Council Committee on Austin Energy

June 23, 2014

Small Commercial Demand Charges

Secondary Rates in 2012 Rate Case

- AE Proposed Rate Classes based on Electric Use
- AE Consolidated 8 Secondary Voltage Rates into 3:
  - Secondary Less Than 10 kW (No demand charges)
  - Secondary 10 KW to Less Than 50 kW (Demand charges)
  - Secondary Greater Than or Equal to 50 kW (Demand charges)
- Demand Charge Breakpoint Lowered from 20 kW to 10 kW
  - Customers between 10 and 20 kW have different service requirements and different electric use characteristics, such as higher demands and higher load factors, than customers with demands less than 10 kW
  - Best practices indicate that commercial customers should have demand charges included to send proper pricing signals; and
  - AE wanted to be consistent with other utilities in ERCOT, and with PUC standards

Discussions of Commercial Rate Classes

- Timeline of Public Discussions of Proposed Rate Classes
  - PIC Meeting #2, February 8, 2011.
  - PIC Meeting #3 March 2, 2011.
  - PIC Meeting #5 May 4, 2011.
  - City Council Work Session April 26, 2011.
  - PIC Meeting #6 June 1, 2011.
  - EUC Rate Review on proposed classes July 18, 2011.
  - EUC Review Rate Structures August 29, 2011.
  - AE presented Recommendations on Electric Rates to City Council December 14, 2011.
  - City Council approved rates June 7, 2012.

Customer Class Comparison

Comparison of Proposed AE Customer Classes and Texas Electric Utility Customer Classes

Customer Class	Austin Energy	CPS Energy	Oncor	Center Point	AEP Texas North	AEP Texas Central
Residential Service	√	√	√	√	√	√
Residential All Electric Service		√				
General Service		√				
Extra Large Power (>1MW)		√				
Large Lighting and Power		√				
Secondary Voltage ≤10 kW w/o demand	√		√	√	√	√
Secondary Voltage <10 kW w/ demand						
Secondary Voltage >10 kW			√	√	√	√
Secondary Voltage 10 - <50 kW	√					
Secondary Voltage ≥50 kW	√					
Primary Voltage				√		
Primary Voltage ≤10 kW			√		√	√
Primary Voltage >10 kW			√		√	√
Primary Voltage <3 MW	√					
Primary Voltage >3 MW - <20 MW	√					
Primary Voltage ≥20 MW	√					
Transmission Voltage	√		√	√	√	√

Usage Characteristics of Customer Classes

Class	Average Monthly Load Factor	Average Class Energy per Customer (kWh)	Average Class Demand per Customer (kW)
Residential	0.536	977	3.5
General Service (<10 kW)	0.510	1,045	3.1
General Service (10 - <50 kW)	0.589	8,660	24.6
Lighting	0.402	109,711	406.2
General Service (50+ kW)	0.692	114,632	268.8
Primary Service	0.752	314,180	660.4
Transmission	0.889	2,899,020	4926.1
Large Primary Service	0.911	5,135,245	8125.6

Source: Public Involvement Committee Meeting #2

Comparison of Small Secondary Classes

Class	Average Monthly Load Factor	Average Class Energy per Customer (kWh)	Average Class Demand per Customer (kW)
General Service (<10 kW)	0.51	1,045	3.1
General Service (10 - <50 kW)	0.589	8,660	24.6
Statistically Significant Differences	15%	729%	694%

- ***Low load factor customers place higher demands on the system but pay for small amounts of energy, making it difficult for AE to recover costs from these customers.***
- ***Demand Charges do not necessarily mean higher bills. As the load factor approaches 45%-50%, demand charges may generate a lower bill than a non-demand rate structure.***

Customer Class Descriptions

Residential	Secondary Voltage <10 kW	Secondary Voltage 10-<50 kW	Secondary Voltage **≥50 kW**	Primary Voltage <3 MW	Primary Voltage 3-<20 MW	Primary Voltage **≥20 MW**	Trans-mission Voltage	Lighting
364,521	32,001	10,360	3,214	102	20	2	4	44
Homes, Apts., Condos	Small Business, Small Churches, Condo, Billboard, ATM, School Portables	Worship, Auto Repair, Small Office, Retail, Restaurant, Nail Salon, Small School, Daycare	Worship, Large Office, High Rise, Big Box, Retail, School, Hotel	Large Grocery, Big Box Retail, Large Offices, School, Small Industrial, Light Mfg.	Hospital, Datacenter, Large Mfg., University, High Tech	Semi-conductor	Industrial	Street Light, Security Light, Traffic Light, Parking Lot, Ballpark

AE Small Business Lighting Program

- Energy efficiency is a better way to assist our small business customers
  - –Provides meaningful, lasting savings over time for our customers
  - –Helps Austin Energy achieve its Demand Side Management goals
  - –Helps the City achieve its Climate Protection goals.

- Austin Energy's Small Business Lighting Program
  - –Covers 50% - 70% of the cost of a retrofit
  - –Most projects have a simple payback of less than two years
  - –Houses of Worship qualify for the Small Business Lighting Program.

Results of Demand Charge Review

- Demand Charges:
  - Send price signal for efficiency
  - Rate design is consistent with Retail Electric Providers (REP's) in Texas
  - Don't always equal higher bill
  - Improves fixed cost recovery to AE
- Eliminating demand charge rewards inefficient users that are subsidized by efficient users
- Energy efficiency is a better way to assist our small business customers

Questions?