



Update on Rates Issues and Implementation

Austin Energy Utility Oversight Committee

November 30, 2016



Topics

- Tier 1 rate adoption
- Small Commercial demand customers
- Small HOW rate implementation
- State of Texas accounts
- Rates implementation schedule



Austin Energy's Rate Case Objectives

- Transparent process.
- Adhere to applicable State and local laws and policies.
- Fairness for all customers.
- Sustain long-term financial health of the utility.
- Focus on affordability.



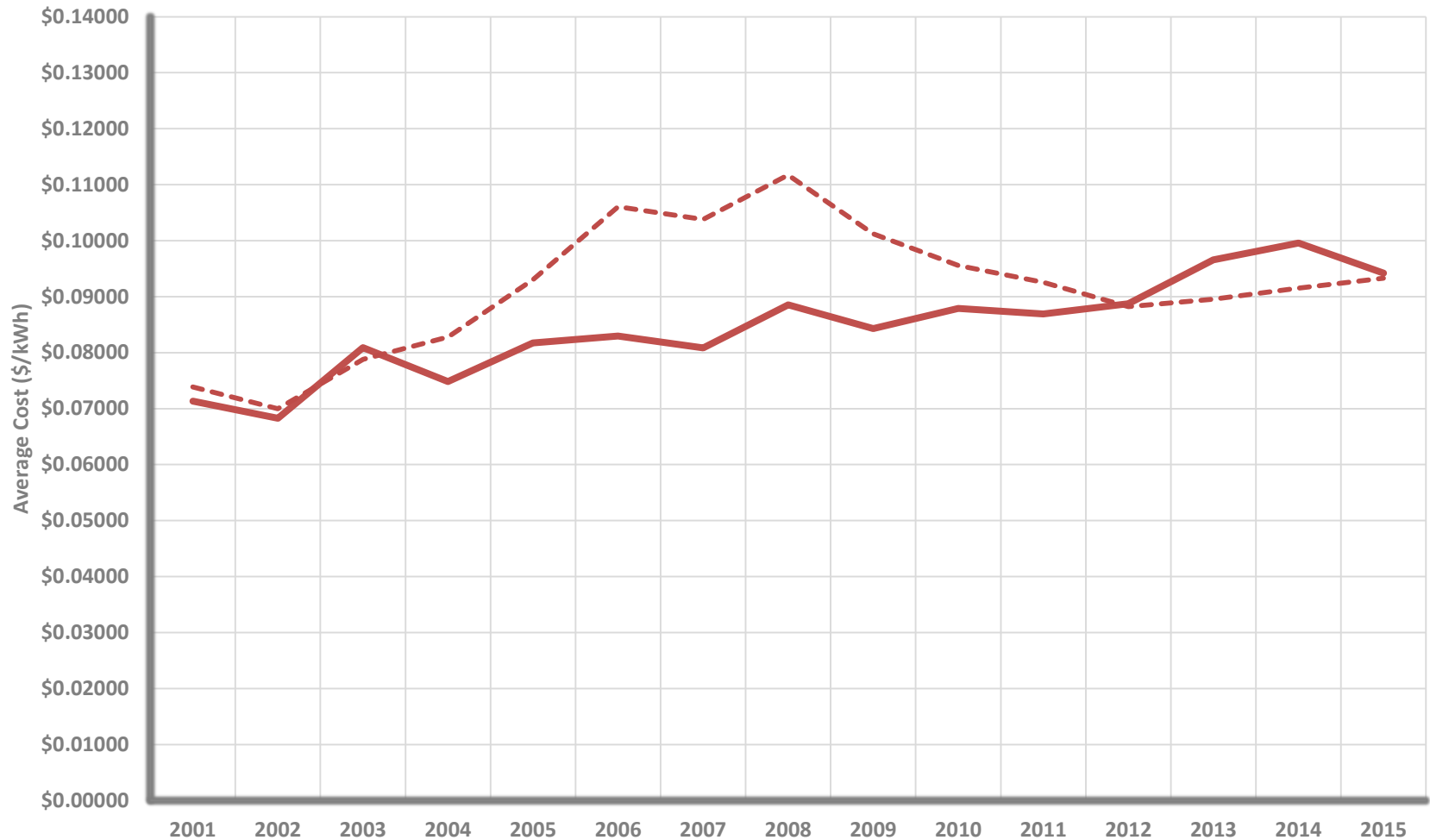
Two Part Affordability Goal

- Part 1—Annual increases:
 - Less than 2 percent annually
 - All in rates—“base, fuel, riders, etc”
 - Measured from 2012 rates reset
- Part 2—Competitiveness:
 - Maintain “all in” rates in the lower 50 percent of Texas rates overall
 - Measured by federal data (EIA Form 861)



Progress Toward Competitiveness Goal

Average System Rate Comparison



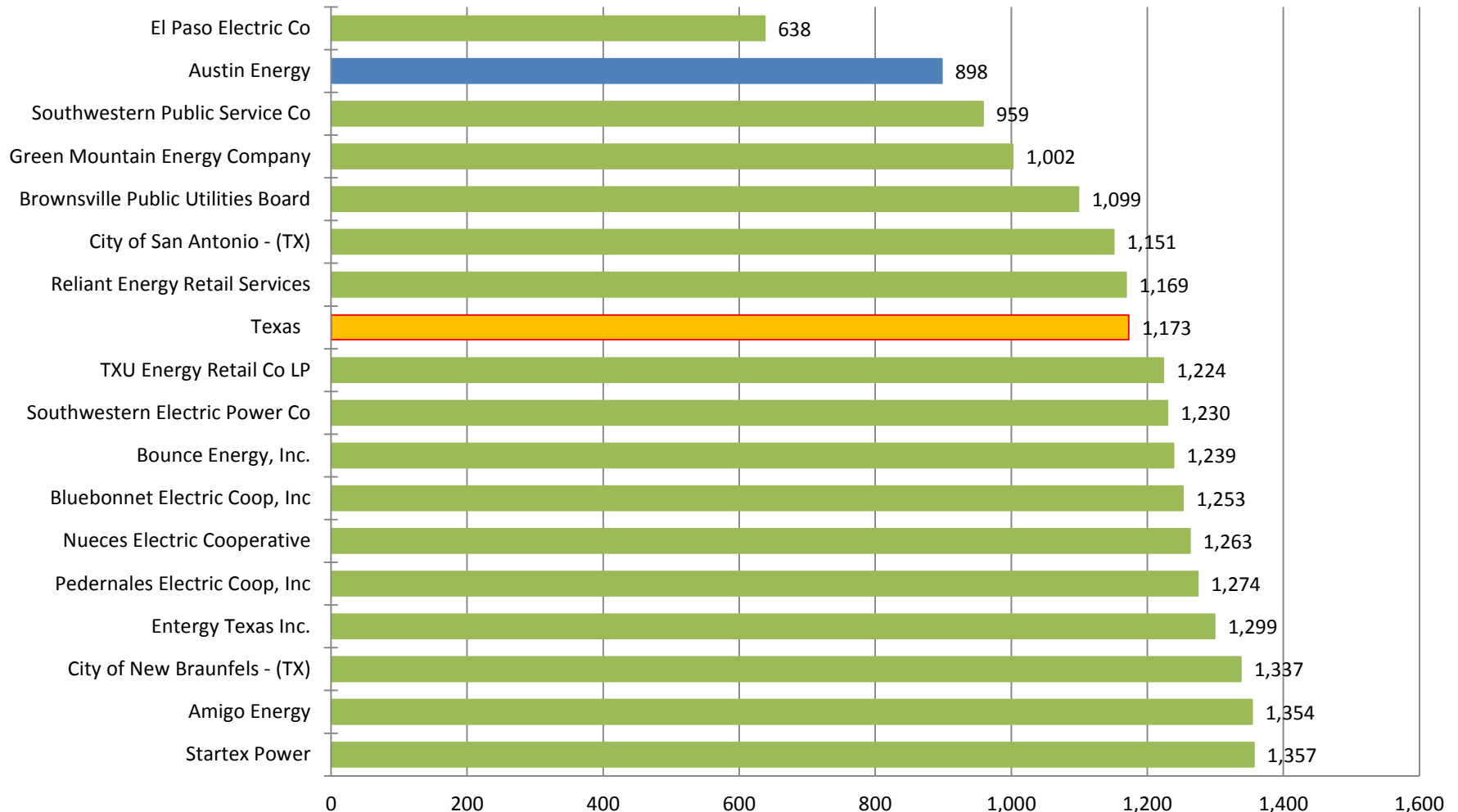
Source: EIA Form 861
Data (2001 - 2015)

— Austin Energy - - - Texas Entities



Residential Monthly Usage Comparison

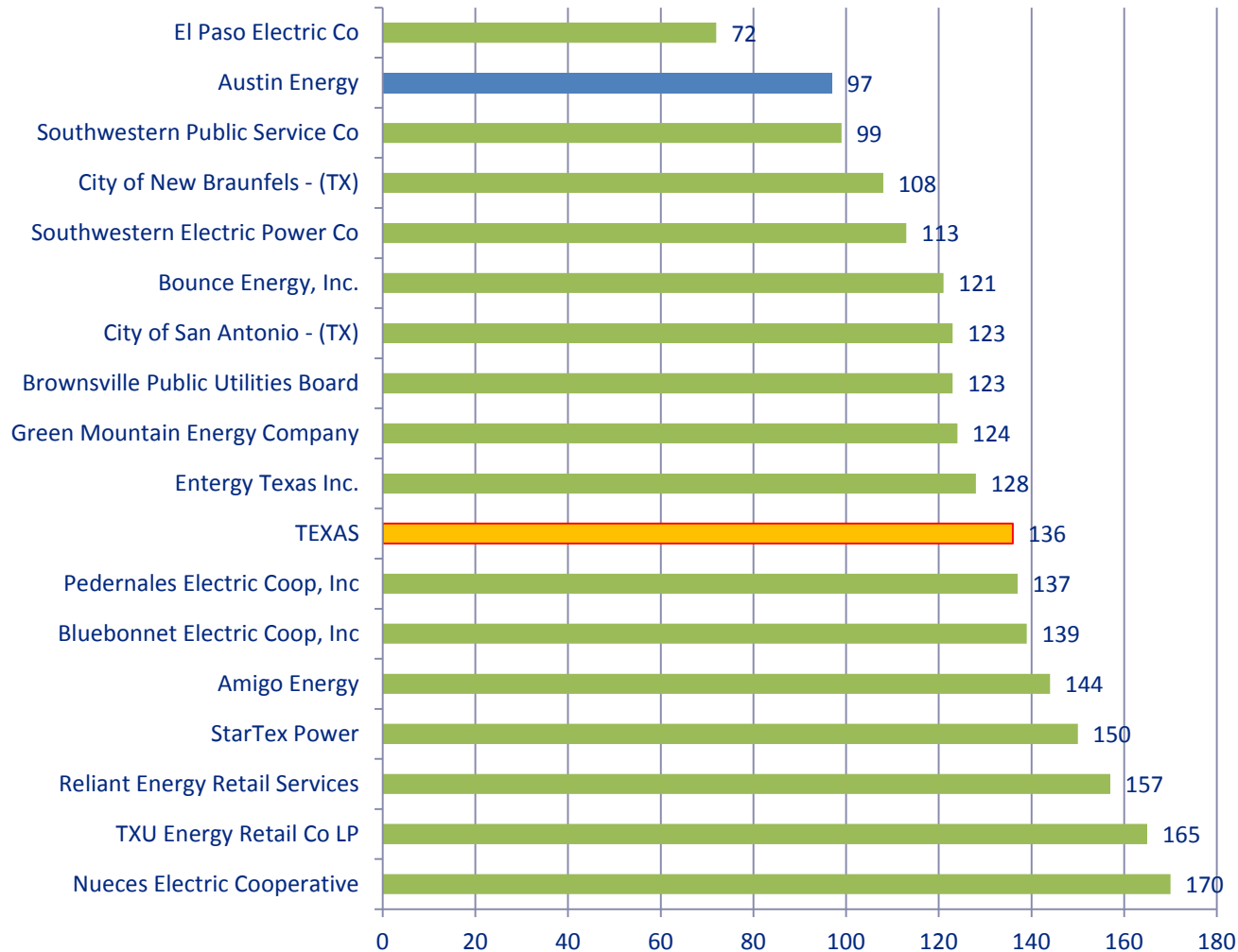
2015 Monthly Average Residential Usage (kWh/Customer)





Average Bill for an Average Customer

2015 Monthly Average Residential Bills - (\$)

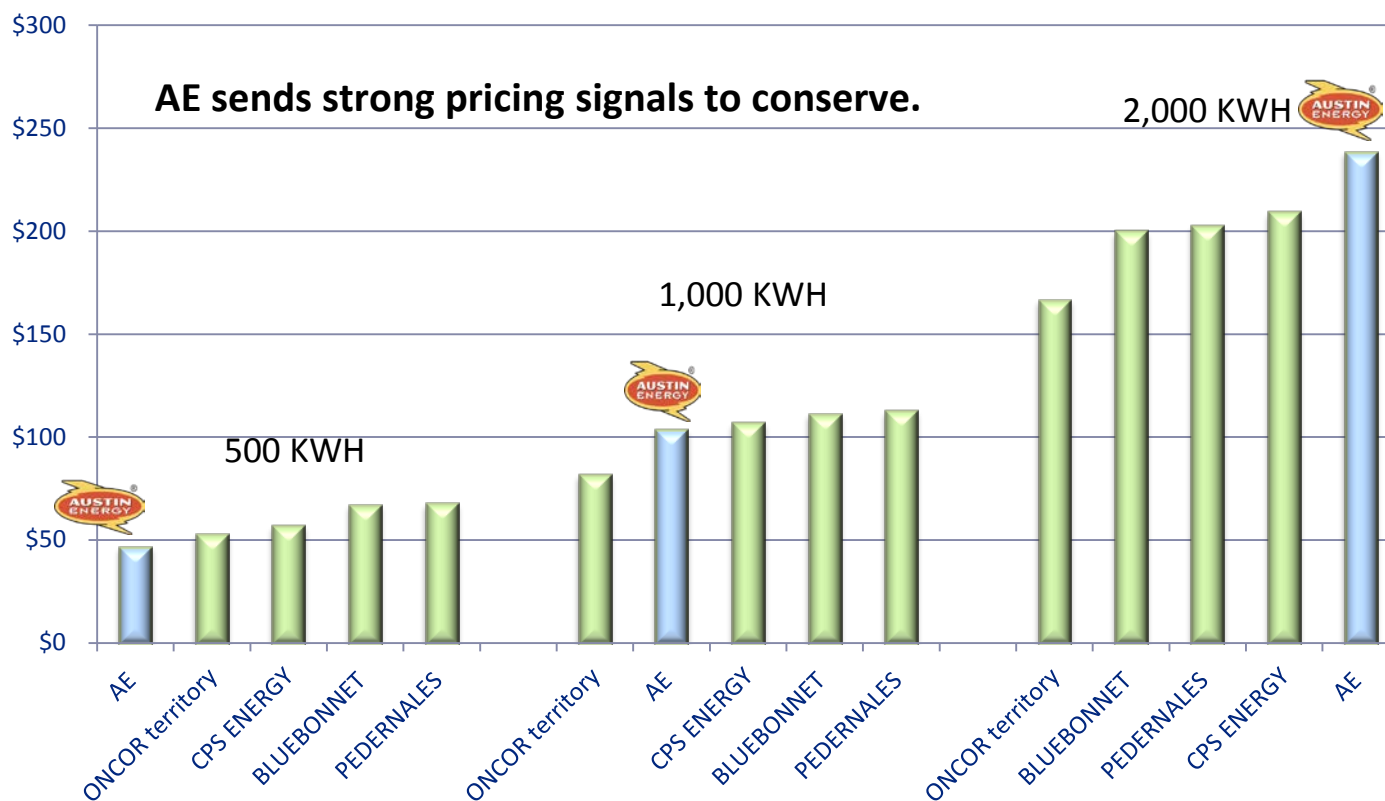


Source: Form EIA-861 2015 Data



Residential Electric Bill Comparison

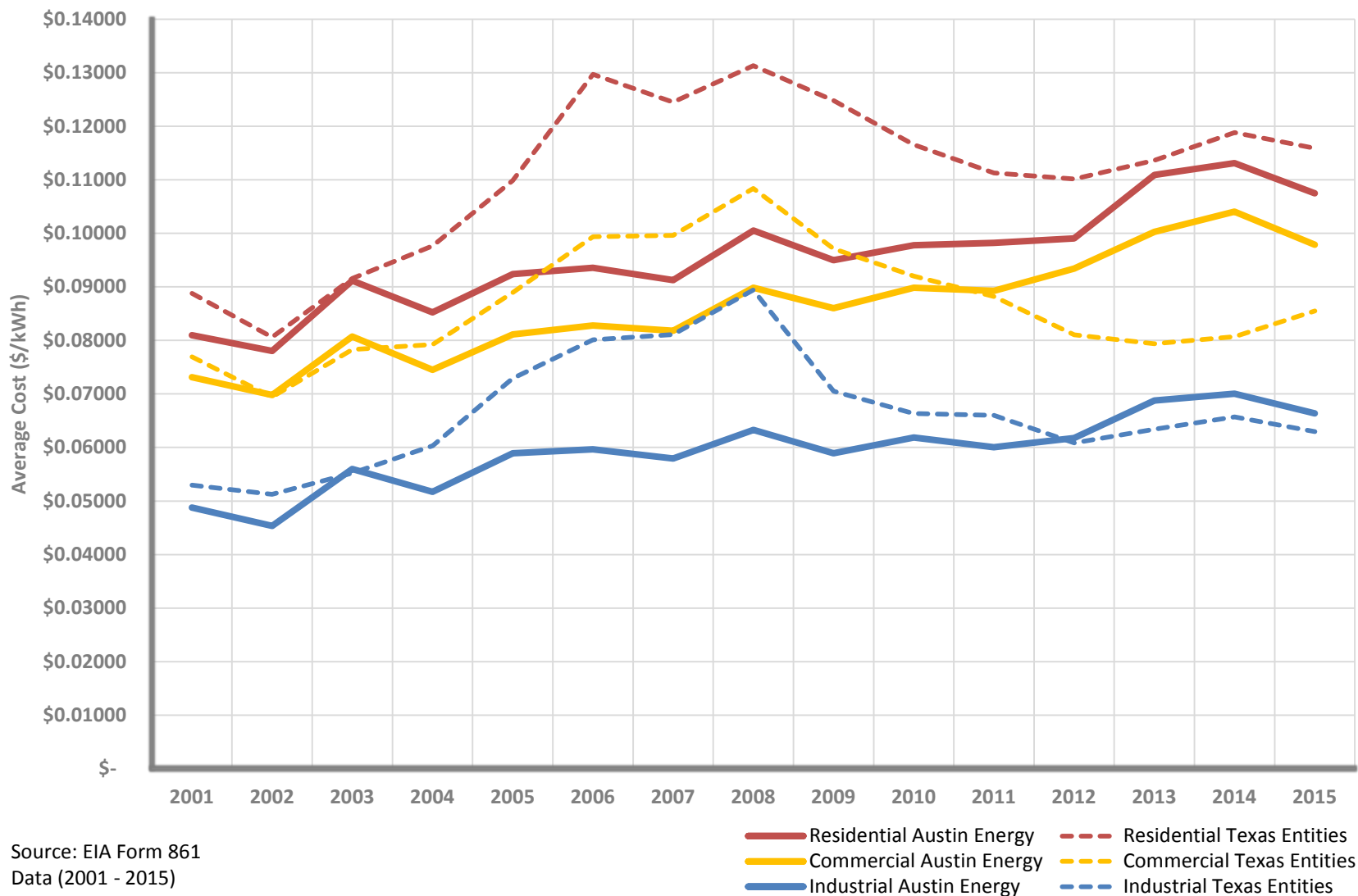
Electric Bills at Various Usage Levels (current rates)





Market Competitiveness

Average Residential, Commercial, and Industrial Rate Comparison





Tier 1 Concerns Expressed to Council

- Not all Tier 1 customers receive a “rate” decrease.
 - “Rates” should only include tiers and customer charge.
- Reduction largely due to change in the PSA.

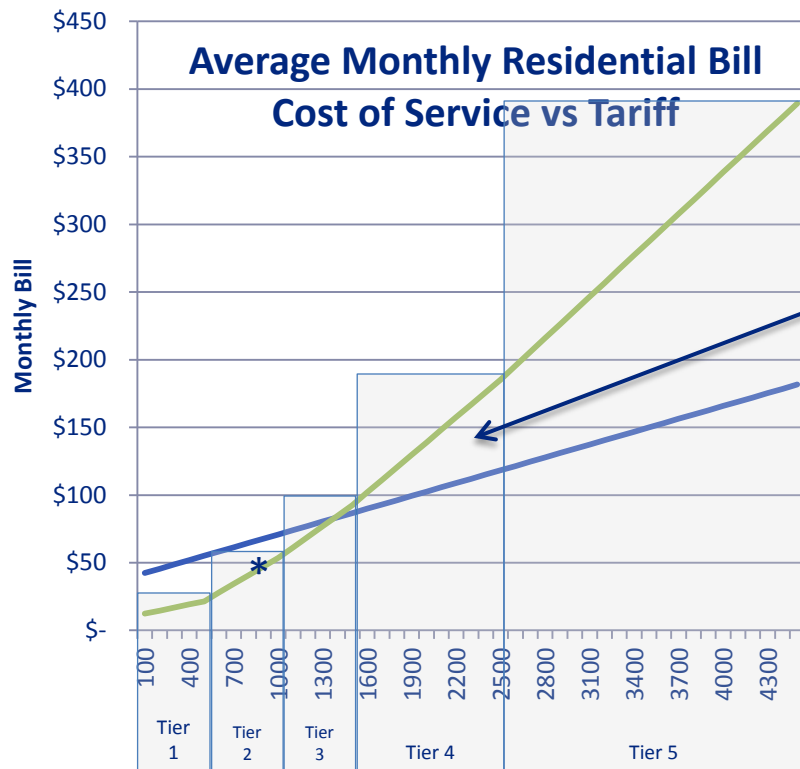


Evolving Financial Challenge

- Changes in our community:
 - Urbanization
 - Share of multi-family properties
 - Average residential customer usage is declining over time
 - Customer growth continues
 - Need for infrastructure remains strong
- Changes in the electric industry:
 - Distributed generation/solar expansion
 - Energy efficiency
 - Building codes
 - Load management
 - Emergence of electric vehicles
- Community goals:
 - 30 years of energy efficiency leadership
 - Austin Climate Protection Plan
 - Austin Energy Resource Generation Plan to 2025
 - Affordability Goals:
 - 2 percent per year
 - Competitiveness

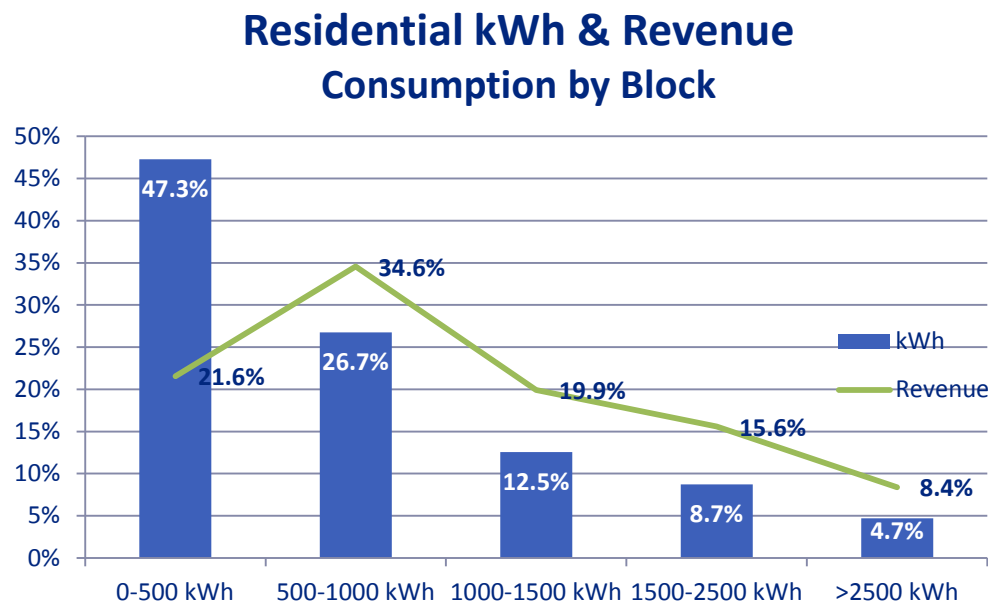


Nearly 80 Percent of Residential Electricity is Sold Below the Cost of Service



Residential rates do not meet the cost of service until 1,400 kWh. In 2015, the average residential customer used 898 kWh* per month.

Only 13 percent of residential electricity is delivered in the 4th and 5th tiers but contribute 24 percent of revenue



Note: Annual consumption of 898 kWh as reported by EIA is based on 2015 calendar year.



Council Policy Dialogue

- Discussion dates:
 - AEUOC: August 8, 15 & 22
 - Budget Work Session: August 24
 - Public Hearing: August 25
 - Work Session and adoption: August 29
 - Revised budget adoption: September 14



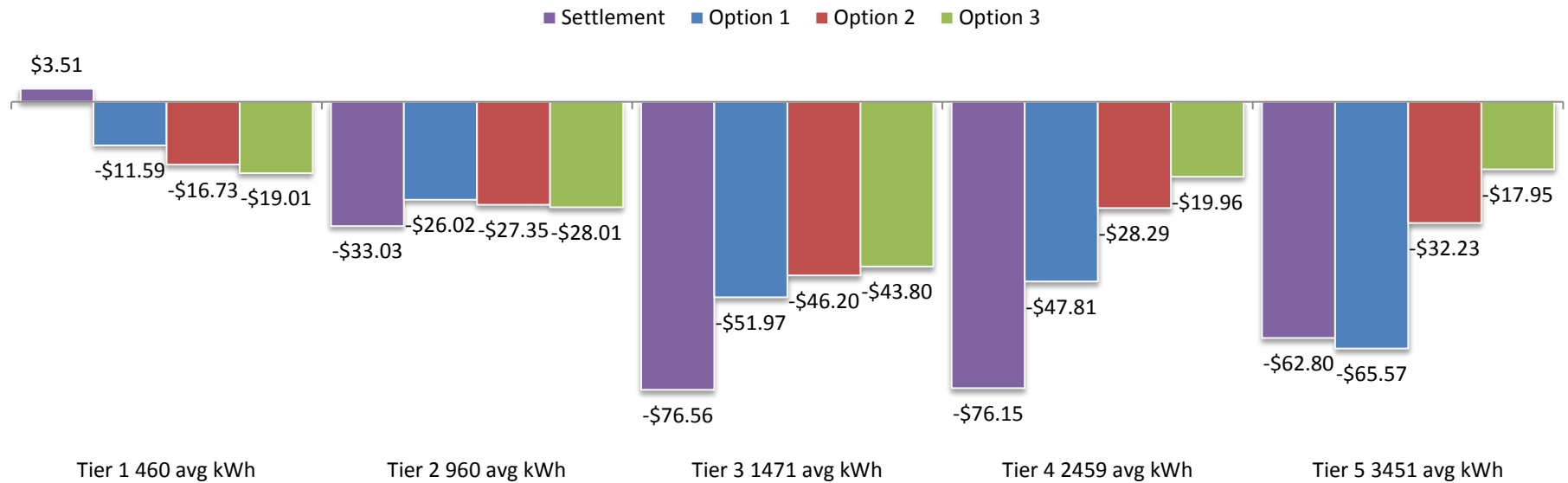
Options that Reduce Tier 1 Rate (August 25th)

- Reduce Tier 1 rate.
 - Lower bills for a larger number of customers.
- Maintain residential revenue requirement from settlement.
- Three Options based on Council conversation from AE budget session, August 24:
 - (1) Weighted Average Rates with Tier 1 adjustment.
 - (2) Weighted Average Rates with all tier adjustment.
 - (3) No change to total revenue from Tier 1.



Example Customer Impacts: Non-CAP (August 25th)

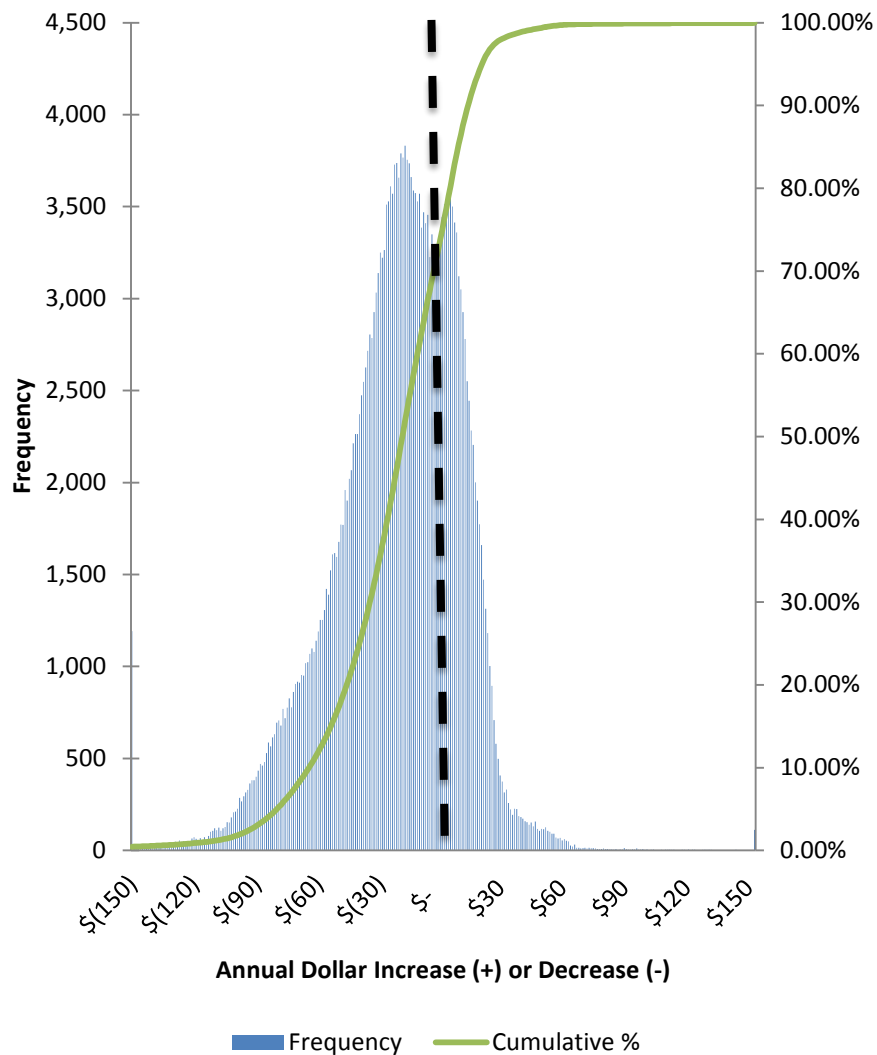
Decrease in Annual Bill from Existing Rates



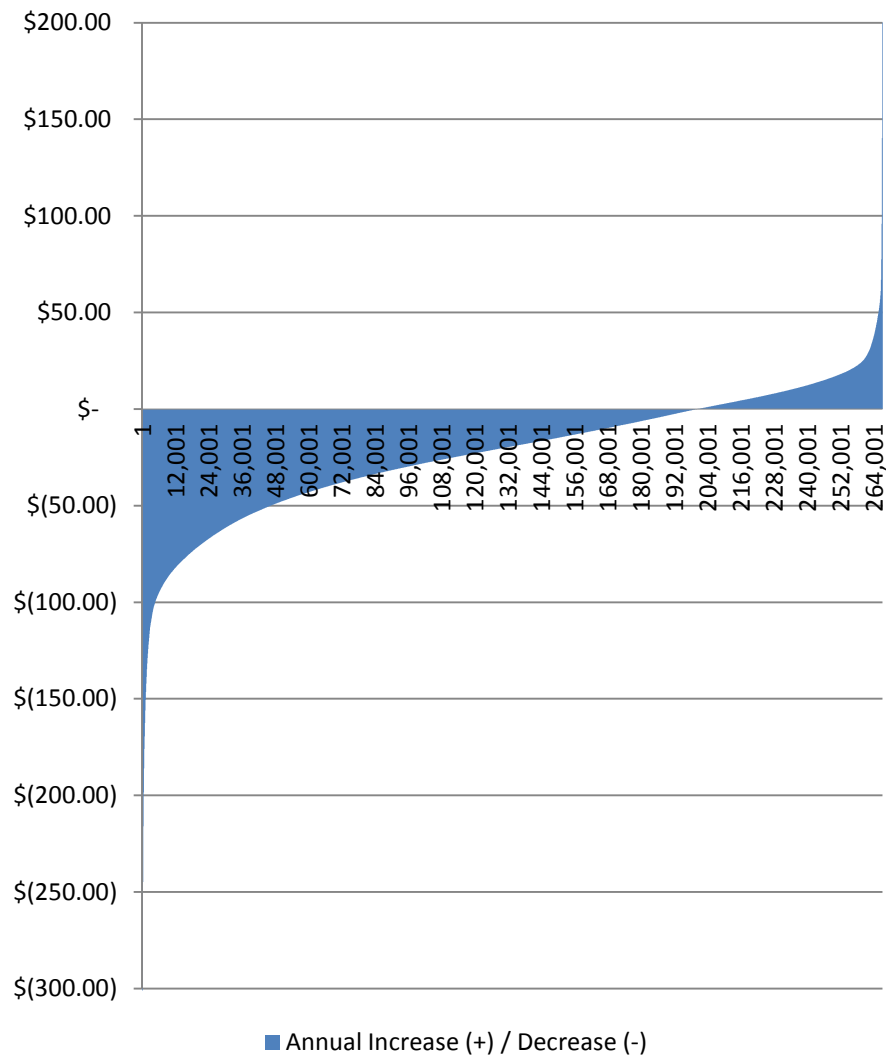


Annual Bill Impacts

Histogram of Annual Bill Impacts



Distribution of Annual Bill Impacts





Small Commercial Demand Charges

- Issue arises from 2012 rate change:
 - Prior 2012: Two commercial rate classes
 - General Services Demand—greater than 20 kW
 - General Services Non-demand—less than 20 kW
 - 2012 Policy adopted by Council: Three commercial rate classes
 - Secondary 1 (S1)—0 to 10 kW
 - Secondary 2 (S2)—10 to 50 kW
 - Secondary 3 (S3)—greater than 50 kW (later changed in 2016)
- Smaller S2 customers experienced demand charges for the first time:
 - Reports of excessive bills for certain S2 customers



Small Commercial Demand Rates Studies

- March 2015: Small Commercial Customer Demand Charge Study
 - Presented to Austin Energy Utility Oversight Committee in April of 2015
 - Confirmed that average rate of certain S2 customers higher than comparable utilities
 - Highly correlated with Load Factor
 - Load Factor: ratio of peak to average usage
 - Indicator of a customer's efficiency in use of electric infrastructure.



Council Policy Change Adopted

- 2012 rates policy: assigned commercial customers to rate classes based on one-time summer peak
- 2015/2016 budget adoption:
 - Changed metric for capturing demand
 - Average of four month peak
 - Replaced single summer peak
 - 1,733 S2 customers reclassified as S1



Small Commercial Demand Rates Studies

- Fall 2015: Secondary Voltage Customer Classes
 - Cost study examining cost differentials among secondary customers
 - Confirmed identifiable cost differential at 10 kW
 - No support for a 20 kW cost differential
- Submitted as evidence in 2016 rate proceeding
 - No intervenors contested the study's conclusion
 - 22 signatories agreed to the customer class boundaries



Subsequent Council Policies

- 2016 rates:
 - Established load factor floor at 20 percent load factor
 - No intervenors contested the load factor floor recommendation
 - 22 signatories agreed to the load factor floor policy change



Customers Affected by Class Alignment and Load Factor Floor Policy

- 1,700 customers moved to S1 due to change in 2015 budget
- 2014 test year data:
 - S1: 28,000 customers
 - S2 between 10 to 20 kW: 6,200 customers
 - Average monthly usage: 3,199 kWh
 - Annual bills below 20 percent load factor floor: 32 percent
 - S2 above 20 kW: 11,500 customers



Energy Management Programs and Outreach to Small Commercial Customers

- To align with new rates and allow more customers to benefit from the Small Business Lighting Program, we increased the qualification threshold from 200 – 300 kW.
- \$85 rebate for internet-connected thermostats
- In 2015, we personally contacted over 30 customers with the worst power factor
- In 2017, we will personally contact customers with the worst load factor that are benefiting from the 20 percent load factor floor
- Almost 1,600 small and mid-size commercial accounts are utilizing the Commercial Web App
- New Onsite Energy Advisor program will promote onsite visits from AE conservation personnel



HOW Policy

- Extend discount policy for HOWs for four years.
 - Applies only to account metering a sanctuary building (same as current policy).
- Continue to measure demand charges based on weekday peak.
- Rate cap transition:
 - Year 1 (FY17) cap: 13.25 cents
 - Year 2 (FY18) cap: 13.75 cents
 - Year 3 (FY19) cap: 14.25 cents
 - Year 4 (FY20) cap: 14.75 cents
- Study of non-coincident peak usage of commercial customers including HOWs.



House of Worship Customer Impacts

House of Worship Customers* Monthly Charges - Existing and Approved

	Customer A Sanctuary Secondary Voltage < 10 KW				Customer B Sanctuary Secondary Voltage 10 - 299 KW				Customer B Non-Sanctuary Secondary Voltage 10 - 299 KW			
Jan		\$54 \$55		\$1		\$97 \$99		\$1		\$353 \$192		-\$161
Feb		\$42 \$43		\$1		\$109 \$110		\$2		\$361 \$200		-\$161
Mar		\$54 \$55		\$1		\$79 \$80		\$1		\$378 \$214		-\$165
Apr		\$45 \$45		\$1		\$155 \$157		\$2		\$482 \$232		-\$251
May		\$53 \$54		\$1		\$156 \$158		\$2		\$544 \$312		-\$232
Jun		\$89 \$83		-\$7		\$168 \$170		\$3		\$613 \$338		-\$275
Jul		\$102 \$92		-\$10		\$431 \$438		\$7		\$707 \$487		-\$220
Aug		\$133 \$117		-\$17		\$329 \$334		\$5		\$779 \$558		-\$221
Sep		\$111 \$98		-\$13		\$274 \$278		\$4		\$750 \$583		-\$167
Oct		\$84 \$83		-\$1		\$179 \$181		\$3		\$677 \$534		-\$143
Nov		\$54 \$54		\$1		\$115 \$117		\$2		\$594 \$430		-\$163
Dec		\$42 \$43		\$1		\$56 \$56		\$1		\$607 \$528		-\$79
	Avg Δ in bill			-\$3	Avg Δ in bill			\$3	Avg Δ in bill			-\$187
	Δ in annual bill			-\$42	Δ in annual bill			\$33	Δ in annual bill			-\$2,238
	2016 rates 2017 rates				2016 rates 2017 rates				2016 rates 2017 rates			

* actual customers illustrated. Calendar Year 2015 billing determinates.



House of Worship-Decomposing Bill Impacts

Customer B Sanctuary Account

- Decreased an average of \$38 per month from the reduction in base rates
- Discounts changed due to
 - implementation of the load factor floor of 20%
 - Increase of HOW ceiling
- Overall the sanctuary account for this customer increased an average of \$3 per month

	Sanctuary w/o discounts		Discounts		Sanctuary Bill	
Jan	\$162		-\$7	-\$65	\$97	\$1
	\$155			-\$56	\$99	
Feb	\$277		-\$18	-\$168	\$109	\$2
	\$260			-\$149	\$110	
Mar	\$151		-\$7	-\$73	\$79	\$1
	\$145			-\$65	\$80	
Apr	\$442		-\$31	-\$287	\$155	\$2
	\$410			-\$253	\$157	
May	\$437		-\$31	-\$281	\$156	\$2
	\$406			-\$248	\$158	
Jun	\$494		-\$64	-\$327	\$168	\$3
	\$430			-\$260	\$170	
Jul	\$611		-\$73	-\$180	\$431	\$7
	\$538			-\$100	\$438	
Aug	\$591		-\$74	-\$262	\$329	\$5
	\$517			-\$183	\$334	
Sep	\$552		-\$70	-\$279	\$274	\$4
	\$482			-\$205	\$278	
Oct	\$464		-\$33	-\$285	\$179	\$3
	\$431			-\$250	\$181	
Nov	\$429		-\$32	-\$314	\$115	\$2
	\$398			-\$281	\$117	
Dec	\$246		-\$16	-\$190	\$56	\$1
	\$229			-\$173	\$56	
Avg Δ in bill		-\$38				\$3
Δ in annual bill		-\$456				\$33

2015-16 Rate Tariff

2016-17 Rate Tariff



House of Worship

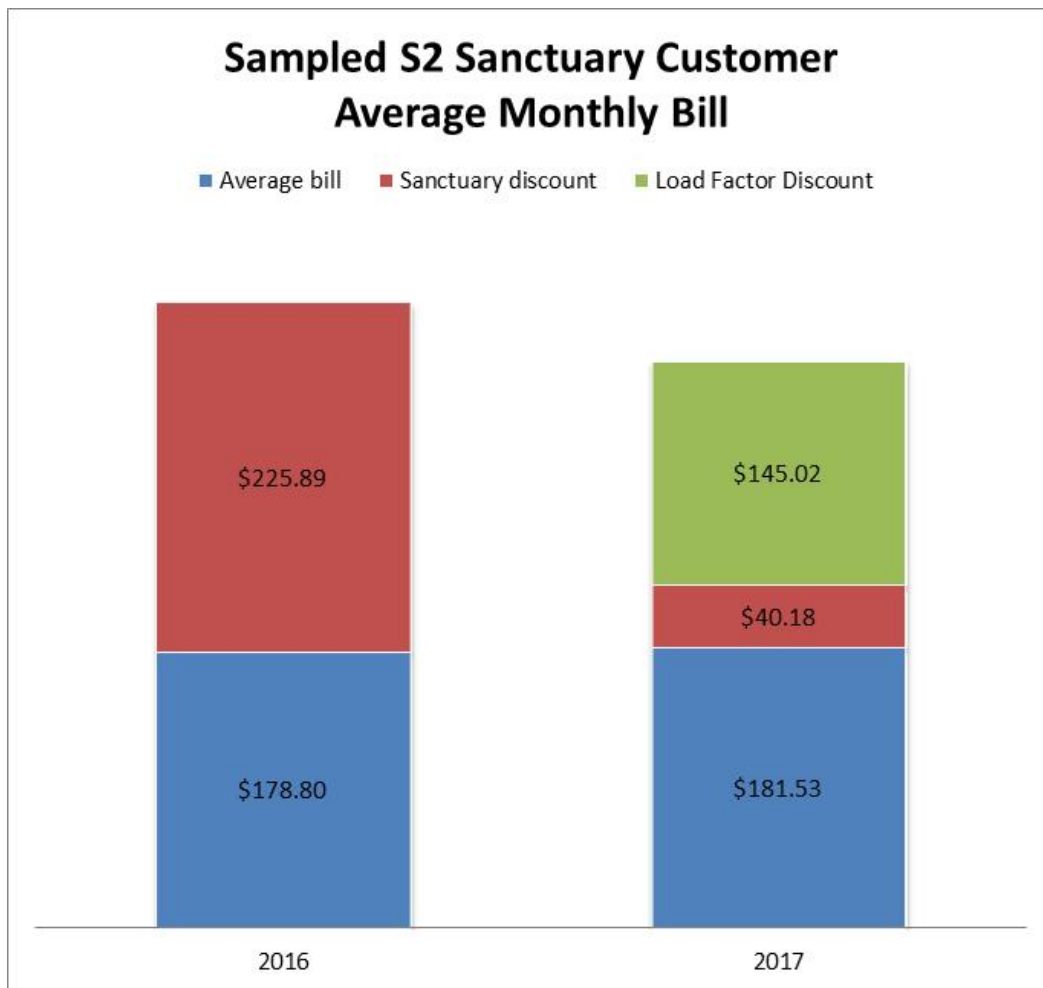
Customer B Sanctuary Account

Benefit Under Current Rates

- Before any discounts, the average bill would be \$404 per month under the 2016 tariff
- With the HOW ceiling, the average bill in 2016 is \$179

Impact Under New Structure

- Before any discounts, the average bill would be \$366 per month under the 2017 tariff
- With the 20% load factor floor and the HOW ceiling, the average bill in 2017 is \$182





Expanded Outreach to Houses of Worship

- Outreach & Programs
 - Key Accounts staff working with HOW interveners and associations to enhance communications.
 - Expanded e-mail distribution list for HOW accounts
 - Free Load Profiler for 1 year to monitor usage on a 15 minute basis
 - Free on-site energy assessment
 - Focus on HOW's qualifying for Small Business Lighting
- HOW Future Actions
 - Host an Open House in the Spring
 - AE to model HOW usage profiles
 - Study of non-coincident peak usage of commercial customers



Implementation Schedule

- October billing cycle:
 - Winter rates: ↓ all customer classes
- November billing cycle:
 - Seasonal Power Supply Adjustment: ↓ all customer classes
 - Regulatory Charge: ↓ R, S1, S2, S3, P1, P4, T2; ↑ P2, T1
 - Community Benefit Charge: ↓ S1, S2; ↑ R, S3, primary & transmission
- January billing cycle:
 - S3 to S2 shift: ↓ customer charge and demand charges; ↑ energy charge
 - Non-seasonal base rates change implementation: all customer classes
- June billing cycle:
 - No seasonal change in base rates: bill ↓ from prior year for most customers
 - Seasonal Power Supply Adjustment: ↑ all customer classes
- December 1: Item to set a public hearing for December 8 regarding rates for certain State accounts
 - December 6: Executive Session to discuss competitive matters



QUESTIONS?

