 kW)	26.8%	28.2%	21%
Secondary Voltage (≥ 10 < 50 kW)	2.1%	5.1%	8%
Secondary Voltage (≥ 50 kW)	0.6%	3.1%	5%
Primary Voltage (< 3 MW)	-3.9%	3.2%	0%
Primary Voltage (≥ 3 < 20 MW)	9.3%	22.8%	15%
Primary Voltage (≥ 20 MW)	8.8%	24.2%	14%
Transmission Voltage	-10.3%	5.4%	-6%
City-Owned Private Outdoor Lighting	70.1%	97.4%	87%
Customer-Owned, Non-Metered	-21.9%	34.4%	28%
Customer-Owned, Metered	19.3%	126.8%	115%
Total			13%



Bandwidth of Customer Class Increases – 3 Methods





YOUR ELECTRIC RATES

Commercial and Industrial Rate Structure Decision Point List Issues





Proposed AED compared to BIP

Residential average increase	\$.46 higher for 1000 kWh bill
Secondary Voltage < 10 kW average increase	\$5.48 lower for 1000 kWh bill <i>(This includes many small retail businesses, schools and worship facilities)</i>
Lighting	\$.02/kWh higher
Other Classes	less than +/- \$.015 per kWh



Commercial and Industrial Rate Structure – DPL Issues

- DPL Issue # 8: Update Commercial and Industrial Rate Structure
- DPL Issue # 9: Fuel and Energy Market Costs Recovery
- DPL Issue #10: Apply Regulatory Charge
- DPL Issue #11: Apply Community Benefit Charge
- DPL Issue #12: Update Summer Rate Period
- DPL Issue #16: Customer Assistance Program Funding
- DPL Issue #17: Apply Customer Charge
- DPL Issue #18: Apply Electric Delivery Charge
- DPL Issue #19: Apply Demand Charge
- DPL Issue #20: Apply Power Factor Adjustment



DPL Issue #8: Update Residential Rate Structure

Austin Energy Recommendation	Basis of Recommendation
<p>Unbundle rates and apply the following charges:</p> <ul style="list-style-type: none">•Customer Charge•Electric Delivery Charge•Energy Charge•Demand Charge•Regulatory Charge•Community Benefit Charge•Energy Adjustment	<ul style="list-style-type: none">•Supports Austin Energy's strategic objectives•Energy efficiency and conservation•Customer-owned generation (e.g., solar PV)•Improves pricing transparency•Improves fairness of rates by minimizing intra-class subsidization•Improves fixed cost recovery•Improves flexibility of future rate design



DPL Issue #9: Fuel and Energy Market Costs Recovery

Austin Energy Recommendation	Basis of Recommendation
<p>Recover Test Year fuel-related costs in the energy charge and apply an energy adjustment in future years to account for future fluctuations in fuel-related and energy market costs.</p>	<ul style="list-style-type: none">• Cost recovery mechanism aligns better with current ERCOT wholesale market and recognizes the accounting of energy market costs• Energy adjustment minimizes risks to the utility associated with variable fuel costs while maintaining the transparency of these costs.



DPL Issue #10: Apply Regulatory Charge

Austin Energy Recommendation	Basis of Recommendation
<p>Apply a regulatory charge to recover costs associated with transmission and ERCOT fees and remove these costs from the energy charge.</p>	<ul style="list-style-type: none">• Helps pass-through costs predominantly outside of Austin Energy's control• Improves transparency of these costs



DPL Issue #11: Apply Community Benefit Charge

Austin Energy Recommendation	Basis of Recommendation
<p>Apply a community benefit charge to recover costs associated with the following items:</p> <ul style="list-style-type: none">• Customer Assistance Program• Service area street lighting• Energy efficiency-related programs (energy efficiency, Green Building, and solar rebate program)	<ul style="list-style-type: none">• Improves transparency of these costs



DPL Issue #12: Update Summer Rate Period

Austin Energy Recommendation	Basis of Recommendation
<p>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.</p>	<ul style="list-style-type: none">• Allows for stronger pricing signals in the summer to incentivize customers to reduce summer peak demand through energy efficiency, conservation, load shifting, or customer-owned generation• Aligns with ERCOT summer and non-summer rate periods



DPL Issue #16: Customer Assistance Program Funding

Austin Energy Recommendation	Basis of Recommendation
Fund the Customer Assistance Program with a Community Benefit Charge sub-component of \$0.00065/kWh to all customers, including residential customers.	<ul style="list-style-type: none">• Consistent with funding mechanism used in the competitive markets in Texas• Provides economic assistance to a greater number of low-income customers in need of assistance• Allows flexibility to administer funds to best meet the needs of Customer Assistance Program participants



DPL Issue #17: Apply Customer Charge

Austin Energy Recommendation	Basis of Recommendation
Apply customer charge at or near cost of service for all commercial and industrial customers.	<ul style="list-style-type: none">• Moves closer to cost to serve customers• Improves fixed cost recovery• Supports AE's strategic objectives• Improves fairness of rates by minimizing intra-class subsidization

Note: Any customer-related costs not recovered through the Customer Charge would be recovered through the Energy Charge.



DPL Issue #18: Apply Electric Delivery Charge

Austin Energy Recommendation	Basis of Recommendation
Apply an electric delivery charge on a \$/kW basis at or near cost of service for all commercial and industrial customers.	<ul style="list-style-type: none">• Moves closer to cost to serve customers• Improves fixed cost recovery• Supports AE's strategic objectives• Improves fairness of rates by minimizing intra-class subsidization

Note: Any distribution costs not recovered through the Electric Delivery Charge would be recovered through the Energy Charge.



DPL Issue #19: Apply Demand Charge

Austin Energy Recommendation	Basis of Recommendation
<p>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.</p>	<ul style="list-style-type: none">• Provides conservation and energy efficiency pricing signals to commercial and industrial customers• Helps account for higher costs to serve customers with greater demand on the electric system



DPL Issue #20: Apply Power Factor Adjustment

Austin Energy Recommendation	Basis of Recommendation
Apply a power factor adjustment of 90 percent to most commercial and industrial customers.	<ul style="list-style-type: none">• Customers with higher power factors have a lower cost of service• Creates incentive for commercial and industrial customers to improve their power factor



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Mission

***To provide clean, affordable, reliable energy
and excellent customer service***



Return to EUC Agenda