

AUSTIN ENERGY'S TARIFF PACKAGE: §  
2015 COST OF SERVICE STUDY §  
AND PROPOSAL TO CHANGE BASE §  
ELECTRIC RATES §

BEFORE THE CITY OF AUSTIN  
IMPARTIAL HEARING EXAMINER

### AE LOW INCOME CUSTOMERS' MOTION TO INTERVENE

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This Motion to Intervene ("Motion") is being filed by AE Low Income Customers (the "Party"). The Party is a group of low income Austin Energy customers who receive electric service under AE's residential service tariff and is entitled to be an intervenor in this proceeding.

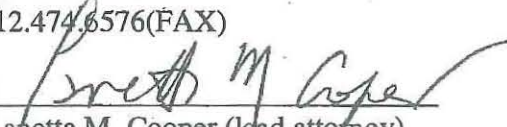
The Party has reviewed Austin Energy's Tariff Package and believes that the Impartial Hearing Examiner should address the following issues:

See Attachment A, list of issues

All documents related to this proceeding should be emailed to the Party at the following email addresses: [lcooper@tlsc.org](mailto:lcooper@tlsc.org); [oyesapa@yahoo.com](mailto:oyesapa@yahoo.com); and [rchapman@tlsc.org](mailto:rchapman@tlsc.org).

Respectfully Submitted

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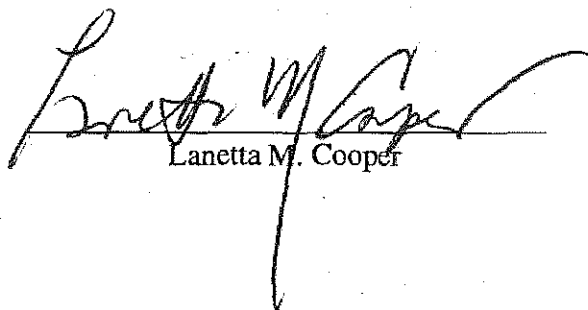
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AUSTIN ENERGY

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### **CERTIFICATE OF SERVICE**

The undersigned certifies that TLSC has served a copy of the attached document upon all known parties of record by email and to the Impartial Hearing Examiner on the 10<sup>th</sup> day of February 2016



Lanetta M. Cooper

## **ATTACHMENT A**

### **LIST OF ISSUES**

#### **RATE-CHANGE REQUEST**

1. What revenue requirement will give the utility a reasonable opportunity to earn a reasonable return on its invested capital used and useful in providing service to the public in excess of its reasonable and necessary expenses?
2. What is the reasonable and necessary cost of providing electric service calculated in accordance with PURA and Commission rules?
3. What adjustments, if any, should be made to the utility's proposed test-year data?

#### **INVESTED CAPITAL-RATE BASE AND RETURN**

4. What is the appropriate method to calculate the return component for the utility's rates?
5. Is it necessary to calculate an effective return for the utility to be used, and if so, what is the appropriate effective return and what is the original cost of the property used and useful in providing service to the public at the time the property was dedicated to public use and the accumulated depreciation on that property that should be used to calculate this return?
6. Under the cash-flow method, what are the utility's reasonable and necessary cash needs for the provision of utility services in the following categories:
  - a. Debt service (including principal and interest) for long-term and short-term debt;
  - b. Funding of reserve requirements on both long-term and short-term debt as set forth in revenue bond and debt ordinance;
  - c. Annual payments for transfers to the city's general fund at rates established by the utility's governing authority, to the extent such amounts are not recovered through other elements of the cost of service;
  - d. Capital lease payments and finance lease payments;
  - e. Annual payments to provide internally generated funds for construction, system improvements, and repair and replacement;
  - f. Credits, if any, from non-regulated activities, including activities characterized by Austin Energy as non-electric activities, funded with ratepayer funds; and
  - g. Any other appropriate category?
7. Was all of the utility's invested capital that was the basis for any part of the utility's reasonable cash needs used and useful in the provision of utility services?
8. How, if at all, should the factors specified in PURA §36.052 and P.U.C. SUBST. R. 25.23(c)(1) impact the utility's reasonable cash needs?
9. What is the appropriate debt-to-equity capital structure for the utility?
10. What amount, if any, of the utility's invested capital used to determine the utility's reasonable cash needs has not previously been subject to a prudence review? If there are any such amounts, what are the amounts for what facilities, property, or equipment was the investment made, and were the amounts prudently incurred? What amounts, if any, of allowance for

funds used during construction (AFUDC) is being transferred to invested capital in this proceeding? If AFUDC is being transferred, for what facilities and at what rate was the AFUDC accrued?

11. Did any of the utility's invested capital arise from payments made to an affiliate? If so, for each item or class of items, does the payment conform to the requirements in PURA §35.058?
12. Is the utility seeking the inclusion of construction work in progress in its reasonable cash needs? If so,
  - a. What is the amount sought and for what facilities? and
  - b. Has the utility proven that the inclusion is necessary to the financial integrity of the electric utility and that major projects under construction have been efficiently and prudently planned and managed; or
  - c. For transmission investment required by the Commission rule under PURA §39.203(e), do conditions warrant the inclusion of construction work in progress for such transmission investment?
13. Does the utility have a self-insurance plan? If so, what is the target amount for the reserve account and is it appropriate to change that amount? In addition, what is the amount, if any, of any shortage or surplus for the reserve account for the plan and what actions, if any, should be taken to return the reserve account to the target amount?
14. What is the reasonable and necessary amount, if any, of the utility's contingency reserves?
  - a. What type of reserves, if any, should AE reasonably maintain?
  - b. For each reserve account:
    - i. At what revenue level should the reserve be set?
    - ii. How should that amount be allocated among the customer classes for recovery?
    - iii. How many years should the accrual of revenue take to reach the reserve level amount?
  - c. Given the existence of reserves, what is the proper operating balance?
  - d. Should the revenues for the reserves be recovered in base rates or in a rate rider?
15. What is the reasonable and necessary amount, if any, should AE reasonably maintain for: property insurance reserves, contributions in aid of construction, customer deposits, and other sources of cost-free capital? How, if at all, should these amounts impact the utility's reasonable cash needs?
16. What regulatory assets, if any, should be accounted for in determining the utility's reasonable cash needs? If included, what is the appropriate treatment of such regulatory assets?
17. What post-test-year adjustments for known and measureable changes to the utility's reasonable cash needs in its historical test-year data as a result of changes in the invested capital, if any, should be made? Do any such adjustments comport with the requirements of P.U.C. SUBST. R. 25.23(c)(2)(F)?
  - a. Does each addition comprise at least 10% of the electric utility's requested rate base, exclusive of post-test-year adjustments and construction work in progress?
  - b. Will each plant addition be in service before the rate-year begins?

- c. Have the attendant impacts on all aspects of the utility's operations (including but not limited to revenue, expenses, and invested capital) been identified, quantified, and matched?
  - d. For any post-test-year adjustments, what future filings, if any, should the utility be required to make to verify that the plant was placed in service before the rate year begins?
18. Has AE's provision of non-rate regulated services, including AE activities characterized as non-electric impacted the financial integrity of the utility?
- a. Has AE relied upon customer supplied funds (that is, revenues AE realized from its regulated activity of providing electrical service) for initiating and/or continuing (such as covering losses) its non-rate regulated services, including non-electric services? If so, how much of ratepayer funds has been so invested?
  - b. Has AE's non-rate regulated services, including non-electric services, unfairly benefited from the provision of its regulated services such as energy efficiency rebates and rate tariffs?
  - c. How has AE's provision of non-regulated services affected AE's cash flow, if any, since the initiation of the services?  
Has AE obtained favorable financing or purchasing for its non-regulated services because of a relationship with AE's regulated activities have with its non-rate regulated

#### **EXPENSES-OTHER THAN FUEL AND WHOLESALE MARKET EXPENSES**

- 19. What are the utility's reasonable and necessary operations and maintenance expenses excluding fuel and wholesale market expenses addressed in issues 36-49?
- 20. What are the reasonable and necessary administrative and general expenses?
- 21. What are the reasonable and necessary costs for shared services?
- 22. What are the reasonable and necessary costs for economic development?
- 23. What are the reasonable and necessary energy-efficiency program costs?
- 24. What are the reasonable and necessary rate case expenses? Does this amount include any anticipated expenses to appeal this docket?
- 25. What is the reasonable and necessary amount for assessments and taxes, if any?
- 26. What is the reasonable and necessary amounts for the utility's advertising expense, contributions, and donations?
- 27. What is the reasonable and necessary amount for nuclear decommissioning expenses, if any, calculated in accordance with Commission rules?
- 28. Is the utility seeking approval of a self-insurance plan or changes to an existing plan? If so,
  - a. Is the coverage provided by the plan in the public interest?
  - b. Does the plan provide a lower-cost alternative to purchasing commercial insurance? Will ratepayers receive the benefits of the savings?
  - c. What is the reasonable and necessary target amount for the utility's self-insurance reserve account?

- d. What is the reasonable and necessary amount of annual accruals to properly fund the self-insurance reserve account?
- 29. What are the reasonable and necessary post-retirement benefits, if any, calculated in accordance with PURA §36.065 and P.U.C. SUBST. R. 25.231(a)(1)(H)?
- 30. Has the utility made any payments for expenses to affiliates? If so, for each item or class of items, does the payment conform to the requirements in PURA § 36.058?
  - a. Are costs appropriately assigned to the utility and its affiliates?
  - b. Has the utility met the standard of recovery of affiliate costs under PURA § 36.058 and Commission requirements?
- 31. Are any expenditures unreasonable, unnecessary, or not in the public interest, including but not limited to executive salaries, advertising expenses, legal expenses, penalties and interest on overdue taxes, criminal penalties or fines, and civil penalties or fines?
- 32. What post-test-year adjustments for known and measureable changes to historical test-year for expenses, other than fuel and wholesale market expenses, if any, should be made? For any such adjustments, have all the attendant impacts on all aspects of a utility's operations (including but not limited to revenue, expenses, and invested capital) been identified with reasonable certainty, quantified and matched?
- 33. Has AE acted imprudently in its use of contracting for the provision of any of its services as opposed to providing the services in-house?
  - a. What are the costs and the benefits of providing services by contracting versus in-house?
  - b. Does the use of contracting impact AE's number of management employees? Has this cost been factored into the costs and benefits of providing services by contracting versus in-house?
  - c. Is AE's quality of service to its customers impacted by providing services through contracting as opposed to in-house?
- 34. Is AE's management to employee ratios reasonable and create reasonable and necessary expenses?
- 35. What AE resources has AE used in providing its non-rate regulated services, including non-electric services?
  - a. Have the resources AE utilized been properly identified and the costs properly quantified?
  - b. Has AE incurred operating losses in providing its non-rate regulated services, including its non-electric services?

#### **FUEL AND WHOLESALE MARKET**

- 36. Did Austin Energy's fuel adjustment charge properly account for all reasonable fuel (including transportation and hedging) and wholesale market (including power sales, power purchases, revenues and expenses resulting from ERCOT market instructions or reliability directives, and ERCOT and TRE fees and charges) expenses and revenues?



37. Did the fuel adjustment charge properly account for over- and under-recoveries from prior periods?
38. Will the costs to serve commercial customers taking service under special contracts be properly addressed to ensure there is no subsidy borne by non-special contract Austin Energy customers?
39. Does Austin Energy's power supply adjustment properly account for all reasonable fuel (including transportation and hedging) and wholesale market (including power sales, power purchases, revenues and expenses resulting from ERCOT market instructions or reliability directives) expenses and revenues?
  - a. What is the proper allocation of these amounts to rate classes?
  - b. What is the proper line-loss factor to use for each rate class?
  - c. Does the power supply adjustment properly account for over- and under-recoveries from prior periods that used the fuel adjustment charge?
  - d. Will the power supply adjustment properly account for over- and under-recoveries from prior periods that used the power supply adjustment?
40. Will Austin Energy's regulatory charge properly account for ERCOT and TRE fees and charges?
41. Were the utility's fuel and fuel transportation contracts prudently incurred and managed?
42. Were the utility's fuel inventories prudently managed?
43. Were the utility's hedging contracts prudently incurred and managed?
44. Was the utility's maintenance of its generation facilities prudently managed?
45. Did the utility take advantage of opportunities in the fuel and purchased-power markets to reduce costs, lessen price volatility, and enhance reliability?
46. Did the utility pay affiliates for fuel or purchased-power and, if so, did such payments for each item or class of items meet the requirements of PURA § 36.058?
47. Has the utility properly accounted for all fuel-related and wholesale market revenues?
48. What post-test-year adjustments for known and measureable changes to historical test-year data for fuel and wholesale market expenses and revenues, if any, should be made? For any such adjustments, have all the attendant impacts on all aspects of a utility's operations (including but not limited to revenue, expenses, and invested capital) been identified with reasonable certainty, quantified and matched?

#### **COST ALLOCATION, RATE DESIGN AND TARIFFS**

49. What are the just and reasonable rates calculated in accordance with PURA and Commission rules? Do the rates, including proposed discounts, comport with the requirements of PURA §§ 36.003 and 36.007 ?
50. What are the appropriate rate classes for which rates should be determined?
51. What is the appropriate rate treatment for those commercial customers taking service under special contracts that are immune from base rate changes in this docket?
52. What are the appropriate billing and usage data for the utility's test year?
  - a. What known and measureable changes, if any, should be used to adjust the test-year?
  - b. What changes, if any, are necessary to reflect abnormal weather conditions?

- c. Has the billing and usage data been adjusted to account for the rate decreases provided AE customers whose point of service is located outside the city limits of Austin, including the 3% rate decrease to the residential customers whose electrical service is located outside Austin city limits?
  - d. Has the billing and usage data been adjusted to reflect the changed rate design for residential customers whose electrical service is located outside Austin City limits?
  - e. Has the billing and usage data been adjusted to reflect the revenues AE realized from the Customer Assistance Program for its rates?
53. What are the appropriate cost allocations of the utility's revenue requirement among AE's customer classes?
- a. How should operations be functionalized?
  - b. Are AE's costs appropriately assigned to functions?
    - i. Are all costs that could be directly assigned, assigned properly?
    - ii. Are the allocations used to assign costs to functions done fairly and reasonably? Are there other allocations that are as fair and reasonable or even more fair and reasonable?
  - c. Are AE's classifications of costs for purposes of cost of service reasonable and fair?
  - d. Are AE's methods of allocating costs among the rate classes fair and reasonable?
    - i. Are there other cost allocation methods that are as fair and reasonable or more fair and reasonable?
  - e. What are the appropriate allocations of the utility's reasonable cash needs identified in response to issue 6 to functions and rate classes?
  - f. Are costs for shared services reasonably assigned between Austin Energy and other city departments?
  - g. What is the proper allocation of the fuel and wholesale market expenses and revenues to rate classes?
54. What is the proper line-loss factor to use for each rate class?
55. Do the rates, terms, and conditions in each of the utility's proposed tariffs comply with PURA and Commission's rules?
56. Should other rate riders be proposed? If so, should any of the proposed rate riders be adopted? If so, what are the appropriate costs to be recovered through the riders and what are the appropriate terms and conditions of the riders?
57. Does the utility have any existing rate riders that should be modified or terminated?
- a. What regulatory assets or other items are currently being recovered through rate riders?
  - b. Do the conditions and terms provide for a procedure that provides consistent implementation, rate adjustments and reviews?
58. Is the proposed prepaid servicer pilot tariff reasonable, fair, equitable and in the public interest?
59. Are the proposed new tariffs, including pilot tariffs reasonable, fair, equitable, in the public interest and not subsidized by any regulated customer rates?