

Demand Charges for Customers with 10-20kW Demand

Discussion, Analysis and Recommendation

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What is a Customer Class?

A customer class is defined as a group of customers that have similar usage patterns imposing similar costs on the utility

- Classes are important because they ensure that customers only pay their share of allocated costs. Its an issue of fairness.
- Examples of classes are residential, commercial and industrial
- Austin Energy further sub-categorizes commercial and industrial classes
 - General Service - Secondary Voltage
 - Large General Service - Primary Voltage
 - Transmission Service



Commercial Classification: Prior to 2012 Rate Review

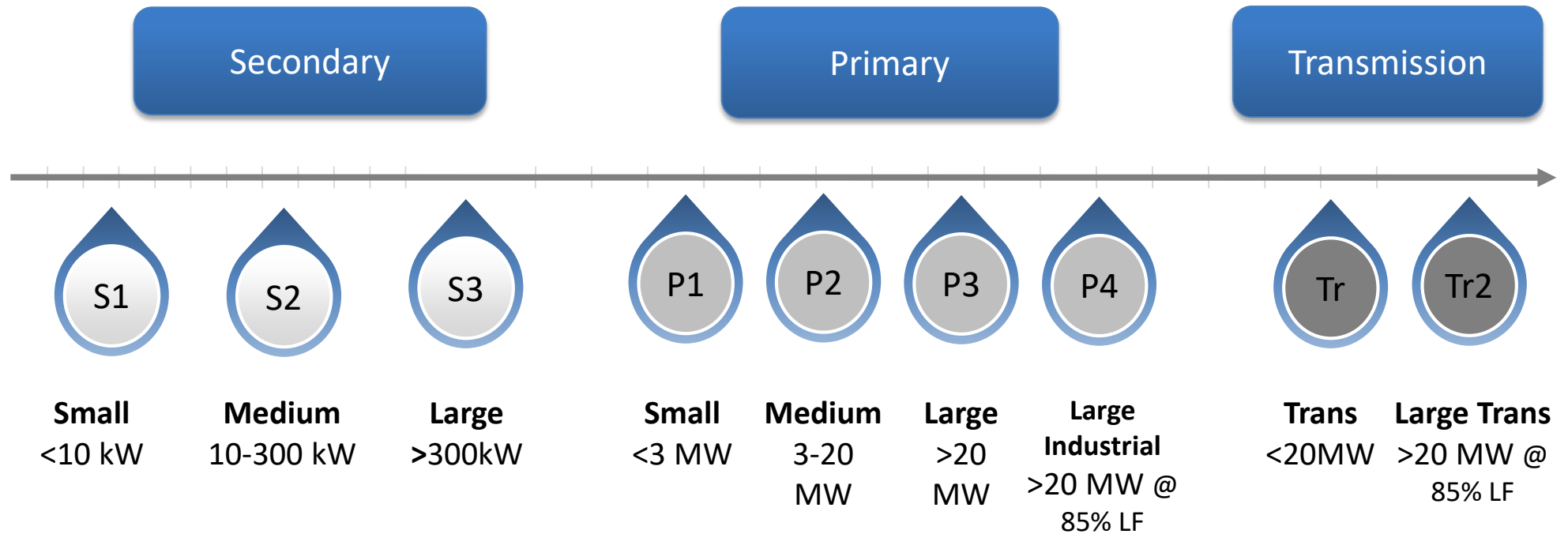
Large number of customer classes based mostly on who is using the energy

Available to all customers	General Service – Demand	General Service – Non-Demand	Primary Service	Primary Service – Secondary	Large Industrial Rate – Secondary
	General Service – Non-Demand Sports Lights	Street lighting and Traffic Signals	Security lighting and Outdoor Lighting		
Available to certain customers	Residential - Church	Water - Wastewater	Other - City	State General Service – Non-Demand	State General Service – Demand
	School General Service – Demand	Independent School Districts – TOU	State Primary Service	State Large Primary Service	
Available only to contract customers	Transmission	Large Industrial Rate – Primary	Large Industrial Rate TOU – Primary	Large Industrial Rate TOU – Secondary	Large Industrial Rate TOU – Transmission



Commercial Classification: After 2012 Rate Review

Fewer number of customer classes and based on how energy is used



Demand charge

Consumption charge



What is a Demand Charge?

The cost of always being ready

- Austin Energy needs to ensure that power is always available when our customers demand it
- When a customer's power (kW) usage is consistent, it allows Austin Energy to more efficiently manage the transmission and distribution of power
- The higher a customer's Load Factor (LF) the more efficient their usage is
- But regardless of the amount of power (kW) used, Austin Energy must plan for the highest possible usage – we must always be ready
- The cost of always being ready is the price of demand



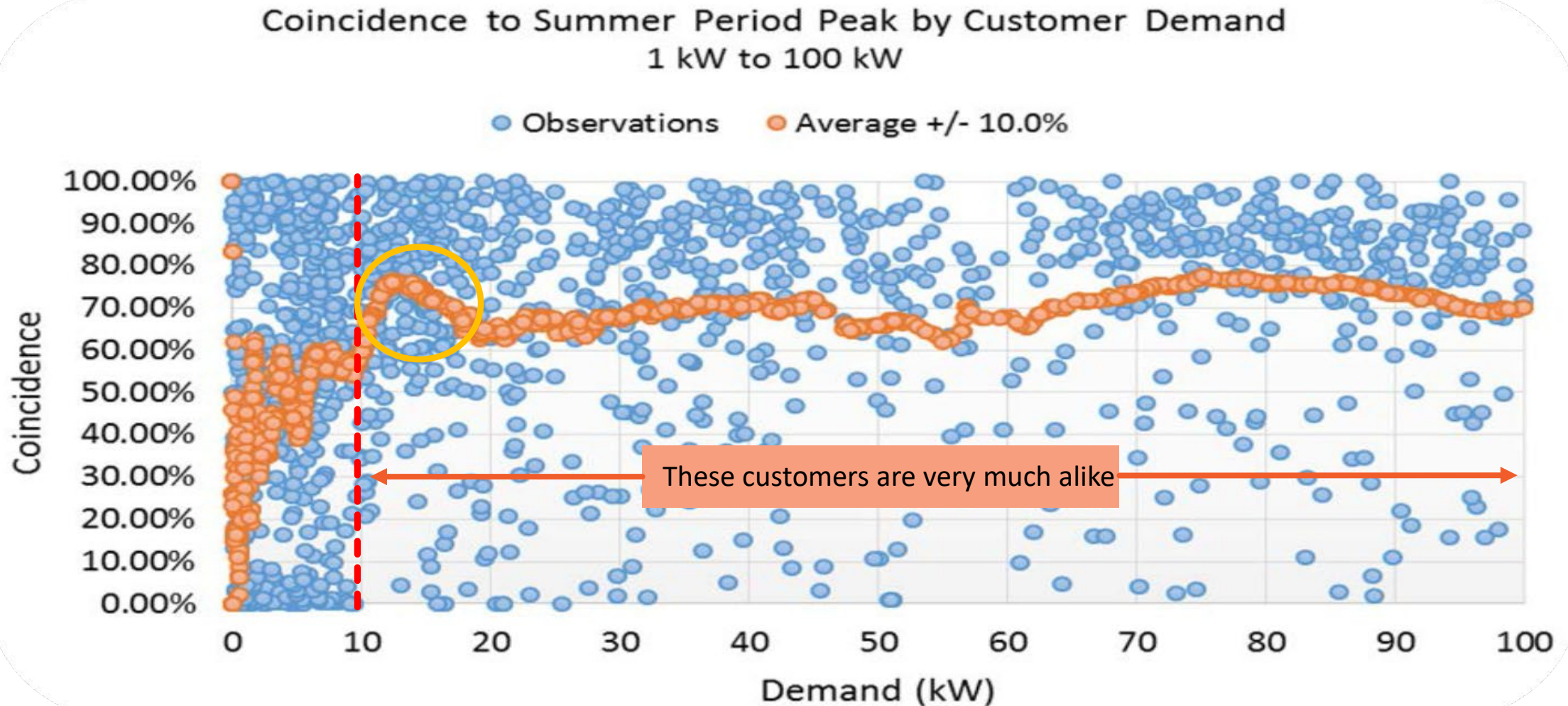
The Issue

- After the 2012 rate review, the SEC-1 class threshold was reduced from <20 kW to < 10kW
- Primary difference is that SEC-2 rates have demand charges while SEC-1 do not
- The <10 kW SEC-1 threshold was reviewed by an independent study and reaffirmed in the 2016 rate case
- Currently there are approximately 6,000 SEC-2 customers between the 10 kW to 20 kW threshold
- **Issue: Do these 6,000 customers use energy more like SEC-2 customers and should be assessed a demand charge or more like Sec-1 and assessed only an energy charge?**
- Austin Energy addressed this issue with City Council in 2017. The presentation can be found here <http://www.austintexas.gov/edims/document.cfm?id=274069>.

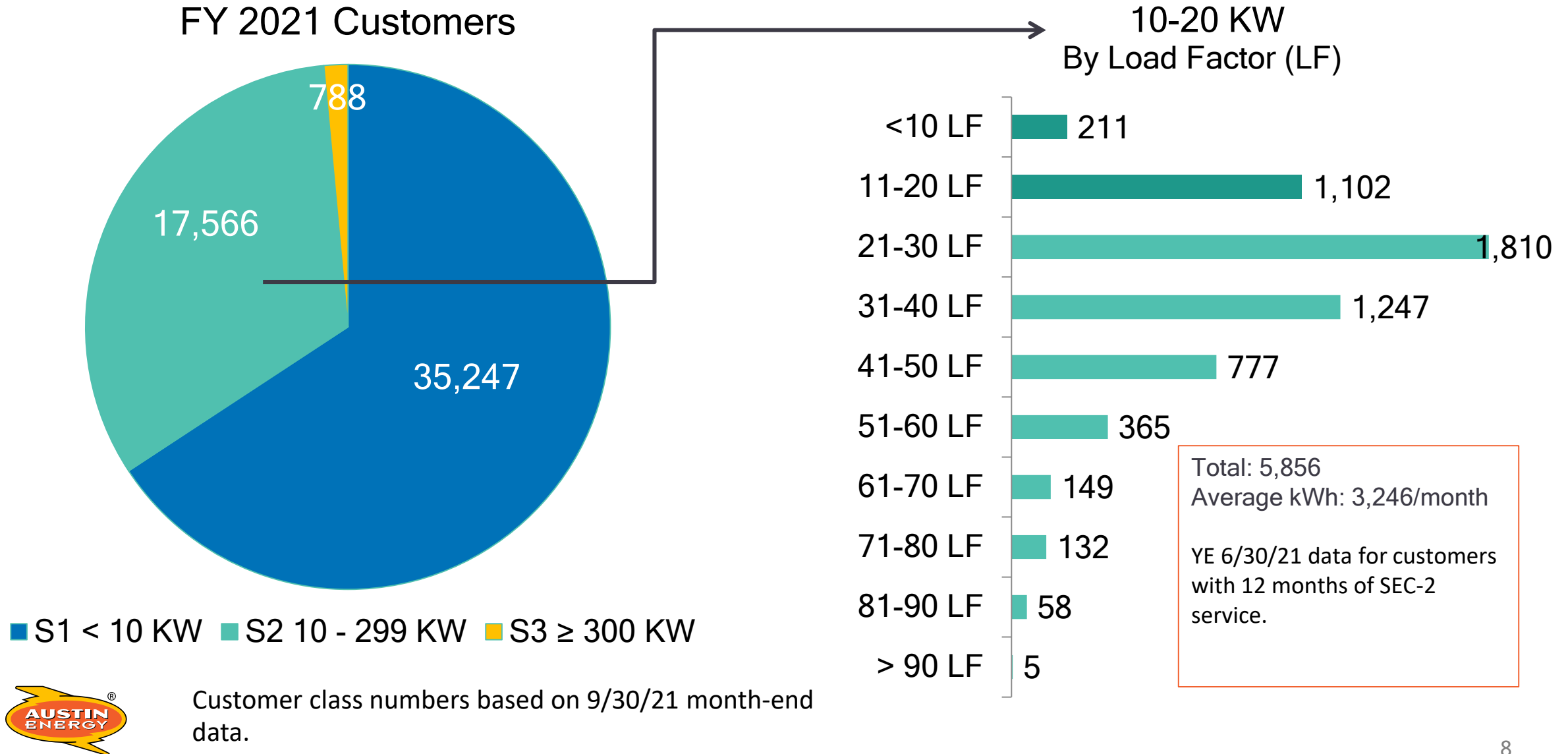


Independent Study by Outside Consultant

Review demand thresholds for commercial secondary customers



Customer mix: Secondary-voltage rate classes



How did Austin Energy analyze the issue?

1. Austin Energy analyzed two scenarios to address the 10-20 kW issue of customers subjected to demand charges
 - **1st Scenario** – Expand current SEC-1 class back to 20 kW
 - **2nd Scenario** – Create a new SEC-1 A class from 10 kW to 20 kW without demand charges
2. Approximately 6,000 customers impacted
3. The analysis was based on the following parameters:
 - Scenarios are revenue neutral
 - For the proposed 0 – 20 kW class, only customers with 12 months of continuous service in the same rate class were included
 - For the proposed 10-20kW class, SEC-2 customer charges remain constant
4. These analyses were performed in 2017 and in 2021



Scenario analysis results from 2021

Scenario 1: Expand SEC-1 to 20kW

- **91%** of customers receive a **bill increase** averaging 12% or approximately \$19/month
- **9%** of customers receive a **bill decrease** averaging 22% or approximately \$21/month
- All existing SEC-1 customers (0-10kW) get bill increases

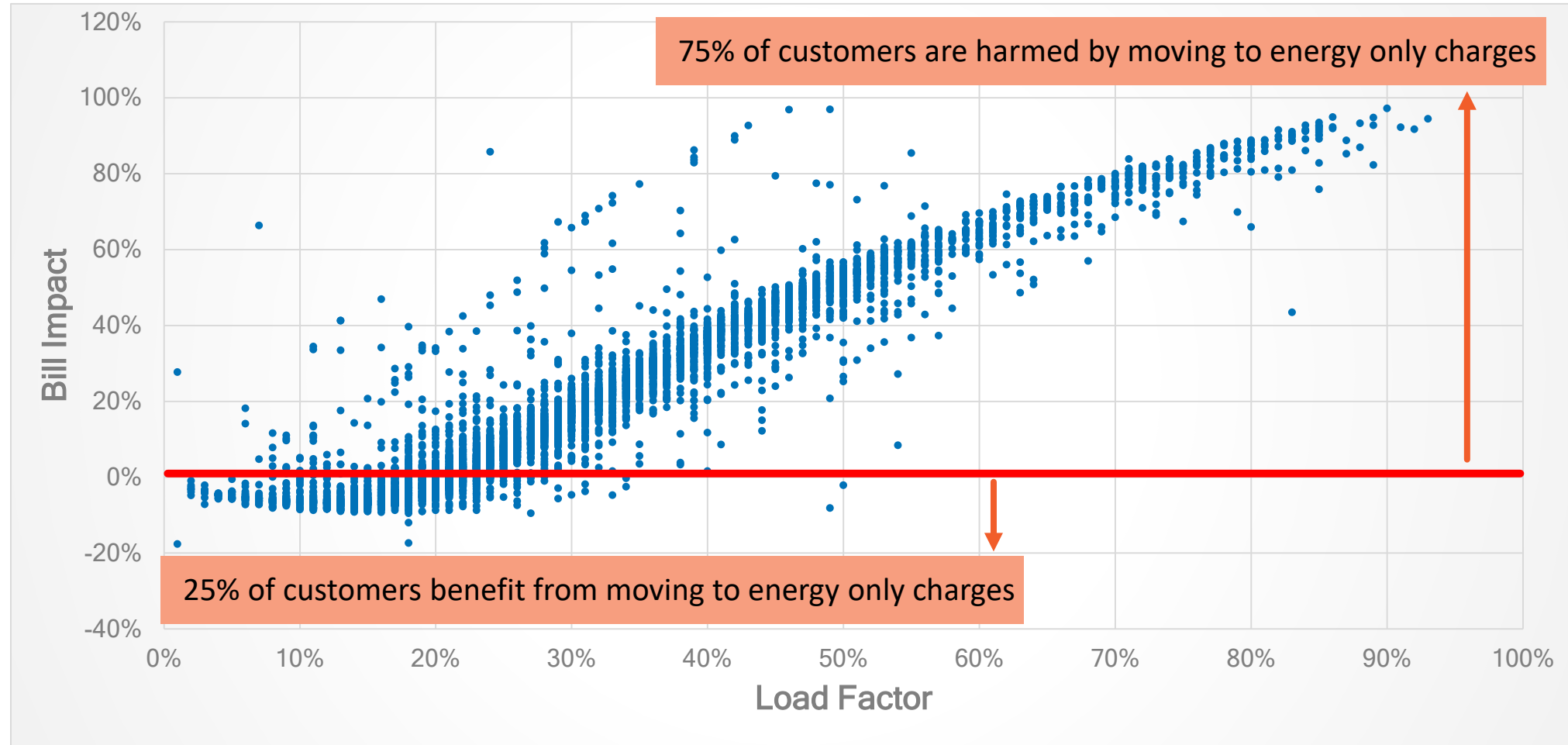
Scenario 2: Create a new 10-20 kW Class

- Energy only charges; no demand charges; 6K customers
- **75%** of customers receive a **bill increase** averaging 29% or \$78/month
- **25%** of the customers receive a **bill decrease** averaging 5% or \$7/month
- Low load factor customer receive a bill decrease while more efficient high load factor customers pay more



Scenario 2 Results: 10 – 20 kW Customer Class

Moving to energy only charges benefits low load factor customers



Observations

- Scenario analysis shows that 75% or more of the customers would receive higher bills
- This is not a customer driven initiative - no customers have expressed concerns regarding how customers are classified
- 10-20 kW customers have been assessed demand charges for nearly 10 years
- Current SEC-1 class is consistent with industry standards and technical evaluation of their energy use patterns
- Commercial customers have access to Austin Energy's expansive energy efficiency programs to help reduce costs



Austin Energy's Recommendation

Austin Energy staff recommends that the current class structures remain as designed and that the threshold for SEC-1 be reviewed during the next a rate review.





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