

## THE RESPONSE TO EXCEPTIONS

Another example is the industrial consumers’<sup>2</sup> proposal to allocate production-demand costs using the A&E 4CP method. This is not an unreasonable position. Austin Energy has been and is expected to remain a summer-peaking utility. As noted by the industrial consumers, ERCOT uses a 4CP method to allocate transmission costs throughout the ERCOT market. TIEC offered

testimony that the highest costs within ERCOT match the highest summer demand.<sup>3</sup> The participants' various positions on production demand and distribution demand reflect the different interests each party seeks to promote. Should the Austin City Council reject the IHE's recommendations and adopt the industrial consumers' A&E 4CP and 1NCP methods, there is support in the record for those proposals. The IHE, however, continues to support Austin Energy's positions on both allocation methods.

Certain parties excepted to presumed inconsistencies in the Final Report. For instance, on the allocation of distribution demand costs, NXP, which supports a 1NCP approach, excepted to the IHE's assertion that building a distribution system to meet maximum demand is a reliability measure, but not determinative of the cost allocation method.<sup>4</sup> NXP pointed out that the Base Rate Package includes a statement that "... class maximum demands are used to allocate distribution costs."<sup>5</sup> The IHE's position is that all distribution systems are (or should be) designed to meet maximum demand as a matter of reliability. And while that peak in demand may be a cost driver, it does not mean that a utility like Austin Energy is required to use the 1NCP approach. Instead, Austin Energy and other municipally-owned utilities may opt to use a 12NCP method. Again, it is reasonable for an industrial consumer to support a 1NCP method.

TIEC also noted that the IHE's recommendation to adopt the ICA's average demand method over Austin Energy's 12NCP method for distribution load dispatch expense is internally inconsistent with the IHE's other cost allocation recommendations. Although TIEC disagrees with using a 12NCP approach, TIEC explained:

... AE's proposal to allocate distribution load-dispatching expense based on the same 12-NCP allocator is at least internally consistent. To adopt a 12-NCP allocator for distribution-demand costs (over the objections of TIEC and other industrial customers) but then also change the allocator for distribution load-dispatching expenses to average demand (which also shifts costs to industrial customers) would implicate precisely the type of "costly inconsistencies" that the IHE warned against.<sup>6</sup>

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<sup>3</sup> NXP Exceptions at 9; citing Final Report at 77.

<sup>4</sup> NXP Exceptions at 11; citing Final Report at 80.

<sup>5</sup> NXP Exceptions at 11; citing AE Ex. 1 at 57.

<sup>6</sup> TIEC Exceptions at 12.

TIEC is correct that this recommendation is inconsistent with similar Austin Energy cost allocation methods. As indicated in the Final Report, for consistency, the IHE recommends City Council retain the 12NCP cost allocation method for load dispatch expense.

Finally, the ICA and SCPC-Sun<sup>7</sup> recommend the Final Report be amended or that certain issues be remanded to the IHE for additional consideration. The IHE respectfully suggests that the Final Report is just that. It is a static document and should not be revisited. The City Council may agree or disagree with the IHE's recommendations without amending the Final Report. While SCPC-Sun's remand request differs from a request to revise the Final Report, if City Council determines that the impact of the Inflation Reduction Act should be taken into account, the IHE believes this is better left to independent expert analysis and negotiations of the participants, as opposed to the contested case process. Having said that, the IHE will endeavor to satisfy any of City Council's requests for additional analysis.



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Travis Vickery  
Impartial Hearing Examiner

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<sup>7</sup> Sierra Club, Public Citizen, and Solar United Neighbors.