

**Draft Resolution for 07-21-14 EUC meeting
by Shudde Fath – July 15, 2014**

WHEREAS, prior to the October 1, 2012 new electric rates, the smallest commercial ratepayer class paid no demand charge when demand was less than 20 kW; and

WHEREAS, on October 25, 2011 the EUC unanimously recommended that this less-than-20 kW exemption be continued; and

WHEREAS, on June 7, 2012 the City Council approved new rates that include changing the less-than-20 kW exemption to less-than-10 kW; and

WHEREAS, the less-than-10 kW class received a 17.7% rate increase, but the 10 kW to 20 kW increase is unknown because the next smallest new commercial rate class covers 10 kW to 50 kW (and received a 7.8% increase); and

WHEREAS, the City's June 21, 2012 report on impact of the new rates on the 9 new rate classes shows \$43M approved revenue from the less-than-10 kW class and shows \$644M approved revenue from the six larger commercial classes (\$644M is 14 times larger than \$43M); and

WHEREAS, it seems obvious that these small businesses are too diverse and too small to “spike” the overall system (which is one reason given for demand charges); and

WHEREAS, the City Council now has an opportunity to support and encourage small businesses by allowing them to go back to using electricity when needed for their business operations; (this does not preclude marketing efforts toward reducing overall kWh consumption); and

**WHEREAS, on June 26, 2014 the City Council passed a resolution unanimously directing the City Manager to evaluate the impact on small businesses of ten kilowatts and above for demand charges, we appreciate Council's support as we seek to expedite this process;
NOW THEREFORE,**

BE IT RESOLVED: The Electric Utility Commission recommends the City Council vote to eliminate demand charges for small commercial ratepayers who had less than 20 kW demand during any June through September 2013 billing period by changing the smallest commercial class from less than 10 kW to less than 20 kW effective as soon as the change can be implemented; the second smallest commercial class would then change from greater than or equal to 10 kW but less than 50 kW to greater than or equal to 20 kW but less than 50 kW.

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The City of Austin's 14-Day Report on the Effect of Rate Ordinance No. 20120607-055



The Public Utility Regulatory Act § 33.103 requires that within 14 days of the City's final decision on the revision of electric rates, a written report be issued stating the effect of the City's decision on each class of ratepayer. The required 14-Day Report below was issued by the City of Austin on June 21, 2012 and published in the Austin American Statesman on that date.

Customer Class	Approved Revenue	Adjusted (TY 2009) Revenue	Increase	Percentage Increase to Class Revenues (1)
Residential	\$ 422,181,407	\$ 378,449,293	\$ 43,732,114	11.6%
Secondary Voltage (< 10 kW)	43,318,130	36,819,431	6,498,699	17.7%
Secondary Voltage (≥ 10 < 50 kW)	99,734,742	92,485,674	7,239,067	7.8%
Secondary Voltage (≥ 50 kW)	376,691,548	356,127,203	20,564,345	5.8%
Primary Voltage (< 3 MW)	31,598,903	30,862,558	636,344	2.1%
Primary Voltage (≥ 3 < 20 MW)	54,864,660	47,769,582	7,095,077	14.9%
Primary Voltage (≥ 20 MW)	65,796,713	57,272,272	8,524,441	14.9%
Transmission Voltage	15,883,986	15,779,687	104,300	0.7%
Lighting				
City-Owned Private Outdoor Lighting	2,865,989	2,053,612	812,477	39.6%
Customer-Owned, Non-Metered	103,986	130,657	(26,671)	-20.4%
Customer-Owned, Metered	425,235	377,413	47,822	12.7%
Total	(2) \$ 1,113,465,298	\$ 1,018,237,283	\$95,228,015	9.4%
Unrealized Revenue from Contract Customers	(22,938,605)		(22,938,605)	
Unrealized CAP* from Contract Customers	(1,650,977)		(1,650,977)	
Unrealized CAP Benefit from Contract Customers	1,650,977		1,650,977	
CAP Weatherization	(1,000,000)		(1,000,000)	
Total Realized Revenue from Phase I	(3) \$ 1,089,526,693	\$ 1,018,237,283	\$ 71,289,410	7.0%
	(4) \$ 1,089,529,780			

NOTES

- (1) Class revenue at approved rates are net of CAP funding and CAP weatherization (i.e. all CAP fees paid by customers, less \$1 million for CAP weatherization, are distributed as discounts).
- (2) Total revenues to be recovered through approved rates
- (3) Total revenues excluding contract customers and CAP weatherization to be recovered through approved rates
- (4) Total revenues excluding contract customers and CAP weatherization approved to be recovered through approved rates

* Customer Assistance Program (CAP)

The City of Austin is committed to compliance with the Americans with Disabilities Act. Reasonable modifications and equal access to communications will be provided upon request. TDD 477-3633.

[Print this Page](#)*April 4, 2014*

Some Austin Energy commercial customers get surprise in their bill

By Elizabeth Pagano

A newly instituted and complex rate structure has led to headaches for **Austin Energy** executives as well as a number of the utility's commercial customers.

At Thursday's **Council Committee on Austin Energy**, **AE General Manager Larry Weis** and **Chief Financial Officer Ann Little** explained that due to a recent oversight, about 400 commercial customers had been underbilled by a total of \$715,000. Once the mistake was discovered, the average impact to those businesses' was about \$826 on their next bill.

Council Member Kathie Tovo said the mistake hit many of the businesses hard.

"For a small business, that can really be a challenge to pay in addition to their regular monthly bill," said Tovo.

Weis explained that recently a group of customers who had never had demand charges in the past recently qualified for that type of charge. A demand charge is a fee a customer pays on the highest level of electric demand during a billing month. The demand charge is based on the maximum flow of power used at any one time by the customer.

"There were some situations where the bills weren't quite correct and we've had to go through and audit those, and we've had to work with the customers one-on-one to make sure they understand what is happening," said Weis.

Weis told the committee that the problem was discovered through audits though, he said, "we also made the assumption that was probably going to happen as well. Because we didn't have the demand readings on all of those customers prior to setting the meters and having that kind of rate design."

Little added to that explanation, saying, "Our rates are really very complex, especially some of the commercial rates, and the system just wasn't able to change their demand when the summer months began in 2013."

"We're doing a manual correction now, and we are having the programming completed," said Little.

Little explained that rates only change during peak summer months, and if demand

increases then, ratepayers are moved to a different class that pays a higher rate.

"It's fairly complex programming to automatically do that and that's the piece that did not work in 2013. But we are having it fixed and it will be corrected manually now and electronically in 2014," said Little.

Tovo noted that the problem was compounded by the fact that the new charges arrived long after the use happened, leading to unanticipated bills seven months after the charges were incurred. She said that those customers had rightly questioned whether they couldn't have gotten notice earlier in order to budget for the extra expense. She asked for assurance that customers would be billed correctly this summer.

Weis offered a qualified "yes," saying that no matter how good the system, there were always problems that can arise, particularly with commercial accounts.

"We would like for our bills to be 100 percent correct, but they never will be. In this industry, there's always some bills that will be incorrect," said Little. "We're about 99 percent accurate on our bills."

Weis said that they would continue working with customers to help understand the demand charges, as well as giving them the tools to help reduce their demand.

"Now that we've rolled through a summer, we will be able to address it and we will be able to fix it automatically," said Weis. "We knew that starting a rate package for a whole new group of customers – it takes a whole season to flesh out all the characteristics of a customer... As time goes on, the important part for customers is that we have accurate data, and we have a good understanding of how it works."

"We have work to do," said Weis. "But, yeah, some customers have gotten surprised that they have a demand charge that they never used to have."

The committee also heard the utility's quarterly report Thursday morning.

Little reported that in Fiscal Year 2013, Austin Energy's net income was \$67 million, which was a \$97 million improvement over last year. Fiscal Year 2012 saw a \$30 million net loss for the utility.

Little attributed most of the improvement to the rate increase.

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RESOLUTION NO. 20140626-073

WHEREAS, City Council adopted Resolution 20121213-064 stating that "the City of Austin values its small local business community and wants to continue to support both new and established businesses and their owners"; and

WHEREAS, in June of 2012, the City Council adopted a new rate ordinance, which applied demand charges to commercial customers with more than 10kW of demand; and

WHEREAS, on October 25, 2011, the Electric Utility Commission unanimously recommended that demand charges continue to apply only to commercial customers in excess of 20 kW of demand, and consumer advocates warned that demand charges would "hurt all nonprofits and houses of worship, and will hurt the smallest of those with low load factors disproportionately"; and

WHEREAS, since the rate increase, small business owners have been struggling with these new charges, and many have requested that the City Council reevaluate the impact of the demand charge on small businesses;

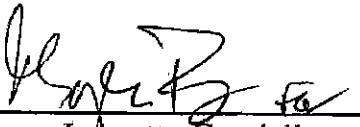
NOW, THEREFORE,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF AUSTIN:

That the City Manager is directed to evaluate the impact on small businesses of the charge for electric demand above ten kilowatts, including conducting stakeholder meetings with small businesses, and to report back to the Electric Utility Commission and the City Council by March 26, 2015 with findings and potential policy options for minimizing the cost impact of the demand charge on customers having a demand of between ten and twenty kilowatts.

ADOPTED: June 26, 2014

ATTEST:


Jannette Goodall
City Clerk

