Austin Energy

2022 Base Rate Case Review

Joint Consumers Alternative

November 9, 2022

SIERRA CLUB

SOLAR UNITED NEIGHBORS

PUBLIC CITIZEN

Sierra Club, Public Citizen, Solar United Neighbors ("SC-PC-SUN") Recommend Adoption of the Joint Consumers Compromise

The Joint Consumers' rate design proposal represents a reasonable and fair compromise that settles SC-PC-SUN Issues #1, #2, and #3, below. The Joint Compromise:

(1) Provides Austin Energy with a generous increase in revenue, securing its financial stability, while also protecting consumers from rate shock and continuing to advance the achievement of the City's energy conservation goals through rates and rate design. SC-PC-SUN Issue #1.

(2) Adopts Austin Energy's Value of Solar methodology, while also ensuring the fair allocation of costs among rate classes, rate stability for customer-sited generation, and a transparent process for periodically re-evaluating the benefits of distributed generation. SC-PC-SUN Issue #2.

(3) Establishes a transparent, collaborative, stakeholder process for a comprehensive update of Austin Energy's Resource Plan to evaluate the economics of the Fayette power plant and a timeline for retirement in light of the significant incentives and direct payments available under the Inflation Reduction Act. SC-PC-SUN Issue #3.

SC-PC-SUN Issue #1: The Joint Consumer Alternative Represents a Fair Compromise that Increases Austin Energy's Revenue While Advancing the City of Austin's Energy Efficiency and Solar Goals.

- AE's increasing the fixed charge from $10 to $25 will harm customers and cause rate shock to low usage customers, including low income, students, and energy efficient customers;
- AE's Proposed new residential rate design undermines incentives to conserve energy and incentives for distributed generation;
- Elimination of two highest tiers and flattening of remaining three tiers mean most residential consumers have significantly reduced financial incentive to use less energy;
- Proposed $25 fixed rate charge is much higher than any other municipal utility in Texas (e.g. CPS Energy [San Antonio] or Lubbock) and provides no incentive to conserve;
- **The Joint Proposal provides a $12 million revenue increase; increases the Residential customer charge to $12; and changes the 5-tier Residential structure to a 4-tier structure calculated per the ICA's rate design. These terms give AE revenue stability while mitigating rate shock and preserving price signals for energy efficiency and conservation.**

SC-PC-SUN Issue #2: The Joint Consumer Proposal Adopts Austin Energy's Value of Solar Methodology, While Ensuring Fair and Predictable Compensation for Customer-Sited Generation, and a Transparent Process for Reevaluating the Benefits of Distributed Generation

- AE's proposed changes are inconsistent with the City's commitment in the 2030 *Plan* to reach 200 MW of local customer-sited solar.
- AE's proposed backward-looking method undervalues 25+ year investments by residents and businesses in clean, local rooftop generation, made on forward-looking cost.
- AE's revised credit values roof-top solar generators as it would commercial/wholesale producers, not as long-term residential investors.
- AE's method undervalues, ignores, and marginalizes environmental benefits, avoided emissions, distribution, capacity, long-term generation, transmission, and local resilience benefits.
- AE's promised performance-based incentive is vague and undefined and a step backwards toward hard-to-manage incentives.
- **The Joint Proposal collects societal benefits in the PSA; determines avoided costs on a rolling 5-year average; requires AE to hire a qualified third party to facilitate a collaborative, public stakeholder review, updating the EUC and RMC, of costs and methodology in 2025, repeated every 3 years.**

<u>SC-PC-SUN Issue #3:</u> The Joint Consumer Alternative Establishes a Transparent, Collaborative Process for Updating Austin Energy's Resource Plan and Furthering the City's Goal of Retiring the Fayette Power Plant

- The City's *Resource, Generation, and Climate Protection Plan to 2030* establishes a goal to exit Fayette by the end of 2022. Continued capital expenditure on Fayette past 2022 is antithetical to City's commitment in the *Plan* to eliminate carbon and pollutants in its electric generation.
- Although Austin Energy is spending millions in capital and operations and AE provided no evidence in the record addressing prudence of continued use. AE incorrectly claims that it must continue to pay Fayette capital expenses, when, in fact, AE has a 50% vote on the Fayette Management Committee.
- The recent passage of the IRA of 2022 offers unique opportunities to lower costs moving forward on renewable energy and in retiring coal assets that should be considered.
  - Transferable 30% tax credit through 2032 for solar, wind, battery resources
  - Tax credit bonuses or adders for resources built in "energy communities," with domestic parts, or low-income communities. Sections 13101-03.
  - Direct financing and guarantees for transitioning coal generation. Section 50114
- **The Joint Alternative requires AE to initiate and conclude in 2023-2024 (with the EUC and stakeholders) a comprehensive update of AE's Resource Plan, to consider the economics of Fayette and the timeline for Fayette retirement in light of the IRA and changes in the ERCOT market.**