

**AUSTIN ENERGY'S  
2022 BASE RATE REVIEW**

§     **BEFORE THE CITY OF AUSTIN**  
§  
§     **IMPARTIAL HEARING EXAMINER**

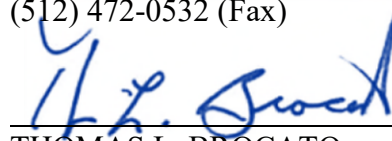
**AUSTIN ENERGY'S RESPONSE TO TEXAS INDUSTRIAL ENERGY CONSUMERS'  
SEVENTH REQUEST FOR INFORMATION**

Austin Energy files this Response to Texas Industrial Energy Consumers' ("TIEC") Seventh Request for Information ("RFI") submitted on July 8, 2022. 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**

TIEC 7-1: From page 25 of Scott Burnham's rebuttal testimony, please provide the following:

- a. An estimate of the costs incurred by Austin Energy to install and maintain the primary distribution poles and lines to serve each of the Primary  $\geq$  20 MW customers up to the POI.
- b. Any analysis comparing the costs of the facilities identified in part a with the portion of primary substations, poles, and conductors allocated to the Primary  $\geq$  20 MW customer class as proposed by Austin Energy in its test-year class cost-of-service study.
- c. Citations supporting the statement that "it is common ratemaking practice to recover system costs on a class average basis regardless of the physical location of the interconnection."

ANSWER:

- a. Austin Energy does not maintain distribution pole cost by customer type.
- b. Austin Energy does not maintain distribution pole cost by customer type.
- c. It is common ratemaking practice to recover system costs on a class average basis regardless of physical location of the interconnection because physical location of the interconnection is not a common cost of service differentiator. This is due to (i) the integrated nature of the transmission and distribution systems and the value of a redundant system in providing customers highly reliable service, (ii) lack of supportable accounting information that provides utility investment at different physical points across the system, and (iii) undue discrimination that would occur if a physical or geographic rate was developed for one customer and not others. Customer classes and associated rates are determined to recover embedded system costs over similarly situated customers within the metrics of customer size, delivery voltage, and usage characteristics.

Industry quotations supporting this reality are as follows:

NARUC Electric Cost Allocation Manual, page 12

"The cost principle applies not only to the overall level of rates, but to the rates set for individual services, **classes of customers**, and segments of the utility's business". Cost studies are therefore used by regulators "To attribute costs to different categories of **customers based on how those customers cause costs to be incurred.**" (Emphasis added)

NARUC Electric Cost Allocation Manual, Page 22

C. Allocation of Costs Among Customer Classes

"After the costs have been functionalized and classified, the next step is to allocate them among the customer classes. To accomplish this, the customers served by the utility are separated into several groups based on **the nature of the service provided and load characteristics.** The three

principal customer classes are residential, commercial, and industrial. It may be reasonable to subdivide the three classes **based on characteristics such as size of load, the voltage level at which the customer is served and other service characteristics such as whether a residential customer is all-electric or not.**" (Emphasis added)

Cost of Service Procedures for Public Power Systems: A Cost Allocation Manual. By Economic and Engineering Services, Inc. for the American Public Power Association (APPA). Circa 1982. Page V-2 (Chapter V: Rate Simplification)

A customer class of service, properly defined, will be one whose customers:

1. Have similar demand and energy requirements (load patterns)
2. Have similar electric facilities requirements
3. Are served at the same voltage levels (or within a predefined range of voltage levels).
4. Have similar uses of electricity

Prepared by: SB / MG

Sponsored by: Scott Burnham

TIEC 7-2: Regarding the rebuttal testimony of Grant Rabon at 25, please provide the General Fund Transfer as a percentage of revenues excluding Power Supply Adjustment costs and non-electric costs for the years 2018, 2019, and 2020.

ANSWER: Please see the below table.

**GFT % of Revenue (net of Power Supply & District Cooling)**

Fiscal Year	%	General Fund Transfer	Revenue
2018	11.8%	109,000,000	924,364,956
2019	11.9%	110,000,000	925,530,416
2020	12.0%	111,000,000	927,477,529

Prepared by: MG

Sponsored by: Monica Gonzalez

TIEC 7-3: Referring to Austin Energy's response to ICA 2-3, please confirm that the Total Operating Revenues for 2018, 2019 and 2020 include Power Supply Adjustment costs and non-electric costs. If not confirmed, please provide the Total Operating Revenue excluding Power Supply Adjustment costs and non-electric costs.

ANSWER: The table from Austin Energy's Response to ICA 2-3 includes Power Supply Adjustment Costs and non-electric revenue. The below table excludes these.

**GFT % of Revenue (net of Power Supply & District Cooling)**

Fiscal Year	%	General Fund Transfer	Revenue
2018	11.8%	109,000,000	924,364,956
2019	11.9%	110,000,000	925,530,416
2020	12.0%	111,000,000	927,477,529

Prepared by: MG

Sponsored by: Monica Gonzalez

TIEC 7-4: Provide a copy of all City Council ordinances approving the 12% General Fund Transfer rate and 50% internal cash funding for Fiscal Years 2021 and 2022 and explain whether the City Council could modify any such ordinances in the ordinance adopting any rate change that results from this rate review.

ANSWER: Please refer to the following links for the City Council's annual budget approval of the 12% GFT transfer (based on a three-year average, including CYE).

GFT–The annual budget adoption is the source document for the General Fund Transfer. All budget documents may be found at Austin Finance Online (austintexas.gov), dating back to FY 2010 ([https://financeonline.austintexas.gov/afo/afo\\_content.cfm?s=1](https://financeonline.austintexas.gov/afo/afo_content.cfm?s=1)). For FY 2022, see pages 203 and page 584.

50% internal funding for cash–The ordinance supporting the 50% target for funding may be found at this link: 20120607-055, Ordinance (austintexas.gov) (<https://www.austintexas.gov/edims/document.cfm?id=171787>).

Part 7 states:

PART 7. The Council adopts a policy of targeting a debt-to-equity ratio of 60/40 for financing electric utility capital projects until October 1, 2014, and reaffirms the current long-term policy of maintaining a 50/50 ratio.

City Council has authority to amend its prior ordinances adopting a budget with a 12% GFT and stating a policy of a 50/50 debt-to-equity ratio.

Prepared by: JO

Sponsored by: Mark Dombroski

TIEC 7-5: Please provide all communications that Austin Energy has had with Fitch in the last year, including all communications regarding Fitch's recent rating action with respect to Austin Energy referenced in Mr. Dombroski's rebuttal testimony. To the extent the communications were not written, please provide a detailed description of them.

ANSWER: Austin Energy has compiled the responsive communications and is currently reviewing them to determine if any contain confidential customer information, competitive matters under Texas Government Code Section 552.133, and/or critical infrastructure matters under Texas Government Code Section 418.181. Austin Energy will supplement this response with all non-confidential, responsive communications as soon as it can.

Prepared by: TD

Sponsored by: Thomas Brocato