

Coalition for Clean, Affordable, and Reliable Energy's Statement of Position

The Coalition for Clean, Affordable, and Reliable Energy ("CCARE") believes Austin Energy should establish affordable rates for each customer class. However, we have identified elements of the utility's proposed Tariff Package that are at odds with this goal by inflating base electric rates. As such, we recommend the Impartial Hearing Examiner reconsider the test-year revenue requirement and make revisions based on the Class Cost of Service Study.

Austin Energy overstated its test-year revenue requirement by increasing the general fund transfer to the maximum allowed under the City's Financial Policies and to a level that exceeds recent transfers. Additionally, AE overstated its revenue requirement by proposing to fund 50% of its construction needs with cash and 50% with debt. Austin Energy also overstated its revenue deficiency because it did not adjust the test-year sales and base revenues to account for widespread customer outages during Winter Storm Uri. Therefore, CCARE urges the IHE to:

- Reduce the General Fund Transfer (GFT) by \$11 million.
 - AE's proposed GFT is \$121 million; i.e., 12% of the proposed operating revenue.
 - Historically, the GFT is \$110 million, with a historical average of 7.8% of operating revenues.
 - AE has not provided any justification for increasing the GFT, and it should be reduced to \$110 million, which is 10.9% of the proposed operating revenue.
- Reduce internal cash funding to 40%.
 - AE proposed a capital structure of 50% debt and 50% equity for its construction projects. To take advantage of low-cost debt and reduce costs for customers, AE should fund 60% of its construction budget with debt. The increase in costs from higher debt is lower than the cost of using more cash.

Reducing the GFT by \$11 million and reducing internal cash funding to 40% complies with Austin Energy's Financial policy, wherein AE will be able to maintain its credit rating of AA. The reductions will keep the Debt Service Coverage Ratio above AE's target of 2.0x, and funding 60% of AE's construction budget with debt falls within the range of debt ratios prescribed in AE's Financial Policies.

Additionally, Austin Energy's Class Cost of Service Study (CCOSS) departs from industry practice and longstanding Public Utility Commission of Texas (PUCT) precedent in several ways. Major revisions are required to make Austin Energy's CCOSS consistent with cost-causation. CCARE recommends the IHE adopt the following changes:

- The Average and Excess Demand-Four Coincident Peak (AED-4CP) method should be used to allocate production demand-related costs, rather than ERCOT-12CP. AED-4CP has been approved by the PUCT for decades, including for vertically integrated utilities

operating in wholesale markets like ERCOT (as Austin Energy does). AED-4CP is the proper allocation methodology for utilities that peak in the summer like Austin Energy. A 12CP type of methodology would be more appropriate for utilities that peak uniformly throughout the 12 months, which is not the situation in Texas, as the PUCT has long recognized.

- The 1-NCP method should be used to allocate distribution demand-related costs, rather than using 12 NCP. The PUCT has consistently approved the 1-NCP method for these costs because it is consistent with cost-causation principles. The distribution system must be sized to meet the maximum expected peak demand, rather than the average 12-NCP load.
- The CCOSS should recognize that all High Load Factor Primary Voltage class customers take Primary Substation Service, so costs related to primary voltage poles, lines, conductors, and related facilities should not be allocated to this class, consistent with cost-causation principles. Primary substation customers take service directly from a substation and do not use the distribution network. Accordingly, Primary substation customers should not be allocated any costs for that network. Austin Energy's CCOSS fails to recognize this and allocates distribution network costs to Primary substation customers just like any other distribution customers.

These changes alone would reduce Austin Energy's overall request by millions of dollars, thereby decreasing the impact on all customer classes. You will find that this statement is consistent with the position of Texas Industrial Energy Consumers, as well as other industrial and commercial energy customers across the City.

Thank you to each Intervenor for promoting fair base rates across Austin Energy's service territory, and thank you to the IHE for making this process as objective as possible.

Respectfully submitted on June 22, 2022.

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Certificate of Service

I, Hayden Baggett, Authorized Representative for CCARE, hereby certify that a copy of this document was served on all parties of record in this proceeding on this 22nd day of June, 2022 by electronic mail, facsimile, and/or First Class, U.S. Mail, Postage Prepaid.

/s/ Hayden Baggett

Hayden Baggett