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
 - \$43 Million to Residential Class
- ICA Recommended Revenue Increase

\$6.5 Million

Joint Consumer Alternative

\$ 12 Million

• What are the ICA revenue requirement issues?

Items that are not "Known and Measurable":

• 311 Call Center 5.3 Million

Heavy Equipment Leases
 7.3 Million

Facilities Rental write-off (SWB dispute)
 1.8 Million

Test Year data not Representative

Uncollectible Expense
 1.3 Million

Winter Storm Uri and Covid Expenses
 3.0 Million (compromise)

• Late Fees 1.05 Million

Intergenerational Inequity

Non-Nuclear Decommissioning
 6. 0 Million

• Rate Case Expense 238,000

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
- Joint Consumer Alternative: See Attachment 1.

4. Residential Rate Design

<u>Current</u>: \$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.

<u>ICA Proposed</u>: Keep charge at \$10, or increase it no more than the overall increase percentage, with 4 Tiers.

<u>Joint Consumer Alternative</u>: Implements the ICA rate design.

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 nearly the same as the other two large municipal electric utilities in Texas (San Antonio and Lubbock).

Customer Charge (cont.)

- 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. High fixed charges mean that consumers will lose out on full benefits of energy conservation.
- High fixed charges are unpopular (lacks "public acceptability" factor).
 See public comments.

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

		·Proposed · Design		AE Rate Design IHE Rev	
kWh	Incre	ease	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%