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May 31, 2022

VIA EMAIL

Rate Review Administrator
rate.filings2022@austinenergy.com

RE: Amendment to Austin Energy's Base Rate Filing Package

Attached please find an Amendment to Austin Energy's 2022 Base Rate Filing Package submitted on April 18, 2022. This Amendment proposes a new rate class for qualified high load factor commercial customers. The new class, titled "PRI-2 High Load Factor (HLF)" class, will be available to customers who take service at primary voltage at a load level greater than or equal to 3 megawatts (MW), but less than 20 MW, and whose monthly average load factor during the course of the year meets or exceeds 85 percent.

Along with this letter, Austin Energy is submitting a narrative describing the PRI-2 HLF class, new tariff language and a workpaper. A copy of these materials will be posted on the Rate Review Website, located at:

https://www.austintexas.gov/cityclerk/postings/ae_2022_base_rate_review.htm.


In order to allow for review of the Amendment, each participant or group of aligned participants may ask a total of 5 discovery requests related to the Amendment. Each question, subpart, request for production, and request for admission will count as a separate request. The discovery deadline for asking questions solely related to the Amendment will be extended until 12:00 p.m. on June 8. The discovery deadline for all other issues will remain June 1. Austin Energy will respond in writing to discovery requests related to the Amendment 7 days after the discovery request is submitted to the Rate Review Administrator. In addition, participants may submit position statements related solely to the Amendment no later than 12:00 p.m. on June 22. The deadline for submitting position statements on all other issues will remain June 15. Austin Energy will submit an updated procedural schedule detailing these changes.

Sincerely,



Thomas L. Brocato

Attachments



AMENDMENT TO AUSTIN ENERGY'S BASE RATE FILING PACKAGE

May 31, 2022





AMENDMENT TO AUSTIN ENERGY'S 2022 BASE RATE FILING PACKAGE

The purpose of this Amendment is to incorporate a new type of rate class into Austin Energy's Base Rate Filing Package, filed on April 18, 2022. Austin Energy is proposing a new High Load Factor Primary Voltage tariff that will be available to customers who take service at primary voltage at a load level greater than or equal to 3 megawatts (MW) but less than 20 MW (PRI-2), and whose monthly average load factor during the course of the year meets or exceeds 85 percent. This new system of charges creates a new rate class of Austin Energy customers, the PRI-2 High Load Factor (HLF) class.¹ All else equal, the creation of the new PRI-2 HLF rate class is not expected to lead to any changes in the level of base rate revenues that Austin Energy would recover. In other words, the changes made in this Amendment are "revenue neutral" with regard to base rates. For all rate classes, the rates proposed in Austin Energy's initial Base Rate Filing Package filed on April 18, 2022 are unaffected by this Amendment.

Austin Energy is designing the new PRI-2 HLF class for customers who exhibit steady loads and therefore utilize system resources more efficiently. The new system of charges is being proposed because it advances the important rate-making objectives of fairness, economic efficiency, and revenue stability.

¹ Load factor is a measure of how efficiently a customer uses Austin Energy's electric system. Load factor is calculated as average demand divided by peak demand.



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The new rate design advances the objective of fairness in two ways. First, it promotes consistency across rate classes. Currently, Austin Energy offers a high-load factor rate option to primary customers at a load size above 20 MW. The new charges for PRI-2 HLF customers make the same rate option available to primary customers at lower load levels but with similar load profiles. Second, fairness is also advanced because the PRI-2 HLF rate design will be closer to the unit costs for the PRI-2 HLF class, which means the demand charge and the customer charge assessed under the proposed rates will be closer to cost of service. Cost-based rates are fair because the charges on the customer's bill are a more accurate representation of what it costs Austin Energy to provide services to that customer.

Under the PRI-2 HLF rate option, economic efficiency is also advanced, by incentivizing customers to flatten their daily load curves, which promotes the efficient use of the overall system. A load curve is a plot of the level of a customer's load through the course of the day. A customer with a flat load curve exhibits a high load factor. Recognizing customers with high load factors with a distinct system of charges can incentivize primary-voltage customers to flatten their load shapes, which can also shift demand away from high cost, capacity-constrained peak times. Both behavioral responses can increase Austin Energy's system-wide load factor.

Finally, the PRI-2 HLF rate option promotes revenue stability for Austin Energy by reducing reliance on energy rates to recover capacity and customer costs (i.e., fixed costs). The new rate design aligns with one of the key issues to be addressed in this rate review: the need for systems of charges that promote Austin Energy's financial health by eliminating rate designs that cause customer bill instability and induce volatility in revenues and revenue erosion. The PRI-2 HLF rate design, described below, accomplishes this by increasing base rate cost recovery under the demand charge and the customer charges and decreasing cost recovery under the energy charge.

It is important to note that the PRI-2 HLF class's exemption from energy efficiency programs and energy efficiency charges is consistent with the treatment of Austin Energy's PRI-4 HLF rate class by recognizing that larger customers generally have sophisticated energy



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management programs, often have corporate mandates to manage energy use, and are capable of implementing their own energy efficiency measures.

Rate design for the PRI-2 HLF rate class is two-part, with a customer charge and a demand charge. The customer charge is set to the PRI-2 class's customer unit cost from the cost-of-service study. The PRI-2 customer unit cost represents the costs per customer per month that Austin Energy incurred to provide customer-related services to customers in the PRI-2 class during FY 2021. Customer-related services are those that vary directly with the number of customers, including the meter, billing systems, meter reading, bill rendering, customer records, and customer service. The second component of the PRI-2 HLF class's rate design is the demand rate, which is set to collect the remaining revenues assigned to the PRI-2 HLF class. The level of revenues used to design the rates is a subset of the PRI-2 rate class's target revenues, determined by calculating the amount of revenues that would have been collected from all high-load factor customers in the class under the PRI-2 HLF class's proposed rates as reflected in the April 18 Base Rate Filing Package. The proposed rates are as follows:



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Table 1-A: PRI-2 HLF Proposed Rates

Basic Charges	
<i>Customer (\$/month)</i>	\$6,363.00
Demand Charges (\$/kW)	
<i>Billed kW</i>	\$14.47
Energy Charges (\$/kWh)	
<i>Billed kWh</i>	\$0.00000
Power Supply Adjustment Charge (\$/kWh)	
<i>Billed kWh</i>	\$0.02811
Community Benefit Charges (\$/kWh)	
<i>Customer Assistance Program</i>	\$0.00079
<i>Service Area Lighting</i>	\$0.00122
Regulatory Charge (\$/kW)	
<i>Billed kW</i>	\$3.29

** Subject to annual adjustments through the budget process.*

Customers who take service under the PRI-2 HLF rate option will be required to sign a full-requirements contract with a three-year term during which rates remain unchanged, similar to Austin Energy's current PRI-4 HLF class. Customers under this rate option will not be eligible for Austin Energy's energy-efficiency programs and will not be assessed the energy-efficiency component of the Community Benefit Charge (CBC). However, the PRI-2 HLF rate class's Customer Assistance Program (CAP) and Service Area Lighting charges under the CBC will apply. CAP charges will be limited to a maximum of \$200,000 per account per year.

Attached to this Amendment to the Base Rate Filing Package are a legal cover letter, a new tariff for the PRI-2 HLF rate class, and the workpapers supporting the development of the rates.



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Austin Energy believes the changes incorporated in this Amendment align with its longstanding rate-making principles and will help to improve the long-term financial strength of the utility.



END OF AMENDMENT TO AUSTIN ENERGY'S 2022 BASE RATE FILLING PACKAGE

High Load Factor Primary Voltage (Demand greater than or equal to 3,000 kW and less than 20,000 kW)

These rates apply to any customer whose average monthly billed demand for power was greater than or equal to 3,000 kW and less than 20,000 kW and has an annual average monthly load factor of at least 85 percent.

Contract Term:

For a term ending at the end of the billing month that includes December 31, 2027, the customer shall enter into an exclusive sole supplier agreement to purchase its entire bundled electric service requirements for the facilities and equipment at the account service location, with an exception for on-site back-up generation and up to 1 MW of on-site renewable generation capacity. The City Manager or his designee may establish and agree to terms and conditions for a service contract consistent with this rate schedule.

Minimum Bill:

The minimum monthly bill is the highest billed demand established during the most recent 12-month billing period multiplied by the Demand Charge, in addition to any associated power supply charges.

Maximum Community Benefit Charges:

During the term of a service contract, Customer Assistance Program charges shall not exceed \$200,000 per account during any calendar year (prorated for any partial year). Energy Efficiency Services charges do not apply under this rate schedule. Service Area Lighting charges do apply under this rate schedule.

Terms and Conditions:

This schedule is effective through the end of the customer's billing month that includes December 31, 2027. Austin Energy may provide service under this schedule as a bundled entity or, if retail deregulation is implemented in its service area, as separate, unbundled entities. The customer is ineligible for participation in energy efficiency, retail demand response, and renewable energy incentive programs. Billed amounts due and owing shall incur a penalty of one percent per month until paid.

Average annual monthly load factor is the sum of the customer's load factor percentages for the previous twelve billing months divided by twelve, where load factor is calculated following the definition in the Glossary of Terms using metered demand. Verified reductions in energy consumption made in response to a request for Emergency Response Service or another demand response program operated by ERCOT shall be credited in calculating load factor. Dual Feed Service charges are not applicable to this rate schedule within the capacity utilization requirements provided in the Austin Energy Fee Schedule.

PSA and Regulatory Charge will be set in accordance with the appropriate rate schedule.

Basic Charges	
<i>Customer (\$/month)</i>	\$6,363.00
Demand Charges (\$/kW)	
<i>Billed kW</i>	\$14.47
Energy Charges (\$/kWh)	
<i>Billed kWh</i>	\$0.00000
Power Supply Adjustment Charge (\$/kWh)	
<i>Billed kWh</i>	\$0.02811
Community Benefit Charges (\$/kWh)	
<i>Customer Assistance Program</i>	\$0.00079
<i>Service Area Lighting</i>	\$0.00122
Regulatory Charge (\$/kW)	
<i>Billed kW</i>	\$3.29

First Amendment to Austin Energy's 2021 Electric System Rate Study

PRI-2 HLF Rate DesignProposed Rate Design

Customer Charge	\$ 6,363.00
Demand rate	\$ 14.47
Energy rate	\$ -

Total

Billing Units	Revenues
144	\$ 916,272
764,977	\$ 11,069,223
524,920,665	\$ -
	\$ 11,985,495

Target Revenues

	April 18th Filed rates	All PRI-2		PRI-2 HLF		PRI-2 Non-HLF		PRI-2 As-filed Unit Costs
		Billing Units	Revenues	Billing Units	Revenues	Billing Units	Revenues	
Customer Charge	2500	324	\$ 810,000	144	\$ 360,000	180	\$ 450,000	\$ 6,363.29
Demand rate	14	1,690,700	\$ 23,669,805	764,977	\$ 10,709,683	925,723	\$ 12,960,122	\$ 14.18
Energy rate	0.00175	966,000,494	\$ 1,690,501	524,920,665	\$ 918,611	441,079,829	\$ 771,890	\$ -
Unbilled energy (LSOFF)		33,687,090				33,687,090		
Power factor penalty		19,316	\$ 270,423	11,893	\$ 166,495	7,423	\$ 103,928	
Sub-Total			\$ 26,440,729		\$ 12,154,790		\$ 14,285,939	

Difference between target and proposed revenues \$ 2,800