

To: EUC and appropriate staff via Jeff Vice  
From: Shudde Fath, 512-442-2718 *Shudde Fath*  
Date: July 14, 2016  
Subject: Demand charges for small businesses

On August 17, 2015 the EUC sent the following recommendation to City Council:

that the City Council amend the budget to change the 10 kilowatt (kW) threshold back to 20kW and reduce the mandatory 12 months to three months for small commercial ratepayers.

The EUC vote was 6 (Wray, Fath, Roa, Hadden, Mahmood, Biedrzycki) to 4 (Norris, Ferchill, Stout, Heidebrecht) to 1 (Osborne recusing). At least some of the 4 negative voters preferred to deal with demand charges in the 2016 rate case rather than as a budget amendment in 2015.

Demand charges are paid by businesses that pass a certain threshold based on their highest 15 minutes kilowatt (kW) demand in one of the June through September summer billing months. Once becoming liable "these rates shall apply for no less than twelve months following the last month in which the required metered demand was met."\*\*\*\*

Prior to 2012, small businesses never paid demand charges when demand was less than 20kW. (They paid only kilowatt hour (kWh) charges ---- just as residential do.) Despite a 10-25-11 EUC unanimous vote to retain the 20kW threshold, Council lowered the 20kW to 10kW in 2012.

AE wants to maintain the 10kW threshold to encourage businesses to improve load factors and energy efficiency. In FY 2014, 7,733 businesses were in the 10 to less-than-20kW group, and they consumed 2.16% of total system kWh. The majority are in rented space and are basically limited to lighting efficiencies and replacing inefficient motors and not improvements to their rented building.

I propose that AE combine the 10kW to less-than-20kW group with the less than 10kW group, determine the cost of service, and then set a kWh rate (or tiered rates) to recover that cost. In no way would there be a shortfall to be recovered by other rate classes.

Austin's small businesses deserve fair, equitable, and understandable electric rates.

\*\*\*\*In August 2015 City Council approved AE's compromise to average the ratepayer's 4 summer peaks and assess the demand charge only if that average is 10 kW or more.

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