MEMORANDUM

TO: Members of the Electric Utility Commission

FROM: Cheryl L. Mele, Chief Operating Officer

DATE: October 14, 2013

SUBJECT: Austin Energy Line Extension Policy, Fees, and Cost of Service

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This memo serves as a response to questions from members at the last meeting of Electric Utility Commission regarding Austin Energy's line extension policy, fees and cost of service.

1. **How much more does it cost to extend lines in Western Travis County vs. Central or East Austin?**

   Currently, Austin Energy does not track this cost differential; however, we estimate the average cost is 10% higher for extensions in the western portion of the county for *all* styles of construction from 1-phase service to 3-phase feeder extensions. Using the 10% estimate and the standard allowance, it is $300 more expensive in portions of the west side of town (utilizing 300-foot allowance at $10/ft). The cost differential could possibly be attributed to restrictions due to environmental rules that are more dominant in the western part of our service territory. *However, these environmental restrictions likely also reduce the amount of new work actually performed in this area as the actual historical number of jobs on the west side is about half of what is on the east side.*

2. **Does it cost more to connect to a larger house rather than a smaller one?**

   Using cost per square foot, it is cheaper to connect a larger home as Austin Energy can more fully utilize the transformer, and therefore reduce cost, by recognizing the diversity and coincidence factors of the loads. For development in high density areas, there are generally extensive coordination efforts and more confined work spaces. Dense installation environments tend to incur more labor costs and have a higher likelihood of higher material costs due to the need for specialized equipment. This is supported by the cost of service of a customer in the Downtown network versus outside that network.

3. **Does it affect cost if you extend lines across canyons?**

   In regards to specific questions about extending lines across a canyon, the standard design practice is to find an alternative route due to Austin Energy maintenance and operational preference. In most instances, an alternative route in a right-of-way can be found and is the standard choice. If the customer elects to have Austin Energy cross a canyon as opposed to following standard routing, the customer will reimburse Austin Energy for the cost of this construction under the excess facilities policy. While the

reroute could result in more material, cost savings are generally realized because standardized equipment is utilized as opposed to special order equipment (ex. bigger poles to carry longer spans), access is easier, installation time shorter, etc. Additional costs savings are realized from a labor perspective as the preferred route would be designated so that less time is needed to access and maintain should an outage occur.

4. **In the new proposal, in ramping up to charging 75% of the cost of service, how does the 300 foot allowance play in? What happens to the remaining 25%?**

   Austin Energy recommends transitioning from the 300-foot allowance method to collecting 75% of the cost of connection. Once fully implemented, customers would pay 75% of connection costs and the remaining 25% would be recovered through base rates.