

<b>AUSTIN ENERGY’S TARIFF PACKAGE:</b>	<b>§</b>	
<b>2015 COST OF SERVICE</b>	<b>§</b>	<b>BEFORE THE AUSTIN</b>
<b>STUDY AND PROPOSAL TO CHANGE</b>	<b>§</b>	<b>CITY COUNCIL</b>
<b>BASE ELECTRIC RATES</b>	<b>§</b>	

**JOINT RECOMMENDATION TO THE AUSTIN CITY COUNCIL**

This Joint Recommendation to the Austin City Council (“Recommendation”) is entered into by Austin Energy (“AE”), Independent Consumer Advocate, Applied Materials, Austin Apartment Association, Austin Energy Low Income Customers, Austin Regional Manufacturers Association, Bethany United Methodist Church, Building Owners and Managers Association of Austin, Coalition for Clean Affordable Reliable Energy, Crown Castle, Cypress Semiconductor, Homeowners United for Rate Fairness, Goodwill, Greater Austin Chamber of Commerce, James Rourke, NXP Semiconductors, Samsung Austin Semiconductor, Seton Healthcare, and St. David’s HealthCare, and through their duly authorized representatives (collectively, the “Signatories”). The Signatories agree that a negotiated resolution of this matter on the basis set forth in this Recommendation and related tariffs is in the public interest, provides just and reasonable rates, and will conserve resources and eliminate controversy. Accordingly, the Signatories request approval of this Recommendation by the Austin City Council (“City Council”). In addition, the Signatories request the City Council issue a rate ordinance and approval of the tariffs applicable to customers throughout AE’s service area consistent with this Recommendation.

## **I. BACKGROUND**

1. Austin Energy is a municipally owned utility under the Public Utility Regulatory Act<sup>1</sup>, which is owned and operated by the City of Austin. On January 25, 2016, Austin Energy filed a Tariff Package: 2015 Cost of Service and Proposal to Change Base Electric Rates.
2. For the Test Year 2014, the adjusted revenue requirement was \$1,217,227,310. This revenue requirement is 1.4% less than the revenue that would be generated by current base rates. Based on this reduced revenue requirement, Austin Energy proposed to reduce its base rates by \$17,474,299. Subsequently, Austin Energy modified its filing and proposed to reduce base rates by \$24,559,000.
3. Twenty-five stakeholders, representing all customer classes, filed motions to intervene.
4. Following an 85-day discovery period, intervenors filed their direct testimony and statements of position on May 3, 2016. On May 10, 2016, intervenors were allowed to file cross rebuttal testimony.
5. Austin Energy filed its rebuttal testimony on May 20, 2016 in response to intervenor testimony.
6. A hearing was held before an Independent Hearing Examiner (“IHE”) on May 31, 2016-June 2, 2016.
7. Intervenor briefs were filed on June 10, 2016. Austin Energy filed its closing brief on June 17, 2016.
8. On July 15, 2016, the IHE issued a 299-page Report summarizing the evidence and making recommendations on the disputed issues.

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<sup>1</sup> Public Utility Regulatory Act, Tex. Util. Code Ann. §§ 11.001-66.016 (West 2016, West 2007 & Supp. 2015) (PURA).

9. On July 22, 2016 intervenors were allowed to file Exceptions to the Report seeking reconsideration of issues by the IHE. Replies to Exceptions were filed on August 1, 2016 followed by the issuance of a Supplemental Report on August 5, 2016.
10. At the conclusion of a series of negotiations, the Signatories reached an agreement in principal on August 15, 2016.
11. The Signatories believe that a negotiated resolution of this matter is desirable and in the public interest because the result is reasonable under the circumstances, is supported by the evidence, will conserve the public's and the Signatories' resources, and will eliminate controversy.

## II. SETTLEMENT PROVISIONS

The Signatories have reached agreement on the issues as set out below and agree that the City Council should adopt a rate ordinance consistent with this Recommendation.

12. **Application of Recommendation:** The terms of this Recommendation apply to rates charged by Austin Energy to customers throughout its service area. The provisions of this Recommendation shall become effective on January 1, 2017 unless stated otherwise below.
13. **Revenue Requirement:** The Signatories agree that base rates should be reduced by \$42,500,000 effective January 1, 2017.
14. **Cost Allocation/Revenue Spread:** Signatories agree that the \$42,500,000 base rate reduction is to be allocated in approximately the following manner:
  - \$5,500,000 to the Primary Voltage 4 ("P4") class;
  - \$5,000,000 to the Residential class;
  - \$1,000,000 to the Secondary Voltage 1 ("S1") class;
  - \$31,000,000 allocated to the remaining customer classes according to the revenue distribution proposed by Austin Energy in its direct and rebuttal case;

- \$15,700,000 to Secondary Voltage 2 class;
  - \$5,300,000 to Secondary Voltage 3 class;
  - \$4,500,000 to Primary Voltage 1 class;
  - \$5,300,000 to Primary Voltage 2 class;
  - No change to Transmission Voltage 1 class; and
- No increase to the Transmission Voltage 2 (“T2”) class.
15. **Residential Base Rates / Customer Charge:** Austin Energy agrees to not initiate a change in residential base rates or the residential customer charge until its next base rate review.
16. **Residential Tiers:** The Signatories agree that the \$5,000,000 base rate reduction for the Residential class will be applied to reducing the Tier One rate for residential customers within the City of Austin. The remaining residential rate tiers will be designed by Austin Energy to ensure compliance with the remaining terms of the agreement.
17. **Energy Efficiency Commitment:** Austin Energy agrees to dedicate an additional \$2,000,000 in energy efficiency benefits and free high bill audits to residential and small commercial customers without increasing the fiscal year (“FY”) 2017 Energy Efficiency Services (“EES”) tariff.
18. **Houses of Worship (“HOW”) Discount:** Austin Energy agrees to extend the HOW discount transition period for four years and to adjust the rate cap as follows:
- The following rate caps will apply during the four year transition of the discount:
    - Year 1 (FY 2017) cap: 13.25¢
    - Year 2 (FY 2018) cap: 13.75¢
    - Year 3 (FY 2019) cap: 14.25¢
    - Year 4 (FY 2020) cap: 14.75¢
  - Subject to the provision below, the rate cap for HOW customers will end at the conclusion of FY 2020 (i.e. September 30, 2020).

- Austin Energy will continue to measure demand charges based on weekday usage through the next base rate case. Prior to the next rate case, Austin Energy will prepare a study examining non-coincident peak usage of commercial customers, including HOWs.
- 19. **P4 Class Customers:** Austin Energy and P4 customers agree to bilaterally modify the base rates for the P4 class according to the terms contained herein and the regulatory charge according to the FY 2017 budget. All other terms contained in the P4 tariff and the separately executed, negotiated terms of any applicable service contract will continue according to their terms. In addition, Austin Energy is willing to discuss the reliability concern raised by NXP Semiconductors following City Council’s adoption of a rate ordinance in this matter.
- 20. **Seasonality:** The Signatories agree with Austin Energy’s proposals to remove seasonality from base rates and include seasonality in the Power Supply Adjustment (“PSA”) tariff.
- 21. **Customer Assistance Program (“CAP”):** The CAP program continues without adjustments:
  - Future adjustments to CAP program’s eligibility procedures will incorporate stakeholder input and consideration by the Electric Utility Commission (“EUC”);
  - The CAP tariff set in FY 2017 will be frozen until the next rate case—any studies done in relation to the CAP tariff will incorporate public comment, including comment from low income customer advocates in addition to service agency input; and
  - Qualified applicants shall be enrolled within 60 days of the application or automatic data match.
- 22. **Outside City of Austin Customers:** The Signatories agree that the discount from inside city rates for residential customers outside the City of Austin remains approximately \$5,500,000. This proposal keeps the differentials in the rates between customer classes

approximately the same as those established in the PUC Docket No. 40627 settlement. The discount from inside city rates to outside commercial customers of approximately \$325,000 is also maintained.

23. **Future PSA Adjustments:** Austin Energy's request for a change to its PSA tariff rates will be accompanied with background information that will be provided in a format similar to the July 21, 2014 FY 2015 budget presentation made by AE staff to the Electric Utility Commission, as set out in Austin Energy Low Income Customers' Exhibit No. 5.
24. **Prepayment Pilot Program:** Austin Energy agrees to allow the Prepayment Pilot Program to expire as of the end of FY 2016. If Austin Energy chooses to implement a full Prepayment program, Austin Energy will seek stakeholder input for tariff development and agrees to not present a proposed tariff any earlier than in the FY 2018 budget.
25. **EES Charge:** Austin Energy agrees to withdraw its proposal to re-allocate recovery of the EES charge contained in its rebuttal testimony until the next base rate case.
26. **Late Fees / Choose Your Own Due Date Program:** Austin Energy is currently working on developing a "Choose Your Own Due Date" program (the "Program"). Beginning January 1, 2017, Austin Energy will waive late fees for CAP customers in the event the Program has not been implemented. Irrespective of when the Program is implemented, there will be a 90 day transition period following the implementation of the Program for CAP customers during which Austin Energy will not charge late fees to CAP customers. Ninety days after the program launch and public outreach effort begins, Austin Energy will assess late charges on CAP customers and, at the customer's request, will waive the late fee charge one time per annum for CAP customers.

27. **Financial Policies:** The Signatories agree to support the adoption of the modifications proposed to the City's financial policies contained in the Tariff Package (i.e. rate filing package) filed on January 25, 2016 subject to the following modifications:
- Austin Energy will agree to collect decommissioning costs for Decker over three years rather than two years.
  - Austin Energy agrees to set the power supply stabilization fund at 90 days of power supply costs.
  - Austin Energy will not credit the power supply stabilization reserve with PSA over-collections. AE will credit or debit all PSA over and under-collections over a 12 month period consistent with its current practice.
28. **Future Studies:** Austin Energy agrees to conduct the Residential and Non-Residential studies included in Appendix E of the January 25, 2016 Tariff Package (Bates pages 372-373), incorporating public and stakeholder participation (such as HOWs, residential, low income and small business ratepayers) subject to future funding approval by the Austin City Council. Austin Energy will include public and stakeholder participation (such as HOWs, residential, low income and small business ratepayers) in the evaluation of rate-related pilot projects.
29. **Value of Solar Tariff:** Austin Energy agrees to modify the residential Value of Solar tariff rider to include the information contained in Jim Rourke Exhibit No. 3 and attached to Jim Rourke's Closing Brief (Appendix B).
30. **Support of Recommendation:** The parties agree to support the terms of the proposal before the Austin City Council and to not seek, fund, or support an appeal of this rate review before any oversight body including the Public Utility Commission of Texas. The parties further agree not to seek any statutory changes related to Austin Energy before the Texas Legislature until the next Austin Energy rate review or December 31, 2020, whichever comes first.

31. **Effect of Joint Recommendation:** A Signatory's agreement to entry of a rate ordinance of the City Council consistent with this Recommendation should not be regarded as an agreement to the appropriateness or correctness of any assumptions, methodology, or legal or regulatory principle that may have been employed in reaching this Recommendation. Except as otherwise noted above, the Signatories acknowledge and agree that the provisions of this Recommendation have been entered into as a matter of compromise and are not intended to create a precedent for resolving such issues in any future matter and are not binding or precedential on any Signatory or its representatives in any other matter before the City of Austin, Public Utility Commission, or any court, tribunal, or similar authority. The Signatories agree that their request that the City Council adopt a rate ordinance consistent with the Recommendation is the result of negotiation, and is not intended to have precedential value with respect to any particular principle, treatment, or methodology that may underlie the Recommendation.
32. **Severability:** The Signatories agree that the terms and conditions herein are interdependent and not severable, and no Signatory shall be bound by any portion of this Recommendation outside the context of the Recommendation as a whole. If the City Council does not accept this Recommendation as presented, or issues a rate ordinance inconsistent with any term or provision of this Recommendation, the Signatories agree that any Signatory adversely affected by that modification or inconsistency has the right to withdraw its consent from this Recommendation, thereby becoming released from all commitments and obligations, and to proceed to exercise all rights available under law.
33. **Statements:** The Signatories agree that neither oral nor written statements made during the course of the settlement negotiations, nor the terms of this Recommendation may be



used as an admission or concession of any sort or as evidence in any matter. This obligation shall continue and be enforceable, even if this Recommendation is terminated.

34. **Entire Recommendation:** This Recommendation contains the entire understanding and agreement of the Signatories, supersedes all other written and oral exchanges, or negotiations among them or their representatives with respect to the subjects contained herein; and neither this Recommendation, nor any of the terms of this Recommendation, may be altered, amended, waived, terminated, or modified, except by a writing properly executed by the Signatories.
35. **Execution:** Each signing representative warrants that he or she is duly authorized to sign this Recommendation on behalf of the Signatory he or she represents. Facsimile and PDF copies of signatures are valid for purposes of evidencing execution. The Signatories may sign individual signature pages to facilitate the circulation and filing of the original of this Recommendation.

**AGREED:**

**AUSTIN ENERGY**

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Thomas L. Brocato  
State Bar No. 03039030

**APPLIED MATERIALS**

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Bryan Stevenson

**INDEPENDENT CONSUMER  
ADVOCATE**

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John Coffman

**AUSTIN APARTMENT ASSOCIATION**

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Paul Cauduro

**AUSTIN ASSOCIATION OF FACILITY  
AND MAINTENANCE ENGINEERS**

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Nathan Simpson

**AUSTIN INDEPENDENT BUSINESS  
ALLIANCE**

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Rebecca Melancon

**BETHANY UNITED METHODIST  
CHURCH**

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Clifford G. Wells

**COALITION FOR CLEAN  
AFFORDABLE RELIABLE ENERGY**

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Trey Salinas

**CUSTOMERS CONCERNED ABOUT  
AFFORDABLE RATES IN  
ELECTRICITY (CUSTOMER CARE)**

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Laurie Barker

**DATA FOUNDRY**

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W. Scott McCollough  
Texas Bar No. 13434100

**AUSTIN ENERGY LOW INCOME  
CUSTOMERS**

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Lanetta Cooper  
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**AUSTIN REGIONAL MANUFACTURERS  
ASSOCIATION**

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Ed Latson

**BUILDING OWNERS AND MANAGERS  
ASSOCIATION OF AUSTIN**

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John M. Sutton

**CROWN CASTLE**

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Kirk Wampler

**CYPRESS SEMICONDUCTOR**

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Barry Dreyling

**HOMEOWNERS UNITED FOR RATE  
FAIRNESS**

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**GOODWILL**

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Gerald L. Davis

**JAMES ROURKE**

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James Rourke

**SAMSUNG AUSTIN SEMICONDUCTOR**

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J. Christopher Hughes  
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**PUBLIC CITIZEN**

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Kaiba White

**SETON HEALTHCARE**

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Geronimo Rodriguez  
State Bar No. 00798468

**GREATER AUSTIN CHAMBER OF  
COMMERCE**

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Michael W. Rollins

**NXP SEMICONDUCTORS**

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**PAUL ROBBINS**

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Paul Robbins

**SIERRA CLUB**

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Carol S. Birch  
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**ST. DAVID'S HEALTHCARE**

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