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

2WR's 2nd Responses to Austin Energy's 1st RFIs

To: Austin Energy:

Included are 2 Women Ratepayers (2WR) answers to Austin Energy's 1st RFIs.

Respectfully submitted on June 28, 2022

/s/ Lanetta M. Cooper

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Certificate of Service

The undersigned certifies that 2WR has served a copy of this 2nd Amended Certificate of Service upon all known parties of record and the filing clerk by email on the 28th day of June, 2022.

/s/ Lanetta M. Cooper

2WR's Response to AE's 1st RFI No. 1

AE1-1: Regarding page 4: AE1-1: Regarding page 4: a. Please explain your position that non-electric revenue or expense are comingled within the base revenue requirement. b. Please explain what "almost $20 million subsidization" is referenced and how it impacts the base revenue requirement. c. Please confirm Austin Energy has not included the replenishment of financial reserves as a component in its revenue requirement.

2WR Response

a. Please explain your position that non-electric revenue or expense are comingled within the base revenue requirement.

   The TY2021 reference is in error. The proper reference is FY2021. 2WR's statement of position did not state that the non-electric revenue or expenses was commingled within the base revenue requirement. The last three sentences of the section regarding the non-electric business on p.4 reads as follows: "In this case, AE addressed the subsidy issue for purposes of calculating the TY net revenues for setting rates. But at the same time, it included the subsidy costs to portray a utility losing money in a significant enough amount to justify drastic changes to residential rate design. Not a good public policy moment."

   During FY2021 AE ratepayers paid rates whose revenues already impacted by winter storm Uri and the Pandemic rate discounts covered the subsidy AE's non-electric business incurred during FY2021. The 2020 and 2021 financial data were "based on unadjusted revenues and cost data." AE Response to 2WR's 1st RFI No.1-16. This data was used by AE, not for purposes of setting rates, but to justify drastic rate design changes. See Figure 7-23, AE Response to 2WR's 1st RFI Nos. 1-15 and 1-16. It was data that was used before the City Council to argue that the Customer charge needed to be at 250% of its current level and that rate tiers needed to be reduced with the initial tier cut in half. Rate design is a significant issue in this rate case. AE's proposed changes cause huge increases within and among residential customers.

   The subsidization occurring in FY2021 raises more than the significant issue of rate design, it also raises the issue of why should ratepayers' revenues be used to subsidize non-utility business. Is FY2021 an anomaly or has AE ratepayers been subsidizing this business in previous FYs. Subsidization means that AE ratepayers receive no benefit be it a future share in the profit or a repayment of at best characterized as a forced no interest loan from the non-utility business. At the very least, AE ratepayers should be repaid for this subsidy. Consequently, costs and revenues should be tracked for this non-utility business and the subsidies should be tallied to determine either AE ratepayer's share of the business for purposes of profit sharing or to repay the ratepayers for the forced loan.

   Lastly, 2WR acknowledges and agrees with TIEC witness LaConte's pre-filed testimony that AE's debt service coverage calculation for purposes of determining the revenue requirement includes a subsidy to AE's non-utility business. See, pre-filed TIEC LaConte's testimony at p. 10, and AE Supplemental Response to TIEC 3rd RFI No. 3-3. Removing AE's non-utility business expenses, revenues, and debt service from AE's calculation raises AE's debt service coverage to 2.5. *Id.* Using the data AE relied upon in its Response to TIEC 3rd RFI No.3-3, the business operations of the non-utility business show a debt service coverage of approximately .67. Logically this means, AE ratepayers are asked to not only use its proposed TY 2021 rates to meet the financial policy of 2X debt service ratio, but they are being asked to pay a portion of AE's non-utility's mortgage, the non-utility's debt service. This is subsidization.

b. Please explain what "almost $20 million subsidization" is referenced and how it impacts the base revenue requirement.

Please see 2WR's answer to AE RFI No. 1-1(a) above.

c. Please confirm Austin Energy has not included the replenishment of financial reserves as a component in its revenue requirement.

2WR can neither confirm nor deny this statement because they did not address this issue. 2WR only addressed the financial reserves to counter AE's argument that the current rate design is causing AE to turn to its reserves to address the gap between base revenues and costs. 2WR pointed out that AE decreased its reserves to transform a power supply contract with a power plant owner to buying the power plant and becoming the owner. This $27 million decrease to reserves is one reason for the declining reserves AE addressed in Fig. 7-23 in its rate-filing package to justify radical rate design changes. This graph set out in Fig. 7-23 was used before the City Council and the EUC as proof that radical residential rate design changes needed to be made.

Prepared by: Lanetta Cooper

Sponsoring witness: Lanetta Cooper

2WR's Response to AE 1st RFI No. 1-2

AE1-2: Regarding page 8, which specific incremental costs Austin Energy identified as related to new customers are "clearly costs that are supposed to be recovered by CIAC?"

At page 99 of its rate-filing package, AE provides a list of incremental costs it incurs when it adds a new customer. Within that list, AE identified "meters" as an incremental cost. Meters are a cost that is supposed to be paid by CIAC. Other costs not listed but are part of the "slew of other services that cause AE to incur incremental costs" (See p. 99, rate-filing package) are meter installation costs and service drops. Both of these costs are supposed to be paid for with CIAC.

Prepared by: Lanetta Cooper

Sponsoring witness: Lanetta Cooper