Independent Consumer Advocate (ICA)- John B. Coffman

The City of Austin utility rate-making procedure for Austin Energy rate cases provides for an ICA to represent <u>residential</u> and <u>small business</u> interests.

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Utility Rate-making Steps

The ICA Examined the following Rate Case Issues:

1. Revenue Requirement (Overall Increase)
2. Allocation of Cost to Customer Classes
3. Spreading Increase to Customer Classes
4. Residential Rate Design

1. Overall Rate Increase

- AE Revised Revenue Increase Proposal is currently **$35.7 Million** Overall
  - <u>$43 Million to Residential Class</u>
- Independent Hearing Examiner (IHE) Proposal **$31 Million**
- ICA Recommended Revenue Increase

  $6.5 Million

2 & 3: Allocation of Costs and Distribution of Cost to Various Customer Classes

- AE and the IHE recommend a rate design that puts more cost onto residential and small business consumers
- ICA Proposed Class Allocation More Favorable to Residential Customers
- Large Commercial Customers proposes a much worse allocation for Residential Customers

4. Residential Rate Design

Current: $10 fixed customer charge with 5 Tier inclining usage Rates

AE Proposed: $25 fixed customer charge (150% increase) with 3 Tiers and stated intent to flatten inclining usage rates.

ICA Proposed: Keep charge at $10, or increase it no more than the overall increase percentage, with 4 tiers.

Fixed Customer Charge

- ICA Opposes AE's 150% increase in customer charge as excessive and regressive. AE's current $10.00 customer charge is not unreasonable compared to Texas PUC average allowed customer charge of $7.44.
- AE's current $10.00 customer charge is approximately the same as the other two large municipal electric utilities in Texas (San Antonio and Lubbock).
- High customer charges are detrimental to low usage customers and reduce the ability of customers to control their bills.
- High customer charges inhibit energy efficiency because charges are incurred without regard to usage.

Comparison of AE v. ICA rate design impacts for Residential customers at varying usage levels

	ICA-Proposed Rate Design		AE Rate Design IHE Rev	
kWh	Increase	Percent	Increase	Percent
375	$ 0.59	1.56%	17.71	46.9%
625	$ 1.24	2.07%	16.73	27.9%
Average Usage 875	$ 2.30	2.67%	$ 11.95	18.9%
1,625	$ 0.88	0.49%	(14.4)	-8.1%
3,250	$ 4.34	1.04%	(105.1)	-25.3%