

Resolution of the Electric Utility Commission on Austin Energy's Base Rate Proposal

November 14, 2022

WHEREAS the Electric Utility Commission has been given the important task of reviewing proposed modifications to Austin Energy's base rates;

WHEREAS, Austin Energy released their proposed base rate package in April of 2022, proposing a significant increase on several customer classes, including residential and small business customers;

WHEREAS, a base rate proceeding was recently concluded before an Independent Hearings Examiner with filings of exceptions and briefs by some 10 parties to the Austin Energy base rate proceedings;

WHEREAS, Austin Energy's initial proposal would raise revenues and rates by approximately \$48 million, a proposal that was reduced by approximately \$13 million due to changes made by Austin Energy in the course of the proceeding, meaning the current Austin Energy proposal is to raise rates by approximately \$35.7 million;

WHEREAS, the Independent Hearings Examiner has recommended a smaller revenue requirement of approximately \$31.3 million, but also indicated a need to look at differential sales during the unique year of 2021 which might lower that recommended revenue requirement substantially;

WHEREAS, the Independent Consumer Advocate hired by the City has instead proposed a much smaller revenue increase of approximately \$6.5 million, with a much smaller impact on residential consumers;

WHEREAS, multiple parties including the IHE itself have raised concerns that Austin Energy's proposed residential rate design - which would increase the fixed monthly fee from \$10 to \$25 and flatten the incentive to conserve energy by reducing the number of tiers from 5 to 3 is a significant change to our residential rate design and could represent a shock to Austin Energy residential consumers, particularly those that are not protected by CAP;

WHEREAS, multiple parties have identified other potential savings that could reduce the revenue requirement significantly, including adjustments to recognize the uniqueness of the test year, which included both a major winter storm and a pandemic;

WHEREAS, the rising costs of shelter combined with rising utility costs most heavily impact those households with the lowest incomes and the thousands of eligible families that are not presently receiving CAP program benefits,

WHEREAS, the Austin City Council just approved new tariffs for the Power Supply Adjustment, Regulatory Charge and CBC, which collectively will increase the average residential bill by some \$15 per month over current charges, and adoption of the Austin Energy proposal could increase overall residential bills by at least another \$15 per month and potentially more depending on the individual customer;

RESOLVED, the Electric Utility Commission urges the Austin City Council to:

1. Reject the Austin Energy proposed base rate revenue increase of \$35.7 million and the IHE recommendation of \$31.3 million increase to Austin Energy's base rates;
2. Apply the rate making policies of gradualism and avoidance of rate shock for each customer class. Gradualism should be applied equally to classes that would receive a revenue (rate) reduction and to classes that would receive a revenue (rate) increase, under the adopted class revenue distribution approach.
3. Maintain the present residential rate structure of inverted block rates that encourage conservation. While reducing the number of tiers from five to four may be considered, as suggested by the Independent Consumer Advocate, any increase in the basic customer service fee should be limited to no more than 20%. A \$2 dollar increase in the monthly fee would on its own with no other changes generate approximately \$11.4 million in additional revenues for the utility.
4. Base AE's revenue requirement on the 2021 Test Year, but adjust it for known and measurable changes and weather normalization.
5. Adopt a Revenue Requirement of at least \$6.5 million as recommended by the ICA but no more than \$15 million, roughly half of the IHE's proposal;
6. Adopt a Revenue Distribution that would not increase the rates on any customer class more than 7.5%, such as the attached table (WorkPaper H-3.1.1) produced by Austin Energy for the EUC \$15 million scenario which limits the rate increase to 7.5% on any customer class. The table is illustrative of a possible cost allocation by rate class with a revenue increase of \$15 million limited to a maximum of 7.5 percent, but is not meant to be a specific recommendation from the EUC on cost allocation.
7. Consider adopting the Independent Consumer Advocates proposed residential rate design with the following scope:
 - a. Increase In-City Residential Monthly Customer Charges by no more than 20% or \$2,
 - b. Change the current 5 tier structure to 4 tiers as follows: Tier 1 (0 – 500); Tier 2 (501 – 1300); Tier 3 (1301 – 2500); Tier 4 (Over 2500).
 - c. Adopt tier rates similar to that proposed by the ICA, or such as (Tier 1 – 4) those attached in the scenario "WorkPaper H-3.1.1":
 - 0.03061 per Kwh
 - 0.06200 per Kwh
 - 0.09176 per Kwh
 - 0.11317 per Kwh

- d. The rates above can be scaled up or scaled down proportionally to achieve the residential target revenue requirement target adjusted for any higher customer charge.
8. Line Loss Study: Require Austin Energy to 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 case. The peak demand loss factors shall be used to develop the demand allocation factors in the next rate case. The energy loss factors shall be used to develop the energy allocation factors in the next rate case and the voltage adjustment factors in the Power Supply Adjustment.
 9. Primary Substation Rate: Require Austin Energy to 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.
 10. Transmission Service: Require Austin Energy to commit to providing a pathway for Primary > 20 MW HLF customers to purchase the facilities necessary to upgrade to transmission service. Austin Energy should be directed to provide this pathway no later than 1 year after the Council action approving the rates;
 11. Value of Solar Tariffs. Adopt the Austin Energy proposal in the Base Rate Filing Package, with the exception that the Value of Solar Societal Benefits should be collected through the PSA.
 12. Out of city customers. Maintain existing differences for revenues and rate structures for City of Austin customers, and those from other nearby communities with no additional cost-shifting.
 13. Direct the EUC to examine policies related to Austin Energy's Contribution in Aid of Construction (CIC) and consider ways to increase contributions from new growth and development to increase Austin Energy's revenues in future years.
 14. Instruct Austin Energy to develop a plan to expand access to more affordable electrical power for residential and small commercial vehicles, and consider how to equitably charge EV customers who charge at homes with low load factors.
 15. Instruct Austin Energy to consider the development of a tariff and/or program that incentivizes solar + storage and explore how the use of microgrids with solar + storage can be incorporated into rates and processes.
 16. Instruct Austin Energy to hire a third-party to update its 2015 non-nuclear decommissioning study to assess whether the proposed requirement of \$8 million per year is reasonable, or should be changed; and
 17. Instruct Austin Energy to work with the EUC to examine alternative enrollment methods for CAP enrollment including working with non-profit and taxpayer assistance entities to ensure that income eligible families are properly enrolled to the maximum extent possible.