

AUSTIN ENERGY 2016 RATE REVIEW

Independent Consumer Advocate Team (ICA)

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Austin Energy Proposal:

Reduce the total amount of revenue collected in base rates by **\$17.4 million**.

- Large commercial and industrial rates to be lowered.
- No rate decrease for residential or small business customers.
- Estimates that residential rates should INCREASE by \$53 million and small business rates by \$1 million. Changes phased in over time.
- Remove Houses of Worship (HOW) discount.

ICA Recommendations

- Reduce revenue requirement by at least **\$39.8 million**.
- Residential and small business class should share in revenue reduction. Proposing alternative “cost” allocation methodology.
- Do not increase the \$10 residential customer charge.
- Maintain HOW transition discount; study HOW peak usage.
- Improve residential customer satisfaction.
- Include greater public involvement in design of pilot programs and when doing studies.

ICA v. Austin Energy

		ICA CCOS Study		
		Above/(Below) Cost		
		Residential	Sec.<10 kW	
	ICA Position	\$ 11,409,407	\$ 687,049	
	Indicated Incr./(Decr.)	-4.40%	-3.60%	
	Sch. G10 As Filed	\$ (53,411,041)	\$ (783,742)	
	Indicated Incr./(Decr.)	20.80%	4.10%	

Class Cost Allocation Recommendations (Percentage of Residential Change by Issue)

- Generation Plant Cost: Revised Base, Intermediate, Peak Method (40%)
- Uncollectible Expense: Allocate on Revenues (15%)
- Other Allocation Issues (45%):

Generation O&M Expense

Transformer/Substation Cost

Administrative & General Salaries

Meters, Services, Meter Reading

Customer Service Expense/ Service Initiation Revs

Fixed Residential Customer Charge Agree with No Current Increase. Disagree with Need for Future Increase.

- Current Customer Charge: \$10 per month
- Austin Energy Customer Charge “Cost”: \$21.58 per month
- ICA Customer Charge Fully Allocated “Cost”: \$14.35 per month
- ICA Customer Charge Based on Direct Cost: \$9.35 per month (recommended)
- Current Residential Customer Charge should be maintained at current level.
- Austin Energy has the highest residential customer charge compared to all four investor-owned bundled electric utilities in Texas.
- Keeping the fixed portion of electric bills low (applying any rate increases to the volumetric portion of base rates) is good public policy. It encourages energy conservation and gives consumers more control over their monthly bills.

ICA Proposed Distribution of Base Revenue Reductions

- Based on recommended \$39 million revenue reduction.
- Class cost of service studies are merely a guide to class revenue distribution. ICA recommendation does not strictly follow cost of service study, but instead proposes to distribute revenue reductions broadly among customer classes.
- Percentage base revenue reductions:
 - Residential **-5.5%** Large Secondary **-7.5%**
 - Small Secondary **-4.5%** Primary Classes **-9.2% to -12.6%**
 - Medium Secondary **-5.8%** Transmission (non-contract) **-5.6%**
- Reducing the base revenues collected from residential class would allow AE to moderate middle and higher tier residential rates without increasing lowest use tier rates.

HOW Recommendations

- Extend the transition for HOWs.
 - Retain the cap of 13.015 cents per kWh.
 - Retain the practice of measuring peak usage during weekdays only.
- The transition should not end until after the planned studies of S1 rate design and peak demand have been completed and after the next rate case is completed.
- Outreach to HOWs for participation in the studies.

HOW Recommendations (cont.)

- Continue outreach to HOWs, prioritizing those who would experience the largest rate increase absent the transition.
- Austin Energy should:
 - Conduct trainings to help HOWs understand / manage demand.
 - Identify HOW facilities that might benefit from optional time-of-use rates.
 - Offer to run “shadow bills” comparing rates under current usage with and without the time-of-use option.