MEMORANDUM

TO: Electric Utility Commission

FROM: Mark Dombroski and Debbie Kimberly

DATE: June 15, 2017

SUBJECT: Update on Time-of-Use Pilot Program for Non-Residential Rate Schedules

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The purpose of this item is to provide an update of the stakeholder involvement process undertaken by Austin Energy on the time-of-use (TOU) pilot program for non-residential rate schedules. Obtaining such public input on proposed rate pilot programs was stipulated in the negotiated joint recommendation approved by the EUC on August 15, 2016, and subsequently approved by City Council on August 29, 2016.

In February and March, Austin Energy conducted three separate focus groups[1] of about 15 to 20 customers each, comprised of AE's key account customers and Austin Independent Business Alliance members. The groups represented small, mid-size and large commercial customers, and houses of worship. The focus groups included people in the room and some dialing in, and included large consumers of energy to small consumers of energy.

Based on the focus groups' feedback, AE is moving forward with a pilot TOU commercial program with consideration given to a shorter on-peak window than originally proposed, and including Saturday and Sunday as off-peak times. Given the diversity of opinions expressed, AE is proposing two voluntary pilot programs: the first design has a two-hour peak-pricing window between 4 and 6 pm, while the other designates a nights and weekends time period. In Appendix A, a copy of the proposed TOU pilot rate schedule, submitted to City Council as part of the FY18 budget, is provided.

Objectives for the TOU Pilot Program for Non-Residential Rate Schedules

The proposed TOU pilots are meant to provide rate choice for Austin Energy's business community customers. The pilot would be an opt-in on a first-come, first-serve basis for a period of time up to 24 consecutive months and limited to a participation of 100 individual meters per rate schedule. The deployment of advanced metering across Austin Energy's network has created an opportunity to consider alternative utility service rate structures. The purpose of the pilot is to identify and evaluate these main criteria of pilot rates deployed:

1. Determine if the piloted rate structures more effectively promote energy shifting.

[1] Focus groups were held on February 21st, February 27th, and March 10th.

2. Determine if the piloted rate structures more efficiently utilizes ERCOT's fluctuating market prices and system constraints by encouraging customers to reduce their daily demand during peak hours for energy and more evenly utilize electricity throughout the day than the current rate structure.
3. Ensure adequate revenues are equitably collected through the piloted rate structures to meet the revenue requirements for the non-residential customer classes.
4. Investigate the effects of pricing signals within the non-residential sector and their ability to change customer behavior.
5. Determine the metering, telecommunication equipment, billing, and integration costs involved along with the benefits through reduced power supply, regulatory, and other gains.

Background: Focus Group Customer Feedback

The proposed TOU rate, as explained to the focus group participants, would include an on-peak, off-peak and mid-peak price. The highest price would be from 3-6 pm, Monday through Friday, during the summer months. Customers would be encouraged, through a higher rate, to reduce or shift load during these three hours. The majority of the attendees had some level of knowledge of their buildings' energy use. Participants understood that the TOU impact was during a specific time of day and year; several thought a TOU rate was an interesting concept. For those interested in the concept of TOU, they shared that cost-savings would be a big driver; percentages noted were in the range of five to 20 percent.

However, not all participants thought TOU rates could be a viable option for their business model. Retail businesses and houses of worship, on the whole, did not see this rate as a benefit. It did not fit within their business models nor did it appear to create a large enough cost-savings. They were more interested in either a rate to address demand or a weekend-related rate. Not all businesses can shift or reduce load during the summer afternoons. Customer comfort, business limitations, and lease restrictions were provided as challenges to the use of a TOU rate. For example, in terms of lease restrictions, some commercial customers are not the consumers of the electricity, but rather it is their tenants who consume the electricity. With the retail businesses, they must maintain a given comfort level within their buildings for those tenants who occupy it.

Some manufacturing customers thought a shorter window, most mentioning the two-hour window of 4 – 6 pm, might be feasible as they could shift operations into an earlier part of the day, thus ending their day earlier. Across all customers, the need for flexibility was an issue. School districts, favorable of the 3-6 pm for some schools, would like the option to be able to add and remove schools within their "customer" umbrella. Still other customers would like to ensure the rate option fits within their current lease agreements.

Tying solar to a TOU rate was also discussed. Some of the participants understood how solar panels could offset the energy needed, thus allowing for a "shift" of the energy load. The TOU rate was thought to be an encouragement for solar participation. Others did not view solar in the same way, hindered by the upfront costs and anticipated lengthy return on investment calculations.

The questions upon which the focus group discussions centered are provided in Appendix B.

Appendix A

General Service Time-of-Use Pilot Programs

Application:
Each individual pilot program described in this rate schedule will be limited to a participation of 100 individual meters on a first-come, first-served basis, unless stated otherwise on the applicable rate schedule. At any time, Austin Energy may administratively suspend availability of these pilot programs or modify the number of individual meters allowed to participate.

The pilot time-of-use power supply rates will be applied to the underlying standard rate schedules for which the customer's characteristics, load, and voltage would qualify, but with the time based power supply charge identified below in lieu of the normal power supply adjustment rates. All character of services, terms, conditions, and discounts from the underlying standard rate schedule apply, unless specifically modified by the terms of the pilot program.

Applies to all metered, non-residential voltage electric service whose point of delivery is located within the limits of Austin Energy's service territory. Service is available to all secondary voltage general service, and primary voltage large general service with demand less than 3,000 kW.

Terms and Conditions:
Customers shall permit Austin Energy to install all equipment necessary for metering and permit reasonable access to all electric service facilities installed by Austin Energy for inspection, maintenance, repair, removal, or data recording purposes. All non-kilowatt-hour charges under these rate schedules are unaffected by the application of any rider.

Pilot programs availability is contingent upon Austin Energy's operational feasibility, system configuration, availability of appropriate meters, and the customer's premise. Customers selecting these rate options are not eligible to participate in levelized billing. For information on rates (*i.e.*, power supply adjustment, community benefit, and regulatory) prior to this effective date, please see corresponding schedules in this tariff (if applicable). For definition of charges listed below, see "Glossary of Terms" at the back of this tariff.

Customers are advised to conduct their own independent research before deciding to participate in a pilot program. By participating in a pilot program, the customer also agrees to participate in Austin Energy's load research efforts by allowing the customer's data to be collected. Austin Energy's use of such load research data will be strictly limited to the provision of electric service. Austin Energy will not disclose, share, rent, lease, or sell such data to any third party or affiliate for any other purpose, without the customer's express written consent.

Customers receiving service under the Standard Rates under the General and Large General Service rate schedules may choose the following time-of-use power supply charges in lieu of the power supply adjustment rates to be applied for a term of no less than 12 consecutive billing cycles. If a customer elects to stop receiving service pursuant to this rider before the conclusion of the initial 12 consecutive billing cycles, Austin Energy will calculate what the customer's bills would have been using the applicable General and Large General Service power supply adjustment rates. If the application of these rates result in a higher bill, the customer will be back billed for difference between this higher amount and the amount paid pursuant to this rider. At Austin Energy's sole discretion, and during

extreme unforeseen circumstances, the customer may be allowed to prematurely stop receiving service pursuant to this rider without being back billed.

Rider Schedules:
Service under these rate schedules is eligible for application of the GreenChoice® Rider and either Non-Demand or Demand Value-Of-Solar Riders. Application of GreenChoice® Rider will be applied to all energy consumption in addition to applicable power supply charges.

Nights and Weekends

Power Supply Periods:

Weekdays	
Off-Peak	10:00 P.M. – 7:00 A.M.
On-Peak	7:00 A.M. – 10:00 P.M.
Weekends	
Off-Peak	Entire Day

Time-Of-Use Power Supply Charges

		Year-round
Power Supply Charges ($/kWh)		
Weekdays		
	Off-Peak	$0.00000
	On-Peak	$0.03904
Weekends		
	Off-Peak	$0.00000

Critical Peak Pricing

Power Supply Periods:

Weekdays	
Off-Peak	6:00 P.M. – 4:00 P.M.
On-Peak	4:00 P.M. – 6:00 P.M.
Weekends	
Off-Peak	Entire Day

Time-Of-Use Power Supply Charges

		Summer (June through September)	**Non-Summer** (October through May)
Power Supply Charges ($/kWh)			
Weekdays			
	Off-Peak	$0.02538	$0.02404
	On-Peak	$0.05908	$0.03877
Weekends			
	Off-Peak	$0.02538	$0.02404

Appendix B

Focus Group Discussion Questions

1. How many are familiar with their energy use throughout the day?
2. How many are familiar with or have heard of a TOU rate?
3. Austin Energy is considering a TOU rate for commercial customers that would essentially have the most expensive price for the Power Supply Adjustment cost between 3 – 6 pm. To receive maximum benefit from this type of rate, a commercial customer would need to reduce their consumption for these three hours.
    a. Based on this description, how interested would you be in participating in this rate?
    b. What would make this more appealing?
    c. Amount of energy saved?
    d. How much would you need to save?
    e. Amount of money saved?
    f. How much would you need to save?
    g. Different time of day?
4. What would you need to know to make the decision if a TOU rate was right for your company?
5. Let's talk for a moment about solar. How many of you currently have solar installed at your locations?
6. How do you think solar might impact the benefits of a TOU rate for your business?
7. If solar would be beneficial in a TOU rate, would you be more likely to install solar at your location? Why or why not?
8. Is there anything else you would like us to know as we continue to investigate this additional rate option?