

2015 JUL 29 PM 12:02

To: Electric Utility Commission via Jeff Vice
From: Shudde Fath, 512-442-2718
Subject: Demand charges for small commercial customers – a proposal
Date: July 28, 2015

Demand charges are fees paid by businesses that pass a certain threshold based on their highest 15-minutes kilowatt (kW) meter reading during any one of the June through September summer monthly billing periods. Once the kW threshold for demand charges is reached, the demand charge “rate shall apply for not less than 12 months following the last month in which the required meter demand level was met.” In addition to the new kW demand charge, the business also pays a new kW Electric Delivery charge plus a Customer Charge increase of \$7.00, but pays a lower kWh charge.

Prior to the 2012 electric rate ordinance, small businesses did not pay kW demand charges when demand was less than 20kW. [They paid only kilowatt hour (kWh) charges ---- same as residential]. Despite a 10-25-11 unanimous EUC recommendation to retain the less-than-20kW exemption, City Council lowered the 20kW to 10kW. The new rates for 10kW to 20kW customers were not correctly implemented by the consultant. Following is an excerpt from a long 04-04-14 In Fact Daily (now Austin Monitor) article entitled *Some Austin Energy commercial customers get surprise in their bill*:

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. (Note: 400 times \$826 is only \$330,400 ---- not \$715,000 !!)

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 "some customers have gotten surprised that they have a demand charge that they never used to have."

In response to my information request, I received on 04-17-15 a memo from AE with a fiscal year 2014 chart showing there were 7,733 businesses in the 10kW to 20kW class who used 2.16% of total system kWh. (The 0 to 10kW class had 29,114 customers who used 2.59% of total system kWh).

The lengthy 03-19-15 NewGen Strategies & Solutions report makes a case that demand charges encourage individual businesses to improve efficiency. Since many, if not most, small businesses occupy rented space, they are mostly limited in their ability to make energy efficiency improvements except for efficient lighting and replacing whatever inefficient motors are used in their business. Rather than looking at the good or bad effect of each individual small business on AE's overall system load, let us instead theoretically lump together the overall load of these 7,733 small businesses and realize there is enough diversity that their 2.16% of total system kWh has a negligible effect on AE's overall load.

PROPOSAL

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I propose the EUC recommend that Council restore the exemption from demand charges below 20kW and reduce the mandatory 12 months to 3 months. This can be done as part of the budget process during the August 17 EUC meeting per page 15 of the *Budget FY 2016 Work Session* presentation to the EUC on June 20, 2015. In my opinion, it is high time to give more than lip service to our valuable small businesses, who also are important job creators.

P.S. Austin Monitor had articles about demand charges on 06-25-15, 07-16-15, and 07-22-15.

**copies to: Larry Weis, General Manager
Marc Ott, City Manager**