AUSTIN ENERGY	§	**BEFORE THE**
	§	
2022 BASE RATE REVIEW	§	**CITY OF AUSTIN**

Filed: November 8, 2022

JOINT CONSUMER ALTERNATIVE PROPOSAL

The following parties hereby propose an alternative electric rate plan, reflecting a compromise position among themselves. We believe that the alternative proposal contained herein is a just and reasonable method of setting rates for Austin Energy and for its consumers:

Respectfully submitted,

JL B Coffman

Independent Consumer Advocate

/s/ Benjamin B. Hallmark
Texas Industrial Energy Consumers

/s/ J. Christopher Hughes
NXP Semiconductors

/s/ Joshua Smith
Sierra Club, Public Citizen, and
Solar United Neighbors (SC-PC-SUN)

/s/ Lanetta M. Cooper
2WR

/s/ Eric Goff
Solar and Storage Coalition (SSC)

/s/ Trey Salinas
Coalition for Clean Affordable
and Reliable Energy (CCARE),

I. Introduction

The majority of active consumer and environmental groups participating in Austin Energy's base rate review have decided to join a common proposal, the **Joint Consumer Alternative**. Specifically, the parties joining this proposal are: the Independent Consumer Advocate (ICA), Texas Industrial Energy Consumers (TIEC), NXP Semiconductors, Sierra Club, Public Citizen and Solar United Neighbors (SC-PC-SUN), 2WR, Solar and Storage Coalition (SSC), and Coalition for Clean Affordable and Reliable Energy (CCARE), (collectively, the "Joint Consumers").

These parties represent a broad range of interests, from residential customers, to industrial customers, to environmental groups. While these parties have taken divergent positions on many issues during this rate review, they have decided to set their differences aside and support this Joint Consumer Alternative.[1] The Joint Consumer Alternative would be a comprehensive resolution to this case, including on revenue-requirement, revenue distribution to classes, and rate design issues.

As a result of extensive negotiations, the Joint Consumers have agreed to adopt the following compromise position. This proposal provides a significant annual revenue increase to Austin Energy, provides a fair compromise for allocating the new revenue requirement to the various customer classes, and applies the residential rate increase in a manner that does not cause undue rate shock to any particular subgroup of household customers, while maintaining Austin Energy's progressive inclining block rate design.

Unlike Austin Energy's proposal, the Joint Consumer Alternative represents a reasonable approach based in compromise. As explained in greater detail below, the proposal does not adopt any of the Joint Consumers' advocacy positions in full.[2] The details of the proposal are set out below, and the Joint Consumer Alternative itself is **Attachment 1** to this document. **Attachment 2** is a document showing the proposed residential rate design.

The Joint Consumers note that this proposal represents substantial compromise among themselves, and they respectfully ask that Council consider it as whole.

II. Revenue Requirement

- Revenue requirement is the total amount of revenue the utility's base rates are set to collect in a year.
- The Joint Consumers Alternative would allow Austin Energy to increase its base rates by $12 million annually.
- The $12 million increase represents a significant compromise from the ratepayer

[1] Joint Consumers note that they have attempted to negotiate a resolution to this case with Austin Energy, but have been unable to do so.

[2] Each of the Joint Consumers submitted position statements and/or testimony and briefing supporting the positions that they took in this case prior to the Joint Consumer Alternative. The most recent statement of these positions are the exceptions to the IHE Final Recommendation, which were filed on September 26, 2022.

perspective, given the combined positions of the parties in this case.

- The ICA alone recommends disallowances that would result in an increase of only $6 million. This does not include the IHE's recommendation to reject Austin Energy's proposal to charge ratepayers for a $120 million General Funds Transfer (despite the fact that the actual GFT for the test year was only $114 million).[3]
- The parties recommend numerous other adjustments to Austin Energy's revenue requirement, which, if combined, would result in a substantial rate decrease.
- Joint Consumers note that it is very common for a utility to receive a lower revenue requirement than it requested in a base rate case or review. For example:
    - In a 2018 Public Utility Commission of Texas (PUCT) case, Oncor agreed to a settlement under which its revenue requirement was set almost $200 million lower than it had originally requested.[4]
    - In a 2021 case, the PUCT ordered that SWEPCO's requirement revenue requirement would be roughly $51 million lower than it had requested.[5]
    - In a 2022 PUCT case, El Paso Electric agreed to a settlement under which its revenue requirement was set roughly $35 million lower than it had originally requested;[6] and
    - In the settlement of Austin Energy's own 2016 base rate review, the Council approved a revenue requirement that was $25 million lower than Austin Energy originally requested.

III. Revenue Distribution

- Revenue distribution is the process through which the utility's approved revenue requirement is allocated to the various rate classes.
- Joint Consumers have agreed on the revenue distribution set forth in paragraph 9 of the Joint Consumer Alternative (Attachment 1 to this document).
- The Joint Consumers Alternative would result in an increase to the residential class that is less than half of what Austin Energy requested in its application as filed in

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[3] IHE Final Recommendation at 34.

[4] *Application of Oncor Electric Delivery Company LLC for Authority to Change Rates*, Docket No. 46957, Order at FoF 24 (Oct. 13, 2017) (available at: https://interchange.puc.texas.gov/Documents/46957_452_957944.PDF) (showing a base-rate revenue approval of $198,785,957 less than Oncor's original request).

[5] *Application of Southwestern Electric Power Company for Authority to Change Rates*, Docket No. 51415, Order at 1 (Jan. 14, 2022) (available at: https://interchange.puc.texas.gov/Documents/51415_705_1180622.PDF) (showing SWEPCO request a revenue requirement of $451,529,538 and the Commission approve a revenue requirement of $400,742,913).

[6] *Application of El Paso Electric Company to Change Rates*, Docket No. 52195, Order at (Sept. 15, 2022) (available at: https://interchange.puc.texas.gov/Documents/52195_620_1238994.PDF) (showing EPE originally requested a base-rate revenue increase of $41.8 million, which was reduced to a base-rate revenue increase of $5.149 million).

this case.

- The Joint Consumers Alternative approach represents a compromise in the range of the proposals in this case.
- For example, the ICA proposed that the residential class should receive a rate increase roughly consistent with the system average rate increase.
- On the other hand, TIEC and NXP submitted testimony indicating that under cost-allocation methodologies commonly employed at the Texas Public Utility Commission, the Primary ≥ 20 MW HLF class would be due a rate decrease of over 25%.
- Further, the IHE agreed with TIEC and NXP's proposal to implement a Primary Substation rate,[7] which would have by itself resulted in a much larger rate decrease for that class than what is included in the Joint Consumers Alternative.
- As a compromise, however, the Joint Consumers have agreed to treat all of the large commercial and industrial classes the same in this proposal, while minimizing the rate increase to the residential class.

Outside the City Rates

- The current rates for residential customers residing outside the city limits shall remain the same.

IV. Residential Rate Design

- The inside-the-city residential rate design will be set as proposed by the Independent Consumer Advocate (ICA), and as detailed in Attachment 2. This proposal is designed to move residential rates in the direction desired by Austin Energy, but with moderation.
- The ICA believes that Austin Energy's proposed rate structure for residential customers would likely cause dramatic rate shock for many Austin households. Unless properly mitigated as the Joint Consumers propose, the combined impact of the utility's base rate proposals would be felt most severely by *low usage customers*, with percentage impacts as high as 50%.
- The fixed monthly residential customer charge would be increased to **$12.00**. This is a 20% increase in this fee, as compared to Austin Energy's proposed 150% increase ($25.00).
- The current 5 tiers of inclining block rates will be reduced to 4 tiers, under the terms as proposed by the ICA.
- This Joint Consumer proposed rate design will prevent "rate shock" and avoid radically divergent impacts on different usage groups.
- This Joint Consumer proposal will preserve the progressive incentive to conserve

[7] IHE Final Recommendation at 85-87.

energy and will continue to favor energy efficiency.

V. Other Rate Design issues

- Line Loss Study: The IHE recommended that Austin Energy work with industrial customers to address the issue that Austin Energy's line loss study uses demand loss factors that are derived from energy losses.[8] The Joint Consumer Alternative would provide a path forward on that issue and recommends that a new loss study be provided for the next base rate review.
- Primary Substation Rate: The IHE agreed with TIEC and NXP's recommendation that a Primary Substation Rate be adopted for Primary ≥ 20 MW HLF customers who do not use the looped distribution network.[9] However, as discussed above, as a compromise, the Joint Consumer Alternative requires that Austin Energy develop and propose a Primary Substation rate as part of its next base rate review.
- Transmission Service: TIEC raised the issue in this case that Austin Energy should create a tariff to allow industrial customers to purchase the facilities necessary to transition from distribution service to transmission service. Austin Energy itself has indicated that it is open to exploring a pathway for these customers to upgrade to transmission service.[10] The Joint Consumer Alternative would simply create a timeline for Austin Energy to provide that pathway.

VI. Value of Solar and Environmental Issues

- SC-PC-SUN raised concerns in this case regarding Austin Energy's proposed changes to the Value of Solar tariff. However, as a compromise, the Joint Consumers Alternative would adopt Austin Energy's Value of Solar methodology as adopted by the Impartial Hearing Examiner in his Final Recommendation, with the exception that Value of Solar Societal Benefits will continue to be collected through the Power Supply Adjustment.
- Under the Joint Consumers Alternative, Austin Energy will also base the avoided energy cost portion of the Value of Solar rate on a rolling five-year average, but would update the avoided cost assessment annually and commits to reevaluate all aspects of the Value of Solar rate every three years in a transparent, public, stakeholder process, as described in the proposal.
- Upon approval of the Value of Solar tariff, Austin Energy will initiate a public stakeholder process to develop a standard offer program for local distributed community solar. This process will include periodic updates to the EUC and RMC for review and feedback, with the intention of developing a program to be effective by October 1, 2023.

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[8] IHE Final Recommendation at 92-93.

[9] IHE Final Recommendation at 85-87.

[10] Austin Energy's Exceptions to the IHE Final Recommendation at 11.

- The Joint Consumers Alternative approach represents a fair compromise that adopts Austin Energy's proposed Value of Solar methodology, including mostly adopting the proposed cost-recovery mechanisms, and the approach also allows for a collaborative process for reevaluating the tariff.

Resource Planning and Fayette

- Austin Energy's capital and operations and maintenance costs are part of the utility's revenue requirement and collected through base rates.
- In this proceeding, SC-PC-SUN, raised concerns about the reasonableness of those spending decisions, especially in light of the City's goal of retiring Fayette at the end of 2022, and the impending environmental compliance costs associated with the continued operation of the plant.
- The Joint Consumers Alternative would allow Austin Energy to recover all of its test year capital and operation and maintenance expenses for Fayette, but would require the utility to work with the Electric Utility Commission and interested stakeholders to conduct a comprehensive update to the utility's Resource Plan, and evaluating, among other things, the economics of the Fayette power plant and the timeline for retirement in light of the Inflation Reduction Act and changes to the ERCOT market.

The Joint Consumer Alternative

1. Revenue Requirement and Revenue Distribution: Austin Energy's revenue requirement shall be increased by $12 million and the revenue distribution to classes shown below in paragraph 9 shall be implemented.

2. Residential Rate Design:

   a. No change to residential rates outside the city limit.

   b. Residential Customer Charge is increased to $12.00.

   c. The current 5 tier structure is changed to 4 tiers as follows:
   Tier 1 0 – 500; Tier 2 501 – 1300; Tier 3 1301 – 2500. Tier 4 Over 2500.

   d. The inside-the-city residential rates shall be re-calculated at 4 tiers, per the ICA rate design proposal above.

3. Line Loss Study: Austin Energy shall conduct a new System Loss Study (Line Loss Study) to derive both peak demand and energy loss factors by service level (transmission, substation, primary, and secondary) prior to the next base rate review. The peak demand loss factors shall be used to develop the demand allocation factors in the next base rate review. The energy loss factors shall be used to develop the energy allocation factors in the next base rate review and the voltage adjustment factors in the Power Supply Adjustment

4. Primary Substation Rate: Austin Energy shall develop a Primary Substation rate consistent with the analysis in the IHE report and propose it as part of its rate filing package in its next base rate review, at which point it would be subject to review.

5. Transmission Service: Austin Energy shall provide a pathway for Primary ≥ 20 MW HLF customers to purchase the facilities necessary to upgrade to transmission service. Austin Energy shall provide this pathway no later than 1 year after the Council action approving the rates set in this base rate review.

6. Value of Solar:

   a. The parties agree to the adoption of Austin Energy's Value of Solar rate and methodology as proposed in its Base Rate Filing Package and as adopted by the Impartial Hearing Examiner in his Final Recommendation, with the exception that Value of Solar Societal Benefits will be collected through the PSA. Cost recovery for the Societal Benefits will be subject to review in Austin Energy's next base rate review.

   b. Austin Energy will base the avoided costs of the Value of Solar rate on a rolling five-year average.

   c. Austin Energy will engage a qualified third party with experience in calculating the value of local distributed solar energy to facilitate a collaborative, public stakeholder review process and analysis to identify avoided and incurred costs that are not captured in the methodology approved in this case, propose changes to the methodology as appropriate, and develop a Policy Driven Incentive (PDI) component of the VoS tariff. This process will begin no later than January 2025 and conclude by December 2025 and will take place every 3 years and include periodic updates to the EUC and RMC for review and feedback. Future battery adoption and utilization policy goals may influence the development of a time-based PDI, incentives, or new rate designs to enable goal achievement. Value of Solar methodologies will be subject to review in Austin Energy's next base rate review.

d. Upon approval of the Value of Solar tariff, Austin Energy will initiate a public stakeholder process to develop a standard offer program for local distributed community solar. This process will include periodic updates to the EUC and RMC for review and feedback, with the intention of developing a program to be effective by October 1, 2023.

7. Resource Planning and Fayette. Austin Energy will work with the Electric Utility Commission and interested stakeholders to conduct a comprehensive update to the utility's Resource Plan, and evaluating, among other things, the economics of the Fayette power plant and the timeline for retirement in light of the Inflation Reduction Act and changes to the ERCOT market. Austin Energy will initiate this collaborative process in 2023, which will involve the EUC and RMC and periodic stakeholder conferences. AE will issue a draft updated Resource Plan and accept stakeholder comments by October 2023. Austin Energy will file a final, updated Resource Plan to the Austin City Council for their consideration by first quarter 2024.

8. Additional Solar and Storage Issues: Austin Energy will commit to launch a stakeholder process that would consider the future development of a tariff and/or program that incentivizes solar + storage and explores how the use of microgrids with solar + storage can be incorporated into rates and processes.

9.

Class Base Revenue Changes

Description	Joint Consumer Proposal Change	% Change
Residential	$23,710,073	8.0%
Secondary Voltage < 10 kW	1,243,764	5.6%
Secondary Voltage ≥ 10 < 300 kW	(6,448,713)	-4.4%
Secondary Voltage ≥ 300 kW	(4,292,337)	-4.4%
Primary Voltage < 3 MW	(377,632)	-4.4%
Primary Voltage ≥ 3 < 20 MW	(1,083,322)	-4.4%
Primary Voltage ≥ 20 MW @ 85% aLF	(1,493,724)	-4.4%
Transmission	(35,290)	-4.4%
Transmission Voltage ≥ 20 MW @ 85% aLF	(186,632)	-4.4%
Total Excluding Lighting	**$11,036,187**	**1.7%**
City-Owned Private Outdoor Lighting	$868,645	40.6%
Customer-Owned Non-Metered Lighting	6,520	14.2%
Customer-Owned Metered Lighting	88,648	28.0%
Grand Total	**$12,000,000**	**1.9%**

ICA Residential Rate Design Applied To 12 Million System Base Revenue Increase

Paramters:	***$12.00 Customer Charge (20% increase)***
	4 Tiers
	Inside City $22.3 Million Increase
	Moderate bill impact by avoiding large increases at lower tiers and bill reductions at higher consumption

Estimated Bill Impact for Inside City (Non-CAP)

Annual kWh/Month	Avg. Bill	Increase	Percent Change
0	$ 12.00	$ 2.00	20.00%
125	$ 21.61	$ 2.36	12.26%
375	$ 41.02	$ 3.27	8.66%
625	$ 64.88	$ 4.84	8.06%
875	$ 93.26	$ 7.14	8.29%
1125	$ 121.64	$ 6.97	6.08%
1375	$ 152.48	$ 6.78	4.65%
1625	$ 189.07	$ 10.46	5.86%
1875	$ 225.66	$ 12.27	5.75%
2250	$ 280.54	$ 14.97	5.64%
2750	$ 358.90	$ 20.02	5.91%
3250	$ 442.44	$ 26.49	6.37%
3750	$ 525.98	$ 32.97	6.69%
4000	$ 567.75	$ 36.20	6.81%

Attachment 2

Development of Residential Rates

Inside City (Excluding CAP)

Customer Charge	**Billing Units**	**Rate/Mo.**	**Annual Revenues**	**Revenue Increase**	
Residential	4,596,624	$ 12.00	$ 55,159,488	$ 9,193,248	
Energy Charges					
Residential	**Billing Units**	**Rate**	**Annual Revenues**	**Revenue Increase**	
Proposed Tiers					
0-500 kWh	2,022,692,504	$ 0.03035	$ 61,392,914	$ 4,737,297	
500-1300 kWh	1,150,650,805	$ 0.06594	$ 75,874,050	$ 4,358,891	
1300-2500 kWh	292,135,393	$ 0.09813	$ 28,666,737	$ 3,176,274	
>2500 kWh	66,265,084	$ 0.12054	$ 7,987,666	$ 821,760	
Subtotal Energy Rates	3,531,743,785		$ 173,921,367	$ 13,094,221	
Sum of Customer & Energy Rates			**$ 229,080,855**	**$ 22,287,469**	**10.8%**