AUSTIN ENERGY'S 2022 BASE RATE REVIEW	**§**	**BEFORE THE CITY OF AUSTIN**
	§	
	§	**IMPARTIAL HEARING EXAMINER**

AUSTIN ENERGY'S RESPONSE TO TEXAS INDUSTRIAL ENERGY CONSUMERS' THIRD REQUEST FOR INFORMATION

Austin Energy files this Response to Texas Industrial Energy Consumers' ("TIEC") Third Request for Information ("RFI") submitted on May 23, 2022.[1] Pursuant to the 2022 Austin Energy Base Rate Review Procedural Guidelines § F(2)(f)(1), this Response is timely filed.

Respectfully submitted,

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ATTORNEYS FOR THE CITY OF AUSTIN D/B/A AUSTIN ENERGY

[1] TIEC's Third Request for Information was submitted to the Rate Review Administrator after 12:00 pm on May 20, 2022, so it is considered submitted the following business day, on May 23, 2022.

TIEC 3-1: Referring to Schedule G-6:

a. Explain the rationale and provide documents supporting the use of the 12NCP method to allocate distribution plant and related expenses, including in your response why Austin Energy proposes this method despite the fact that the Public Utility Commission of Texas (PUC) has approved the use of 1NCP to allocate these costs for other ERCOT utilities.

b. Explain the rationale and provide documents supporting the use of the 12NCP method to allocate load dispatch expense, including in your response why Austin Energy proposes this method despite the fact that the PUC has approved the use of 1NCP to allocate these expenses for other ERCOT utilities.

c. Please provide every reason upon which Austin Energy relies for using ERCOT 12CP to allocate production demand costs rather than using A&E/4CP as approved by the PUC for non-ERCOT vertically integrated utilities in Texas.

d. Please provide every reason upon which Austin Energy relies for using ERCOT 12CP to allocate production demand costs rather than the Austin Energy System 12CP.

e. Explain the rationale for allocating ERCOT Administration Fees on the NEFL allocator.

f. Explain the rationale for recovering production energy-related costs allocated to customer classes equipped with demand meters through the demand charge rather than the energy charge.

g. Explain the rationale for allocating energy efficiency program and service area street lighting costs to all customer classes using the Rev Req x COA Lights allocator. How are these allocations consistent with the following provision in the Primary Voltage ≥ 20 MW and Transmission customer classes: Charges for Service Area Lighting (SAL) and Energy Efficiency Services (EES) do not apply under this rate schedule.

h. Provide workpapers showing the derivation of and explain the basis for the Key Acct allocator.

i. Explain how the use of the Key Acct allocator reflects the benefits from economic development.

ANSWER:

a. The NCP allocation method recognizes that distribution infrastructure is sized to meet the localized maximum demands on the system. These localized demands are best measured by class non-coincident peaks. Use of a 12NCP method recognizes that distribution capacity provides value to customers throughout the year – not just during the peak hour or the summer peak months. Because the NCP is calculated at the class level, off peak or seasonal customers may not be fully accounted for in a 1NCP calculation. Use of a 12NCP calculation improves the ability to capture these loads.

b. The NCP allocation method recognizes that load dispatch is a fixed cost on the system. Use of a 12NCP method recognizes that load dispatch provides value to customers throughout the year – not just during the peak hour or the summer peak months. Because the NCP is calculated at the class level, off peak or seasonal customers may not be fully accounted for in a 1NCP calculation. Use of a 12NCP calculation improves the ability to capture these loads.

c. See Austin Energy's Response to NXP 1-8.

d. See Austin Energy's Response to NXP 1-8.

e. This cost is completely recovered through the Regulatory Charge, rather than base rates. Thus, regardless of how this cost is allocated in the Base Rate Review, it will have no impact on base rates.

f. All costs that are identified as production energy-related in the Base Rate Filing Package are recovered in a pass-through charge and, therefore, are outside the scope for this Base Rate Review. Thus, Austin Energy is not aware of any production energy-related costs that are recovered through base demand charges.

g. The energy efficiency program and service area street lighting costs are recovered through the Community Benefit Charge. Thus, regardless of how this cost is allocated in the Base Rate Review, it will have no impact on base rates.

Also, please see Austin Energy's Response in Technical Conference #2 (time stamp 51:20 to 54:07) via the following link: https://austintx.new.swagit.com/videos/174228

h. See Work Paper D-1.2.4.1. The key account allocator has been developed based on the estimated time of key accounts staff associated with assisting each customer class.

i. Economic development covers a number of activities to assist with creating, attracting and retaining small and large businesses in Austin. One of the goals is to increase jobs and investment in Austin with programs that support business expansion and attraction. These activities accrue to the benefit of local businesses. Thus, the key account allocator aligns the cost responsibility for supporting these activities with the businesses served by Austin Energy.

Prepared by: GR

Sponsored by: Grant Rabon

TIEC 3-2: Referring to Schedule G-7, explain why Nacogdoches O&M and debt service costs are being recovered in the Power Supply Adjustment, rather than base rates.

ANSWER: Austin Energy entered into a 20-year Power Purchase Agreement (PPA) with Nacogdoches Power, LLC for 100 MW of biomass energy, and the plant became commercially operational in 2012. The costs of the PPA included an escalating capacity payment, energy payments based on production, and fuel costs. These costs were recovered in the Power Supply Adjustment (PSA) and, therefore, were excluded from the General Fund Transfer (GFT) calculation. In 2019, Austin Energy purchased Nacogdoches Power, LLC. Austin Energy sold revenue bonds that retire in 2032, matching the timeframe of the PPA. The asset purchase included the physical plant as well as the existing PPA. By purchasing Nacogdoches Power, LLC, Austin Energy could swap the escalating capacity payment and energy payment and replace it with fixed-price debt service and O&M contract, thereby avoiding approximately $300 million in future PSA costs between 2019 and 2032. Austin Energy is obligated to maintain operations at the plant through December 31, 2022, in compliance with a 313 Agreement between Nacogdoches Power, LLC and the Cushing Independent School District.

By leaving the Nacogdoches plant-related costs in the PSA rather than moving them to base rates, Austin Energy customers do not pay these costs as part of the calculation for the GFT. In addition, if the plant is not economical to operate after December 21, 2022, Austin Energy has the flexibility to cease operations or sell the plant and lower the PSA immediately by the associated amount, thereby benefiting our customers. If the costs were shifted to the base rates, those costs would continue to be collected in base rates until the following Base Rate Review.

Prepared by: MD

Sponsored by: Mark Dombroski

TIEC 3-3: Confirm that Austin Energy would achieve a 2.7 times Debt Service Coverage ratio under the proposed rates. If not confirmed, quantify the Debt Service Coverage ratio under the proposed rates.

ANSWER: Not confirmed. Austin Energy estimates the debt service coverage resulting from the proposed base rates will be approximately 2.35 times (as approximated in the table below) based on the information contained in the Base Rate Filing Package.

Note: There can be nuanced differences in the components used in the calculation of debt service coverage depending on who is performing the calculation (e.g., credit rating agencies, Austin Energy, etc.) and the intended purpose of the calculation (e.g., GAAP financials, debt covenant or financial policy compliance, etc.).

Base Revenues (proposed base rates)	$ 691,986,641
Pass-Through Revenues	506,296,114
Other (net of bad debt)	172,601,937
Total	$ 1,370,884,691
Operating Expenses (excluding depreciation)	$ 997,736,055
Funds Available for Debt Service	$ 373,148,637
Debt Service	$ 158,458,228
Debt Service Coverage Ratio	**2.35**

Prepared by: GR

Sponsored by: Grant Rabon

TIEC 3-4: Explain why Austin Energy requires a higher Debt Service Coverage ratio than other AA-rated municipal utilities providing retail electricity service.

ANSWER: Austin Energy does not require a higher debt service coverage ratio than other AA-rated municipal utilities. Austin Energy sets rates in accordance with Financial Policy #17 found on page 21 of Appendix B in the Base Rate Filing Package and its Master Ordinance. The relevant portion of the Master Ordinance can be found on page 8 of Austin Energy's bond issue of $227,495,000 Electric Utility System Revenue Refunding and Improvement Bonds, Series 2020A (see link below).

https://assets.austintexas.gov/financeonline/finance/downloads/AE_2020AB_FOS.pdf

Austin Energy's debt service coverage ratio, along with AA-rated peer utilities, can be found in the Fitch Peer Review found in Appendix L of the Rate Filing Package, page 587.

Prepared by: RM

Sponsored by: Rusty Maenius

TIEC 3-5: Provide a copy of Austin Energy's analysis of the impact of Winter Storm Uri on its test-year energy sales and base revenues.

ANSWER: No responsive document exists. There was no impact on Austin Energy's test year energy sales and base revenues from Winter Storm Uri. Energy sales are weather normalized and current rates are applied to the weather normalized sales to calculate test year revenues.

Prepared by: JHO

Sponsored by: Grant Rabon

TIEC 3-6: Provide a schedule showing the number of customers, energy sales, and base revenues by customer class for fiscal years 2017 through 2020.

ANSWER: See tables below.

# of Customers	FY2017	FY2018	FY2019	FY2020
Residential	421,752	433,411	443,792	454,616
Secondary 1	32,231	32,789	33,245	33,807
Secondary 2	16,539	17,935	18,139	18,151
Secondary 3	1,946	835	842	839
Primary 1	75	79	80	80
Primary 2	22	25	27	28
Lighting	82	78	78	82
Contract/TES/Trans/Highload	54	52	55	56
Total	**472,701**	**485,204**	**496,258**	**507,660**

kWh in millions	FY2017	FY2018	FY2019	FY2020
Residential	4,354	4,613	4,577	4,722
Secondary 1	309	313	319	304
Secondary 2	2,303	2,766	2,749	2,561
Secondary 3	2,800	2,372	2,442	2,293
Primary 1	317	374	299	313
Primary 2	758	780	853	842
Lighting	57	57	57	57
Contract/TES/Trans/Highload	2,086	2,134	2,150	2,170
Total	**12,983**	**13,410**	**13,446**	**13,262**

Base Revenue in thousands	FY2017	FY2018	FY2019	FY2020
Residential	247,936	277,358	273,641	276,690
Secondary 1	21,297	21,879	22,356	21,741
Secondary 2	123,510	146,453	146,482	138,303
Secondary 3	126,971	105,389	108,247	102,684
Primary 1	8,719	10,339	8,015	8,145
Primary 2	18,355	18,522	18,975	19,025
Lighting	1,336	1,337	1,327	1,156
Contract/TES/Trans/Highload	50,462	48,036	49,551	49,762
Total	**598,586**	**629,313**	**628,594**	**617,507**

Prepared by: MG

Sponsored by: Monica Gonzalez

TIEC 3-7: Identify the specific energy efficiency, green building and solar programs associated with the expenses shown on WP D-1.2.4.3.

ANSWER: See Attachment TIEC 3-7.

Prepared by: MA / MM

Sponsored by: Grant Rabon

MEGA_BUSINESS_UNIT	BUSINESS_UNIT	ORGN	ORGN_NAME
Customer Energy Solutions	Energy Efficiency Services	1127	Advertising-Conservation
Customer Energy Solutions	Green Building and Technologies Group	2437	Green Building Prgm
Customer Energy Solutions	Green Building and Technologies Group	2439	Green Building-Residential
Customer Energy Solutions	Green Building and Technologies Group	2441	Green Building-Commercial
Customer Energy Solutions	Green Building and Technologies Group	2443	Green Building-Evaluation & Development
Customer Energy Solutions	Energy Efficiency Services	2450	DSM Management
Customer Energy Solutions	Energy Efficiency Services	2451	DSM Program Mgmt
Customer Energy Solutions	Energy Efficiency Services	2452	DSM Program Support
Customer Energy Solutions	Energy Efficiency Services	2453	DSM Solar Program
Customer Energy Solutions	Energy Efficiency Services	2454	EES Technical Support
Customer Energy Solutions	Energy Efficiency Services	2455	DSM Commercial/MultifamilyPrgm Mgmt
Customer Energy Solutions	Conservation Rebates & Incentives	6500	AE Weatherization- D.I.
Customer Energy Solutions	Conservation Rebates & Incentives	6510	Multi-Family Rebates
Customer Energy Solutions	Conservation Rebates & Incentives	6515	Multi-Family WX-D.I.
Customer Energy Solutions	Conservation Rebates & Incentives	6520	Loan Options
Customer Energy Solutions	Conservation Rebates & Incentives	6590	Commercial-Exisit Construction
Customer Energy Solutions	Conservation Rebates & Incentives	6600	Small Businesses
Customer Energy Solutions	Conservation Rebates - Solar Program	6690	Solar Program
Customer Energy Solutions	Conservation Rebates - Solar Program	6691	Solar PV Performance Based Incentive Program
Customer Energy Solutions	Conservation Rebates & Incentives	6720	Residential Power Partner-Aggr
Customer Energy Solutions	Conservation Rebates & Incentives	6730	Load Coop
Customer Energy Solutions	Conservation Rebates & Incentives	6760	Home Performance w Energy Star
Customer Energy Solutions	Conservation Rebates & Incentives	6765	School Based Education
Customer Energy Solutions	Conservation Rebates & Incentives	6770	Appliance Efficiency Program
Customer Energy Solutions	Conservation Rebates & Incentives	6775	Water Heater Timers
Customer Energy Solutions	Conservation Rebates & Incentives	6820	SPUR Strategic Partnership wUtilities & Retailers
Customer Energy Solutions	Conservation Rebates & Incentives	6840	AE Weatherization Rollover D.I.

TIEC 3-8: Explain how the societal and policy initiative benefits associated with the proposed Value of Solar tariff will be recovered from customer classes

ANSWER: These are proposed to be recovered through the Energy Efficiency Services component within the Community Benefit Charge.

Prepared by: TH / GR

Sponsored by: Tim Harvey

TIEC 3-9: Provide a detailed breakdown of the test-year economic development expenses by activity.

ANSWER: The table below outlines the FY 2021 expenses related to economic development by activity:

Fiscal Year	Unit	Object	Amount
2021	Interfund Transfers-Electric	Trf to Economic Development	$8,367,233

Prepared by: NK

Sponsored by: Mark Dombroski