

Docket No. 40627 - Proposed Settlement Terms Sheet

1. **Effective Date:** The provisions of this Agreement shall become effective on June 1, 2013.
2. **Revenue Requirement:** The Signatories agree that, relative to the rates in the June 7th Ordinance, the revenue requirement to be collected from AE’s out-of-city customers shall be reduced by \$5.75 million.
3. **Cost Allocation/Revenue Spread:** Signatories agree that AE shall rely upon the cost allocation methodology approved by Austin City Council in the June 7th Ordinance, and as set forth in AE’s RFP, modified A&E 4CP. Of the revenue requirement reduction set forth above, \$4.3 million of the reduction will be assigned to the residential class through the energy charge and \$1.2 million of the reduction is associated with adjustments to the Community Benefit Charge related to the Customer Assistance Program and Service Area Lighting, in the portion of AE’s service territory outside of Austin City limits. Customers outside the City in the secondary voltage ≥ 10 kW < 50 kW class, secondary voltage ≥ 50 kW class, primary voltage < 3 MW class, and the primary voltage ≥ 3 < 20 MW class will receive a reduction in rates totaling approximately \$325,000. Austin Energy will collect approximately \$80,000 associated with the service area lighting change.
4. **Residential Customer Charge:** In the portion of AE’s service territory outside of Austin City limits, Signatories agree that AE’s fixed residential customer charge remain at \$10.00.
5. **Residential Class Tiered Rates:** In the portion of AE’s service territory outside of Austin City limits, Signatories agree that the tiered rate structure within the residential class shall be as follows:

	Summer Rates (per kWh)	Winter Rates (per kWh)
1st Tier	\$0.03750	\$0.01800
2nd Tier	\$0.08000	\$0.05600
3rd Tier	\$0.09325	\$0.07170
4th Tier	\$0.09325	\$0.07170
5th Tier	\$0.09325	\$0.07170

6. **Houses of Worship/Independent School Districts Discount:** In the portion of AE’s service territory outside of Austin City limits, Austin Energy shall offer the Houses of Worship and Independent School District discounts as adopted by Austin City Council, but the revenue effect of providing those discounts shall be imputed to the revenue requirement established in paragraph 2.

7. **Public Hearing Prior to Power Supply Adjustment (“PSA”) Change:** Signatories agree that a public hearing will be provided prior to Austin Energy changing its charge for fuel, purchased power, and related costs via the PSA approved by Austin City Council in June of 2012; signatories agree that a PSA change, if any, must be considered as part of the City of Austin’s annual budgeting process. This provision does not alter Austin Energy’s ability to adjust the PSA to eliminate any over- or under-recovery if the balance of the PSA costs are more than 110% or less than 90% of PSA costs actually incurred, pursuant to the PSA tariff.
8. **Customer Assistance Program (“CAP”):** Signatories agree that in the portion of AE’s service territory outside of Austin City limits, Austin Energy shall collect \$0.001180 per kWh for CAP funding from out of city residential customers, consistent with the System Benefit Fund charge to collect approximately \$443,000 less from residential customers outside the city limits than under current rates. Notwithstanding this limitation, Austin Energy will fully fund the CAP at \$9.6 million, as approved by Austin City Council. Additionally, the CAP charge will be set annually through the City of Austin budget process, pursuant to the tariff.
9. **Service Area Lighting:** Signatories agree that in the portion of Austin Energy’s service territory outside of Austin City limits, Austin Energy shall charge service area lighting customers under the Service Area Lighting tariff rather than collecting those costs through the Service Area Lighting portion of the Community Benefit Charge.
10. **Rate Case Expenses:** The Signatories agree that the Commission has no jurisdiction to consider the rate case expenses incurred by Austin Energy after the June 7, 2012 City Council action.
11. **Contingent on Commission Adoption:** If the Commission does not accept this Agreement as presented, or issues an interim or final order inconsistent with any term or provision of this Agreement, the Signatories agree that any Signatory adversely affected by that modification or inconsistency has the right to withdraw its consent from this Agreement, thereby becoming released from all commitments and obligations, and to proceed to hearing on all issues, present evidence, advance any position it desires as if it had not been a Signatory, and exercise all rights available under law.
12. **Parties Waive Right to Appeal City Action Implementing Settlement:** The Signatories agree that they will not challenge the future rate action to be taken by the Austin City Council to implement the rates in this Agreement.